Corporate Governance

Basic 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. To achieve the approach outlined in "Our Mission," we consider the strengthening and enhancement of corporate governance a top-priority issue as we pursue effective corporate governance.

Initiatives for Improving Corporate Governance

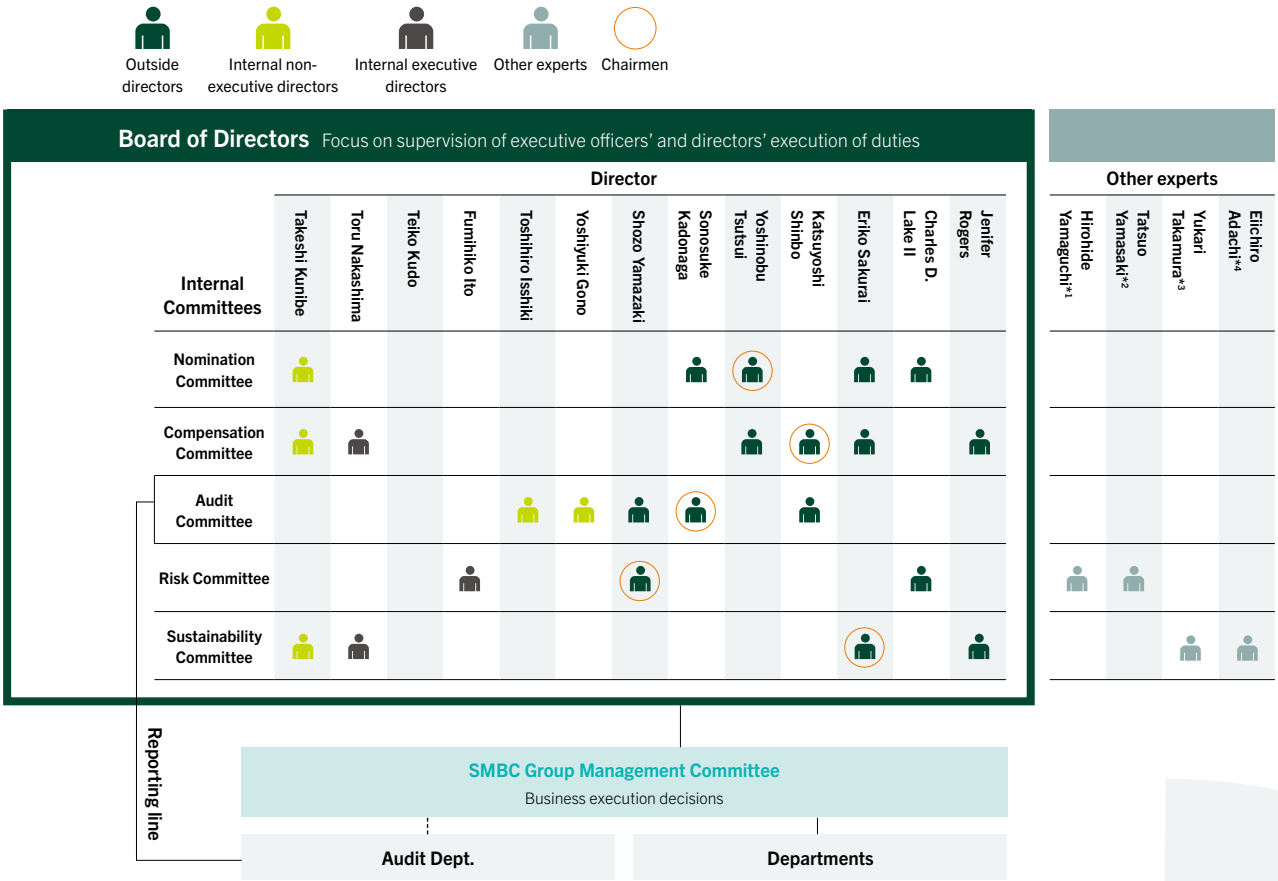
2002	• Establishment of Sumitomo Mitsui Financial Group ("the Company") • Establishment of voluntary Nominating Committee, Compensation Committee, and Risk Committee as internal committees of the Board of Directors
2005	• Establishment of voluntary Audit Committee as internal committee of the Board of Directors
2006	• Formulation of "Basic Policy on Internal Control Systems" through resolutions on internal control 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 to improve transparency of financial reporting, increase convenience for investors, and diversify fund procurement methods
2015	• Establishment of the "SMFG Corporate Governance Guidelines" • Increase in the number of outside directors to five and in the number of outside corporate auditors to three
2016	• 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 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
2024	• Change making outside directors a majority on the Board of Directors

Sumitomo Mitsui Financial Group's Corporate Governance System

SMFG Group employs the Company with Three Committees structure. This structure was adopted in order to build a corporate governance system that is globally recognized and is aligned with international banking regulations and supervision requirements, as well as to achieve enhanced oversight of the exercise of duties by the Board of Directors and to expedite the exercise of duties. 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 basic management policies and other matters that are within its legally mandated scope of authority, as well as overseeing the exercise of duties of executive officers and directors. Authority for decisions on execution of work other than decisions legally required of the Board of Directors will, in principle, be delegated to executive officers. The purpose of 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.

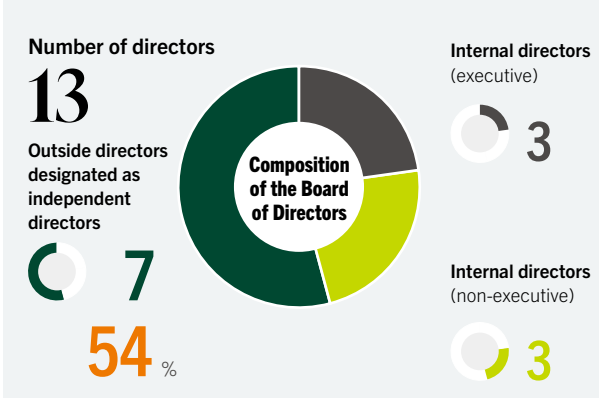
The Board of Directors is also responsible for establishing an environment that supports appropriate risk taking by executive officers. It is developing systems for ensuring the appropriateness of SMBC Group's business operations pursuant to the Companies Act and other relevant legislation in order to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

Composition of the Board of Directors

The Board of Directors is composed of directors of varied backgrounds and diverse expertise, experience, genders, and nationalities.

As of June 27, 2024, the Board of Directors is composed of 13 members. A majority of these, seven directors, are outside directors. The chairman of the Board 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 supervision of 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 request reports on compliance, risk management, and other matters from relevant departments to promote appropriate coordination and supervision.



Examples of matters discussed by the Board of Directors
• Progress of the Medium-Term Management Plan and business plans
• Global strategy/inorganic strategy
• Digitalization initiatives
• Human resources initiatives (Human capital investment)
• System strategy policy
• Global compliance
• Policy for equity holdings
• Focused supervision of SMBC Nikko Securities in light of the administrative action taken by the Financial Services Agency
• Initiatives to create social value (including sustainability promotion)
• Capital policy (ROE and PBR improvement)
• Response to geopolitical risks

Processes for the selection and dismissal of directors and executive officers

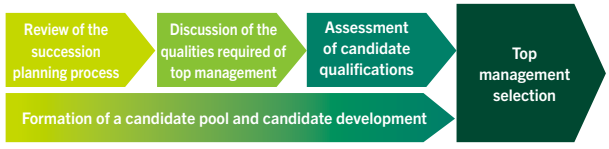
We expect our directors and executive officers to embody the values expressed in "Our Mission" at a high level, to possess a wealth of practical experience and high levels of ability and insight, and to contribute to the further development of SMBC Group. In selecting directors, the Nomination Committee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

See Reference 4 and Reference 5 in "SMFG Corporate Governance Guideline" for details.
https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf

Succession planning for top management

One of the matters discussed by the Nomination 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 time to systematically form 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 Nomination 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	2007	●	●	●	●	●	●	●
Toru Nakashima	2024	●	●	●	●	●	●	●
Teiko Kudo	2021		●	●	●			●
Fumihiko Ito	2023		●	●	●	●	●	●
Toshihiro Isshiki	2021		●		●			
Yoshiyuki Gono	2023		●	●	●			
Shozo Yamazaki	2017				●	●		
Sonosuke Kadonaga	2024	●		●	●			
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 the entirety 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 business activity information and insights that are necessary to supervise management while also providing them with the opportunities needed to fulfill their roles.

In FY2023, we carried out the initiatives indicated at right.

Study sessions on sustainability for directors

- 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 human resources measures in the Medium-Term Management Plan period and the businesses of Group companies
- Explanatory sessions on Board of Directors' meeting agenda items prior to board meetings to assist in the understanding of items
- Study sessions led by external experts on topics including sustainability, the use of generative AI, dialogues with shareholders, and diversity
- Timely and effective provision of information on the proceedings of internal meetings, etc. to outside directors
- Outside directors-only meetings

Outside Director Independence Standards

In order to be classified as independent, an outside director of the Company must not fall under, or have recently fallen under, any of the following categories:

❶ **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 the 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 the business of such an entity
❷ **Specialist**	• A legal expert, accounting expert, or consultant who has received money or other property from the Company or SMBC averaging over ¥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
❸ **Donations**	• A person who has received donations or other payments from the Company or SMBC averaging more than ¥10 million per year or 2% of the recipient's annual revenue, whichever is greater, over the last three years, or an executive director, officer, or other person engaged in the execution of business of an entity which has received the same
❹ **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)
❺ **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

See Reference 6 in "SMFG Corporate Governance Guideline" for details.
https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf

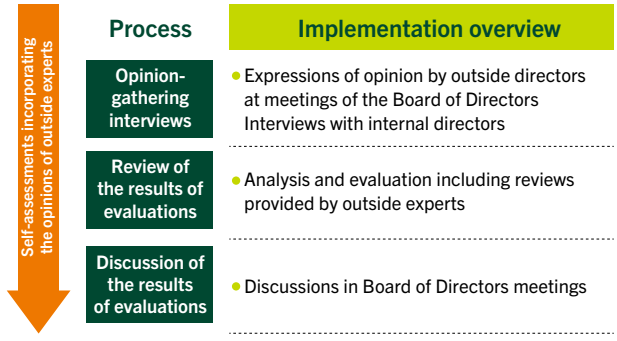
Internal Committees

	Main role	Number of meetings in FY2023 (average attendance rate)	Activities in FY2023
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. The committee also deliberates on matters regarding personnel decisions pertaining to officers of the Company and major subsidiaries and on the selection of successors to the presidents of the Company, SMBC, and SMBC Nikko Securities.	7 meetings (100%)	• Held ongoing discussions concerning succession planning for the president of the Company and the president of SMBC Nikko Securities, reaching consensus on the appointment of new presidents for both companies. • Deliberated on and reworked the composition of the Board of Directors to make outside directors the majority.
Compensation Committee	The Compensation Committee is responsible for setting 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. The committee also deliberates on policies for setting the compensation of the executive officers of major subsidiaries and the compensation amounts of individual executive officers of the Company.	7 meetings (100%)	• Conducted a review of the balance between variable and stock-based compensation for executive officers of the Company and SMBC to motivate officers to further contribute to the Medium-Term Management Plan. • Conducted a review of target indices for the single-year variable compensation of executive officers of the Company, taking into account the increasing degree of contribution by subsidiaries other than SMBC within SMBC Group.
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 the committee perform audits of the operations and assets of the Company and its subsidiaries.	15 meetings (100%)	• In accordance with audit policy and audit plans, audited the execution of duties by directors and executive officers by attending key meetings, interviewing executive officers and directors, receiving reports from internal departments, and visiting domestic and overseas offices. • Provided summaries of the results of deliberations in the Audit Committee 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, operation of the Risk Appetite Framework, and implementation of risk management systems, as well as other important matters pertaining to risk management, and provides counsel to the Board of Directors on these matters.	4 meetings (100%)	• Held deliberations on environmental and risk recognition, including geopolitical risks and trends in monetary policy across Europe, the U.S., China, and Japan. • In preparation for formulating business plans, discussed risk appetite and policy for addressing risk scenarios when they materialize, based on the top risks and stress test results. • Also engaged in deliberation on the enhancement of SMBC Group's risk management structure, including the strengthening of global-based risk management, reputational risk management, and operational resilience.
Sustainability Committee	The Sustainability Committee is responsible for deliberating on matters related to the progress of measures to create social value including promotion of sustainability and materiality initiatives, matters related to domestic and overseas conditions surrounding sustainability, and other important matters related to the creation of social value. It regularly reports to, and advises, the Board of Directors.	2 meetings (100%)	• Reviewed the Company's overall sustainability efforts and the external environment, deliberated on actions to accelerate initiatives related to creating social value, and deliberated on key considerations and directions concerning focus areas in FY2024.

Evaluation of the Effectiveness of the Board of Directors

The "SMFG Corporate Governance Guideline" contains provisions on evaluating the effectiveness of the Board of Directors. In accordance with these provisions, the Board of Directors conducts annual analysis and evaluation to determine whether it is executing its duties in line with the guideline, and discloses the findings of these.

In FY2023, the evaluation focused on the three areas described below, 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 2024, with interviews of internal directors 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 the Board of Directors is executing its duties in line with the "SMFG Corporate Governance Guideline." Reviews by knowledgeable experts from developed nations are received at each stage of the evaluation process.



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

In FY2023, the Board of Directors was assessed to be sufficiently effective and to have improved its effectiveness, as a result of efforts to raise the level and effectiveness of deliberations at Board of Directors meetings following appropriate actions taken in response to the findings of the previous effectiveness evaluation. Based on the results of the latest effectiveness evaluation, along with diverse opinions by directors and recommendations by external experts gathered through the series of processes, the Board of Directors is working to further enhance its effectiveness by promoting mutual understanding between outside directors and internal officers and employees and by discussing fundamental issues aimed at enhancing corporate value.

	FY2023 Evaluation	FY2024 Priority Issues
Role of the Board of Directors	• Steps are taken to invigorate discussions by drawing on the high-level expertise of the outside directors, with the aim of medium- to long-term enhancement of corporate value based on the interests of diverse stakeholders while incorporating important matters related to business strategies to achieve the thinking outlined in "Our Mission." • In particular, in FY2023, sufficient discussions were held on key topics such as supervision of the progress of our "Plan for Fulfilled Growth" Medium-Term Management Plan, including sustainability promotion and other initiatives to create social value; ongoing supervision of initiatives to address administrative disposition and prevent recurrence of related issues; and the exerting of supervisory functions over major subsidiaries. • Based on the executive-side discussions of the Management Committee, on several occasions matters related to business plans and other basic management policies, as well as the status of business execution, were discussed as agenda items, reported on, and appropriately discussed, with oversight functions sufficiently exercised.	The Board of Directors will play an even more involved role based on mutual understanding between outside directors and internal officers and employees on matters including addressing administrative action related to the market manipulation case and otherwise exerting supervisory functions over major subsidiaries, as well as raising the level of our global governance stance in the Americas and elsewhere. At the same time, the Board of Directors will enhance its deliberations on supervising the progress of the new Medium-Term Management Plan ("Plan For Fulfilled Growth") and on initiatives for promoting sustainability and otherwise creating social value in response to growing demands in Japan and overseas. It will do so while maintaining awareness of environmental changes including monetary policy trends, political movements including the U.S. presidential election, market demands regarding return on capital, and geopolitical risks.
Operation 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 at generally appropriate levels. • Brisk discussions continued to be held through appropriate agenda management by the chairperson. • The Board of Directors continues to make agile management decisions amid the changing operating environment. Members of the Board of Directors continue to be provided with the information necessary for exercising their oversight function in a timely and appropriate manner. • An appropriate structure has been constructed to support the Board of Directors in making management decisions, with study sessions for outside directors and forums for discussions among directors, executive officers, and accounting auditors, etc. appropriately in place. In particular, understanding of Group companies' operations was deepened and discussions at meetings of the Board of Directors were invigorated through means including provision of information on major Group companies and the setting of related meetings.	We will further raise the level of discussions by means including further drawing on outside directors' knowledge and continuing to ensure sufficient time for deliberation of important topics.
Composition of the Board of Directors	• As of June 30, 2024, the Board of Directors consisted of 13 directors, a majority (seven) of whom were outside 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 operates in an atmosphere conducive to outside directors voicing opinions regarding management.	The Nomination Committee will 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 shares of other companies except in cases in which a rationale for holding shares is recognized. This policy exists 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 deem cases in which shareholding will contribute to the enhancement of SMBC Group's corporate value over the medium to long term to be cases in which a rationale for holding shares is recognized. We determine this through comprehensive consideration based on (a) profitability, through an appropriate assessment and understanding of relevant factors including associated risks and the costs and returns of the holding; (b) the objectives for holding, such as maintaining and strengthening business relationships, capital and business alliances, and restructuring support; and (c) other relevant factors.

(3) We examine rationale for holding shares on a regular basis. We continue to hold shares when a rationale for holding is recognized, and sell shares, with consideration of factors including market impact and the financial strategy of the issuer, when a rationale for holding is no longer recognized.

Plan for Reduction of Equity Holdings

SMBC Group engages in continuous efforts to reduce price fluctuation risks in order to ensure a financial foundation that allows us to sufficiently demonstrate our financial intermediary functions even under a stressful environment of drastically falling stock prices.

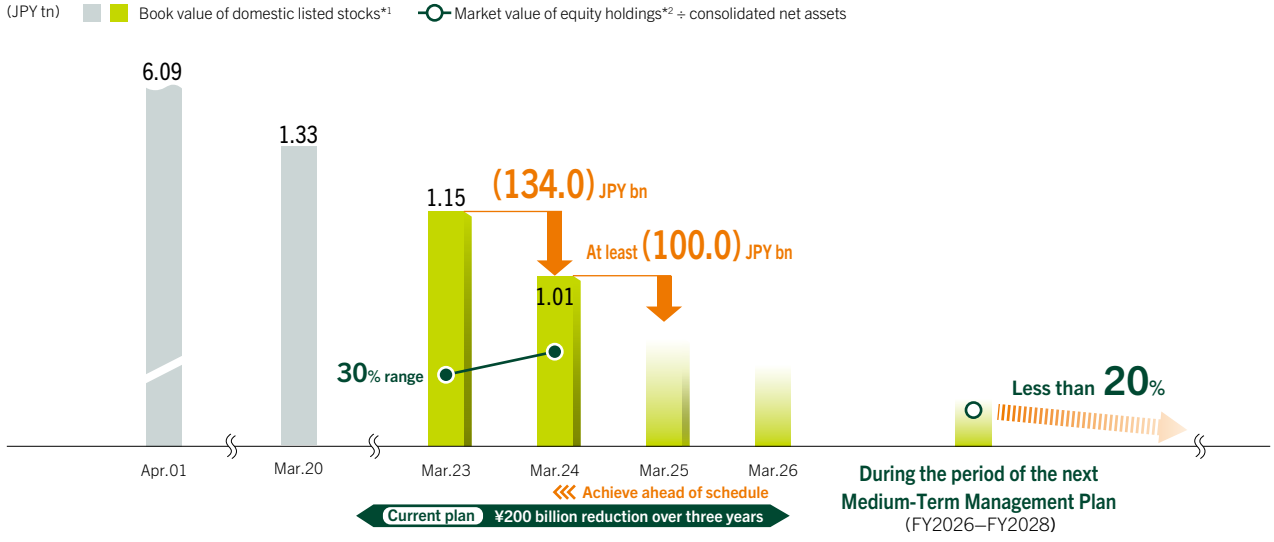
In May 2023, we announced a plan to reduce holdings by ¥200 billion over three years from the end of March 2023, and achieved a reduction of ¥134 billion in the first year of the plan (FY2023). In FY2024, we will achieve the targets of the current plan ahead of schedule through a reduction of at least ¥100 billion, and will undertake further reduction planning.

As a current target, our policy is to reduce the market value of our equity holdings to less than 20% of our consolidated net assets during the period of the next Medium-Term Management Plan.

State of reduction

FY2020	¥55 billion
FY2021	¥67 billion
FY2022	¥58 billion
FY2023	**¥134 billion**
Consent of sales	**¥78 billion**

Plan for Reduction of Equity Holdings



*1 Excluding investments after the end of March 2020 for business alliance purposes *2 Including balance of deemed held shares

See our website for more information.
https://www.smfg.co.jp/english/company/organization/governance/structure/hold.html

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 (FY2024)

Cash compensation ■ Stock compensation ■ Variable compensation

Portion of stock-based compensation: 25%–45%

Portion of variable compensation: 40%–60%

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%)** *1 Standard levels × SMFG's annual performance, progress of initiatives towards the realization of sustainability, performance of the executive, etc.	• Cash: 70% • Restricted stock: 30%
Bonus (Stock Compensation Plan II)		
Stock Compensation Plan I	**Compensation deteminated based on SMFG's medium-term performance (0%–150%)** *6 Standard levels × SMFG's medium-term performance, etc.	• Restricted stock
Stock Compensation Plan III	**(Promotion reward plan)**	• Restricted stock

Target Index*2		Weight
SMFG Net business profit*3	Annual growth/ Target achievement	50%
SMFG Net income*4	Annual growth/ Target achievement	50%

ESG Evaluation	Weight
Progress of KPIs*5	±10%
Performances of ESG ratings	

Evaluation Index		Weight
Financial index	ROCET1*7	20%
	Base expenses*8	20%
	SMFG Gross profit*9	15%
	SMFG Net income*4	15%
Share index	TSR (Total shareholder return)*10	15%
Non-financial index	Create Social Value*11	15%
Adjustment evaluation	Initiatives in new business areas, compliance, customer-orientated 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 Compensation amounts for each fiscal year are determined by the Compensation Committee
*2 If the Compensation Committee recognizes any element other than the above mentioned target indices 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
*3 The Company's consolidated net business profit
*4 The Company's consolidated profit attributable to owners of parent
*5 Performances of annual progress of KPIs in the "SMBC Group GREEN×GLOBE 2030," such as the reduction of greenhouse gas emissions
*6 Compensation amounts determined by the Compensation Committee at the conclusion of the Medium-Term Management Plan
*7 Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities
*8 General and administrative expenses excluding "revenue-linked cost," "prior investment cost" and others
*9 The Company's consolidated gross profit
*10 The Compensation Committee determines progress of performance by relative evaluation of TSR during the term of the Group's Medium-Term Management Plan
*11 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 priority issues set forth by the Group ("Environment," "DE&I/Human Rights," "Poverty & Inequality," "Declining Birthrate & Aging Population," and "Japan's Regrowth")

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% to 60% of total compensation, depending on position.

Annual Performance-Linked Compensation

Bonuses (cash) and Stock-Compensation Plan II are paid as annual performance-linked incentives. "SMFG Net Income," which expresses the final outcome of management, along with "SMBC Banking profit" and "SMBC Net income (pre-tax)," which indicate the profitability of SMFG's major subsidiaries, were adopted as FY2023 performance indicators. These enhance the connection between performance and executive compensation, ensuring that compensation functions as an appropriate incentive for performance.

FY2023 Results: Bonus (Cash) & Stock Compensation Plan II

Target Index	Weight	Actual performance	Performance evaluation coefficient
SMBC Banking profit	50%	57.1%	124%*
SMBC Net income (pre-tax)	25%	33.3%	
SMFG Net income	25%	29.6%	
ESG Evaluation	**Weight**	**Evaluation results**	
Progress of KPIs	±10%	+4.0%	
Performances of ESG ratings			

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

Taking into account the increasing degree of contribution by subsidiaries other than SMBC, in FY2024 we adopted the two targets "SMFG Net income," which expresses the final outcomes of SMBC Group's management, and "SMFG Net business profit," which expresses SMBC Group's profitability.

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, in addition to financial indices such as ROCET1 and Base expenses, we have adopted TSR as an share index and Create Social Value as a non-financial index. Also, adjustment evaluation including initiatives in new business areas and compliance, customer-orientated initiatives, and risk management are considered to determine the medium-term performance-linked compensation.

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.

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 KPI achievement rate for environmental and employee-related initiatives, as well as efforts to address the five materialities 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.

SMBC Group Global Advisors

SMBC Group appoints experts in politics, economics, and global business as SMBC Group Global Advisors who serve as an advisory body to the Group Management Committee, and regularly holds SMBC Group Global Advisory Meetings.

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 Member of the Executive Council, Hong Kong SAR
1993–2009 Chief Executive of the Hong Kong Monetary Authority

Paul Polman

2018–2024 Vice-Chair of the UN Global Compact
2009–2019 Chief Executive Officer, Unilever

We receive recommendations and counsel from SMBC Group Global Advisors based on global corporate management perspectives, along with exchanges of information on changes in global trends, regional political and economic situations, financial business trends, and other topics. We also communicate advisors' knowledge outside the Group. In FY2023, we held client seminars on themes of sustainability and geopolitical risk to contribute to the formulation of customers' business strategies.

SMBC Group Technology Advisors

The SMBC Group Technology Advisory Committee meets regularly to raise the level of IT-related initiatives.

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

Vice President & CTO
IBM Japan, Ltd.

Kenzaburo Tamaru

Director
National Technology Officer
Microsoft Japan Co., Ltd.

We appoint CTO-level representatives from information system-related companies as SMBC Group Technology Advisors, and receive counsel and advice regarding IT-related outlooks and directions for SMBC Group. In FY2023, discussions on the topics of generative AI and next-generation data center technologies addressed the current state of technology and future outlooks based on recent social trends.

Sumitomo Mitsui Financial Group Directors

(as of June 27, 2024)

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

Toru Nakashima

1986 Joined Sumitomo Bank
2014 Executive Officer of SMBC
2016 Managing Executive Officer of SMBC
2017 Managing Executive Officer of the Company
2019 Director and Managing Executive Officer of SMBC
Senior Managing Corporate Executive Officer of the Company
Director and Senior Managing Executive Officer of SMBC
Director Senior Managing Corporate Executive Officer of the Company
2022 Resigned as Director of SMBC
2023 Director of SMBC
Deputy President and Corporate Executive Officer of the Company
Director and Deputy President of SMBC
President of the Company
Resigned as Director of SMBC
2024 Director President of the Company (to present)

Director Deputy President and Corporate Executive Officer
Group CCO
Director and Deputy President 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
Senior Managing Corporate Executive Officer of the Company
Director Senior Managing Corporate Executive Officer of the Company
2024 Director Deputy President and Corporate Executive Officer of the Company
Director and Deputy President of SMBC

Director
Senior Managing Corporate Executive Officer
Group CFO, Group CSO
Director and 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
Director Senior Managing Corporate Executive Officer of the Company (to present)
2024 Director and Senior Managing Executive Officer of SMBC (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)

Sumitomo Mitsui Financial Group Directors

(as of June 27, 2024)

Outside 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)

Outside director
Representative of Intrinsics

Sonosuke Kadonaga

1976 Joined Chiyoda Corporation
1986 Retired from Chiyoda Corporation
Joined McKinsey & Company, Inc., Japan
1992 Principal (Partner) of McKinsey & Company, Inc., Japan
1999 Director (Senior Partner) of McKinsey & Company, Inc., Japan
2009 Representative of Intrinsics
2017 Director of SMBC
2024 Director of the Company (to present)
Resigned as Director of SMBC

Outside 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)

Outside 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

** The seven directors Shozo Yamazaki, Sonosuke Kadonaga, Yoshinobu Tsutsui, Katsuyoshi Shinbo, Eriko Sakurai, Charles D. Lake II, and Jenifer Rogers are outside directors as provided for in Article 2, Item 15 of the Companies Act.*

See page 179 of the Appendix for information on SMBC's directors and members of the Audit and Supervisory Committee.

Outside Director
Former President and Representative Director of Dow Chemical Japan Limited

Eriko Sakurai

1987 Joined Dow Corning Corporation (currently Dow Silicones 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 (currently Dow Silicones 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

Outside 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 Counsel
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)

Outside 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)