

SMBC NIKKO

Slavery and Human Trafficking Statement

Financial year ending 31 March 2023**Background**

The Modern Slavery Act 2015 (the "Act") of the United Kingdom requires certain businesses to provide disclosure concerning their efforts to address the issues of Slavery and Human Trafficking in their supply chain. The disclosure is intended to assist customers to make better, more informed choices about the products and services they buy and the companies they support.

This document comprises the Slavery and Human Trafficking Statement (the "Statement") of SMBC Nikko Capital Markets ("SMBC Nikko") for the financial year ending 31 March 2023.

The Statement has been prepared in accordance with the UK Home Office statutory guidance¹ on complying with Section 54 of the Act and details the steps SMBC Nikko has taken during the financial year to mitigate against the risks that Slavery and Human Trafficking are taking place in any part of its business or supply chains.

SMBC Nikko's business and suppliers

SMBC Nikko is a financial institution regulated by the Financial Conduct Authority (FCA), and is incorporated in England and Wales. Sumitomo Mitsui Banking Corporation ("SMBC"), a Japanese banking institution, owns 85% of the voting shares of CM Limited. SMBC Nikko Capital Markets Inc a Japanese financial institution, owns the remaining 15% of the voting shares of SMBC Nikko. SMBC and SMBC Nikko are in turn wholly-owned subsidiaries of Sumitomo Mitsui Financial Group ("SMFG"), a financial services conglomerate that is also incorporated in Japan.

Further information on SMBC Nikko's business can be found in our annual report and financial statements, which can be accessed at: <https://www.smbcgroup.com/emea/notices-reporting/corporate-disclosures/>

SMBC Nikko relies upon a number of external suppliers to provide certain products or services that assist in the running of its business, including operating its offices. Suppliers are engaged for a variety of reasons, including the provision of expertise or resource that SMBC Nikko may or may not possess itself.

SMBC Nikko's stance on Slavery and Human Trafficking

The main principle guiding SMBC Nikko's approach to Slavery and Human Trafficking is that it should not be involved, directly or indirectly, in the commission or facilitation of the offences specified by the Act.

SMBC Group is a signatory to the United Nations Global Compact, and the ten principles related to human rights, labour standards, environment and anti-corruption measures. SMFG also participates in the "Industrial Federation for Human Rights, Tokyo", which aims to establish respect for human rights as part of core corporate culture through awareness raising and initiatives. SMBC Nikko supports the SMBC Group Policy on Human Rights and Statement on Human Rights. As such, SMBC Nikko is committed to protecting and respecting human rights in accordance with international human rights standards.

SMBC Nikko demonstrates an on-going commitment to maintaining and improving systems and processes to mitigate the risk that it might be involved, wittingly or unwittingly, in the commission or facilitation of Slavery and Human Trafficking in any part of its operations, supply chain (including customers, contractors and suppliers), products, services, and staff activities. SMBC Nikko supports the SMBC Group aim to eliminate

¹ <https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide>

all forms of exploitative labour practices in its business and supply chains, including modern slavery, forced labour, human trafficking and child labour.

SMBC Nikko also expects its staff, suppliers and business partners to adhere to the same high standards and to take reasonable steps to ensure that other third parties they do business with adhere to those standards as well.

Governance – Policies in relation to Slavery & Human Trafficking

SMBC Nikko's Senior Management are responsible for establishing a culture in which modern slavery is not tolerated in any form, ensuring that all SMBC Nikko staff are aware of the risks, so that informed decisions are made in a timely way, which mitigate and manage these risks.

SMBC Nikko has established an Anti-Slavery Policy, which sets out the processes through which it seeks reasonable assurance that none of its customers, business partners, suppliers and other third parties are involved in the commission or facilitation of Slavery and/or Human Trafficking. The policy also provides detailed guidance to SMBC Nikko staff on what constitutes an offence and the controls in place to mitigate the risk that SMBC Nikko may be directly or indirectly involved in the commission of Slavery and Human Trafficking.

The Anti-Slavery Policy is reviewed on an annual basis, in accordance with SMBC Nikko's governance strategy.

SMBC Nikko has specific policies which form its Financial Crime governance framework, including an Anti-money Laundering/Combating of Terrorist Financing (AML/CTF) Policy, Anti-Bribery and Corruption (ABC) Policy, Anti-Fraud Policy and a Gifts and Entertainment (G&E) Policy. The Anti-Slavery Policy is aligned to, and is supported by, these policies.

Risk Assessment

SMBC Nikko expects its suppliers and customers to undertake ethical business practices, particularly in, but not limited to, economic sectors where there are higher risks of Slavery and Human Trafficking.

SMBC Nikko takes appropriate steps to mitigate the risk that Slavery and Human Trafficking may occur in its supply chain, or that its products and services may be used by a customer for the commission or facilitation of Slavery and Human Trafficking. When engaging suppliers, SMBC Nikko seeks assurances from them that they will comply with applicable laws and regulations.

SMBC Nikko has enhanced its risk assessment of countries, industry sectors, goods and products, which have been reported to be involved in the potential commission or facilitation of Slavery and Human Trafficking. Specifically, the assessment of goods and industry sectors has been updated in line with the US Department of Labor's Bureau of International Labor Affairs (ILAB) List of Goods produced by Child Labor or Forced Labor².

Due Diligence

All departments involved in due diligence processes are required to conduct appropriate checks in order to obtain reasonable assurance that customers, business partners, suppliers, and other third parties are not involved in the commission or facilitation of Slavery and/or Human Trafficking.

SMBC Nikko requires specific anti-slavery due diligence to be undertaken on all its third parties, and applies consistent due diligence measures for Slavery and Human Trafficking, whereby suppliers, contractors, customers and any other business partners are all subject to the same level of identification, verification, and risk evaluation for slavery and human trafficking.

As part of its on-boarding and periodic due diligence processes, all suppliers, contractors, customers and business partners are assessed to determine whether they fall within the scope of the Act, and, if so, a copy of their Anti-Slavery Statement is sought and retained.

In addition, in the course of conducting due diligence processes, all customers, business partners, suppliers and other third parties are subject to adverse news screening, incorporating specific terms relevant to Slavery and Human Trafficking.

² 2020 List of Goods Produced by Child Labor or Forced Labor (dol.gov).

Supply Chain and Customers

SMBC Nikko expects its suppliers and customers to undertake ethical business practices, particularly in, but not limited to, economic sectors where there are higher risks of Slavery and Human Trafficking.

- SMBC Nikko takes appropriate steps to mitigate the risk that Slavery and Human Trafficking may occur in its supply chain, or that its products and services may be used by a customer for the commission or facilitation of Slavery and Human Trafficking. This due diligence process includes, but is not limited to: Identification and verification;
- Determination of where the suppliers, contractors, customers and business partners are based and operate;
- Analysis of the activity carried out by the suppliers, contractors, customers and business partners; and
- Detailed review of publicly available information, in order to identify instances related to Slavery and Human Trafficking offences that may give SMBC Nikko cause for concern.

Any instances where the supplier, customer or transaction may be involved in the commission or facilitation of the relevant offences due to their core activities, line of business, business relationships, country of establishment and/or operations will require enhanced due diligence measures, more detailed investigation and approval by an appropriate person. As a result, SMBC Nikko may take the following course of action:

- Not to establish or renew the relationship;
- Not to offer certain products or services; or
- To end the existing relationship.

Training

In order to ensure proper understanding of the risks posed by Slavery and Human Trafficking in the context of SMBC Nikko's supply chains and business, SMBC Nikko provides training to staff on Slavery and Human Trafficking and the requirements of the Act, incorporating relevant resources and due diligence requirements.

Members of staff are encouraged to report any instances of suspected Slavery and Human Trafficking identified in any part of SMBC Nikko's business activities, either through their standard reporting line, or through SMBC Nikko's whistleblowing programme.

Staff are also aware of their responsibility, under relevant local legislation, to raise a Suspicious Activity Report (SAR) where they have knowledge or suspicion, or where there are reasonable grounds for having knowledge or suspicion, that another person or entity is engaged in money laundering or terrorist financing. As such, staff have a legal obligation to submit a SAR in relation to any funds in a transaction derived as a result of Slavery or Human Trafficking.

It is equally important for SMBC Nikko to demonstrate that no relevant offences are committed within its premises and/or in relation to its own staff. Human Resources have the responsibility to demonstrate, through the introduction of appropriate controls, that SMBC Nikko's own staff are being treated in line with local laws and regulations, and are not victim of any of the relevant offences as a result of their employment.

Executive Compensation and Group-Wide Initiatives

The executive compensation system of SMFG has been revised in April 2023 to incorporate quantitative indicator relating to diversity, equity and inclusion (DE&I). This will encourage Senior Management to recognise and value the importance of respect for human rights in workplace.

As part of the "10 group-wide ESG initiatives", SMFG is also committed to establish more specific action plans to ensure the risks of human rights abuse are managed and mitigated throughout the supply chain.

Slavery and Human Trafficking

As used in this Statement, the above term refers to a variety of offences, including but not limited to:

- Slavery, servitude and forced or compulsory labour;
- Sexual exploitation, including all offences contemplated in the Part 1 of the UK Sexual Offences Act 2003;
- Removal and trafficking of organs outside the context of authorised health treatments;



- Securing services or other type of benefits by force, threats or deception; and
- Securing services or other type of benefits from children and vulnerable persons.

Contact

Questions, comments and requests regarding this Statement are welcomed and should be addressed here.
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Approval

This Statement was approved by the SMBC Nikko Board of Directors on 12 July 2023 and has been signed on behalf of the Board by Mr Antony Yates, Chief Executive Officer.