



Environmental Preservation Initiatives

Basic Views for Environmental Preservation

The Group recognizes environmental preservation as one of its most important management issues. Based on our Group Environmental Policy, we are implementing initiatives to harmonize environmental preservation and corporate activities.

The Group Environmental Policy

Basic concepts

Recognizing the importance of realizing a sustainable society, SMFG is continuously making efforts to harmonize environmental preservation and pollution control with 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 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: 1) "Reduction of impacts on environment," 2) "Management of environmental risks," and 3) "Promotion of environmental businesses." We have set environmental objectives for each environmental activity and follow the procedures of Plan, Do, Check, and Act (PDCA) for such environmental activities.

Environmental Management System (EMS) Based on ISO14001 Certification

The environmental management certification of ISO14001 has been obtained by SMFG and its major companies (SMBC, Sumitomo Mitsui Finance and Leasing ("SMFL,"), SMBC Nikko Securities, SMBC Friend Securities, Sumitomo Mitsui Card and JRI). In 1998, SMBC was the first bank in Japan to obtain this certification. The Group has developed the structure to promote EMS which is organized and managed mainly by the Corporate Planning Department and senior environmental officers.

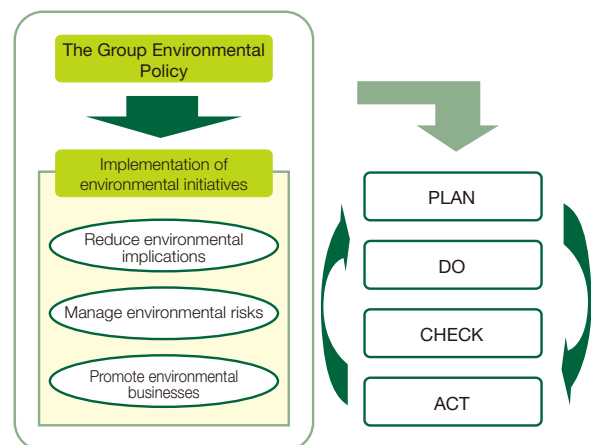
Signing of the "Principles for Financial Actions (the principles for financial actions for the 21st Century) for Achieving the Sustainable Society"

"Principles for Financial Action towards a Sustainable Society," which were adopted in October 2011, are signed by SMBC, SMBC Nikko Securities, SMBC Friend Securities, Minato Bank, Kansai Urban Banking Corporation ("KUBC") and Japan Net Bank.

The principles have been set forth for the purposes of making the environmental financing widely-known and improving the quality of environmental financing. SMBC has participated since 2012 as a steering member for the Steering Committee which is made up of 193 financial institutions (as of March 31, 2015).

Based on these principles, the Group continues to expand its environmental financing activities in Japan.

Environmental Action Plan and PDCA Procedures



Reducing Environmental Impact

● Initiatives for Energy Consumption of Facilities

SMFG sets environmental objectives for reducing energy consumption such as electricity for each fiscal year, and it assertively strives to implement energy-saving measures to reach the targeted goal.

· SMBC, SMBC Nikko Securities, SMBC Friend Securities, and SMBC Consumer Finance shall install energy-saving equipment such as LED lighting for the relocation or renovation of a branch, taking into consideration the environment awareness.

· For the SMBC East Tower which will be completed in the summer of 2015, we have taken into consideration the environmental awareness on the following issues:

- 1) utilization and preservation of nature;
- 2) implementation of highly efficient systems;
- 3) reduction of adverse environmental effects; and
- 4) creation of a sustainable building.

We are expected to incorporate diverse energy-saving technologies to reduce approximately 35% of CO₂ emission*. (*Compared to average office buildings).

· As the Osaka Head Office building was built over 80 years ago, the two-year renovation of the building was completed in May 2015. For the renovation, we have installed high-performing exterior wall frames, LED lightings and solar panels while retaining the original charm of the facilities, by



SMBC East Tower in Tokyo



Osaka Head Office

substantially improving the environmental performance in addition to appropriately adapting to modern work styles.

In July 2012, SMBC and JRI, as part of their own energy-saving initiatives, implemented the solar power generation equipment in the SMFG's main computer center for providing energy during peak business hours.

Managing Environmental Risks

● Environmental and social risks in loan (credit) activities

SMBC believes it is important to take into account the environmental risks for conducting credit assessment. Factoring environmental risks in the credit assessment (environmental credit risks) is stipulated in SMBC's Credit Policy, which sets forth the universal and basic philosophies, guidelines and rules for credit operations taking into consideration the management principle and the rules of conduct. For example, to deal with the risks of soil and asbestos contamination in real estate pledged as collateral, SMBC requires contamination risk assessment for such real estate collateral meeting certain criteria. If contamination risks are found to be high, the assessed value of the potential risks will be deducted from its value. Furthermore, our Credit Policy clearly stipulates that credit which is used for the production of cluster bombs and mass-destructive weapons is prohibited.

● Managing environmental and social risks in large-scale development projects

Large-scale development projects may have significant impacts on society and the environment; therefore, the international civil society requires financial institutions to fully consider social and environmental impacts of the projects when providing financial support.

SMBC has adopted the Equator Principles, a set of principles for determining, assessing and managing environmental and social risks in



project financing and has established the Environment Analysis Department (EAD) to assess the environmental and social risks of large-scale development projects in accordance with the principles. In June 2013, for the Equator Principles, the scope was expanded and the assessment criteria were strengthened. SMBC also revised its internal procedures in accordance with the revised Equator Principles to improve its system for assessing environmental and social risks. Furthermore, SMBC continues to improve its environmental and social risk assessment systems which received a third-party guarantee made by Ernst & Young Sustainability Co., Ltd. in 2014 with respect to application status of the Equator Principles.

● Lawful disposal of properties at the expiration of leases

Sumitomo Mitsui Finance and Leasing is completely in compliance with environment-related laws and regulations to prevent contamination of the environment due to illegal disposals of industrial waste materials triggered by the expiration of leases. In addition, multi-phased assessment mainly in terms of compliance, local research and interviews are conducted annually in order to prudently select the most appropriate company that handles transportation and disposing of waste materials at the time of the expiration of a lease.

Environmental Businesses

● Environmental contributions through core businesses

The Group considers environmental businesses as a means to preserve and improve the global environment through its core business operations. As an example: SMBC Environmental Assessment Loan/Private Placement Bond is provided for clients for promoting their environmental management. Further, the Growth Industry Cluster Department work is not limited to the maintenance or improvement of the global environment but also includes the economic development of each country through providing support for environment infrastructure improvement projects in emerging countries mainly in Asia and renewable energy projects.

In addition, the Kansai Urban Banking Corporation jointly participated with an affiliated organization of Osaka Prefecture in the exhibit for “Biwako *Kankyo* (Environmental) Business Messe 2014,” focusing on environmental issues to introduce technologies and services owned by companies in Osaka Prefecture to companies in Shiga Prefecture.

● Initiatives for environmental businesses by group companies

Please refer to the chart shown below for details of the measures taken for environmental businesses.

Initiatives for Environmental Businesses by Group Companies

Company	Program / Product	Description
SMFG	SAFE, corporate environmental magazine	Started in 1996, this magazine contains interviews with top management of environmentally advanced companies, analyses of business and regulatory trends, and other beneficial information for corporate environmental activities. Presently, more than 100 issues of the magazine have been published. It can be viewed online at SMFG's website (in Japanese).
	SMFG Environmental Business Forum	SMFG organized a three-day event at Eco-Products, one of Japan's largest environmental exhibitions. More than 15 of our clients' companies set up booths with “Environment,” “Water, Resources, New Energies” as themes, and each client presented or demonstrated respective environmental initiatives.
SMBC ^{*1} / JRI ^{*2}	SMBC Environmental Assessment Loan/Private Placement Bond	Terms and conditions for these loans and bonds are set forth according to the assessment conducted on the company's environmental measures, pursuant to the environmental assessment standards originally created by SMBC and JRI, and SMBC determines terms and conditions for loans or private placement bonds according to the results of such assessment.
	SMBC Environmental Assessment Loan/Private Placement Bond Eco Value-up	SMBC revised and improved evaluation methods for existing “SMBC Environment Friendliness Assessment Loans and Private Placement Bonds” especially made for medium-sized and small-to-medium-sized companies which have more assessment needs for the degree of environment friendliness. As for the fund raising, SMBC conducts quantitative assessment according to the assessment criteria created by SMBC and follows with the qualitative assessment based on interviews conducted by environment friendliness assessment agency, and the final and comprehensive assessment results will be provided to clients in the form of “Environmental Management Analysis Report.”
	SMBC Sustainable Building Assessment Loan/Private Placement Bond	Terms and conditions for those loans and bonds are set forth according to the assessment conducted on the buildings owned or to be constructed by companies, pursuant to the assessment criteria created by SMBC and Woonerf Inc. (formerly known as CSR Design & Landscape Co., Ltd.), for environment friendliness for “energy” and “water,” etc., seismic adequacy required to maintain the sustainability, measures taken for “risk management” such as BCP, and “business manager's policies and practices” promoting such assessment criteria.
	SMBC Sustainability Assessment Loan/Private Placement Bond	Terms and conditions for those loans and bonds are set forth by SMBC, according to the assessment conducted on the measures taken by clients for the Environment, Society and Governance (“ESG”) and appropriateness of information disclosure, pursuant to the assessment criteria created by SMBC and JRI.
	SMBC Environmental Assessment Loans/Private Placement Bonds (Malaysia and Thailand)	Terms and conditions for those loans are set forth according to the assessment conducted on the environmental measures taken by companies in Malaysia and Thailand utilizing the plan as set forth in the “SMBC Environmental Assessment Loans/Private Placement Bonds” since 2008. The assessment report is also provided to further enhance the company's eco-management related activities.
SMBC	SMBC-ECO Loan	This loan product offers reductions of interest rates up to 0.25% for SMEs certified with environmental management systems by more than 20 organizations, including NPOs and local governments.
	Ministry of the Environment and Ministry of Economy, Trade and Industry subsidized-interest financing program	Under this program, companies may conditionally receive loans from financial institutions, with interest subsidized by the government, to finance capital investment which reduces CO ₂ emissions. SMBC supports companies taking environmental initiatives as one of the financial institutions authorized to provide loans under this program.
	Emissions trading related business (advisory services)	In the field of energy conservation, in which Japanese corporations especially excel, SMBC provides support and financial advisory services for “Joint Crediting Mechanism,” for the purpose of contributing to the reduction of greenhouse gasses due to technology exportation to underdeveloped countries. In Brazil, SMBC provides advisory services for a newly established environmentally innovative fund which was set up principally by the Brazilian Development Bank.
	Strengthening alliances with international and financial institutions	In March 2012, SMBC executed a Memorandum of Understanding with Development Bank of Mongolia for financial cooperation for environment and infrastructure projects that reduce greenhouse gas emissions. SMBC continues to develop a solid global network by MOUs similarly executed with local major corporations and financial institutions in Mexico and other countries for promoting financing for renewable energy projects and carbon credits trading businesses.
	Environmental campaign program for JGBs for individuals	We have contributed to global environmental protection by: (1) trading the amount equivalent to 100kg of carbon credits; or (2) reforestation in the area equivalent to 1m ² per each individual who purchased JGBs.
	DWS New Resource Technology Fund	This fund invests mainly in shares of companies around the world with growth potential that conduct businesses associated with three most discussed issues of (1) local infrastructure; (2) food; and (3) clean energy, in order to accommodate the fluctuating and/or increasing global demand.
	Promotion of Housing Loans for Environment-Friendly Residences	SMBC offers preferential interest rates to borrowers either for the purchase or construction of a residence entirely powered by electricity or ecologically-friendly residence.

Initiatives for Environmental Businesses by Group Companies

Company	Program / Product	Description
SMBC / Nikko ^{*3}	SMBC Nikko World Bank Bond Fund	SMBC and SMBC Nikko Securities Inc. offer the Nikko World Bank Bond Fund which is the first fund in the world to invest in green bonds* issued by the World Bank (data provided by Nikko Asset Management Co., Ltd.). A portion of earnings from the fund is donated to the Japan Committee for UNICEF and the Japanese Red Cross Society to be used to resolve any social conflicts around the world. *This fund invests in green bond which is one of the bonds issued by the World Bank. The funds procured by the issue of these bonds will be utilized solely for loans provided for global warming prevention projects in emerging countries.
SMFL ^{*4}	Consultation Business for the Amended Energy Saving Act	It strengthens its advisory services by appropriately accommodating the Amended Energy Saving Act for proposing comprehensive energy-saving measures by utilizing leases.
	Purchase and Sale of Second-Hand Machinery and Equipment	Real property with expired leases or machinery and equipment purchased from clients are being sold to other clients. SMFL strives to become a leasing company that is environment-friendly implementing measures for recycling and reuse by purchasing and selling the second-hand machinery.
	Support Program conducted by the Ministry of the Environment	It promotes the implementation of leasing low-carbon emission equipment which meets the criteria set forth by the Ministry of the Environment, by utilizing the subsidies provided by the Ministry for such leases.
Nikko	Nikko Eco Fund	This is the SRI fund, which was first offered in Japan in 1999, takes into account the environmental perspectives and invests in shares of potential growth companies which either excel in appropriately responding to environment-related issues or conducting businesses associated with environment.
	Nikko DWS New Resources Fund	This fund invests mainly in shares of companies around the world with growth potential which conduct businesses associated with the three most discussed issues of (1) water; (2) agriculture; and (3) alternate energy, in order to accommodate the fluctuating and/or increasing global demand.
	UBS Climate Change Fund	This fund invests in shares of countries around the world which have innovative technology with respect to preventive measures for global warming and which are anticipated to have substantial growth in the future.
	Nikko World Trust-Nikko Green New Deal Fund	This fund invests in shares of companies located in countries where high growth is anticipated through their environmental preservation activities, focusing on the "Green New Deal" policy for economic recovery based on measures required for global environment.
Nikko / Friend ^{*5}	Promotion of electronic statement service	Promoting electronic statement services (online account statements) for clients.
Friend	Environmental Sustainability Bonds	SMBC Friend Securities sells "Environmental Sustainability Bonds" issued by the European Bank for Reconstruction and Development (EBRD). The funds raised by such bonds are used to support natural energy development, forestry regeneration and other environmental projects selected by EBRD based on its evaluation standards.
	Promotion of Marketing Activities utilizing iPad	iPads are being distributed to the entire marketing team enabling them to obtain information necessary from the data stored to support the reduction of paper usage and CO ₂ emissions.
SMCC ^{*6} / Cedyna	Promotion of online account activity statement	SMCC and Cedyna are promoting the use of online account statements (notice for the final account statement is sent by e-mail and details to be confirmed on its website) for conserving paper and helping to reduce CO ₂ emissions.
Cedyna	Environment conservation activities offered by socially contributing credit cards	Cedyna issues socially contributing credit cards for the environment such as "Chikyuni Yasashii Card" and "Cedyna Card AXU," and the part of payments for such cards are donated to environmental preservation organizations.
SMBCF ^{*7}	Promotion of online account statement	It strives to reduce the consumption of paper resources and CO ₂ emissions, in addition to increasing convenience for clients by electronically converting documents. The ratio of contracts made on the internet out of new applications submitted has increased yearly.
JRI	Promotion of CSR and environmental management	JRI supports companies in their CSR and environmental management by assisting them with the development of CSR management strategies and conducting carbon-credit research and investigation.
	Environmental advisory business	It engages in numerous environmental projects mainly in the energy and smart community fields. It strives to contribute to the resolution of global-warming issues and development of environment-friendly businesses by the creation of new businesses.
	Proposals for energy-related policies	The Great East Japan Earthquake led to the substantial review of the Japan's energy policy. JRI makes recommendations and proposals for energy systems of next-generation and energy strategies for Japan.
Minato ^{*8}	"Minato ECO Loans" for Corporations certified with Environment Authentication	Minato Bank offers loans with preferential interest rates to corporate clients who have been certified with either of the "Kobe Environmental Management System ("KEMS"), "Eco-Action 21" or "ISO14001."
	For individual clients: "Minato ECO Housing Loan" "Minato ECO Product Purchase Loan"	Minato Bank offers environment-friendly loans with discounted interest rates especially made for clients who plan to purchase or install new-energy or energy-saving equipment (solar power generation systems, ECOWILL, EcoCute, solar thermal systems, ENE-FARM, etc.) or clients who plan to purchase or construct residences installed with such equipment or residences which have been rated at least with 4 "hydrangea flowers" for their overall rating assessed by the criteria of CASEBEE Kobe (Kobe city's "Comprehensive Assessment System for Built Environment Efficiency").
	Minato ECO Private Placement Bond	Minato Bank provides preferential treatment for issuing fees of private placement bonds, which meet the issuance criteria set forth by our bank for bank-guaranteed private placement bonds, offered by corporations certified with either of the "KEMS," "Eco-Action 21" or "ISO14001."
KUBC ^{*9}	Eco-time deposit	This fixed-term deposit makes donations to organizations in Osaka Prefecture, Osaka City and Shiga Prefecture engaged in environmental protection activities, with the amount equivalent to a certain percentage of deposits received from clients.
	Housing loans for smart homes	It is the loan to offer the same terms and conditions for such as loan term and interest rate for loans to purchase residences preinstalled with solar power generation systems or for installation costs of such systems.
	Environmental Assessment Loan/Private Placement Bond	Terms and conditions, and interest rates for those loans and bonds are set forth according to the assessment conducted on the measures taken by clients for environment-friendliness. The financing method may be selected from either loan or private placement bond.
	Kansai Urban Environment Support Loan	A predetermined, preferential interest rate for the loan is given to clients who met certain requirements for environment (receipt of certification for ISO14001 or Eco Action 21, etc.).

^{*1} Sumitomo Mitsui Banking Corporation ^{*2} The Japan Research Institute, Limited ^{*3} SMBC Nikko Securities Inc. ^{*4} Sumitomo Mitsui Finance and Leasing Company, Limited

^{*5} SMBC Friend Securities Co., Ltd. ^{*6} Sumitomo Mitsui Card Company, Limited ^{*7} SMBC Consumer Finance Co., Ltd. ^{*8} The MINATO BANK, LTD. ^{*9} Kansai Urban Banking Corporation