

## **Major Q&A at the ESG Small Meeting**

Senior Managing Executive Officer      Teiko Kudo  
Managing Executive Officer                Fumihiko Ito

**Q1. As for loans to coal-fired power plants, do you plan to disclose the outlook for outstanding balance and reduction targets?**

A1. In April 2020, we clarified that we will not provide support for newly planned coal-fired power plants in principle. Since the lending term of project finance for coal-fired power plants is around 20 years at the longest and we will not provide support in principle going forward, the outstanding balance is expected to be zero by around 2040. The disclosure of reduction targets is now under consideration and is scheduled to be announced soon.

**Q2. Why are you ranked high in the league tables for green loans and sustainability linked loans?**

A2. SMBC Group has worked on environmental activities from early days of ESG. Awareness of society has become a part of our culture. There are many employees who are motivated by contributing to society through their work and we are seeing their spontaneous actions. In addition, we value “innovative” and “speed” as a way of doing business. We believe that another reason is our behavior to active engagement in new initiatives in order to become a financial institution that can lead to social contribution.

Also is our capability to provide sustainable finance globally. We hold a global conference of project finance regularly, and sustainability is always one of the main themes. In April 2020, we established the Sustainable Business Promotion Department within the Wholesale business unit. We will strengthen our capability by collaborating on a global basis.

**Q3. You have a KPI to reduce CO2 emissions by 30% by 2030 at SMBC, but shouldn't you target CO2 emissions from a SMBC Group standpoint?**

A3. Although our KPI is to reduce direct CO2 emissions at SMBC, we of course think that we need to look at it on a SMBC Group basis. For instance, we think that we need to increase assets that reduce CO2 or environmental impacts according to the Taxonomy in Europe. We will consider upgrading our KPIs in the future.

**Q4. What is the initiative to enhance corporate governance? Are you considering to increase the ratio of outside directors and diversification of expertise?**

A4. We do not think that the current form of governance is final and we need to continue working toward enhancement of corporate governance. In June 2017, we shifted to a Company with Three Committees, and in June 2019, SMBC and SMBC Nikko shifted to a Company with Audit and Supervisory Committees. In addition, in June 2020, we changed the chairperson of the Risk Committee to an outside director.

Increasing the ratio of outside directors is one of the important arguing points and we will continue to discuss it. As for the diversification of expertise, we believe that we are currently well-balanced. However, we think that the importance of a global perspective will increase as our strategy is to expand our overseas business. Cyber security is another issue we have to look into. We will continue to consider how to utilize experts in governance and management.

**Q5. How are you trying to have the employees be committed to the Group Mission?**

A5. That is one of the highest priority management issues. It is not easy because SMBC Group has 100 thousand employees. However, once committed, it will lead to further strengths for the Group. In April 2020, we revised our Group Mission, adding “social” to other commitments: “customers”, “shareholders”, and “employees”. And, we established a new Vision together with the announcement of the new Medium-Term Management Plan. We will have our executives talk about our Mission and Vision to employees at town hall meetings. We will regularly conduct employee surveys to check our progress in this matter.

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