

Efforts for Sustainability in SMBC Group

May 30, 2023



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Hello everyone.

I'm Group CSuO (Chief Sustainability Officer), Takanashi. I took over this position since April 2023.

As I have served as the Head of the Investor Relations Department until January 2016, I am very pleased to have this opportunity to stand in front of the investors and analysts that I have worked with.

Today, under the title "Efforts for Sustainability in SMBC Group," I would like to explain our ESG strategies and initiatives.

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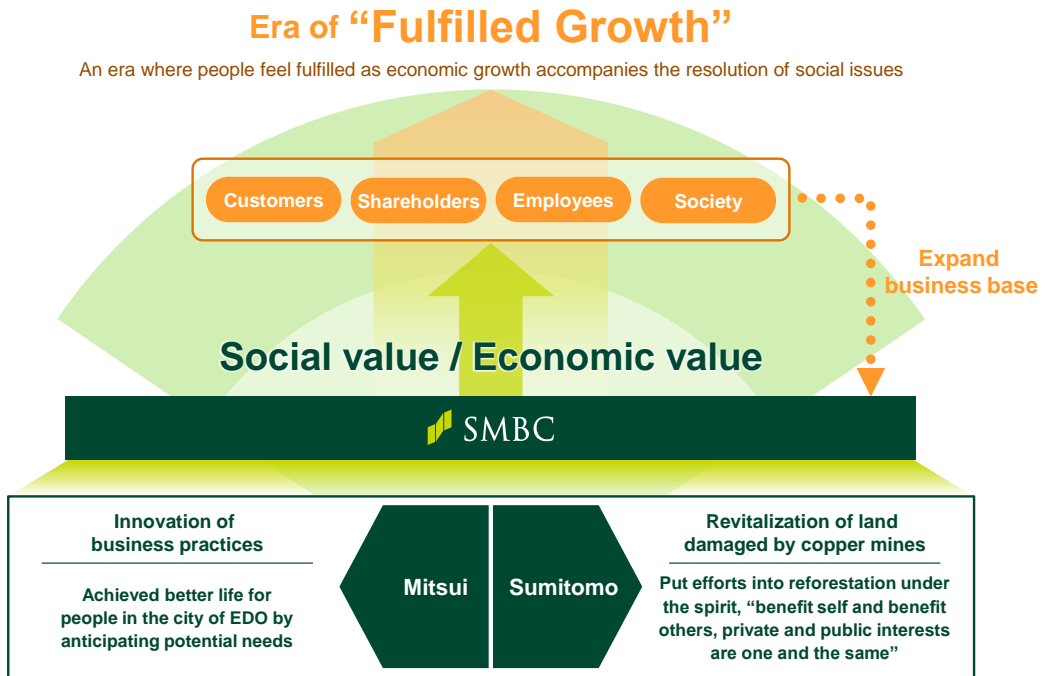
This is today's agenda.

First, I would like to explain SMBC Group's goal for social value creation, which is one of the pillars of our new Medium-Term Management Plan announced recently. Then, I would like to outline our strategies and initiatives in the order of Environment, Society, and Governance.



SMBC Group's Goal for Social Value Creation

First is our goal for social value creation.



We have positioned the creation of social value as one of the pillars of our new Medium-Term Management Plan, “Plan for Fulfilled Growth” announced this fiscal year.

We regard creating social value as the key to achieve “Fulfilled Growth.”

In recent years, global economic activities have been prioritized over the creation of social value globally, where global warming, violations of human rights, and widening of poverty and disparities have remained unsolved. These distortions have become apparent as social issues, and efforts to resolve these issues have become a major theme for corporate management.

Under these circumstances, creating social value has become even more important in addition to pursuing economic value. In the future, we believe that companies who cannot create social value will lose even the right to pursue financial growth.

No company can attain sustainable growth for itself without fostering society progress. We will actively work to resolve social issues and aim to create social value even in areas that may not directly contribute to our economic value in the short-term.

Based on these beliefs, SMBC Group aims to contribute to "Fulfilled Growth" where people feel fulfilled as economic growth accompanies the resolution of social issues by taking the lead to solve social issues as a corporate citizen.

SMBC Group's new materialities

Set new materialities and 10 goals to resolve them.
 More specific action plans will be established and promoted simultaneously.



With the launch of the new Medium-Term Management plan, we revised our priority issues (materiality) for the first time in nearly 10 years.

Although there are numerous social issues that the world faces, we have identified five new materialities as urgent issues that we need to dedicate ourselves to resolve in particular in order to create social value and contribute to “Fulfilled Growth” : Environment, DE&/ Human Rights, Poverty & Inequality, Declining Birthrate & Aging Population, and Japan's Regrowth.

In this context, for instance, poverty and inequality are areas that may not directly contribute to our economic value in the short-term. Nevertheless, we will actively address these social issues with the aim of creating social value.

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



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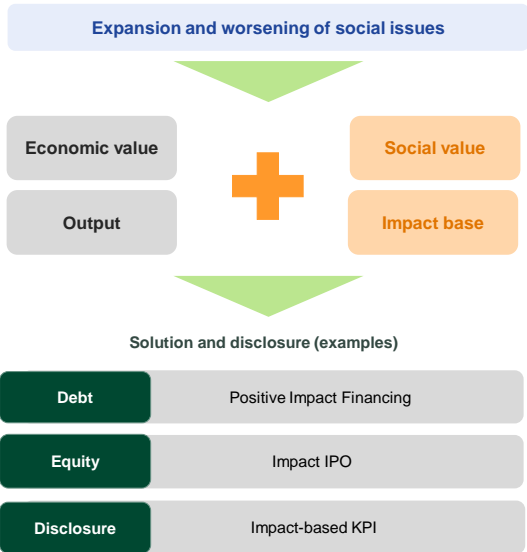
We have held numerous discussions for almost a year in both meetings of executive and supervisory sides such as the Management Committee, the Corporate Sustainability Committee, the Board of Directors, and the Sustainability Committee as a process of reviewing the materialities and formulating the new Medium-Term Management Plan. We also took into account a variety of opinions from outside directors, who will be present at the next session today.

We have also reflected the employees' opinions on which social issues SMBC Group should focus on, strategic directions, and other issues into our strategy, which were gathered through questionnaires and dialogues with management.

Anticipate changes in “metrics”

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

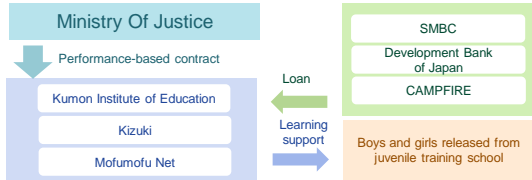
Change in “metric”



Solution examples

Social Impact Bond (project examples)

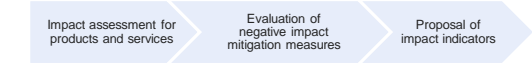
- Learning support program to children released from juvenile training school. **Measurement of contribution (impact) of learning support on prevention of recidivism**



Sustainability Impact Review



- 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

We believe that the “metrics” to measure corporate value will change in due course and “social impact” will be added as a new “metric” as the creation of social value becomes more important.

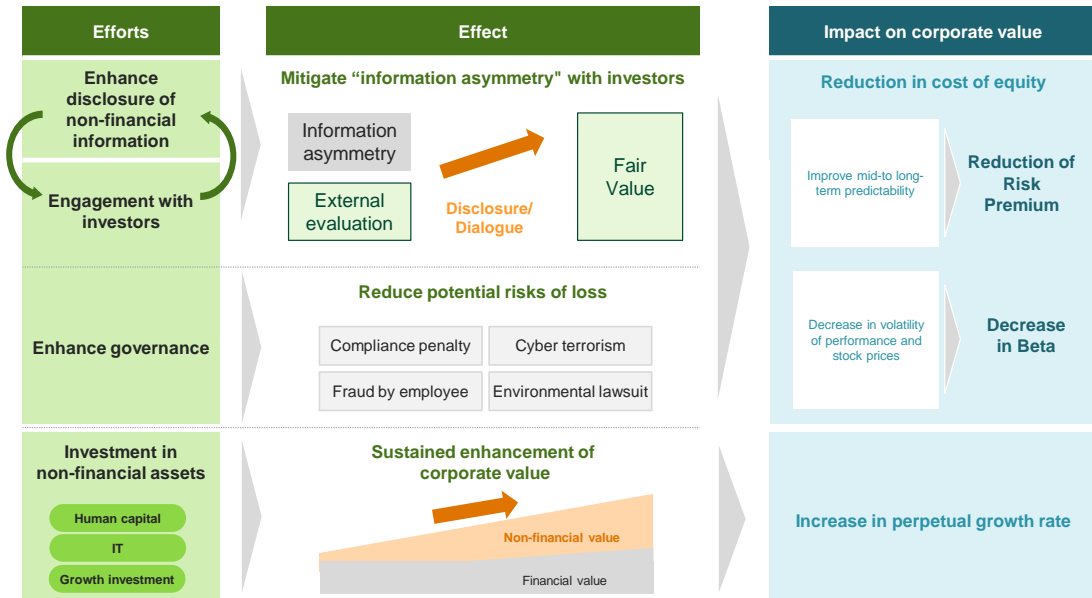
Therefore, it will be necessary for us financial institutions to take into account our customers’ positive and negative impacts to the society in addition to their financial status when making credit decisions and calculating corporate value.

It will also be essential for us to set KPIs that indicates the impact we made on society and create social value to achieve it when disclosing the progress of our initiatives.

We aim to further create social value through proactive actions such as expanding solutions linked to social impact and enhancing disclosure in anticipation of changes in “metrics”.

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.



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We also recognize that such sustainability initiatives will contribute to enhancing corporate value over the medium- to long-term by lowering equity costs and improving perpetual growth rates.

We believe that cost of equity could be lowered through initiatives which contribute to lowering risk premium and β such as mitigating information asymmetry through repeated dialogues with stakeholders as well as disclosures of non-financial information and reducing the potential risk of loss through enhancement of governance.

In addition, achieving sustainable growth through investments in non-financial assets, such as human capital investment, is expected to have an impact on PER through an increase in the perpetual growth rate.

With these efforts, we will strive to sustainably increase corporate value as well as create social value under the newly set materialities and the new Medium-Term Management Plan.



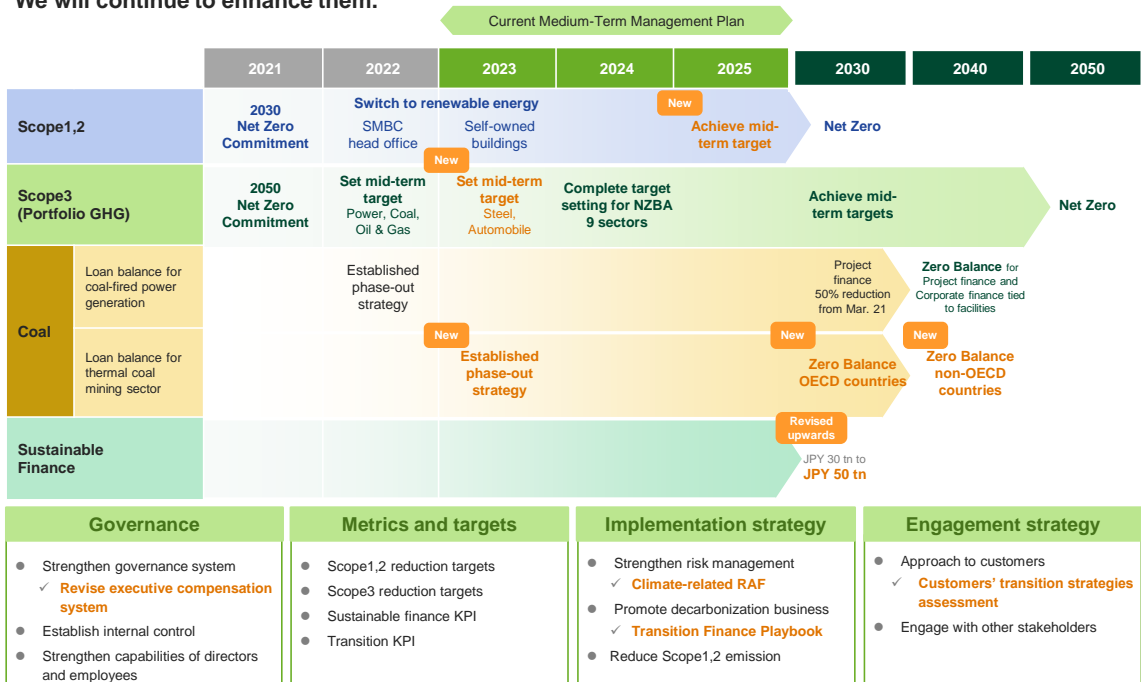
Initiatives Related to Environment

Next, I will explain our environmental initiatives, focusing on our response to climate change.

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.



This slide shows an overview of our transition plan to realize net zero.

In 2021, SMBC Group established the “Roadmap Addressing Climate Change,” and updated it as the “Transition Plan” in 2022. In this way, we systematized our strategy for achieving net zero.

We will continue to upgrade this transition plan, reflecting dialogues with our stakeholders.

The items highlighted in orange are the ones newly announced.

I will explain the details on each item in the following pages.

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)		

Revised August 2022

< Policies for specific businesses and sectors >

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



Revised August 2022

< Policies for specific businesses and sectors >

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.

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On the left-hand side, it shows our recent commitment to achieving zero loan balance to the thermal coal mining sector by 2030 in OECD countries and by 2040 in non-OECD countries.

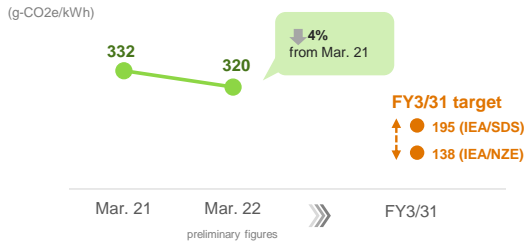
As shown on the right-hand side, we have already set a target of zero loan balance for coal-fired power generations. By adding the thermal coal mining sector, we have further strengthened our phase-out strategy for the coal sector.

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.

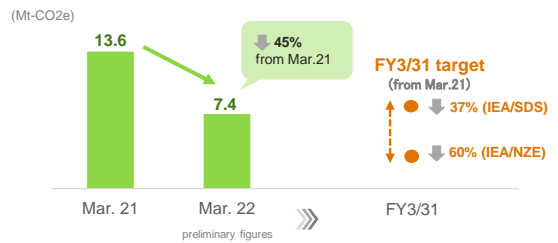
Power sector

Target set
May 2022



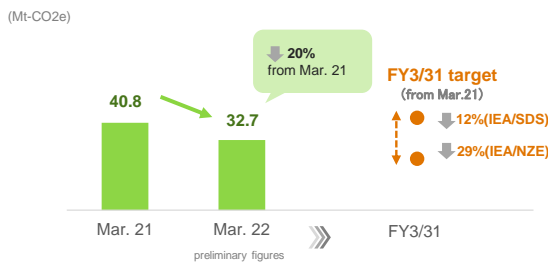
Coal sector

Target set
August 2022

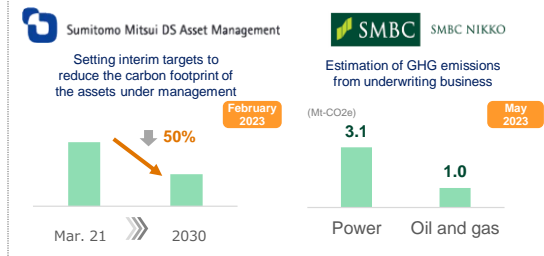


Oil & gas sector

Target set
August 2022



Reference: Initiatives of SMBC Group companies



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This slide shows the progress toward the 2030 medium-term reduction targets for the power, oil & gas, and coal sectors set last year.

All three sectors are on track to achieve their targets.

Shifting to the lower right of the slide, Sumitomo Mitsui DS Asset Management, a member of the Net Zero Initiative of asset management companies, recently set a target for 2030 consistent with the 1.5°C scenario. In addition, SMBC Nikko Securities estimated GHG emissions related to underwriting business for the first time.

All other group companies are also making steady progress in reducing their GHG emissions and enhancing disclosures.

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

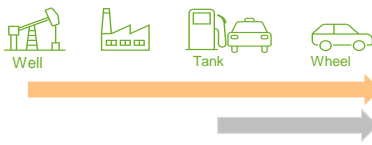
		FY3/22 Results (Estimated)	Mid-term target
Steel	Absolute (Mt-CO2e)	8.2	To be set during FY3/24
	Intensity (t-CO2e/t-Steel)	2.0	
Transport (automobile)	Intensity (g-CO2e/vkm)	217	

Sectoral target-setting process

2021	• Announced commitment to net zero by 2050
2022	• Mid-term reduction target-setting: power, oil & gas, coal
2023	• Calculation of estimated sectoral GHG emissions • Mid-term target: steel and automobile
2024	• Completion of target-setting in NZBA 9 sectors

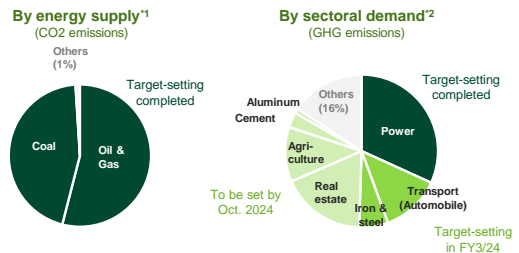
Our approach to mid-term targets setting

Steel	• Consider Japan's and global demand and innovation while aiming to achieve 1.5°C targets
Automobile	• Target-setting aligned with SBTi's guidance • WTW (Well-to-Wheel) covering lifecycle emissions



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

(Reference) Breakdown of global CO2/GHG emissions



Source * 1: IEA World Energy Outlook 2022 *2: WRI World Greenhouse Gas Emissions 2019

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We plan to set new medium-term targets in the steel and automotive sectors during this fiscal year, in addition to power, oil & gas, and coal sectors.

The targets will be considered taking into account 1) the progress of technological innovation and other developments, 2) the level consistent with the 1.5°C scenario, and 3) customers' opinions received through careful engagements.

Subsequently, we intend to set targets for real estate, agriculture, cement, and aluminum sectors by October 2024, and expect to complete setting medium-term reduction targets for the majority of the world's Scope3 emissions.

Prior to that, estimated GHG emissions by sectors are planned to be disclosed in the TCFD Report, which is scheduled to be published during the first half of this fiscal year.

We aim to set targets for each sector at the earliest possible time, but at the same time, we will strive to upgrade our data governance since the accuracy of such disclosed data must be ensured.

Meanwhile, we also believe that it is not necessarily reasonable to do precise calculation of GHG emissions and set reduction targets in sectors other than these high-emission sectors, as SMBC has more than 80,000 borrowers.

Therefore, we will first focus on setting targets for the high-emission sectors, which account for a large portion of Scope 3 emissions, and firmly draw up a path for reducing emissions toward 2030, with the aim of achieving net zero for the entire loan and investment portfolio.

Enhancement of climate-related risk management

Development of new framework to enhance climate-related risk management

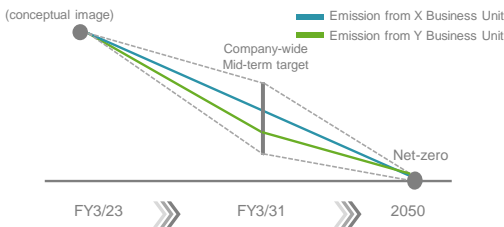
Enhancement of Risk Assessment Framework (RAF) April 2023

- 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



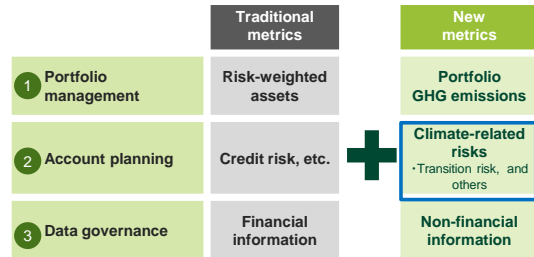
Transition strategies assessment Scheduled in FY3/24 1st half

- 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)



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In addition to setting reduction targets for Scope 3 emissions, we are also working to enhance climate-related risk management.

As shown on the left, we have recently introduced a framework called the Climate-Related Risk Appetite Framework, and are monitoring GHG emissions by sectors and Business Units so that we can steadily progress to achieve the company-wide medium-term targets for 2030. We are proud of this framework as we regard it is one of the most advanced initiatives among G-SIBs.

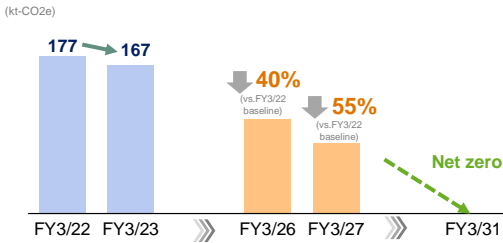
We have also been working to upgrade management by individual customers on top of upgrading such portfolio management.

As shown in the upper right, based on the level of response to transition risks and GHG emissions, transition risks are colored on the map by each customer. We plan to utilize the result in engagements with our customers in high-emission sectors as well as enhancing our policies.

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



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



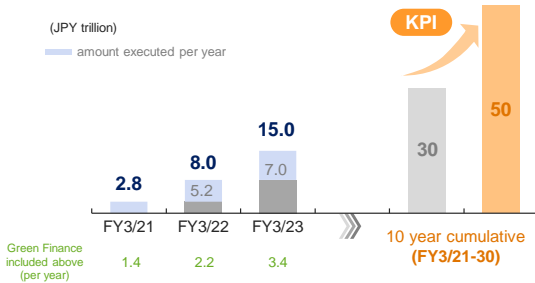
In addition to the net zero target of Scope1,2 by 2030, we have recently set new medium-term targets for FY3/26 and FY3/27 in order to firmly develop a path toward achieving net zero.

As shown on the right, we will steadily switch to renewable electricity in our offices in order to achieve this target.

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

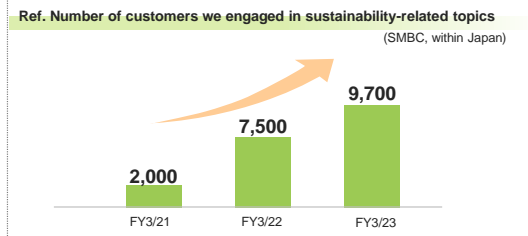
SMBC SUMITOMO MITSUI BANKING CORPORATION
Green Loan *1
No.2 globally



SMBC SMBC NIKKO
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)

It is important for us financial institutions to firmly support our customers' efforts for transition and technological innovation through finance in order to achieve sustainability, including decarbonization.

With the objective to further accelerate these efforts, we raised our FY3/21-FY3/30 target for sustainable finance from JPY 30 tn to JPY 50 tn.

As shown in the lower left, the definition of sustainable finance is strictly defined in accordance with international guidelines.

Supporting energy transition

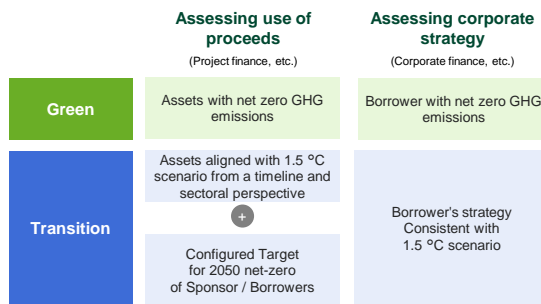
We contribute to the realization of a decarbonized society by supporting customers' transition and innovation.

Establishment of Transition Finance Playbook May 2023

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



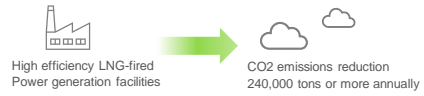
Overview of 'Transition' Eligibility Criteria



Example of finance activities

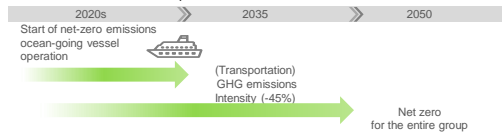
Transition Loan to Sumitomo Chemical Group

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



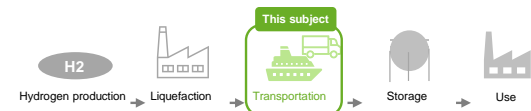
Transition Linked Loan to Mitsui O.S.K. Lines

- 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



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As shown on the left, we have recently published a playbook which clarified SMBC Group's definitions and eligibility criteria for transition finance.

In order to make a smooth transition to a decarbonizing society, not to mention promoting renewable energy, it is essential to realize transitions in high-emission sectors, who are difficult to decarbonize at a fast speed due to technological and economic factors.

As a global financial institution, we intend to contribute to the decarbonization of the real economy through transition finance.

Transition finance sometimes faces criticism, such as "the definition is ambiguous and it does not contribute to decarbonization." Through this playbook, we demonstrate an objective eligibility criteria, and fulfill our accountability to our stakeholders.

We also aspire to use this playbook for constructive engagement with our customers in high-emission sectors.

Diverse solutions for decarbonization

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

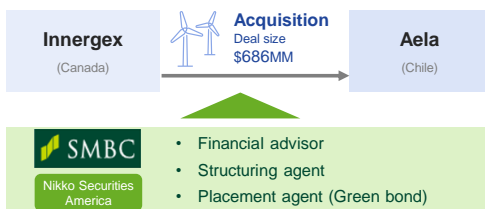
Strategic partnership with investment bank June 2022

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



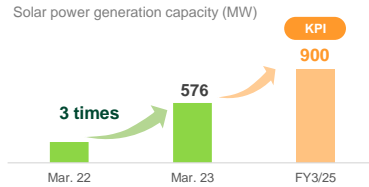
M&A support Aug 2022

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



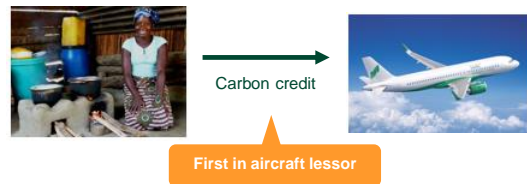
Renewable energy power generation business **SMFL**

- 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



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In addition to the financial support I have explained, as shown on this slide, we provide a variety of financial and non-financial services while cooperating flexibly with our partner companies.

As shown in the upper left, we made a capital and business alliance with Marathon Capital in June 2021. The company has strengths in the clean energy field, and we promote collaboration in ESG related areas.

The Renewable energy power generation business in the upper right has been undertaken by SMFL Mirai Partners, a strategic subsidiary of Sumitomo Mitsui Finance and Leasing. Businesses are steadily increasing, mainly in solar power generation.

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



On the left side, Sustana, a GHG emissions calculation tool we developed, has been well received by companies including prime-listed companies which have challenges regarding disclosure aligned with TCFD recommendations. It has already been used by more than 1,000 customers since we launched the product last year.

We also recently released a service that calculates CO₂ emissions from the transaction data of corporate cards, as shown on the right-hand side.

We will continue to develop and upgrade decarbonization solutions utilizing digital technologies.

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

Furano Shizen Juku (Furano Nature School)

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

FANPS

Finance Alliance for Nature Positive Solutions

- Alliance to support company strengthening efforts to nature positive

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



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 SMF

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



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It is essential to conserve and restore natural capital and realize circular economy simultaneously with addressing climate change in order to protect the global environment.

As shown on the left, SMBC Group has been making various efforts towards nature positive. For example, the Group has recently published the first TNFD report as a Japanese bank and is now working to improve its disclosures.

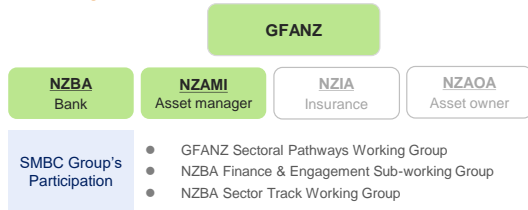
As shown on the right-hand side, we made an announcement on May 29 on our investment in Closed Loop Circular Plastics Fund. Another recent case is Sumitomo Mitsui Finance and Leasing's establishment of Smart Inc., a joint-venture with Avidu which operates a recycling business. It is a one-stop provider of everything ranging from the plant dismantling and equipment removal to resale and recycling.

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**



Vietnam: Just Energy Transition Partnership (JETP)

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



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**



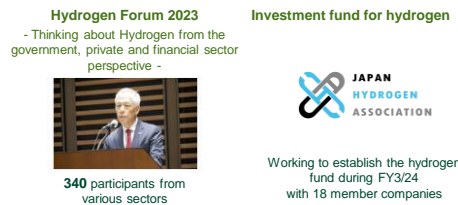
Discussion points

- Importance of transition finance
- Challenges
- Recommendations to governments

etc.

Japan Hydrogen Association (JH2A)

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



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In addition to global initiatives such as GFANZ, NZBA, we participate in various public-private initiatives such as the ones aimed at achieving Asia's net-zero or promoting clean-energy to share our views globally.



Initiatives Related to Society

Now I would like to move on to our initiatives related to society.
I am going to explain each initiatives by materiality.

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**

*1 SMBC non-consolidated

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

150 employees
FY22

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

Ratio of management positions

15.8% → Increase
Mar. 22 FY25

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First, I would like to explain the promotion of human capital management with a focus on DE&I, one of the newly set materialities.

While our business environment is changing dramatically, there has been no change in the fact that the source of SMBC Group’s competitiveness lies in its people.

We have established “SMBC Group Talent Policy,” with an aim to realize the workplace and teams where diverse professional talents aim high and feel rewarding. In managing diverse human resources, we are implementing the various initiatives shown on the right.

At SMBC, we anticipate a 7% year-on-year increase in human capital investment for this fiscal year.

We have also set the engagement score as a KPI to measure employees’ satisfaction.

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

In response to the belief that all employees' both mental and physical health must be ensured in order for them to work with enthusiasm, we are promoting their health management and conduct initiatives: 1) introduction of a health promotion program and 2) establishment of "SMBC Run & Fit," a fitness facility for all employees, located in SMBC's head office in Tokyo.

Pro bono on the right is a mechanism that allows employees to allocate a certain portion of their working hours to activities at NPO and other entities.

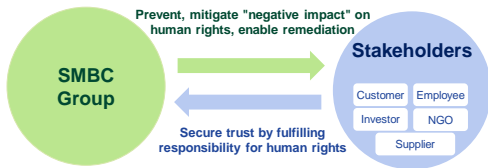
This has mainly been led by SMBC Nikko Securities. Given that the level of satisfaction of participants was extremely high and the co-benefits such as fostering leadership and enhancing engagement are expected, we recently expanded the framework to the whole Group.

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



The importance of respecting human rights has been universal. However, in recent years, it has increased further due to the expansion of social diversity and the globalization of supply chains.

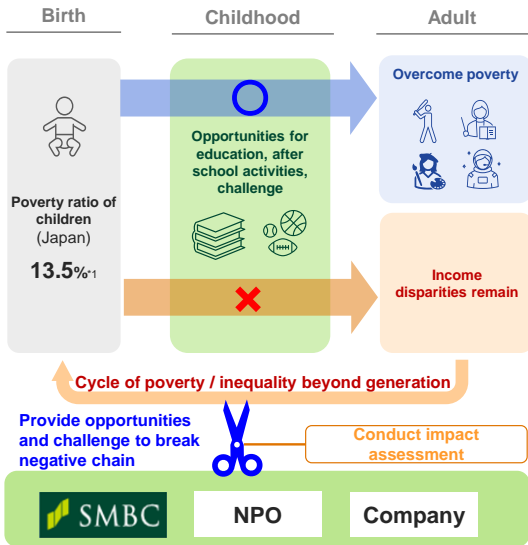
SMBC Group fulfills its responsibility to respect the human rights of its various stakeholders including customers, suppliers and employees.

Specifically, we will continue to upgrade the human rights due diligence for borrowers introduced last year, as shown on the bottom left. In addition, we published our first SMBC Group Human Rights Report on May 29 to improve our disclosure.

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



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Next, I would like to touch upon “poverty & inequality”, another new materiality. First, I would like to explain our initiatives to provide opportunities to children.

In Japan, approximately one in seven children is considered to be living in poverty. Children born into economically disadvantaged families have fewer opportunities for education and learning than those around them, and they face challenges to develop the talents that they were born with.

When they grow up unable to escape from poverty, it tends to cause a “chain of poverty” that transcends generations. By all means, we wish to break the negative chain of poverty and inequality that could continue for the next generation. With such strong will, we have placed poverty and inequality as one of our new materialities.

We will work with other companies and NPOs to provide children of economically disadvantaged families with educational and opportunities to challenge themselves. We will also measure the social impact of these efforts.

Two specific projects have just started.

The first is a learning-support program in partnership with an NPO as shown at the upper right. In partnership with Chance for Children, we will provide opportunities for middle and high school students who are economically disadvantaged by providing study coupons which could be used to attend cram schools and outside-school lessons. We will take the initiative in this support program through the dispatch of employees and volunteers through pro bono as well as donation of JPY 300 mn under the current Medium-Term Management Plan.

The second is a learning support program in partnership with a major educational institution, Kumon. Kumon will provide "Kumon-style education" to children at Children’s home, whereas SMBC Group will provide children with tablets for learning, financial literacy program and dispatchment of employee volunteers.

By these initiatives, we will provide educational and other opportunities for children.

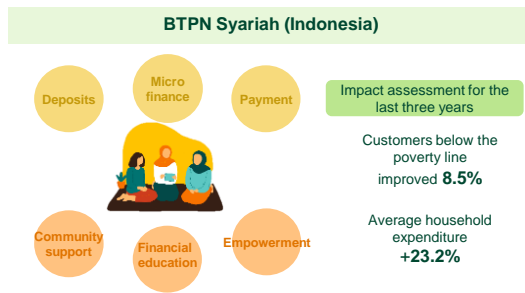
Financial inclusion in emerging countries

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 : “Daya”



- CSR Program aiming to improve the welfare of Indonesian citizens
- daya** Means “Empowerment” in Indonesian
-
- Number of users using Daya digital platform (FY21) **2.1MM people**
- Financial inclusion
 - Health & Welfare
 - Entrepreneur support
 - Job training

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

We are working to promote financial inclusion, particularly in target countries of our Multi-Franchise Strategy.

We set the number of microfinance borrowers as our new KPI in the Medium-Term Management Plan, as shown on the left-hand side.

Microfinance is used for working capital such as cafeteria management or purchase of used sewing machines, which promotes social independence of the poor and leads to the creation of social value.

We will promote microfinance mainly in BTPN Syariah of Indonesia and Fullerton India.

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 FY22 achieved
1.5 Million 228 k
 FY20-29

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
Accept International Inc.	Housing and livelihood support for children facing difficulties in relying on their families
Education A ³	Educational support for single-parent families and families in need of financial support
SALASUSU	Teacher training program in Cambodia
Chaibola	Training for newly appointed staff at children's home
BETHANY HOME	Pantry support for single-parent families



Recently, financial literacy programs are gaining more interest in light of increasing concerns about the young being more exposed to financial troubles due to lowered age of adulthood, and financial education being included in the curriculum at schools.

Even before these demands surged, SMBC Group has long been focusing on financial literacy programs led by SMBC Consumer Finance.

Leveraging the strengths and expertise as the No.1 in the industry, we aim to provide financial literacy education to 1.5 million individuals by 2030.

We have also collaborated with Kinzai Institute for Financial Affairs to establish the financial literacy certificate so that financial education can take root widely throughout Japan.

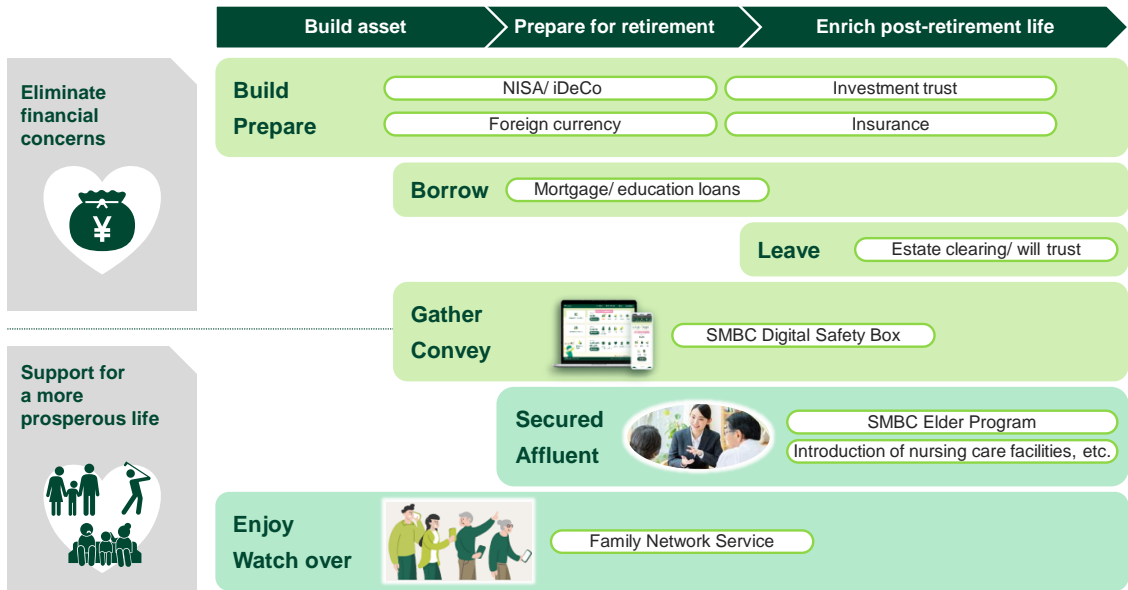
This was originally an idea which emerged from young employees of SMBC Consumer Finance in the course of discussions on what should be done to contribute to society. We believe this is a good example of "breaking the mold," which is a message that our Group CEO had repeatedly expressed ever since his inauguration.

The right side shows a donation program in which 8,000 SMBC Group executives and employees participate.

The uniqueness of this program is that the recipients are determined based on the participants' vote. Recently, we have chosen to provide support to the five organizations listed in the slide from the list of NPOs that work to solve poverty and inequality in response to the review of materialities.

Relieve anxiety about the 100-year life era

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



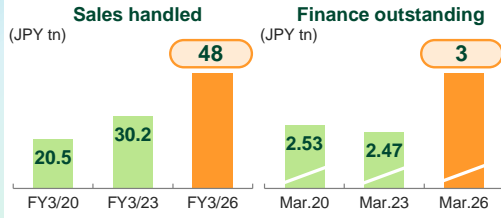
Reform domestic business for possible interest rate hike

Key initiatives

Build a digital-based retail business

Strengthen payment business

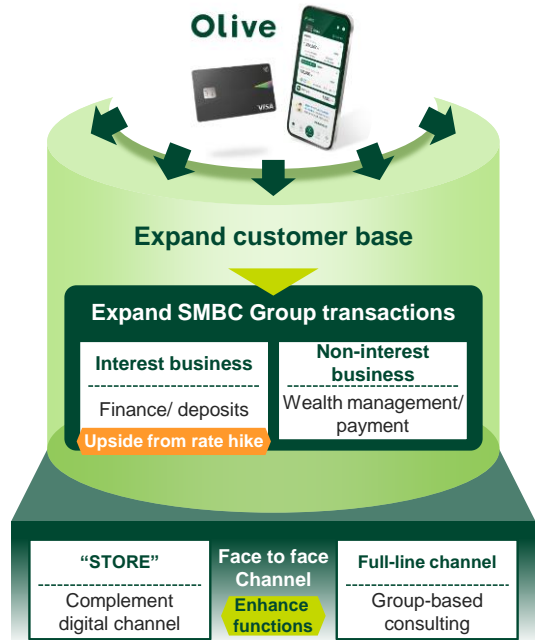
KPI



Social value

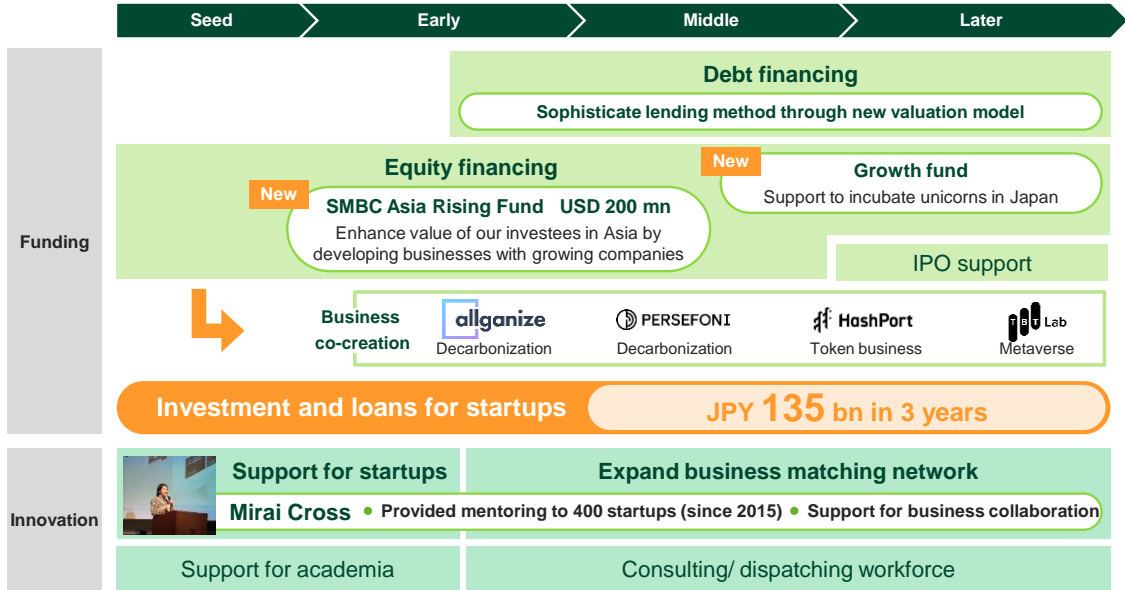
- Support stable asset building for all generations in line with the trend from savings to investment
- Create highly convenient digital infrastructure of payment and finance with Olive

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

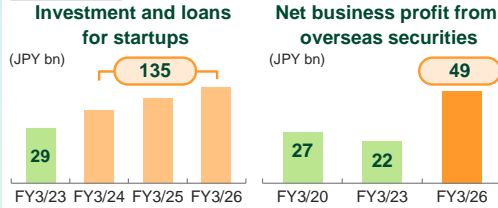
Key initiatives

Enhance wholesale business with digital

Expand institutional investor business

Strengthen global CIB and S&T

KPI

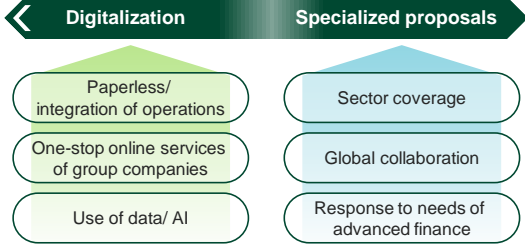


Social value

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

Build optimal structure for wholesale

SMEs Mid-sized corp. Large corp.



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



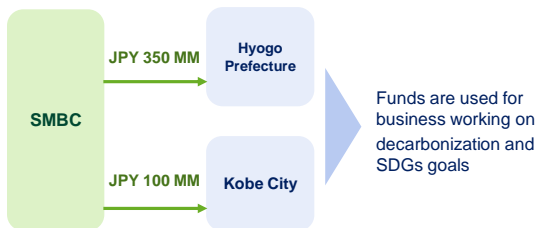
Regional decarbonization

- 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

I will now explain our initiatives on 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



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



Board discussions and outcomes

Major Discussions in Fiscal 2022

- | | |
|-------------------------------------|--|
| Board of Directors' meetings | <ul style="list-style-type: none"> Review of our materialities Transition plan to achieve net zero Progress on sustainability initiatives |
| Sustainability Committee | <ul style="list-style-type: none"> 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.)

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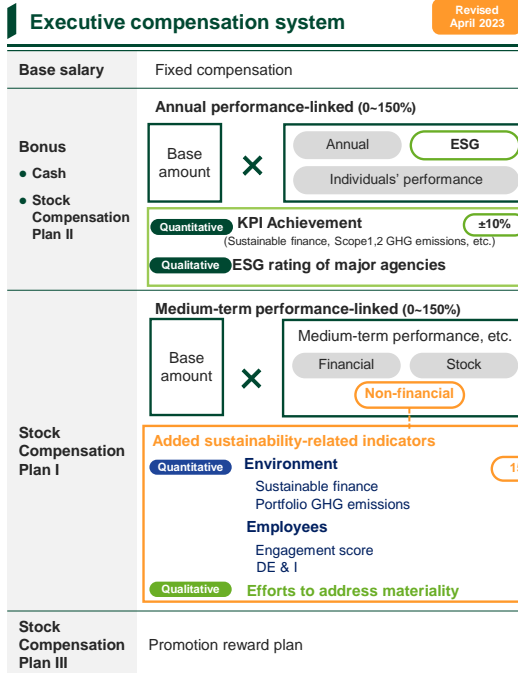
As shown on the left, we have been constantly upgrading our sustainability management structure with organizational changes such as the establishment of the Sustainability Committee and appointment of Group CSuO two years ago and the establishment of the Sustainability Division last year.

We have newly invited Mr. Paul Polman who was the former CEO of Unilever and was involved in the formulation of a SDGs at the United Nations, as a new member to our global advisors to further deepen discussions on sustainability.

As shown on the right, the Board of Directors and the Sustainability Committee reviewed materialities and discussed the direction of our strategy toward sustainability last year. The discussion points have been integrated into measures such as upgrading the transition plan and strengthening initiatives for human rights and natural capital, etc.

Enhancement of sustainability management system (2)

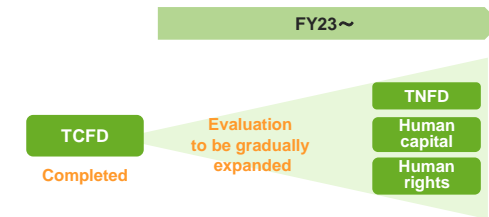
Revision of executive compensation system to incorporate ESG indicators such as portfolio GHG emissions. Have been proactive in disclosing non-financial information.



Progress on disclosure of non-financial information

- 2017** • Announced support for the TCFD recommendations
- 2019** • Announced the results of scenario analysis regarding physical risks 1st among G-SIBs
- 2020** • Announced the results of scenario analysis regarding transition risks
• Disclosed TCFD report
- 2023** • Disclosed TNFD report 1st among Japanese banks
• Disclosed Human rights report

Internal control for non-financial information



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One of the major highlights of our update in May is the revision of the executive compensation system.

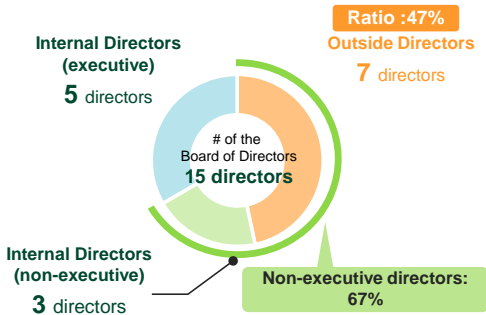
We incorporated ESG indicators such as reduction of financed emissions, the amount of sustainable finance, and employee engagement scores in the executive compensation system.

This expresses our management's strong commitment to addressing climate change and creating social value.

We have also been striving to enhance the disclosure of non-financial information. For example, we were the first among G-SIBs to publish a scenario-based analysis of physical climate risks.

We also published the first TNFD Report among Japanese banks as well as Human Rights Report. We will continue to actively disclose such non-financial information and engage with investors and analysts.

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

Improve the quality of governance and compliance

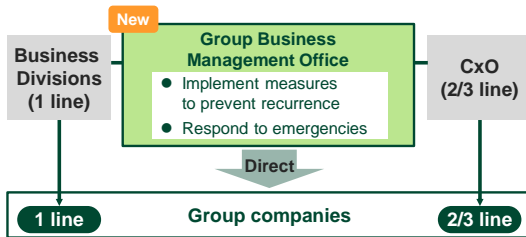
Work on preventing recurrence of irregularities and enhance governance along with business expansion.

Build healthy corporate culture

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

Five Values Shared by all officers and employees	● Integrity
	● Customer First
	● Proactive & Innovative
	● Speed & Quality
	● Team "SMBC Group"

Group-based emergency system



Governance with business expansion

I	Reform domestic business for possible interest rate hike	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Strengthen product governance ● Control market risks
III	Build global portfolio based on growth potential	<ul style="list-style-type: none"> ● 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

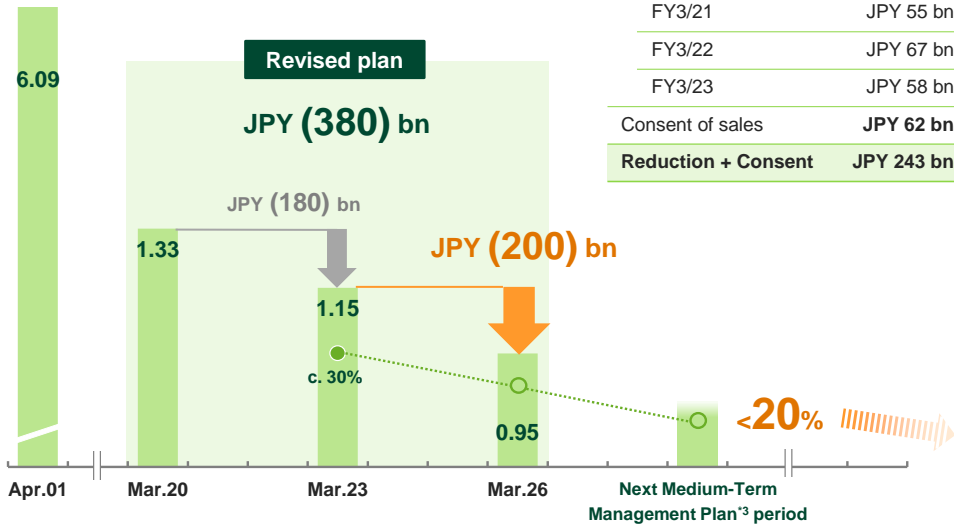


	1 Business management	2 Internal management	3 Healthy organizational culture
Market manipulation	<SMBC Nikko> <ul style="list-style-type: none"> Invited a new outside director Compliance training for directors Resource allocation >50 headcounts, >JPY 10 bn IT investment Enhance First Line and Second 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

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”

This photo is a monument with the words “We are merely borrowing the earth from future generations” at the Furano Field in Hokkaido, which we have extended support to since its establishment.

SMBC Group defines sustainability as "creating a society in which today’s generation can enjoy economic prosperity and well-being, and pass it on to future generations." We believe that the essence of SMBC Group Statement on Sustainability and the statement of this stone is essentially the same.

The lush earth must be passed on to future generations as it is.

It is a matter of course to give back things we borrowed. If they got dirty, you must clean them.

I believe that we have to create an environment and society in which people can feel fulfilled and hand it over to the future generations.

SMBC Group will lead the resolution of social issues through the strategies and initiatives to realize sustainability, based on the newly established materialities and the new Medium-Term Management Plan, and contribute firmly to the "Fulfilled Growth" of the world.

This concludes my presentation. Thank you for listening.