

# Towards Sustainable Development of Society

## Our Approach

On a global scale, we are currently facing various environmental issues, such as climate change resulting from global warming, as well as social issues, such as human rights violations. In Japan, we must address various challenges arising in conjunction with changes to the social structure, such as rapid population aging and the contraction of the workforce.

SMBC Group believes that it is the social responsibility of a company to contribute to the sustainable development of society as a whole by providing stakeholders with even higher value through the course of its business.

## Environment

Renewable Energy Project Funding Amount (FY2018)

**¥520.0**  
billion



Physical Risks Identified through Scenario Analyses (Projected increase in credit costs)

**¥30.0–¥40.0**  
billion



Carbon-Related Asset Exposure Ratio

**7.8%**



## Initiatives for Supporting the Environment

### Promotion of Renewable Energy through Financial Functions



SMBC Group is proactive in its efforts to reduce environmental impacts through its business. For example, we are helping promote the spread of renewable energy projects that use natural forces, such as solar and wind, to generate power. As a comprehensive financial group, we are uniting all Group companies and capitalizing on their unique characteristics in this undertaking. Accordingly, support for such projects is provided by SMBC through financing, SMBC Nikko Securities through investment, SMBC Trust Bank through contracting related to generation equipment and sites, and Sumitomo Mitsui Finance and Leasing through leasing of generation equipment.

In addition, SMBC Group has issued four green bonds, a type of bond that is used to collect funds to be exclusively allocated to eco-friendly projects. Furthermore, the SDGs

Finance Department established within SMBC Nikko Securities' Capital Markets Division is playing a central role in the provision of support to customers seeking to issue green or social bonds.

### Green Bond Issues

Date of Issue	Issuer	Amount
October 20, 2015	Sumitomo Mitsui Banking Corporation	US\$500 million
October 11, 2017	Sumitomo Mitsui Financial Group	€500 million
December 20, 2018	Sumitomo Mitsui Banking Corporation	US\$227.8 million
		AUD83.2 million
May 30, 2019	Sumitomo Mitsui Financial Group	€500 million

## Credit Policy

In the Credit Policy of SMBC, which contains our overall financing policy, guidelines, and rules, we declare that we will cease to provide financial support to borrowers engaged in businesses contrary to public responsibility, or which may have a significant negative impact on the global environment. Caution for environmental, social, and other impacts is practiced with regard to the areas detailed to the right.

- Defense manufacturing, cluster munitions, and other armament
- Palm oil plantation developments
- Deforestation
- Coal-fired power plants
- Soil contamination and asbestos

▶ For more information, please refer to Sumitomo Mitsui Financial Group's corporate website.

[https://www.smfg.co.jp/english/responsibility/smfgcsr/esg\\_initiative/risk/](https://www.smfg.co.jp/english/responsibility/smfgcsr/esg_initiative/risk/)

## Response to Climate Change (Announcement of Support for TCFD)

We announced our support of the Task Force on Climate-related Financial Disclosures (TCFD)\* in December 2017, and we are performing climate change scenario analysis and working together with customers to address the root causes of climate change and help realize a low-carbon society. The following initiatives are being carried out with regard to the four areas advocated in the recommendations of the TCFD.



<b>Governance</b>	<p>We have established Group environmental policies to continuously implement measures to make our corporate activities conducive to preserving the global environment and curbing pollution.</p> <p>The Basic Policy on Climate Change is reflected in SBMC Group's business strategy based on the discussions of the Corporate Sustainability Committee and decisions of the Executive Committee, and the details of our initiatives are reported regularly to the Board of Directors.</p>	
<b>Strategy</b>	<p>■ <b>Physical Risks</b></p> <p>In light of the recent emergence of natural disasters linked to climate change, SMBC has performed climate change scenario analyses of the physical risks related to water disasters in Japan, thereby calculating, on a preliminary basis, that the impact could equate to an aggregate increase in credit costs of between ¥30.0 billion and ¥40.0 billion by FY2050. When viewed as a per-year average value, it is an additional credit cost of approximately ¥1 billion and thus the impact of water damage caused by climate change on current SMBC's single-year finances is considered to be limited.</p> <p>■ <b>Transition Risks</b></p> <p>In the process of transitioning to a low-carbon society, there is a risk that the value of the affected assets will decline (Stranded asset Risk). Carbon-related assets (electricity, energy, etc.) currently account for 7.8% of all loans by SMBC. Based on this situation, we will keep evaluating the potential impact of stranded assets.</p> <p>■ <b>Opportunities</b></p> <p>The market for climate-change-related businesses is expected to grow going forward. Against this backdrop, we are promoting environmental businesses and reducing environmental impacts in Japan and overseas. Measures to this end include conducting a total of ¥520.0 billion in financing of renewable energy projects in FY2018 and issuing green bonds based on the guidelines of the International Capital Market Association and the Ministry of the Environment, Government of Japan.</p>	
<b>Risk Management</b>	<p>SMBC has adopted the Equator Principles, which are guidelines developed by private financial institutions for managing environmental and social risks related to financing large-scale development projects to identify and assess risks to both the environment and society.</p> <p>In addition, SMBC Group companies established lending policies for specific sectors, including coal-fired power plants.</p>	<b>Metrics and Targets</b>
		<p>SMBC Group is working to reduce greenhouse gas emissions, and it realized reductions in per-area CO<sub>2</sub> emissions of 15.16 tons per m<sup>2</sup> in FY2017 and 104.21 tons per m<sup>2</sup> in FY2018.</p>

\* The Task Force on Climate-related Financial Disclosures was established to urge individual companies to disclose their impact on climate change in their financial reports.

▶ For more information on initiatives regarding the recommendations of the TCFD, please refer to Sumitomo Mitsui Financial Group's corporate website.

[https://www.smfg.co.jp/english/responsibility/smfgcsr/esg\\_initiative/climate/](https://www.smfg.co.jp/english/responsibility/smfgcsr/esg_initiative/climate/)

## Social

Participants at Financial and Economic Education Programs

140,000



Students We Supported in Emerging Countries

10,000



Donations to Social Welfare Organizations through Employee Volunteer Fund

¥20 million



## Initiatives for Supporting the Next Generation

### Support for SMEs in Introducing Cashless Payment Systems



We are supporting SMEs across Japan in introducing cashless payment systems by promoting the payment services of Square, Inc., a company with which SMBC Group has formed a business alliance.

The card readers offered by Square are very simple payment terminals that allows credit card payments to be made merely by connecting the reader to a smartphone or tablet. As such, these readers can be introduced with ease even at retailers, outdoor events, and other locations with limited space. Moreover, examinations are also brief, allowing for use as early as the day after application, and payments are deducted as soon as the following day, enabling customers to use this payment service in a similar manner to cash payments. Furthermore, introducing Square's point-of-sale register system helps support business growth with increased efficiency in payment processes realized through smooth coordination of inventory management, sales analysis, and accounting software.

Using this system, SMBC Group aims to support SMEs in introducing cashless payment systems and thereby contribute to the promotion of cashless payments throughout Japanese society as a whole.



### Business Succession Support Framework that Uses Trust Functions to Address Cognitive Impairment Issues



SMBC Trust Bank provides financial solutions that address potential social issues as the "100-Year life" era approaches.

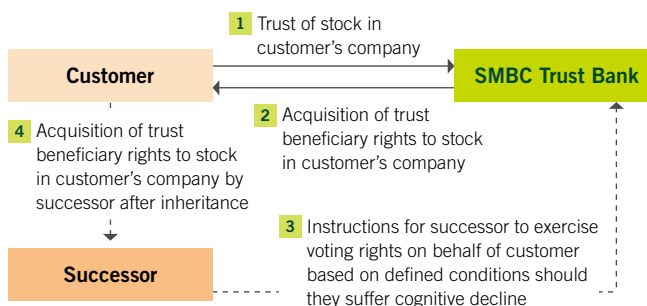
Specifically, SMBC Trust Bank has developed a business succession framework that addresses the needs of customers seeking to decide the process through which shares of their company's stock will be transferred to successors and those looking to mitigate management risks arising from an inability to exercise voting rights due to future cognitive impairment or other forms of cognitive decline.

Characteristics of this product include special provisions for the following:

- Acquisition of trust beneficiary rights to stock by successor after inheritance
- Instructions for successor to exercise voting rights on behalf of customer should they suffer cognitive decline.

Going forward, through the provision of financial products, we hope to contribute to the realization of a society in which business operators are able to feel peace of mind as they continue to develop their business.

### Business Succession Support Framework



## Initiatives for Supporting Communities

### Traditional Japanese Dwelling Lodging Business



In January 2019, Sumitomo Mitsui Finance and Leasing established Dazaifu Co-Creation through joint investment with Nishi-Nippon Railroad Co., Ltd., and The Bank of Fukuoka, Ltd. Dazaifu Co-Creation operates a dispersed traditional Japanese dwelling lodging business via coordination with Dazaifu City, Fukuoka Prefecture, and Dazaifu Tenmangu Shrine. This business entails renovating traditional Japanese dwellings located throughout the region to function as lodging facilities and restaurants and welcoming tourists through a community-wide effort.

In this business, traditional Japanese dwellings are rented and renovated to become facilities and restaurants. Sumitomo Mitsui Finance and Leasing supports this business by leasing interior fixtures, lodging facilities, kitchen equipment, and equipment and machinery used in restaurants and by providing other financial services.

SMBC Group is supporting tourism and subsequently the development of regional economies by participating in such tourism projects as a partner and by providing leasing and various other financial services.



Traditional Japanese dwelling converted into lodging facility



Dazaifu Tenmangu Shrine

### SDGs Social Loans



SMBC has launched Japan's first SDG social loan.

These loans are meant to provide funding to projects that help resolve social issues. Through a scheme entailing impact reports that measure impacts on society and third-party evaluations, we are working together with customers to resolve social issues.

For example, utilizing funds loaned to Healthcare & Medical Investment Corporation, a Japanese real estate investment trust specializing in healthcare facilities, we are helping supply such facilities. These efforts are largely contributing to resolving the various issues that face the rapidly aging Japanese society, by lowering the burden placed on the families of individuals requiring nursing care, reducing the number of people who are unable to receive such care, and promoting women's participation in the workforce.

