



SMBC Group's Sustainability Initiatives

May 24, 2022



SUMITOMO MITSUI
FINANCIAL GROUP

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Hello everyone.

This is Ito from Sumitomo Mitsui Financial Group.

Today, I would like to explain our ESG strategies and initiatives, including efforts against climate change and sustainable businesses.

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This is today's agenda.

First, I will explain the outline of our new disclosures and targets related to climate change, which we introduced in our press release recently.

Next, after explaining our measures to enhance sustainability management system, I will show some of our continued initiatives to realize carbon neutrality, mainly our sustainable businesses.

And finally, I will briefly give an overview of our initiatives other than climate change, for example, Diversity & Inclusion.



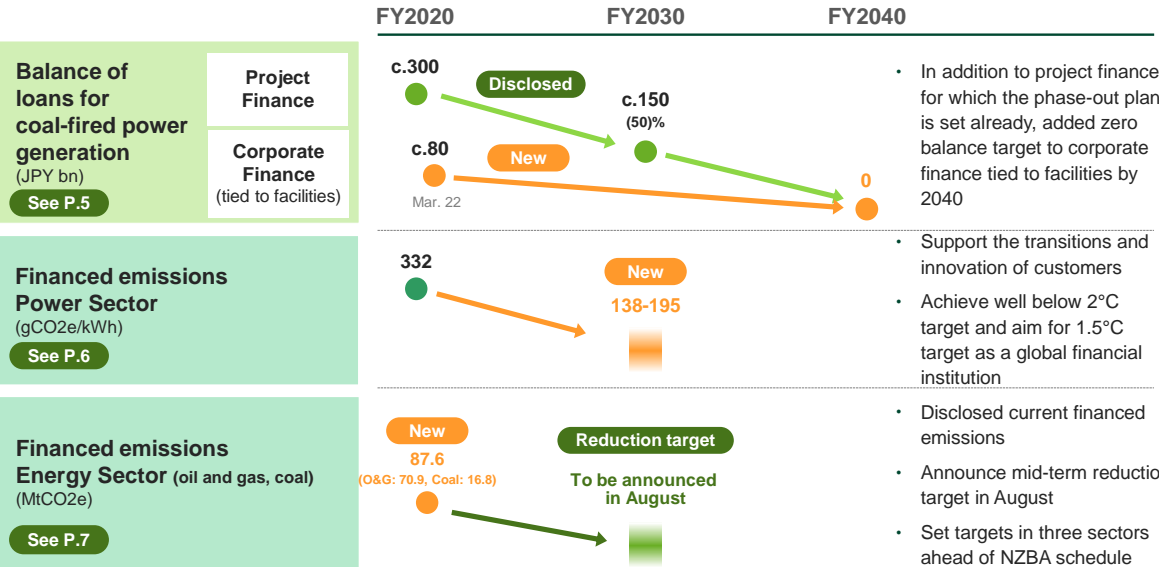
I. New disclosures and targets

First, let me go through the new disclosures and targets on climate change we recently announced.

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



* 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.

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There are mainly three points.

The first point is that we expanded our phase-out plan for coal-fired power generation.

The second point is that we established a new medium-term reduction target for financed emissions from the power sector.

The third point is that we disclosed the current financed emissions from the energy sector (oil & gas and coal) and committed to announce its medium-term reduction target in the TCFD Report we will publish next August.

Let me explain more about each item in the following pages.

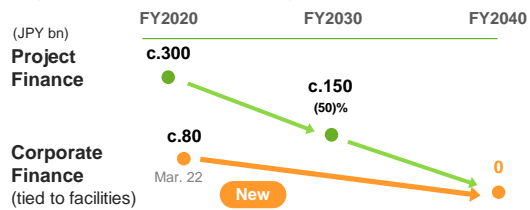
Expand phase-out plan for coal-fired power generations

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

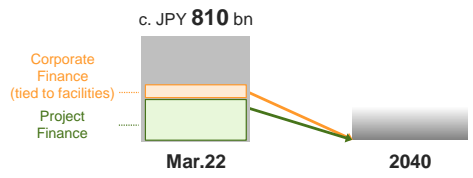
Phase-out plan

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

Revised May 2021

Coal-fired power generations

Revised May 2022

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

First, let me explain about the expansion of our phase-out plan for coal-fired power generation.

Regarding the loan balance of project finance for coal-fired power generation, we have already set a target to achieve zero balance by 2040.

In addition to this, we also set a new target to achieve zero balance of corporate finance tied to coal-fired power generation projects by 2040.

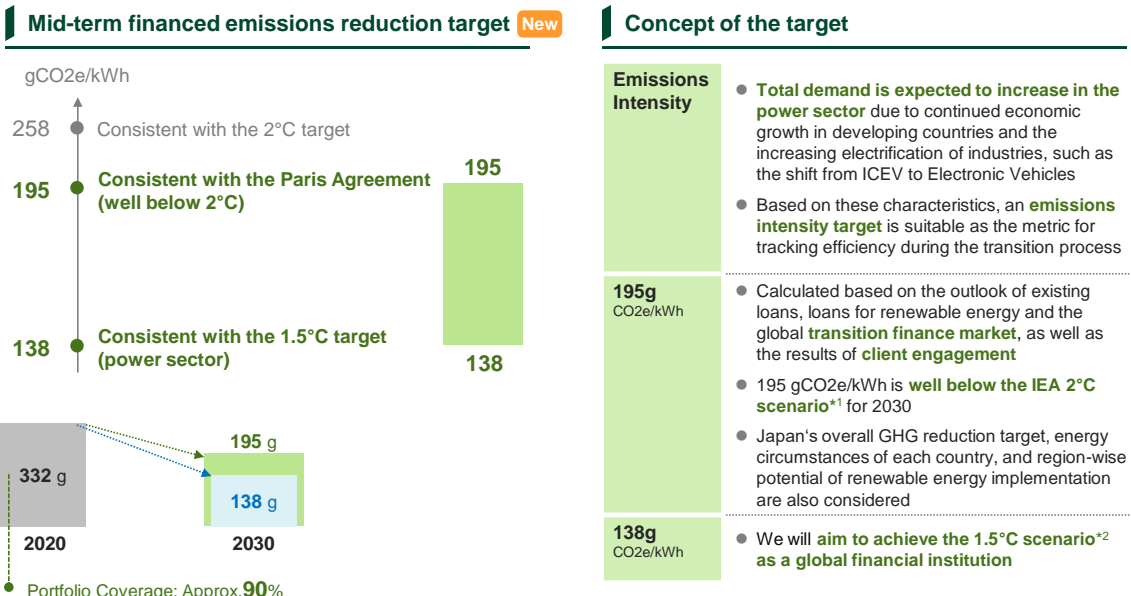
The current balance of this is about JPY 80 bn.

Moreover, we revised our financing policy for thermal coal mining projects to stop providing support for new or expansion of existing projects.

We intend to continuously review and upgrade our policies through dialogue with various stakeholders.

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



*1: IEA SDS scenario
*2: IEA NZE2050 scenario

Second, we set a medium-term reduction target of financed emissions in the power sector.

We decided to use carbon intensity as an indicator to emphasize efficiency since the amount of power generation is expected to increase by economic growth and decarbonization going forward.

The 138 to 195 target range is based on the same way of thinking. We will first focus on achieving 195, which is well below the 2 degrees target, through supporting customers' transition and technological innovation towards decarbonization. Then, as a global financial institution, we aim to achieve 138 which is consistent with the 1.5 degrees target. In light of COP26 held last year, the importance of aiming for the 1.5 degrees target has become even clearer. At the same time, we need to carefully draw the path towards decarbonization together with our customers.

It is also necessary to consider the unique circumstances of each country. For example, in Japan, our mother market, it is essential to realize smooth transitions and technological innovations given the limited room to implement renewable energy due to geographical and meteorological factors. As a Japanese financial institution, we are particularly required to support such efforts by our customers.

Based on the above understanding, we have set a reduction target range in light of the engagements with customers in the power sector and the anticipated demand for transition financing worldwide.

The achievement of the 1.5 degrees target is a common long-term goal for both customers and us.

We recognize the importance of continuously engaging with customers and encouraging efforts towards decarbonization even after setting the target.

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



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

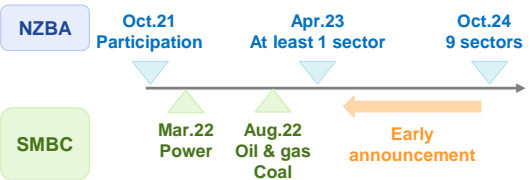
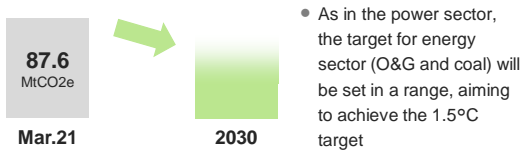


Illustration of reduction target



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

Third, we are committed to set a medium-term reduction target for financed emissions from the energy sector including oil & gas and coal.

Before setting the medium-term reduction target, we calculated and disclosed the financed emissions in two categories of the energy sector: oil & gas and coal (mining).

As of March 2021, there were a total of 87.6 megatons of financed emissions. Among which, almost eighty percent were attributed to non-Japanese clients. In addition, the balance of upstream oil & gas projects is on a downward trend since we have been limiting supports for such projects to reduce the risks of resource price fluctuation.

We believe we can show our medium-term reduction target in the TCFD Report, which is to be published in next August after thorough engagement with customers.

As a result, we will be disclosing reduction targets for three sectors: power, oil & gas and coal.

In NZBA, which we joined in October 2021, we are required to disclose reduction target for at least one sector by April 2023, 18 months after accession, and our progress is well ahead of NZBA deadline.

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

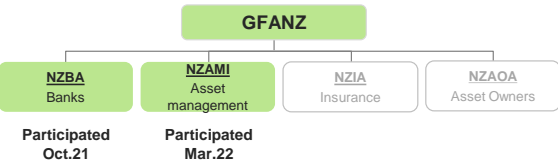


Net-Zero Banking Alliance



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



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This page provides an overview of our disclosure stance on climate change.

As shown on the left-hand side, we have been proactively and aggressively disclosing information on climate change.

For example, we were among the first to express our endorsement of TCFD recommendations, and we were the first global financial institution to disclose the results of climate change scenario analyses on physical risks.

Recently, in addition to participating in GFANZ and NZBA working group-level meetings and firmly catching up with global trends, SMDAM, our Group asset management company, joined NZAMI in March.

While working together as a group to participate in such international initiatives, we will continue to disclose information on various initiatives.



II. Sophistication of sustainability management system

Next, I will explain about our 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”

- Chairman - Group CEO
- Members - Head of each Group Company

Apr.20

Revised management philosophy and established “Statement on Sustainability”

SMBC Group GREEN x GLOBE 2030

“Create the future of the earth and humanity with our customers”

Apr.21

Appointed Group CSuO

Jul.21

Established “Sustainability Committee”

- Established “Sustainability Division” and “Environmental and Social Risk Management Department”

Apr.22

Introduced quantitative ESG evaluation to executive compensation

See P12, 13

Formulated “SMBC Group Environmental and Social Framework”

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

Board of Directors

Nomination Committee

Compensation Committee

Audit Committee

Risk Committee

Jul.21

Sustainability Committee

Chairperson

External Director Eriko Sakurai

External Director Masaharu Kohno

Professor, University of Tokyo Yukari Takamura

Chairman of the Board of Directors Takeshi Kunibe

Director Jun Ohta

JRI Senior Counselor Eiichiro Adachi

Apr.21

Report

Group CSuO (Chief Sustainability Officer)

Climate change response including business

Corporate initiatives (Social contributions etc.)

Responding to ESG rating agencies and disclosure of non-financial information

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First, let me introduce our history of improving sustainability management system.

In 2018, we established the Corporate Sustainability Committee on the executive side. Here, we have established a system in which SMBC Group could promote ESG measures under the initiative of the Group CEO.

In 2020, we revised our management philosophy for the first time since our establishment to add “society” as one of our important stakeholders and formulated the “Statement on Sustainability” as well.

We incorporated sustainability as a high-level concept of management to create a sustainable society.

In 2021, we appointed the Chief Sustainability Officer as one of the formal CxOs and established the Sustainability Committee as an internal committee of the Board of Directors.

In the Sustainability Committee, lively discussions on risk awareness and strategic direction are held as well as gaining knowledge of outside directors and experts.

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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 :

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What I would like to emphasize here is that the Board of Directors and the Sustainability Committee have held discussions on sustainability initiatives numerous times as an important management issue and that such discussions are flexibly reflected in business execution.

The commitment to 2050 carbon neutrality announced in August 2021, recent establishment of medium-term reduction targets of financed emissions and the revision of executive compensation are good examples of introducing specific measures reflecting the high-level discussions at the Board of Directors, the Sustainability Committee, and the Compensation Committee.

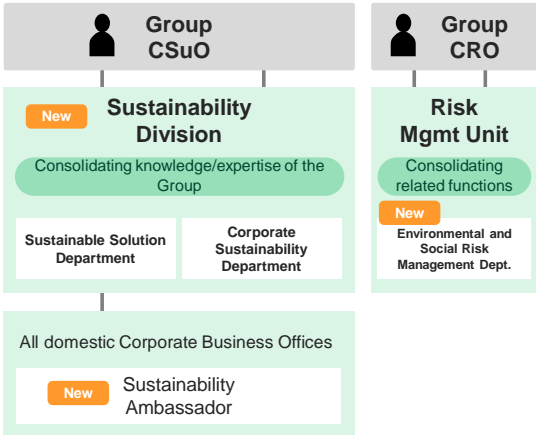
Efforts this year (1)

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 •Cash •Stock Compensation Plan II	Annual performance-linked (0-150%) Standard level × <div>Annual performance New ESG evaluation Individual's performance, etc.</div>
	<div>Quantitative Achievement of in-house targets • Sustainable finance • Reduction of Scope1/2 GHG emissions Qualitative Evaluation of major ESG rating agencies</div> ±10%
Stock Compensation Plan I	Mid-term performance-linked(0-150%) Standard level × <div>Mid-term performance, etc. Financial performance Share performance Qualitative evaluation Including "ESG initiatives"</div>
Stock Compensation Plan III	Promotion reward plan

Here are some of our recent specific initiatives aimed at further enhancing our management system.

In April 2022, we established the Sustainability Division, where I serve as the head, to consolidate functions and knowledge related to sustainability on a group basis and to formulate strategy as well as provide solutions to customers in an integrated manner.

We have greatly increased the number of employees, and now have more than 100 under this structure.

We are striving to further enhance and accelerate our sustainability initiatives.

Under the Group CRO, the Environmental and Social Risk Management Department was established to consolidate functions related to environmental and social risk.

We are also strengthening our risk management system to support the promotion of sustainable business.

Furthermore, we revised our executive compensation system to further strengthen managements’ commitment to realizing sustainability.

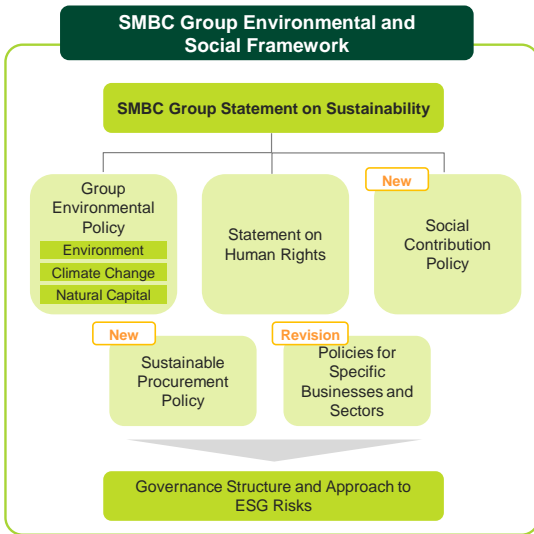
In addition to the qualitative evaluation introduced in 2020, ESG evaluation is incorporated into annual performance-linked remuneration as quantitative evaluation from FY3/2023.

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.

* SMBC Group Environmental and Social Framework:
https://www.smfg.co.jp/english/sustainability/group_sustainability/esframework/

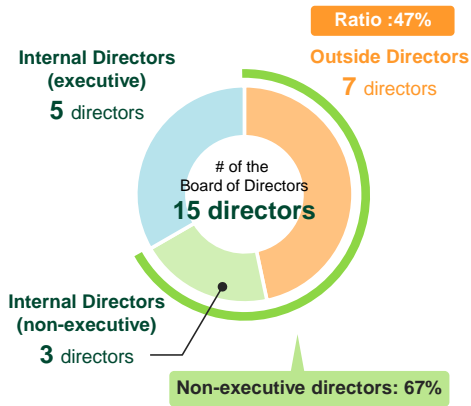
We formulated the “SMBC Group Environmental and Social Framework” to organize SMBC Group's basic stance and policy to respond to a variety of environmental and social issues and to make it easier for our stakeholders to understand,.

This includes the “Social Contribution Policy” and the “Sustainable Procurement Policy” newly formulated in April, in addition to the "Statement on Sustainability", the "Group Environmental Policy" and the “Statement on Human Rights” that have already been published.

Environmental and social issues are expected to become increasingly complex and continue to undergo major changes.























































SMBC Group will continue to review its policies in a timely and appropriate manner and strive for organized disclosure and explanation for our stakeholders.

(Ref.) Structure of the Board



 2 women

 1 foreign national

	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

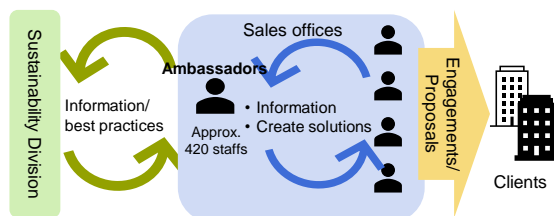
- A systematic framework for training on sustainability
- Strengthening training programs to enhance our employees' proficiency of sustainability

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



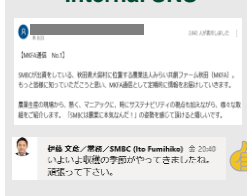
CSuO Channel

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"



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In addition to establishing a firm management system, it is also essential to raise the awareness of each employee to penetrate and promote sustainability through the organization.

As shown in the top left-hand side, we provide ESG-related trainings and online learning courses under the name "Sustainability University".

Moreover, a total of 420 Ambassadors have been appointed at each sales office. The Ambassadors share information with the Sustainability Division and other sales offices as a hub and promote sustainability initiatives within each sales office. By doing so, we promote engagements with customers and enhance solution providing capabilities across the company.

Also, as the Group CSuO, I myself share the Group's sustainability initiatives within the company under the in-house program "CSuO Channel".

I also recently started visiting our sales offices, naming this as the "CSuO Caravan". We intend to utilize the opinions from sales offices for corporate planning as well.

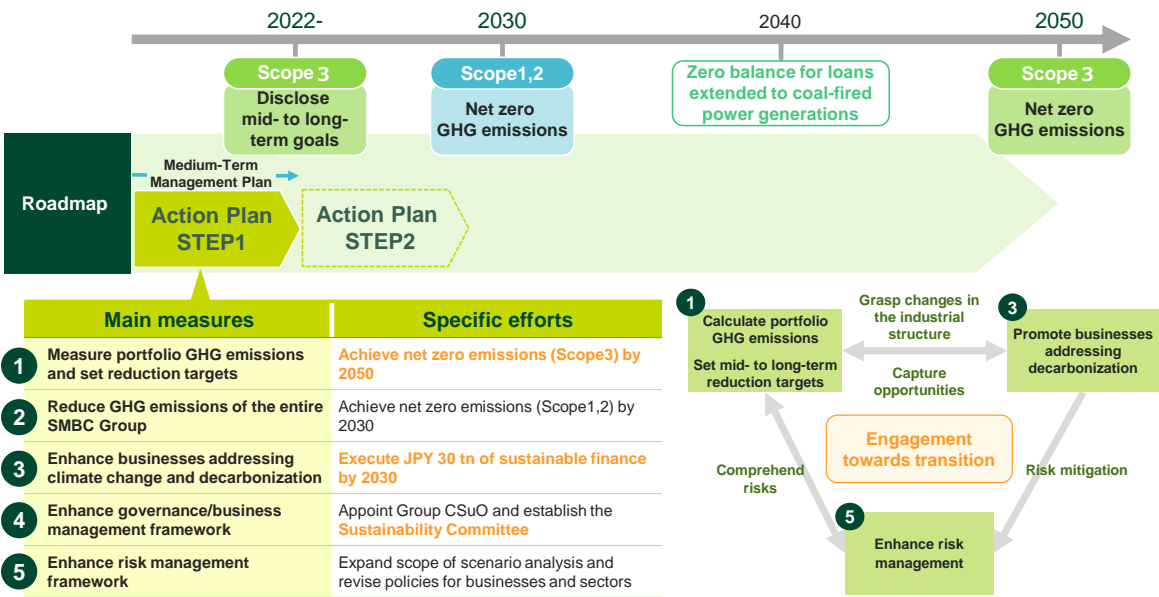


III. Continued efforts to realize carbon neutrality

Next, I will explain our 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



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This is our long-term action plan “Roadmap Addressing Climate Change” announced in May 2021 aiming to realize a carbon neutral society by 2050.

We consider this Roadmap as a guide towards our mid- to long-term target of achieving net zero GHG emissions by 2030 for Scope1 and 2 and 2050 for Scope 3. We promote initiatives by setting “Actions Plans” as things we should address at the moment and sharing them within the Group.

The following sections describe measures to reduce Scopes 1, 2 and 3 emissions.

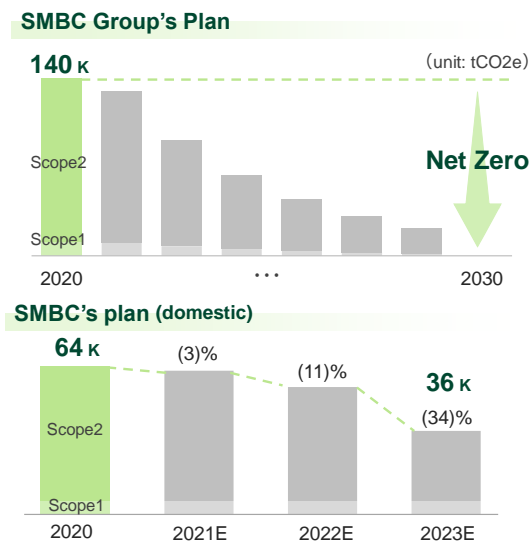
Net zero in-house emissions

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



Measures for emissions reduction

Scope2

Renewable energy for 4 HQ buildings

Completed Apr.22

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

Scope2

"SMBC Kawasaki Mega Solar Place"

Operation from FY3/23

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

GHG emissions reduction 440t annually

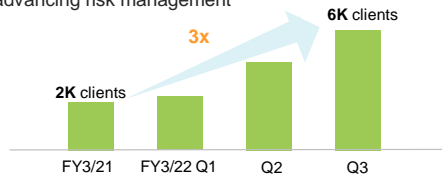
First, I will explain about the initiatives to achieve net zero emissions in Scope1 and 2. On the right-hand side, we present examples of our current efforts. In April 2022, we completed conversion of all electricity used in the four headquarter buildings in SMBC to renewable energy. In addition, we installed the first mega-solar power generation facility as a Japanese megabank in SMBC's idle space in Kawasaki City and plan its operation from this fiscal year. We will continue to further reduce in-house GHG emissions in a group-wide and global basis to achieve the 2030 net zero target.

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

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Next is about Scope3.

Here, the most important thing we consider is to deepen engagements with our customers.

Social issues including climate change have become an important management issue not only for financial institutions but also for customers in all sectors and regions.

There has been a dramatic increase in dialogues with customers focusing on sustainability.

In addition, we are working on upgrading the contents of engagements as well as the number by introducing tools to identify customers' ESG risks and non-financial information.

As shown in the top right-hand side, we are deepening mutual understandings with our customers in major sectors by discussing our scenario analysis with them.

As a result, we were able to add the automotive and iron & steel sectors to the scenario analysis for transition risks and lead to the advancement of our risk management.

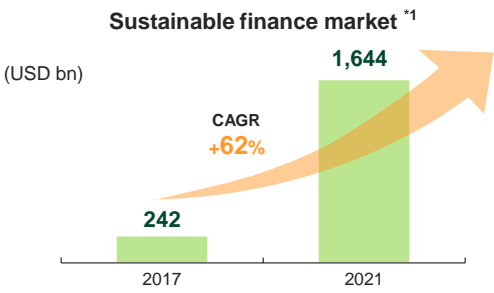
The environment surrounding climate change changes day by day.

We will work on capturing business opportunities and further upgrade risk management through continuous dialogue with customers.

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%

^{*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)

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**

From here on, I will explain SMBC Group's solutions to support our customers' efforts against climate change and transitions.






The market for sustainable finance has expanded significantly over the past few years. We are making steady progress towards the target of providing JPY 30 tn of sustainable finance by 2030 by capturing the growth trend.

In addition to our existing strengths such as project finance for renewable energy, we are also focusing on underwriting bonds at SMBC Nikko both in Japan and overseas.

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



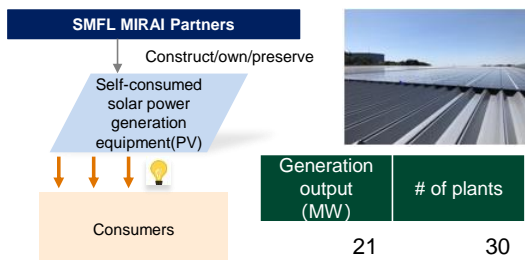
- Wind power with output scale of 65MW
- Capacity for 35,000 households
- Bridge loan for construction period
- Operation begins from June 2024

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



Next is our leasing solutions.

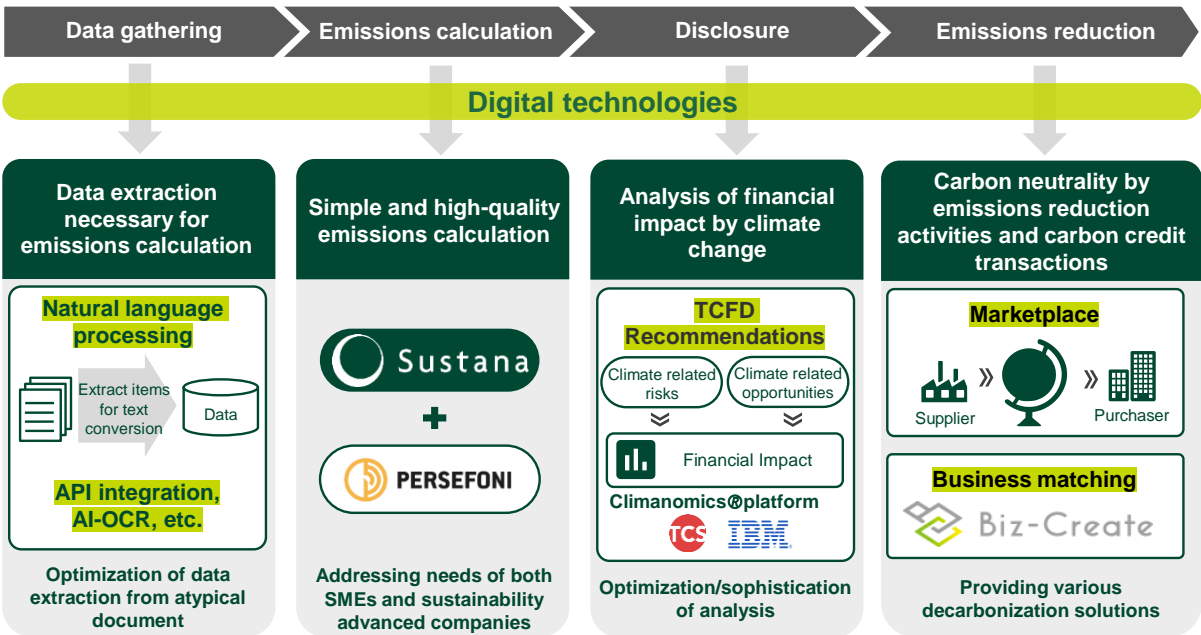
Having SMFL, an industry-leading leasing company, in the group and being able to provide a wide range of solutions is another strength of SMBC Group.

For example, SMFL records the industry's top-class power generation in a variety of renewable energy sources, including solar, wind, and biomass.

In addition, SMFL is the first leasing company in the world to participate in the "Poseidon Principles," an international framework for promoting decarbonization in the shipping industry and provide products that support the achievement of this principle.

Digital solutions

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



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This page is about the utilization of digital solutions.

We think that sustainability and digitization are compatible. Our customers' needs will go through various stages towards decarbonization, specifically, data collection, emissions calculation, information disclosure, and reduction activities.

We will provide a variety of digital solutions at each stage, including the calculation of GHG emissions, analyzing financial impacts and business matching in collaboration with non-financial players.

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

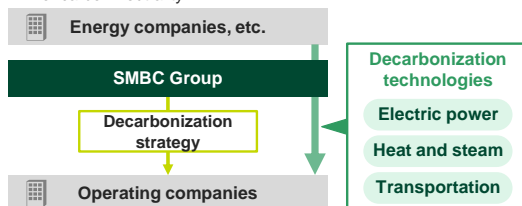


- 40% of the participants in the POC were not our frequent customers
- Acquired various groupwide transactions through Sustana



Support for energy conversation

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



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



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Sustana is an example of such digital solution.

This cloud service for visualizing GHG emissions is officially launched at the end of May 2022 after going through POC with around 50 customers and making improvements with them.

The calculation of GHG emissions provided by Sustana is the customer's entry point for transition.

SMBC Group will support customers' efforts addressing climate change by providing variety of solutions in later phases towards GHG reductions, for example, energy conversion, transition financing, etc.

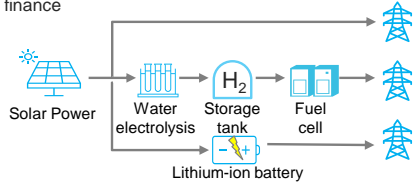
Advanced solutions

Green deposits



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



In addition, we provide a variety of advanced solutions.

We have accumulated more than USD 500 mn of green deposits since FY3/2022. We are the first financial institution in Japan to obtain certification from a third party and have established a market leader position.

Moreover, we acquired third party verification in social loan for employment promotion housing, which was the first in Japan for real estate non-recourse loan. This was because the project was highly evaluated for being social friendly for low- and middle-income groups.

Inventing unique solutions

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

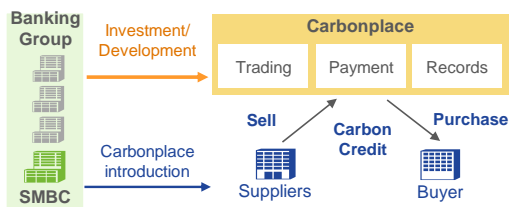
Sustainability Investment Fund

New

Investment fund	JPY 20 bn
Main areas of investments	<div>✓ Areas contributing to business developments and providing solutions for our customers' decarbonization</div> <div>✓ Areas where expertise should be accumulated for realizing a sustainable society in the mid-to-long term</div>

Carbon credit business

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



Clean energy

- Support social implementation of hydrogen and ammonia
- Seize finance opportunity for clean energy area
- 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

- Building a sustainable agricultural management model
- Creating and developing new business with customers
- 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

Furthermore, from a medium-to long-term perspective, we are also willing to participate in the creation of platforms and frameworks.

For example, in April 2022, we established a JPY 20 bn Sustainability Investment Fund aiming to strengthen relationships with partner companies with advanced technologies and realize a sustainable society.

Recently, as its first investment, we participated in "Carbonplace", an international platform for carbon credit transactions, as a founding member.




In the field of clean energy, we are actively trying to realize social implementation of hydrogen and ammonia, the energy of the future.

In the food & agriculture business, we are working to solve social issues related to agriculture and create new businesses through Mirai Farm Akita, which we established in Ogata Village, Akita Prefecture.

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  SUMITOMO MITSUI BANKING CORPORATION	<ul style="list-style-type: none">• Project Finance• ESG evaluation based finance	
Trust banking  SMBC TRUST BANK	<ul style="list-style-type: none">• Sustainability related real estate• Regional Revitalization	
Leasing 	<ul style="list-style-type: none">• Lease for energy saving facilities• SDGs lease	
Securities  SMBC NIKKO	<ul style="list-style-type: none">• Green Bond• Social Bond	
Cards • CF  SUMITOMO MITSUI CARD  SMBC CONSUMER FINANCE	<ul style="list-style-type: none">• Cashless• Financial literacy education	
Consulting  Japan Research Institute	<ul style="list-style-type: none">• ESG/SDGs evaluation• TCFD reporting	
Asset management  Sumitomo Mitsui AS Asset Management	<ul style="list-style-type: none">• ESG investments• Impact investments	

Collaboration with external partners

GREENxGLOBE Partners

Workshop etc

Biz-Create

Business matching

未来  mirai cross

Industry/Government/
Academia collaboration

Creating Digital Solution

 Sustana



GHG emissions
visualization tool



Scenario analysis using
AI and satellite data

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For the end of this chapter, these are the examples of SMBC Group's solutions.

As in this slide, SMBC Group provides variety of solutions in banking, securities, leasing, consulting, etc. that meet the needs of our customers.

In addition, we will continue to support our customers' efforts to realize sustainability by providing variety of financial and non-financial solutions utilizing digital technologies through collaboration with external partners and integration of the Group's global knowledge.



IV. Efforts to solve social issues

Next, let me introduce our major approaches to various social issues, other than climate change.

Next generation and community

Financial literacy education

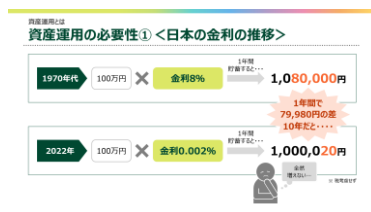
KPI 1.5 mn participants by 2030

- 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)

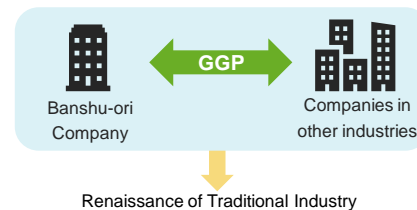
Events/workshops

32 times held
in total

3K+ applicants
in total

GGP-based Project

“Thinking about the future of Banshu-ori” Project



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First is our approach to “Next Generation” and “Community”, which are defined as our priority issues (materiality) along with “Environment.”

Approximately 300 thousand people participated in our financial literacy education in the previous two fiscal years.

We will strengthen our initiatives given the increasing importance of financial literacy education as this has been included in Japanese high schools’ curriculums and the age of adulthood has been lowered.

Moreover, the number of customers who agrees with the purpose of GREEN × GLOBE Partners, a community that seeks to solve social issues, has increased to 503.

In addition to planning more events and sharing information, we will also strive to originate projects from this community.

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
Empower- ment 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 acquisition ^{*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



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Next is Diversity and Inclusion.

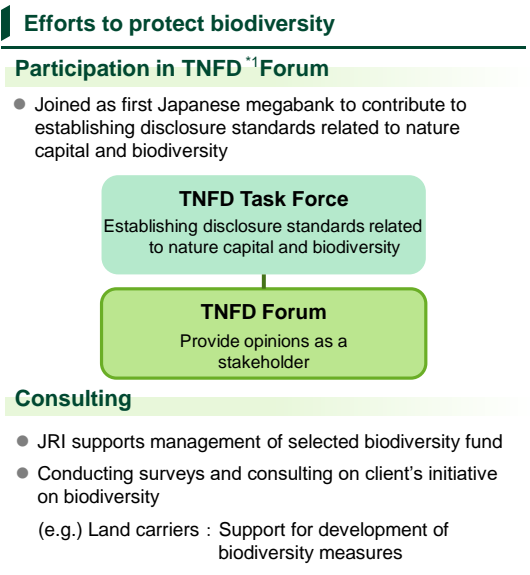
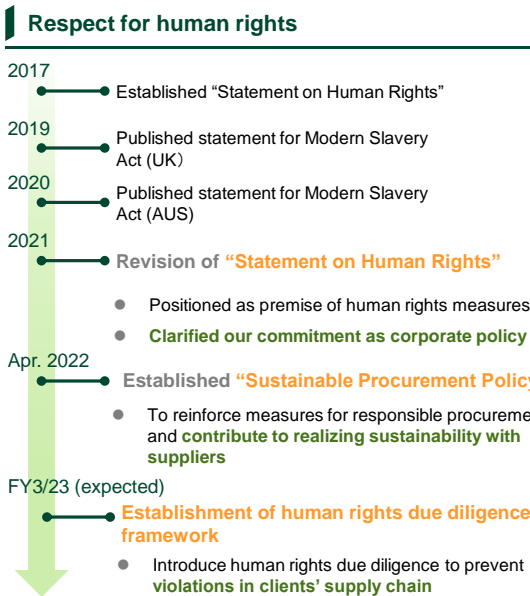
SMBC Group is committed to creating a workplace in which each employee feels comfortable and motivated for the growth of themselves with diverse backgrounds.

Specifically, we are focusing on promoting the active participation of women and global human resources, work style reforms, and health management.

Our various programs are receiving high external reputation as well.

Human rights and biodiversity

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



^{*1} Taskforce on Nature-related Financial Disclosure

Next, I will explain our initiatives related to human rights and biodiversity.

In addition to climate change, social demands to financial institutions for respecting human rights and conserving biodiversity are increasing.

Last year, SMBC Group revised its "Statement on Human Rights" and clarified its commitment to respect human rights.

In April 2022, we also established the "Sustainable Procurement Policy", as I mentioned earlier.

In order to prevent violations of human rights in customers' supply chains, we plan to introduce a human rights due diligence framework within this fiscal year.

Regarding biodiversity, amid the rapid development of global rules and increasing demands for disclosure, we announced our participation in the "TNFD Forum" as one of the first Japanese financial institution.



V. Closing

Finally, I would like to introduce Group CEO's message published in the press release recently.



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.

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Usually, we do not include these kinds of top messages in press releases, but our Group CEO decided to share his thoughts upon this matter to demonstrate SMBC Group's strong commitment to realize carbon neutrality in 2050.

As I mentioned earlier, it is necessary to carefully draw up the path towards realizing carbon neutrality with our customers.

SMBC Group will support customers' efforts towards transition and technological innovation, in order to contribute to realizing decarbonization to the greatest extent possible.

This idea is prevailed in the financed emissions reduction targets I explained earlier as well.

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.

On the other hand, climate change is one of the various paradigm shifts the world is facing and is also an opportunity for financial institutions.

We will strive to sustainably increase our corporate value by integrating SMBC Group's expertise and collaborating with external partners to provide diverse solutions such as sustainable finance, bond underwriting, leasing, and advisory, etc.

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 customersAchieve 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 emissionsAnnounce 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 2030Launched 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

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This chart summarizes our updated sustainability initiatives since April 2022.

Of course, our efforts do not end here, and we believe there is still much more to be done in the future.

SMBC Group will make the greatest efforts to contribute to the resolution of various environmental and social issues including climate change and realize a sustainable society.

We are and would be sincerely thankful for all the continuous supports we receive.

We will also upgrade our efforts by introducing opinions of stakeholders through engagements like this investor meeting and individual interviews.