



SMBC Group's Sustainability Initiatives

May 24, 2022



SUMITOMO MITSUI
FINANCIAL GROUP

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I. New disclosures and targets

Summary of disclosures of May 2022

New disclosures and targets

Expanded the phase-out plan for coal-fired power generations, set mid-term (2030) financed emissions reduction target for the power sector, and disclosed financed emissions for the energy sector. Mid-term financed emissions reduction target for the energy sector (O&G and coal) will be disclosed in the TCFD report in August

Balance of loans for coal-fired power generation
(JPY bn)

See P.5

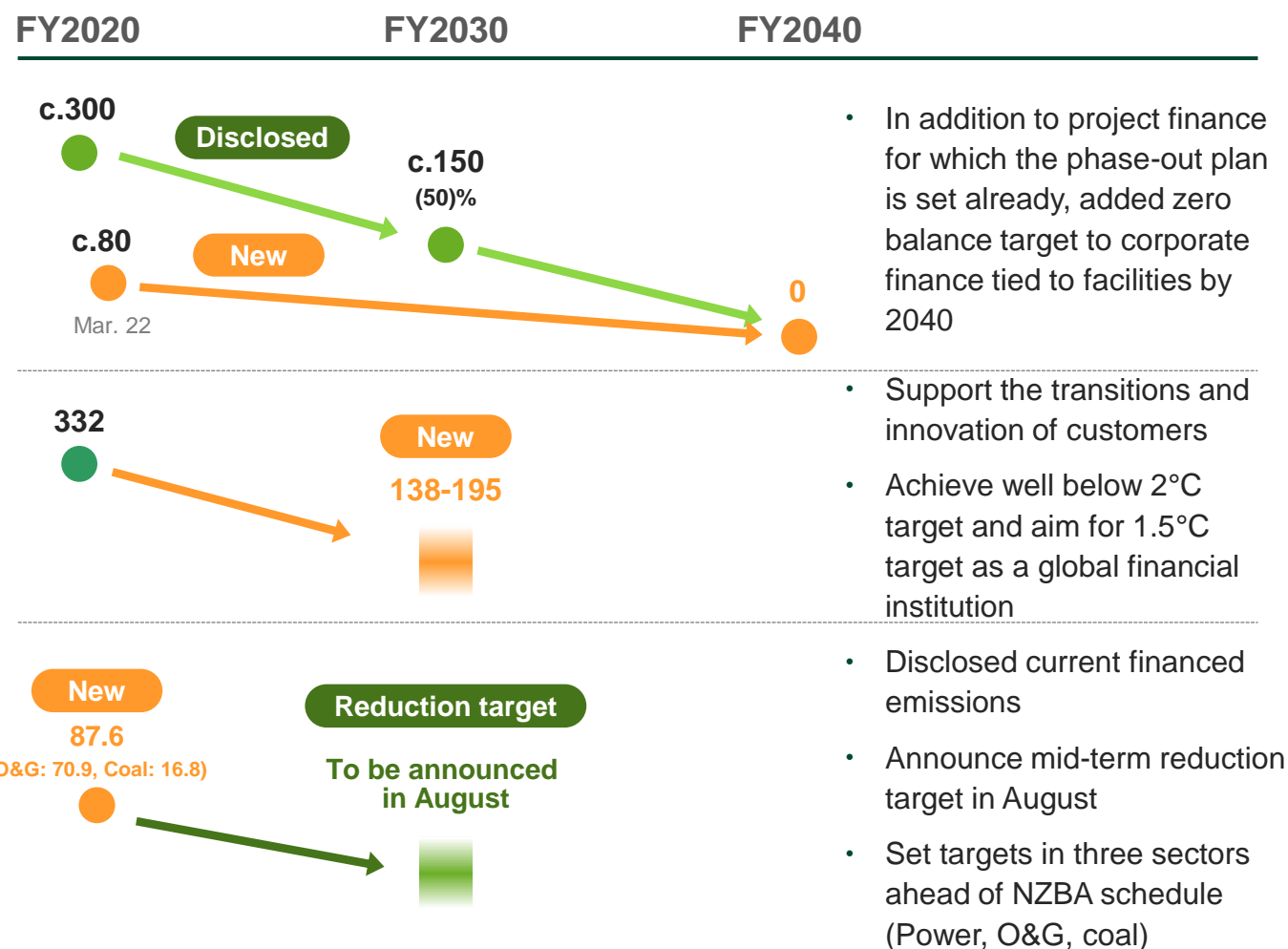
Project Finance
Corporate Finance (tied to facilities)

Financed emissions Power Sector
(gCO₂e/kWh)

See P.6

Financed emissions Energy Sector (oil and gas, coal)
(MtCO₂e)

See P.7



* Calculated financed emissions in this document are the results as of May 2022. Figures are subject to revision due to change of calculation methodology, etc.

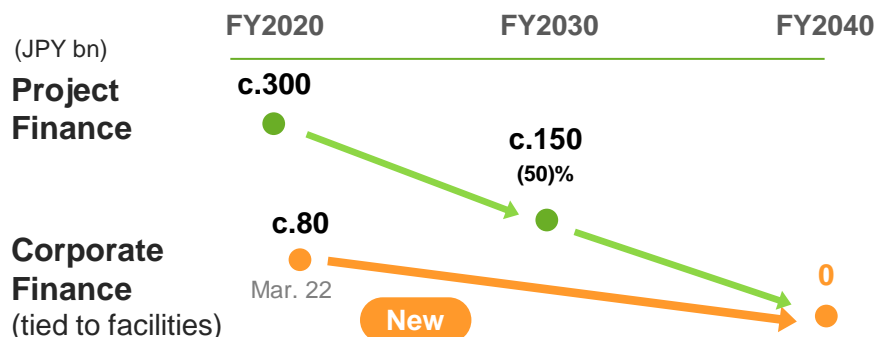
Expand phase-out plan for coal-fired power generations

In addition to project finance for which the phase-out plan is already set, loan balance of corporate finance tied to facilities will be reduced to zero by 2040

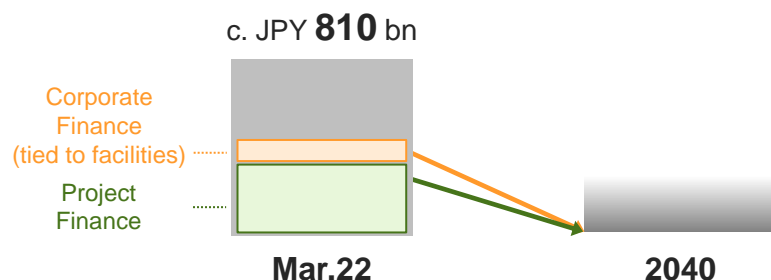
Phase-out plan

Revised
May 22

- SMBC Group will not provide new project finance and corporate finance tied to facilities for new or existing coal-fired power generations under the current credit policy
- Current lending exposure is expected to be reduced to zero by 2040 due to scheduled repayments



Reference: Lending to coal-fired power generations



Coal-related financing policy

Coal-fired power generations

Revised
May 2021

SMBC Group will not provide support for new or expansion of existing coal-fired power generations

(Understanding of the Business/Sector)

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

Coal mining

Revised
May 2022

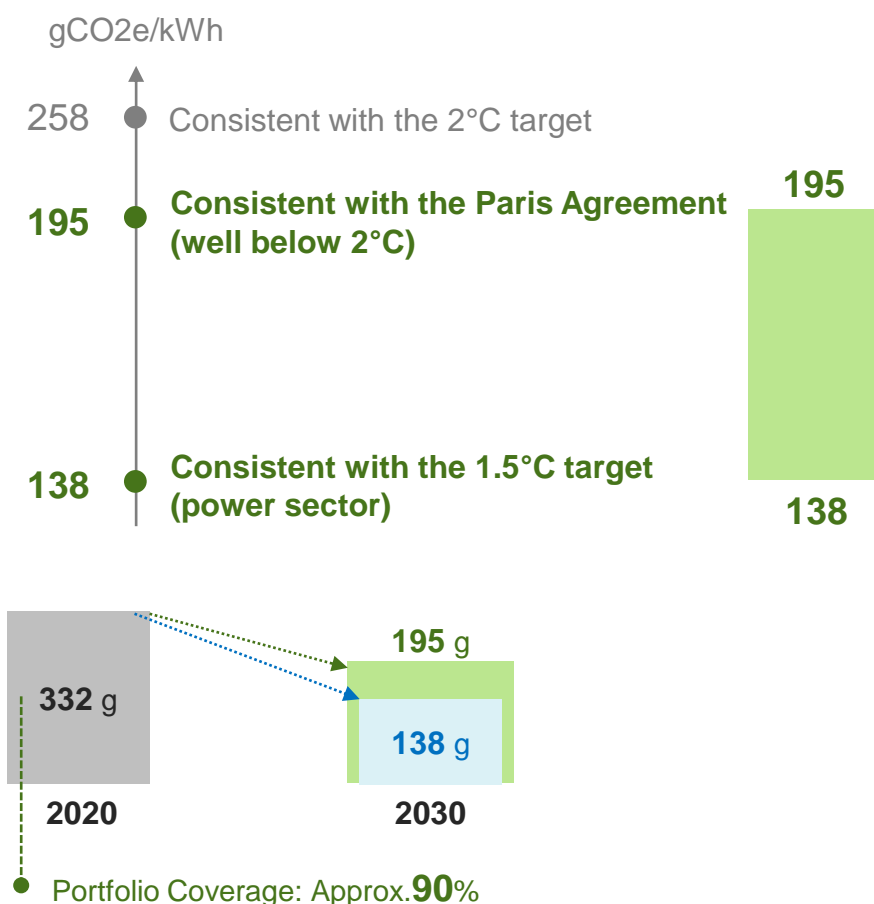
SMBC Group will not provide support for new or expansion of existing thermal coal mining projects

- Based on the awareness of risks our assets turning stranded during the transition to a decarbonized society, issues of human rights with respect to the elimination of illegal labor and child labor in coal mines and consideration of biodiversity associated with mining, SMBC Group revised its policy to not support newly planned and expansion of thermal coal mining projects, as well as newly planned and the expansion of infrastructure developments that are dedicated to such projects

Mid-term reduction target in the power sector

Support the transitions and innovation of customers and achieve the well below 2°C target, and aim for the 1.5°C target as a global financial institution

Mid-term financed emissions reduction target New



Concept of the target

Emissions Intensity

- **Total demand is expected to increase in the power sector** due to continued economic growth in developing countries and the increasing electrification of industries, such as the shift from ICEV to Electronic Vehicles
- Based on these characteristics, an **emissions intensity target** is suitable as the metric for tracking efficiency during the transition process

195g CO₂e/kWh

- Calculated based on the outlook of existing loans, loans for renewable energy and the global **transition finance market**, as well as the results of **client engagement**
- 195 gCO₂e/kWh is **well below the IEA 2°C scenario**^{*1} for 2030
- Japan's overall GHG reduction target, energy circumstances of each country, and region-wise potential of renewable energy implementation are also considered

138g CO₂e/kWh

- We will **aim to achieve the 1.5°C scenario**^{*2} as a global financial institution

*1: IEA SDS scenario

*2: IEA NZE2050 scenario

Commitment to set mid-term reduction target in the energy sector

Disclosed current financed emissions in the energy sector (O&G, coal) (87.6 MtCO₂e, absolute)

After customer engagement, we will announce mid-term financed emissions reduction target in the TCFD report in August.

Current financed emissions (Mar. 21) New

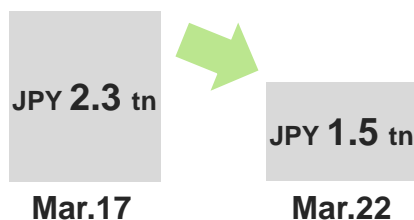
Energy sector (MtCO ₂ e)	87.6	Oil & Gas	70.9
		Coal	16.8

Portfolio Coverage: Approx. **70%**
Improve coverage by August

Breakdown of lending (Mar.21)

	Corporate Finance	Project Finance	Total
Japanese	15%	8%	23%
Non-Japanese	65%	12%	77%
Total	80%	20%	100%

Lending balance to upstream oil & gas projects



- Upstream projects in the O&G sector have been controlled to reduce the risk of resource price fluctuations

Commitment to set target New

Comparison with NZBA^{*1} schedule

- Financed emissions reduction targets are to be announced in power, O&G, and coal sectors ahead of the NZBA schedule
- Aim to set targets for other sectors as soon as possible

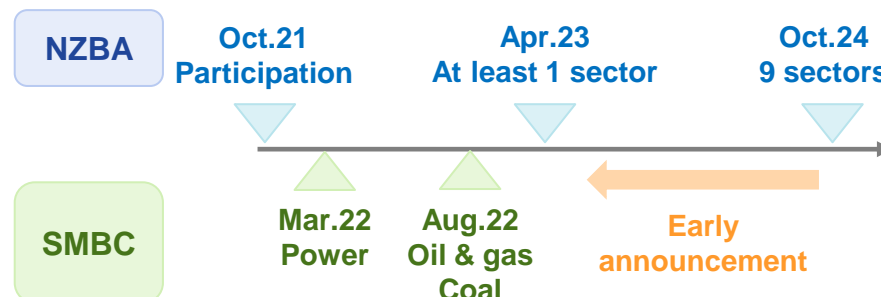
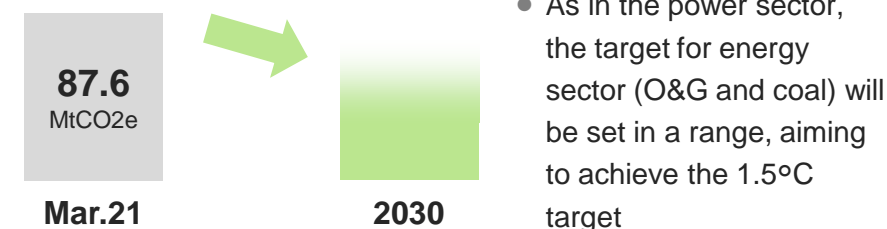


Illustration of reduction target



^{*1} Net-Zero Banking Alliance. International banking initiative that aims to reach carbon neutrality by 2050. SMBC Group joined the alliance in October 2021.

SMBC Group's approach to disclosures

Proactively and aggressively upgrading our climate related disclosures

- **First global financial institution** to disclose financial impact of physical risks based on **climate change scenario analysis**
- **Endorsing and participating in various initiatives** both domestically and globally
- **Planning to set mid-term reduction targets on three sectors**, prior to deadline of NZBA (at least one sector by April 2023)

Our journey addressing climate change issues

- **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 risks based on climate change scenario analysis (1st global financial institution in the world to disclose)**
 - Signed the Principles for Responsible Banking
- **2020**
 - **Published first TCFD Report** (Disclosed results of scenario analysis of transition risks)
 - Announced "SMBC Group Statement on Sustainability" and "SMBC Group GREEN x GLOBE 2030"
- **2021**
 - Announced the long-term action plan "Roadmap Addressing Climate Change"
 - Revised policy regarding coal-fired power generation
 - Appointed Group CSuO and established Sustainability Committee
 - Committed to achieve net zero GHG emissions by 2050
- **2022** **Disclosed enhanced measures to address climate change**

Endorsed Initiatives



Net-Zero Banking Alliance

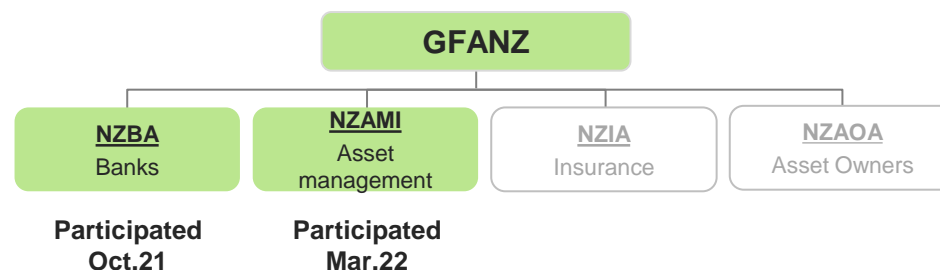



Signatory of:



GFANZ

- As a member of the workstream, we are involved in the discussions of cross-sectional initiatives towards carbon-neutrality, making suggestions to the industry and aiming to push each discussions to policy proposals





II. Sophistication of sustainability management system

Sophistication of sustainability management system

Regarding climate change issues as one of our significant management issues, we are continuously improving our sustainability management system under the leadership of the Group CEO.

Advancement of management system

Oct.18	Established “Corporate Sustainability Committee” <ul style="list-style-type: none"> Chairman - Group CEO Members - Head of each Group Company
Apr.20	Revised management philosophy and established “Statement on Sustainability” <div> SMBC Group GREEN x GLOBE 2030 “Create the future of the earth and humanity with our customers” </div>
Apr.21	Appointed Group CSuO
Jul.21	Established “Sustainability Committee” <ul style="list-style-type: none"> Established “Sustainability Division” and “Environmental and Social Risk Management Department”
Apr.22	<ul style="list-style-type: none"> Introduced quantitative ESG evaluation to executive compensation Formulated “SMBC Group Environmental and Social Framework”

See
P12, 13

Group CSuO/Sustainability Committee

- In addition to Group CSuO, Sustainability Committee was established last year ahead of peers, to enhance sustainability management from both execution and supervision perspectives
- Sustainability Committee was held twice in FY2021



Reflecting discussions of the Board of Directors

Reflecting discussions of the Board of Directors and the Sustainability Committee swiftly in business execution

Examples of past discussions

Board of Directors (Reported by the Group CSuO)	<ul style="list-style-type: none">● Formulation of the Roadmap Addressing Climate Change Shared views that climate change issue may cause fundamental transformation in our business and confirmed our policy to address these issues● Commitment to net zero emissions by 2050 Confirmed the necessity to achieve net zero emissions in our portfolio and to make external commitments based on stakeholder expectations and our recognition of increasing customers setting net zero targets● Reporting progress of sustainability initiatives Reported progress, next actions and challenges on the group's initiatives for climate risk management and achieving net zero emissions, etc.	Measures implemented Net zero commitment in TCFD Report
Sustainability Committee	<ul style="list-style-type: none">● Participating in NZBA Discussed participating in NZBA based on our net zero commitment● Specific approaches towards net zero emissions Shared views on the necessity of client engagements towards GHG reduction and discussed internal operational system	Organizational Reform Established Sustainability Division 110 Staffs See P.12
Compensation Committee	<ul style="list-style-type: none">● Realize a sustainability-committed compensation system Recognizing more expectations on enhancing companies' efforts on sustainability, discussed implementing progress of related targets ("SMBC Group GREENxGLOBE 2030") in executive compensation system	Disclosure of financed emissions reduction target Disclosure of phase-out plan of coal-fired power generations Implementing quantitative ESG evaluation in executive compensation See P.12 Reorganizing of our basic stance and approach towards social issues See P.13 ⋮

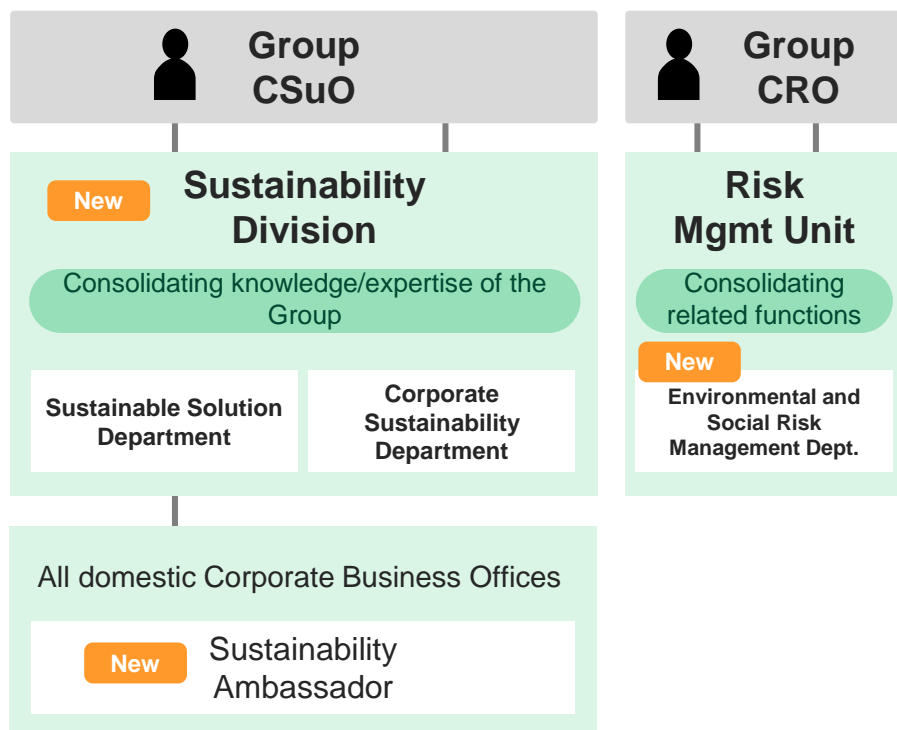
Efforts this year (1)

This year, we implemented a large-scale organizational reform, increasing the number of employees and revised the executive compensation system

Organizational reforms

Revised
Apr.22

- Established the “Sustainability Division” and the “Environmental and Social Risk Management Department” to strengthen organizational capabilities for sustainability adding more human resources



Quantitative ESG evaluation for compensation

- Introduced quantitative ESG evaluation in addition to the existing qualitative evaluation to further strengthen management commitment to sustainability

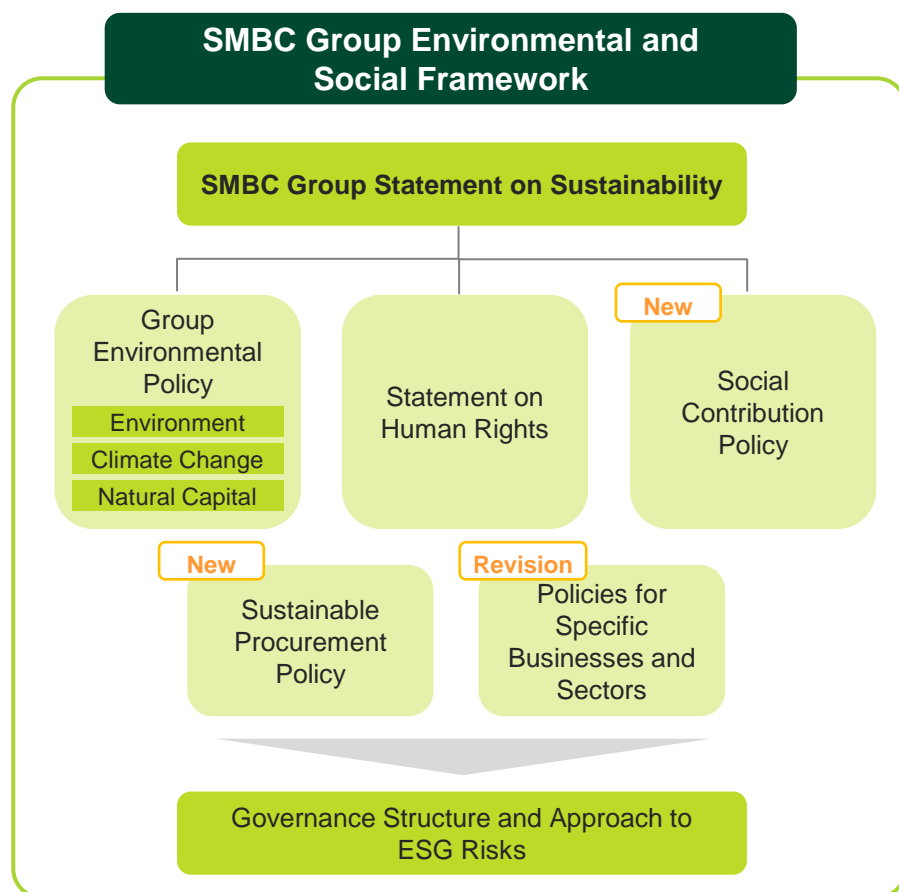
Base salary	Fixed compensation
Bonus <ul style="list-style-type: none"> Cash Stock Compensation Plan II	Annual performance-linked (0-150%) <div> <div>Standard level</div> <div>×</div> <div> Annual performance Individual's performance, etc. <div>New ESG evaluation</div> </div> </div> <div> <div>Quantitative</div> Achievement of in-house targets <ul style="list-style-type: none"> Sustainable finance Reduction of Scope1/2 GHG emissions </div> <div> <div>Qualitative</div> Evaluation of major ESG rating agencies </div> <div>±10%</div>
	Mid-term performance-linked(0-150%) <div> <div>Standard level</div> <div>×</div> <div> Mid-term performance, etc. Financial performance Share performance Qualitative evaluation <div>Including “ESG initiatives”</div> </div> </div>
Stock Compensation Plan I	
Stock Compensation Plan III	Promotion reward plan

Efforts this year (2)

Formulated the “SMBC Group Environmental and Social Framework” to organize our basic stance and approach to these issues and to improve our accountability to stakeholders

SMBC Group Environmental and Social Framework

New



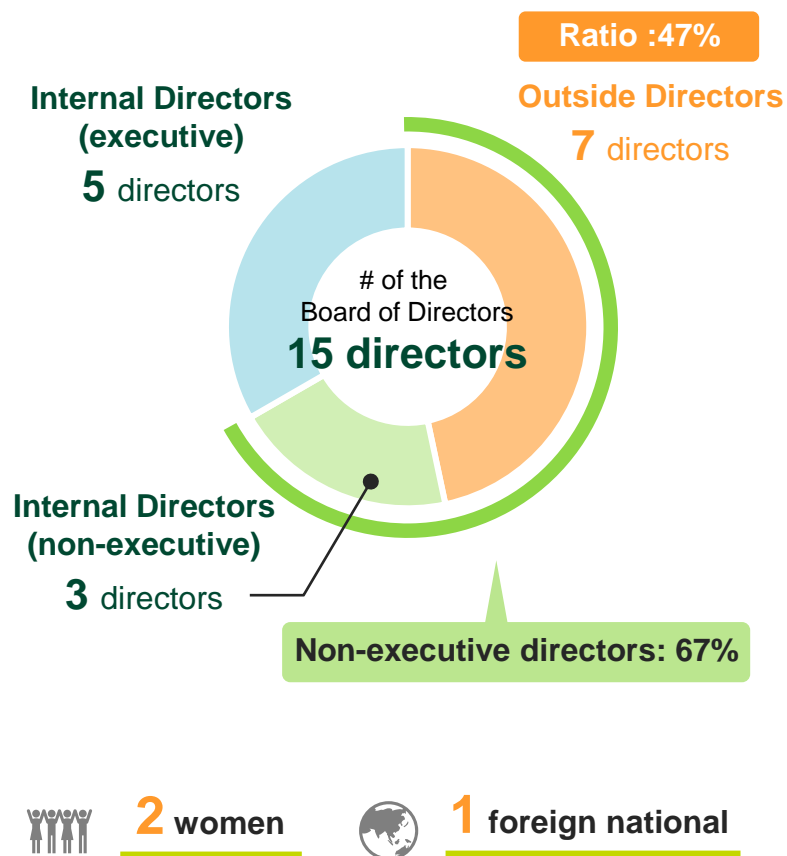
Social Contribution Policy

- Established to strengthen value creation of SMBC Group by creating social impact through social contribution
- To clarify SMBC Group’s approach to social contribution activities from the following four perspectives: 1. Role in the society, 2. Social contribution as SMBC Group, 3. Approach to our employees, 4. Approach to public disclosure

Sustainable Procurement Policy

- Established to strengthen responsible procurement and contribute to realizing a sustainable society with our suppliers
- To clarify our expectations towards suppliers regarding the environment, respect for human rights, compliance with laws, information management, and fair business practices, etc.

(Ref.) Structure of the Board



	Knowledge and experience we expect in particular						
	Management	Finance	Global	Legal/risk management	Accounting	IT/DX	Sustainability
T.Kunibe							
J.Ohta							
M.Takashima							
T.Nakashima							
T.Kudo							
A.Inoue							
T.Isshiki							
Y.Kawasaki							
M.Matsumoto							
A.M.Mitchell							
S.Yamazaki							
M.Kohno							
Y.Tsutsui							
K.Shinbo							
E.Sakurai							

Measures to increase employees' awareness of sustainability

Sustainability University

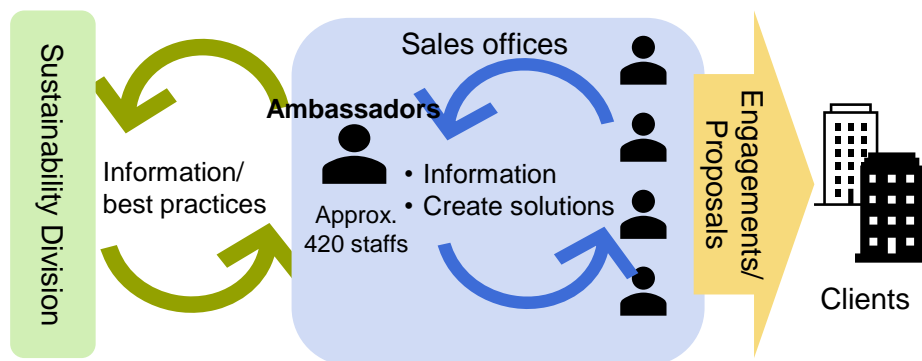
- A systematic framework for training on sustainability
- Strengthening training programs to enhance our employees' proficiency of sustainability

FY3/22 results (domestic)

of participants
(cumulative)
94K

Sustainability Ambassador/CN Ambassador

“Sustainability Ambassadors” and “CN (Carbon Neutral) Ambassadors” in each sales offices will promote further engagements with customers and enhance solution proposals



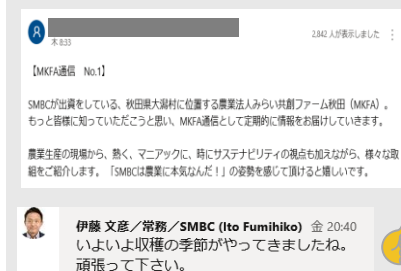
CSuO Channel

Live broadcast

- Internal broadcast by Group CSuO
- Total 1,000 participants



Internal SNS



CSuO channel – Caravan

- Group CSuO visits sales offices to hold discussions
- Opinions are directly delivered to Group CSuO. They will be utilized for corporate planning and best practices will be shared internally
- Started from December 2021, held 5 times
- The looks of the caravan are shared in internal SNS “MIDORIBA”

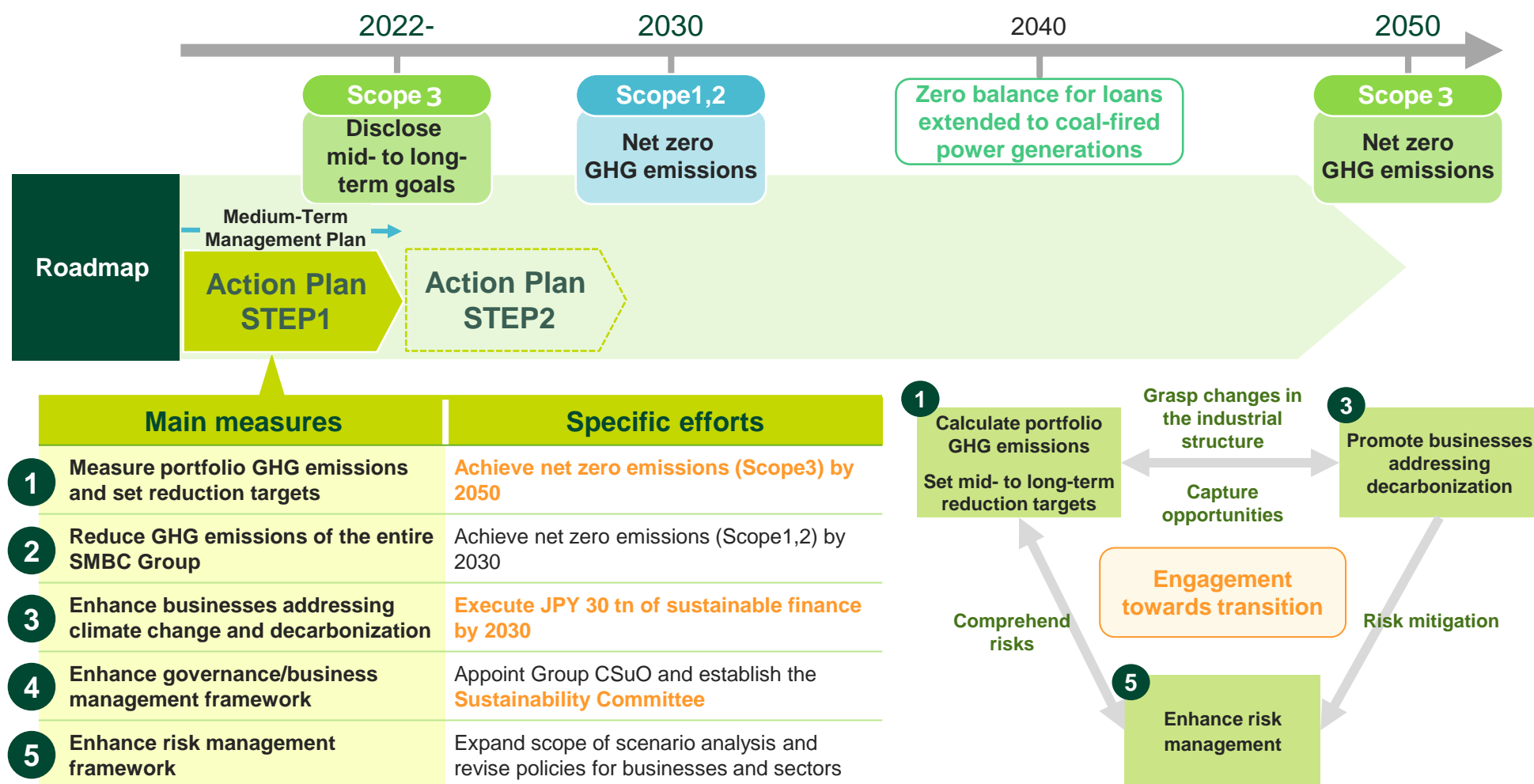




III. Continued efforts to realize carbon neutrality

Roadmap Addressing Climate Change

Established a long-term action plan “Roadmap Addressing Climate Change” in order to realize a carbon neutral society by 2050. Setting short- to medium-term measures as “Action Plans”, we are addressing climate change issues as the entire group



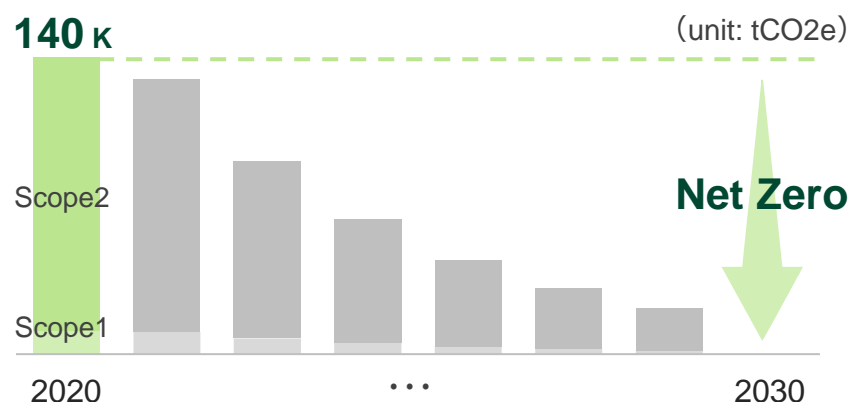
Net zero in-house emissions

Accelerating initiatives to achieve net zero emissions in Scope1 and 2 by 2030, including the implementation of renewable energy at offices and setting mega solar power generation facilities

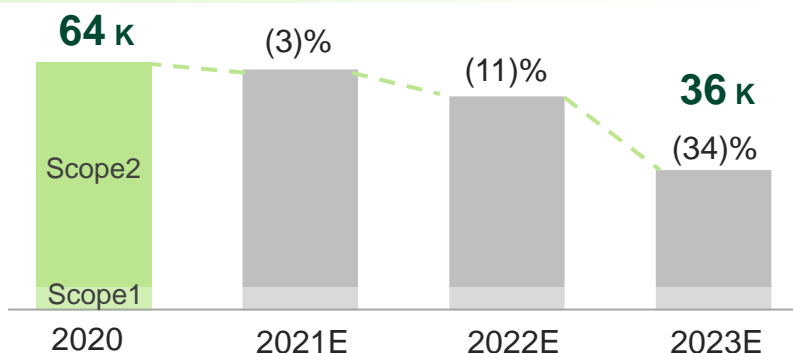
Scope1 and 2 reduction target

KPI
(2030)
Revised
May 2021

SMBC Group's Plan



SMBC's plan (domestic)



Measures for emissions reduction

Scope2

Renewable energy for 4 HQ buildings

- Renewable energy is now fully implemented in the 4 HQ buildings (Head Office, East Bldg., Osaka Head Office, Kobe Head Office)

Completed
Apr.22



Scope2

“SMBC Kawasaki Mega Solar Place”

- First 1MW class (1,037kW) solar power generation facility in idle space owned by a Japanese megabank

Operation
from FY3/23



GHG
emissions
reduction
440t annually

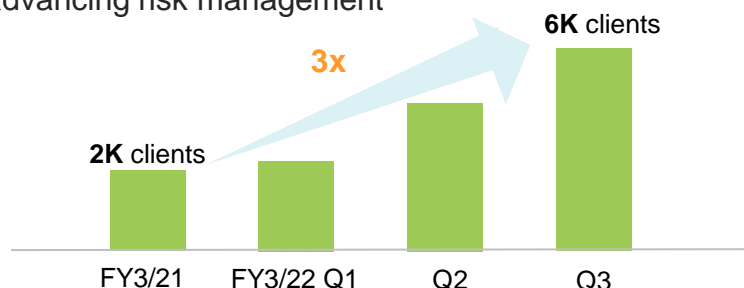


Deepening engagement with customers

Deepening dialogue with customers while improving the solution tools and scenario analyses, etc., for capturing business opportunities and enhancing risk management

Number of engagements

- Number of engagements at SMBC Group have tripled in one year, in terms of capturing business opportunities and advancing risk management



ESG risk summary sheet

- Introduced a framework to better understand the ESG risks and non-financial information of each customer for qualitative utilization in credit decisions and engagement with customers

Sectors covered	Analyzed items
<ul style="list-style-type: none"> ✓ Power ✓ Coal mining ✓ O&G ✓ Tobacco ✓ Palm oil plantation 	<ul style="list-style-type: none"> • GHG emissions • Response to ESG risks <ul style="list-style-type: none"> ➢ General risks ➢ Sector-specific risks • Third party evaluations

Advanced scenario analyses

New

- Added iron & steel and automotive to the sectors analyzed for transition risk
- First Japanese bank to include iron & steel sector in scenario analysis

Energy

Electricity

Automotive

Iron & steel

1.5°C scenario, 3°C scenario (IEA/NGFS)

Expected increase in credit cost (up to 2050)

JPY 2-24 bn annual

JPY 2.5-28.0 bn annual

Examples of customer engagement

**SUMITOMO CHEMICAL/
SUMITOMO JOINT ELECTRIC
POWER**
(Domestic, Chemicals/Power)

SMBC was mandated as sole arranger of the transition loan which became the first Climate Transition Finance model in the chemical sector conforming to METI's technology roadmap

Company A • Company B
(Domestic,
Chemicals/Pulp and Paper)

To drive energy conversion of CO2 heavy industries, we conducted demonstration studies along with several corporates

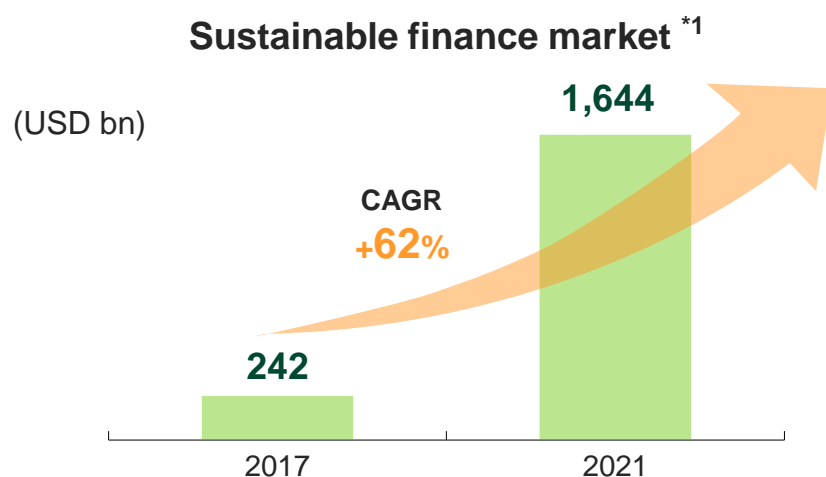
Company C
(Domestic, Oil and gas)

We were appointed the advisory role for formulating the decarbonization roadmap and are providing solutions to execute the strategy

Financing solutions

Made steady progress toward 2030 target of sustainable finance by capturing the market expansion.
Aim for upsides by providing cutting-edge solutions.

Sustainable finance



KPI

	(JPY tn)	FY3/22	Total ^{*2}	FY3/21-30 Target
Sustainable finance		5.4	8.2	30
o/w Green finance		5.0	7.5	20

YoY^{*3}

+78%

Green finance

Jabil Green bond

- Supported establishing green finance framework as Co-Sustainability Agent



Renewable Japan Green IPO

- SMBC Nikko as lead managing underwriter
- Development and acquirement of solar power



PKN Orlen Green bond

- Major energy firm in Poland
- Their first green bond issuance
- Acquired CBI^{*4} certification, an international and rigid standard

League table



Domestic
SDGs
industrial
bonds^{*5}

No.2

^{*1} Source: Bloomberg ^{*2} FX rates are based on fiscal year-end TTMs ^{*3} Excluding FX impact






^{*4} Climate Bonds Initiative (International NPO promoting large size investments for a low carbon economy)

^{*5} Structuring agent. Calculated by SMBC Nikko based on public information by issuer or underwriters (FY3/22 result)

Leasing solutions

Renewable energy

- Top performance in energy generation in the industry

		Generation output (MW)	# of plants
Solar		1,100	1,600
Wind		193	20
Biomass		69	8
Small/medium hydro		2	7
Geothermal heat		5	2

CEF Tsuyama wind farm



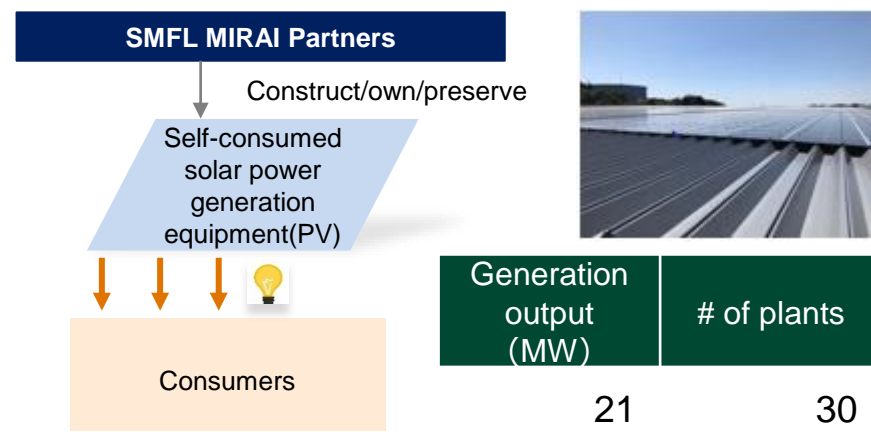
- Wind power with output scale of 65MW
- Capacity for 35,000 households
- Bridge loan for construction period
- Operation begins from June 2024

Sustainability linked leasing/loan

- First leasing company to join the “Poseidon Principles” in 2021
- Providing sustainability linked leasing/loans with KPI in line with Poseidon principles

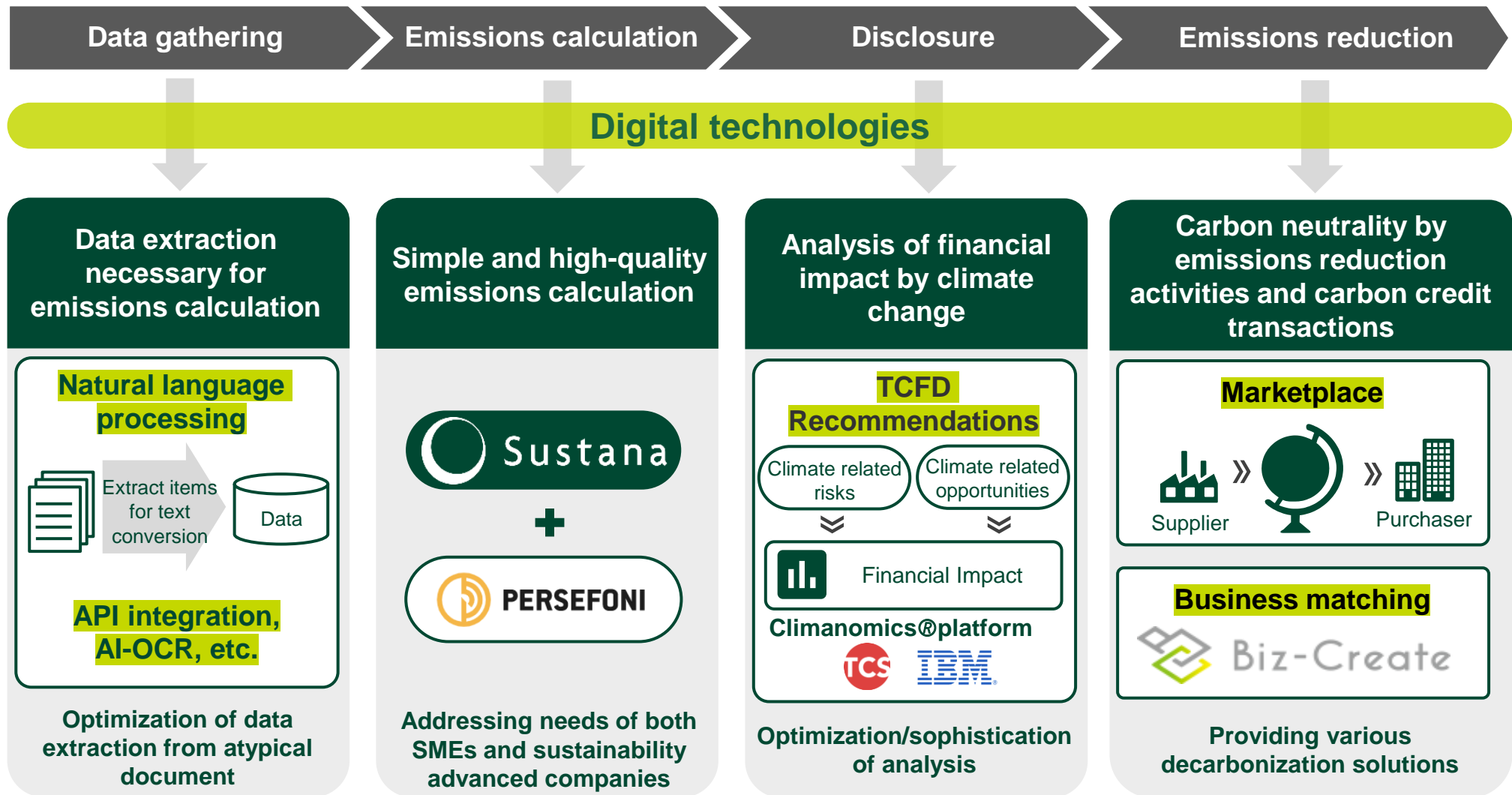


Solar power PPA



Digital solutions

Providing a series of decarbonization solutions consolidating our group expertise and collaborating with different industries



Support for transition

Provide various solutions to support customers' efforts addressing climate change and transition

Sustana Cloud service supporting GHG emissions calculations and reductions

Applying global standard GHG protocols

GHG emissions including supply chain
Equipped with database necessary



- **40%** of the participants in the POC were not our frequent customers
- Acquired various groupwide transactions through Sustana


SMFLみらいパートナーズ



Solar power PPA


SMBC CLOUDSIGN

Digitalization of the contracting process

Support for energy conversation

- Along with our customers, we are developing effective measures for carbon neutrality

 Energy companies, etc.

SMBC Group

Decarbonization strategy

 Operating companies

Decarbonization technologies

Electric power

Heat and steam

Transportation

Transition finance

Sumitomo Chemical Group Transition Finance

- Support for LNG power generation facility constructions
- Selected as a model case by METI
- **First model case in Japan** in the chemical sector

Mitsui O.S.K. Lines Transition linked loan

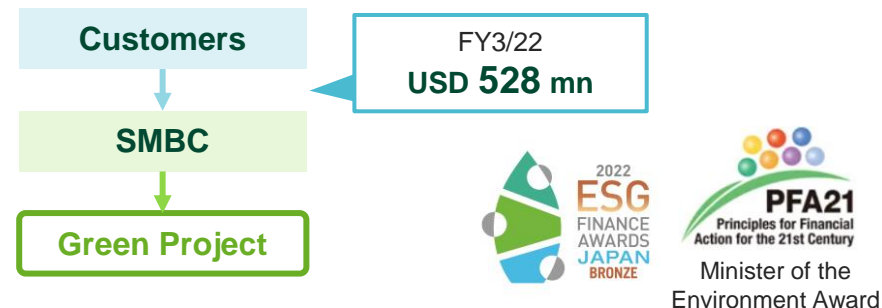
- Support establishing transition finance framework with foreign financial institutions

CO2 emissions reduction
890 K tons/year



Advanced solutions

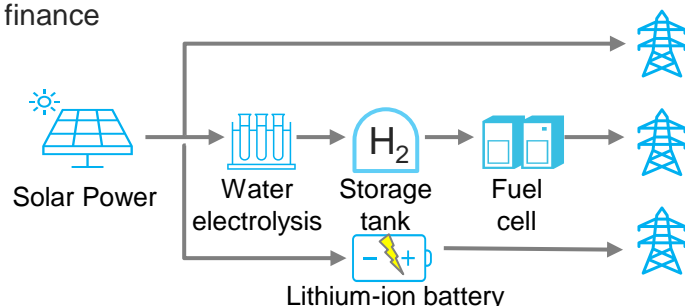
Green deposits



- Acquiring third party verification on its eligibility. Results of evaluation is published in our website
- Certified as completely aligned to global green deposit framework by Sustainalytics (**first as Japanese bank**)

Project finance for green hydrogen (Sep.21)

- First project finance globally for renewable energy using green hydrogen located in French Guiana
- SMBC was the only non-French commercial bank to participate in the finance



Social finance

Social loan for employment promotion housing

- Real estate non-recourse loan for employment promotion housing
- Acquired third party verification as social loan, for being social friendly for low- and medium- income groups



Social loan for 5G equipment

- Aiming to realize the Japanese government's "Society 5.0" and to solve social issues, such as medical care, education and regional disparities, by installing 5G stations



Inventing unique solutions

Established an investment fund to develop decarbonization-related projects and nurturing new solutions for the future

Sustainability Investment Fund

New

Investment fund

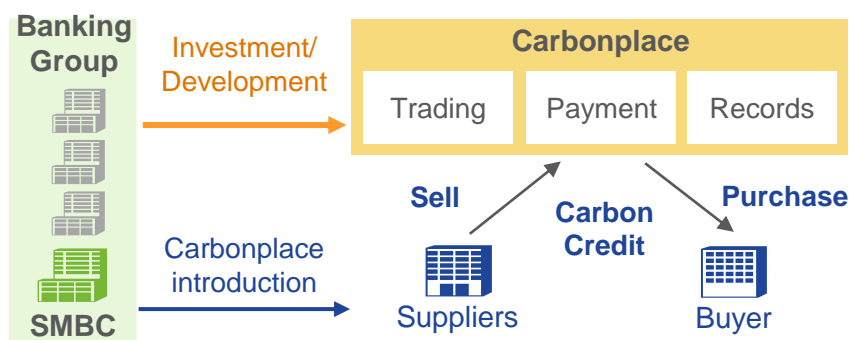
JPY 20 bn

Main areas of investments

- ✓ Areas contributing to business developments and providing solutions for our customers' decarbonization
- ✓ Areas where expertise should be accumulated for realizing a sustainable society in the mid-to-long term

Carbon credit business

- Participating in “Carbonplace”, an international transaction platform for carbon credit as a founding member



Clean energy

- 1 Support social implementation of hydrogen and ammonia
- 2 Seize finance opportunity for clean energy area
- 3 Creating and developing new business with our customers

Japan Hydrogen Association (Dec.20-)

- 2020: Leading role in establishing the association and became one of the management board members companies
- Mar.21: Made policy proposals to METI for the transition to a hydrogen society
- Apr.22: Established Japan Hydrogen Association (General Incorporated Association)

Food and agriculture

- 1 Building a sustainable agricultural management model
- 2 Creating and developing new business with customers
- 3 Supporting customers in utilizing our agricultural expertise

“Mirai Farm Akita” (Aug.16-)

- Aug.16: Established a “corporation qualified to own cropland” in Ogata, Akita
- Entered rice and onion farming to realize sustainable agricultural management
- Engaging in various demonstration and business creation with our customers and community

SMBC Group solutions

Offer a wide range of financial and non-financial solutions to support our customers' efforts towards decarbonization

Various solutions of SMBC Group

Banking



- Project Finance
- ESG evaluation based finance



Trust banking



- Sustainability related real estate
- Regional Revitalization



Leasing



- Lease for energy saving facilities
- SDGs lease



Securities



- Green Bond
- Social Bond



Cards • CF



- Cashless
- Financial literacy education



Consulting



- ESG/SDGs evaluation
- TCFD reporting



Asset management



- ESG investments
- Impact investments



Collaboration with external partners

GREEN×GLOBE Partners

Workshop etc



Business matching



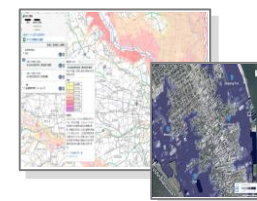
Industry/Government/
Academia collaboration



Creating Digital Solution



GHG emissions
visualization tool



Scenario analysis using
AI and satellite data



IV. Efforts to solve social issues

Next generation and community

Financial literacy education

KPI 1.5 mn participants by 2030

- 298K participants by FY3/22 (mainly in SMBCCF)



Financial education starting at high schools

- Apr.22: Created groupwide teaching material aligning with the revision of curriculum guidelines in high schools



GREEN×GLOBE Partners

of partner companies

47
Sep. 2020

503
May 2022
(As of May 19)

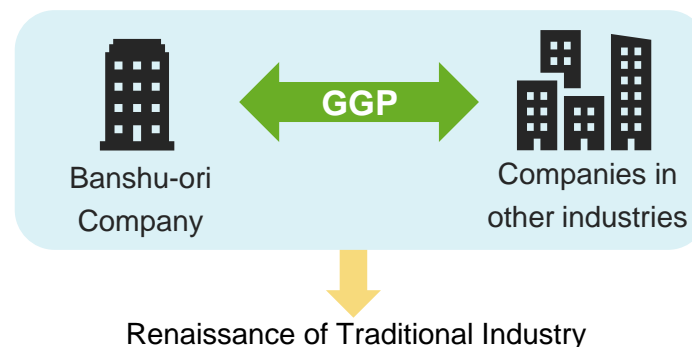
Events/workshops

32 times held
in total

3K+ applicants
in total

GGP-based Project

“Thinking about the future of Banshu-ori” Project



Diversity & Inclusion

Creating an organization where diverse employees can work actively utilizing their backgrounds

We are promoting “Diversity & Inclusion” groupwide, positioning it as our growth strategy itself

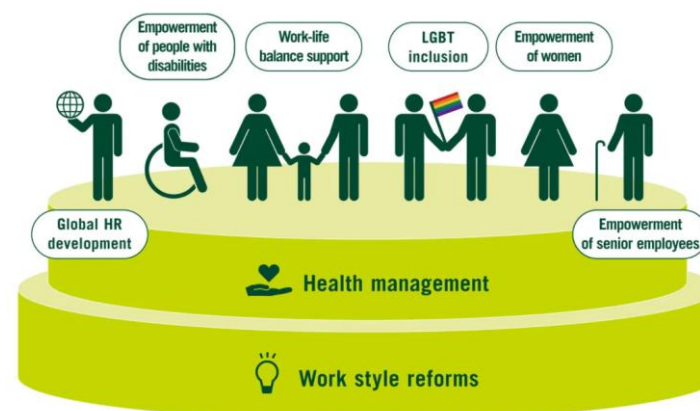
KPI ^{*1}

		FY3/26 targets	FY3/22 results
Empowerment of women	% of female managers	20%	17.0%
	# of female executives	25	22 (Apr.22)
	# of new female recruits	—	40.2% (Apr.22)
Global HR development	# of foreign executives	25	15 (Apr. 2022)
Other indicators	% of paid leave acquirement ^{*2}	80% (FY3/23)	82.2%
	% of male employees taking childcare leave	—	100%
	% of employees with disabilities ^{*2}	—	2.8% (Mar. 2022)

*1 Sumitomo Mitsui Financial Group and its nine major subsidiaries

*2 Result of SMBC

Overall picture of Diversity & Inclusion



Major efforts

Empowerment of women

- Cultivation of next generation female management and leaders
- Selected as “Nadeshiko Brand” in FY3/22



Work style reforms/health management



Human rights and biodiversity

Corresponding to increasing social demands, we are enhancing our efforts concerning respect for human rights and protection of biodiversity

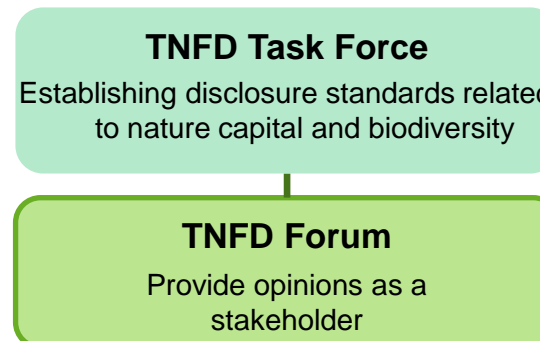
Respect for human rights



Efforts to protect biodiversity

Participation in TNFD^{*1} Forum

- Joined as first Japanese megabank to contribute to establishing disclosure standards related to nature capital and biodiversity



Consulting

- JRI supports management of selected biodiversity fund
- Conducting surveys and consulting on client's initiative on biodiversity
 - (e.g.) Land carriers : Support for development of biodiversity measures

*1 Taskforce on Nature-related Financial Disclosure



V. Closing



MESSAGE FROM THE GROUP CEO

Our Determination against Climate Change

Sumitomo Mitsui Financial Group
Director, President and Group CEO

Jun Ohta

Transitioning to a decarbonized society and leaving a green planet for future generations are our obligation as human beings and pressing issues for companies. Under this recognition, we are committed to achieving net zero emissions in our overall loan and investment portfolio by 2050 and are enhancing our measures against climate change as the entire group.

On the other hand, forging a decarbonization pathway towards carbon neutrality requires consistent engagement with customers. Simply withdrawing existing loans that constitute the economy's lifeblood will not solve climate issues essentially. Instead, it would disrupt stable energy supplies and innovation in technologies for decarbonization. The NZBA takes the same stance, encouraging member banks to engage with customers in order to accelerate their decarbonization efforts.

Each country's circumstances should be considered carefully as well. For example, there are geographical and meteorological challenges in Japan, our home market, to implement renewable energy abundantly. However, our customers are striving for the transition and innovation towards a decarbonized society at the same time. There is no single path forward, but as a financial institution, we are responsible for supporting our customers in their genuine and realistic efforts towards a decarbonized society by 2050.

The global response to climate change represents a paradigm shift - and also an opportunity for financial institutions. For example, the IPCC^{*1} estimates that halving greenhouse gas emissions around the world by 2030 will require USD 30 trillion of new investments. SMBC Group is eager to provide not only financial solutions, such as sustainable finance, bonds, leases and advising, but also non-financial solutions by mobilizing our own expertise and collaborating with external partners.

Given this background, SMBC Group today publishes our enhanced initiatives countering climate change. As a financial institution, we will take pride in supporting our customers advance towards decarbonization and make technological innovation. In addition, we are expanding our capability at the group and global levels, capturing climate-related business needs, and increasing our enterprise value unceasingly.

We also believe that the creation of social value as well as economic value will become more and more important in assessing and enhancing enterprise value. SMBC Group will tackle various social issues in addition to climate change - such as respect on human rights, biodiversity, and economic growth - and contribute to realizing a sustainable society, sustainably.



Stone monument placed along the "Earth Path" at Furano Field in Hokkaido, founded by screenwriter Soh Kuramoto
"Today's earth is what we owe to children in the future."

May 13th, 2022

Sumitomo Mitsui Financial Group
Director, President and Group CEO

*1 The Intergovernmental Panel on Climate Change.

Other major updates (updates since April 2022)

Accelerating groupwide efforts to achieve carbon neutrality, by enhancing resources, reducing in-house GHG emissions, advancing scenario analyses and expanding solutions

Items	Contents
Expand phase-out plan for coal-fired power generations	<ul style="list-style-type: none"> In addition to project finance which the phase out plan is set already, added zero balance target to corporate finance tied to facilities by 2040
Mid-term financed emissions reduction target in the power sector	<ul style="list-style-type: none"> Support the transitions and innovation of customers Achieve well below 2°C target and aim 1.5°C target as a global financial institution
Commitment to set mid-term financed emissions reduction target in the energy sector	<ul style="list-style-type: none"> Disclosed current financed emissions Announce mid-term financed emissions reduction target in August
Organizational Structure	<ul style="list-style-type: none"> Established the “Sustainability Division” and the “Environmental and Social Risk Management Dept” to strengthen organizational capabilities for sustainability with more human resources
Executive Compensation	<ul style="list-style-type: none"> Introduced quantitative ESG evaluation in addition to the existing qualitative evaluation to further strengthen management commitment to sustainability
Rules and Policies	<ul style="list-style-type: none"> Formulating the “SMBC Group Environmental and Social Framework” Establishing the “Social Contribution Policy” and the “Sustainable Procurement Policy”
Scope1 and 2 Reductions	<ul style="list-style-type: none"> Four HQ buildings fully implementing renewable energy to achieve net zero Scope1 and 2 emissions by 2030 Launched the “SMBC Kawasaki Mega Solar Place” project - the first 1MW class solar power generation facility owned by a Japanese major bank
Enhanced Scenario Analyses	<ul style="list-style-type: none"> Conducted scenario analyses of transition risks in iron & steel and automotive sectors, in addition to energy and power sector (first Japanese bank to include the iron & steel sector)
Sustainability Investment Fund	<ul style="list-style-type: none"> Set a JPY 20 bn “Sustainability Investment Fund” to create new solutions, etc. Participated in “Carbonplace”, a payment platform for carbon credit transactions, as the first sustainability investment project
SMDAM joined NZAMI	<ul style="list-style-type: none"> SMDAM joined NZAMI, a global initiative of asset managers, to achieve net zero GHG emissions from the investment portfolio by 2050



VI. Appendix

Power sector: Details of interim target and guidelines

We have set interim targets follow guidelines and guidance such as NZBA, PACTA, SBTi, PCAF.

		Methodology	Guideline and guidance
Basic information	Base Year	Fiscal year 2020 (loan amount as of March 31, 2021)	The base year for the targets shall be set to be no more than two full reporting years prior to the year when the target is set. (NZBA)
	Scenario	IEA NZE 2050 (Selected IEA Net-Zero by 2050 emissions pathway, a scenario limits warming to below 1.5C by 2050)	The scenarios used by banks shall come from credible and well-recognized sources and banks should provide rationale for the scenario chosen. (NZBA)
Interim target	Target year	2030 interim targets set	Banks shall set an interim target for 2030 or sooner and may set further interim targets prior to that date.(NZBA)
	Metric	Emissions intensity(g-CO2e/kWh) (In the transition stage to a decarbonized society, the demand for power is expected to increase. For this reason, selected emissions intensity which is used to track efficiency)	Targets shall be set based on: Absolute emissions; and/or Sector-specific emissions intensity.(NZBA)
	Asset class	Balance sheet lending (exclude investment activities)	Over time, banks should increase the volume of investment activities covered by the targets in line with methodological developments. (NZBA)
	Scope of Emissions	Scope1 (Scope1 accounts for the majority of GHG emissions in this sector)	If a company's relevant and mandatory scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, a scope 3 target is required. Scope1 is especially important for this sector. (SBTi*1)
	Value Chain	Power generation businesses (Power generation businesses accounts for the majority of GHG emissions in this sector)	Power generation is by far the most carbon intensive segment of the sector. (PACTA*2)
	Calculation method	In line with PACTA for Bank methodology $\text{Sector emissions of SMBC group} = \sum \left(\frac{\text{Credit to each corporate}}{\text{Total credit to subject sector}} \times \text{Each corporate's carbon intensity} \right)$	Portfolio weight approach.(TCFD*3, PACTA for Bank) Provide an explanation of the methodology. (NZBA)
	Asset Coverage	90%	Each bank shall disclose the asset class and sector coverage of the emissions (provide rationale). (PCAF, NZBA)
	PCAF score	Average PCAF score: 2.5	FIs should publish a weighted score by outstanding amount of the data quality of reported emissions data or should explain why they are unable to do so. (PCAF) Banks should provide an assessment of the data quality used in their calculations. (NZBA)
	Data source	Information disclosed by each customer, CDP, etc.	Provide references to external public sources of information. (NZBA)

*1 Science Based Targets initiative

*2 Paris Agreement Capital Transition Assessment

*3 TCFD "Guidance on Metrics, Targets, and Transition Plans", Portfolio Alignment Team "Measuring Portfolio Alignment : Technical Considerations"

Energy sector: Details of interim target and guidelines

Similar to the power sector, we will set interim targets follow guidelines and guidance such as NZBA, PACTA, SBTi, PCAF.

		Methodology	Guideline and guidance
Basic information	Base Year	Fiscal year 2020 (loan amount as of March 31, 2021)	The base year for the targets shall be set to be no more than two full reporting years prior to the year when the target is set. (NZBA)
	Scenario	(To be disclosed in August 2022)	The scenarios used by banks shall come from credible and well-recognized sources and banks should provide rationale for the scenario chosen. (NZBA)
Interim target	Target year	(To be disclosed in August 2022)	Banks shall set an interim target for 2030 or sooner and may set further interim targets prior to that date. (NZBA)
	Metric	Absolute emissions (Mt-CO ₂ e)	Targets shall be set based on: Absolute emissions; and/or Sector-specific emissions intensity. (NZBA)
	Asset class	Balance sheet lending (exclude investment activities)	Over time, banks should increase the volume of investment activities covered by the targets in line with methodological developments. (NZBA)
	Scope of Emissions	Scope 1, 2, and 3 (Scope 3 accounts for the majority of GHG emissions in this sector, include scope 1, 2, and 3)	If a company's relevant and mandatory scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, a scope 3 target is required. (SBTi)
	Value Chain	Upstream businesses (Upstream businesses including integrated O & G companies)	The methodology concentrates on the upstream segment as the leading indicator for the whole sector value chain. (PACTA)
	Calculation method	In line with PCAF methodology <div> $\text{Sector emissions of SMBC group} = \sum \left(\frac{\text{Credit to each corporate}}{\text{Total debt + equity of each corporate}} \times \text{Each corporate's GHG emissions Mt-CO}_2\text{e} \right)$ </div>	The attribution factor is calculated by the outstanding amount of loan over the total equity and debt of the company. (PCAF) Provide an explanation of the methodology. (NZBA)
	Asset Coverage	(70%. To be improved by August 2022)	Each bank shall disclose the asset class and sector coverage of the emissions (provide rationale). (PCAF, NZBA)
	PCAF score	(Average PCAF Score: 2.3)	FIs should publish a weighted score by outstanding amount of the data quality of reported emissions data or should explain why they are unable to do so. (PCAF) Banks should provide an assessment of the data quality used in their calculations. (NZBA)
	Data source	Information disclosed by each customer, CDP, etc.	Provide references to external public sources of information. (NZBA)

Participation in initiatives

WE SUPPORT



TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



PRINCIPLES FOR RESPONSIBLE BANKING

Signatory of:



Principles for Responsible Investment



EQUATOR PRINCIPLES



Principles for Financial Action for the 21st Century



DISCLOSURE INSIGHT ACTION



Net-Zero Banking Alliance



POSEIDON PRINCIPLES

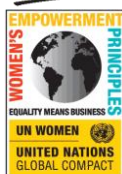


Partnership for Carbon Accounting Financials



30% Club
GROWTH THROUGH DIVERSITY

We Support



www.wepprinciples.org



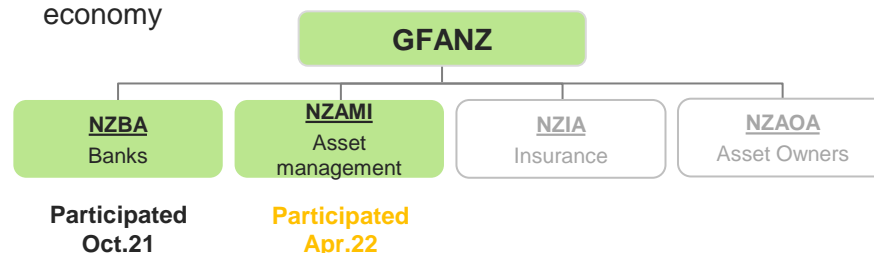
GFANZ

- As a member of the workstream, we are involved in the discussions of cross-sectional initiatives towards carbon-neutrality, making suggestions to the industry and aiming to push each discussions to policy proposals

SMDAM joins the NZAMI

Apr. 22

- SMDAM joined the NZAMI, a global initiative of asset management companies, to achieve net zero GHG emissions from their portfolio by 2050
- We will engage with investee companies to support transition to decarbonized society, environment conservation, and circular economy








GX League Basic Concept

Feb. 22

- SMBC Group endorsed the “GX (Green Transformation) League Basic Concept” announced by METI
- GX League is for companies with ambitious carbon reduction goals, and it promotes the collaboration among various stakeholders to transform globally to a carbon neutral society

Links

		Issuance	URL	QR code
1	Annual Report	Aug.21	https://www.smfg.co.jp/english/gr2021/	
2	TCFD report	Sep.21	https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/	
3	Sustainability Report	Mar.22	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	SMBC Group E & S Framework	Apr.22	https://www.smfg.co.jp/english/sustainability/group_sustainability/esframework/	
6	Principles for Responsible Banking Report	Mar.21	https://www.smfg.co.jp/english/sustainability/group_sustainability/structure/	