



# Environmental Preservation Initiatives

The Group recognizes environmental preservation to be one of its most important management issues. Based on our Group Environmental Policy, we are implementing our initiatives to preserve and achieve harmony with the natural environment in our corporate activities. SMFG officially signed the “Statement by Financial Institutions on the Environment and Sustainable Development” of the United Nations Environment Programme (“UNEP”) in July 2002.



## The Group Environmental Policy

### Basic concepts

Recognizing the importance of realizing a sustainable society, SMFG is continuously making efforts to preserve and achieve harmony with the natural environment in its corporate activities in order to support the economy and contribute to the betterment of society as a whole.

### Specific environmental policies

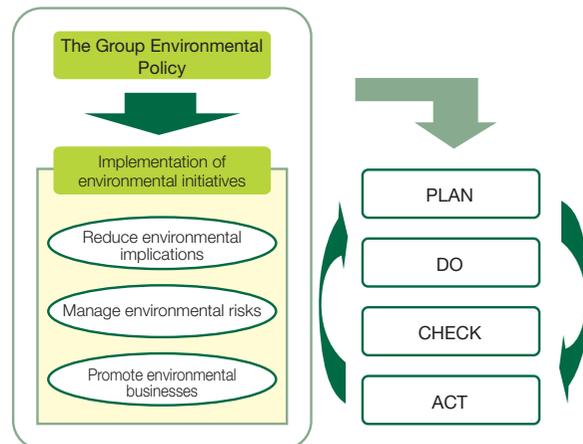
- We provide environment friendly financial products, information and solutions which support our clients in their efforts to preserve the eco-system.
- We devise means to reduce environmental risks posed by our own activities and the society.
- We are determined to fulfill our social responsibilities through the conservation of resources and energy and the reduction of waste.
- We strictly comply with the environment-related laws and regulations.
- We practice the highest level of information disclosure related to the Group’s environmental activities and consistently improve our efforts to contribute to environmental preservation by communicating with our staff as well as the third parties.
- We place high priority on thoroughly educating our staff about our environmental principles to ensure that they conform to these principles in the performance of their work.
- We actively and effectively implement “environmental management,” and make continuous efforts to improve our system to deal with environmental issues by setting goals and targets for every fiscal year and reviewing them as deemed necessary.
- These policies are disclosed on the Group’s website, and the printed version is available upon request.

## Three pillars of the Group’s activities

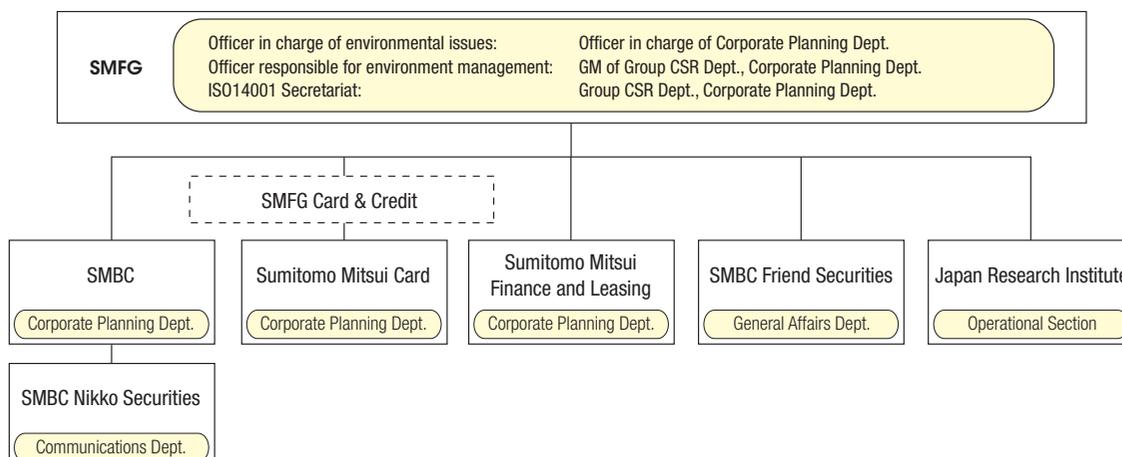
The three pillars of our environmental action plan are to “reduce environmental implications,” “manage environmental risks,” and “promote environmental businesses.” We set forth environmental objectives for various activities and follow PDCA (plan, do, check, and act) procedures in such environmental activities.

SMFG and principal Group companies have obtained ISO14001 certification, the international standard for Environmental Management Systems (EMS).

## Environmental Action Plan and PDCA Procedures



## EMS Enhancement System



## Reducing Environmental Impact

### ● Initiatives for Carbon Neutrality

SMFG sets forth objectives each fiscal year for reducing its use of electric power and other energy resources, and it is actively engaged in achieving these energy conservation goals.

SMBC ensures that its head offices are carbon neutral by using Green Energy and trading carbon credits\*. Sumitomo Mitsui Finance and Leasing's Tokyo Head Office is also carbon neutral.

In addition, SMBC Friend Securities and Sumitomo Mitsui Auto Service Company, Limited are converting their automobiles to more environment-friendly ones for their transport needs and making their transportation carbon neutral by offsetting emission volumes.

\* "Carbon credits" are also referred to as "emission allowances." In this annual report, we use "carbon credits."

### ● Responding to the Amendments to the Rational Use of Energy Act

Under the Amendments to the Rational Use of Energy Act of April 2010, companies using 1,500kl or more energy (crude oil equivalent) per annum are now required to establish an energy consumption management system and develop a medium- to long-term energy efficiency improvement plan for reducing energy consumption by at least 1% per year.

The Group is taking measures to reduce its energy usage in its business operations at all locations, in accordance with this law, and developing consultation business to meet the needs of our clients for energy conservation and the reduction of CO<sub>2</sub> emissions.

### ● Greening IT Operations

SMBC has been promoting greening IT operations at its branch terminals and ATMs. The new CUTE\* terminals for over-the-counter transactions, which are jointly developed with NEC Corporation and Oki Electric Industry Co., Ltd., have made it possible to convert paper-based documents, such as images of driver's license and other forms of IDs into electronic images and to store them quickly. The CUTE terminals have reduced approximately 3 million A4-size sheets of paper annually. SMBC donated part of the cost saved from paper reduction by the CUTE to the Tokyo Metropolitan Government's Green Tokyo Fund, specifically for the "Creating Umi-no-Mori (Sea Forest)" project, one of the four projects' funds. We also donated to the University of Tokyo's "Life in Green Project" for the construction of research facilities for botanical studies.

We are further promoting efforts to make our offices more paperless and efficient through various measures, such as converting the records of ATM's transactional data (called "ATM Journal") and reports submitted to the Head Office in electronic format. These efforts will make a great contribution in the saving of the equivalent of 28 million A4-size sheets of paper annually.

\* CUTE: Common User Terminal Engine

### ● Environmental measures taken in the Head Office building

SMFG and SMBC moved to a new Head Office building in October 2010. The new building is designed to achieve a 30% reduction in annual CO<sub>2</sub> emissions, compared with the average office building in Tokyo, by implementing environmental measures, such as rainwater storage facilities, photovoltaic

power-generation, rooftop-greening, motion sensors and recycled material usage. We have taken various other measures to achieve efficient administrative operations by co-sharing office spaces and promoting paperless meetings.

### ● Eco-Friendly Branches

In order to generate new and creative ideas on energy-saving at branches, the bank publicly began soliciting ideas by newly creating the "SMBC eco-banking office prize" for the "eco japan cup 2010," a competition open to the public for new environmental businesses held annually for which SMBC is one of the sponsors. Prize-winning ideas will be incorporated into the planning and designing of environment-friendly model branches of the bank.



Environment-friendly model branch

SMBC Friend Securities is converting its branches to more environment-friendly ones at the time of branch relocation or renovation by installing carpet tiles made of materials with carbon-offset initiatives.

## Managing Environmental Risks

### ● Dealing with Soil Contamination and Asbestos Risks

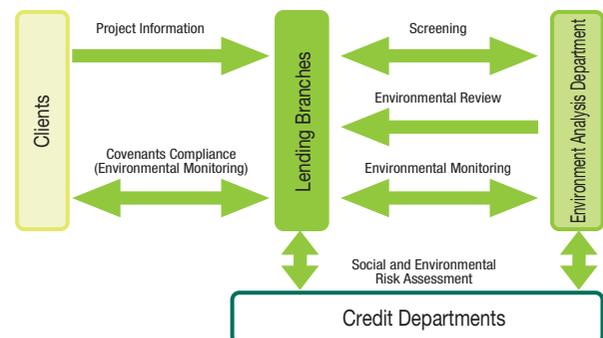
In order to deal with the risk of contamination of the borrower's collateral land, SMBC requires contamination risk assessment to be conducted for the land to meet certain criteria. When it is considered that the contamination risk is high, the assessed value of such potential risks is deducted from the assessment value of the collateral.

Similarly with the risk of asbestos exposure, the assessed value of this risk is deducted from the assessment value of the collateral. SMBC also recommends to its clients that they conduct such contamination assessments. SMBC conducts such contamination assessments and properly removes asbestos from its buildings.

### ● Adoption of the "Equator Principles"

SMBC has adopted the Equator Principles, a set of principles for determining, assessing and managing the social and environmental risk of project financing. Its Environment Analysis Department assesses the social and environmental risk of large projects in accordance with such Principles.

### ■ Flow chart of the Social and Environmental Risk Assessment of SMBC



## Environmental businesses

The Group considers that environmental businesses are part of its core business operations, through which it contributes to the continued well-being and improvement of the global environment. In fiscal 2005, SMBC started its cross-organizational Eco-Biz Promotion Council, for periodical discussion of the development of sophisticated and efficient products and services for environmental maintenance and improvement. Other SMFG Group companies have become members of this Council, meeting on a regular basis.

## Environmental Initiatives by Group Companies

Company	Clients	Program/Product	Description
SMFG	Corporate	SAFE environmental magazine	Started in 1996, this bimonthly magazine contains interviews with top management of environmentally advanced companies, analyses of business and the latest regulatory trends, and other useful information for corporate environmental activities. It can be viewed online at SMFG's website (in Japanese). <a href="http://www.smfg.co.jp/responsibility/csinfo/safe.html">http://www.smfg.co.jp/responsibility/csinfo/safe.html</a>
		SMFG Environmental Business Forum	SMBC holds multifunctional programs, including environmental seminars and business matching opportunities at the Eco-Products event, one of Japan's largest environmental exhibitions.
SMBC*1/ JRI*2		SMBC Environmental Assessment Loan/ Private Placement Bond	Terms and conditions of this loan/bond depend on the results of an assessment of a company's environmental friendliness using standards established by SMBC and JRI. Clients can choose the fund procurement method — loans or private placement bonds.
SMBC		SMBC-ECO Loan	This loan offers reductions on interest rates of up to 0.25% for SMEs with environmental management systems certified by any of more than 20 organizations, including NPOs and local governments.
		Ministry of Environment's interest-subsidized financing program	Under this program, companies may receive loans from financial institutions, with interest subsidized by the government to finance global warming-related capital investment, provided that they set and achieve CO <sub>2</sub> emission reduction targets during a specified period. As one of the financial institutions authorized to provide loans under this program, the bank supports companies taking environmental initiatives.
		Carbon-credit related business activities (matching, advisory, trust and consultation activities)	SMBC serves clients with needs associated with carbon credits by using overseas offices for their trust operations and other resources to offer products and services such as introducing sellers in developing countries, providing advisory services to support transactions, offering trust products and financing. SMBC established a consultation company in Brazil to assist in development of Clean Development Mechanism (CDM) projects.
		Carbon credit trading	In June 2009, SMBC became a carbon credit trader, the first Japanese bank to trade carbon credits directly with clients.
		Strengthening alliances with international and financial institutions	In April 2010, the bank executed a Memorandum of Understanding with the Federation of Malaysian Manufacturers and Green Purchasing Network Association Malaysia for the promotion of environmental businesses in Malaysia. In efforts to further establish a more solid global network, SMBC has formed business alliances with local financial institutions and economic organizations in the Philippines, Brazil and other countries for the promotion of financing for renewable energy projects and carbon-credit trading.
		"Climate & Children Supporters"	An original program of SMBC which supports measures to prevent global warming through the trading of carbon credits while helping children affected by drastic climate changes through UNICEF. When participating companies trade carbon credits to prevent global warming, they automatically support elementary schools in Mozambique which is known for its frequent droughts and natural disasters, having built 17 wells and 44 toilets under the UNICEF water management and public hygiene project. (as of June 30, 2010)
		Individuals	Environmental campaign using JGBs for individuals
Nikko*3		Nikko World Trust – Nikko Green New Deal Fund (JPY Non-hedged Class)/ (JPY Hedged Class)	The Green New Deal is an economic recovery policy based on global environmental initiatives. This fund invests by purchasing stocks of companies in countries where high growth in green businesses is anticipated.
		Green Bonds	"Green Bonds", the purpose of which is to promote environmental preservation, is the generic name given to the various bonds offered by SMBC Nikko Securities starting in 2010. Funds raised from these bonds must be used for environmental protection measures.
SMBC/ Nikko		SMBC Nikko World Bank Bond Fund	This is the first fund in the world to invest in the green bonds issued by the World Bank (data provided by Nikko Asset Management Co., Ltd.) The funds raised by the issuances of these bonds should essentially be used only for loans for projects to prevent global warming in emerging countries. Furthermore, a portion of earnings from the fund will be donated to the Japan Committee for UNICEF and the Japanese Red Cross Society for the resolution of social conflicts around the world.
SMBC / SMFL*4	Individuals Corporate	eco japan cup	This is a contest for selecting companies which have practical environmental technologies and ideas. SMBC also arranges for venture companies to conduct R&D jointly with Japanese universities and the funding of their R&D activities. <a href="http://www.eco-japan-cup.com/">http://www.eco-japan-cup.com/</a> (in Japanese only)
SMFL	Corporate	Carbon-neutral leases	The first new service in the leasing industry started in August 2007, which renders the greenhouse gases released by leased assets neutral through the allocation of carbon credits to these assets. The goal is to provide further support to companies that protect the environment through their own activities.
		Trading of used machinery and equipment	Machinery and facilities with expired leases or bought back from the client are sold by SMFL to clients needing such items. Through the purchase and sale of used machinery, SMFL aims to become an environment-friendly leaser committed to the recycling and reuse of products.

\*1 Sumitomo Mitsui Banking Corporation \*2 The Japan Research Institute Limited \*3 SMBC Nikko Securities Inc. \*4 Sumitomo Mitsui Finance and Leasing Co., Ltd.

\*5 Sumitomo Mitsui Banking Corporation (China) Limited \*6 The Japan Research Institute (Shanghai) Consulting Co., Ltd. \*7 Sumitomo Mitsui Card Company, Limited

\*8 SMBC Friend Securities Co., Ltd. \*9 THE MINATO BANK, LTD. \*10 Kansai Urban Banking Corporation

Company	Clients	Program/Product	Description
JRI	Corporate, other	Environmental advisory business	This business is involved in many projects mainly for waste treatment and energy. Its objective is to prevent global warming and support the growth of environmental companies by creating new businesses.
		Energy-saving industrial initiative with Guangdong Province	In November 2010, we executed a memorandum with the Department of Science and Technology of Guangdong Province on a joint promotion of industries which conserve energy and reduce carbon emissions. We plan to promote low-carbon and energy-saving industries and Energy Service Companies, including measures such as policy research for energy-saving and the promotion of technological transfers through collaborative model projects by Japanese and Chinese companies.
JRI / SMBC / SMBCCN <sup>*5</sup> / JRIS <sup>*6</sup>		Consulting for construction of Tianjin Eco-City, and attracting Japanese companies	Leveraging its environmental business expertise, JRI is creating a plan for the use of renewable energy at the Tianjin Eco-City, China's national project for an environmentally sustainable city. SMBC, SMBCCN and JRIS have signed a basic agreement with the Tianjin Eco-City Administrative Committee, on initiatives to attract Japanese companies to the project.
SMCC <sup>*7</sup>	Individuals	Chip recycling	Rare metal extracted from IC chips installed in expired credit cards, are recycled.
SMCC / Cedyne	Individuals	Web Registration Campaign	SMCC is vigorously promoting the use of online account statements (credit/debit sums are e-mailed and the details posted on its website) as a means of conserving paper and helping cut CO <sub>2</sub> emissions.
Cedyne		Socially contributing environmental cards	We issue socially contributing environmental credit cards such as "Chikyuni Yasashii Card" and "Cedyne Card AXU" which donate part of the payments made by such cards to environment preservation organizations.
Friend <sup>*8</sup>	Individuals	Global environmental sustainability bonds	SMBC Friend Securities marketed global environmental sustainability bonds issued by the European Reconstruction and Development Bank (ERDB) during the period from November 30 to December 21, 2010. The funds raised by such bonds are used to support natural energy development, forestry regeneration and other environmental projects selected by the ERDB based on its evaluation standards.
Friend / Nikko		Electronic statement service	Promoting the usage of online account statements
Minato <sup>*9</sup>	Corporate	Minato ECO Loan/Private Placement Bond	Minato Bank offers preferential interest rates on loans and preferential fees on underwriting of private placement bonds for corporations which have acquired an environmental management system certification.
	Individuals	Minato ECO product purchasing loan Minato ECO housing loan	Minato Bank offers environment-friendly loans to clients purchasing and installing new-energy or energy-saving equipment. It additionally offers housing loans with discounted interest rates to clients (a) purchasing homes installed with such equipment, (b) renovating their homes to be energy efficient, (c) refinancing housing loans of energy efficient homes or (d) constructing or purchasing new homes which meet the residential environmental efficiency standards set forth by the city of Kobe (Comprehensive Assessment System for Environmentally Efficient Construction).
KUBC <sup>*10</sup>	Individuals	Mother Lake eco-time deposits	KUBC offers time deposits, through which clients may contribute the amount equivalent to 0.01% of their deposit balance to the "The Mother Lake-Shiga Support Fund," which preserves the natural environment of Lake Biwa. In April 2011, KUBC donated ¥5.25 million to this Fund, which is equivalent to 0.01% of ¥52.5 billion, the outstanding balance as of February 28, 2011.
		Housing loan for solar power generation	The bank has launched a campaign in which applicable interest rate cuts of up to 1.0% a year are offered to clients who take out housing loans for residences in which solar power generation facilities are installed.
		Donation to environmental fund by housing loans	When clients purchase homes which are installed with designated solar power generation systems and located in the subdivisions in the Katata district of Otsu-city, Shiga Prefecture, a certain percentage of the housing loan amount is donated to the Ohmi Environment Conservation Foundation, the activities of which are dedicated to the preservation of Lake Biwa.

## Environmental Business Forum at Eco-Products 2010

The Eco-Products exhibition, held each December, is one of Japan's largest environmental exhibitions. Following last year's event, SMFG again held the SMFG Environmental Business Forum, comprising various environmental business events.

SMFG conducted business matching, set up booths having catalogs available, and offered lectures, seminars, and other programs, targeting different types of stakeholders, such as those who are planning to newly enter the environmental business field, considering expanding their marketing channels, and reviewing the information collected. By offering such opportunities, SMFG provided forums for the representatives of companies in the environmental field to expand their network business contacts and exchange information.

During the three-day exhibition, we held 17 seminars on various topics, as well as two panel discussions. 659 business matchings were arranged, and 28 companies had booths marketing their products and services.

Consequently, the SMFG Environmental Business Forum hosted a substantial number of business negotiations for new environmental technologies, products, and services.



## Issuance of "Cedyne Card AXU" to preserve bio-diversity

In order to preserve bio-diversity, we issued the Cedyne Card AXU in May 2010, through which environmental contributions may be made. In addition to the basic functions of regular credit cards, this Card offers ecological options including participation in ecological nature tours under the "Green Selection" program; shop LOHAS products and services with the concept of preserving the environment and bio-diversity, under the "Green Shopping" program; and donates 0.1% of the payments made by the Card to environment preservation organizations under the "Green Contribution" program; to make the usage of this Card more interesting and enjoyable.

