

Sumitomo Mitsui Banking Corporation, Australia CPS 511 Remuneration Disclosure – Financial Year Ending 31 March 2025

1. Introduction

This Remuneration Disclosure is prepared in accordance with the Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 511 Remuneration (CPS 511). As a non-Significant Financial Institution (non-SFI), Sumitomo Mitsui Banking Corporation (SMBC) through its Australian operations (SMBC Australia) aims to ensure that remuneration arrangements promote prudent risk management and align remuneration outcomes with performance and risk outcomes.

2. Remuneration Governance

Senior Officer Outside Australia & Remuneration Policy Objectives

With delegated authority from the board of SMBC, the Senior Officer Outside Australia (SOOA) oversees remuneration policies and practices to ensure alignment with APRA requirements and the following SMBC Remuneration Policy objectives:

- a. align with the SMBC business plan, strategic objectives and risk management framework.
- b. attract and retain good employees;
- c. support a high-performance culture, which takes into account the employee's results and achievements, conduct and behaviour and differentiates excellent performance;
- d. encourage teamwork;
- e. encourage effective management of both financial and non-financial risks, sustainable performance and long-term soundness;
- f. support and endeavour to have employment equality in the workplace, including gender equality in relation to remuneration.

Senior Officer Outside Australia Annual Review of Remuneration Policies and Variable Remuneration Outcomes

The SOOA will review the Remuneration Policy at least annually and, if necessary or desirable, amend the Remuneration Policy at regular intervals and at its sole and absolute discretion for the purposes of:

- a. reflecting any changes in the business or structure of SMBC Australia;

- b. reflecting any changes in the risks faced by SMBC Australia in carrying on its business;
- c. complying with APRA's prudential standards and the Financial Accountability Regime (FAR); and
- d. continuing to be effective having regard to the employees to whom it applies (particularly those employees in the roles, set out below).

In conducting their policy review, the SOOA shall also:

- a. determine whether there have been any material deviations in remuneration outcomes from the objectives of this policy; and
- b. identify any unreasonable or undesirable outcomes that flow from implementation of this policy.

The SOOA will report to the board of SMBC whenever they have determined that any material policy adjustments are necessary and need to be reported to the board of SMBC.

The SOOA may seek the advice and counsel of SMBC Australia's Risk and Financial Control and Human Resource staff, and such other internal and external parties as the SOOA considers appropriate for the purposes of discharging his or her duties in the governance of remuneration, including independent third-party experts. In taking advice on remuneration governance, the SOOA must satisfy themselves that the advice is objective and impartial.

By a delegation from the SMBC board, the SOOA approves variable remuneration outcomes for persons in the below roles:

- a) Responsible Person roles, as defined by Australian Prudential Standard CPS 520.
 - b) Accountable Person (AP) roles, which are defined under the *FAR Act* and the *Financial Accountability Regime (Consequential Amendments) Act 2023* (Cth) as employees who have senior executive responsibility for management or control of SMBC Australia (or holds a role prescribed by the *Financial Accountability Regime (Minister) Rules 2024* (Cth)).
 - c) Specified roles under CPS 511, which includes: Risk and Financial Control Personnel employees, whose primary role includes risk management, compliance, internal audit or financial;
 - d) Any material risk-taker (including highly paid material risk-takers), and
 - e) Any employee whose decision-making responsibilities could potentially affect the financial soundness of SMBC Australia, and who may have received variable remuneration which exceeds 100 percent of their fixed remuneration.
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3. Remuneration Design

The pay design of SMBC Australia employees is mainly fixed remuneration provided at levels that are competitive in the market, in order to facilitate recruitment and retention of appropriate skills, talent and experience. The market comprises similar roles in the banking and financial services sector in Australia.

While all employees at SMBC Australia are eligible for variable remuneration, such variable remuneration is not guaranteed, and it is not a formal element of the pay design. Employees are not provided with an incentive opportunity at the start of a performance period and rewarded for achievement of objectives set at the start of the year. Instead, variable remuneration is paid as an ad hoc bonus that may sometimes be paid by the SOOA and/or the Managing Director and Country Head, SMBC Australia.

Receipt of variable remuneration in one year is not a guarantee that the employee will receive further variable remuneration in a subsequent year. Variable remuneration is not a condition, custom or practice at SMBC Australia. An employee should not carry an expectation regarding the payment or deferral of variable remuneration. SMBC Australia retains complete and absolute sole discretion on how variable remuneration or other discretionary incentives are awarded from time to time.

The pay design is deliberately a high intrinsic/very low extrinsic motivation design. The absence of an incentive is to align remuneration with prudential risk taking – in other words there is no financial incentive to take excessive risks. Nevertheless, where variable remuneration is paid, the pay design and remuneration policies incorporate adjustment mechanisms to comply with the requirements of CPS 511 and the FAR, that reflect the outcomes of business activities, risks related to business activities and the time necessary for the outcomes of those business activities to be reliably measured. Accordingly, SMBC Australia retains the right to adjust any variable remuneration payment downwards to nil in order to respond to significant unexpected or unintended consequences. The right will be exercised at SMBC Australia's absolute discretion. Further information about the downward adjustment that SMBC Australia may apply is set out below.

The performance rating received by a locally hired employee of SMBC Australia is a key factor in their salary review. Employee compliance with approved business rules and procedures to minimise risk is the guiding principle of pay design for SMBC Australia. Employees are rewarded for following established business rules and policies. There is no incentive or reward for excessive risk-taking.

Fixed Remuneration: An employee will be paid a fixed salary, which shall be reviewed to market on an annual basis, and whenever the employee is promoted or transferred, or their role changes, or as required by the SOOA or Country Head and Managing Director, SMBC Australia, for retention purposes.

Discretionary Variable Short Term Cash Incentives: Variable remuneration is paid at SMBC Australia's absolute discretion and are not guaranteed and are dependent

on a number of factors, which may include the economic conditions, the performance of the SMBC Group, the performance of SMBC Australia, the performance of the department and the achievements and results and conduct of the employees, as well as accepted standards of conduct in accordance with SMBC Australia's policies, processes and procedures.

Equity Based Compensation: Senior Executive Japan Hired Employee's based in Australia may be eligible for Equity Based compensation.

Deferral: Variable remuneration will be deferred in accordance with the *SMBC Australia Discretionary Bonus Deferral Policy* as in force from time to time, and applicable law.

Downward Adjustment: The following risk adjustment features are embedded within the remuneration framework:

All variable remuneration will be subject to downward adjustment where required in accordance with applicable law and the terms of the remuneration policy.

SMBC has an absolute and ongoing discretion to apply downward adjustment tools to any variable remuneration (including to nil) of an individual in the form of:

- a) in-period adjustments;
- b) malus; and
- c) where SMBC determines it is appropriate, clawback.

Downward adjustments may be made on an individual or collective basis.

Any downward adjustment will correspond to overall organisation and individual performance and will be proportionate to the severity of the performance, conduct or risk outcomes. At a minimum, SMBC may exercise its discretion to downward adjust variable remuneration where it considers that:

- a) an adjustment is appropriate to protect the financial soundness of SMBC;
- b) SMBC's financial and / or reputational standing has been or may be adversely affected;
- c) there has been material misconduct or a material breach leading to adverse outcomes;
- d) there has been a significant failure of financial and / or non-financial risk management;
- e) there has been a significant failure and / or breach of accountability, fitness and propriety, or compliance obligations;
- f) there has been a significant error or a significant misstatement of the variable remuneration criteria;

- g) there has been significant adverse outcomes for members; and/or
- h) it is necessary to comply with regulatory requirements.

These examples will not limit the circumstances in which SMBC may choose to make a downward adjustment.

Moreover, where any AP has failed to comply with accountability obligations under FAR, variable remuneration of that AP will be reduced by an amount that is proportionate to the failure, and the amount of the reduction will not be paid to that AP.

SMBC may exercise its discretion to apply downward adjustments irrespective of whether the relevant event that gave rise to the adjustment:

- a) happened before, on or after the date the variable remuneration was awarded to an individual employed or engaged by SMBC; or
- b) was known at the time variable remuneration was paid or not.

Consequence management for material breach or misconduct

SMBC may exercise its discretion to downward adjust variable remuneration where it considers that:

- a) an adjustment is appropriate to protect the financial soundness of SMBC;
- b) SMBC's financial and / or reputational standing has been or may be adversely affected;
- c) there has been material misconduct leading to adverse outcomes;
- d) there has been a significant failure of financial and non-financial risk management;
- e) there has been a significant failure and / or breach of accountability, fitness and propriety, or compliance obligations;
- f) there has been a significant error or a significant misstatement of the variable remuneration criteria;
- g) there have been significant adverse outcomes for members;
- h) it is necessary to comply with regulatory requirements.

These examples will not limit the circumstances in which SMBC may choose to make a downward adjustment.

Longer term and risk performance

SMBC values employees who are long-term employees, dedicated to the long-term success of SMBC, as well as employees who are dedicated to managing risk performance.

The discretionary variable remuneration deferral policy is applied to all locally hired employees and Japan hired expatriates. For all employees (other than Accountable Persons/Highly Paid Material Risk Takers) the deferral period in relation to discretionary variable payments depends on the size of the discretionary variable payment compared to the employee's annual base salary. The period varies between 12 to 24 months, which will be determined at SMBC Australia's discretion.

SMBC will also defer variable remuneration of certain persons including Accountable Persons and Highly Paid Material Risk Takers as specified under CPS511 and FAR.

SMBC Australia may also exercise its discretion to defer bonus payments on a case by case basis (depending on the amount of the bonus as a percentage of salary) if considered appropriate for the purposes of risk management or employee retention.

The SOOA is responsible for determining the deferral period, vesting conditions and proportion of remuneration to be deferred that is most appropriate for their business and represents a balance between recognising risks and rewarding employees.

4. Application of CPS 511 Requirements

- SMBC Australia applies CPS 511 requirements proportionate to its size and risk profile as a non-SFI.
 - SMBC Australia ensures remuneration outcomes do not encourage excessive risk-taking or undermine sound risk management.
 - Specified roles subject to CPS 511 requirements have remuneration assessed with a strong emphasis on risk outcomes.
 - SMBC Australia maintains transparency in remuneration outcomes and governance consistent with APRA disclosure expectations.
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5. Conclusion

SMBC is committed to a remuneration framework that supports its strategic objectives, promotes effective risk management, and complies with APRA Prudential Standard CPS 511. SMBC continues to review and enhance its remuneration practices in line with evolving regulatory standards and best practice principles.