

Compensation

Sumitomo Mitsui Financial Group

■ Compensation Framework of Sumitomo Mitsui Financial Group and Its Group Companies

1. Scope of Officers, Employees and Others

The scope of officers, employees and others whose compensation is subject to disclosure under the revised Cabinet Office on Disclosure of Corporate Affairs, etc. and other ordinances are as described below.

(1) Scope of Officers

Officers subject to compensation disclosure are directors and executive officers of Sumitomo Mitsui Financial Group during the fiscal year under review (excluding outside directors).

(2) Scope of Employees and Others

Employees and others subject to compensation disclosure are employees of Sumitomo Mitsui Financial Group and officers and employees of its major consolidated subsidiaries who are highly compensated and have a material influence on the business management or the assets of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries.

a) Scope of major consolidated subsidiaries

A major consolidated subsidiary is a consolidated subsidiary of Sumitomo Mitsui Financial Group with total assets accounting for more than 2% of the total consolidated assets of Sumitomo Mitsui Financial Group and has a material influence on the management of Sumitomo Mitsui Financial Group and its group companies. Specifically, they are Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities Inc., Limited and overseas subsidiaries such as SMBC Bank International plc.

b) Scope of highly compensated persons

A highly compensated person is an individual whose compensation paid by Sumitomo Mitsui Financial Group or its major subsidiaries is equal to or more than the base amount. The base amount of Sumitomo Mitsui Financial Group is set at ¥60 million which is based on the average amount of compensation paid to the officers of Sumitomo Mitsui Financial Group and SMBC (excluding officers appointed or retired during the fiscal year in question) over the last three fiscal years (hereinafter “executive compensation amount”) and is applied to all group companies. This is because many of the officers of Sumitomo Mitsui Financial Group also serve as officers of SMBC, and their executive compensation amount is determined according to their contribution to the group as a whole. With respect to lump-sum retirement payment for officers serving in Japan, the executive compensation amount for the fiscal year in question is “(his/her executive compensation amount – lump-sum retirement payment) + (lump-sum retirement payment/years of service)” and the executive compensation amount calculated using this formula is compared to the base amount.

c) Material influence on the business management or assets of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries

A person has a material influence on the business management or assets of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries if his/her regular transactions or regular matters managed by him/her have a substantial impact on the business management of Sumitomo Mitsui Financial Group and its group companies, or losses incurred through such actions have a significant impact on the financial situation of Sumitomo Mitsui Financial Group and its group companies. Specifically, persons having such influence are directors, corporate auditors and corporate officers of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries, both domestic and overseas.

2. Names, Compositions, and Duties of the Main Bodies, Such as the Committee Responsible for Supervising Business Execution Concerning the Determination of Compensation, Its Payment and Other Related Matters

(1) Establishment and Maintenance of the Compensation Committee

Sumitomo Mitsui Financial Group, as a Company with a Nomination Committee, has established a Compensation Committee to resolve the “policy to determine individual remuneration for directors and executive officers,” “executive compensation programme and relevant regulations,” and “individual remuneration for Sumitomo Mitsui Financial Group’s directors and corporate executive officers.” The Compensation Committee is a body independent from the influence of business units, chaired by an outside director, with the majority of its members being also outside directors, and tasked to determine and deliberate matters related to executive compensation of Sumitomo Mitsui Financial Group and its group companies. In addition, Sumitomo Mitsui Financial Group Compensation Committee reviews and discusses executive compensation programmes/practices of group companies of Sumitomo Mitsui Financial Group and the individual remuneration for Sumitomo Mitsui Financial Group’s other executive officers. Furthermore, group companies of Sumitomo Mitsui Financial Group respect the details of the deliberations at the Compensation Committee of Sumitomo Mitsui Financial Group and determine the compensation for directors and corporate auditors within the maximum total amount of compensation approved at an ordinary general meeting of shareholders.

(2) For Employees and Others

The amount and type of compensation paid to the employees of Sumitomo Mitsui Financial Group and SMBC and the officers and employees of major consolidated subsidiaries are determined and paid according to the compensation policies established by the boards of directors of Sumitomo Mitsui Financial Group and its major consolidated subsidiaries. Compensation systems based on the compensation policies are designed and documented by the HR departments of respective companies, independent from the influence of business units. The compensation policies of major consolidated subsidiaries are regularly reported to the HR department of Sumitomo Mitsui Financial Group for review. The amount and type of compensation for overseas officers and employees is determined and paid under the compensation system established by the relevant office or subsidiary in accordance with local laws, regulations and employment practices.

(3) Total Amount of Compensation Paid to Compensation Committee Members and Number of Compensation Committee Meetings Held

| | Number of Meetings Held (April 1, 2023 to March 31, 2024) |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------|
| Compensation Committee (Sumitomo Mitsui Financial Group)..... | 7 |
| Executive Nomination and Compensation Committee (SMBC Nikko Securities Inc.)..... | 8 |

Note: The total amount of compensation is not provided because the portion of the compensation paid to a committee member for services rendered as a committee member cannot be calculated as the amount of compensation paid is based on the committee member’s position in the company.

■ Assessment of Design and Operation of Compensation Structure

Compensation Policies for Officers, Employees and Others

(1) For Officers

Sumitomo Mitsui Financial Group hereby establishes the Executive Compensation Policy (the “Policy”) in order to provide guiding principles for its Compensation Committee to determine individual remuneration for its directors and executive officers (the “Executives”).

The Policy’s aim is that executive compensation pursuant to it shall provide the appropriate incentives for the Executives to pursue our Mission while materializing our medium-/long-term vision.

<Basic Concept>

Executive compensation at SMBC Group shall be determined based on the following concept.

- I. SMBC Group’s executive compensation aims at providing appropriate incentives toward the realization of our mission and our vision.
- II. SMBC Group’s executive compensation shall reflect the changing business environment and the short-, medium-and long-term performance of the group, and shall account for the contribution to shareholder value, customer satisfaction, and realisation of sustainable society.
- III. Individual remuneration shall reflect the assigned roles and responsibilities as well as the performance of the respective Executive.
- IV. SMBC Group shall research and review market practices, including the use of third-party surveys, in order to provide its Executives with a competitive remuneration package.
- V. SMBC Group’s executive compensation shall discourage excessive risk-taking and foster a prudent risk culture expected of a financial institution.
- VI. Both external and internal regulations/guidelines on executive compensation shall be observed and respected.
- VII. SMBC Group shall establish appropriate governance and controls of the compensation process, and shall regularly review to update its executive compensation practices according to changing market practices and/or business environment.

<Compensation Programme>

- I. SMBC Group’s executive compensation programme (the “Programme”) shall have three components: base salary, cash bonus, and stock compensation.
However, compensation for outside directors and Audit Committee members shall comprise base salary alone, in consideration of the nature of their role of management supervision.
- II. In order to hold the Executives accountable and provide them with appropriate incentives for the performance of the Group, the Programme targets the variable compensation component of total remuneration (performance-linked portion, which varies in light of the business environment and performance) at 40% to 60%, in accordance with the corporate titles of each Executive, if paid at standard levels. Corresponding with performance of SMBC Group and the degree of contribution to realization of a sustainable society, the variable component could range from 0% to 150% of the standard levels, which shall be determined by corporate titles of the Executives.
- III. In order to enhance shareholding of the Executives and align their interests with shareholders, the Programme targets its stock-based compensation components at 25% to 45% of total remuneration, in accordance with the corporate titles of each Executive, if paid at standard levels.
- IV. The above target levels shall be appropriately set in accordance with the roles, responsibilities, etc. of each Executive.
- V. Base salary shall be periodically paid in cash and shall be, in principle, determined by the corporate titles of each Executive, reflecting the roles, responsibilities, etc.
- VI. Annual incentives shall be determined based on the performance of previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the degree of contribution to realization of a sustainable society, as well as on the performance of each Executive reviewed both from short-term and medium-/long-term perspectives. 70% of the determined amount shall be, in principle, paid as a cash bonus and the remaining 30% shall be paid under Stock Compensation Plan II (annual performance share plan).

a. Weight by each target index is as follows:

| Target index | | Weight |
|----------------------------------------|----------------------------------|--------|
| SMFG Net Business profit* ¹ | Annual growth/Target achievement | 50% |
| SMFG Net income* ² | Annual growth/Target achievement | 50% |

*¹ The Group’s consolidated net business profit

*² The Group’s profit attributable to owners of parent.

*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.

b. The degree of contribution to realization of a sustainable society shall be reflected as an adjustment to the score determined in a., by a maximum of 10%, plus or minus, based on the annual progress of KPIs and results of major ESG ratings.

- VII. Stock compensation plans consist of Stock Compensation Plan I (the “Plan I”), under which the remuneration of the Executives shall be determined based on the Group’s medium-term performance, etc., Stock Compensation Plan II (the “Plan II”), determined based on the Group’s annual performance, etc. and Stock Compensation Plan III (the “Plan III”), determined based on corporate titles, etc.

a. Under the stock compensation plans, the Executives shall receive remuneration via shares of the Company’s common stock. The transfer of such stock shall be restricted for appropriately defined periods.

b. Remuneration under Plan I shall be determined based on the Group’s performance against the Medium-Term Management Plan, performance of the Company’s shares, and the percentage of achievement of KPIs with respect to creating social value after the term the Group’s Medium-Term Management Plan ends. 70% of the evaluation index is determined based on financial index (Medium-Term Management Plan target), 15% is determined based on share index, and 15% is determined based on non-financial index. Weight by each evaluation index is as follows:

| Evaluation index * ^{1, 2} | | Weight |
|------------------------------------|-----------------------------------|--------|
| Financial index | ROCE ¹ * ³ | 20% |
| | Base expense* ⁴ | 20% |
| | Gross profit* ⁵ | 15% |
| | Net income | 15% |
| Share index | TSR (Total shareholder return) | 15% |
| Non-financial index | Create social value* ⁶ | 15% |

*¹ (Qualitative evaluation) The Compensation Committee determines the score within a range of plus or minus 5% of such figure taking into account comprehensively two items, “Initiatives in new business areas” and “Compliance, customer-oriented initiatives, and risk management.”

*² (Knock-out provision) If the “CET1 ratio (Post-Basel III reforms basis, excluding net unrealized gains (losses) on other securities)” falls below a designated level at the end of each fiscal year, Plan I for the respective fiscal year becomes null and void.

*³ Post-Basel III reforms basis, excluding net unrealized gains (losses) on other securities

*4 General and administrative expenses excluding “revenue-linked cost,” “prior investment cost” and others

*5 The Group’s consolidated gross profit

*6 The Compensation Committee will determine the evaluation with respect to the “Create social value” based on the percentage of achievement of KPIs related to the environment (Financed Emissions reduction and amount of sustainability financing provided) and employees (employee engagement and DE&I) as well as the progress of initiatives with respect to the five key challenges identified by SMBC Group (i.e., environment, DE&I/human rights, declining birthrate and aging population, regrowth of Japan, and poverty and inequality).

c. Remunerations under Plan II shall be determined based on the performance of the previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the contribution to a sustainable society, as well as on the performance of each Executive reviewed both from a short-term and medium-/long-term perspectives. Remuneration paid by restricted shares, they shall effectively act as deferred compensation.

d. Remuneration under Plan III shall be determined based on corporate titles, roles, and responsibilities, etc.

VIII. In the event of material amendments to the financial statements or material reputational damages caused by the Executives, remunerations under the Plans could be reduced or fully forfeited.

IX. Notwithstanding the above, if the Compensation Committee determines that it is not appropriate to apply the above matters due to the role of an Executive in each Group company or other reasonable circumstances, or if the Compensation Committee determines that it is not appropriate to apply the above matters to an Executive domiciled outside Japan, compensation shall be designed on an individual basis and determined not only in accordance with the above Core Principles, but also with consideration to local regulations, guidelines, and other local market practices, whilst ensuring the compensation should not incentivize for excessive risk-taking.

<Governance and Control of the Compensation Processes>

Sumitomo Mitsui Financial Group, as a Company with a Nomination Committee, establishes a “Compensation Committee” to resolve the following:

- The Policy, executive compensation programme including the aforementioned compensation programme and regulations concerning the Policy
- Individual remunerations for Sumitomo Mitsui Financial Group’s directors and corporate executive officers

In addition to the above, the Compensation Committee shall review and discuss the below:

- The individual remuneration for Sumitomo Mitsui Financial Group’s corporate officers and other officers.
- Executive compensation programmes/practices of group companies of Sumitomo Mitsui Financial Group.

(2) For Employees and Others

In order to link the business philosophy and strategy of the company to the roles and responsibilities of employees and others, Sumitomo Mitsui Financial Group and its major consolidated subsidiaries determine the domestic compensation taking into account their job responsibilities, business performance and other factors. Compensation for employees and others are determined by the HR departments of respective SMBC Group companies by comprehensively taking into account the surrounding business environment, performance trends, pay history and other factors. Compensation policies for overseas employees are determined following the aforementioned compensation policy for employees and others in Japan as well as in accordance with local laws, regulations and employment practices.

■ Consistency between Compensation Structure and Risk Management and Link between Compensation and Performance

1. Sumitomo Mitsui Financial Group and SMBC

In determining the compensation for the officers of Sumitomo Mitsui Financial Group, the details of individual compensation for directors and executive officers are determined by the mandatory Compensation Committee, where the majority of the committee members are the outside directors. The compensation for the officers of SMBC are determined within the scope approved at a shareholders’ meeting with the President, delegated by the Board of Directors, determining the details of compensation for each individual, reflecting the assigned roles and responsibilities as well as achievements at SMBC, in light of the deliberations of the SMFG Compensation Committee.

In order to hold the Executives accountable and provide them with appropriate incentives for the performance of the Group, the Programme targets the variable compensation component of total remuneration (performance-linked portion, which is variable in light of the business environment and performance) at 40% to 60%, in accordance with the corporate titles of each Executive, if paid at standard levels. The Programme shall have three components: base salary, cash bonus, and stock compensation. Cash bonus shall be determined and paid each fiscal year based on the Group’s performance in the previous year, as well as on the performance of the respective Executive reviewed both from short-term and medium-/long-term perspectives. Stock compensation is determined and paid based on the progress of targets during the period of the Medium-term Management plan, performance of Sumitomo Mitsui Financial Group shares, and the results of customer satisfaction surveys, etc. Sumitomo Mitsui Financial Group and SMBC allot restricted stocks via the Plans to Executives to effectively defer part of executive compensation.

Stock Compensation Plan I involves removal of the restriction on transfer, after the expiry of Sumitomo Mitsui Financial Group’s Medium-term Management Plan. In the event that the finalized amount of compensation falls short of the initially allocated amount, Sumitomo Mitsui Financial Group will retrieve all or part of the allotted shares at nil cost in the case the final amount falls below the initial amount.

Stock Compensation Plan II involves step-by-step removal of the restriction on transfer, one third in each year over the three years following the payment.

Stock Compensation Plan III involves removal of the restriction on transfer, either 30 years after payment or at the time of retirement from the position of officer.

In addition, Sumitomo Mitsui Financial Group and SMBC introduced the malus (forfeiture) of restricted stock and the clawback of vested stock allocated to the Executives under the Plans in order to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution. Provisions on malus and clawbacks are included in the Allotment Agreement and they shall be exercised in the event of material amendments to the financial statements or material reputational damage caused by the Executives after thorough review at the Compensation Committee.

In addition, in determining the compensation for employees, their job responsibilities and business performance are taken into account. For variable compensation, in order to avoid an excessive result-oriented approach, it is determined after comprehensive evaluation based on not only short-term performance results but also qualitative evaluation. Compensation is individually designed with consideration to local regulations, guidelines, and other market practices, whilst ensuring the compensation should not incentivize for excessive risk-taking.

2. Other Major Consolidated Subsidiaries

The compensation for officers and employees of other major subsidiaries of Sumitomo Mitsui Financial Group are determined by comprehensively taking into account the assessment of the subsidiaries’ medium- and long-term earnings, and in the case of an overseas subsidiary, local laws, regulations and employment practices, and a compensation structure that could affect the risk management of SMBC Group has not been adopted. While terms of employment presented at the time of recruitment may

include the minimum amount of compensation within a reasonable scope under local practice, the compensation structure is designed to avoid an excessive result-oriented approach. In addition, expenses for employee retention are recorded for employees of certain major consolidated subsidiaries.

■ Type, Total Amount Paid, and Payment Method of Compensation for Officers, Employees and Others of Sumitomo Mitsui Financial Group and Its Group Companies

Compensation, etc. allocated to the applicable fiscal year

(Headcount, millions of yen)

| Item No. | | (a) Officers | (b) Employees and others |
|----------|---------------------------------------------------------------------|-----------------|-----------------------------|
| 1 | Number of applicable officers, employees and others | 21 | 723 |
| 2 | Total fixed compensation (3+5+7) | 1,289 | 34,427 |
| 3 | of which: cash compensation | 1,149 | 33,576 |
| 4 | of which in 3: deferred amount | — | — |
| 5 | of which: amount of stock compensation or stock-linked compensation | 80 | 390 |
| 6 | of which in 5: deferred amount | 80 | 390 |
| 7 | of which: other compensation | 60 | 461 |
| 8 | of which in 7: deferred amount | — | — |
| 9 | Number of applicable officers, employees and others | 19 | 716 |
| 10 | Total variable compensation (11+13+15) | 1,205 | 30,038 |
| 11 | of which: cash compensation | 391 | 27,518 |
| 12 | of which in 11: deferred amount | — | 4,572 |
| 13 | of which: amount of stock compensation or stock-linked compensation | 814 | 2,519 |
| 14 | of which in 13: deferred amount | 814 | 1,599 |
| 15 | of which: amount of other compensation | — | — |
| 16 | of which in 15: deferred amount | — | — |
| 17 | Number of applicable officers, employees and others | — | 590 |
| 18 | Amount of retirement allowance | — | 2,844 |
| 19 | of which: deferred amount | — | 37 |
| 20 | Number of applicable officers, employees and others | — | 30 |
| 21 | Amount of other compensation | — | 211 |
| 22 | of which: deferred amount | — | 4 |
| 23 | Total compensation, etc. (2+10+18+21) | 2,495 | 67,520 |

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.

2. Stock Compensation Plan III is classified as fixed compensation because the amount allotted depends on the individual's position. Other stock compensation involves an amount of issuance prone to performance-linked fluctuations, and is thus classified as variable compensation.

Special compensation, etc.

(Headcount, millions of yen)

| | (a) Bonus guarantee | (b) One-off recruitment payment | (c) Additional retirement allowance | (d) | (e) | (f) |
|----------------------|------------------------|------------------------------------|----------------------------------------|--------------|-----------|--------------|
| | Headcount | Total amount | Headcount | Total amount | Headcount | Total amount |
| Officers | — | — | — | — | — | — |
| Employees and others | 18 | 1,650 | 10 | 386 | 4 | 259 |

■ Other Information Regarding Compensation Structures of Sumitomo Mitsui Financial Group and its Group Companies

Deferred compensation, etc.

(Millions of yen)

| | | (a) Balance of deferred compensation, etc. | (b) Of the amount in (a), balance of deferred compensation, etc. subjected to adjustment or prone to fluctuations | (c) With respect to post allocation compensation, amount of fluctuation after adjustment not linked to fluctuations of criteria in the applicable fiscal year | (d) With respect to post allocation compensation, amount of fluctuation after adjustment linked to fluctuations of criteria in the applicable fiscal year | (e) Amount of deferred compensation, etc. paid in the applicable fiscal year |
|----------------------|-----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Officers | Amount of cash compensation | — | — | — | — | — |
| | Amount of stock compensation or stock-linked compensation | 1,189 | 1,033 | — | 404 | 1,387 |
| | Amount of other compensation | — | — | — | — | — |
| Employees and others | Amount of cash compensation | 9,224 | 2,089 | — | — | 2,788 |
| | Amount of stock compensation or stock-linked compensation | 4,278 | 4,193 | — | 284 | 1,346 |
| | Amount of other compensation | — | — | — | — | 27 |
| Total amount | | 14,692 | 7,316 | — | 689 | 5,550 |