

Efforts for Sustainability in SMBC Group

May 30, 2023



SUMITOMO MITSUI
FINANCIAL GROUP

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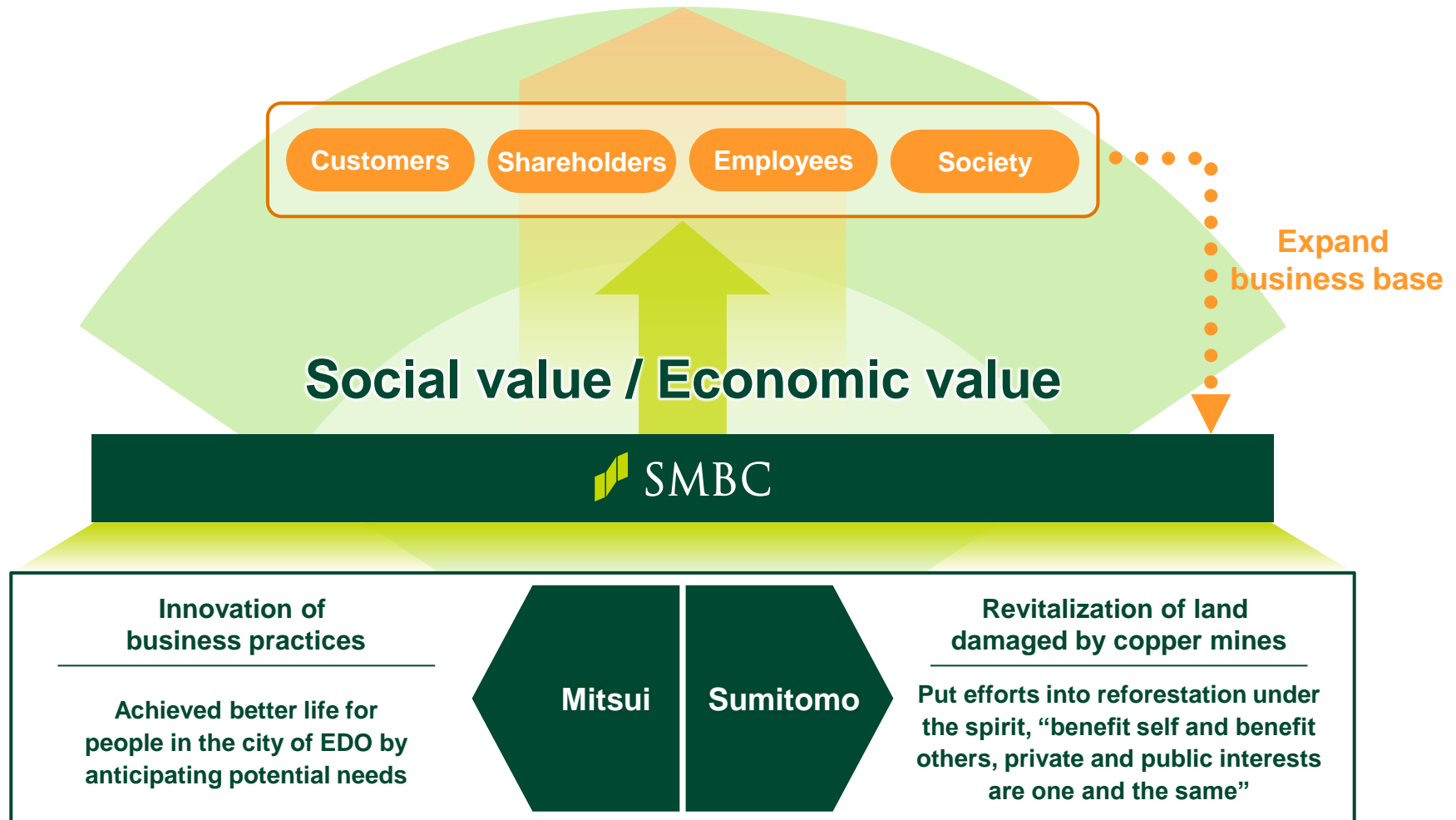


SMBC Group's Goal for Social Value Creation

Build an era of “Fulfilled Growth”

Era of “Fulfilled Growth”

An era where people feel fulfilled as economic growth accompanies the resolution of social issues



SMBC Group's new materialities

Set new materialities and 10 goals to resolve them.

More specific action plans will be established and promoted simultaneously.

Environment	Support transition to achieve a decarbonized society	Sustainable finance Revised upward JPY 50 tn (FY3/21-30)	Establish more specific action plans
	Contribute to the conservation and restoration of natural capital		
DE&I/ Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score Maintain at least 70	
	Respect for human rights throughout the supply chain		
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	# of microfinance borrowers +0.8 mn	
	Contribute to financial inclusion in developing countries		
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance JPY 18 tn	
	Build user-friendly infrastructure to support a society with a declining population		
Japan's Regrowth	Support customers' business model transformation	Investment and loans for startups JPY 135 bn	
	Create innovation and foster new industries		

Deciding materialities and Medium-Term Management Plan

Decided after around one year of discussions and dialogues among execution and supervision, management and employees.

Execution

- Management Committee
- Corporate Sustainability Committee
- Off-site meetings



Employee survey

- Consolidation of opinions from c. 19,000 Japanese and c.1,700 non-Japanese employees



<Main Questions>

- ✓ Social issues which SMBC Group should focus on
- ✓ New business models
- ✓ Goals to be included under the new Medium-Term Management Plan, etc.

Supervision

- Board of Directors
- Sustainability Committee



Dialogue between management and employees

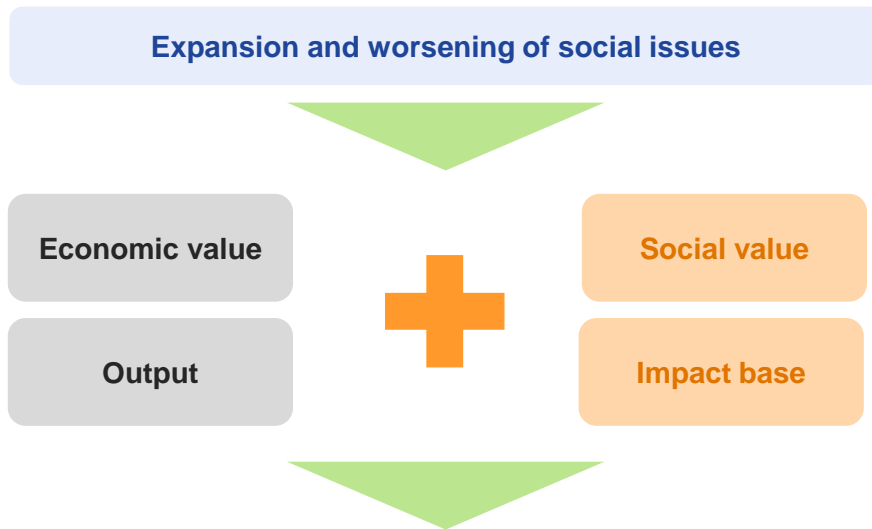
- Top seminars
- Town hall meetings



Anticipate changes in “metrics”

Cultivate new markets by enhancing solutions and disclosure based on a new “metric” of social impact.

Change in “metric”



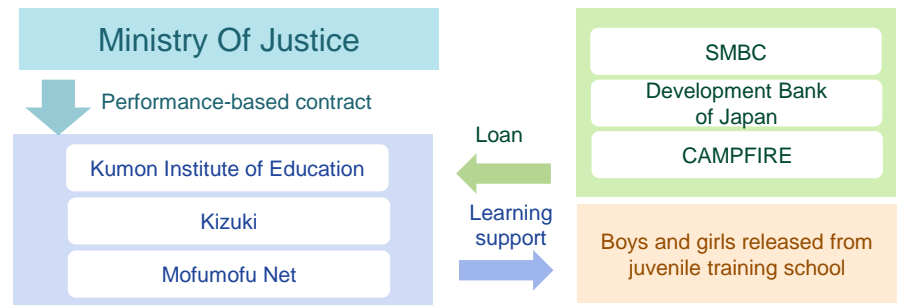
Solution and disclosure (examples)

Debt	Positive Impact Financing
Equity	Impact IPO
Disclosure	Impact-based KPI

Solution examples

Social Impact Bond (project examples)

- Learning support program to children released from juvenile training school.
Measurement of contribution (impact) of learning support on prevention of recidivism

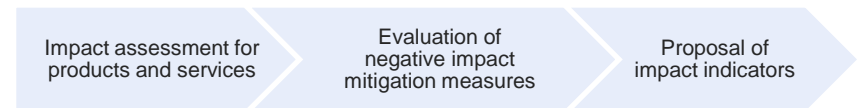


Sustainability Impact Review



Japan Research Institute

- Support the creation of positive impact and establishment of impact indicators



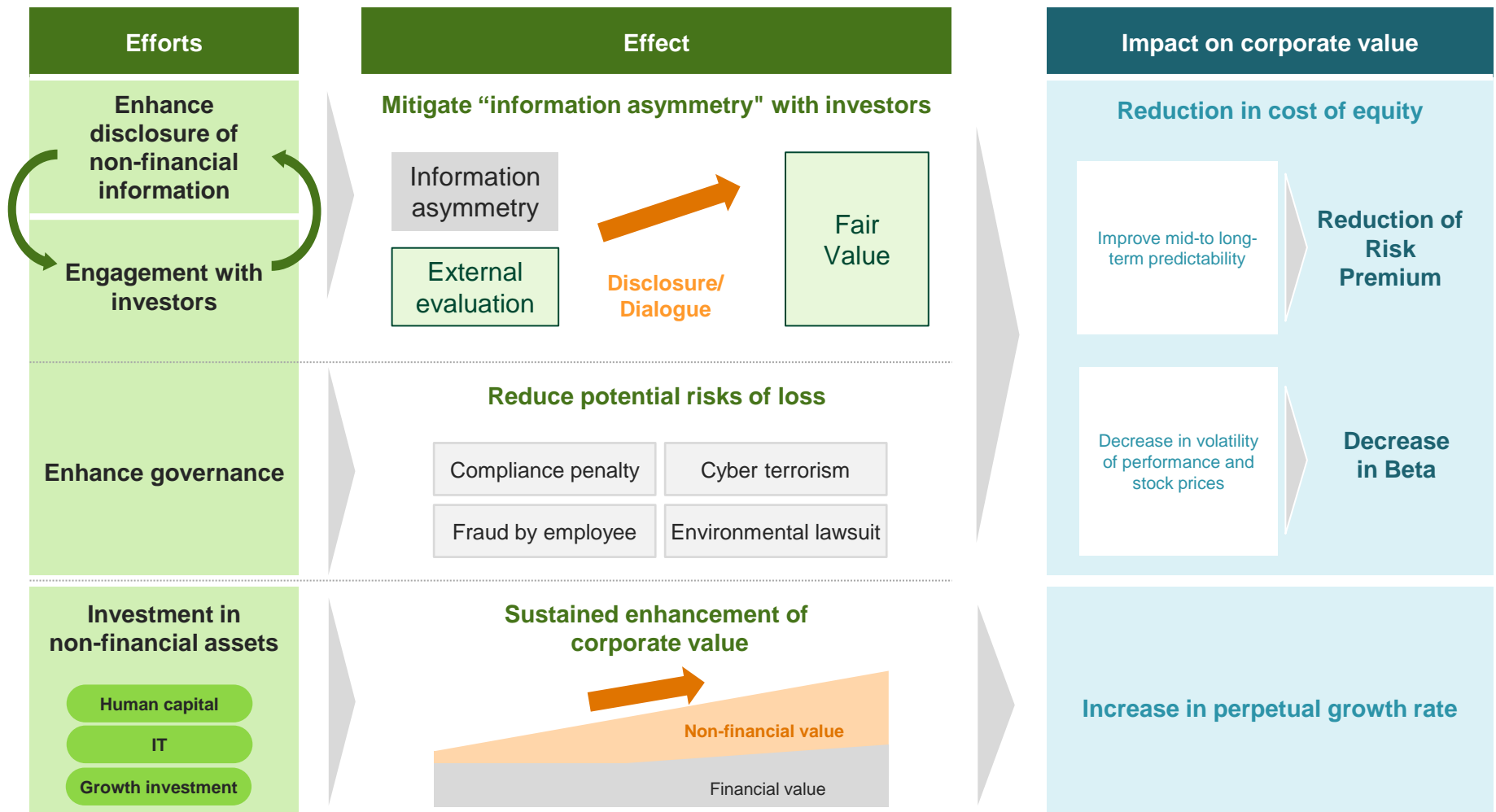
SMFG PIF Impact Finder




Tool to support identification of the impact of our customers' businesses and setting/monitoring impact indicators

Enhance corporate value through non-financial factors

Sustainability efforts also contribute to enhancing corporate value over the medium to long term by controlling capital costs and improving perpetual growth rate.



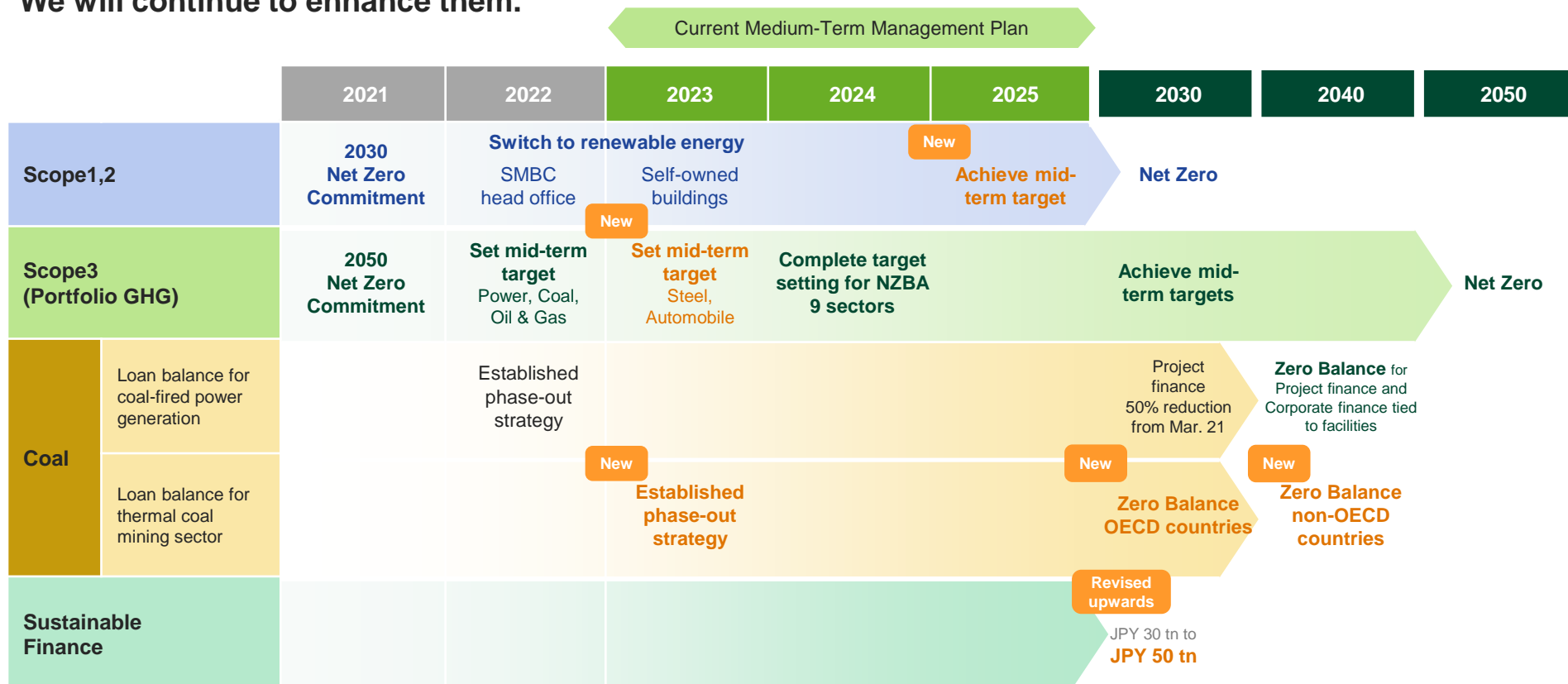


Initiatives Related to Environment

Transition Plan to Realize Net Zero (Overview)

Transition Plan is series of goals and actions for SMBC Group to realize net zero.

We will continue to enhance them.



Governance	Metrics and targets	Implementation strategy	Engagement strategy
<ul style="list-style-type: none"> Strengthen governance system ✓ Revise executive compensation system Establish internal control Strengthen capabilities of directors and employees 	<ul style="list-style-type: none"> Scope1,2 reduction targets Scope3 reduction targets Sustainable finance KPI Transition KPI 	<ul style="list-style-type: none"> Strengthen risk management ✓ Climate-related RAF Promote decarbonization business ✓ Transition Finance Playbook Reduce Scope1,2 emission 	<ul style="list-style-type: none"> Approach to customers ✓ Customers' transition strategies assessment Engage with other stakeholders

Enhancement of phase-out strategy for coal sector

Phase-out strategy is newly established for thermal coal mining sector, in addition to coal-fired power generations.

Loans for thermal coal mining

Established
May 2023

(Loan Balance)	Mar. 22	2030	2040
OECD countries	c. JPY 20 bn	Zero balance	
Non-OECD countries	c. JPY 56 bn	Zero balance	
Target sector	Thermal coal mining projects, and companies whose main business are thermal coal mining		
Target assets	Loans (Total of corporate finance and project finance)		

< Policies for specific businesses and sectors >

Revised
August 2022

Support for newly planned and expansion of thermal coal mining projects are not provided

- We will not provide support for companies whose main businesses are thermal coal mining or linked infrastructure development that do not have any existing transactions with SMBC Group.
- Support for newly planned and the expansion of infrastructure developments that are dedicated to above-mentioned projects are not provided.

Loans for coal-fired power generations

Established
May 2022

(Balance: JPY bn)



< Policies for specific businesses and sectors >

Revised
August 2022

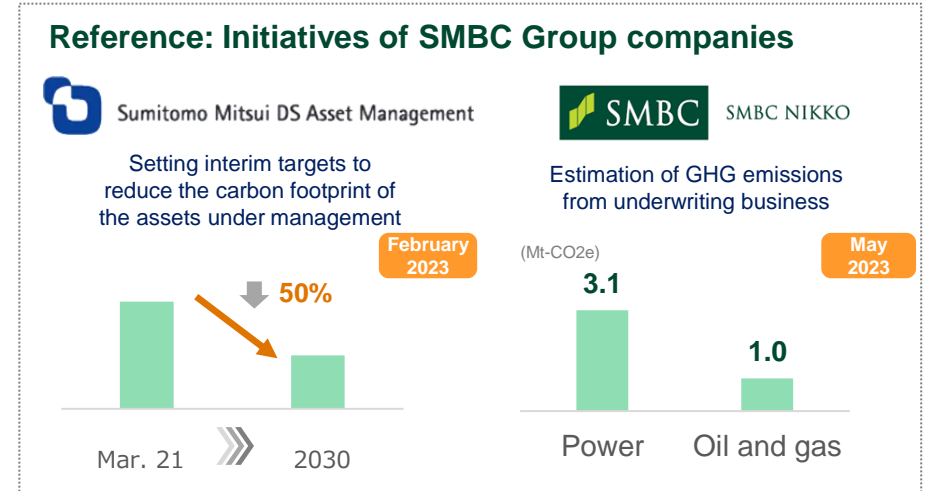
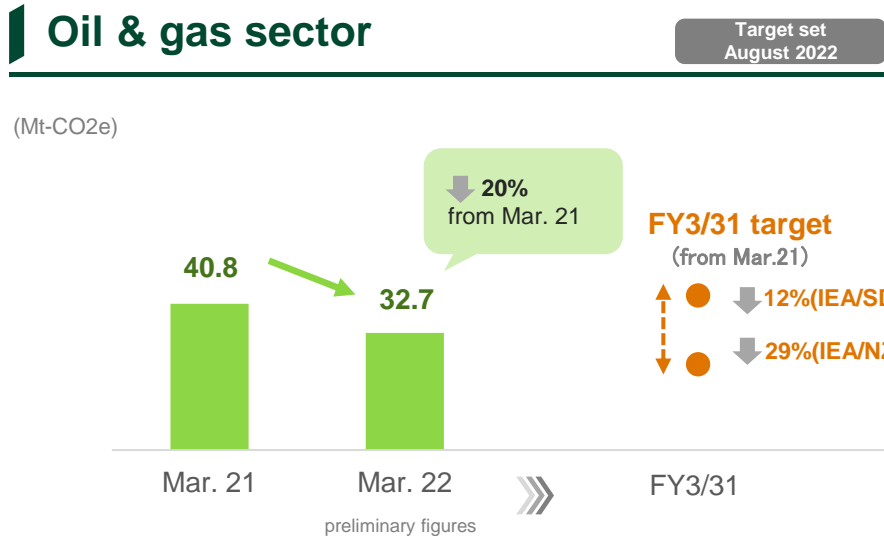
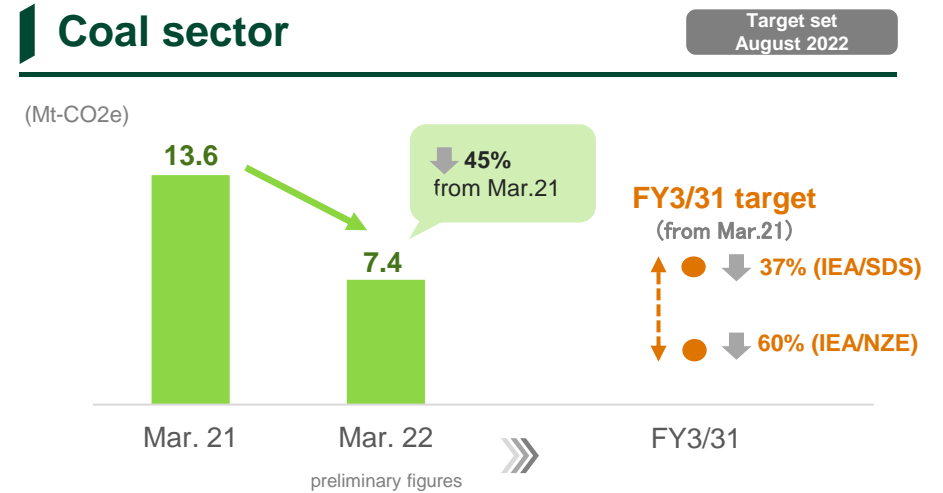
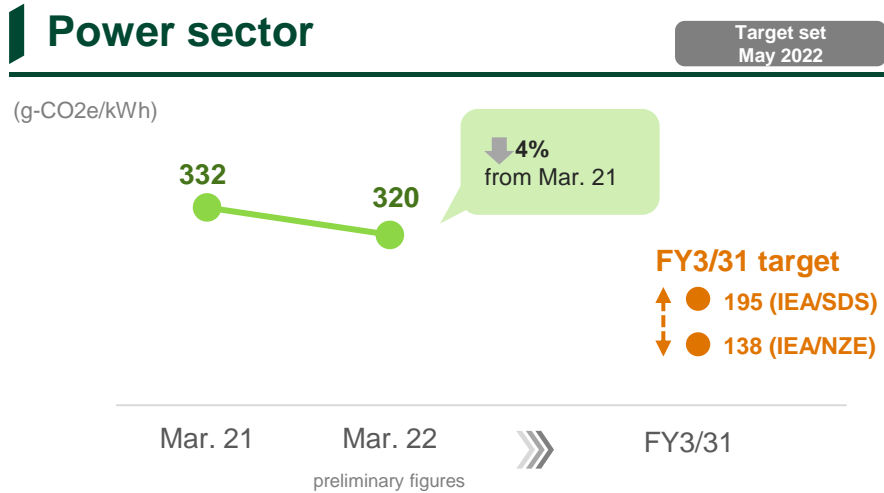
Support for newly planned and expansion of coal-fired power plants are not provided

< Understanding of the Business/Sector >

- SMBC Group expects our customers to establish and publicly announce long-term strategies aimed at realizing a carbon neutral business model and other initiatives to address climate change.
- SMBC Group will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.

Strengthening efforts to reduce portfolio GHG emissions (Scope 3) (1)

Steady progress is being made in the 3 sectors (power, oil & gas, and coal) for which mid-term targets have been set for 2030.



Strengthening efforts to reduce portfolio GHG emissions (Scope 3) (2)

Mid-term targets for steel and transport (automobile) sectors to be announced during FY3/24.
 Target-setting to be completed for total of 9 sectors covering majority of Scope3 by October 2024.

Steel and transport (automobile) sector

		FY3/22 Results (Estimated)	Mid-term target
Steel	Absolute (Mt-CO ₂ e)	8.2	To be set during FY3/24
	Intensity (t-CO ₂ e/t-Steel)	2.0	
Transport (automobile)	Intensity (g-CO ₂ e/vkm)	217	

Our approach to mid-term targets setting

Steel	<ul style="list-style-type: none"> Consider Japan's and global demand and innovation while aiming to achieve 1.5°C targets
Automobile	<ul style="list-style-type: none"> Target-setting aligned with SBTi's guidance WTW (Well-to-Wheel) covering lifecycle emissions



WTW

TTW
Tank-to-Wheel

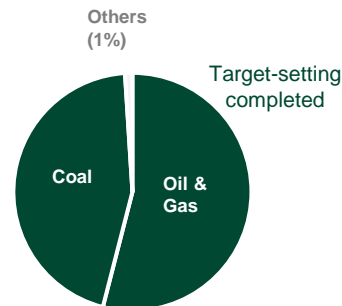
Sectoral target-setting process

2021	<ul style="list-style-type: none"> Announced commitment to net zero by 2050
2022	<ul style="list-style-type: none"> Mid-term reduction target-setting: power, oil & gas, coal
2023	<ul style="list-style-type: none"> Calculation of estimated sectoral GHG emissions (First half of FY3/24) Mid-term target: steel and automobile (During FY3/24)
2024	<ul style="list-style-type: none"> Completion of target-setting in NZBA 9 sectors

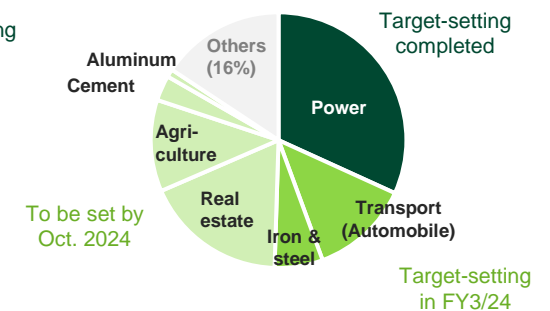
Complete mid-term reduction target-setting in majority of Scope3

(Reference) Breakdown of global CO₂/GHG emissions

By energy supply*¹
(CO₂ emissions)



By sectoral demand*²
(GHG emissions)

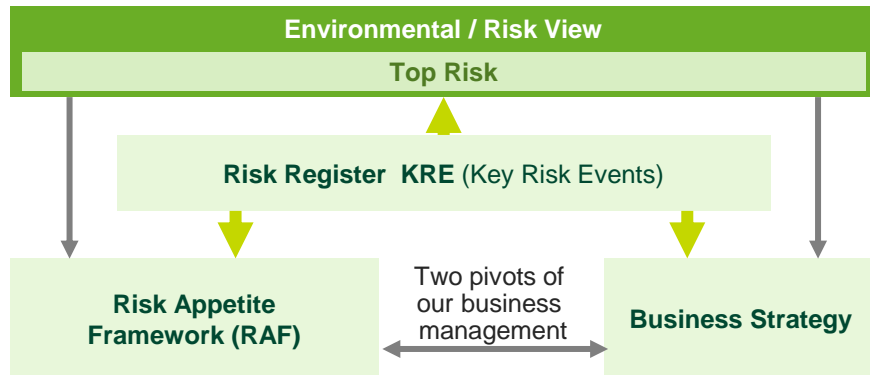


Enhancement of climate-related risk management

Development of new framework to enhance climate-related risk management

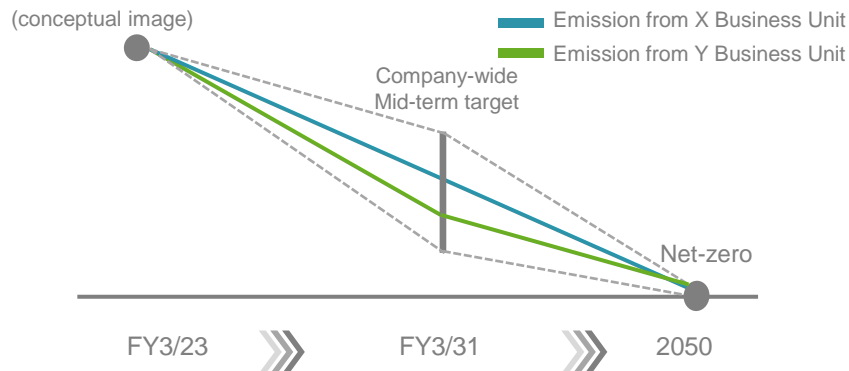
Enhancement of Risk Assessment Framework (RAF) April 2023

- Developed climate-related RAF and **manage portfolio GHG emissions in each sector/ business unit to align with the 1.5°C scenario**



Implementation of "Climate-Related RAF"

- Addition of portfolio GHG emissions as risk management metrics



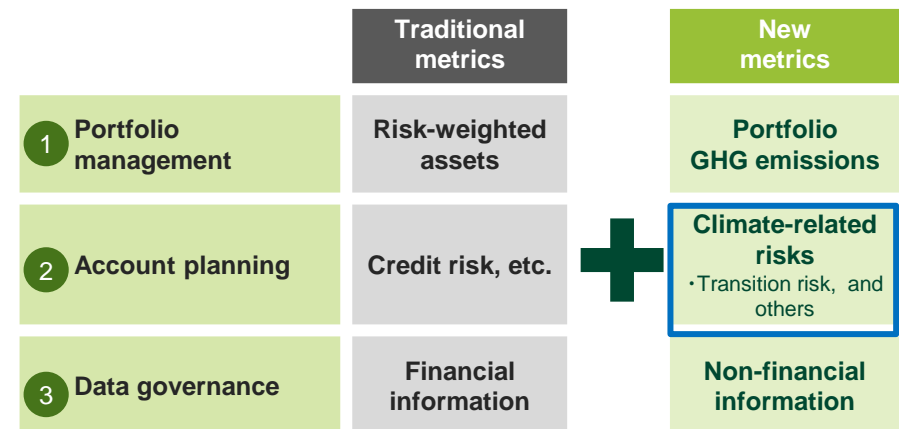
Transition strategies assessment Scheduled in FY3/24 1st half

- Review each customers' transition risk response** and use the results to enhance our strategy for customer engagement and account planning

Risk Management (traffic image)

		Level of response to transition risks					Risk
		1	2	3	4	5	
GHG Emissions	High						High
	Medium						Medium
	Low						Low

Enhancement of climate-related risk management (conceptual image)

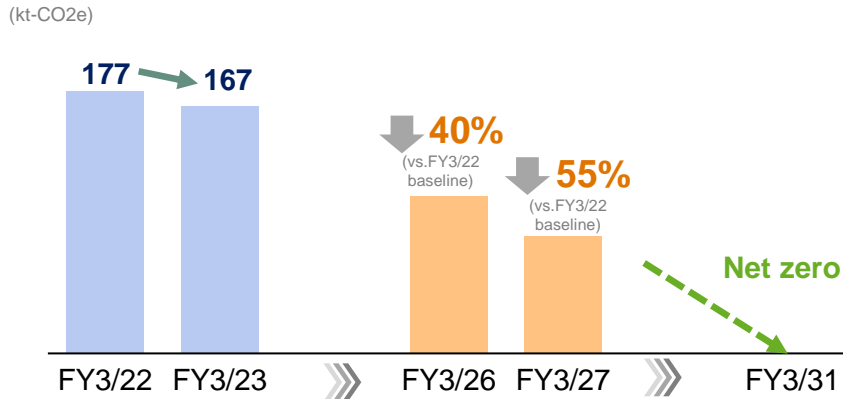


Reducing GHG emissions in SMBC Group operations (Scope1,2)

Enhancing Group-wide initiatives to achieve net-zero by 2030 with new mid-term reduction targets

Scope1, 2 reduction progress and targets

Set interim target
May 2023



Major initiatives which contributed to the reduction

- 1 Switching to renewable electricity in 4 headquarter buildings of SMBC
- 2 Operation of SMBC Kawasaki Mega Solar Place
- 3 Operation of off-site corporate PPA



SMBC Kawasaki
Mega Solar Place

Major initiatives for the next 3 years

Scope2 Switching to renewable electricity

Properties owned
by SMBC Group

HQ buildings of
major subsidiaries
in Japan



In April 2023,
completely switched to renewable electricity

Scope1 Switching company cars to EV/FCV



Electric vehicles

Fuel cell vehicles

Charging facilities

Improving GHG data collection and calculation process

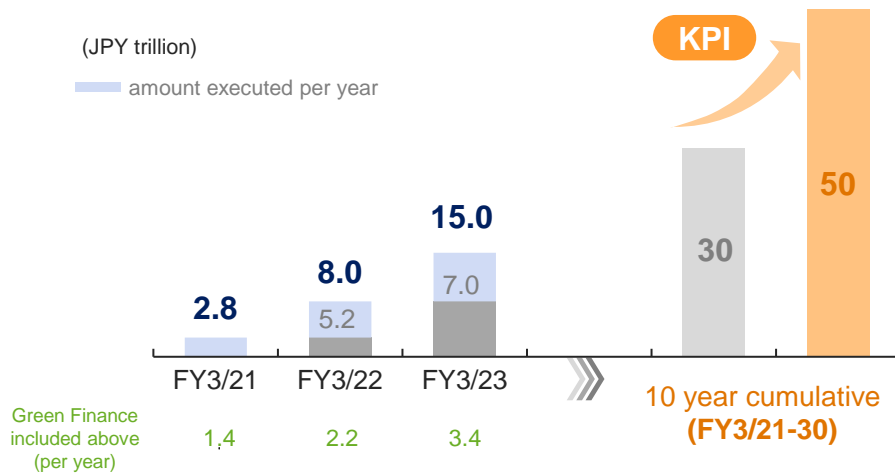
- SMBC Group companies will automatize data collection and improve efficiency in GHG emission calculation



Sustainable Finance

Target for sustainable finance execution amount by 2030 has been revised upwards from JPY 30 to 50 trillion.

Sustainable finance amount (cumulative)



League table



Green Loan *1
No.2 globally



SDGs bond underwriting *2
No.2 in Japan



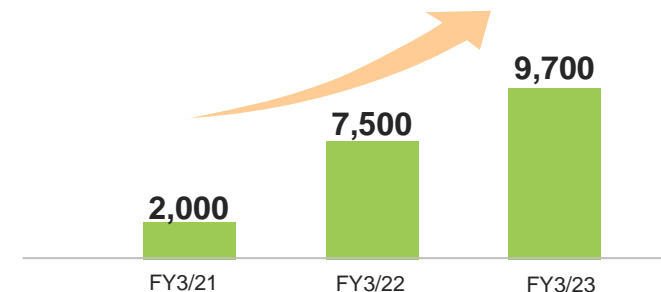
Criteria of sustainable finance is strictly defined

Category	Loans and underwriting (excluding leases, investments, and asset management)
Business in scope	Businesses covered in the principles/handbook below by International Capital Markets Association (ICMA) <ul style="list-style-type: none"> Green Bond Principles “Green Project Category” Social Bond Principles “Social Project Category” “Transition Finance Handbook”

*1 Source: Dealogic (global, based on amount executed FY2022)

*2 Source: SMBC Nikko Securities (Japan, 2022 4Q underwriting amount)

Ref. Number of customers we engaged in sustainability-related topics
(SMBC, within Japan)



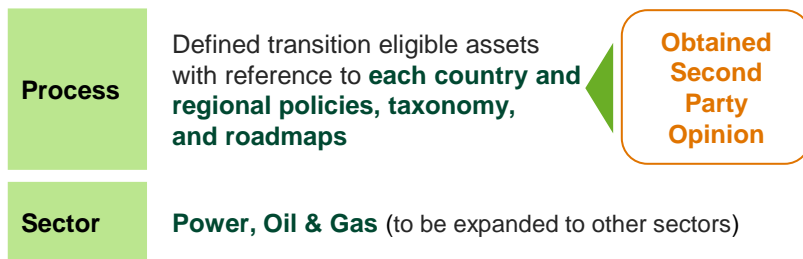
Supporting energy transition

We contribute to the realization of a decarbonized society by supporting customers' transition and innovation.

Establishment of Transition Finance Playbook

May 2023

- Clarified SMBC Group's definition of Transition Finance, and process to qualify 'transition'



Overview of 'Transition' Eligibility Criteria

	Assessing use of proceeds (Project finance, etc.)	Assessing corporate strategy (Corporate finance, etc.)
Green	Assets with net zero GHG emissions	Borrower with net zero GHG emissions
Transition	Assets aligned with 1.5 °C scenario from a timeline and sectoral perspective + Configured Target for 2050 net-zero of Sponsor / Borrowers	Borrower's strategy Consistent with 1.5 °C scenario

Example of finance activities

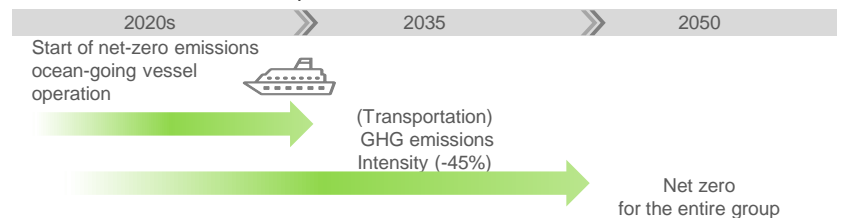
Transition Loan to Sumitomo Chemical Group

- The first transition finance for the Japanese chemical industry. Selected as a model case from the Ministry of Economy, Trade and Industry



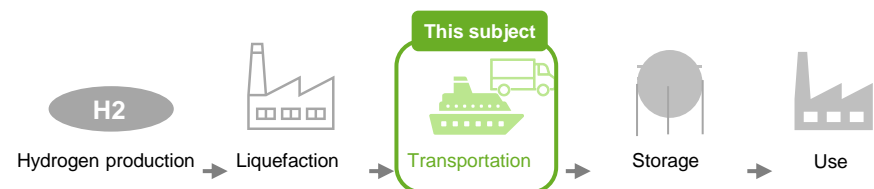
Transition Linked Loan to Mitsui O.S.K. Lines

- Transition Linked Loan with SPTs (sustainability performance target) based on customers' decarbonization plans



Sustainability Linked Loan to Kawasaki Heavy Industries

- Sustainability Linked Loan with hydrogen supply chain construction as KPI



Diverse solutions for decarbonization

Provide financial and non-financial services in flexible collaboration with partner companies to promote renewable energy.

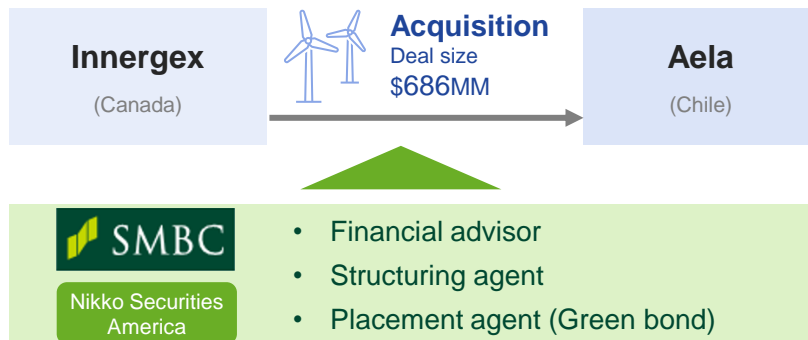
Strategic partnership with investment bank June 2022

- Strategic alliance with independent M&A advisory firm which has strength in the renewable and clean energy areas



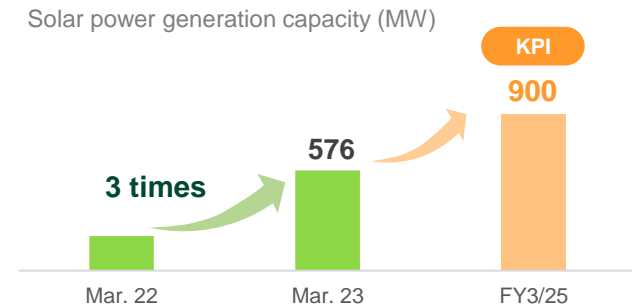
M&A support Aug 2022

- Support cross-border M&A deal by a renewable energy company



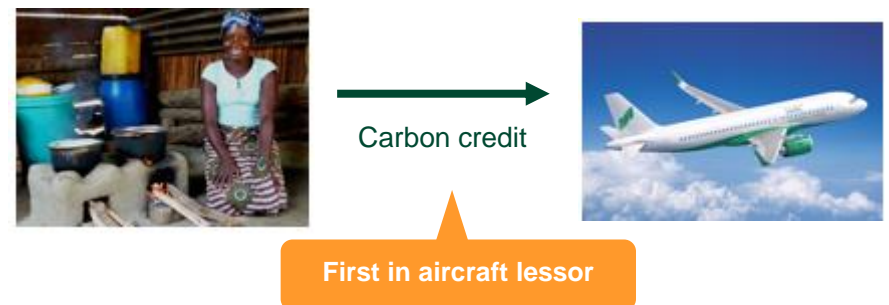
Renewable energy power generation business **SMFL**

- Building-up projects focusing on solar power generation



Decarbonization solutions for airlines **SMBC AVIATION CAPITAL**

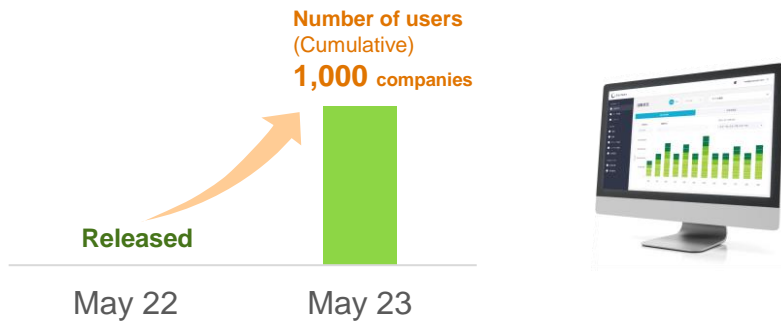
- Started providing carbon credit generated from cooking and heating installation projects in the least-developed countries to airline companies



Developed decarbonization support tools using digital technology, and will aim for further expansion of use.

Sustana

- Cloud tool to help calculate and reduce GHG emissions developed by SMBC Group



Main targets

- **Companies listed in TSE Prime Market** having difficulties responding to TCFD disclosure
- **Top and upstream companies in the supply chain** having difficulties calculating GHG emissions throughout the supply chain
- **SMEs** having difficulties calculating their own GHG emissions

Strengths of Sustana

- Adopted **GHG Protocol** (global accounting standard)
- Expanded **recommendation function** to automatically suggest GHG reduction measures
- **Flexible collaboration with external partners**

SMBC Group's unified support

White label to regional banks

Collaboration with Chamber of Commerce

CO₂ visualization service using corporate card data



Natural capital / Circular economy

In addition to responding to climate change, we will focus on conserving and restoring natural capital and realizing a circular economy to protect the global environment.

Natural capital

Initiatives for Nature Positive

Mirai Farm Akita

- Putting sustainable food and agricultural management model into practice

FANPS

Finance Alliance for Nature Positive Solutions

- Alliance to support company strengthening efforts to nature positive

Furano Shizen Juku (Furano Nature School)

- Support activities such as tree planting and education programs on the environment

The Reforestation Fund

- Invest in the funds which focuses on afforestation in South America

Publication of TNFD reports

Published April 2023



First report by a Japanese bank that illustrates SMBC Group's stance on natural capital



In anticipation of 2050, which is the year the world is set to achieve an environmental milestone, SMBC Group will make collective efforts to address climate change and to conserve and restore natural capital.

Circular economy

LP investment in Closed Loop Circular Plastics Fund

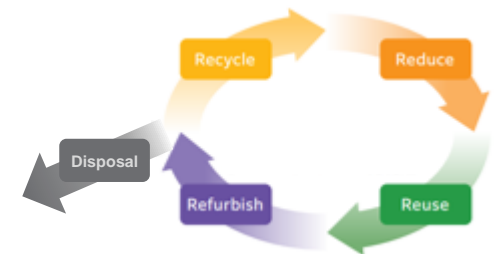
- Managed and operated by investment firm specializing in circular economy
- Investment and financing in companies which provide new technologies, services and products mainly related to plastics area



Investment amount
USD 10 million

“SMART,” a disposal contractor of industrial facilities

- Provides one-stop services ranging from plant dismantling and equipment removal to resale and recycling of unneeded machinery and equipment

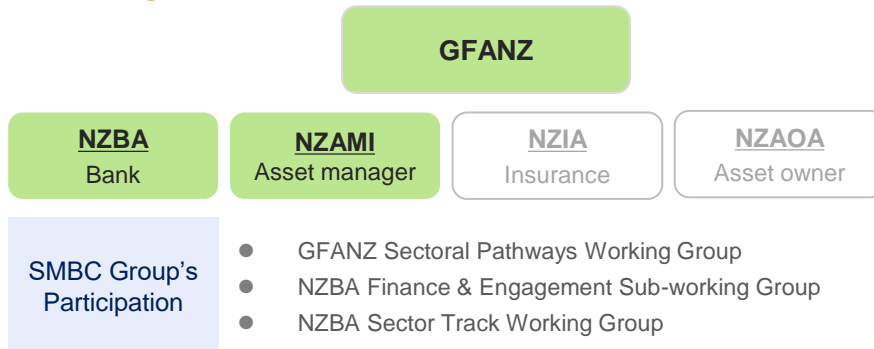


Involvement in industry standards

We participate in a variety of public and private initiatives and provide inputs and lead discussions.

GFANZ, NZBA, NZAMI

- Participating in the working groups and **provide opinions to achieve global net zero**



Asia Transition Finance Study Group (ATFSG)

- Set up by private financial institutions in recognition of the important role that transition finance will play in helping **Asian economies move toward net zero emissions**



Discussion points

- Importance of transition finance
- Challenges
- Recommendations to governments

etc.

Vietnam: Just Energy Transition Partnership (JETP)

- Participating in the framework to mobilise public and private finance to **support Vietnam's just transition**

Private financial institutions



Fund contributions \$7.75 billion



Japan Hydrogen Association (JH2A)

- Participating as an Executive Member company to promote **global collaboration and supply chain formation in the hydrogen field**

Hydrogen Forum 2023

- Thinking about Hydrogen from the government, private and financial sector perspective -



340 participants from various sectors

Investment fund for hydrogen



Working to establish the hydrogen fund during FY3/24 with 18 member companies

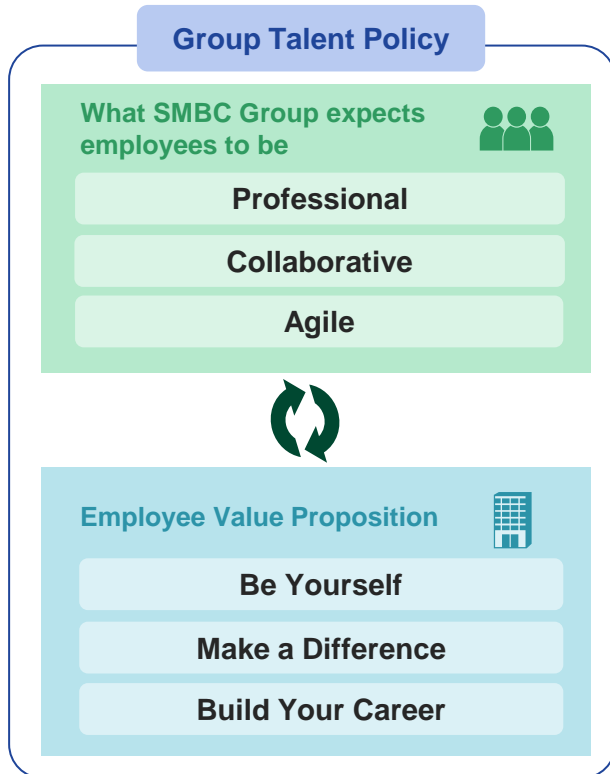


Initiatives Related to Society

Sophisticate human capital management

Established “SMBC Group Talent Policy” to promote human capital management.
We aim to realize the workplace and teams where diverse professional talents aim high and feel rewarding.

SMBC Group Talent Policy



Human Capital Investment Year on Year ^{*1} **+7%**

KPI **Engagement score** maintain at least **70**

Managing diverse human resources

1 Empowerment of women



CEO commitment



Leadership training

Ratio of female directors (by FY30)
30% (Mar. 23: 13.3%)
Ratio of female managers (FY25)
25% (Mar. 23: 19.1%)

2 Empowerment of global human resources



Global Leadership Program

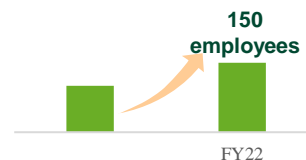


Ensure equal promotion and opportunities

Number of Non-Japanese executive officers, general managers (FY25)
25 (Mar. 23: 20)

3 Expand mid-career recruitment

Mid-career recruitment result



- Employee referral program
- Comeback recruitment
- "SMBC Alumni"

Ratio of management positions



*1 SMBC non-consolidated

Health management / Pro bono

Promoting health management and Pro bono project to support realization of true DE&I

Health management

- SMBC views the promotion of employee health as a management issue and initiated programs



Health promotion program

Introduced health management application 'KENPOS' to encourage employees to improve lifestyle habits through diet and exercise management



SMBC Run & Fit



Established new fitness facility for employees in the SMBC head office building

Pro bono project

- Introduced a system to allocate certain portion of their working hour to Pro bono as one of the steps to realize employees' diverse work styles



Extended to Group



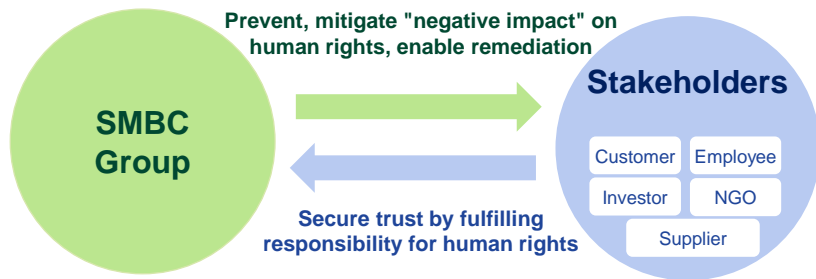
- Create social value
- Foster leadership
- Improve engagement

Human rights

We endeavor to respect human rights not only in SMBC Group but also throughout the supply chain as a “hub” that connects with various regions and industries.

Basic approach

- We consider both how our business is impacted, and how our business impact various stakeholders, and **address to respect human rights to create positive impact on society**



Human Rights Report

Published
May 2023



First SMBC Group report describing the Group's policy and effort to address human rights

Human rights due diligence

Launched
October 2022



Human rights, DE&I-related solutions

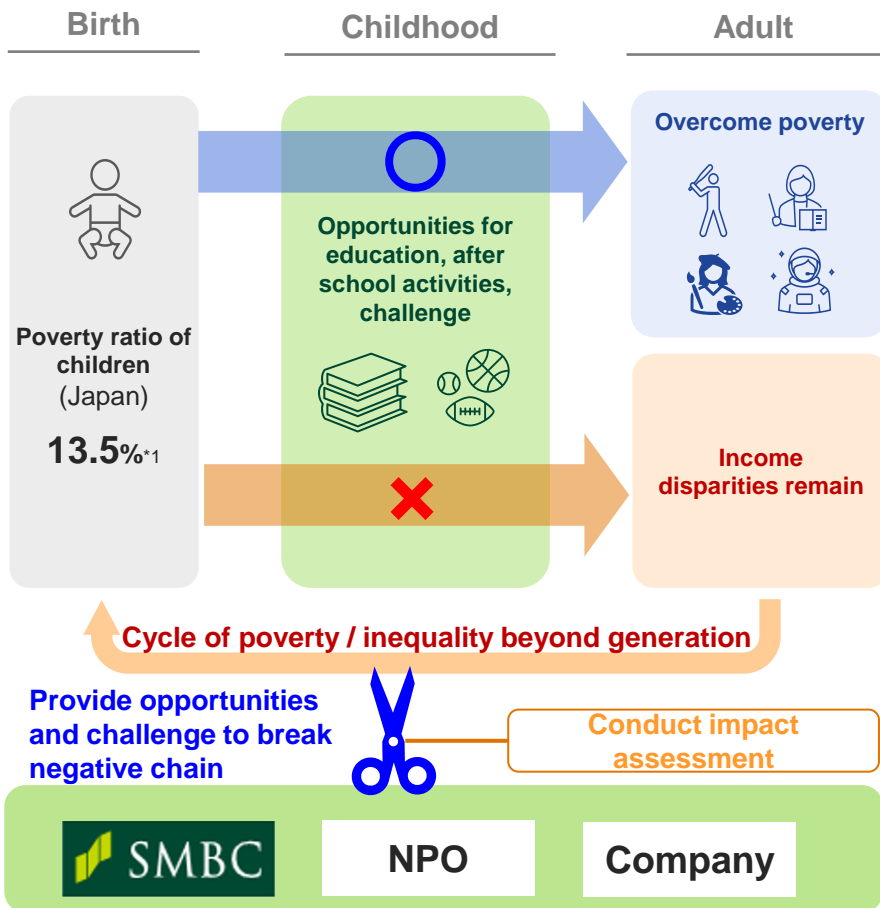
Launched
December 2022



Providing opportunities for children

Provide children with opportunities of education and challenge to break cycle of poverty and inequality for the next generation.

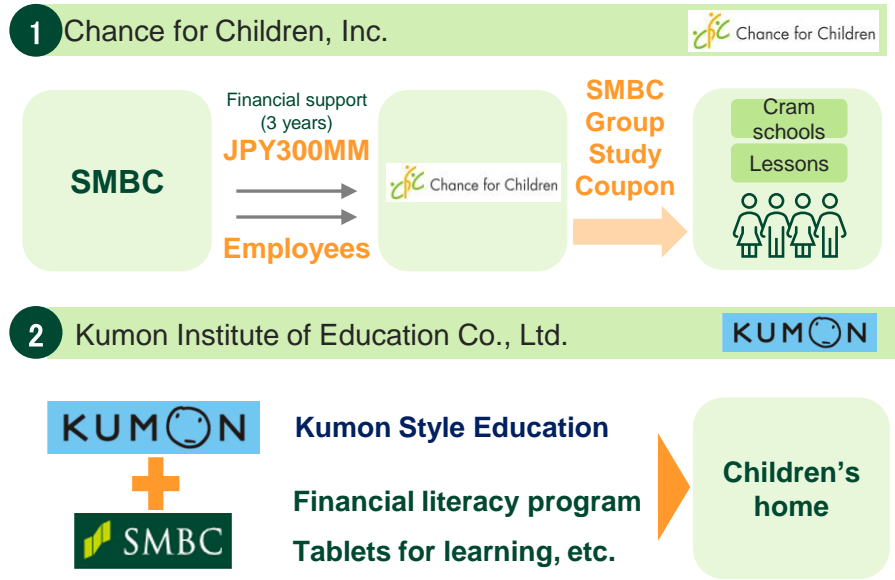
Background / purpose



*1 Source: Ministry of Health, Labor and Welfare

Collaboration with our partners

Started May 2023



Financial inclusion in emerging countries

Contribution to financial inclusion in emerging countries focusing on multi-franchise targeting countries

Microfinance



KPI

Number of microfinance borrowers **+800 k**

Aim

Supporting social independence of the poor

- Offering business funds
 - ✓ working capital for cafeteria management
 - ✓ expenses for purchasing used sewing machines, etc.
- Majority of borrowers are women

BTPN Syariah (Indonesia)



Impact assessment for the last three years

Customers below the poverty line improved **8.5%**

Average household expenditure **+23.2%**

BTPN : “Daya”



- CSR Program aiming to improve the welfare of Indonesian citizens



Financial inclusion

Health & Welfare

Entrepreneur support

Job training



Number of users using Daya digital platform (FY21)

2.1 MM people

Co-financing with JICA

- In May 2022, we signed a loan agreement with ACLEDA Bank (Cambodia) for lending to the agriculture sector



Total amount of loans **USD 85 million**

Contribution to improve financial access for farmers living in rural areas

Financial literacy programs and donations

Offer financial literacy programs and donations from SMBC Group’s employees to contribute to the society.

Financial literacy programs



KPI
1.5 Million
FY20-29

FY22 achieved
228 k

Establish financial literacy certificate



- Cooperation with Kinzai
- **Proposed by a junior staff** from SMBCCF

Unification of the Group's brands



- Upgrade to SMBC Group wide initiatives, based on SMBCCF’s No.1 performance and know-how in the industry

Donation program by SMBC Group’s employees



SMBC Group
Rising Fund

c. **8,000** Group executives
and employees participated

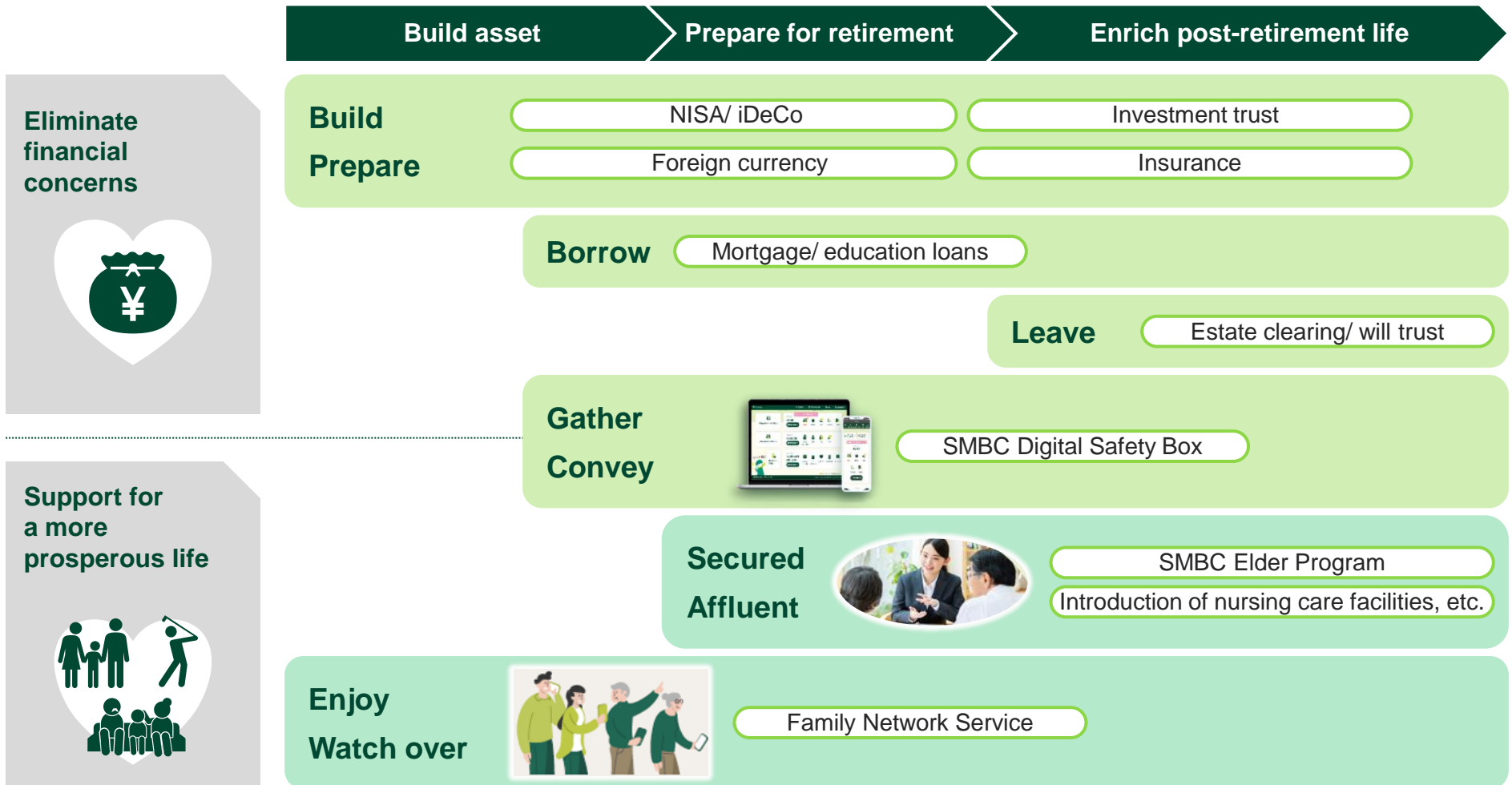
Support groups related to **“poverty and inequality”** are recruited from the public and decided by the votes of SMBC Group employees

FY22 support group	Main activities
<i>Accept International Inc.</i>	Housing and livelihood support for children facing difficulties in relying on their families
<i>Education A³</i>	Educational support for single-parent families and families in need of financial support
<i>SALASUSU</i>	Teacher training program in Cambodia
<i>Chaibola</i>	Training for newly appointed staff at children’s home
<i>BETHANY HOME</i>	Pantry support for single-parent families



Relieve anxiety about the 100-year life era

Provide a service lineup that enables customers and their families to live a fulfilled life.



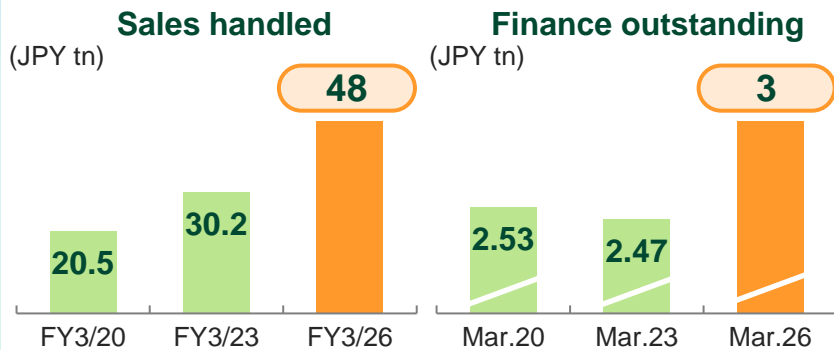
Reform domestic business for possible interest rate hike

Key initiatives

Build a digital-based retail business

Strengthen payment business

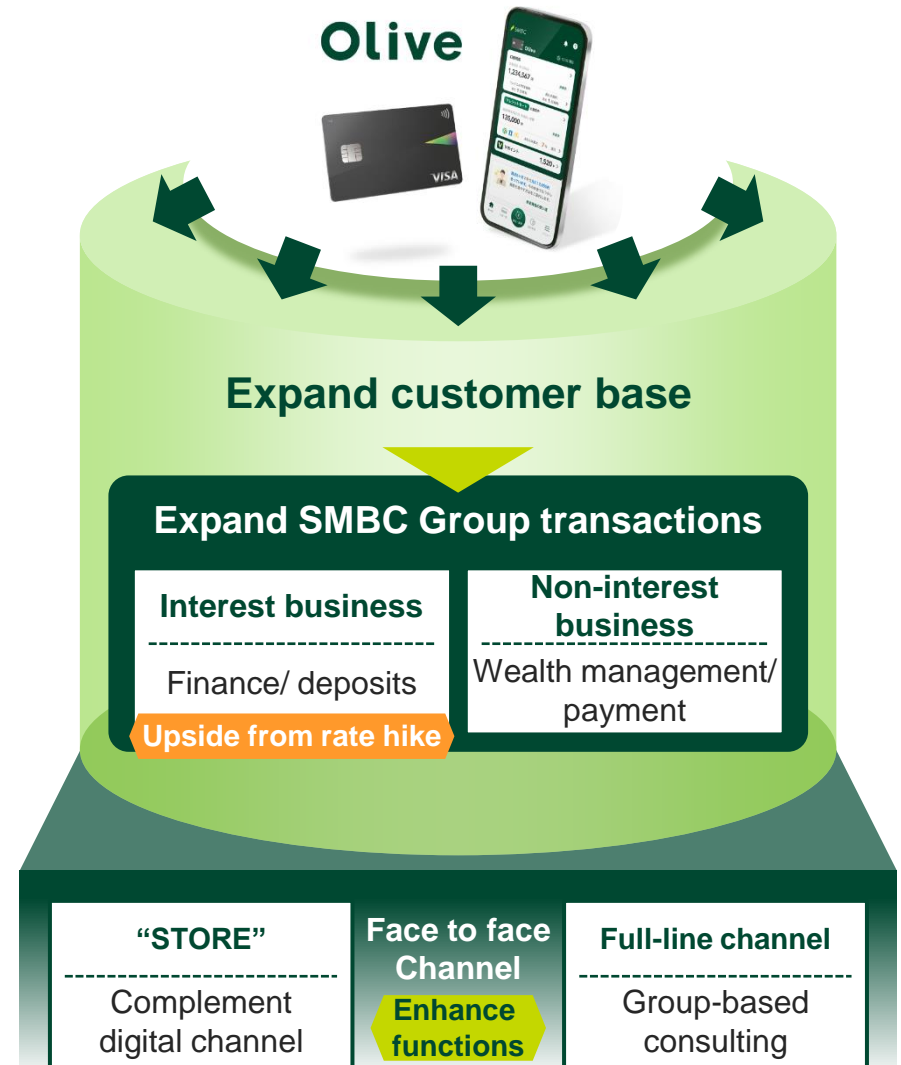
KPI



Social value

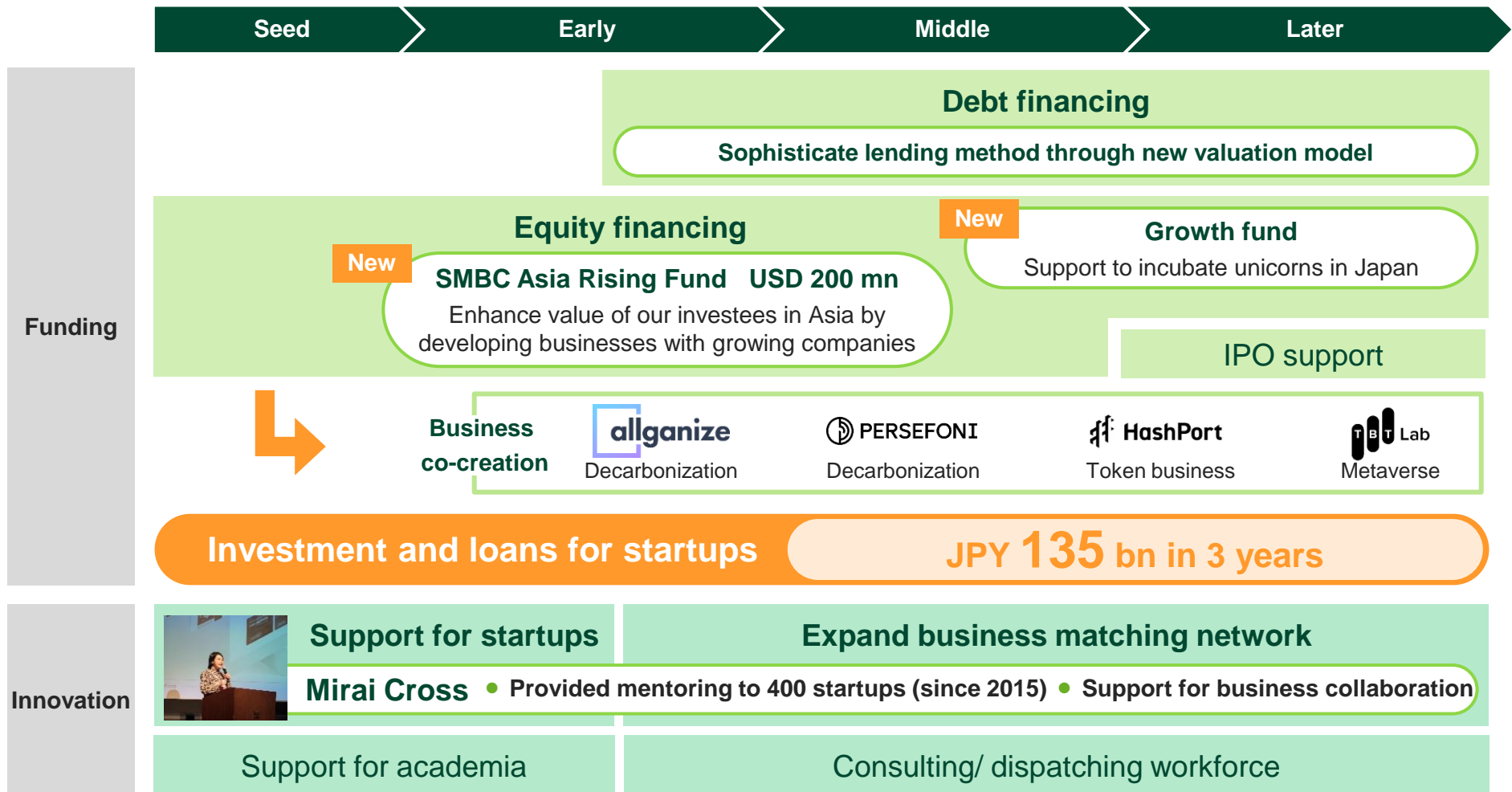
- Support stable asset building for all generations in line with the trend from savings to investment
- Create highly convenient digital infrastructure of payment and finance with Olive

Olive-centered business model



Create innovation and foster new industries

Support innovation of clients in every growth stage to contribute to developing new industries.



Improve capital efficiency with B/S discipline

Key initiatives

Enhance wholesale business with digital

Expand institutional investor business

Strengthen global CIB and S&T

KPI

Investment and loans for startups

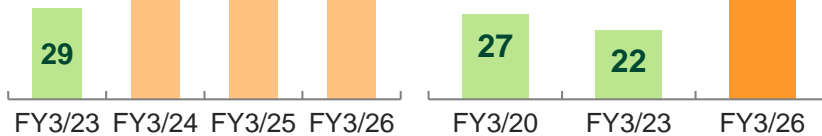
(JPY bn)

135

Net business profit from overseas securities

(JPY bn)

49



Social value

- Support corporate clients' digital transformation
- Support corporate transitions through sustainable finance and engagement

Build optimal structure for wholesale

SMEs

Mid-sized corp.

Large corp.



Paperless/
integration of operations

One-stop online services
of group companies

Use of data/ AI

Sector coverage

Global collaboration

Response to needs of
advanced finance

Improve asset efficiency of wholesale

Increase high-profit products with risk analysis

Startup

Revitalization
finance

Real estate
finance

LBO

Increase fee income by group collaboration

SMBC Nikko
Derivatives

SMBC Trust
Real estate brokerage

SMCC
Corporate payment

Challenge to asset backed products business

Promote institutional investor business
leveraging group assets

Regional revitalization

Contribute to regional revitalization utilizing the Group's diverse solutions to realize regrowth in Japan.

Aquarium development



- Development and operation of aquariums using trust schemes

"átoa" aquarium in Kobe Port Museum



Shikoku Aquarium



Impact assessment conducted

Old folk house revitalization



- Renovated old folk houses in Dazaifu, Fukuoka, Japan and operate as hotels



Regional decarbonization

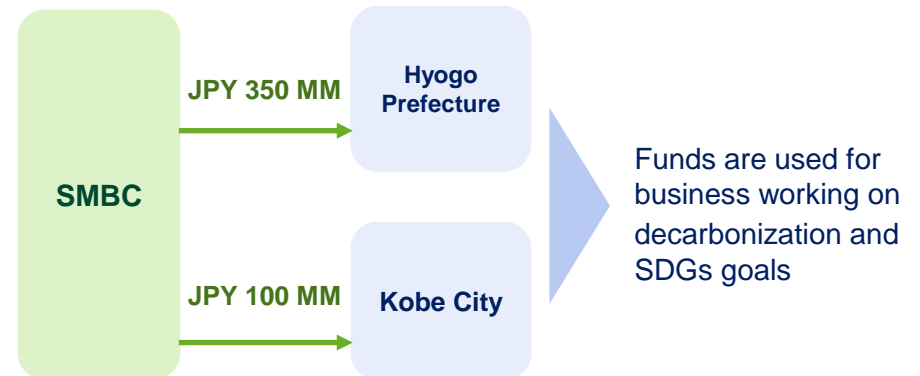


- Collaboration with Ishikari City, Hokkaido, aiming for "zero-carbon" and regional revitalization with a focus on renewables

PR characters from Ishikari City on "zero carbon"



Hometown tax donation





Governance

Enhancement of sustainability management system (1)

Paul Polman, former Unilever CEO was newly appointed as our Global Advisor.

Until now, we have pursued continuous improvement on our management system, drawing from discussions at Board meetings.

Sustainability Management System



Board discussions and outcomes

Major Discussions in Fiscal 2022

Board of Directors' meetings

- Review of our materialities
- Transition plan to achieve net zero
- Progress on sustainability initiatives

Sustainability Committee

- Medium-term sustainable business strategy
- Approach to social value creation

Some of the measures implemented based on discussions

Review of materialities

Strengthened initiatives on natural capital
(TNFD Report, etc.)

Upgrade of transition plan

Strengthened initiatives on human rights
(Due diligence, human rights report, etc.)

Global Advisor

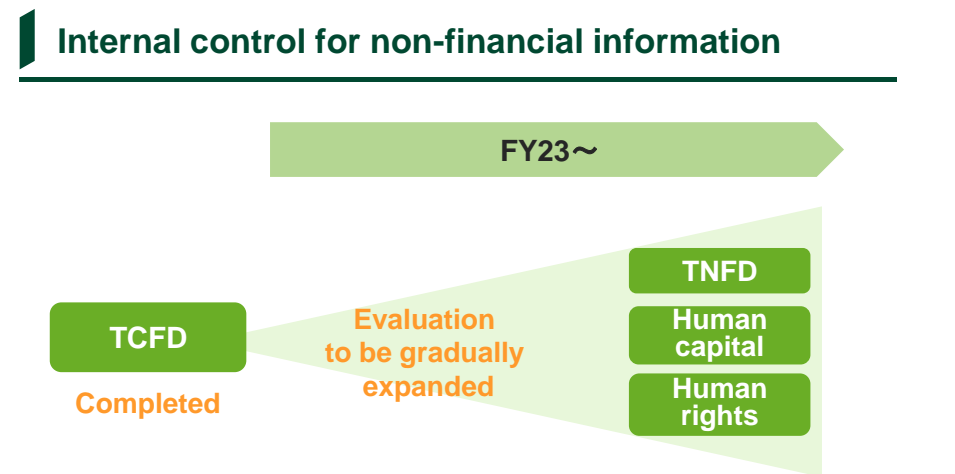
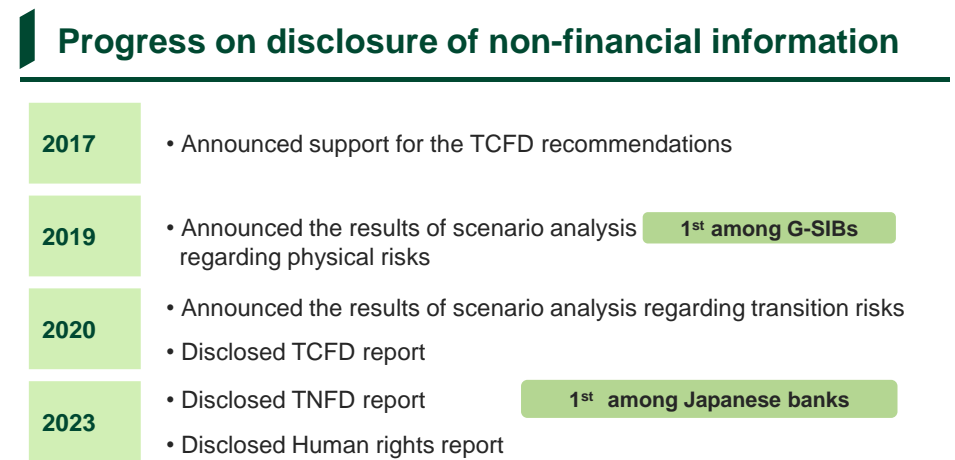
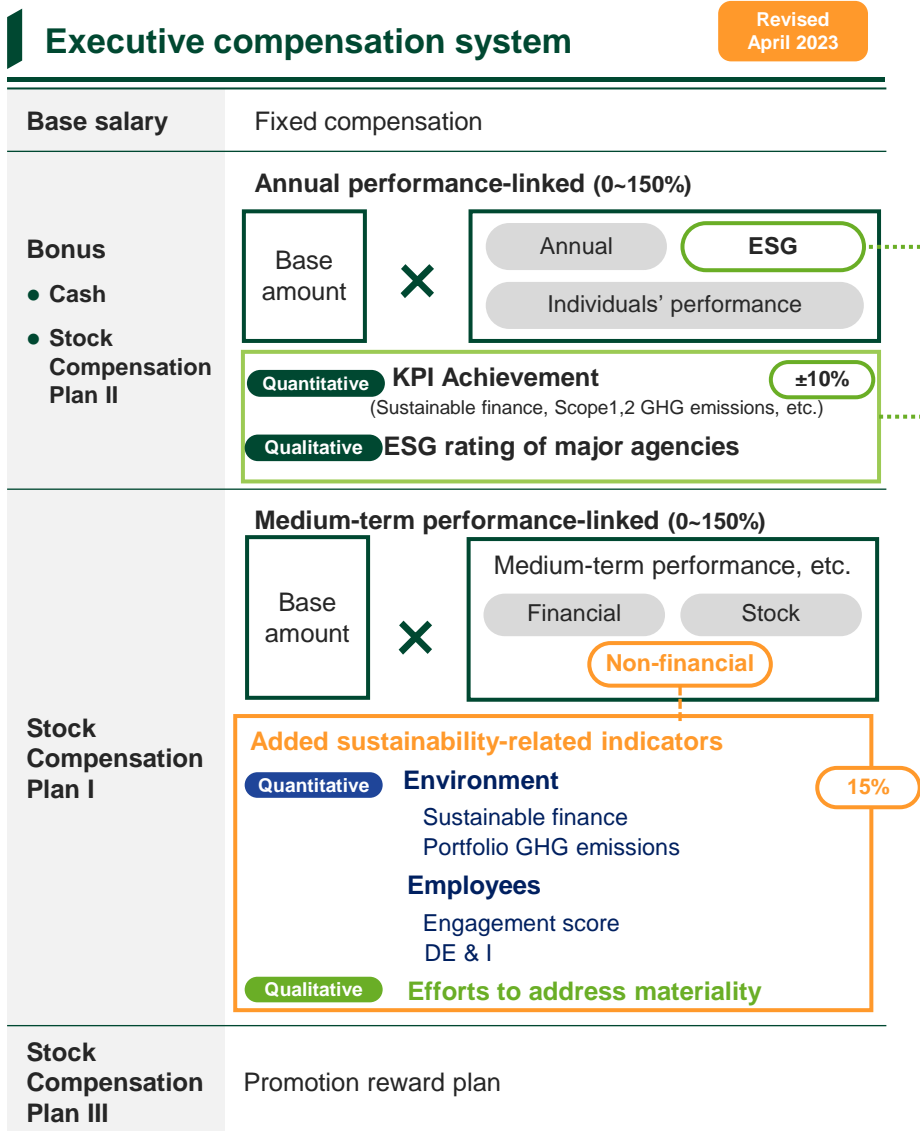
Appointed
March 2023



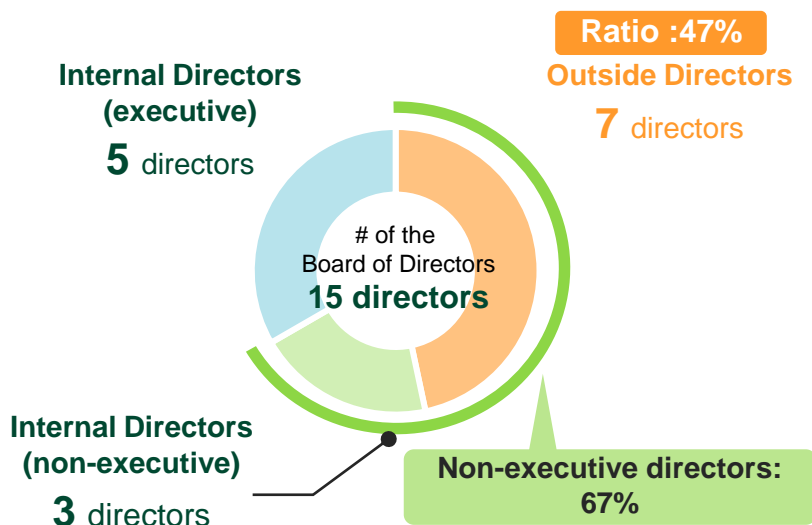
March 2023, appointed **Paul Polman** as new member
President Vice Chair, United Nations Global Compact
Former CEO of Unilever PLC

Enhancement of sustainability management system (2)

Revision of executive compensation system to incorporate ESG indicators such as portfolio GHG emissions. Have been proactive in disclosing non-financial information.



(Reference) Composition of board of directors (23/6-)



Improve Board Diversity



« New directors »



Charles D. Lake II
Aflac Life Insurance Japan
Chairman and Representative Director



Jenifer Rogers
Asurion Japan Holdings
General Counsel Asia

Knowledge and experience we expect in particular

	Management	Finance	Global	Legal/risk management	Accounting	IT/DX	Sustainability
T.Kunibe	👤	¥	🌐	⚖️	📊	💻	🌱
J.Ohta	👤	¥	🌐	⚖️	📊	💻	🌱
A.Fukutome	👤	¥	🌐	⚖️	📊	💻	🌱
T.Kudo		¥	🌐	⚖️			🌱
F.Ito		¥	🌐	⚖️	📊	💻	🌱
T.Isshiki		¥		⚖️			
Y.Gono		¥	🌐	⚖️			
Y.Kawasaki	👤	¥	🌐				
M.Matsumoto	👤			⚖️			
S.Yamazaki				⚖️	📊		
Y.Tsutsui	👤	¥					
K.Shinbo				⚖️			
E.Sakurai	👤		🌐				🌱
C.D.Lake II	👤	¥	🌐	⚖️			
J.Rogers	👤	¥	🌐	⚖️		💻	🌱

Improve the quality of governance and compliance

Work on preventing recurrence of irregularities and enhance governance along with business expansion.

Build healthy corporate culture

- Implement measures to prevent recurrence
- Reiterate "Integrity" and "Customer First"



Group-based emergency system



Governance with business expansion

I Reform domestic business for possible interest rate hike

- Strengthen Three Lines of Defense to adapt to new business areas based on Olive
- Establish digital-specific risk monitoring system

II Improve capital efficiency with B/S discipline

- Strengthen product governance
- Control market risks

III Build global portfolio based on growth potential

- Upgrade AML and risk-management in the U.S.
- Implement PMI and strengthen governance
- Respond to issues in each country and region

Progress in framework to prevent recurrence

Developed measures to prevent recurrence.

Will proceed implementation and penetration of these measures under top management's leadership.

Nov. 22 Filing of improvement plans

As of May 23

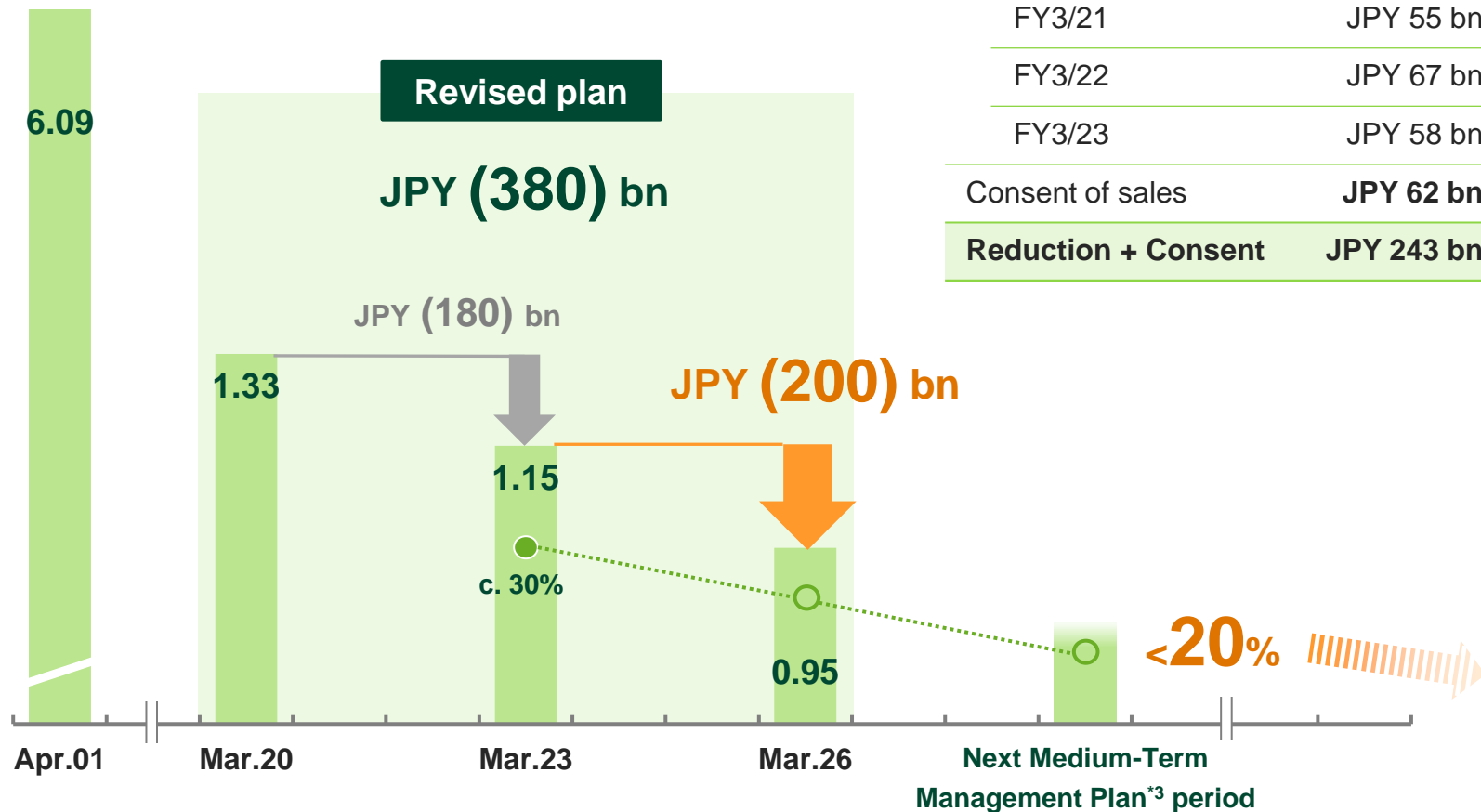


	1 Business management	2 Internal management	3 Healthy organizational culture
Market manipulation	<SMBC Nikko> <ul style="list-style-type: none"> Invited a new outside director Compliance training for directors Resource allocation >50 headcounts, >JPY 10 bn IT investment Enhance First Line and Second Line Product and Service Council 	<ul style="list-style-type: none"> Three Lines management Develop target operating models Reorganize compliance division Unfair Trade Prevention Subcommittee 	<ul style="list-style-type: none"> New corporate philosophy Includes SMFG's "Five Values" Town hall meeting (271 meetings held)
	<SMFG> <ul style="list-style-type: none"> Enhance involvement to SMBC Nikko's executive appointment and resource allocation 	<ul style="list-style-type: none"> Established Group Business Management Office. 	<ul style="list-style-type: none"> CEO message
Firewall regulation violation	4 Business Management <ul style="list-style-type: none"> Internal reporting workshops Strengthen Compliance Dept. 	5 Client Information Management <ul style="list-style-type: none"> Information management rules Monitoring with RPA · AI 	6 Awareness of Compliance <ul style="list-style-type: none"> Enhance training opportunities

Reduction of shareholdings

Set a new reduction target of \geq JPY 200 bn by Mar.26. Aim to earn a good prospect of achieving $<20\%$ market value to consolidated net assets during the period of next Medium-Term Management Plan.

(JPY tn)
■ Book value of domestic listed stocks*1
● Market value of strategic shareholdings*2 / consolidated net assets



*1 Excl. investments after Mar.20 for the business alliance purpose *2 Incl. balance of deemed held shares
 *3 FY3/27-29



Concluding Remarks

Realizing sustainability

SMBC Group's sustainability

“Creating a society in which today’s generation can enjoy economic prosperity and well-being, and pass it on to future generations”



Stone monument at Furano Shizen Juku
(Furano Nature School)

“4.6 billion Years- The Path of Earth”



Appendix

Overview of transition plan

Components	Items	Contents
Foundations	Corporate policy on climate change and the approach of efforts	<ul style="list-style-type: none"> Revision of the SMBC Group Statement on Sustainability and the Group Environmental Policy Achieve net zero GHG emissions for Scope 1 and 2 by FY3/31 Achieve net zero GHG emissions for our overall investment and loan portfolio by 2050
Governance	Strengthening governance on climate change	<ul style="list-style-type: none"> Supervision by Board of Directors, Sustainability Committee and execution by Group CSuO Executive compensation system Establish internal control for TCFD related disclosures Strengthen capabilities of directors and employees
Implementation Strategy	Products and services related to climate change	<ul style="list-style-type: none"> GHG emissions visualization services, green deposits, carbon credit business, sustainable finance products
	Climate-related risk management	<ul style="list-style-type: none"> Enhancement of Risk Appetite Framework and data governance
	Policies for specific businesses and sectors	<ul style="list-style-type: none"> Policies for coal mining, coal-fired power generations, oil and gas, palm oil plantation development, and deforestation sectors
Engagement Strategy	Engagement with customers	<ul style="list-style-type: none"> Establish Transition Finance Playbook Rolling out transition strategies assessment
	Engagement with industry	<ul style="list-style-type: none"> Participation in initiatives such as GFANZ, GFANZ Japan, NZBA, NZAMI, PCAF, IIF, GFMA, Japan Hydrogen Association (JH2A) , etc.
	Engagement with the Government of Japan	<ul style="list-style-type: none"> Participated in committees held by Government of Japan related to clean energy policy, transition finance, ect.
Metrics and Targets	Sustainable finance KPI	<ul style="list-style-type: none"> JPY 50 trillion by FY3/30
	Portfolio GHG emission reduction targets by sector (Scope 3)	<ul style="list-style-type: none"> Expansion of target sectors such as steel, and automobile sectors Setting KPIs related to transitions
	Operations emissions reduction targets (Scope 1,2)	<ul style="list-style-type: none"> 40% and 55% decrease in FY3/26 and FY3/27 respectively from FY3/22

Facilitated emissions calculation methodology

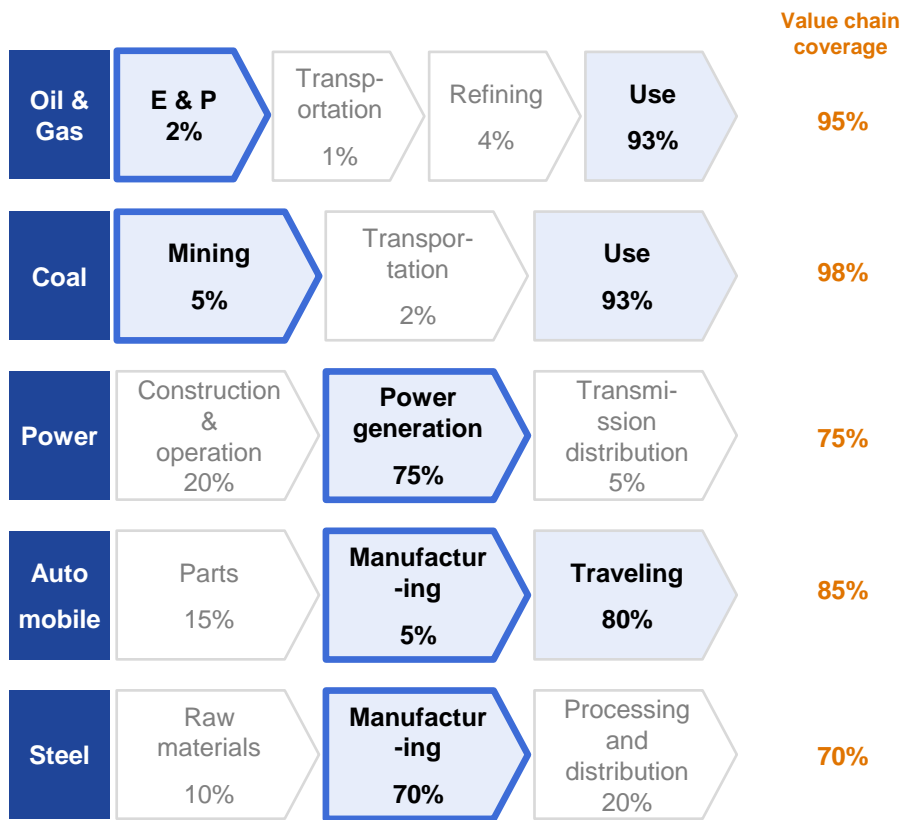
	Power Sector	Oil and gas sector	Remarks
Base year	FY3/22		Calculated based on league table credits for deals with pricing date in FY3/22
Asset Class	League Table Credit		
Metric	Absolute emissions (Mt-CO2e)		
Value chain	Power generation businesses	upstream businesses (including integrated O&G companies)	
Scope of Emissions	Scope1	Scope 1,2, and Scope3 (Cat.11)	
Calculation Method	$\text{Facilitated Emissions} = \sum \frac{\text{Facilitated amount}}{\text{Total debt + equity of each issuer}} \times \text{Issuer's Annual emissions}$ $\text{Facilitated amount} = \text{Total Raised Amount} \times \text{League Table Credit (\%)} \text{ (Allocation factor among financial institutions)}$		<p>Emissions are calculated by multiplying underwriting percentage (league table credits), total raised amount, and weighting factor (100% or 17%).</p> <p>*Weighting factors are not considered in this disclosure because the PCAF methodology is still under discussion</p>
Asset Coverage	95%	88%	
PCAF Score	Scope1 : 1.5	Scope1,2 :1.2 Scope3 :1.0	



*The above methodology is based on PCAF Capital Market Instruments: Proposed Methodology for Facilitated Emissions 2022.

Overview of portfolio GHG targets setting and scope

- We have calculated and set targets for portfolio GHG emissions covering key sectors and value chains in global emissions.
- By setting targets considering circumstances each sector is facing, we aim to efficiently and promptly contribute to the decarbonization of real economy.

GHG emissions by value chain *



SMFG status  Value Chain considered in portfolio GHG calculation  Scope of emission considered in portfolio GHG calculation

Concept of portfolio GHG emission reduction targets

- Through discussions with our customers on the basis of scientific scenarios, decarbonization technology roadmaps, etc, we aim to determine the emission reduction pathway towards net zero
- As certain period of time is needed to address climate change, we believe it is effective to set medium-term target. 2030 was selected as our interim timeframe.
- The scope of GHG calculation was selected taking into account of the emissions in each sector and value chain, and data affordability and quality constraints.

*Compiled by SMFG with reference to IEA: World Energy Outlook 2022, METI: Industry Roadmap for Transition Finance

Steel / Automobile: Portfolio GHG calculation methodology

	Steel sector	Automobile sector	Remarks
Base year	FY3/22		
Asset Class	Balance sheet lending		
Metric	Absolute emissions (Mt-CO2e) or Carbon intensity (t-CO2e/t-Steel)	Carbon intensity (g-CO2e/vkm)	Metrics are under review for steel sector
Value chain	Crude steel production	Manufacturing of automobile (LDV)	Scope 3 Cat.11 (emissions from product use) is also included in the scope because emissions from traveling are material for automobile sector
Scope of Emissions	Scope 1,2	Scope 1,2, and Scope3 (Cat.11)	
Calculation Method	$\text{SMBC Portfolio absolute emissions} = \sum \frac{\text{Credit to each corporate}}{\text{Total debt + equity of each corporate}} \times \text{Each corporate's GHG emissions}$ $\text{SMBC Portfolio carbon intensity} = \sum \frac{\text{Credit to each corporate}}{\text{Total credit to subject sector}} \times \text{Each corporate's carbon intensity}$	$\text{SMBC Portfolio carbon intensity} = \sum \frac{\text{Credit to each corporate}}{\text{Total credit to subject sector}} \times \text{Each corporate's carbon intensity}$ $\text{Each corporate's carbon intensity} = \frac{\text{Scope 1 and 2}}{\text{Lifetime mileage (production)}} + \frac{\text{Scope3(WTT+TTW)}}{\text{Lifetime mileage (sales)}}$ <p>※Well-to-Tank Emissions from extraction, refinement, production and transportation of various fuels (petrol, diesel, CNG, electricity, hydrogen etc.) that are used as primary energy sources for vehicles.</p> <p>※Tank to Wheel Emissions from combustion of fuel while driving the vehicle.</p>	Since the actual emissions from traveling vary greatly from country to country and region to region, decided to include Well-to-Tank emissions

Definition of sustainable finance

Definition	Green Finance	<p>Financing for projects that contribute to the environment (i.e., projects falling within the “green project categories” set forth in International Capital Market Association’s (ICMA) Green Bond Principles etc.)</p> <p>Green project categories</p> <ul style="list-style-type: none"> • Renewable energy • Energy efficiency • Pollution prevention and control • Environmentally sustainable management of living natural resources and land use • Terrestrial and aquatic biodiversity • Clean transportation • Sustainable water and wastewater management • Climate change adaptation • Eco-efficient production technologies and processes • Green Building that meet environmental standards
	Social Finance	<p>Financing for projects that contribute to the society (i.e., businesses that fall within the "social project categories" set forth in the ICMA Social Bond Principles etc.)</p> <p>Social project categories</p> <ul style="list-style-type: none"> • Basic infrastructure of affordable price (drinking water, sewerage, sanitation facilities, transportation, energy, etc.) • Access to essential services (education, health, etc.) • Housing of affordable price • Employment creation through the potential benefits of funding for SMEs • Employment creation through the potential benefits of microfinance • Food safety • Socioeconomic improvement and empowerment
	Transition Finance	<p>Finance aiming to support efforts to reduce GHG emissions in accordance with a long-term strategy to achieve carbon neutrality in line with the “Transition Finance Handbook” by ICMA or “Transition Finance Playbook” by SMBC Group</p>

Finance in scope	Sumitomo Mitsui Banking Corporation	<ul style="list-style-type: none"> ■ Green finance, social finance, transition finance ■ Other finance for the purpose of supporting / promoting to resolve environmental and social issues • Project Finance (for Renewable energy, public infrastructure, etc.) • SMBC original products (ESG/SDGs Promotion & Analysis Loan, Human Capital Management Promotion & Analysis Loan, etc.) • Green Loan, Social Loan, Sustainability-Linked Loan, Transition Loan, Positive Impact Finance • Non-recourse loans for environmental real estate properties
	SMBC Nikko	<ul style="list-style-type: none"> • Green Bond, Social Bond, Sustainability-Linked Bond, Transition Bond, etc. • Green equity, Social equity, Transition equity, etc.

Inclusion and initiative in ESG indexes

Inclusion in ESG indexes



2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)







GPIF selection indexes



Endorsement of domestic and international initiatives



Links

		Date of issue	URL	QR Code
1	Annual Report	July 2022	https://www.smfg.co.jp/english/gr2022/	
2	TCFD Report	August 2022	https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/	
3	Sustainability Report (PDF version of SMBC Group Website)	March 2023	https://www.smfg.co.jp/english/sustainability/report/backnumber/	
4	TNFD Report	April 2023	https://www.smfg.co.jp/english/sustainability/materiality/environment/naturalcapital/	
5	ESG Data Book	March 2023	https://www.smfg.co.jp/english/sustainability/report/databook/	
6	Transition Finance Playbook	May 2023	https://www.smfg.co.jp/english/sustainability/materiality/environment/business/pdf/ftp_en.pdf	
7	Human Rights Report	May 2023	The Japanese version of this Report is now published. The English version will be published in mid or late June.	