

Become a Leading Company in Creating Social Value

Mr. Paul Polman, an SMBC Group Global Advisor,
and Mr. Fumihiko Ito, Group CFO & CSO,
exchanged thoughts on enhancing corporate value
through the realization of Create Social Value.



Ito In the Medium-Term Management Plan which launched in FY2023, SMBC Group established Create Social Value as a core policy of its business strategy. I believe that many corporations have yet to position the resolution of social issues through sustainability-related initiatives as a key part of their business strategy. As an SMBC Group Global Advisor, what are your thoughts on the current Medium-Term Management Plan?

Polman I think it is wonderful that SMBC Group has established Create Social Value as a key policy of its business strategy. In the revised materialities “Poverty & Inequality,” etc. were added to “Environment,” which clearly reflects SMBC Group’s commitment to tackling important global issues. Furthermore, SMBC Group has a long history of conducting business both in and outside of Japan, and its core business foundations incorporate a variety of stakeholders. As such, I believe SMBC Group is in a good position to leverage its robust corporate infrastructure to address social issues. We are also witnessing the expansion of the sustainability business sector in numerous parts of the world, leading to increased demand for new financial products and services. I hope to see SMBC Group drive forward the development of the sector by using its proven track record and the trust it has won from various stakeholders to lead this transformation.

Ito Thank you. As Group CFO I am in almost daily communication with investors. While there are demands regarding short-term, financial results, we are very well aware the importance of the management team also maintaining a long-term perspective so that we are able to create social value. During your time as CEO of Unilever, you applied a long-term perspective to your management style. Where there any particular items you focused on in order to obtain the understanding of investors and employees?

Polman A short-term approach focusing on quarterly financial results is not always in the best interests of society as a whole. When I was appointed as CEO of Unilever, I switched from announcing our financial results on a quarterly basis to a biannual basis. At the same time, I established a long-term growth strategy that aimed to solve social issues while also realizing economic growth, and I communicated closely with shareholders to deepen their understanding of this strategy. The strategy was initially met with skepticism by financial markets. However, after producing successful results, including financial results, investors warmed to this approach which in turn caused an increase in Unilever’s share price. Unfortunately, not many corporations followed in Unilever’s footsteps, but I became certain that it was possible to increase corporate value while working to solve social issues if we adopted a long-term perspective and developed a healthy relationship with



profile

Right

Paul Polman

Paul Polman was appointed as an SMBC Group Global Advisor on March 2023. During his time as CEO of Unilever PLC ("Unilever"), Mr. Polman introduced "Unilever Sustainable Living Plan (USLP)," a business plan that positioned the solving of social issues as a key pillar and endeavored to balance sustainability and corporate growth.

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Fumihiko Ito

Group CFO & CSO
Director Senior Managing Executive Officer

investors. Furthermore, all employees must take part if a company is to successfully bring about change by addressing social issues. By positioning the resolution of social issues at the center of Unilever's business strategy, we were also able to see our employees undergo positive transformation. For example, the educational activities undertaken by the marketing department regarding the correct way to wash your hands using Unilever's soap products not only contributed to the prevention of infectious diseases and the resolution of other health and sanitary issues it also led to new business opportunities.

Ito I agree. In order to promote the core policy of Create Social Value we must apply both top-down and bottom-up approaches. For a top-down approach to succeed, the management must possess a long-term perspective and show a strong commitment to the resolution of social issues. In order for a bottom-up approach to succeed, Group-wide efforts will be required so that employees can proactively take part in projects that are key to the business strategy. I want to convey to all SMBC Group employees that our corporate value will increase if we take part in efforts to create social value based on a long-term perspective.

Polman Typically speaking, I believe the majority of social value created by a company is done over the long-term,

that is to say, it takes a period of five to ten years for that value to be created. It goes without saying that a long-term approach is required to solve climate change, food security, inequality, and other social issues. In addition, cutting edge, environmentally friendly technology is being developed on a daily basis while stakeholders' mindsets are also undergoing change. As such, the undertaking of sustainability-related initiatives does not always equal the sacrifice short-term financial success for a company. Speaking from my own experiences, by striving to solve social issues and engaging in business based on a long-term perspective, at the end of the day it is possible to generate greater value than when short-term approaches are applied and as a result will drive your share price higher.

Ito I agree. I firmly believe that establishing Create Social Value as a key policy of our business strategy will lead to increased medium- to long-term corporate value. In addition to increasing expectations for growth by steadily increasing revenue, I want to enhance SMBC Group's PER, in other words our expected future growth rate, by creating social value through the resolution of social issues while adapting to changes in the environment.

Based on the valuable feedback we have received today, SMBC Group will strive to become a leading company in creating social value by continuing to conduct our business based on a long-term perspective.