



# The Basic Policy for Customer-Oriented Business Conduct

SMBC Group<sup>1)</sup> have formulated the Basic Policy for Customer-Oriented Business Conduct for their domestic asset management and asset formulation businesses, based on which they are promoting customer-oriented business conduct.

This policy informs our basic stance of emphasizing the dispersing of investments over the medium to long term through which we seek to support customers in stable asset formulation. Also based on this policy, SMBC Group aim to contribute to the development of capital markets that provide companies with the funds they need to grow and to economic growth through their asset management and asset formulation businesses.

## 1. SMBC Group's Customer-Oriented Business Conduct

Sumitomo Mitsui Financial Group, Inc. established "Our Mission" and one of the content of that is "We grow and prosper together with our customers, by providing services of greater value to them." On the basis of this principle, Sumitomo Mitsui Financial Group, Inc. has defined "Five Values", a list of five key words that includes "Customer First", shared by all the executives and employees in SMBC Group. SMBC Group continues to push forward with various initiatives to actualize these values and action guidelines.

Sumitomo Mitsui Financial Group, Inc. is fully aware of the severity of the government penalties imposed on Sumitomo Mitsui Banking Corporation in April 2006 in relation to its sales practices for interest rate swaps and has committed to preventing the reoccurrence of such malpractice. Accordingly, Sumitomo Mitsui Financial Group, Inc. has adopted a customer-oriented perspective in pursuing sustainability throughout its management, internal control, and compliance

### ■Five Values



systems, endeavoring to regain trust from customers and from society as a whole.

Furthermore, the Customer Experience (CX) Improvement Sub-committee has been set up to incorporate customer input into management. The opinions of external experts<sup>2)</sup> are utilized in meetings of this committee as discussions on and verification of initiatives at Group companies are carried out to promote the exercise of a customer-oriented perspective on a group-wide basis. In addition, the CX Improvement Committee, which is membered by officers sitting on the Group Management Committee, convenes to hold regular discussions on customer-oriented business conduct.

SMBC Group is convinced that the ongoing quest to provide quality products and services based on customer needs and desires will contribute to economic growth and subsequently growth for SMBC Group. Everyone at SMBC Group will thus carry out their duties in an earnest and just manner while exercising a high degree of specialized knowledge and good business ethics. SMBC Group will never let up in its efforts to ensure that it always thinks and acts based on a customer-oriented perspective in the truest sense as it strives to generate the greatest profits for its customers.

## 2. Initiatives for Promoting Customer-Oriented Business Conduct

SMBC Group will implement the following initiatives to entrench the principles of customer-oriented business conduct into its activities.

### (1) Provision of Products and Services that meet the best interests of customers

When drawing up and underwriting financial products, we will act with an accurate understanding of customer needs, determining the ideal target customer group based on the risks and complexity of the products, in order properly develop and select products.

We will also help customers to find products and services that meet the best interests. To this end, we will be to learn about our customers, and work to accurately understand the needs of each customer. We will next look at their level of knowledge, investment experience, and asset portfolios so that we can propose products and services that meet the best interests of our customers.

If we think that a product may not be in the best interests of customers based on its characteristics or risks, we will discuss this matter with the customer as necessary and refrain from proposing such products when doing so is inappropriate.

### (2) Easy-to-Understand Explanation of Important Information

The amount of information provided to customers on the characteristics, risks, and fees of the products we handle as well as on the economic climate and market trends will

be enhanced to help customers make informed decisions. Furthermore, we will strive to explain this information in an easy-to-understand manner.

### (3) Clarification of Fees

SMBC Group receives fees from customers for the products and services it provides out of consideration for the need to develop and improve the quality of products and services and to supply various types of information as well as for processing- and infrastructure-related expenses. We will seek to provide thorough explanations of these fees that are as easy to understand as possible.

### (4) Management of Conflicts of Interests

Performing duties in an earnest and just manner based on a customer-oriented perspective entails managing any potential conflicts of interests to ensure that our operations are truly customer oriented.

On the basis of the Management Policy Concerning Conflicts of Interest in SMBC Group, we have defined the types of conflicts of interest requiring management as well as the types of transactions that tend to present conflicts of interests and procedures for identifying these transactions, methods and systems for managing conflicts of interest, and the scope of Group companies at which conflicts of interest should be managed. In this manner, we take steps to ensure that conflicts of interest are properly managed and so that customer's interests will not be unduly harmed.

### (5) Frameworks for Properly Motivating Employees

Always thinking and acting based on a customer-oriented perspective in the truest sense requires our employees to be properly motivated so that they can remain dedicated and effective in their work. SMBC Group thus develops its performance evaluation systems from a long-term perspective with the aim of encouraging customer-oriented sales activities. At the same time, we are expanding our range of training programs for promoting earnest and just work practices and higher levels of business ethics.

SMBC Group aim to facilitate the shift from savings to asset holding seen in Japan through such initiatives.

Furthermore, we will periodically disclose information on initiatives by SMFG and its Group companies based on this policy with the aim of facilitating understanding regarding these initiatives among customers. In addition, the status of initiatives and their results will be verified so that initiatives can be revised as necessary to improve upon operating practices. Information regarding these verifications and revisions will be disclosed.

### (6) Ensuring a Framework to Provide Products and Services that Meet the Best Interests of Customers

With the aim of providing products and services that meet the best interests of our customers, we will address the following ① to ④.

#### ① Developing a Framework

We will implement appropriate quality control in each process of structuring, provision and management of products and services, and develop a framework to ensure the effectiveness of these processes.

#### ② Actions During the Composition of Products and Services

We will evaluate the sustainability, risk, return, and cost rationality of our products and services while considering whether their features align most closely with the anticipated needs of our customers. We will also identify appropriate customer segments and work to enhance our sales staff's understanding. If the composition company and the sales company are different entities, necessary information will be shared between them to effectively address these efforts.

#### ③ Follow-up Actions After the Composition of Products and Services

We will continuously evaluate whether the intended product and service features at the time of composition and use the results to improve and review products and services. In addition, we will evaluate whether the intended customers match the actual customers and use this information to improve the way we provide products and services and to compose products and services thereafter. If the composition company and the sales company are different entities, necessary information will be shared between them to effectively address these efforts.

#### ④ Easy-to-understand Explanation of information

We will ensure customers have access to clear and comprehensive information about product and service operational structure and product governance systems, enabling them to make more informed and appropriate choices.

Through such initiatives, SMBC Group aims to facilitate the shift from savings to asset formation in Japan. To facilitate customers' understanding of SMBC Group's initiatives, we will regularly disclose information on the status of initiatives under our basic policy. To achieve better business operation, we verify the status and outcomes of initiatives, undertake revisions as necessary, and disclose details.

\*1: SMBC Group is a collective name for Sumitomo Mitsui Financial Group, Inc.'s Group companies. Group companies applicable under this policy: Sumitomo Mitsui Banking Corporation; SMBC Trust Bank Ltd.; SMBC Nikko Securities Inc.;

Sumitomo Mitsui DS Asset Management Company, Limited

\*2: External experts\* are invited to meetings of the CX Improvement Sub-committee to provide advice and suggestions with the aim of incorporating a wide range of perspectives into management that includes and goes beyond input and requests from customers. \*External experts (in alphabetical order)

Name	Position
Hideki Kanda	Emeritus Professor, University of Tokyo
Kumiko Bando	Advisor, Consumer Affairs Agency (former Secretary-General of the Consumer Affairs Agency)
Taku Umezawa	Partner, Nagashima Ohno & Tsunematsu