Approach to ESG

30th June 2020
# Agenda

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I. ESG: Our Approach
1-1. Recent developments

Committed accelerating Sustainability management through establishment of the “SMBC Group Statement on Sustainability” and

Establish sustainability management

Corporate Sustainability Committee
Chairman: Group CEO
Members: CEO of group companies

Group Mission
Customers, Shareholders, Employees, Society

Statement on Sustainability
SMBC Group “GREEN×GLOBE 2030”
“Create the future of the earth and humanity with our customers”

Oct.18

Apr.20

Long-term KPI: “SMBC Group GREEN×GLOBE 2030”

JPY 10 tn Green Finance by 2030
1.5mn people Financial education by 2030
Evaluate social impact of social contribution activities

Increase awareness of SDGs in both front office staffs and customers (conduct surveys)
Reduce CO₂ emissions by 30% by 2030 (SMBC)

Background of the Statement on Sustainability

Looking back across our Sumitomo and Mitsui history, we will drive forward our efforts to make sustainability a reality.

To engage and act together with customers and other stakeholders to contribute to the global transformation into a better society
1-2. Materiality

Our Predecessors

Sumitomo
- Introduced innovative copper refining method
- Provide a safe and secure life for local communities
- Reforestation of mountains

Mitsui
- Became social infrastructure as a money exchanger
- Introduced innovative business practices as a kimono merchant

For society

Essential for society to exist

Base for all the constituent members of society to live safely and smoothly

Innovation necessary for society to be sustainable

Materiality

Environment

Community

Next Generation
1-3. Value Creation Model (1)

- Value Cycle
- Stakeholders
- Business Activities
- IMPACT/OUTCOME
  - Value for society
  - Results of business activities
  - Based on materiality
- INPUT
  - SMBC Group’s strengths (non-financial capital)
- OUTPUT
  - Return of value in the long run
  - Be reallocated as new INPUTs.
1-3. Value Creation Model (2)

Value cycle through business activities

**Non-financial Capital**
- History and brand
- Customers
- Products
- Knowledge
- Information/Data
- Network

**Environment**
- Accumulate knowledge
- Meet new customer needs

**Community**
- Expand our potential customer base

**Next generation**
- Business opportunities in new domains
- Enhanced brand value

**Business Model**
- Retail
  - Environment
  - Green investment products
- Wholesale
  - Green finance
  - Payments/Finance
  - Financial inclusion
  - New business support

1. **INPUT**

2. **Business Activities**

3. **OUTPUT**

4. **IMPACT/OUTCOME**

5. **Stakeholders**

6. **Value Cycle**

- Safe and secure lives
- Healthy business activities
- Enhance corporate value

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- **Environment**
  - Reduce CO₂ emissions

- **Community**
  - Increase population with access to finance

- **Next generation**
  - Generate new technologies
  - Form a healthy society
2-1. TCFD / Policies by sector

Environment

Proactive in environmental issues: first global financial group to disclose the impact of climate-related risks.

Response to the TCFD Recommendations

We have announced to support TCFD in December 2017

| Governance                  | • Enhancement of the "Group Environmental Policy"
|                            | • Report Climate change risks to the Management Committee and the Risk Committee |

| Strategy                    | • Conduct climate change scenario analysis
|                            | • Estimated carbon-related asset exposure ratio (7.8%)
|                            | • Aggressive approach towards renewable energy finance and green bond issuance |

| Risk Management             | • Identify climate change risk as one of the top risks, and conduct impact analysis through stress tests
|                            | • Conduct environmental and social risk assessments based on the Equator Principles
|                            | • Formulate a policy toward sectors that have impact on climate change |

| Indicators and Targets      | • JPY 10 trillion : Green Finance
|                            | • Reduce CO₂ emissions by 30%

Physical risk of water disasters
Credit Cost (up to 2050)

JPY 1 bn annual

Transition risk to a low-carbon society
Credit Cost (up to 2050)

JPY 2-10 bn annual

Lending policies by sector

- Coal-fired power generation
- Hydro power generation
- Oil & Gas
- Coal mining
- Tobacco manufacturing
- Natural conservation areas
- Palm oil plantation
- Deforestation
- Weapon manufacturing
2-2. GREEN×GLOBE Partners / Financial Education

Realize a sustainable society by solving social issues and educating the next generation.

Community platform to address social issues

Establishment of GREEN×GLOBE Partners

Purpose:
To get people with the same aspirations to join and act together to address environmental and social issues.

Core members ➔ GREEN×GLOBE Partners ➔ Support partners

Encourage networking among partners

Send out mass information ➔ Send out information on solutions ➔ Raise issues / Support project organization

Projects ➔ Partners

Support ➔ Project owner

Financial Education

KPI
1.5 mn participants in our financial education programs by 2030

• SMBC Consumer Finance has held “PROMISE Finance and Economics Seminar” since FY2011. The cumulative number of participants exceeded one million in FY2019.
• Working to enhance the programs in collaboration with other group companies.

Provide financial education to a wide range of generations
2-3. Governance

Continue enhancing corporate governance as the foundation of sustainability management.

Board of Directors

Internal Director (executive) 5 directors
Internal Director (non-executive) 3 directors

Outside Director 7 directors

# of the Board of Directors 15

Ratio of Outside Directors

Non-executive directors: 67%

Expertise

Management 3
Finance/Accounting 1
Legal 2
Diplomacy 1

Compensation policy for executives

In FY2020, “ESG efforts” were added to the qualitative criteria for Stock Compensation Plan I.

<table>
<thead>
<tr>
<th>Compensation Components</th>
<th>Payment Standards (Range of Variation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>Fixed compensation</td>
</tr>
<tr>
<td>Bonus (cash)</td>
<td>Compensation determined based on annual performance (0–150%) Standard levels × annual performance of SMFG/SMBC and the executive</td>
</tr>
<tr>
<td>Bonus (Stock Compensation Plan I)</td>
<td>Compensation determined based on medium-term performance (0–150%) Standard levels × Medium-term performance Performance indices: financial targets stipulated in the Medium-term Management Plan, shareholder value, and qualitative criteria</td>
</tr>
<tr>
<td>Stock Compensation Plan I</td>
<td>(Promotion reward plan)</td>
</tr>
</tbody>
</table>

Ratio: 47%

Performance payments 40% → Raise motivation of executives

Stock compensation 25% → Share interests with shareholders

Mars and clawback → Foster a prudent risk culture expected of a financial institution
3-1. Our response to COVID-19

Act promptly in line with our social role and priority issues.

Function as social infrastructure

- All SMBC branches are open and ATMs remain accessible in Japan
- Supporting urgent financial needs
  - Loan programs with special interest rates (SMBC, SMBCCF, SMCC)
- Corporates
  - Extending credit using special funds-supplying operations by BOJ
  - Loans with government covered programs
- Offering customer relief

Support to control and converge the infectious disease

Providing prompt corporate support, that contributes to control and converge the infectious disease such as establishment of an investment fund for bio/drug discovery ventures, etc. and donation of 500 mn yen to the Center for iPS Cell Research and Application (CiRA), Kyoto University.

Securing employee health and safety

- No COVID-19 related layoffs
- Work from home / Split operations
- Additional special paid time-off
- Prevent infection within offices and branches
- Provide medical and mental healthcare support

Response to new lifestyle

- Enhanced digital capability and servicing
  - online-banking transactions in April: +36% YoY
- SMBC at Home
  - Donations through online-banking
3-2. Communication with Stakeholders

Enhance communication with employees, customers, and investors.

**Customers**  
***Enhance In-house Training***

<table>
<thead>
<tr>
<th>KPI</th>
<th>Content</th>
<th>Purpose</th>
</tr>
</thead>
</table>
| (1) Expand the Group’s knowledge base | Introduction of unified training throughout the Group  
Enhancement of practical training and self-development materials | (1) Expand the Group’s knowledge base |
| (2) Improve understanding of SDGs | Upgrading training content tailored for each level  
Introduction of seminars for the Management Committee members | (2) Improve understanding of SDGs |
| (3) Measure the improvement in understanding | Taking time series observations using employee surveys | (3) Measure the improvement in understanding |

Systematize sustainability training program to place it as Sustainability University.

**Shareholders/investors**  
***Strengthen ESG Disclosure***

We recognize the need to improve our ESG scores.

We will proactively disclose our policies in order to increase transparency and have active dialogue with investors.

<table>
<thead>
<tr>
<th>ESG rating organization</th>
<th>Our status</th>
</tr>
</thead>
</table>
| **MSCI** | A /AAA-CCC  
Selected for MSCI ESG Leaders Index |
| **FTSE** | 3.6 /5  
Selected for FTSE4GOOD |
| **Sustainalytics** | 40.6 /100 |
| **DJSI** | 59 /100  
(Percentile rank ) |

**Employees**  
***Measure to Permeate the New Group Mission***

The Management Committee members to directly visit sales branches to hold Town Hall Meetings.

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We recognize the need to improve our ESG scores. We will proactively disclose our policies in order to increase transparency and have active dialogue with investors.
Selected ESG indices

GPIF selected

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

FTSE Blossom Japan

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

FTSE4Good

2020 MSCI ESG Leaders Indexes Constituent

Sompo Sustainability Index

Endorsed initiatives

WE SUPPORT UN GLOBAL COMPACT

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

UNEP PRINCIPLES FOR RESPONSIBLE BANKING

EQUATOR PRINCIPLES

PFA21 Principles for Financial Action for the 21st Century
II. Initiatives for Sustainable Business
1-1. Current Market

Business Leaders are focusing more on sustainability to achieve sustainable growth under the current global recession and irreversible structural changes.

**Global Economic**

**COVID-19**

**Geographic Risk**

**Japanese Economy**

**Depopulation**

- Productive population ▲ 20%
- 2020 2040

**Interest Rate**

- Policy Rate ▲ 0.1%
- 16/1

**Employee**

**Digital Native Generation**

- Generation Z
  - Born in 1995-2010
  - 2.5bn
- Millennial
  - Born in 1980-1995
  - 2.4bn

**Climate Change**

**Global Warming**

- +1.5°C
- Before Industrialization
- 2030-52

**ESG Investment**

- AuM of PRI signatories
- JPY 7tn ▶️ JPY 86tn
- 2006 ▶️ 2019

**ESG Rating**

- 2,200 studies for relation to corporate financial performance
- 90% Non-negative

**ESG Finance**

- Green bond, SLL etc
- USD465bn ▶️ USD150bn
- 2013 ▶️ 2019

**Regulation**

**Climate Change Risk/Green RWA**

Source: SMBC (As of May 19, 2020)
1-2. Current Market (COVID-19)

While COVID-19 has changed the basic structure of society, there is certain value which will not change. SMBC Group will continue to focus on ESG/SDGs.

**E Environment**
- Energy Demand Q1 2020 (actual) ▲3.8% (vs Q1 2019)
- Energy Demand FY2020 (projection) ▲6% (vs FY2019)
- CO2 Emission FY2020 (projection) ▲8% (vs FY2019)

**S Society**
- Change of Working Style
  - Telework
- COVID-19 Increase in unemployment and medical costs
- Change in Customers’ Behaviors
- Change in Society
- Disclosure of ESG Related Information
  - Investors’ interest
- ESG Investment
- Corporate Resilience

**Value that won’t change**

**E Environment**
- Less CO2 Emissions

**S Society**
- Corporate Resilience, Digital Society and New Style of Life

**Mission of SMBC Group**

**Business with Customers**
- Renewable Energy
- Energy Transition
- New Business

**Financial Services**
- Green Loan/Bond
- Social Loan/Bond
- Sustainable Loan/Bond

Source: International Energy Agency
2-1. History of Sustainable Business

Working on ESG in long term.

**Environment**
- Environment Solution Dept
- Advisory Business in Environment
- Emission Rights Trade
- Environment Assessment Loan
- SMBC Green Program
- Sustainable Building Assessment Loan
- Sustainability Assessment Loan
- Green Bond
  - Future Creation Fund (No.1)
  - Mobile Hydrogen Station
- Hydrogen Council

**Social / Governance**
- Business Continuity Assessment Loan
- Food/Agriculture Assessment Loan
- Myanmar SME Credit Guarantee System
- Nadeshiko Assessment Loan
- Mirai Farm Akita
- Social Impact Bond
- Work Style Reform Loan

**ESG/SDGs Assessment Syndicated Loan**
**Tokyo Metropolitan SDGs Loan**
## 2-2. History of Sustainable Business

We are one of the long standing leading institutions in ESG.

### Environment

<table>
<thead>
<tr>
<th>Company</th>
<th>Product Type</th>
<th>Amount</th>
<th>Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nissen Kaiun</td>
<td>Green Loan</td>
<td>JPY 2.8bn</td>
<td>Scrubber installation (SMBC)</td>
<td>Jun 2019</td>
</tr>
<tr>
<td>Meidensha</td>
<td>Green Bond</td>
<td>JPY 6bn</td>
<td>Sole Arranger, BR &amp; SA (SMBC Nikko)</td>
<td>Jul 2019</td>
</tr>
<tr>
<td>Enomoto</td>
<td>Green Loan</td>
<td>JPY 500m</td>
<td>First Green Loan for Hydrogen Projects (SMBC)</td>
<td>Sep 2019</td>
</tr>
<tr>
<td>Tohoku Electric</td>
<td>Green Bond</td>
<td>JPY 5bn</td>
<td>First Green Bond by J-power companies (SMBC Nikko)</td>
<td>Feb 2020</td>
</tr>
<tr>
<td>Macquarie</td>
<td>Green Loan</td>
<td></td>
<td>Sole Arranger (SMBC)</td>
<td>Mar 2020</td>
</tr>
<tr>
<td>FS with Hitachi/Hitachi Chemical</td>
<td></td>
<td></td>
<td>Feasibility Study for Smart Grid demonstration project in Poland (JRI)</td>
<td></td>
</tr>
<tr>
<td>Consultation for storage battery business</td>
<td></td>
<td></td>
<td>Storage Battery Business (JRI)</td>
<td></td>
</tr>
</tbody>
</table>

### Society

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miraka Holding</td>
<td>JPY 20bn Social Loan/Bond (SMBC &amp; SMBC Nikko) FY 2019</td>
<td></td>
</tr>
<tr>
<td>Social Impact Bond (SIB)</td>
<td>Contributing to regional revitalization (SMBC/SMBC Trust)</td>
<td>May 2020</td>
</tr>
<tr>
<td>Telework Support Program</td>
<td>Financial Support (up to JPY 1bn) to set up telework system for SMEs</td>
<td></td>
</tr>
<tr>
<td>SMBC Cloud Sign</td>
<td>Support SMEs to shift to non paper/non stamp business environment</td>
<td></td>
</tr>
</tbody>
</table>

### Voice from customers

- SMBC Group's ESG products attract wider range of investors and lenders
- SMBC’s dedicated team helps us to understand the relationship between business and the SDGs
- SMBC Group introduces positive impact on IR
- SMBC Group's ESG products enhance our corporate value.
## 2-3. SMBC League Table (2019)

### Green Loan (Asia)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Lead Bank</th>
<th>Vol. $m</th>
<th>No of Deals</th>
<th>Share(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank of China</td>
<td>979</td>
<td>7</td>
<td>14.7</td>
</tr>
<tr>
<td>2</td>
<td>SMBC</td>
<td>541</td>
<td>4</td>
<td>8.1</td>
</tr>
<tr>
<td>3</td>
<td>Credit Agricole CIB</td>
<td>446</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>4</td>
<td>ANZ</td>
<td>427</td>
<td>4</td>
<td>6.4</td>
</tr>
<tr>
<td>5</td>
<td>Mizuho</td>
<td>389</td>
<td>6</td>
<td>5.9</td>
</tr>
<tr>
<td>6</td>
<td>HSBC</td>
<td>381</td>
<td>6</td>
<td>5.7</td>
</tr>
<tr>
<td>7</td>
<td>OCBC</td>
<td>380</td>
<td>4</td>
<td>5.7</td>
</tr>
<tr>
<td>8</td>
<td>KDB</td>
<td>350</td>
<td>1</td>
<td>5.3</td>
</tr>
<tr>
<td>9</td>
<td>BNP Paribas</td>
<td>322</td>
<td>3</td>
<td>4.8</td>
</tr>
<tr>
<td>10</td>
<td>Cathay United Bank</td>
<td>294</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6,656</td>
<td>21</td>
<td>100</td>
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</table>

### Sustainability Linked Loan (Asia)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Lead Bank</th>
<th>Vol. $m</th>
<th>No of Deals</th>
<th>Share(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ANZ</td>
<td>913</td>
<td>4</td>
<td>11.8</td>
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<tr>
<td>2</td>
<td>MUFG Bank</td>
<td>833</td>
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<td>10.7</td>
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<tr>
<td>3</td>
<td>BNP Paribas</td>
<td>784</td>
<td>3</td>
<td>10.1</td>
</tr>
<tr>
<td>4</td>
<td>SMBC</td>
<td>502</td>
<td>5</td>
<td>6.5</td>
</tr>
<tr>
<td>5</td>
<td>HSBC</td>
<td>428</td>
<td>3</td>
<td>5.5</td>
</tr>
<tr>
<td>6</td>
<td>Agricultural Bank of China</td>
<td>404</td>
<td>2</td>
<td>5.2</td>
</tr>
<tr>
<td>7</td>
<td>OCBC</td>
<td>388</td>
<td>3</td>
<td>5.0</td>
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<tr>
<td>8</td>
<td>Bank of China</td>
<td>334</td>
<td>2</td>
<td>4.3</td>
</tr>
<tr>
<td>9</td>
<td>ABN AMRO Bank</td>
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<td>3.8</td>
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<tr>
<td>10</td>
<td>Mizuho</td>
<td>290</td>
<td>2</td>
<td>3.7</td>
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<tr>
<td></td>
<td>Total</td>
<td>7,764</td>
<td>16</td>
<td>100</td>
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</table>

### Green Loan (EMEA)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Lead Bank</th>
<th>Vol. $m</th>
<th>No of Deals</th>
<th>Share(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Credit Agricole CIB</td>
<td>2,104</td>
<td>14</td>
<td>15.2</td>
</tr>
<tr>
<td>2</td>
<td>BNP Paribas</td>
<td>1,464</td>
<td>10</td>
<td>10.6</td>
</tr>
<tr>
<td>3</td>
<td>CaixaBank</td>
<td>868</td>
<td>7</td>
<td>6.3</td>
</tr>
<tr>
<td>4</td>
<td>SG CIB</td>
<td>704</td>
<td>7</td>
<td>5.1</td>
</tr>
<tr>
<td>5</td>
<td>SMBC</td>
<td>681</td>
<td>4</td>
<td>4.9</td>
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<tr>
<td>6</td>
<td>Mizuho</td>
<td>566</td>
<td>4</td>
<td>4.1</td>
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<tr>
<td>7</td>
<td>Natixis</td>
<td>507</td>
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<td>3.7</td>
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<tr>
<td>8</td>
<td>BofA Securities</td>
<td>504</td>
<td>3</td>
<td>3.6</td>
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<tr>
<td>9</td>
<td>UniCredit</td>
<td>496</td>
<td>2</td>
<td>3.6</td>
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<tr>
<td>10</td>
<td>Intesa Sanpaolo SpA</td>
<td>477</td>
<td>2</td>
<td>3.4</td>
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<td></td>
<td>Total</td>
<td>13,882</td>
<td>26</td>
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### Sustainability Linked Loan (EMEA)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Lead Bank</th>
<th>Vol. $m</th>
<th>No of Deals</th>
<th>Share(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BNP Paribas</td>
<td>9,603</td>
<td>50</td>
<td>9.4</td>
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<tr>
<td>2</td>
<td>Credit Agricole CIB</td>
<td>6,248</td>
<td>34</td>
<td>6.1</td>
</tr>
<tr>
<td>3</td>
<td>SG CIB</td>
<td>5,099</td>
<td>26</td>
<td>5.0</td>
</tr>
<tr>
<td>4</td>
<td>UniCredit</td>
<td>4,988</td>
<td>25</td>
<td>4.9</td>
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<td>5</td>
<td>Santander</td>
<td>4,608</td>
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<td>4.5</td>
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<td>6</td>
<td>HSBC</td>
<td>4,572</td>
<td>26</td>
<td>4.2</td>
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<td>7</td>
<td>Citi</td>
<td>4,345</td>
<td>25</td>
<td>4.2</td>
</tr>
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<td>8</td>
<td>ING</td>
<td>4,293</td>
<td>27</td>
<td>4.0</td>
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<tr>
<td>9</td>
<td>Natixis</td>
<td>4,090</td>
<td>22</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9,603</td>
<td>26</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Dealogic
2-4. Renewable Energy (PF)
PF Global Bank of the Year

- SMBC Group is ranked at No.2 in PF renewable energy (2019) and No.1 (1Q 2020).

Global Bank of the Year

Deal of the Year
for 7 deals in renewable sector

<table>
<thead>
<tr>
<th>Americas</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>KKR/NextEra (US)</td>
</tr>
<tr>
<td>Renewable</td>
<td>Condor (Chile)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMEA</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore Wind</td>
<td>Saint-Nazaire (France)</td>
</tr>
<tr>
<td>Offshore Wind</td>
<td>Neart na Gaoithe (UK)</td>
</tr>
<tr>
<td>Power</td>
<td>Finerge (Portugal)</td>
</tr>
<tr>
<td>Renewable</td>
<td>Dumat Al Jandai (Saudi Arabia)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APAC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewables</td>
<td>Yunlin (Taiwan)</td>
</tr>
</tbody>
</table>

League Table – Renewable 2019 (IJ)

<table>
<thead>
<tr>
<th>#</th>
<th>Global Renewable Energy MLA 2019</th>
<th>US$ (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Santander</td>
<td>3,335</td>
</tr>
<tr>
<td>2</td>
<td>SMBC</td>
<td>3,181</td>
</tr>
<tr>
<td>3</td>
<td>Credit Agricole</td>
<td>3,128</td>
</tr>
<tr>
<td>4</td>
<td>Natixis</td>
<td>2,945</td>
</tr>
<tr>
<td>5</td>
<td>MUFG Bank</td>
<td>2,790</td>
</tr>
</tbody>
</table>

League Table – Renewable 2020 1Q (IJ)

<table>
<thead>
<tr>
<th>#</th>
<th>Global Renewable Energy MLA 2020 Q1</th>
<th>US$ (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SMBC</td>
<td>1,491</td>
</tr>
<tr>
<td>2</td>
<td>Societe Generale</td>
<td>1,308</td>
</tr>
<tr>
<td>3</td>
<td>MUFG Bank</td>
<td>1,108</td>
</tr>
<tr>
<td>4</td>
<td>BNP Paribas</td>
<td>1,030</td>
</tr>
<tr>
<td>5</td>
<td>Credit Agricole</td>
<td>927</td>
</tr>
</tbody>
</table>
3-1. Innovation Initiatives
Creation of Frontier Business

**Strengths of SMBC Group**

SMBC established Growth Industry Cluster (PT) in 2010 and has been engaged in the development of the “Creation of Frontier Business” in growth sector such as Agriculture and Hydrogen, as well as assisting society to resolve its social issues through financing.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Agriculture</th>
<th>Hydrogen</th>
<th>Social Impact Bond (SIB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Making Agriculture</td>
<td>Zero Carbon Society</td>
<td>Utilization of Private Sector</td>
<td></td>
</tr>
<tr>
<td>Sustainable Agriculture</td>
<td></td>
<td></td>
<td>Performance-Linked Compensation System</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Demand for Hydrogen</td>
<td></td>
<td>Reduction of Social Costs</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>Increase in Scale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Generation</td>
<td>Cost Reduction Through Technological Innovation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Actions**

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Hydrogen</th>
<th>Social Impact Bond (SIB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitable Agriculture Model</td>
<td>Creation of Demand</td>
<td>SIB in healthcare sector</td>
</tr>
<tr>
<td>Business Creation Framework</td>
<td>Scale Merit</td>
<td>✓ No Smoking Support (TOYONAKA CITY)</td>
</tr>
<tr>
<td>Food and Agriculture Value Chain</td>
<td>Investment in JAPAN Hydrogen Station Network</td>
<td></td>
</tr>
<tr>
<td>Meet Customer’s Needs Financial Event Support</td>
<td>Innovation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mirai Creation Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hydrogen related Green Loan</td>
<td></td>
</tr>
</tbody>
</table>

**Sustainable Agriculture**

**Hydrogen Society**

**Longer Life**
3-2. Innovation Initiatives
Supports for Start-up companies

- **An acceleration program ("Mirai")** for start-up companies where SMBC Group and supporting member companies assist venture companies.
- **An open innovation space ("hoops link tokyo")** for new business creators where their ideas/business can be developed at SMBC open innovation space.

### Acceleration program ("Mirai")

[Image of Acceleration program ("Mirai")]


### Open Innovation Space ("hoops link tokyo")

<table>
<thead>
<tr>
<th>Visitor</th>
<th>Number of Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>32 thousand</td>
<td>562 Events</td>
</tr>
</tbody>
</table>

[Images of Open Innovation Space ("hoops link tokyo")]
4. Major Awards

Highly evaluated from the market for our activities.

Global Awards

- **1st Japanese Commercial Bank**
- **2013 Sustainable Bank of the Year (Asia/Pacific)**
  - FT/IFC SUSTAINABLE FINANCE AWARDS 2013
  - Sumitomo Mitsui Banking Corporation, Japan
  - Regional winner Asia/Pacific
  - SUSTAINABLE BANK OF THE YEAR

- **2019 Best Green Trade Partner**
- **2019 PF Global Bank of the Year**

Domestic Award

- **2020 ESG Finance Award**
  - Promoting Green bond in issuing and support to a wide range of companies and organizations and contributing to broadening the horizons of the Green bond market
5-1. Our Goal

Goal:

To be a “Global Solution Provider” that can meet clients’, investors’ and social needs on ESG through sustainable finance and co-creation of sustainable industry and business.

Structure

SMBC Group has established a new department as its group’s global hub to meet our clients’ high level requirement such as business portfolio restructuring and business creation etc.

Clients’ Needs in Sustainability

- Industry Survey
- ESG Integration
- ESG Grading
- Impact Report
- Third Party Opinion

Sustainable Business Promotion Dept.

- Research
- ESG Evaluation Firm
- Government
- Academic
- Front Office Domestic
- Overseas
- SMBC/Corporate Advisory (Double Flow)
- Product Departments
- Group Companies
- Project Finance
- Trade Finance
- Syndicated Loan
- Real Estate Finance
- LBO/PE Fund

SMBC/Financial Solution Division

- Consulting
- Regulation Trend Survey

SMBC NIKKO (SDGs Finance Dept.)

- DCM
- ESG Bond

- Leasing
- Energy Saving
5-2. Our Initiatives

SMBC Group will promote the following group-wide initiatives by taking advantage of SMBC Group's strengths.

<table>
<thead>
<tr>
<th>SMBC Group</th>
<th>Actions for Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>Accumulation of ESG information and data</td>
</tr>
<tr>
<td></td>
<td>Enhance ESG Literacy at SMBC Group and provide more value information</td>
</tr>
<tr>
<td>To be Improved</td>
<td>More Engagement with the public and private sectors and More Recommendation to public policy</td>
</tr>
</tbody>
</table>

Actions of SMBC Group

- **Finance**
  - Further commitment in green finance including renewable energy

- **Adviser**
  - Further commitment in business portfolio restructuring for energy transition

- **New Business**
  - Further commitment in new business such as agriculture and hydrogen

Execution by customers

- Contributing to customers through business support
- Contribution as a financial institution
- Contribution to a sustainable society

Create a Sustainable Society
# (Ref.) Tohoku Electric Power 10 Year Green Bond

## Summary
- **First Green Bond** issued by a Japanese electric utility company. The source of funds were used for renewable projects.
- Green bond certified by an international NGO that specifies a strict standard to ensure the credibility of obtain and transparency.

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Tohoku Electric Power Co., Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuing Amount</strong></td>
<td>JPY 5bn</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>0.310%</td>
</tr>
<tr>
<td><strong>Spread issuing</strong></td>
<td>10Y Japanese government bond + 34.5bps</td>
</tr>
<tr>
<td><strong>Grade</strong></td>
<td>A+ (R &amp; I) AA (JCR)</td>
</tr>
<tr>
<td><strong>Lead manager securities</strong></td>
<td>SMBC Nikko Securities Inc.</td>
</tr>
<tr>
<td>(underwriting Amount)</td>
<td>Sole Lead Manager (5 billion yen)</td>
</tr>
<tr>
<td><strong>Bond administrator</strong></td>
<td>Mizuho Bank, SMBC</td>
</tr>
<tr>
<td><strong>Greenbond structuring agent</strong></td>
<td>SMBC Nikko Securities Inc.</td>
</tr>
<tr>
<td><strong>External Review</strong></td>
<td>DNV GL Business Assurance Japan (Norway)</td>
</tr>
<tr>
<td><strong>Guidelines, etc.</strong></td>
<td>- Green bond Principle 2018 (ICMA)</td>
</tr>
<tr>
<td></td>
<td>- Green bond Guideline 2017 (MINISTRY OF THE ENVIRONMENT)</td>
</tr>
<tr>
<td></td>
<td>- Climate bond standard 2.1</td>
</tr>
</tbody>
</table>
Creating Industries and Business
(1) Food and Agriculture Value Chain

Mid-Long Term Target : Profit Making Agriculture & Sustainable Agriculture

Overview

Demonstration for Profitable Agricultural Business
Mirai Farm Akita / Pilot Model

Co-Creation of Business with Customers
Food/Agriculture Value Chain

Meet Clients’ Needs
Financial Event Support

Sustainable Agriculture

Demonstration for Profitable Agricultural Business

Customer Collaboration
• Smart
• Agri DX
• Agri ICT

Mirai Firm Akita

Collaboration Region
• Farmland Lease etc

New Technology developed with customers

Sensor

Drone

SMBC SMFL Akita Bank NECAP Local Association

Equity

※1 Sumitomo Mitsui Finance and Leasing Company
※2 NEC Capital Solutions Limited

※1

※2

Sumitomo Mitsui Finance and Leasing Company
NEC Capital Solutions Limited

17 HUMAN RIGHTS
16 LIFE ON LAND
15 LIFE BELOW WATERS
14 GOOD HEALTH AND WELL-BEING
13 RESPONSIBLE CONSUMPTION AND PRODUCTION
12 LIFE ON LAND
11 QUALITY EDUCATION
10 REDUCED INEQUALITIES
09 CLEAN WATER AND SANITATION
08 DECENT WORK AND ECONOMIC GROWTH
07 ACTION ON CLIMATE CHANGE
06 PEACEFUL AND JUST SOCIETIES
05 REDUCED INEQUALITIES
04 QUALITY EDUCATION
03 GOOD HEALTH AND WELL-BEING
02 Zero hunger
01 NO POVERTY

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(Ref.) Creating Industries and Business  
(2) Innovation for a Decarbonized Society

Focusing on “Hydrogen” to achieve a Zero Carbon Society

**Why Hydrogen**

- Low CO2 Emission
- Diversity of Energy Resources
- Industrial Promotion

**Issues**

The hydrogen energy value chain has not been established, and there is a big gap in pricing with the other fuel price

**Create Demand**

- 1st Commercial Bank
  - Hydrogen Council
  - Chubu Hydrogen Utilization Council

**Scale Up**

- Mobile Hydrogen Station
- Japan Hydrogen Station Network

**Innovation**

- Mirai Creation Fund
- Green Loan For Hydrogen

Need to seek demand generation and reduction of costs through scale up & innovation
Creating Industries and Business
(3) Social Impact Bond (SIB)

Summary
- The SIB is a performance results-based private sector outsourcing scheme (Promotion of citizens' health and reduction of administrative cost).
- KOBE CITY/prevention with Severe Diabetes Mellitus (Japan's first full-scale SIB) and TOYONAKA CITY/No-smoking support (first in this arena).

Structure

Examples

<table>
<thead>
<tr>
<th>Municipalities</th>
<th>KOBE CITY</th>
<th>TOYONAKA CITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Targets</td>
<td>Improvement of Citizen's Quality of Life</td>
<td></td>
</tr>
<tr>
<td>Purpose Business</td>
<td>Severe Diabetes Prevention</td>
<td>Non-Smoking Support</td>
</tr>
<tr>
<td>Business</td>
<td>Implementation of health guidance and medical consultation recommendation to medical institutions.</td>
<td>Implement online smoking cessation program with utilization app.</td>
</tr>
<tr>
<td>Expected Benefit</td>
<td>Improve of Citizen's Quality of Life</td>
<td>Reduction of medical expenses for treatment</td>
</tr>
<tr>
<td></td>
<td>Reduction of lost income due to inability to work due to death, hospital visits, or hospitalization</td>
<td></td>
</tr>
</tbody>
</table>
This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements.

Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.