



SMBC Group's Sustainability Initiatives

September 22, 2021



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FINANCIAL GROUP

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I. Enhance sustainability management

Enhance sustainability management

Continue to enhance the management structure to realize sustainability under the Group CEO's initiative.

Establishment of sustainability management

Oct. 18

Establishment of Corporate Sustainability Committee

- **Chairman** Group CEO
- **Members** CEO of group companies

Apr. 20

Amendment of Group Mission Declaration of Statement on Sustainability"

SMBC Group "GREEN x GLOBE 2030"

"Create the future of the earth and humanity with our customers"

Apr. 21

Appointment of Group CSuO

Jul. 21

Establishment of Sustainability Committee

Planning

KPIs

SDGs

Materiality

Environment

Community

Next Generation

Human Resources

Governance

- ▶ Green finance
- ▶ Green bond issuance
- ▶ Retail deposits in Asia
- ▶ Finance education
- ▶ Female managers
- ▶ Childcare leave



Engagement with stakeholders

Customers

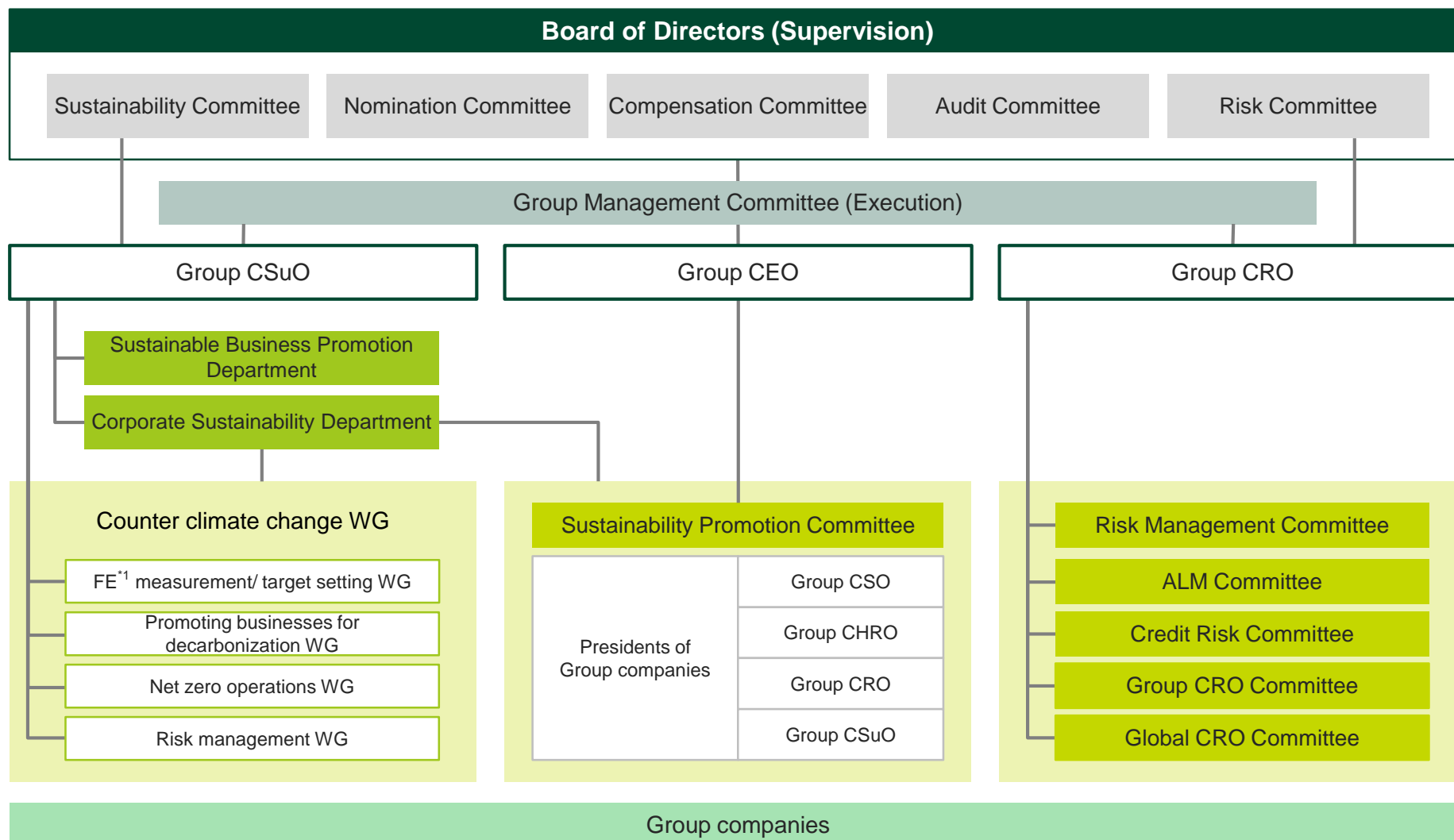
Shareholders

Employees

Society

(Ref.) Sustainability management structure of SMBC Group

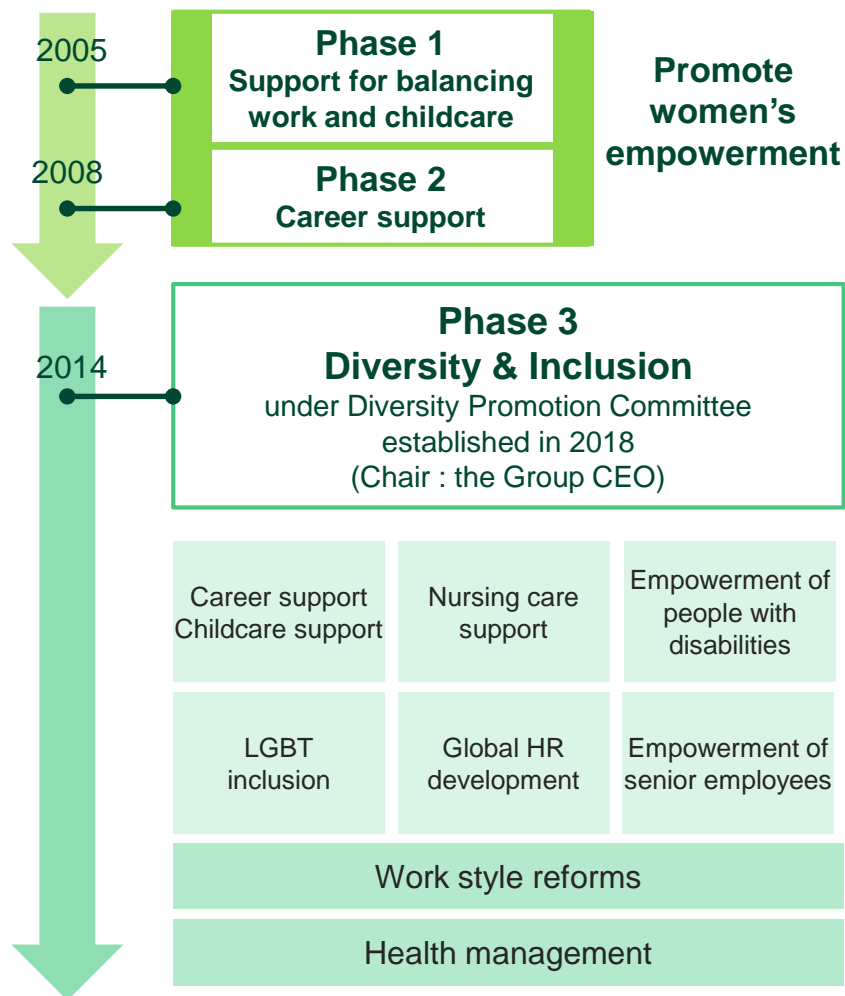
Established a management structure focusing on both supervision and execution.



*1 Financed Emissions

Diversity & Inclusion

Our history of diversity & inclusion



KPI

		FY3/26 Target	FY3/21 Result
KPI	% of female managers	20 %	15.8 %
	# of female executives	20	16
	% of paid leave acquisition	85 %	76.4 %
Other indicators	# of foreign directors	-	17
	% of newly employed female graduates	-	37.1 %
	% of male employees taking childcare leave	-	100 %

Create an environment for all employees to thrive

Women's empowerment

- Participate initiatives
- Implement various leadership training programs



Joined Apr.21



Joined Aug.21

Work style reforms

- ✓ Rectify long working hours
- ✓ Promote flexible work style

+

- ✓ Reduce workload
- ✓ Review work process and utilize RPA

- Developed infrastructure to "work from home"
- More flexible working hours



- Reduced workload of 2,150 people equivalent to 4.3 million of hours by RPA



Corporate culture reforms

- Promote active communication and provide opportunities to challenge

Free dress code



Produce new CEOs



Established
10 companies

Internal SNS



6K active users

Pitch contest



Theme of this year :
Sustainability

- Enhance engagement

Employee pulse survey



1on1 Meeting



Measures to increase employees' awareness of sustainability

Sustainability University

Established “**Sustainability University**”,
a systematic framework for training on sustainability

Purpose	Details
1) Expand knowledge	<ul style="list-style-type: none"> Introduce group-wide standard trainings Enhance practical training and self- training materials
2) Improve understanding of SDGs	<ul style="list-style-type: none"> Expand level-based trainings Introduce workshops for the executive members of the Group Management Committee
3) Assess degree of understanding	<ul style="list-style-type: none"> Conduct surveys targeting all employees of SMBC Group

Enable every employee to communicate
about sustainability with customers

FY3/21 result

of participants
(cumulative)

91K

of RMs stating that they have taken ESG-
and SDGs-related actions for customers

+10% YoY

Internal Communication by CSuO

CSuO channel

- Held on topics such as “Roadmap Addressing Climate Change”, “TCFD”, etc.
- Total of 1,000 participants



Comments from
participants

It was different from usual
study sessions.

The explanation of Mr. Ito,
CSuO was very clear.

Internal SNS "MIDORIBA"



8:33am Thu.

2,842 view

We would like to share updates on “MIRAI farm Akita” periodically.
Happy if you could feel SMBC’s passion for agriculture!!



Ito Fumihiko /SMBC 8:40pm Fri.

The harvesting season will come soon.
Good luck.

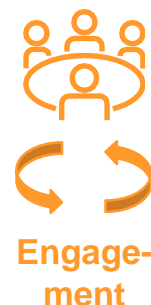
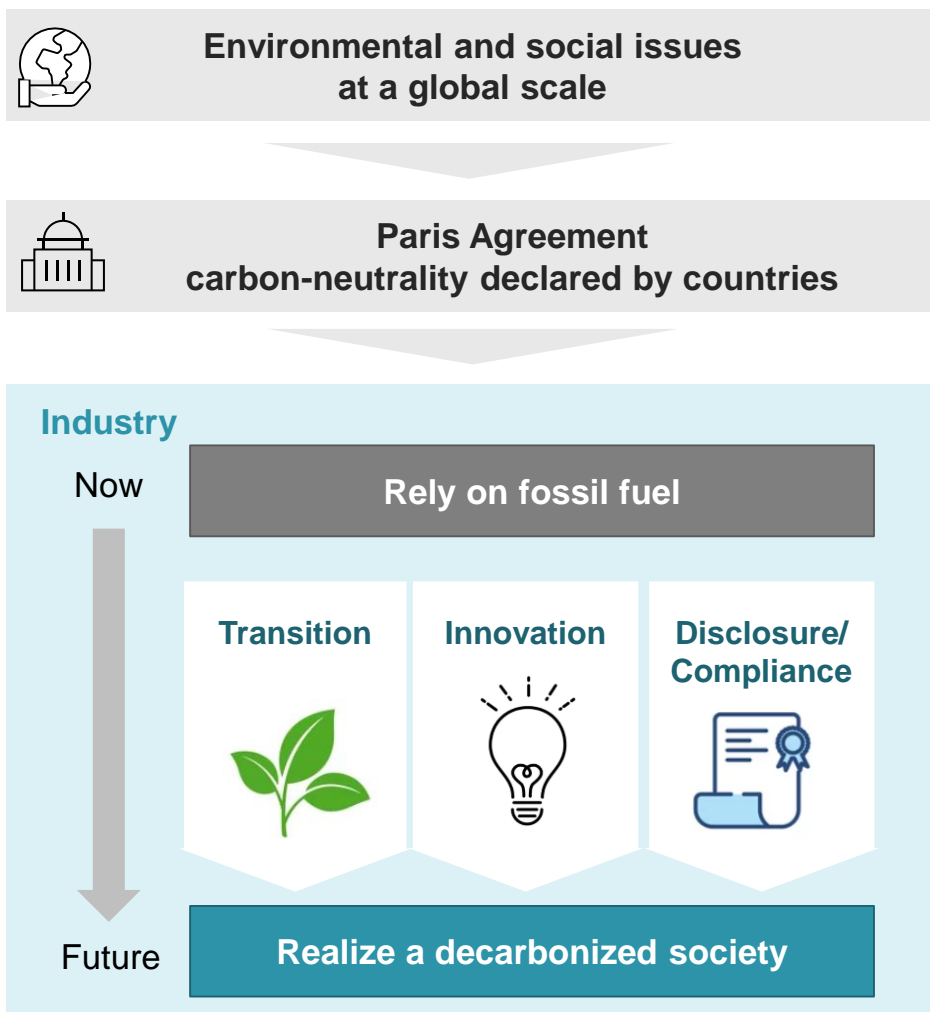




II. Enhance corporate value through ESG

Create business opportunities and mitigate credit risks

ESG will impact financial institutions' corporate value on both offense and defense sides, as responses to climate change affect competitiveness of companies.



Financial institutions

Offense

Promote transition to create business opportunities

Capital expenditures in green power facilities (Japan)

¥25 trillion

Necessary investments to achieve Paris Agreement (Global)

¥6,000 trillion+

Defense

Appropriately monitor credit risk and reduce its potential increase

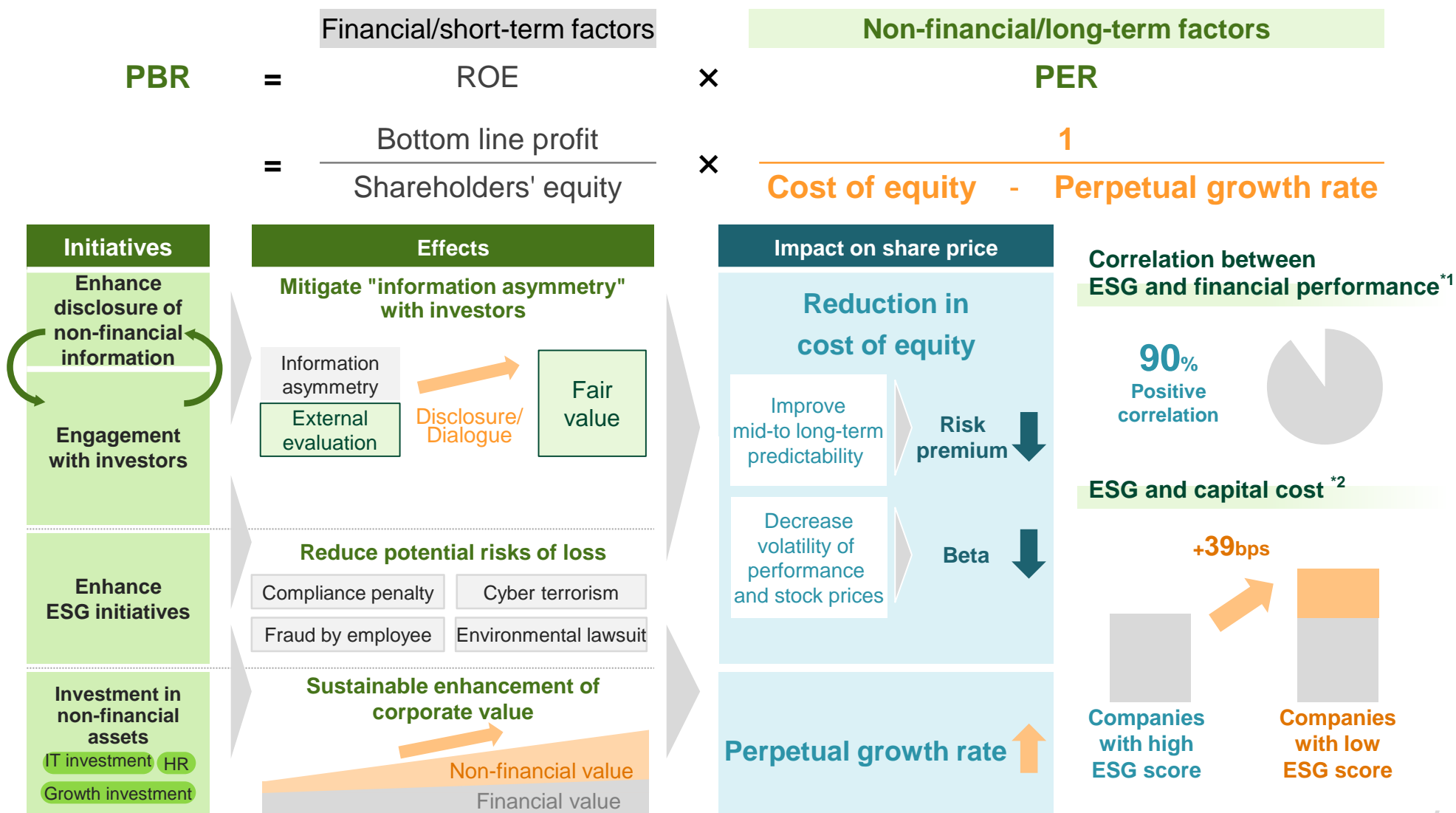
Identify the amount of **financed emissions**

Incorporate ESG in **credit review/resource allocation process**

Create a flow in which society's funds will be invested in decarbonization

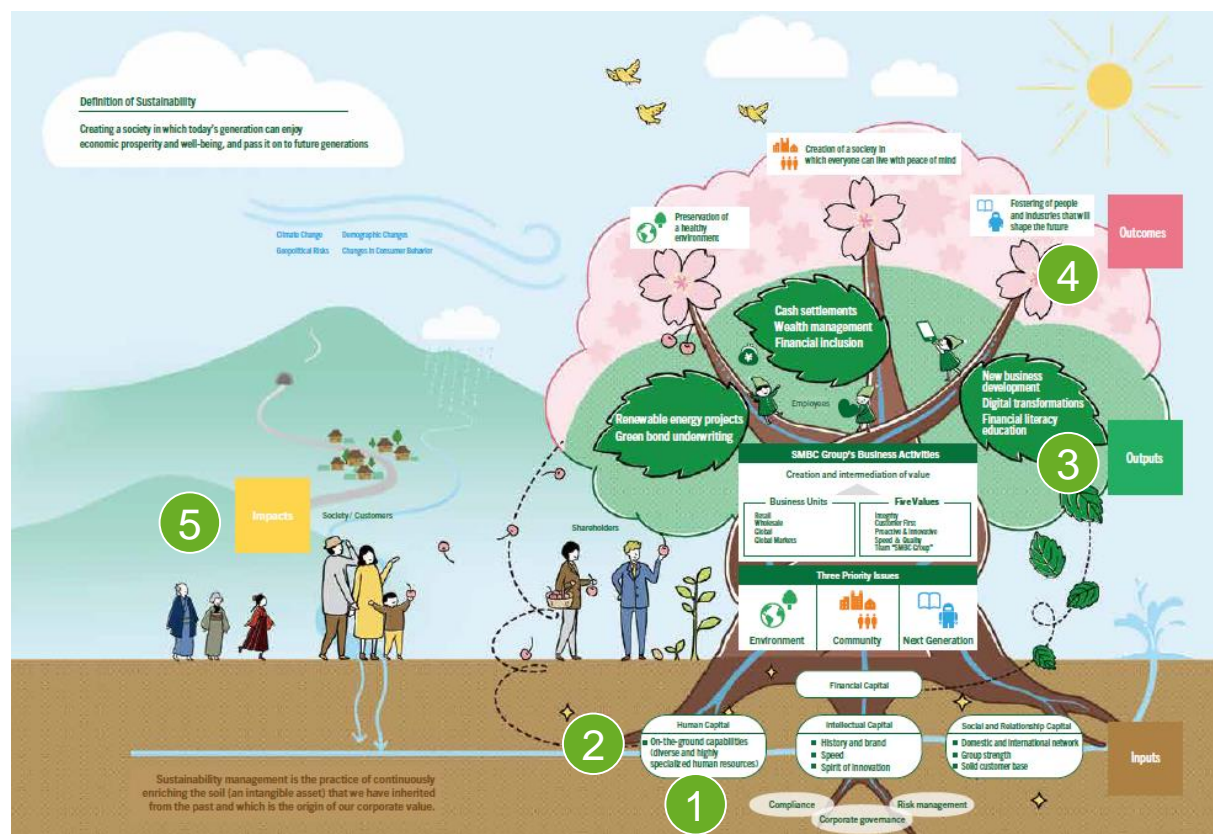
Improvement of PER

Sustainability initiatives contribute to an increase in the mid- to long-term share price through reducing cost of equity and enhancing sustainable growth.



Value creation model

Enhance financial/non-financial capital and sophisticate solutions to circulate the value creation model based on the foundation of management structure.





III. Response to climate change

History of climate change initiatives

Proactively addressing climate change issues.

Became the first global financial institution to disclose climate change impacts.

Our initiatives

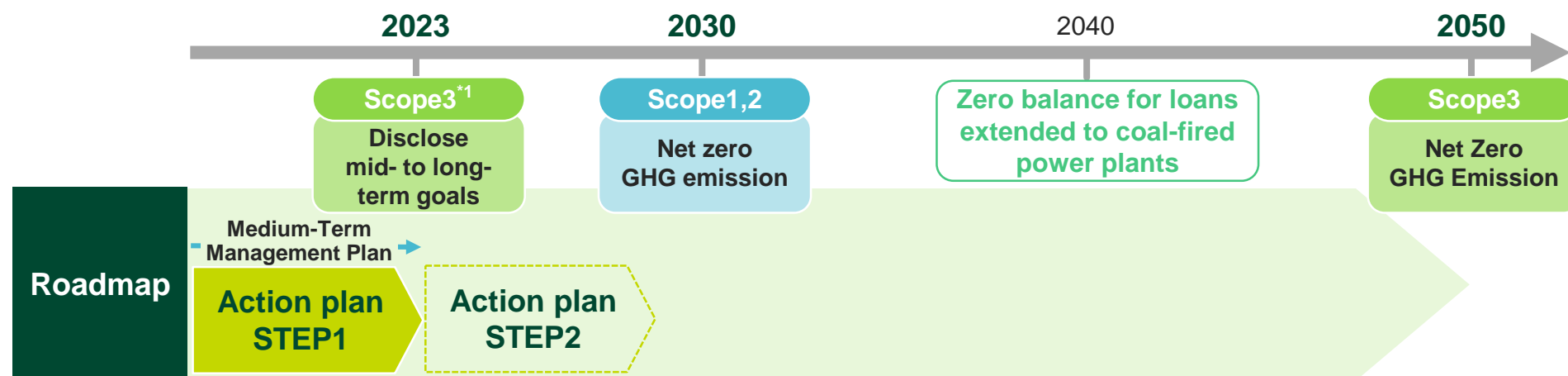
- **1998** Established environmental policy
- **2002** Announced support for the UNEP Finance Initiative
- **2006** Adopted the Equator Principles
- **2007** Announced support for the UN Global Compact
- **2017** Announced support for the TCFD Recommendations
- **2018** Announced the policies on coal-fired power plants, palm oil plantation development, etc.
- **2019**
 - Disclosed financial impact of physical risk based on climate change scenario analysis (1st global financial institution in the world to disclose)
 - Signed the Principles for Responsible Banking
- **2020**
 - Announced the results of scenario analysis regarding transition risks
 - Announced “SMBC Group Statement on Sustainability” and “SMBC Group GREEN×GLOBE 2030”
- **2021**
 - Announced the long-term action plan “Roadmap Addressing Climate Change”
 - Revised the policy regarding coal-fired power generation
 - Appointed Group CSuO and established Sustainability Committee
 - Announced a commitment to achieve net zero GHG emissions (Group-wide: 2030, Portfolio: 2050)

SMBC Group GREEN×GLOBE 2030

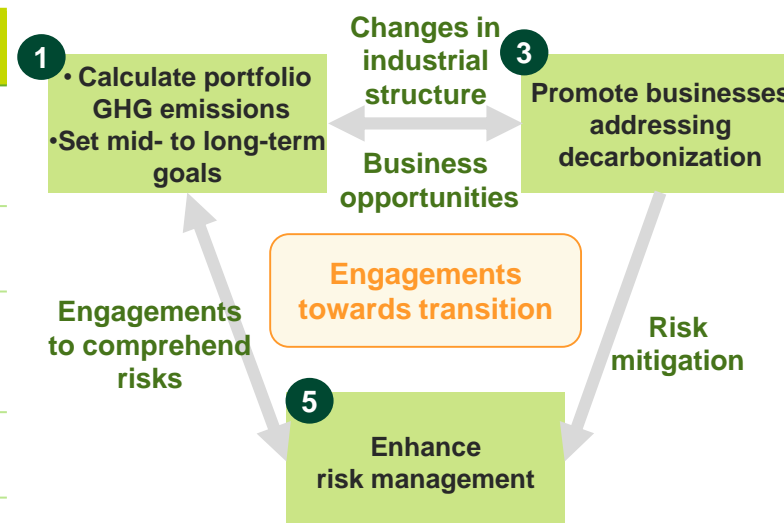
10-year KPIs	FY3/21 Results
Upward revision Sustainable finance until 2030 JPY 30tn (of which JPY 20tn is green finance)	JPY 2.7tn in Japan and overseas (green finance)
Participants in financial education program until 2030 1.5mn	132K participants
Measure social impact of social contribution activities	Measured the social impact of “PROMISE Financial and Economic Seminar” and disclosed the results
Conduct survey of awareness and engagement levels concerning ESG/SDGs among front office personnel and customers	# of front office personnel stating that they have taken ESG-and SDGs-related actions toward customers +10%
Upward revision Achieve net zero GHG emission	GHG emissions Approx. 140K t-CO2

Roadmap Addressing Climate Change

Established a long-term action plan “Roadmap Addressing Climate Change” in order to realize carbon neutral society by 2050.



	Main measures	Specific efforts
1	Establish mid-/long-term targets for GHG emissions generated by its loan/investment portfolio	Achieve net zero (Scope3) by 2050
2	Reduce the GHG emissions of the entire SMBC Group	Achieve net zero (Scope1,2) by 2030
3	Enhance businesses addressing climate change and decarbonization	Execute JPY 30 tn of sustainable finance by 2030
4	Enhance governance/ business management framework	Appoint Group CSuO and establish Sustainability Committee
5	Enhance risk management framework	Expand scenario analysis and revise lending policies by sectors and businesses



*1 Scope3 Category15 (Investments) in the GHG Protocol

Realize net zero GHG emission of SMBC Group

SMBC Group will reduce its GHG emission to net zero by 2030.

Initiatives to reduce GHG emission

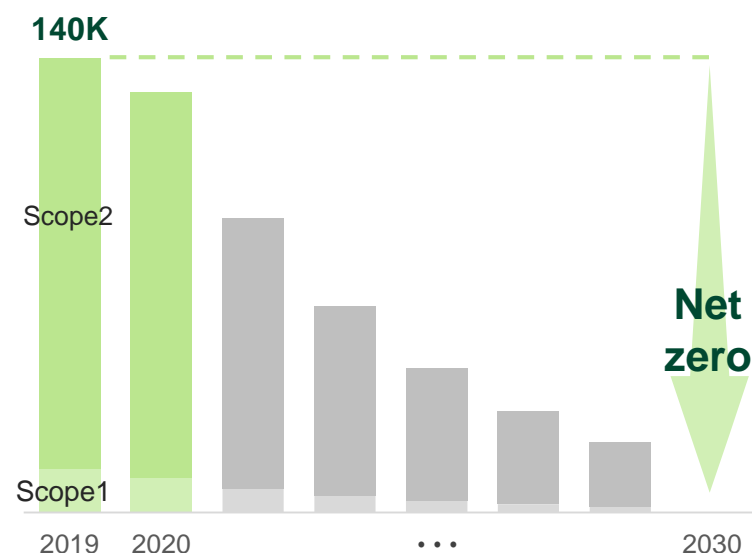
KPI (2030)

Revised

Previous SMBC to reduce by 30% from 2018 to 2030

New target SMBC Group to become net zero by 2030

(t-CO₂)



Introduce environmentally friendly offices



SMBC's Head Office East Tower

- CASBEE ^{*1} rating "S-rank"
- LEED-CI ^{*2} certification "Platinum"

Switch purchased electricity to renewable energy

Switch portion of purchased electricity for East Tower of SMBC's Head Office to electricity menus of **hydroelectric power**

Reducing CO₂ emissions
1,006 tons/year

=

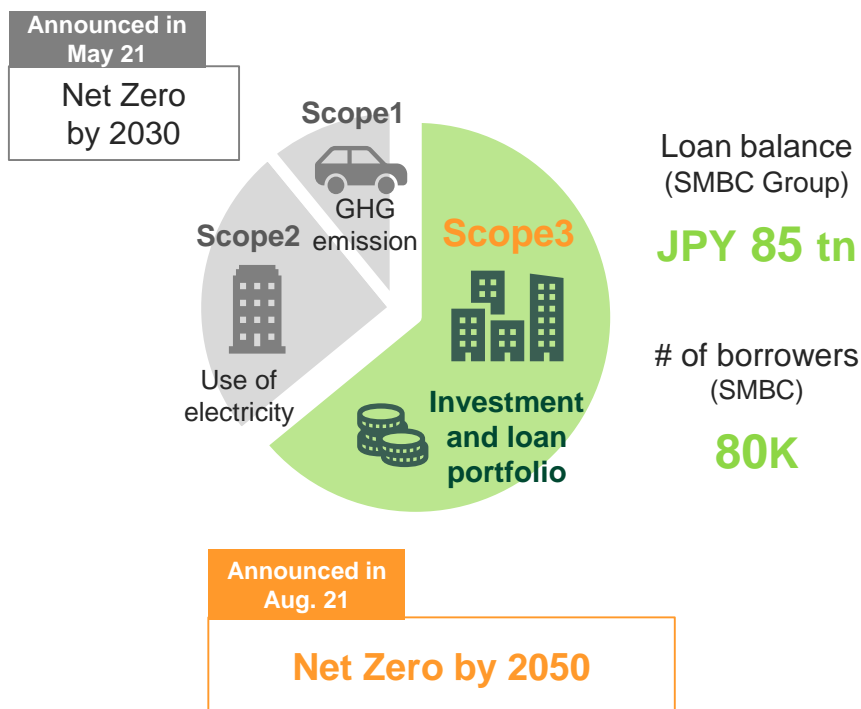
Equivalent to annual
absorption of
70K cedar trees

^{*1} Comprehensive Assessment System for Built Environment Efficiency by IBEC (Institute for Building Environment and Energy Conservation) ^{*2} A global environmental certification by USGBC (US Green Building Council)

Realize net zero across investment and loan portfolio

Announced commitment to achieve net zero GHG emission for overall investment and loan portfolio by 2050.

Commit to Net Zero of financed emission



NZBA (Net Zero Banking Alliance)

In progress toward participation in 2021

Establish target for long-term GHG reduction

Customers	Risk Management
Sufficient strategic engagement	Collect data Enhance analysis
Develop a roadmap for each company	Set long-term portfolio management strategy
Provide transition solutions	Review business flows incl. front office/credit review

2030 GHG reduction target

Carbon intensity calculation (power generation sector)



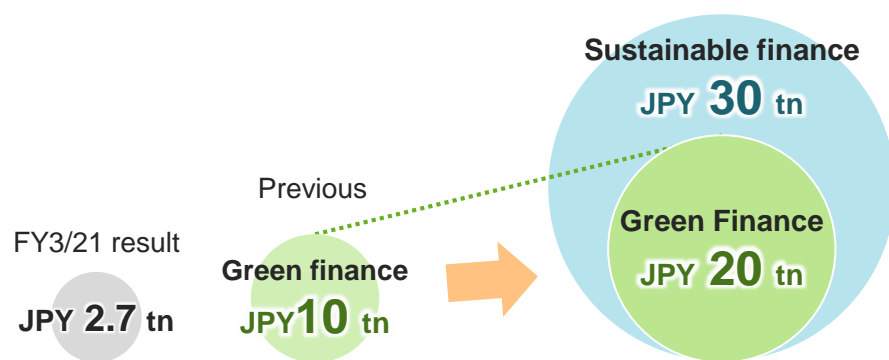
Support for transition through sustainable finance

Aim to execute JPY 30tn of sustainable finance to support customers' efforts toward climate change and transitions.

Sustainable finance

KPI (2030)

Revised May 2021



Global League Table (Green Loan) ^{*1}

	Financial institutions	# of projects	US\$ (mn)
1	Credit Agricole	28	3,619
2	SMBC	19	2,810
3	BNP Paribas	16	2,681
4	MUFG	10	2,108
5	SG CIB	15	1,816

Various solutions on a group-wide basis



Renewable energy project finance

ESG/SDGs valuation finance



Green bond

Social bond



Leasing for renewable projects

SDGs lease

*1 Source: Dealogic (FY3/21)

Scenario analysis

Continue to upgrade analysis of physical and transition risks.

Physical risk

	Enhanced	Previous
Risk events	Water disasters	
Scenarios	IPCC*1/RCP*2 2.6 (2°C scenario) IPCC/RCP 8.5 (4°C scenario)	
Target of analysis	Corporate customers	
Analysis period	Up to 2050	
Risk Indicators	Credit-related costs that are expected to increase (credit costs)	
Regional coverage	Global	Japan
Analysis results	JPY 55-65bn cumulative	JPY 30-40bn cumulative

Transition risk

	Enhanced	Previous
Risk events	<ul style="list-style-type: none"> Policy change (including carbon pricing) Technological Innovation Changes in supply-demand balance 	
Scenarios	NGFS*3 (1.5°C, 3°C scenario) IEA*4 (1.5°C scenario)	IEA (2°C scenario, 4°C scenario)
Target of analysis	Energy and power sectors	
Analysis period	Up to 2050	
Risk Indicators	Credit-related costs that are expected to increase (credit costs)	
Regional coverage	Global	
Analysis results	JPY 2-24bn annual	JPY 2-10bn annual

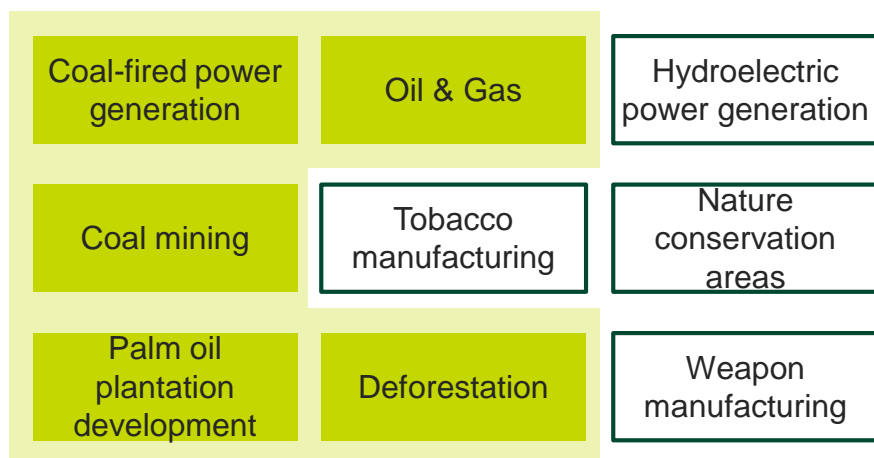
*1 Intergovernmental Panel on Climate Change *2 Representative Concentration Pathways

*3 Network for Greening the Financial System *4 International Energy Agency

Policies for businesses and sectors

Review lending policies for sectors that can affect social issues such as human rights and biodiversity, in addition to climate change.

Sector policies for climate change



Businesses and sectors more likely to impact climate change

Palm oil plantation development and deforestation

Revised Aug. 2021

Added a passage requesting customers to comply with NDPE
(No Deforestation, No Peat, No Exploitation)

Policy on coal-fired power plant

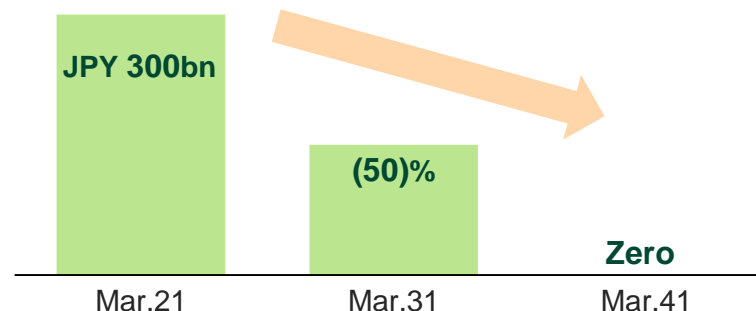
Revised May 2021

Support for newly planned coal-fired power plants and the expansion of existing plants are not provided.

<Understanding of the business / sector>

- SMBC Group expects our customers to establish and publicly announce long-term strategies aimed at realizing a carbon neutral business model and other initiatives to address climate change.
- Moreover, SMBC Group will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.

Loans outstanding for coal-fired power plants





IV. Initiatives for sustainable business

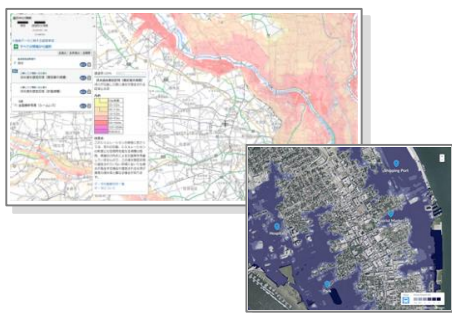
Build an ecosystem to promote innovation

SMBC Group GREEN Innovator

- Create advanced solutions by gathering the Group's expertise and information as well as collaborating with other industries.



Scenario analysis by AI and satellite data



Sustainability priority issue identification tool

- Developed a tool to identify priority in customer's SDGs issues

Utilized for engagement with customers

Hydrogen value chain

Japan Hydrogen Association

- Led the establishment and became one of the board members
- Made a policy proposal to METI in Mar. 21 on realizing a hydrogen-based society

Hydrogen Council

- Became the first financial institution to join an international NGO which proposes vision and long-term targets for hydrogen utilization

Chubu Hydrogen Utilization Council

- Considering possibility of large-scale use of hydrogen in the Chubu area

Support for growing companies

Mirai cross

- Aim to build an ecosystem to support growing companies with industry-government-university



Finance

Project finance

"Global Bank of the Year" award

Awarded 6 times from industry magazine PFI

: **World No. 1**

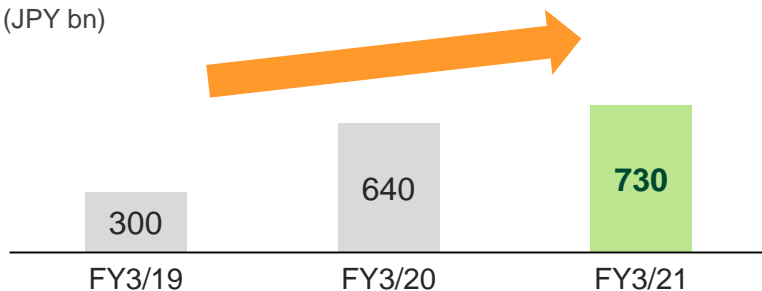


Global League Table (renewable energy projects) **1

	Financial institutions	# of projects	US\$(mn)
1	Santander	70	4,637
2	Societe Generale	55	4,402
3	MUFG	53	4,164
4	SMBC	51	3,762
5	Rabobank	58	3,467

Disbursements for renewable energy projects

(JPY bn)



New Initiatives

Green deposit

1st in Japan



Transition finance

1st in Japan

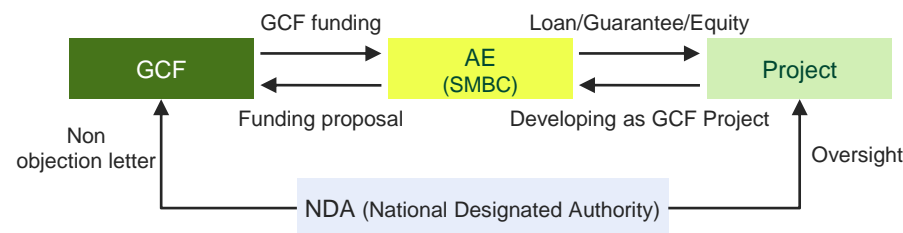


Mitsui O.S.K. Lines transition finance

- Support for two LNG ferries purchase
- Selected as a model case by METI

"Green Climate Fund" certification

- Expand sustainable finance for climate change in developing countries



*1 Source: IJ Global (CY2020)

Bond underwriting

Green and social bonds

Distinctive structuring agent deals

Issuer	Characteristics	Issue amount
Tohoku Electric Power	1st green bond from a large Japanese electric power company	JPY 5 bn
ANA HOLDINGS	1st social bond from an operating company	JPY 5 bn
The Gunma Bank	1st green bond from a regional bank	JPY 10 bn
Kenedix Residential Next Investment	1st J-REIT social bond	JPY 2 bn
United Urban Investment	1st J-REIT retail bond	JPY 10 bn
ARUHI	1st green RMBS in Japan	JPY 5 bn
H.U. Group Holdings	1st social finance framework in the medical field	JPY 20 bn
Japan Hotel REIT Investment	1st J-REIT's hotel-type (energy-saving renovation)	JPY 2 bn
MEIDENSHA	1st CBI certification of a Japanese operating company	JPY 6 bn

Transition bond



NYK Line Transition bond

1st in Japan

- Accordance with the guidelines of ICMA*¹ and METI
- Selected as a model case by METI

Cadent Transition bond

1st in UK

- Active bookrunner in transition bond by the largest gas distributor in the U.K.

New Initiatives






- Started private placement type shogun social sustainability bonds 1st in Japan
- Executed first domestic yen sovereign green samurai bond 1st in Japan
- Originated social impact bond related to learning support for preventing recidivism
 - First case in which a government took the lead in using social impact bonds



Leasing solutions

Renewable energy generation

- Industry-leading power generation performance

		Generation output (MW)	# of plants
Solar		1,000	1,570
Wind		106	17
Biomass		72	7
Small / medium hydro		2	5
Geothermal		5	2

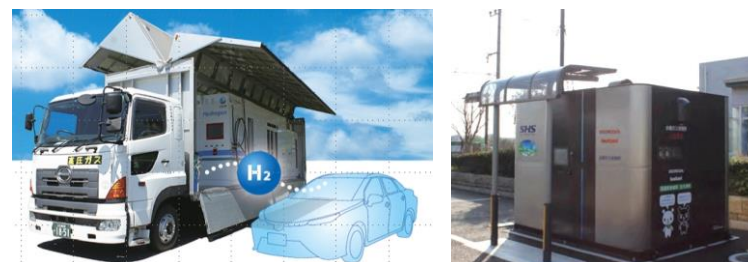
Nobeoka Kadogawa Mega Solar Park



- Output size 47MW
- For approx. 16,000 households
- 2nd largest solar power plant in Miyazaki Prefecture

Building a hydrogen supply network

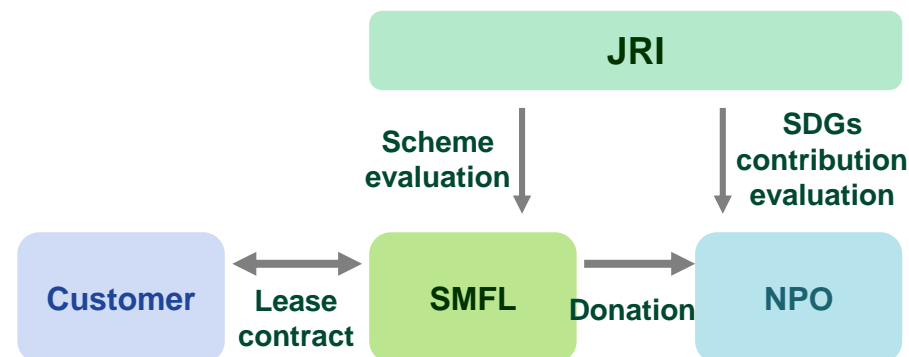
- Mobile hydrogen station lease 1st in Japan
- Smart hydrogen station



SDGs leasing (donation-type)

1st in Japan

- Provide lease users with opportunities to contribute to SDGs



Initiatives for individual customers

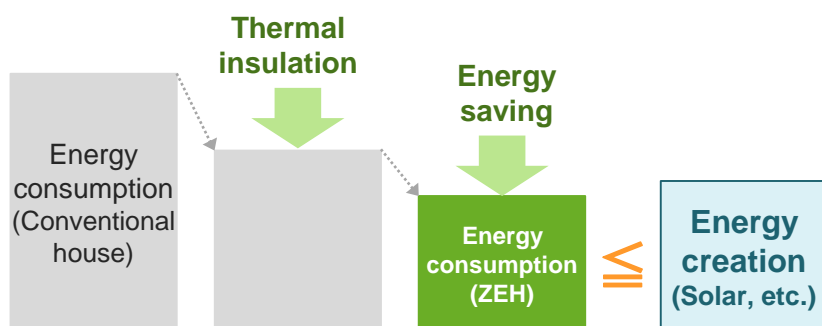
SMBC Green project

Realize a sustainable society together with customers



Promote ZEH (Net Zero Energy House)

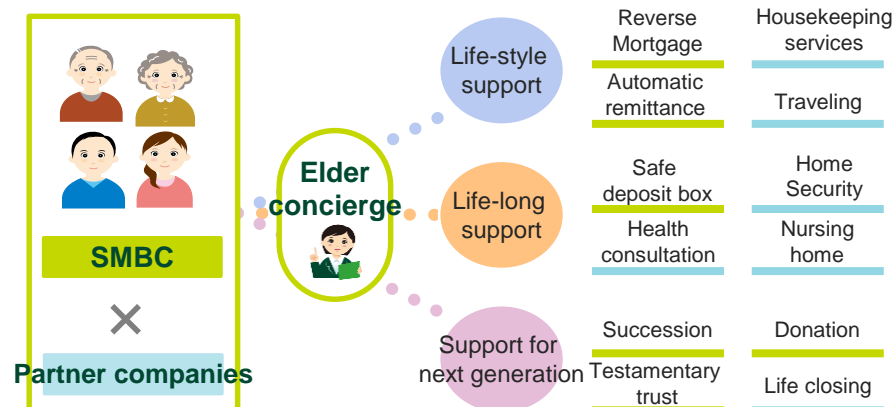
- Preferential interest rates on loans to housing and apartments that combine insulation, energy saving, and energy creation to achieve net zero of primary energy consumption.



Initiatives for the Aging Society

SMBC Elder Program

- One-stop response with partner companies to a variety of concerns faced by the elderly



FORUM for the 100-Year Life

- Approx. 3.6K participants in 2021 (online)

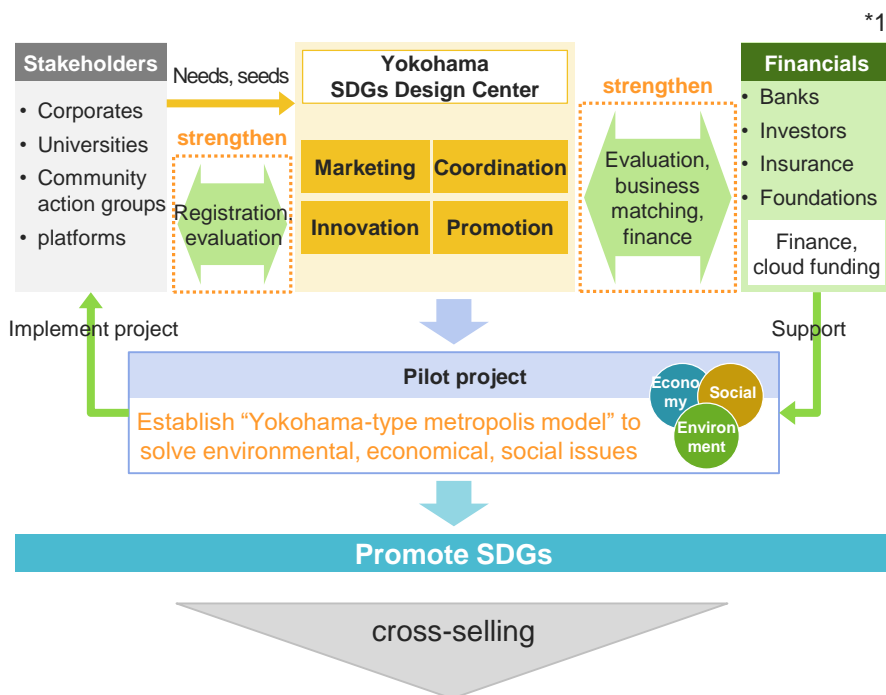


Regional revitalization

Alliance with local governments

Yokohama City: Regional revitalization SDGs financial system 1st in Japan

- SMBC and JRI formed an alliance with Yokohama city to support the establishment of the system



Sustainable agriculture

Agricultural corporation "Mirai Farm Akita"

- Built an efficient and profitable agricultural management model by reducing cost through large-scale farming and developing new markets



Tourism

Old Japanese-style house accommodation business

- Collaborate with Dazaifu City and Dazaifu Tenmangu to shift from "transit-type" tourism to "resident-type" tourism



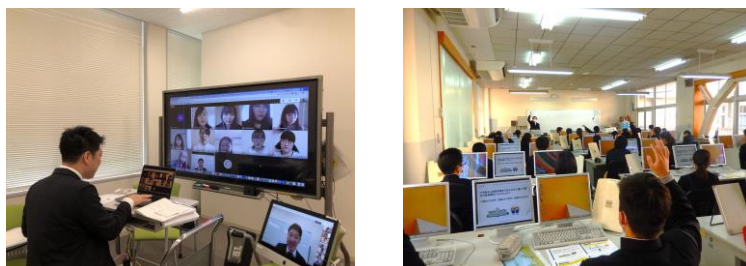
Contribute to Communities and Next generation

Financial inclusion

Financial literacy education

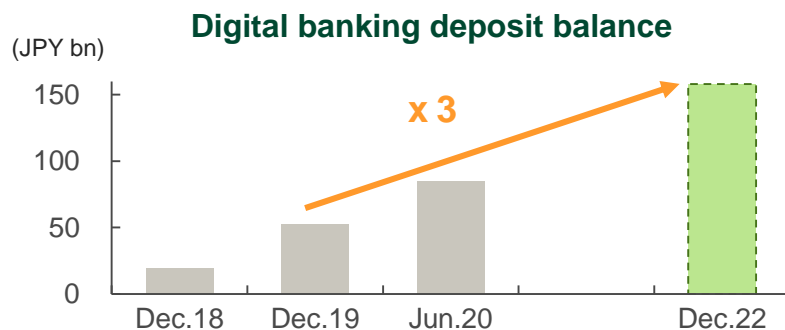
KPI 1.5 million participants by 2030

- 130 K participants in FY3/21, mainly in seminars of SMBCCF




Retail deposits in Asia

KPI Retail deposits in Asia 3x
(from Dec.19 to Dec.22)



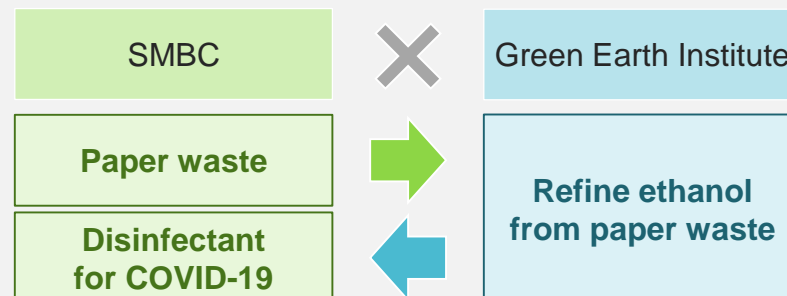
GREEN×GLOBE Partners

of partner companies

47  **235**

Sep. 2020 Sep. 2021
(As of Sep. 10)

“Converting paper waste to resources” project



ESG indices and initiatives

Selected ESG Indices



FTSE Blossom
Japan



2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

GPIF selected



FTSE4Good



Somo Sustainability Index



Endorsed initiatives

WE SUPPORT



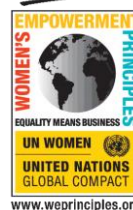
Signatory of:








PRINCIPLES FOR
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We
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Links

		Issuance	URL	QR code
1	Annual Report	Jul.21	https://www.smfg.co.jp/english/investor/financial/annual.html	
2	TCFD report	Aug.21	https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/	
3	Sustainability Report	Jan.21	https://www.smfg.co.jp/english/sustainability/report/backnumber/	
4	ESG data book	Jul.21	https://www.smfg.co.jp/english/sustainability/report/databook/	
5	Principles for Responsible Banking Report	Mar.21	https://www.smfg.co.jp/english/sustainability/group_sustainability/structure/	

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