

# Internal Audit System

## Overview of the Group's Internal Audit System

At SMFG, the holding company, the Audit Department has been established as an internal auditing division that is positioned under the Audit Committee and is independent from business units and compliance and risk management divisions. In addition, the chief audit executive oversees SMFG's group-wide auditing activities.

Based on the Group Internal Audit Charter and the Basic Audit Policy and Plan formulated by the Audit Committee and the Board of Directors, the Audit Division verifies the appropriateness and effectiveness of internal control systems, including those elements related to compliance and risk management. This duty is accomplished through internal audits of Company divisions and Group companies aimed at ensuring the appropriateness of Group operations and the soundness of assets.

In addition, the appropriateness and effectiveness of internal control systems at Group companies are verified through oversight of internal audit functions at these companies and through ongoing monitoring of the status of internal audit implementation. Major audit findings are regularly reported to the Audit Committee, the Board of Directors, and the Group Management Committee. Also, the department is working to strengthen cooperation with accounting auditors through frequent exchanges information for appropriate audit practices

## Enhancement of the Quality and Effectiveness of Internal Audit

The SMFG Audit Department has adopted auditing methods in accordance with the standards of the Institute of Internal Auditors (IIA)\*. The department conducts risk-based audits and extends the same approach to Group companies as well.

It seeks to enhance the expertise of internal auditors in Group companies as it gathers up-to-date information on internal audit offers that information to Group companies, organizes training programs, and promotes the obtaining of international certification as an auditor.

Moreover, the Audit Department seeks to enhance group-wide audit processes through quality assessments of internal audits based on the IIA standards and on exemplary initiatives by G-SIFIs.

\* The Institute of Internal Auditors, Inc. (IIA), was founded in 1941 in the United States as an organization dedicated to helping raise the level of specialization and the status of professionalism of internal auditing staff. Its main activity is to hold examinations and approve licenses for Certified Internal Auditor (CIA), which is an internationally recognized qualification in both theoretical and practical knowledge for internal auditor.

