

# Sustainability Management

## Our Approach

Currently, we are facing various social issues on a global scale, and there is thus a need for a united effort between governments, companies, and people to work toward the realization of a sustainable society.

On this front, SMBC Group has established the Corporate Sustainability Committee, which is chaired by the Group CEO. Under the strong commitment of top management, SMBC Group is promoting sustainability management.

## Realizing a Sustainable Society

SMBC Group revised Our Mission to include the statement “We contribute to a sustainable society by addressing environmental and social issues.” This change was made to clearly indicate the Group’s stance toward making even larger contributions to the healthy development of society.

In conjunction with the revision of Our Mission, we established the SMBC Group Statement on Sustainability to indicate our basic stance toward contributing to the realization of a sustainable society along with “SMBC Group GREEN×GLOBE 2030,” a 10-year plan that extends to 2030. This statement and plan will guide us in pursuing sustainability.

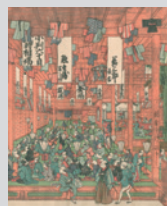
## Past

Dedication to Sustainability Seen  
in Predecessors of Mitsui and Sumitomo

Inheriting the dedication to sustainability that has been a part of the Mitsui and Sumitomo traditions for 400 years, SMBC Group will contribute to the realization of sustainability based on its three priority issues (materiality), “environment” as a corporate citizen that protects the green earth, as well as on “community” and “next generation” as a member of society.

- Innovation of business practice
- Important developer of financial infrastructure

Predecessor  
of Mitsui



Uki-e Suruga-cho gofukuya zu  
(Mitsui Bunko Collection)

- Technological innovation in copper smelting
- Afforestation activities for the beautification of mountains

Predecessor  
of Sumitomo



Left: Besshi Copper Mine in 1881 (Sumitomo Historical Archives Collection)  
Right: Current Besshi Copper Mine (Sumitomo Forestry Co., Ltd. Collection)

## SMBC Group Statement on Sustainability

Throughout its 400-year history,  
SMBC Group has continuously upheld its commitment to sustainability.  
We hereby declare that we will drive forward  
our efforts to make sustainability a reality.

**Present**

Recognition of Current Conditions  
and Our Role

**2020–2030****SMBC Group GREEN×GLOBE 2030****Key Pillars of the Plan**

1. Sustainability initiatives that are directed toward our customers/society.
2. Internal initiatives that contribute to Sustainability management.
3. Enhance engagement with investors.

**Example Targets**

Green finance  
¥ **10** trillion

Reduction of CO<sub>2</sub> emissions  
**30** % reduction  
(SMBC vs. FY2018)

Development of communities related to  
environmental and social issues

Provision of financial literacy education  
Aggregate total to **1.5** million people

**Society We Aim to Achieve****Definition of Sustainability**

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

**Sustainable  
Society**

**Priority Issues  
(Materiality)**

Foundation of the society  
we aim to achieve



Social safety net  
to help the society  
we aim to achieve  
work smoothly



Presence that makes society  
better and passes it on  
to future generations

## Sustainability Management

# Environment

### Environmental Initiatives

The global environment is an important asset that is shared by all of humanity, regardless of region or age, and a healthy environment is prerequisite to the realization of a sustainable society. SMBC Group is earnestly engaging with climate change and various other environmental issues. By helping resolve such issues through our business, we aim to ensure that we can pass on a healthy environment to future generations.

#### Sustainable Finance

SMBC Group is committed to the resolution of environmental and social issues through its business. One initiative for addressing financial issues is the provision of green finance specifically designed for environment-related initiatives. We have set the target of investing ¥10 trillion through green finance over the decade leading up to FY2029.

For example, we are helping promote 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, the new Sustainable Business Promotion Department established within the Wholesale Business Unit and the SDGs Finance Department inside of SMBC Nikko Securities' Capital Markets Division are working to address environmental and social issues through finance together with customers.

#### ESG-Minded Financing Policies

SMBC Group has disclosed financing policies for businesses and sectors with a high risk of significantly impacting the environment or society. Major subsidiaries (SMBC, SMBC Trust Bank, Sumitomo Mitsui Finance and Leasing, and SMBC Nikko Securities) are introducing these policies according to their business.

Going forward, we will continue to engage with customers and various other stakeholders while constantly considering the need to revise our financing policies as necessitated by the operating environment.

Target: **Green Finance Amount**

¥ **10** trillion (by FY2029)



Tenpoku Wind Farm

Photograph provided by Eurus Energy Holdings Corporation

#### Businesses and Sectors for Which Policies Have Been Disclosed

- Coal-fired power generation
- Hydroelectric generation
- Oil and gas
- Coal mining
- Tobacco manufacturing
- Natural conservation areas
- Palm oil plantation development
- Deforestation
- Manufacturing of cluster bombs and other weapons of destruction



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

<https://www.smfg.co.jp/english/sustainability/materiality/environment/risk/>

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

SMBC Group announced its support of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2017, and we are performing climate change scenario analyses and working together with customers to address the issues caused by 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. We are planning to release a TCFD report (scheduled for August 2020) while making efforts to enhance our disclosure of information.

Target: **Coal-Fired Power Generation Loans**

Outstanding balance of

¥ **0** (by FY2040)



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/sustainability/materiality/environment/climate/>

Category		Initiatives
<b>Governance</b>		<ul style="list-style-type: none"> <li>Establishment of Group environmental policies</li> <li>Reflection of climate change response measures in management strategies via the Corporate Sustainability Committee</li> <li>Reports on climate change risks at the Risk Committee, a committee positioned within the Board of Directors, and the Management Committee</li> </ul>
<b>Strategy</b>	<b>Physical Risks</b>	<ul style="list-style-type: none"> <li>Analyses of anticipated water damage-associated credit-related expenses to be incurred in SMBC's domestic operations under the Representative Concentration Pathways (RCP) 2.6 scenario (2°C scenario) and RCP 8.5 scenario (4°C scenario); aggregate costs of ¥30.0 billion–¥40.0 billion to be incurred leading up to FY2050</li> </ul>
	<b>Transition Risks</b>	<ul style="list-style-type: none"> <li>Analyses of credit-related costs to be incurred in energy, power, and other sectors by SMBC and overseas subsidiaries under the International Energy Agency's Sustainable Development Scenario; increase in annual costs of ¥2.0 billion–¥10.0 billion to be seen leading up to FY2050</li> <li>Estimated carbon-related asset (power, energy, etc.) exposure ratio: 6.9% of all loans*1</li> </ul>
	<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Total financing of renewable energy projects of ¥630.0 billion achieved in FY2019</li> <li>Issuance of bonds based on the guidelines of the International Capital Market Association and the Ministry of the Environment, Government of Japan</li> </ul>
<b>Risk Management</b>		<ul style="list-style-type: none"> <li>Climate change risks positioned among Top Risks and stress test impact analyses conducted</li> <li>Disclosure of financing policies for sectors with high climate change impacts (coal-fired power generation, oil and gas, coal mining, etc.)</li> <li>Assessment of social and environmental risks based on the Equator Principles</li> </ul>
<b>Metrics and Targets</b>		<ul style="list-style-type: none"> <li>Total of ¥10 trillion in green financing to be conducted from FY2020 to FY2029</li> <li>CO<sub>2</sub> emissions volumes of SMBC to be reduced by 30% from FY2018 by FY2029</li> <li>Outstanding coal-fired thermal power generation loans to be reduced to zero by FY2040 (applicable to project finance*2)</li> </ul>

\*1 Excludes loans for renewable energy projects to provide a more accurate picture of transition risk exposure

\*2 Excludes projects entailing technologies pertaining to carbon recycling and other projects that contribute to the realization of a low-carbon society

# Sustainability Management

## Social

### Community

As people live and the economy advances, communities to form connections between proponents in these areas and thereby encourage mutual support and enable each other to act in peace of mind are needed. SMBC Group continues to contribute to communities and society and to fulfill our social responsibility as an entity that acts as a member of these communities.

#### GREEN×GLOBE Partners

The various environmental and social issues we face on a global scale are so massive that it is impossible for them to be resolved by one individual person or company. However, if people, companies, government agencies, and academic institutions can team up, united under a shared sense of conviction, we can take effective steps toward the resolution of these issues.

Based on this ambition, SMBC Group established GREEN×GLOBE Partners, a community for encouraging a wider range of people and companies to actively work together to resolve environmental and social issues.

SMBC Group aims to help contribute to resolve social and environmental issues together with customers through initiatives such as broadcasting a variety of meaningful information arising out of its collective insight.



Website screenshot

#### Contributions to Communities and Societies Impacted by the COVID-19 Pandemic

SMBC Group has declared its intent to donate ¥1.5 billion to various organizations to help realize its desire for every customer, community, and society impacted by the COVID-19 pandemic to be able to go back to living healthily and with peace of mind as quickly as possible. In addition, we instated a matching gift scheme in which donations from Group officers and employees for supporting NPOs combating the pandemic are matched by the Company.

Recipients of these donations will include medical institutions and related organizations fighting to combat the spread of the virus and working to create an effective treatment and organizations helping develop medical systems in emerging nations. In addition, we are conducting donations to support culture and the arts given the difficulty of maintaining operations as groups in this field are forced to refrain from holding events. These donations to culture and the arts are founded on our belief that mental health is important in these uncertain times.

By supporting communities and society as a whole, we aim to help shape an empowered world in which everyone can live with peace of mind.



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New Japan Philharmonic



## Next Generation

Ensuring the sustainability of our society and economy amid the changing social environment will require the cultivation of human resources who can support society with the necessary knowledge and technologies. SMBC Group is promoting sustainability by fostering the next-generation human resources and industries that will shape the society of the future together with us.

### Financial Literacy Education

Capitalizing on its insight and expertise as a comprehensive financial group to contribute to society, SMBC Group is providing financial literacy education. We aim to supply such education to 1.5 million people by FY2029.

SMBC Consumer Finance has been holding PROMISE Financial and Economic Educational Seminars at its 17 Customer Service Plazas nationwide since FY2011. The aggregate number of participants in these seminars surpassed 1 million in FY2019. SMBC Consumer Finance is also expanding the educational programs it provides in response to the diversifying needs of participants. For example, it is coordinating with other Group companies to offer education on cashless payments and wealth management.

By providing financial literacy education to a wide range of age groups, from children to adults, SMBC Group will help build a society in which people can live with peace of mind by acquiring accurate knowledge pertaining to finances.

### New Business Support Programs

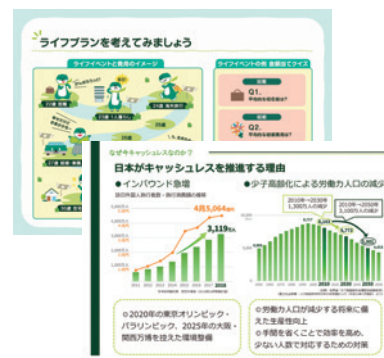
To support next-generation businesses, SMBC Group is advancing the “Mirai” program. Through this program, we solicit business plans from people aspiring to commercialize some new idea or technology. A wide range of opportunities are provided to individuals whose plans passed the judging process, including business development support from advisors, networking assistance, and financial aid.

By offering such support to start-ups and people looking to launch enterprises, we aim to form ties between companies and investors and thereby stimulate their growth and innovation and contribute to the development of next-generation industries.

By supporting communities and society as a whole, we aim to help shape an empowered world in which everyone can live with peace of mind.

Target:  
Financial Literacy Education Program Participants

**1.5** million (by FY2029)



Educational materials used in seminars



“Mirai” program pitch contest