

# Compliance

## Our Approach

Management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities as a global financial group. We are therefore working to entrench such practices into our operations as we aim to become a truly outstanding global group.

## Compliance Management

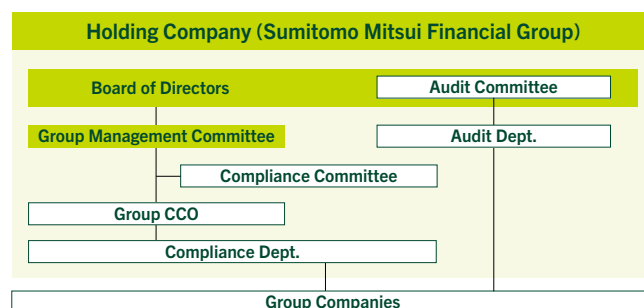
SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations on a group-wide and global basis. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities that have occurred to implement corrective measures.

SMBC Group has established the Compliance Committee, which is chaired by the Group CCO responsible for overseeing matters related to compliance. This committee comprehensively examines and discusses SMBC Group's various work processes from the perspective of compliance.

SMBC Group has established a framework to provide specific action plans for each group company to implement compliance and promote the development of compliance

systems, and for the unified management of overseas compliance frameworks. When we receive consultations and/or reports on compliance-related matters from group companies and overseas offices, we provide suggestions and guidance as necessary to ensure complete compliance at the Group and Global levels. With regard to the indictment of former executives and employees of SMBC Nikko and of the company itself, the Holding Company will resolutely support the development and implementation of measures to prevent reoccurrence of such an incident. This includes strengthening the compliance system in response to the investigation report received from the investigation committee established by SMBC Nikko Securities.

## Compliance Systems at SMBC Group



## Initiatives for Supporting Healthy Risk Taking and Appropriate Risk Management

In order for companies to coexist with society and develop sustainable growth, it is crucial to take an appropriate amount of risks and to maintain appropriate risk management, including compliance. In particular, financial institutions should emphasize compliance and risk management, considering its

public mission and the heaviness of the social responsibility.

Based on this recognition, management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities. SMBC Group is therefore devoted to improving its systems in these areas in order to become a truly outstanding global group.

Specifically, SMBC Group has defined the Principles of Action on Compliance and Risk to serve as guidelines for executives and employees in practicing compliance and risk management. Continuous reviews are carried out to improve compliance with these guidelines and to ensure their effectiveness.

### Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT) and Economic Sanctions

SMBC Group recognizes the importance of preventing money laundering and terrorist financing (ML/TF), and of compliance with regulations concerning state economic sanctions and therefore, undertakes every effort to prevent ourselves and employees, from engaging in, and/or providing assistance to, the commission of ML/TF, and to comply with regulations concerning economic sanctions imposed on states.

SMBC Group strictly complies with AML/CFT and economic sanctions regulations by establishing a Group Policy and by implementing effective internal control systems in each of the Group companies to ensure that our operations are sound and appropriate.

The Group Policy and systems are implemented in accordance with the requirements of the relevant international organizations (e.g. the United Nations, the Financial Action Task Force Recommendations) and the laws/regulations of relevant countries including Japan in which the SMBC Group has operations (e.g. U.S. “Office of Foreign Assets Control Regulations”).

In April 2019, SMBC entered into a written agreement with the Federal Reserve Bank of New York (the “Reserve Bank”) to improve its New York Branch’s program for compliance with the Bank Secrecy Act (“BSA”) and related U.S. anti-money laundering (“AML”) laws and regulations, which was found to be inadequate by the Reserve Bank.

Furthermore, SMBC is working to improve compliance on a global basis while taking other necessary actions based on the written agreement with the Reserve Bank.

### Response to Anti-Social Forces

SMBC Group has established a basic policy stipulating that all Group companies must unite in establishing and maintaining

a system that ensures that the Group does not have any connection with anti-social forces or related individuals.

Specifically, the Group strives to ensure that no business transactions are made with anti-social forces or individuals. Contractual documents or terms and conditions state the exclusion of anti-social forces from any business relationship. In the event that it is discovered subsequent to the commencement of a deal or trading relationship that the opposite party belongs to or is affiliated with an antisocial force, we undertake appropriate remedial action by contacting outside professionals specializing in such matters.

#### Basic Policy for Anti-Social Forces

1. Completely sever any connections or relations from antisocial forces.
2. Repudiate any unjustifiable claims, and do not engage in any “backroom” deals. Further, promptly take legal action as necessary.
3. Appropriately respond as an organization to any anti-social forces by cooperating with outside professionals.

### Customer Information Management

SMBC Group has established Group policies that set forth guidelines for the entire Group regarding proper protection and use of customer information. All Group companies adhere to these policies in developing frameworks for managing customer information.

Group companies establish and disclose privacy policies for their measures regarding the proper protection and use of customer information and customer numbers. Appropriate frameworks are established based on these policies.

### Anti-Bribery and Corruption

The SMFG Group Policies for Anti-Bribery Compliance and Ethics have been established to prevent business entertainment and the provision or receipt of anything of value that violate laws, regulations or social practices and customs. Group companies have developed frameworks to prevent bribery and corruption based on these policies. The Compliance Department conducts annual bribery and corruption risk assessments of the offices of the major Group companies to identify transaction and counterparty-related risks, and to assess the effectiveness of controls. Risk assessment results are reported to the Compliance Committee, and following consultation with the companies and offices in question, appropriate risk mitigations are put in place in Group company offices identified as being at high risk.