

# Efforts for Social Value Creation in SMBC Group

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May 29, 2024



SUMITOMO MITSUI  
FINANCIAL GROUP

This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forwardlooking statements. Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.

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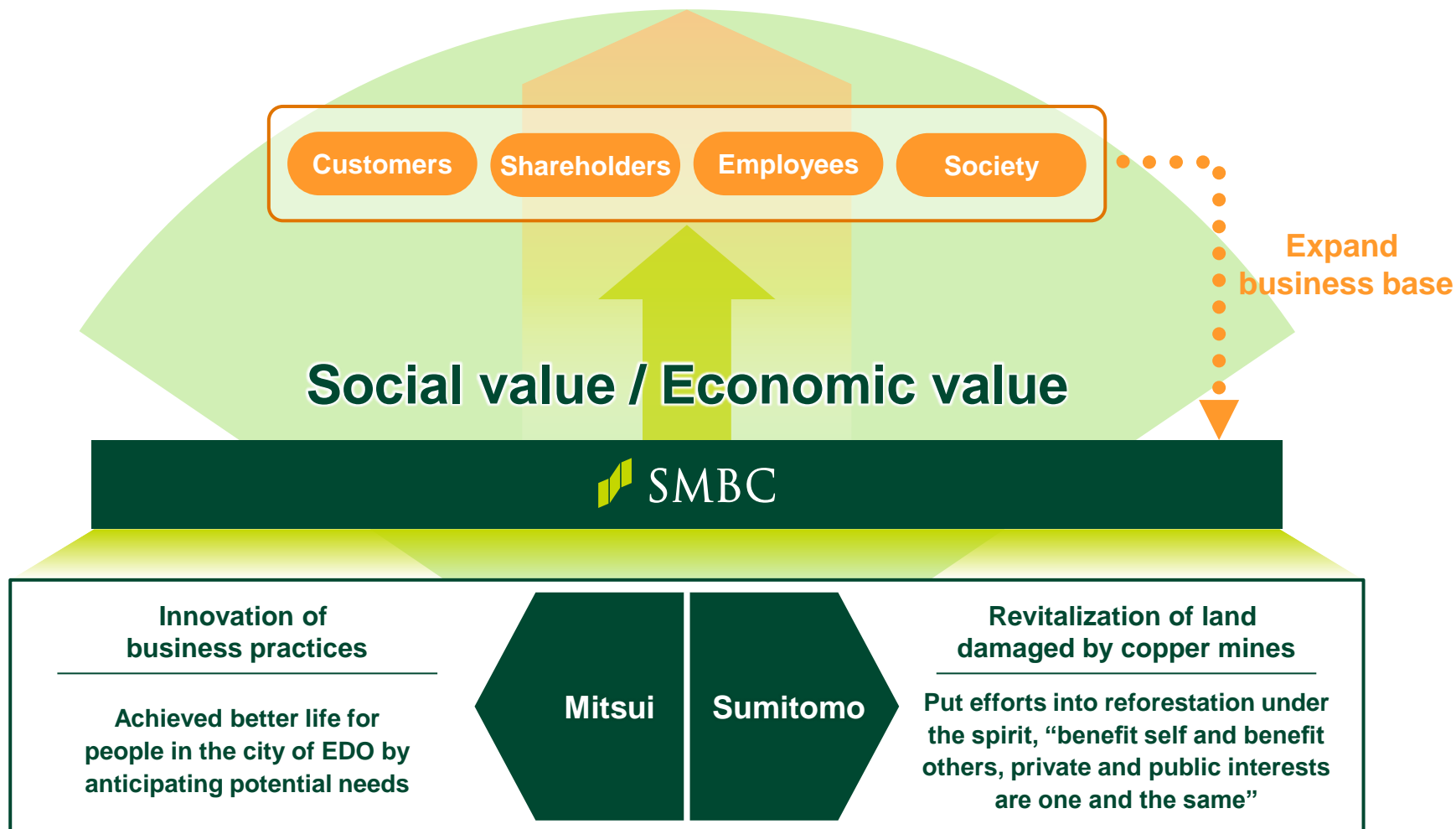


# **SMBC Group's Goal for Social Value Creation**

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## Era of “Fulfilled Growth”

An era where people feel fulfilled as economic growth accompanies the resolution of social issues



# Progress on Priority Issues (Materiality)

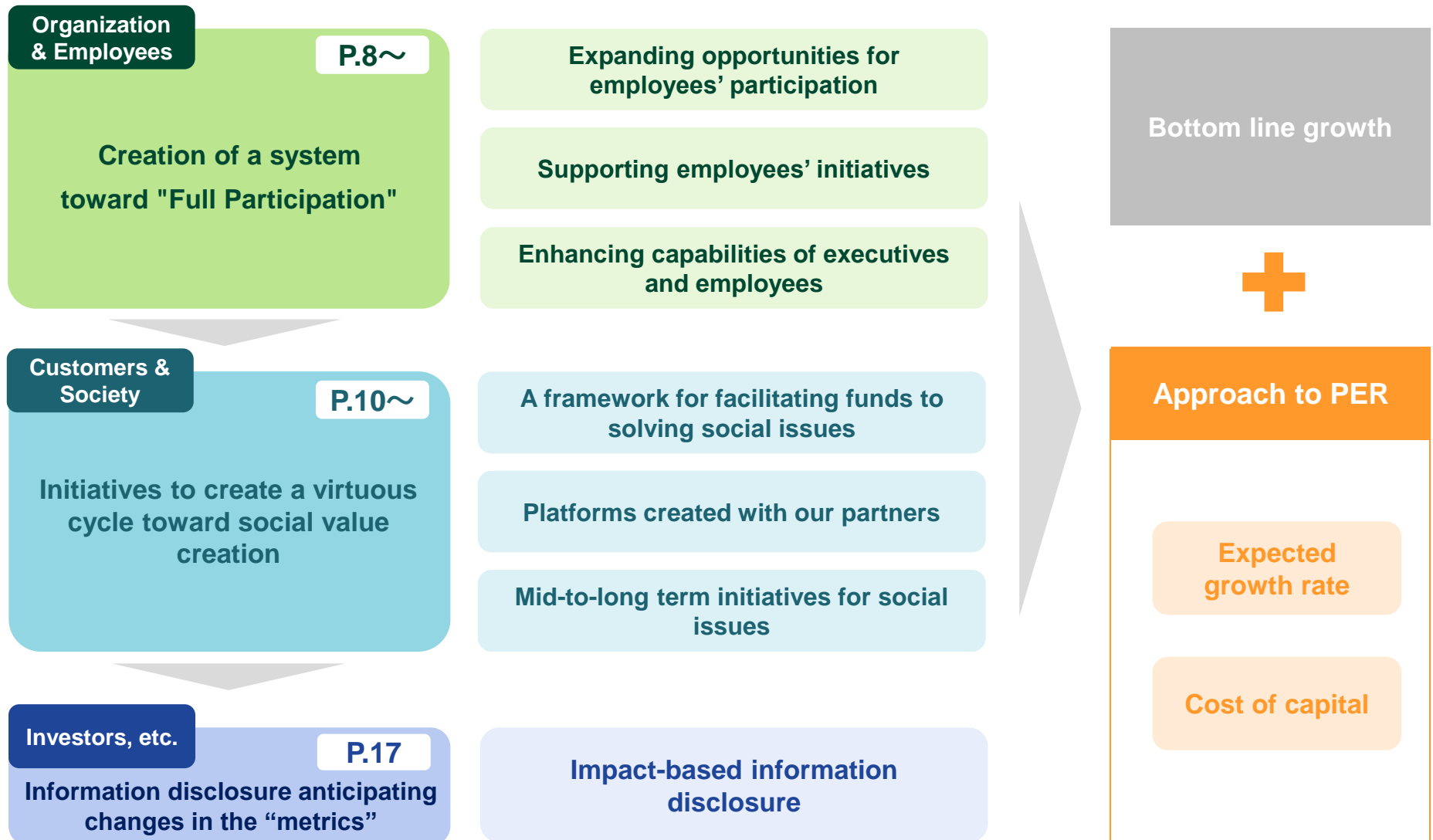
Steadily advancing initiatives aimed at creating social value based on five key issues and ten goals

		KPI	FY3/24 Results
Environment	Support transition to achieve a decarbonized society	Sustainable finance JPY 50 tn (FY3/21-30)	JPY 24 tn (FY3/21-24)
	Contribute to the conservation and restoration of natural capital		
DE&I/ Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score Maintain at least 70	72
	Respect for human rights throughout the supply chain		
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	# of microfinance borrowers +0.8 mn (vs. FY3/23)	+153 k
	Contribute to financial inclusion in developing countries		
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance JPY 18 tn (end of FY3/26)	JPY 17 tn
	Build user-friendly infrastructure to support a society with a declining population		
Japan's Regrowth	Support customers' business model transformation	Investment and loans for startups JPY 135 bn (FY3/24-26)	JPY 79.2 bn
	Create innovation and foster new industries		

# Enhancing Corporate Value through Social Value Creation

Plan for  
Fulfilled Growth

Influence PER through social value creation and sustainably improve the corporate value



# Expanding Opportunities for Employees' Participation & Supporting Employees' Initiatives

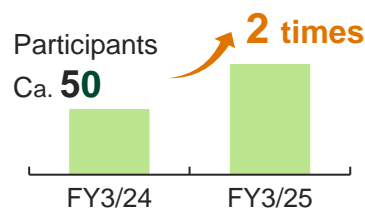
Plan for  
Fulfilled Growth

Encouraging each employee's proactive initiatives towards creating social value

## Enhancing Employee Engagement Opportunities

### SMBC Group's Pro Bono Work Project

- A system to allocate certain portions of employees' working hours to pro bono projects



Up to **20%** of working hours can be allocated



### Social Value Creation Meeting

- Group CEO-led meetings** for swift decision-making on implementing employees' ideas aimed at creating social value



### Shaka-Kachi DAY

- Organizing and implementing a **one-day event** focusing on creating social value at various domestic and international sites



## Supporting Employees' Initiatives

- Developed policies to encourage employees to take their voluntary initiatives

### SMBC Social Issues Resolution Promotion & Support Loan



Business Analysis

Formulation of action plans

Supporting customers' efforts to solve social issues

#### Expense budget

JPY  
**10billion**

- Activities to help customers solve social issues
- Company-wide projects toward social value creation
- CSR programs by employees, etc.

#### Investment fund

JPY  
**40billion**

- Co-creating and developing businesses with our customers
- Development of new technologies and industries, etc.

#### Materials & Tools



Discussion materials with customers

#### Training



Sustainability-related training and study sessions

#### Commendation



Employee participatory award system



# Enhancing Capabilities of Executives and Employees

Continuously enhancing expertise and fostering awareness to encourage social value creation initiatives

## Enhancing Expertise of Executives

### Sustainability Study Session for the Management

- Sustainability study session lectured by Professor Yukari Takamura from the University of Tokyo



In addition to climate change, learned the latest trends in topics that are of increasing interest globally, such as circular economy and human rights

### Round Table

- Held discussions between internal and external directors and Mr. Paul Polman, our Global Advisor

#### < Points of discussion >

- Linking sustainability to business strategy
- Setting long-term, socially impactful goals
- Not striving for perfection while keeping to make constant progress



## Enhancing Employees' Skills

### "Sustainability University"

- Systematizing and expanding training related to sustainability

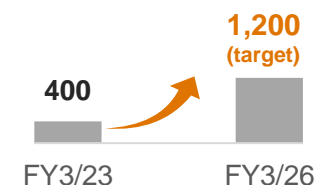
Basic study sessions  
for all Group employees

Ca. 50,000 participants

Online Learning Service  
"Aidemy GX"

Introduced to  
Ca. 40,000 participants

Employees who passed  
the Kinzai Sustainability Test



### CSuO Channel / Social Value Creation Caravan

#### CSuO Channel

Group CSuO's study session for employees

Total of **2,000** participants



#### Social Value Creation Caravan

Roundtable discussion with employees

Held at **196** locations in Japan and overseas



# Creating a Virtuous Cycle of Social Value Creation

Collaboration with partners to build frameworks that create a virtuous cycle of social value creation

## Allocating Funds to Solving Social Issues



## Platforms Created with Partners

### Industry-Academia Collaboration

First half of FY3/25

- Together with academic institutions, planning to announce our efforts to create a movement for social value creation involving governments, companies, and individuals.



### GREEN x GLOBE Partners

- Operating a business community to solve environmental and social issues

Supported by  
**Over 1,700 companies**

Social Value Creation Support Program  
**GGP Edge Program**



# Poverty & Inequality (Background)

To break a negative cycle of poverty, helping the underprivileged become socially independent through providing children with opportunities for education and trying new things

## Relative Poverty

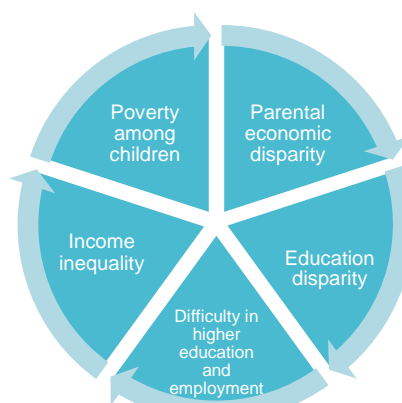
Negative cycle of poverty and disparity among generations

Relative poverty rate of children (Japan)

**11.5%**

Relative poverty rate of single-parent households (Japan)

**44.5%**



## Absolute Poverty

The absence of enough resources to secure basic life necessities

Number of people in extreme poverty in the world

**Ca. 700 million**

(Living with less than \$2.15 a day)

Bank account non-ownership rate

Cambodia	67%
Philippines	49%
Indonesia	48%
Vietnam	44%
India	22%

## Social Issues

## SMBC Group's Role

- Providing children with opportunities for education and trying new things



- Financial supports for social independence
- Improving access to financial services



# Poverty & Inequality (Initiatives in Japan)

In addition to collaboration with NPOs and companies, taking on proactive initiatives aimed at eradicating poverty and inequality

FY4/23~

Providing opportunities with children collaborating with NPOs and companies

Chance for Children, Inc.

## 1 SMBC Group Study Coupon Program

SMBC Group provides  
**JPY 300 million**  
and seconding its **Staff**

Started providing  
ca. **200 students**  
preparing for  
entrance exams  
with the coupons

**Letters from parents of the users**  
“Considering our financial situation, my child had to study with limited studying materials. Thanks to the coupon, my child got more opportunities to learn.”



## 2 Noto Peninsula Earthquake Emergency Support

Providing learning and experiential opportunities to children affected by the disaster



- Providing money management classes and career experience to children attending after-school programs operated by Chance For All



Career experience at Kidzania Tokyo

Chance For All

Kumon Institute of Education Co., Ltd.



Kumon Style Education

Financial and economic education  
Tablets for learning, etc.

Children's homes

FY4/24~

Taking on “poverty and inequality eradication projects”

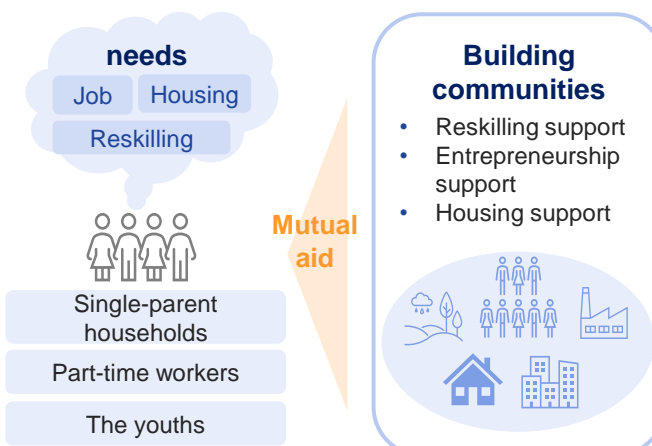
Ideas under consideration



**Creating spaces for children to stay** using an idle SMBC's branch

- Hosting **cafeterias for children**
- Workshops, etc.

Initiatives aimed at realizing a 'mutual aid society'



# Poverty & Inequality (Initiatives Overseas)

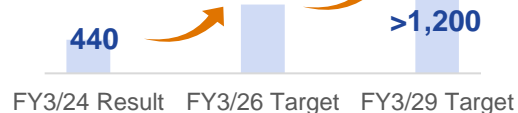
Providing broad supports for financial inclusion, mainly in countries covered by the multi-franchise strategy and supporting the social independence of the underprivileged

## Multi-Franchise Strategy Targeted Countries

### Economic Value

### Bottom-line profit contribution

(JPY 100 million; before amortization of goodwill)

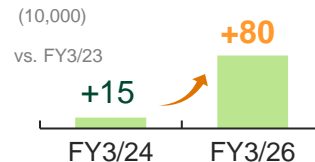


### Social Value

### Financial Inclusion

#### KPI

### Number of microfinance borrowers



### BTPN Syariah

- Providing basic financial services to women operating business in rural areas

People with no toilet or latrine at home

**10.6% decrease**  
in 3 years

### SMICC



- Addressing the needs of customers with limited access to finance in rural areas
- ✓ Group loans
- ✓ Real estate loans
- ✓ Unsecured loans for individuals and MSMEs

## ACLEDA Bank (Cambodia)

2012- Business cooperation

2014- Capital contribution

- In Cambodia, which was exhausted by the severe civil war, ACLEDA Bank has supported the social independence of the underprivileged through microfinance, since its establishment in 1993.

Devastation caused by the civil war/  
People who lost their hope



Contributing to the development of Cambodia and the hopes of the people

Economic growth/  
Improving the quality of life



1993



Established as an NGO

2003

Commercial Banking

2020

Becoming the country's only listed bank

## Collaboration with Gojo & Company, Inc.

- In November 2023, started collaboration on financial inclusion with Gojo & Company, Inc., which provides microfinance in countries, including India, Tajikistan and Cambodia



Gojo & Company, Inc.



Details of the collaborations so far

**Social loans: JPY 9 billion**

**Investing in financial inclusion fund (India)**

**Seconding staff**



# Poverty & Inequality (Initiatives Overseas)

Globally, SMBC Group sites actively engage in social contribution activities participated by employees.

## Initiatives in Asia

SMICC



Food donation activities  
for underprivileged children



**14,000**  
people

Financial literacy programs  
for women in rural areas



**60,000**  
people

APAC

Donation of school supplies and solar  
lights to children in the village of Cambodia



## Americas “Global Foundation”

- Foundation established in 1994, based in the Americas
- Since its establishment, donated ca. JPY 1 billion to support scholarships and community contribution activities.

### Supporting Frederick Douglass Academy in the Harlem District of New York City

- ✓ Supporting learning Japanese
- ✓ Support for study trips to Japan (invitation to SMBC Head Office)



## Global Volunteer Day

- On the occasion of International Volunteer Day (5<sup>th</sup> December), held employee participatory activities at each site under the theme of "Eliminating Poverty and Inequality."

### Asia

#### Indonesia

Financial and economic seminar



#### Thailand

Donation of school  
equipments



### Americas

Towel donation to  
low-income families



#### Japan

Clothing collection that leads  
to vaccine donations



#### Vietnam

Learning support for  
children



### Europe

Donation of winter coats



# Declining Birthrate & Aging Population

Reduce people's various anxieties in conjunction with the progression of a declining birthrate and aging population

Customers' anxieties

Worries about money



Worries about health and daily life



Regional disparities



SMBC Group's Role

Wealth Building Support

Promoting NISA and investment products, as well as digital consultations tailored to customers' life stages

Integrated proposals combining banking, trust, and securities services



Life Shift Service  
(service for the 100-year life)

Set "enriching the experience of aging" as the business purpose

SMBC  
エルダープログラム  
(SMBC Elder Program)



三井住友銀行の  
遺言信託

(SMBC's testamentary trust)

Digital service for end of life-planning notebook

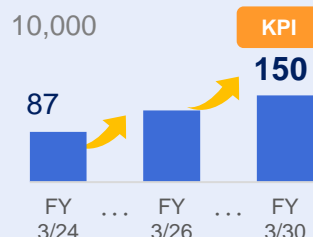
Digitalization of Financial Infrastructure

Through Olive, providing a wide range of financial services regardless of regions



## Financial and Economic Education

Participants (cumulative)



Online game-based learning material  
"Quest of Finance"

Released in 3/24



Users  
Ca. 2,500

Lectures about finance and economics by bank branch managers  
(FY3/24)



Lectures  
185  
Participants  
19,000

Lectures about financial literacy at universities  
(FY3/24)



Participants  
Ca. 56,000

Kinza Institute for Financial Affairs, Inc.  
Financial Literacy Certification  
(FY3/24)



Passers  
Ca. 18,000

Cooperated establishing the certification

# Japan's Regrowth

Plan for  
Fulfilled Growth

Actively engage in the mid to long-term projects for social issues, including those which do not directly create economic value in the short term

## Incubation for Drug Discovery

- Agreement to establish a joint venture company aimed at creating innovative pharmaceuticals originating from Japan, together with Takeda Pharmaceutical Company and Astellas Pharma Inc.



## Support for Startups

### Innovation Hubs

Japan

hoops link tokyo

USA

Silicon Valley Lab

Singapore

Asia Innovation Centre

### Startup Investment Funds

**SMBC Asia Rising Fund**

\$ 200mn

Enhance value of our investees in Asia

**Growth fund**

JPY 30bn

Support to incubate unicorns in Japan

## Regional Revitalization



### Support for drafting "Kumamoto Semiconductor Individual Promotion Vision"



Research taking the opportunity of the entry of a major Taiwanese semiconductor company into Kumamoto



### Support for the international expansion of Nanbu ironwares



Matching Nanbu ironware manufacturers with a cross-border e-commerce company

## Champion growth through sports sponsorship





# Impact-based Information Disclosure

Anticipating changes in the “metrics” to evaluate companies; strengthening impact-based information disclosure

## Visualization of Impact

### What's impact for SMBC Group?

The impact on society and the environment through SMBC Group's initiatives aimed at realizing an era of 'fulfilled growth'

visualization



## Steps towards Visualization

- 1 In-depth analysis of Materiality**: Analyzing the factors of the issues and our initiatives
- 2 Identifying topics for making impact visible**: Specifying topics based on the impact brought by initiatives
- 3 Developing logic models**: Logically explaining the relations between initiatives and our goals
- 4 Setting impact-based metrics**: Establishing measurable metrics to show the impact
- 5 Measurement and disclosure**: Measuring and disclosing data

## Examples of metrics

### The percentage of customers below the poverty line

- Microfinance by BTPN Syariah, etc.

Poverty & Inequality

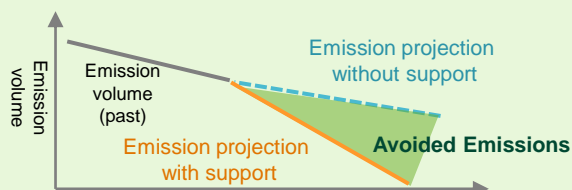
Impact assessment for the last three years  
**Reduction by 11.1%**  
FY 2023

### Avoided Emissions (GHG)

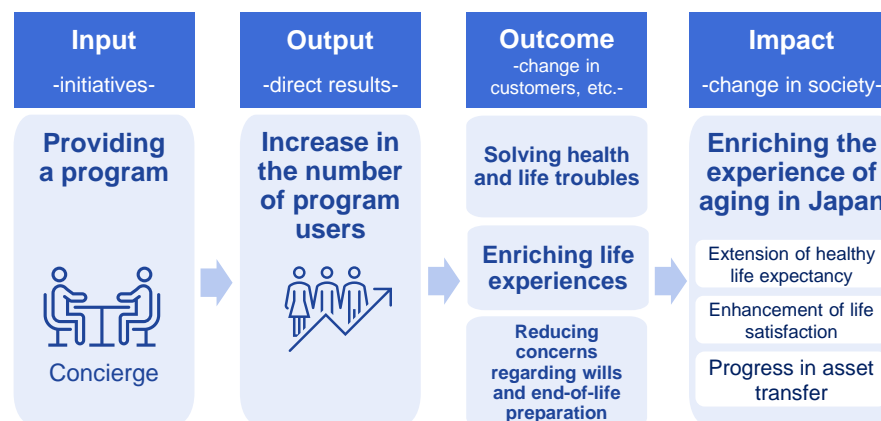
- Project finance for renewable energy projects

Environment

**19mn. t-CO2**  
FY 2022



## Reference Image: Logic Model for SMBC Elder Program








# Environment

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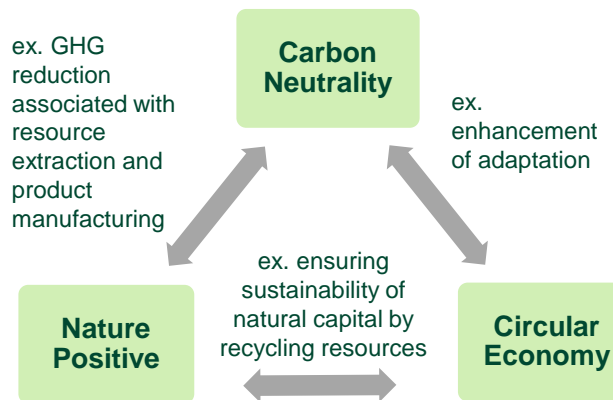
# Backgrounds

 Climate change, natural capital, and circular economy are interconnected. An integrated approach is required.

 Environmental issues are linked to other social issues, including human rights, poverty, and inequality.

 Supported by governments, the medium to long-term business opportunities emerge.

## Interconnected Environmental Issues



## Impacts of Climate Change

Climate change has a greater impact on people in underprivileged countries where preparedness for natural disasters, water shortages, health hazards, etc. is inadequate than in developed countries.

Over the next 10 years, ca. **130 million** people will additionally fall into extreme poverty.\*1

## Investment (expected)

**Carbon Neutral**

**\$11** trillion\*2  
By 2030

ex. renewable energy, storage batteries, hydrogen

**Nature Positive**

**\$10** trillion\*3  
By 2030

ex. nature restoration, agriculture, infrastructure

**Circular Economy**

**\$25** trillion\*4  
By 2050

ex. waste management, water use

## Adaptation

### UNEP “Adaptation Gap Report 2023”



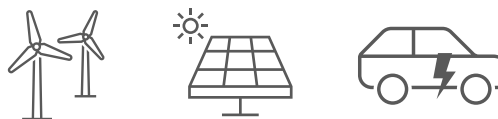
Climate risks still exist even if the Paris Agreement is achieved

Funding needed for adaptation measures is

ca. **\$387** billion a year.

## Just Transition

**Shrinking and decline of existing industries and loss of jobs** due to changes in the industrial structure with decarbonization



“**Just transition**” that leaves no one behind is essential

## Policy Support

Japan  
**GX Promotion Act**

**JPY150** trillion

In next 10 years  
ex. hydrogen and renewable energy

USA  
**Inflation Reduction Act**

**\$391** billion

ex. clean energy and EVs

EU  
**Green Deal Investment Plan**

**€1** trillion

ex. renewable energy, decarbonization of buildings and transportation

# Towards Achieving Net Zero

Plan for  
**Fulfilled Growth**

Maximizing contributions to the decarbonization of the real economy while achieving net zero within SMBC Group

P.21~

## Contributing to Decarbonization of the Real Economy



**Coexist**  
+

P.29~

## Achieving Net Zero within SMBC Group



1

Risk-taking in new energy and new technologies

2

Supporting Transition in the world, including Japan/Asia

3

Visualization of ESG related challenges within the whole supply chain

4

Co-creation of businesses with our customers towards decarbonization

5

Offering diverse and group-based solutions

### Considerations

Policy

Portfolio  
Management

Customer/Project  
Management

### Main Items

Policies for Specific  
Businesses and Sectors

Phase-out Strategy

Climate-related RAF

Environment/Social Risk  
Assessment

Environmental and  
Social Due Diligence

# Contributing to Decarbonization of the Real Economy

As a global solution provider, firmly support our customers' initiatives towards transition and technological innovation by leveraging our strengths

## Customers' needs

High investment risks in R&D of new energy and technologies  
Challenges in adopting currently costly decarbonization technologies

Still high dependence on fossil fuels in energy consumption in Japan and Asia

A lack of resources and know-how about understanding the GHG emissions from both the company and the entire supply chain

Finding partners to transform fuel procurement and business structures for decarbonization

One-stop and speedy response to various phases and challenges towards decarbonization

## SMBC Group's strengths

### 1 Risk-taking in new energy and new technologies P.22

- Establishing a market leader position in the field of new energy and new technologies as a pioneer in project finance

### 2 Supporting Transition in the world, including Japan/Asia P.23

- In pursuit of decarbonization in Asia, which is essential for achieving the Paris Agreement goals, accelerating initiatives, disclosure, and dialogue to support transition finance

### 3 Visualization of ESG related challenges within the whole supply chain P.25

- Utilizing Sustana/Asuene ESG as a lever to visualize non-financial data in the supply chain and using it for the dialogue with customers and providing solutions

### 4 Co-creation of businesses with our customers towards decarbonization P.25

- Leveraging a global customer base and deep insights into the decarbonization field to connect companies and create businesses aimed at decarbonization

### 5 Offering diverse and group-based solutions P.26

- Supporting our customers' efforts towards decarbonization with a diverse range of solutions from the entire SMBC Group



# Risk-taking in New Energy and New Technologies

Establishing a market leader position in the field of new energy and new technologies as a pioneer in project finance

1980s~

2000s~

2020s~

## Foundation of socio-economic development

Power

Natural  
Resources

Theme Parks

Infrastructure

PFI

Chemical



## New Energy and New Technology

Green  
Data Center

Onshore/  
Offshore Wind

Hydrogen  
Reduced Iron

Solar Power

Storage Battery

Green Hydrogen

### Americas

Data Center deal



### Australia

Appointed as a FA for a  
green hydrogen project

CQ-H<sub>2</sub>

Central Queensland Hydrogen Project

### Japan

Investment fund for  
hydrogen(JH2A)



Working to establish the fund  
during 1<sup>st</sup> half FY3/25

### Europe

World's 1<sup>st</sup> large scale  
green steel project



Accelerating initiatives, disclosure, and dialogue to support transition finance based on the challenges that have become apparent through actual deals

## Transition Finance Playbook

### Summary

Shows SMBC Group's definition and criteria of Transition Finance and its decision-making process



### Goals

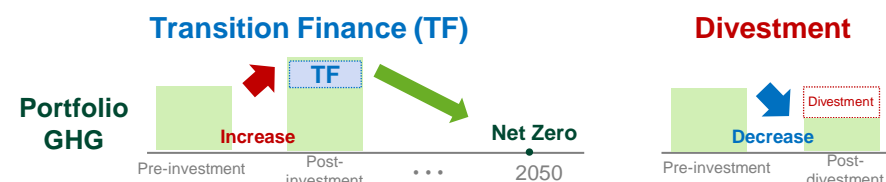
- ① **Develop an objective and rational criteria**
- ② **Ensure accountability towards stakeholders**
- ③ **Utilize the Playbook within customer engagement**

### Results

- Engaged : **100 meetings**
- Approved: **21 deals**

## Challenges

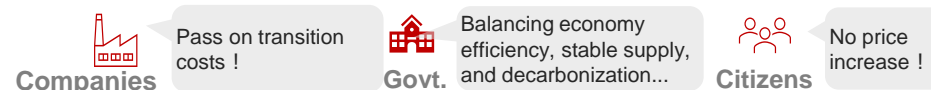
### 1 Increase in short and mid-term portfolio GHG emissions



### 2 Addressing companies currently having difficulties with alignment with the 1.5°C scenario

- Net zero targets of their governments are not aligned with the 1.5°C scenario
- Industrial structural transformation is necessary, etc.

### 3 Cost Burden



## Goals for FY3/25

FY24 first half

### Playbook Progress Report

- Summary of FY2023's initiatives
- Challenges from operational perspective
- Recommendations towards customers, financial institutions, and governments to promote transition finance, etc.

Continue  
engagement  
to resolve  
issues

Customers



SMBC  
Engage



Govt.



# Contributing to Decarbonization in Asia

In pursuit of decarbonization in Asia, which is essential for achieving the Paris Agreement goals, strengthening financing and industry-academia-government collaboration, considering the circumstances of the region.

## Examples of transition finance

### Early retirement of coal-fired power plant in Australia







- Transition finance to a major Australian electricity and gas supply company in establishing new energy storage facilities, which will contribute to **the early retirement/decommissioning of coal fired power plants**



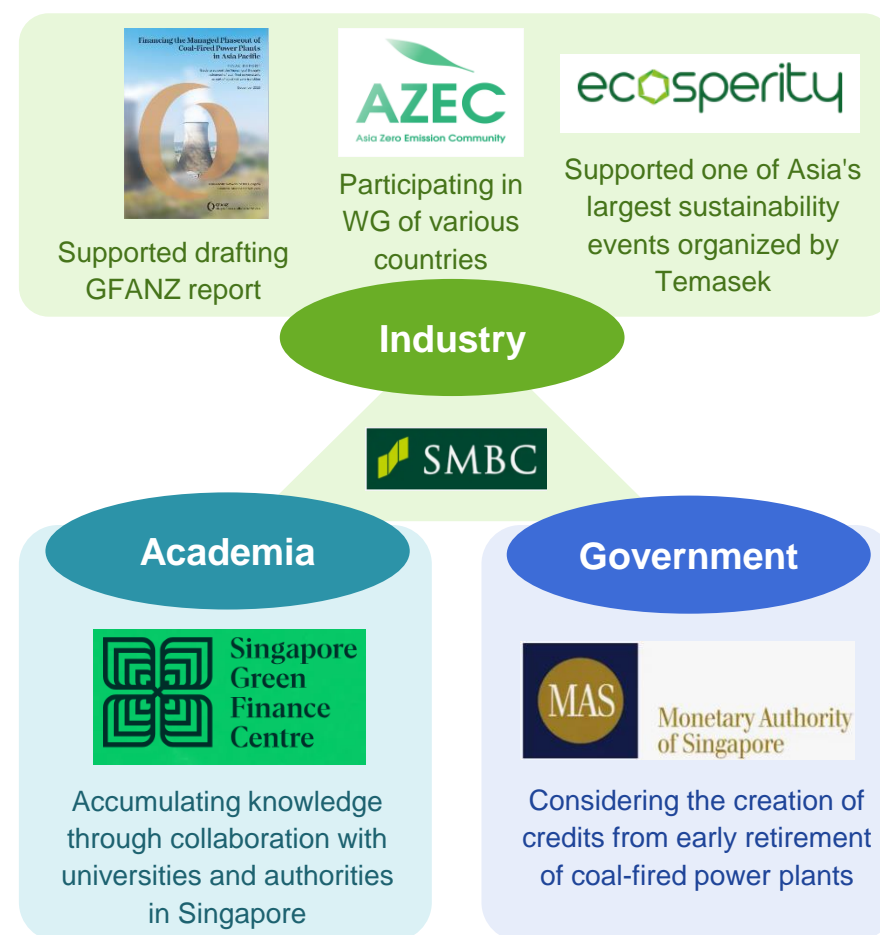
Completion of retirement up to **10 years** earlier than initially planned

Reduction in GHG emissions equivalent to **16MT/year**

### Financing plenty of projects for energy transition

<b>India</b> 2,000MW Solar 	<b>Taiwan</b> 1,000MW Offshore Wind 	<b>India</b> 380MW Solar 
<b>Australia</b> Wind • Solar 	<b>India</b> 300MW Wind • Solar 	<b>India</b> Solar gigafactory 

## Industry-academia-government collaboration





# Visualization/Co-creation of Business

Thoroughly supporting our customers' pain points in decarbonization from non-financial aspects through data visualization and creation of new businesses, etc.

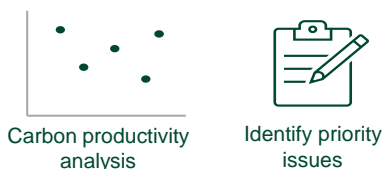
## Data visualization

**Sustana** GHG emission calculation/reduction support cloud tool developed by SMBC Group

Linking data with other companies

**Zeroboard** *Orchestrating a brighter world*  
**NEC**

Insights derived from data



Number of users  
(cumulative)  
more than  
**1,800**  
Companies

May 2024

**ASUENE ESG** Supporting tool for identification/solution of ESG issues in supply chains

**ASUENE ESG**



In October 2023  
**Started business alliance** with Asuene Inc.



## Co-creation of business

Companies with  
technology for  
decarbonization



Connect

Companies with  
decarbonization  
needs

**SMBC** SUMITOMO MITSUI  
BANKING CORPORATION

Global customer  
base



Deep insights in  
decarbonization



In-house sector  
experts



### Examples of business co-creation

#### Installation of renewable energy in SCSK's data center

- First corporate PPA with the issuance of I-REC in Japan



#### Installation of renewable energy in DHL Group's logistics facility

- An agricultural solar power project that contributes to regional revitalization and sustainable farm management



# Various Solutions Across SMBC Group

SMBC Group offers a range of solutions to support our customers' efforts towards decarbonization, leveraging the collective capabilities of the entire group.

## Major solutions for decarbonization

### Banking



SUMITOMO MITSUI  
BANKING CORPORATION

- Project finance
- Sustainable finance, etc.



### Trust banking



SMBC TRUST BANK

- Green ABL Trust
- Sustainability related real estate



### Leasing



- Solar power PPA
- EV adoption support, etc.



### Securities



SMBC NIKKO

- Green bond
- Transition bond, etc.



### Card payments



SUMITOMO MITSUI  
CARD

- CO2 emissions calculation based on card payment data



### Consulting



Japan Research Institute

- Target/strategy setting, disclosure support
- Decarbonization consulting



### Asset management



Sumitomo Mitsui DS Asset Management

- ESG investments
- Impact investments



## Examples of solutions

### Grid-scale battery storage project



SMFL MIRAI Partners

- Japan's first project finance structuring and equity participation ~Renewable Energy Deal of the Year in IJ Global Awards 2023 APAC

### Renewable energy project

Solar power generation capacity (MW)

- Expanding primarily in solar power generation



### Carbon credits



SUMITOMO MITSUI  
BANKING CORPORATION

- Intermediate J-Credit creation support, buying and selling services with BYWILL



## Collaborating with stakeholders

### With companies



SMBC AVIATION CAPITAL

- Joint study with Boeing and Mitsubishi Heavy Industries to scale up SAF in Japan



### With academia



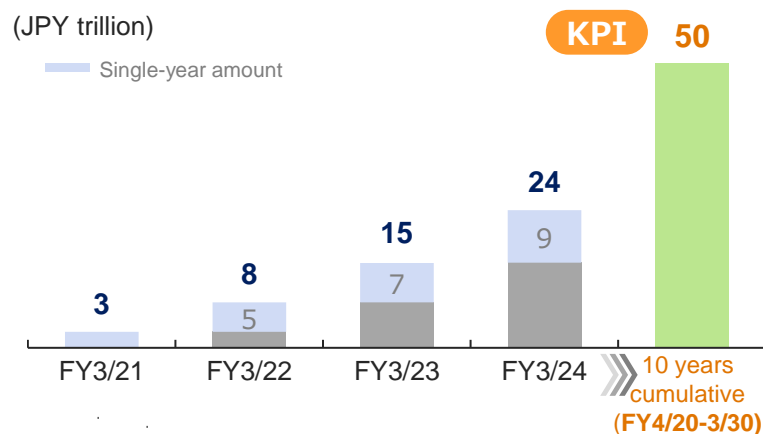
Japan Research Institute

- Established consortium with Kyoto University and others, with the aim of the implementation of the carbon cycle

# Ref. Sustainable Finance

Steady progress towards the sustainable finance target of 50 trillion yen

## Amount of sustainable finance (cumulative)



## League Tables



<sup>\*1,3</sup> : Dealogic (FY23, amount of finance), <sup>\*2</sup> : Environment Finance (FY23, number of cases)

## Finance Case Studies

Indonesia	India
<p>Blue bond contributing to the conservation of marine ecosystems</p> <p>The Samurai bond</p>	<p>Green loan for wind and solar power generation</p>
UK	Chile
<p>Social loan for affordable housings</p>	<p>Social loan for businesses committed to financial inclusion</p>

## Support for the formulation of sustainable finance frameworks

- To support **Mazda's** net zero efforts, as a structuring agent, SMBC Group supported the formulation of the finance framework
- The framework was adopted as the **Climate Innovation Finance Promotion Project** by the **Ministry of Economy, Trade and Industry (METI)**, the first project by the automobile companies in Japan



# Natural Capital/Circular Economy

Plan for  
Fulfilled Growth

In addition to responding to climate change, focusing on realizing nature positive as well as a circular economy to protect the global environment

## Conservation and Restoration of Natural Capital

### Support for Nature-Positive Management

- Publication of a solutions catalog for achieving nature-positive outcomes



Simplified diagnostics also provided



### Natural Capital Management Promotion & Analysis Loan

- Financing products to assist customers in advancing natural capital management



### TNFD Aligned Disclosure

- The first TNFD report by a Japanese bank
- Registered as a “TNFD Adopter”



### Sustainable Food and Agriculture System

- Utilization of smart agriculture technology for rice and onion cultivation



Mirai Kyoso Farm Akita Co., Ltd.

## Circular Economy

- Providing solutions across the entire value chain by leveraging the group's strengths



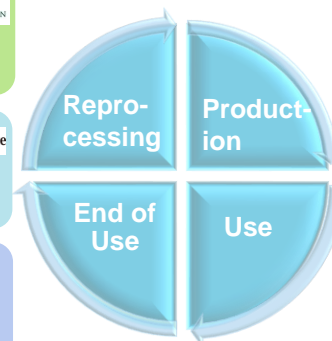
### Financing



### Consulting



### Leasing



Ex.

Rental,  
Subscription



Individual  
management



Sale of used  
equipments

Plant  
dismantling



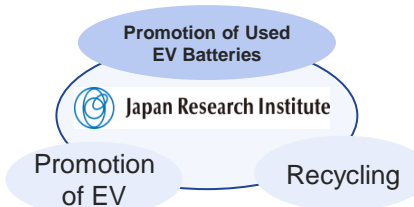
Waste  
management

### Waste Management Business

- Joint venture establishment with AMITA HOLDINGS CO.,LTD, a leading resource recycling company

### Promotion of Circular Use of EV Batteries

- Awareness-raising for EV user companies through the Smart Use Council



# Towards Achieving Net Zero as SMBC Group

Appropriate management of policies, portfolio, and individual customer/project towards realization of Net Zero as SMBC Group

Considerations	Main Items	Main Updates
Policy	Policies for Specific Businesses and Sectors Phase-out Strategy	<ul style="list-style-type: none"> <li>● <b>Revised Policies for Specific Businesses and Sectors</b> <b>P.30</b> <ul style="list-style-type: none"> <li>• Coal-fired power generation</li> <li>• Thermal coal</li> <li>• Biomass power generation</li> </ul> </li> </ul>
Portfolio Management	Climate-related RAF	<ul style="list-style-type: none"> <li>● <b>Set mid-term GHG reduction targets for automobile, steel, and real estate sectors</b> <b>P.31</b> <ul style="list-style-type: none"> <li>• Mid-term reduction targets have been set for six sectors that account for 70% of our portfolio's GHG emissions (FE)</li> </ul> </li> </ul>
Customer/ Project Management	Environmental / Social Risk Assessment Environmental and Social Due Diligence	<ul style="list-style-type: none"> <li>● <b>Introduced Environmental and Social Due Diligence</b> <b>P.33</b> <ul style="list-style-type: none"> <li>• Assess customers' environmental/social initiatives and risk mitigation measures</li> <li>• Assessment of customer's transition plans</li> </ul> </li> </ul>



# Revision of Policies for Specific Businesses and Sectors

Considering the environment and society, revised/established policies for specific businesses and sectors

## Policy prohibiting support across businesses and sectors

<b>Strengthen</b> Coal-fired power generation	Oil & Gas
<b>Strengthen</b> Coal mining	Deforestation
Palm oil plantation development	<b>New</b> Biomass power generation

**Businesses and sectors likely to have impacts on climate change**

Hydropower
Nature conservation areas
Weapons manufacturing
Tobacco manufacturing

### Coal-fired power generation

**Strengthen**

- Clarified that we will not support towards coal-fired power plants with maturity exceeding FY3/41, in addition to newly planned/expansion of coal-fired power plants

### Thermal coal mining

**Strengthen**

- Clarified that we will not support towards thermal coal mining projects with maturity exceeding FY3/31 in OECD countries and FY3/41 in non-OECD countries, in addition to newly planned/ expansions of thermal coal mining projects

### Biomass power generation business

**New**

- Clarified that we will support new construction and expansion of woody biomass power generation plants only if the use of sustainable combustion materials is confirmed

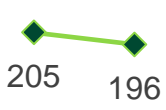


### Oil & Gas

- Conduct environmental and social risk assessment when considering support towards projects such as oil sands, shale oil and shale gas, oil and gas mining projects in the Arctic, and oil and gas pipelines

# Establishment of New Portfolio GHG Emission Reduction Targets

Plan for  
Fulfilled Growth

## Set new mid-term reduction targets in the automobile, steel, and real estate sectors

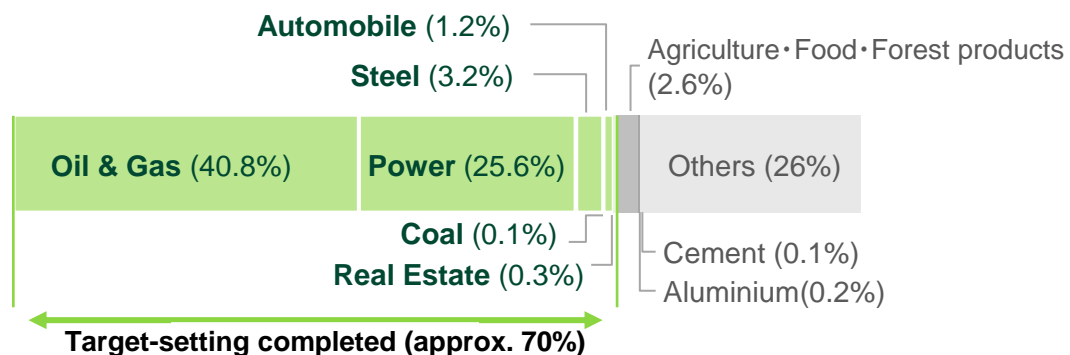
	Results	Targets	Characteristics and Approaches to GHG Reduction
<b>Automobile</b> 3/24	<p>(g-CO<sub>2</sub>e/vkm)</p>  <p>205 196</p> <p>FY3/22 FY3/23</p> <p>*1 IEA NZE Scenario</p>	<p>● <b>161</b> (Ref. SBTi SDA Tool B2DS)</p> <p>● <b>120</b> (Ref. 1.5°C Scenario*1)</p> <p><b>FY3/31</b></p>	<p><b>Characteristics</b></p> <ul style="list-style-type: none"> <li>Emissions are primarily caused by vehicle operation or fuel production (electricity, hydrogen, etc.). ⇒ important to expand the adoption of various next-generation vehicles, considering regional characteristics</li> </ul> <p><b>Approaches</b></p> <ul style="list-style-type: none"> <li>Support for decarbonization tailored to factors such as the types of next-generation vehicles and regions (TF Playbook)</li> <li>Support for next-generation vehicle infrastructure (charging stations, hydrogen stations, etc.)</li> </ul>
<b>Steel</b> 3/24	<p>(t-CO<sub>2</sub>e/t-steel)</p>  <p>2.0 2.0</p> <p>FY3/22 FY3/23</p> <p>*2 Mission Possible Partnership Carbon Cost Scenario</p>	<p>● <b>1.8</b> (Aligned with clients' goals aiming at carbon neutrality by 2050)</p> <p>● <b>1.2</b> (Ref. 1.5°C Scenario*2)</p> <p><b>FY3/31</b></p>	<p><b>Characteristics</b></p> <ul style="list-style-type: none"> <li>Emissions are primarily caused by crude steel production; to support its growing demand, production through blast furnaces, etc., is necessary in addition to recycling with electric furnaces. ⇒ important to commit to energy transition, considering the industrial structures and energy situations of each region.</li> </ul> <p><b>Approaches</b></p> <ul style="list-style-type: none"> <li>Support for decarbonization tailored to the production process (TF Playbook)</li> <li>Support for new production technologies, such as direct reduction, including the hydrogen direct reduction method</li> </ul>
<b>Real Estate</b> 5/24	<p>(kg-CO<sub>2</sub>e/m<sup>2</sup>)</p>  <p>81 80</p> <p>FY3/22 FY3/23</p> <p>*3 CRREM Global Pathways 1.5°C</p>	<p>● <b>42.9</b> (Ref. CRREM)</p> <p>● <b>33.1</b> (Ref. 1.5°C Scenario*3)</p> <p><b>FY3/31</b></p>	<p><b>Characteristics</b></p> <ul style="list-style-type: none"> <li>Emissions are primarily caused by property use (especially electricity). ⇒ important to improve property performance and decarbonize electricity</li> </ul> <p><b>Approaches</b></p> <ul style="list-style-type: none"> <li>Support for clients' decarbonization in the real estate sector and the electricity sector</li> <li>Support for environmentally friendly properties, such as green buildings</li> </ul>

# Overview of Portfolio GHG Emissions (Scope 3)

Completed mid-term target setting in a total of six sectors covering the major Scope 3 sectors

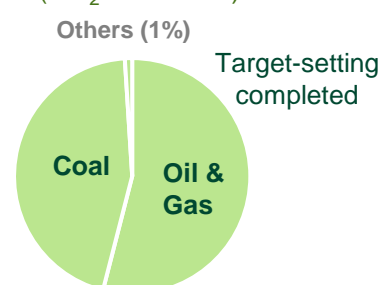
Sector	Balance(JPY trillion)*1	Transition Risks	FE (MT-CO2e) *1	Maturity of calculation standards*2	Goal setting	
Power	6.1	Very High	246	○	✓	May 2022
Oil & Gas	4.3	Very High	392	○	✓	Aug. 2022
Coal	0.1	Very High	1	○	✓	Aug. 2022
Automobile	2.0	High	12	○	✓	Mar. 2024
Steel	1.6	High	31	○	✓	Mar. 2024
Real Estate	12.3	Low	3	○	✓	May. 2024
Agriculture	0.4	Low	5	△	-	-
Aluminium	0.1	Middle	2	○	-	-
Cement	0.1	High	1	○	-	-

## SMBC Group's Portfolio Emissions by Sector\*1

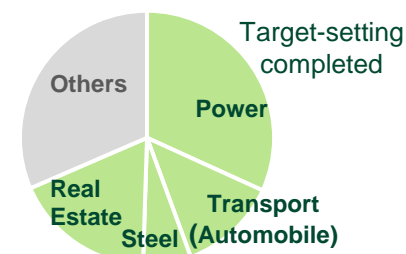


## Breakdown of global CO<sub>2</sub>/GHG emissions

### By energy supply\*3 (CO<sub>2</sub> emissions)



### By sectoral demand\*4 (GHG emissions)



\*1 : TCFD Report 2023; Balance refers to the loan balance. FE (Financed Emission) is the sum of Scope 1,2 and 3 \*2 : Developed by SMBC Group based on the guidelines by international initiatives such as SBTi and TPI \*3 : IEA World Energy Outlook 2022 \*4 : WRI World Greenhouse Gas Emissions 2019



# Strengthening Risk Analysis and Management Process

Introduced environmental and social due diligence to enhance our existing credit assessment which will strengthen the risk management and customer engagements

## Environmental and Social Due Diligence Apr. 24 (corporate finance)

Overview	<ul style="list-style-type: none"> <li>Assess customers' environmental/social initiatives and risk mitigation measures</li> <li>Utilize to enhance credit assessment and customer engagements</li> <li>✓ If we are unable to confirm that our customers are taking specific steps toward transition after a certain period of engagement, we will carefully consider whether to continue business relationships with them.</li> </ul>	
Examples of items	Environment	Climate change <including <b>assessment of transition plans</b> (as detailed below)> , resource management, biodiversity, etc.
	Social	Human rights, occupational safety and health etc.
Points to confirm	<ul style="list-style-type: none"> <li>Sector-specific risks</li> <li>Risk mitigation measures for each environmental/social issues</li> <li>Governance structure for environmental/social issues</li> </ul>	

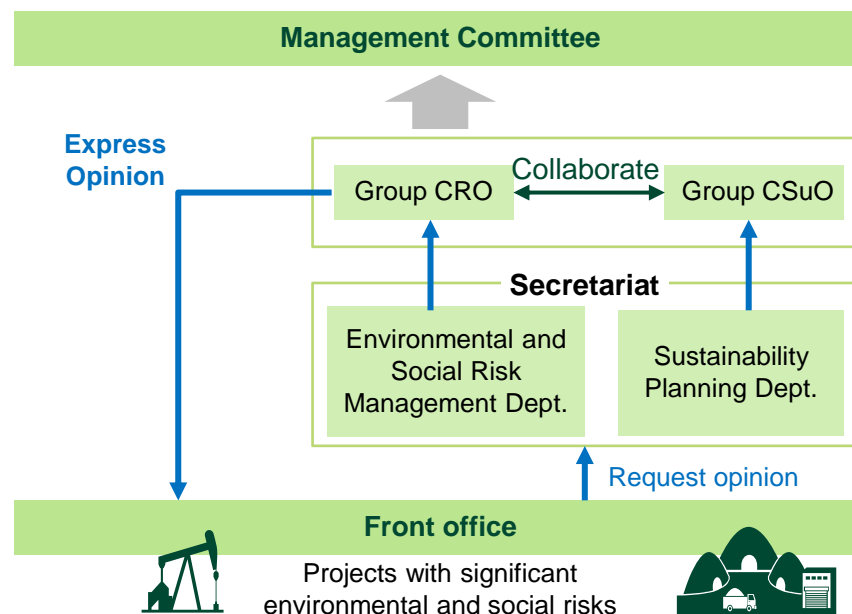
## Assessment of transition plans

Examples of items	Points to confirm
Reduction target	Short/mid-term GHG reduction target, 1.5°C alignment
Governance	Involvement of Board of Directors
Specific initiatives undertaken	Investment plan, participation in initiatives, etc.

## Ref. Environmental/Social Risk Assessment (project related finance)

- Conduct environmental / social risk assessment for financing large-scale projects and reflect the result in the credit approval process
- Escalation process (as details below) is required when financing projects with particularly high risk

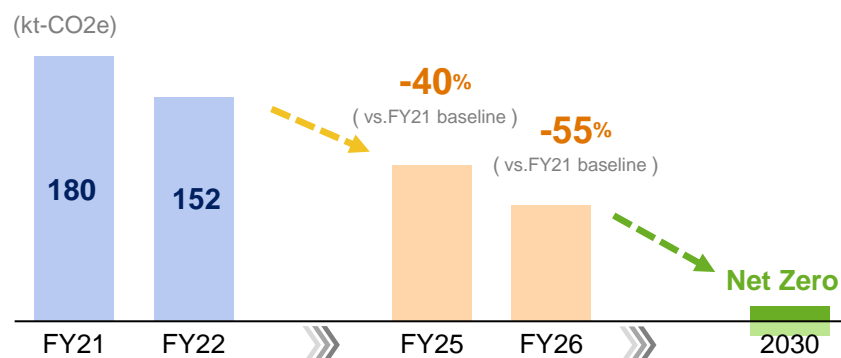
## Escalation process



# Reducing GHG Emissions in SMBC Group Operations (Scope1, 2) Plan for **Fulfilled Growth**

Steadily promoting initiatives to achieve net zero by 2030 as a Group

## Results and Targets<sup>\*1</sup>



### Main Initiatives

Switching to renewable energy for our own properties in Japan

SMBC Kawasaki Mega Solar Place

Offsite Corporate PPA

### Future Focus Areas

Switching to renewable energy for data centers and leased properties

Switching company cars to EVs

Acquisition of the third-party assurance

### Neutralization of Residual Emissions

Clarifying the definition of net zero

Utilization of carbon credits

## New Initiatives in FY3/24

### SMBC Forest

- Acquired approximately **220ha** of forest in Isehara City, Kanagawa Prefecture
- Creation of credits** with the forest absorbing CO2 (equivalent to approximately 700t-CO2e)
- Promoting tree growth through appropriate thinning and afforestation, etc. and an increase in CO2 absorption



### SMBC Uji Green Power Plant

- Acquisition of naming rights
- Using renewable electricity** from the power plant at SMBC branches



### Data Governance

Establishing Internal Control System

Data Management

The Third-Party Assurance

**Ensuring the Reliability of GHG Emissions Data**

<sup>\*1</sup>: Scope/ Boundary: Domestic and international consolidated subsidiaries in FY3/22.



# **Governance**

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# Diversity of the Board of Directors

Composition  
(Jun.24-)\*<sup>1</sup>

**Internal directors (non-executive)**  
:3

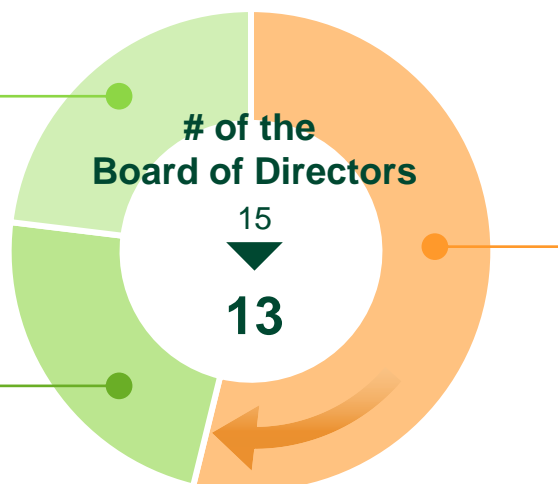


Takeshi Kunibe    Toshihiro Isshiki    Yoshiyuki Gono

**Internal directors (executives)**  
:5 ▶ 3



Toru Nakashima    Teiko Kudo    Fumihiko Ito



<Ratio of Outside directors>

47%

54%

**Outside Directors: 7**



Shozo Yamazaki    Sonosuke Kadonaga    Yoshinobu Tsutsui  
Katsuyoshi Shinbo    Eriko Sakurai    Charles D. Lake II.  
Jenifer Rogers

## Improve diversity in the Board of Directors

Female



20%

23%

Foreign Nationals



13%

15%

# Enhancement of Sustainability Management System

Plan for  
Fulfilled Growth

Continuous sophistication in terms of both execution and supervision

## Sustainability Management System



### Incorporating supervisory discussions

Major discussions	Examples of measures implemented
<ul style="list-style-type: none"> <li>Materiality</li> <li>Transition plan, climate related risks</li> <li>Non-financial information disclosure regulations</li> <li>Social value creation</li> <li>Macro environment, etc</li> </ul>	<ul style="list-style-type: none"> <li>Review of Materiality</li> <li>Advanced transition plan</li> <li>Advanced management of climate related risks</li> <li>Release of TNFD/Human rights report</li> <li>Change of organization, etc</li> </ul>

## Expertise of Sustainability Committee Members

Outside Director Eriko Sakurai	<ul style="list-style-type: none"> <li>Advanced sustainability initiatives at Dow Inc.</li> </ul>
Outside Director Jennifer Rogers	<ul style="list-style-type: none"> <li>Served as the Chairman of the American Chamber of Commerce in Japan in 2021</li> <li>Focused on enhancing U.S.-Japan economic ties and global business environment with an emphasis on sustainability</li> </ul>
External Expert Yukari Takamura	<ul style="list-style-type: none"> <li>Professor at the Institute for Future Initiatives, the University of Tokyo</li> <li>Specializing in international law and environmental law</li> </ul>
Expert Eiichiro Adachi	<ul style="list-style-type: none"> <li>Head of the Institute for Societal Values in Future Generations at the Japan Research Institute, Limited</li> <li>Specializing in industrial research and corporate assessments from CSR perspective</li> </ul>

## Executive Compensation System

- To strengthen managements' dedication, integrated both quantitative and qualitative sustainability indicators

Stock Compensation Plan	Quantitative indicators	Sustainable finance, Portfolio GHG emissions, Engagement score, DE&I
	Qualitative indicators	Efforts to address Materiality
Bonus	Quantitative indicators	KPI achievement : Sustainable finance, Scope 1,2 GHG emissions, etc.
	Qualitative indicators	ESG rating of major agencies

# Board Skills Matrix\*1

Plan for  
Fulfilled Growth



















































Appointed directors using a skills matrix that summarizes the knowledge and experience expected by the Nomination Committee

Knowledge and experience we expect in particular

Internal Directors (non-executive)

Internal Directors (executive)

Outside Directors

	Management	Finance	Global	Legal /risk management	Accounting	IT/DX	Sustainability
Takeshi Kunibe							
Toru Nakashima							
Teiko Kudo							
Fumihiko Ito							
Toshihiro Isshiki							
Yoshiyuki Gono							
Shozo Yamazaki							
Sonosuke Kadonaga							
Yoshinobu Tsutsui							
Katsuyoshi Shinbo							
Eriko Sakurai							
Charles D. Lake II							
Jenifer Rogers							

\*1 : Subject to resolution at the Ordinary General Meeting of Shareholders in June 2024



# **Opinion on the Shareholder Proposal**

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# Opinion of SMFG's Board of Directors on the Shareholder Proposal

Plan for  
Fulfilled Growth

**SMFG's Board of Directors has resolved to oppose the Shareholder Proposal for the following reasons;**

## 1 The issues requested in the Proposal have already been addressed within the current Articles of Incorporation.

### Proposal 1

- SMBC Group (the "Company") has established and discloses the criteria and the procedures for selecting candidates for directors; the Nominating Committee formulates and discloses a skills matrix. **P.38**
- The Company's Board of Directors annually analyzes and evaluates the effectiveness of the Board of Directors, and discloses its methods and results. **P.9,37**
- The Company has established a Sustainability Committee as an internal committee of the Board of Directors; it hosts study sessions to promote the enhancement of expertise across the entire Board of Directors, etc. **P.9,37**

### Proposal 2

- The Company has established and discloses a Transition Finance Playbook as a framework for assessing customers' transition plans. **P.23**
- We are appropriately addressing the Company's climate-related risks by taking measures such as controlling GHG emissions across its overall loan and investment portfolio to align with the 1.5 degree goal. **P.31,32**
- We introduced "environmental and social due diligence" as a new assessment framework; we have in place a system for risk assessment based on assessments of our customers' transition plans, etc. **P.33**

## 2 Since the Articles of Incorporation shall stipulate the basic framework of a company by resolution at a general meeting of shareholders, the clauses requested in the Proposal are not appropriate.

- ✓ The matters to be considered in making decisions in basic management policies are so diverse that it is difficult and not appropriate to stipulate all such matters in the Articles of Incorporation in advance.
- ✓ Clauses concerning individual and specific business execution in the Articles of Incorporation would make it difficult for the Company to respond and adjust flexibly in the event such as the major changes in social conditions, and may, in turn, impair our corporate value.

### <Overview of the Shareholder Proposal>

**Adding clauses to the Company's Articles of Incorporation to disclose the following matters:**

#### Proposal 1

Policies and processes for selecting directors and evaluating the effectiveness of the Board of Directors that ensure the management of the risks and opportunities associated with climate change

#### Proposal 2

How the Company will assess fossil fuel sector clients' climate change transition plans for credible alignment with the 1.5 degree goal of the Paris Agreement and the consequences of these clients

For details, please refer to our disclosure dated 5/15/2024. ([https://www.smfg.co.jp/news\\_e/pdf/e20240515\\_03.pdf](https://www.smfg.co.jp/news_e/pdf/e20240515_03.pdf))





## **Concluding remarks**

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SMBC Group's sustainability

**“Creating a society in which today’s generation can enjoy economic prosperity and well-being, and pass it on to future generations”**





# Appendix

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# Enhancement of Non-Financial Information Disclosure

Plan for  
Fulfilled Growth

Proactively enhancing disclosure of non-financial information in anticipation of the legalization about it

## Progress on Disclosure of Non-Financial Information

- |             |  |                                      |
|-------------|--|--------------------------------------|
| <b>2017</b> | Announced support for the TCFD recommendations   |                                      |
| <b>2019</b> | Announced the results of scenario analysis regarding physical risks  | 1 <sup>st</sup> among G-SIBs         |
| <b>2020</b> | <ul style="list-style-type: none"> <li>Announced the results of scenario analysis regarding transition risks</li> <li>Disclosed TCFD report</li> </ul> |                                      |
| <b>2023</b> | <ul style="list-style-type: none"> <li>Disclosed TNFD report</li> <li>Disclosed Human Rights Report</li> </ul>   | 1 <sup>st</sup> among Japanese banks |

Planning further advancement of  
various information disclosures in 2024



## Recognition and Accreditation

### Inclusion in ESG indexes

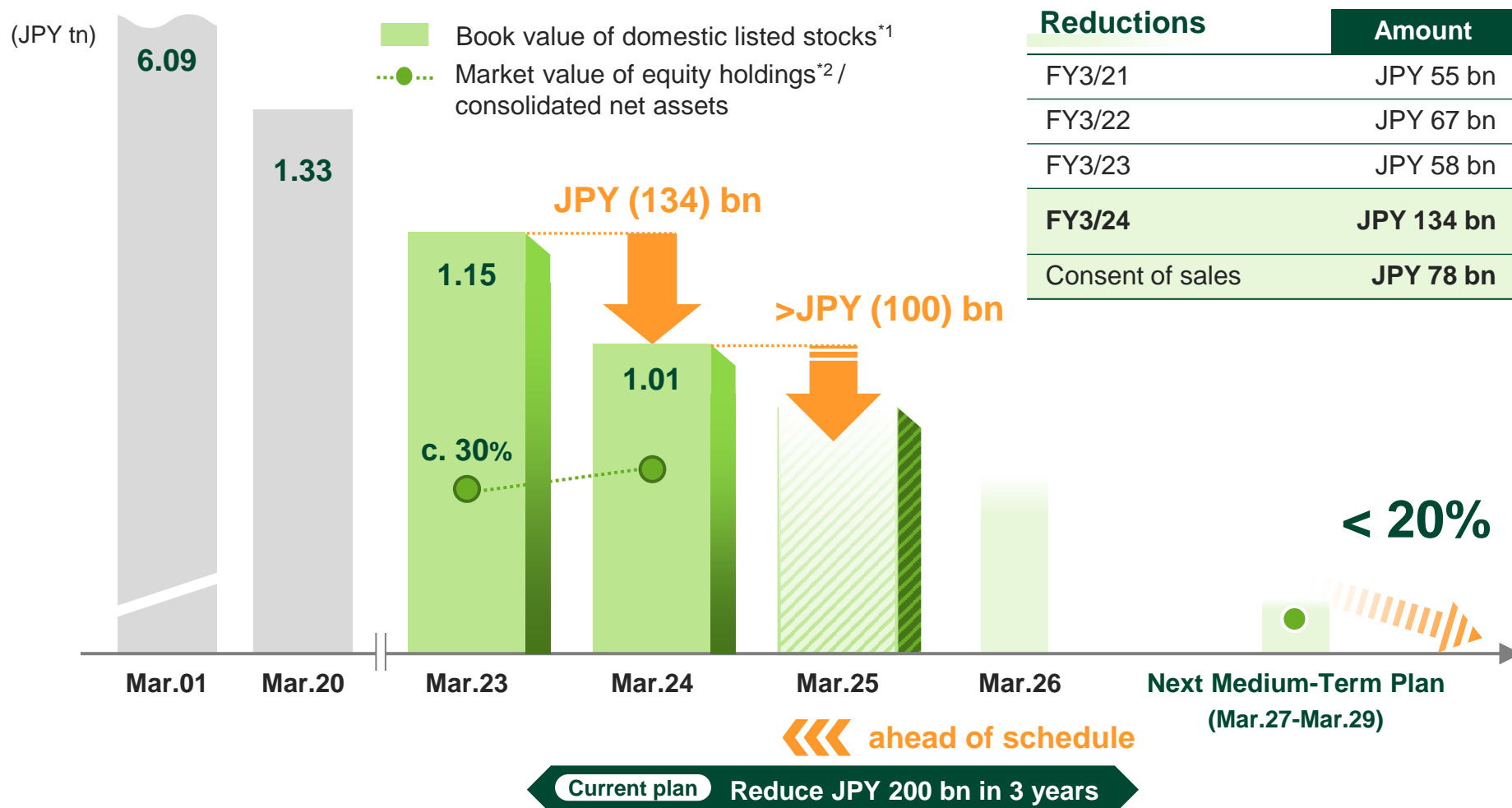


### Awards and Recognition



# Reduction of Equity Holdings

Reduced JPY 134 bn of equity holdings in the first year of three years reduction plan of JPY 200 bn. Aim to achieve current plan ahead by reducing >JPY 100 bn in FY3/25 and consider a new reduction plan.



\*1 : Excl. investments after Mar.20 for the business alliance purpose \*2 : Incl. balance of deemed held shares



# Overview of Net Zero Transition Plan

Components	Items	Major Contents
Foundations	Corporate policy on climate change and the approach for initiatives	<ul style="list-style-type: none"> <li>Revised the SMBC Group Statement on Sustainability and the Group Environmental Policy</li> <li>Achieve net zero GHG emissions for Scope 1 and 2 by 2030</li> <li>Achieve net zero GHG emissions for Scope 3 (portfolio GHG ) emissions by 2050</li> </ul>
Governance	Strengthening governance on climate change	<ul style="list-style-type: none"> <li>Supervise by Board of Directors and internal committees, including Sustainability Committee</li> <li>Established Group CSuO to oversee and promote initiatives across all aspects of sustainability, including response to climate change</li> <li>Advance executive compensation system, management of internal control process</li> <li>Strengthen capabilities of directors and employees</li> </ul>
Implementation Strategy	Products and services related to climate change	<ul style="list-style-type: none"> <li>Expansion of decarbonization products and services : GHG emissions visualization services, carbon credit business, etc.</li> <li>Co-creation of business towards decarbonization : support for installation of renewable energy</li> <li>Expanding sustainable financing through further risk-taking approaches: new energy and new technologies</li> </ul>
	Climate-related risk assessment and management	<ul style="list-style-type: none"> <li>Strengthened Policies for Specific Businesses and Sectors</li> <li>Introduced environmental and social due diligence</li> </ul>
	Portfolio GHG emissions (Scope 3)	<ul style="list-style-type: none"> <li>Expansion of portfolio GHG calculation and target setting</li> <li>Development of targets and indicators to support decarbonization of real economy</li> </ul>
	Operations emissions (Scope 1,2)	<ul style="list-style-type: none"> <li>Switching to renewable electricity and company cars to EVs</li> </ul>
Engagement Strategy	Engagement with customers	<ul style="list-style-type: none"> <li>Established Transition Finance Playbook</li> <li>Introduced company-specific assessment framework on transition plan</li> </ul>
	Engagement with industry	<ul style="list-style-type: none"> <li>Participate in initiatives such as GFANZ, NZBA, NZAMI, PCAF, IIF, Japan Hydrogen Association (JH2A) , etc.</li> </ul>
	Engagement with the Government	<ul style="list-style-type: none"> <li>Participate in committees held by the Government of Japan</li> </ul>
Metrics and Targets	Sustainable finance KPI	<ul style="list-style-type: none"> <li>Cumulative JPY 50 trillion by FY3/30</li> </ul>
	Portfolio GHG emission reduction targets by sector (Scope 3)	<ul style="list-style-type: none"> <li>Setting targets on power, coal, oil &amp; gas, steel, automobile, and real estate sectors</li> <li>Setting KPIs related to transitions</li> </ul>
	Operations emissions reduction targets (Scope 1,2)	<ul style="list-style-type: none"> <li>40% and 55% decrease in FY25 and FY26 respectively from FY21</li> </ul>



# Approach to Net Zero

Plan for  
Fulfilled Growth

		Current Medium-Term Management Plan							
		2021	2022	2023	New 2024	2025	2030	2040	2050
Scope1,2 (Operational GHG)		2030 Net Zero Commitment	Switch to renewable energy SMBC head office Self-owned buildings			Mid-term Target 40% reduction from FY21	Net Zero		
Scope3 (Portfolio GHG)		2050 Net Zero Commitment	Set mid-term target Power, Coal, Oil & Gas	Set mid-term target Steel, Automobile	Set mid-term target Real estate	Achieve mid-term targets 6 sectors			Net Zero
Coal	Loan balance for coal-fired power generation	Established phase-out strategy			Tightening policies for specific businesses and sectors	Project finance 50% reduction from FY20		Zero Balance for Project finance and Corporate finance tied to facilities	
	Loan balance for thermal coal mining sector	Established phase-out strategy			Tightening policies for specific businesses and sectors	Zero Balance OECD countries		Zero Balance non-OECD countries	
Sustainable Finance						JPY 50 tn Cumulatively			
Transition Finance (TF)		TF Playbook Power, Energy			TF Playbook Steel, Automobile				
Assessment of customers' transition plans		ESG Risk Summary Tool		Company-Specific Transition Strategy Assessment Framework Pilot	Introduction of Environmental and Social Due Diligence				

# Details of Reduction Target on Portfolio GHG Emissions (Scope3)

Plan for  
Fulfilled Growth

Set mid-term targets in six sectors and steadily promoting initiatives towards GHG emissions reduction

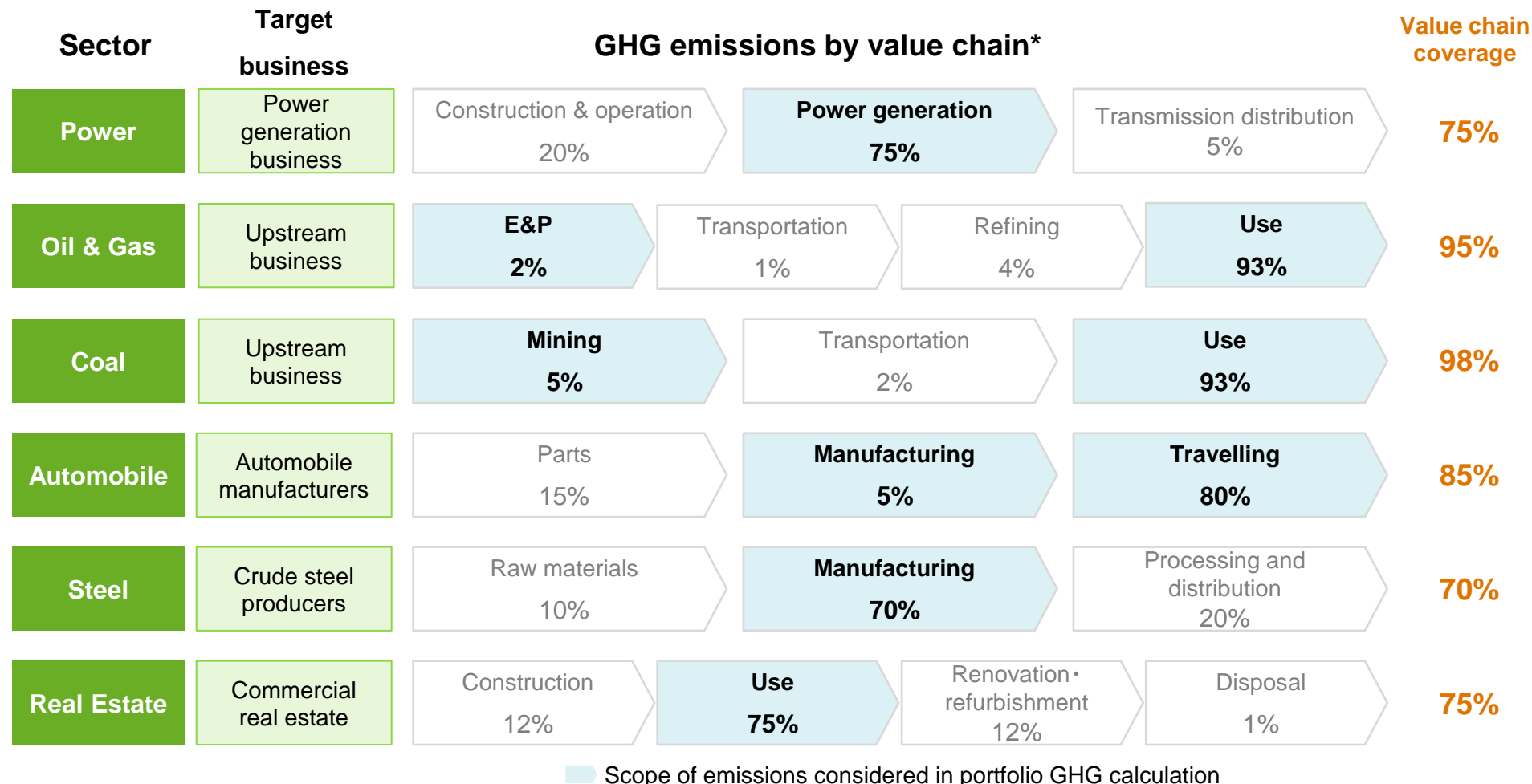
Sector	Scope of Emissions	Metric	Mid-term target for FY3/31	FY3/23 Results		FY3/22 Results	Baseline (Base year)
					vs. baseline		
Power	Scope1	Carbon intensity (g-CO <sub>2</sub> e/kWh)	138~195	292	-12%	320	332 (FY3/21)
Oil & Gas	Scope1,2, and 3	Absolute emissions (Mt-CO <sub>2</sub> e)	-12~29% (vs.FY3/21 baseline)	23.9	-41%	33.3	40.8 (FY3/21)
Coal	Scope1,2, and 3	Absolute emissions (Mt-CO <sub>2</sub> e)	-37~60% (vs.FY3/21 baseline)	4.4	-68%	7.4	13.6 (FY3/21)
Automobile	Scope1,2, and 3	Carbon intensity (g-CO <sub>2</sub> e/vkm)	120~161	196	-4%	205	205 (FY3/22)
Steel	Scope1,2	Carbon intensity (t-CO <sub>2</sub> e/t-Steel)	1.2~1.8	2.0	-	2.0	2.0 (FY3/22)
Real Estate	Scope1,2*	Carbon intensity (kg-CO <sub>2</sub> e/m <sup>2</sup> )	33.1~ 42.9	79.8	-1.5%	81.0	81.0 (FY3/22)

\* Domestic commercial real estates (non-recourse loans and REITs), including Scope 3 Category 13 for REITs

# Overview of Portfolio GHG Emissions Target Setting

Plan for  
Fulfilled Growth

Set emission reduction targets in six sectors aiming at covering key items in the value chains



\* Compiled by SMFG with reference to IEA: World Energy Outlook 2022, METI: Industry Roadmap for Transition Finance, MLIT: White Paper on Land, Infrastructure, Transport, and Tourism in Japan

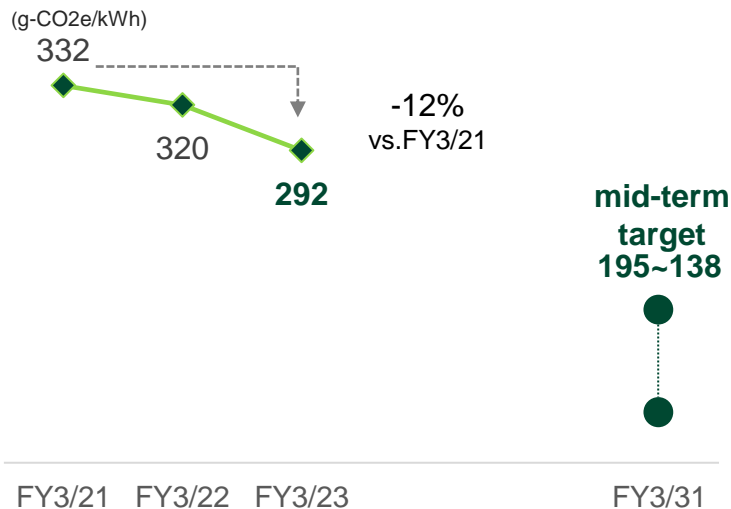
# Portfolio GHG Reduction Targets and Progress (Power Sector)

Plan for  
Fulfilled Growth

In the power sector, achieved 12% reduction over the last two years.

In addition to a zero balance target, will continue to expand supports for transition finance and renewable energy generation.

## Results and Targets



## Trend Status

- With the promotion of sustainable finance, the balance of project finance for renewable energy in our portfolio has expanded.
- The balance of project finance for high-emission power generation projects, including coal-fired power generation, has decreased.

## Sector-Specific Approaches

### Support for Decarbonization Utilizing the TF Playbook P.23

- Defining transition in the power sector with the TF Playbook
- Advancing engagement and actively promoting transition projects
- Supporting the early retirement and decommissioning of coal-fired power plants

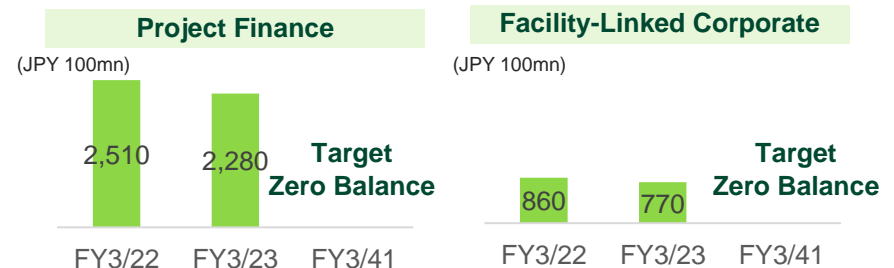
### Expansion of Support for Renewable Energy Generation P.27

- Leveraging our achievements and expertise as a frontrunner in green loans, including renewable energy, expanding support globally
- Green loan amount of finance: World No. 1

### Policies for Specific Businesses and Sectors

#### <Excluded from support>

- New and the expansion of projects related to coal-fired power generation
- Coal-fired power plants with maturity exceeding FY3/41
- Companies whose main business is coal-fired power generation and which have any existing transactions, including but not limited to lending, with SMBC Group.



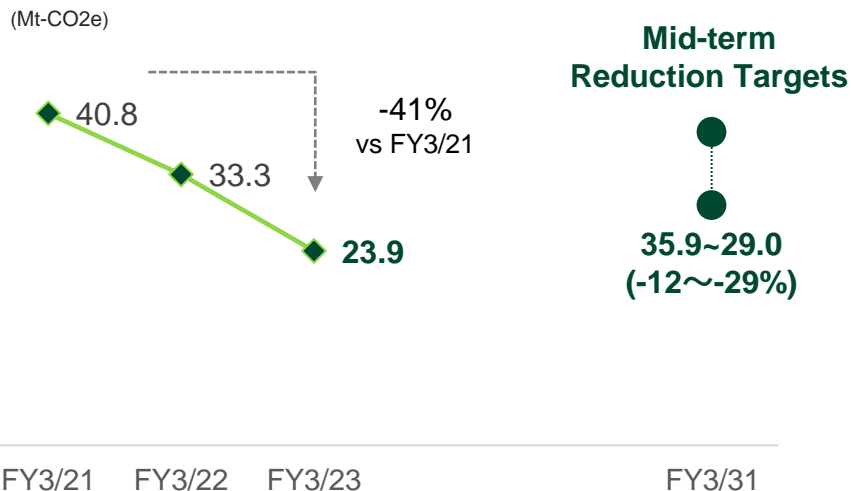
# Portfolio GHG Reduction Targets and Progress (Oil & Gas Sector)

Plan for  
Fulfilled Growth

Emissions already reduced to the mid-term reduction target level.

Will continue to support transitions and the development of alternative fuels and aim for steady reduction.

## Results and Targets



### Trend Status

- In FY3/23, the impact of COVID-19 gradually eased, economic activity resumed and oil and gas production of creditee companies and projects increased.
- On the other hand, loans for high-emission projects decreased by carefully judging the selection of projects.
- In addition, with the increase in customer's market capitalization, the amount attributable to SMFG decreased.

## Sector-Specific Approaches

### Policies for Specific Businesses and Sectors

#### <Careful response through environmental/social risk assessments>

- Large-scale new and expanded oil and gas upstream projects
- Carefully respond to the following cases, regardless of novelty or scale.
  - ✓ Oil sand
  - ✓ Shale Oil and Shale Gas
  - ✓ Oil & Gas mining in the Arctic
  - ✓ Oil & Gas Pipelines

### Supporting Decarbonization with TF Playbook

- Define transitions in the oil & gas sector with TF Playbook, enhance engagement and actively promote transition deals

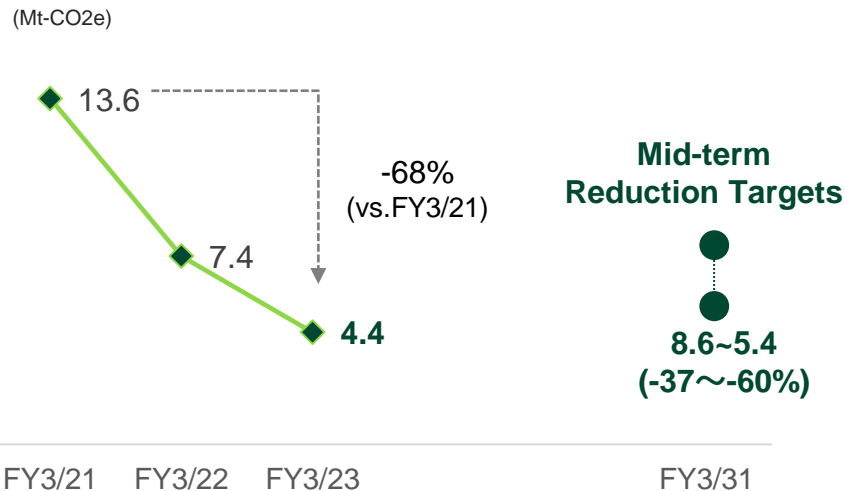
#### < Main points of transition judgement>

- ✓ GHG reduction targets aligned with the Paris Agreement
- ✓ Concrete transition strategies to achieve goals
- ✓ (Only for finance in the format of Use of Proceeds) Eligibility for loaned assets

# Portfolio GHG Reduction Targets and Progress (Coal Sector) Plan for Fulfilled Growth

Emissions already reduced to the mid-term reduction target level in the thermal coal sector.  
Will aim for steady reductions to achieve the zero balance target.

## Results and Targets



## Trend Status

- In FY3/23, the impact of COVID-19 gradually eased and coal production of creditee companies and projects increased.
- On the other hand, loans decreased due to repayment progress upon maturity and restraint aligned with the Policies for Specific Businesses and Sectors.

## Sector-Specific Approaches

### Policies for Specific Businesses and Sectors

#### <Excluded from support>

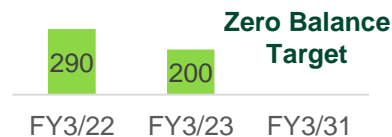
- Projects that fall under any of the following:
  - ✓ New and expansion of thermal coal mining operations
  - ✓ New and expansion of infrastructure projects linked to thermal coal mining
  - ✓ Coal mining by mountaintop removal mining method
- Thermal coal mining companies that fall under the following:
  - ✓ Have no existing transactions with the Group
  - ✓ Transactions in OECD countries beyond FY3/31
  - ✓ Transactions in non-OECD countries beyond FY3/41

### Zero Balance Target

- Reduction target for loans, including uncommitted withdrawals for companies and projects whose main business is thermal coal mining

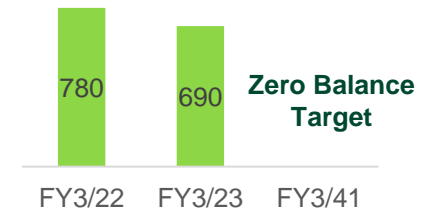
#### OECD Countries

(JPY 100mn)



#### Non-OECD Countries

(JPY 100mn)

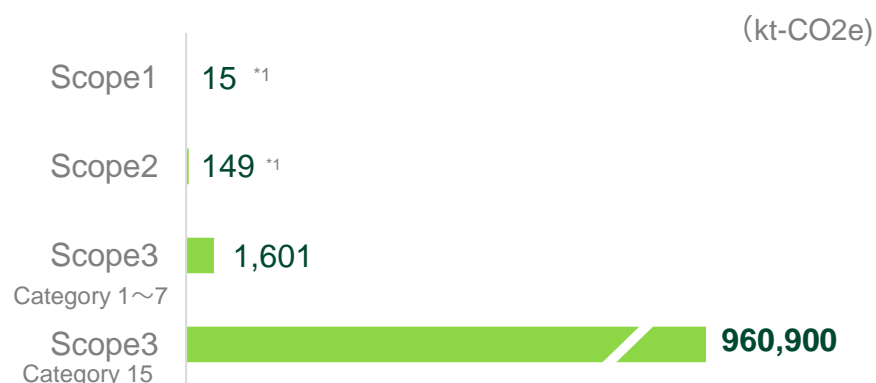




# Overview of GHG emissions for SMBC Group in FY3/23

The key to achieving net zero lies in reducing Category 15 (Investments and Loans) of Scope 3, which constitutes a large portion of GHG emissions.

## GHG Emissions (FY3/23)



## GHG Reduction Targets

Scope1,2	Short-term	FY3/27 -55% (vs.FY3/22)
	Mid-term	Net zero by 2030
Scope3 (Category15)	Mid-term	Targets by sector for FY3/31
	Long-term	Net zero by 2050

## Scope3 Category15 Emissions by Sector <sup>\*2</sup> (Mt-CO<sub>2</sub>e)

Sector	Scope1+2	Scope3	Total
Power	182.3	63.3	245.7
Oil & Gas	343.1	49.1	392.3
Coal	0.3	0.4	0.7
Air cargo	0.3	0.1	0.4
Passenger aviation	4.3	2.2	6.5
Shipping	5.8	5.9	11.7
Railroad	0.9	0.8	1.8
Truck service	2.4	1.8	4.2
Automobiles and components	0.9	10.7	11.6
Metals and mining	5.6	5.4	10.9
Aluminium	0.6	0.9	1.5
Chemical products	165.5	18.8	184.3
Construction materials	0.3	4.3	4.6
Cement	0.0	0.5	0.5
Capital goods	2.3	23.3	25.6
Real estate	0.5	2.5	3.1
Steel	10.4	20.8	31.2
Beverages	0.2	1.0	1.2
Agriculture	2.9	1.6	4.6
Packaged food and meat	11.8	4.2	16.0
Paper and forestry products	0.7	2.1	2.8
Total	741.3	219.6	960.9

<sup>\*1</sup> : Scope/Boundary: Domestic and international consolidated subsidiaries in FY3/23 <sup>\*2</sup> : TCFD Report 2023

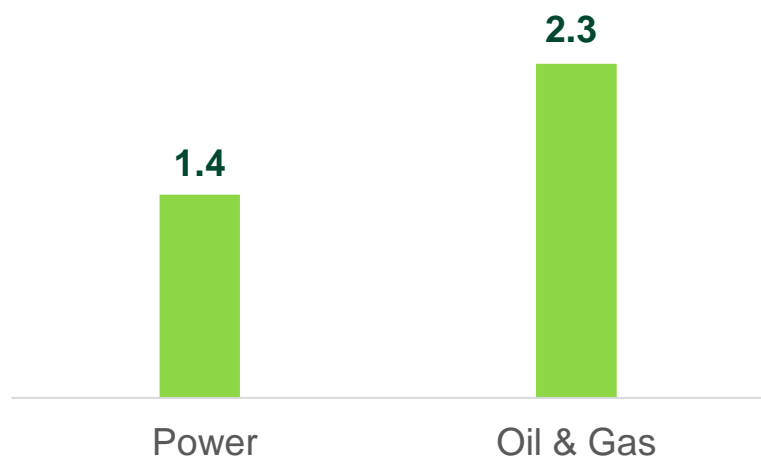
# GHG Emissions from Securities and Asset Management

SMBC Nikko Securities and Sumitomo Mitsui DS Asset Management (SMDAM) calculate GHG emissions in line with the businesses.

## SMBC Nikko Securities: Underwriting Financed Emissions (FY3/23)

- Calculates GHG emissions in the power and oil & gas sectors for underwriting, which is the core businesses of securities business
- Based on the final version of the PCAF guidelines, the calculation method has been advanced.

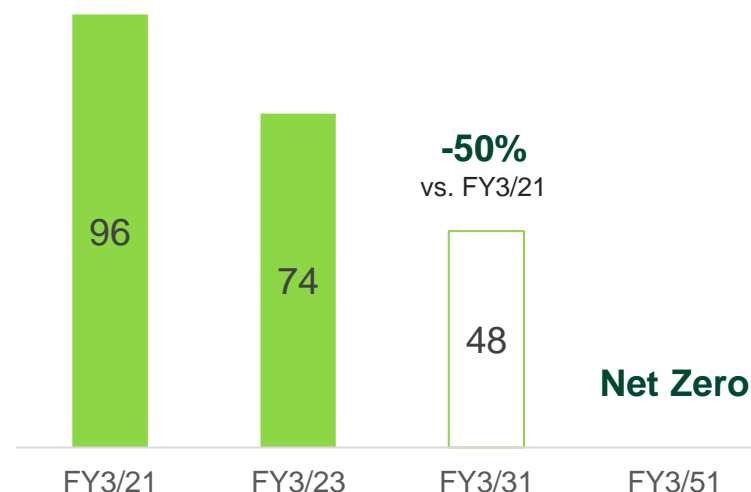
(Mt-CO<sub>2</sub>e)



## SMDAM: Reduction Targets and Results

- Discloses reduction targets based on the commitment to the Net Zero Asset Managers Initiative
- Aim to reduce portfolio GHG emissions (carbon footprint) per \$1 million of market value of investment

(t-CO<sub>2</sub>e/Million USD)



## SMBC Talent Policy | Realize the workplace and teams where diverse professional talents aim high and feel rewarding

### ● Manage HR portfolio

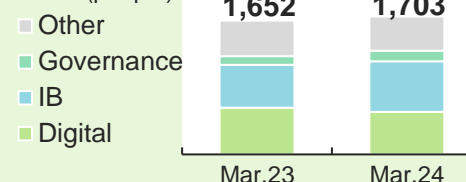
Allocate resource appropriately  
(people)

Improve efficiency	(3,100)
Strategic areas	+8,500

Secure a diverse talent

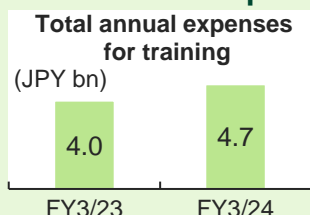
Mid-career recruitment	41%
Managers from mid-career recruitment	19%

Certified experts  
(people)

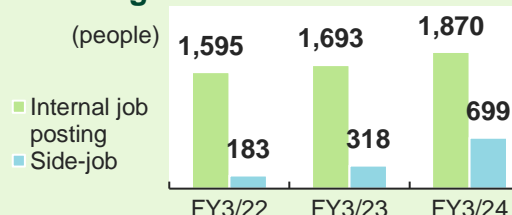


### ● Promote employees' growth

Human resource development



Challenge for new business



Career development

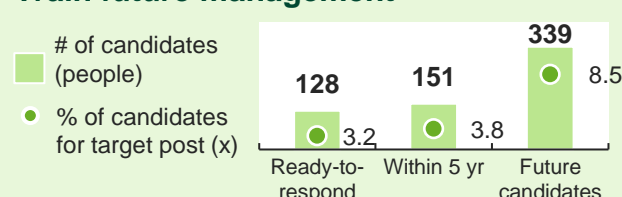
Start stock options program for executives of in-house startups

### ● Maximize team performance

Inclusion of diverse talents

	Mar.24	Target
Female directors	21%	30%
Female managers	20%	25%
Foreign directors	24 <sup>*1</sup>	25

Train future management



Stock-based compensation plan

Employees and management commit to improve corporate value

Human Capital Investment

+7%

Endeavor to respect human rights not only in SMBC Group but also throughout the supply chain as a “hub” that connects with various regions and industries

## Human Rights, DE&I-related Solutions

Human Capital  
Management  
Promotion &  
Analysis Loan



Sustainability Linked  
Loan  
(Human rights & DE&I  
related theme)



## Human Rights Report

published  
May 23



First SMBC Group  
report describing the  
Group's policy and  
efforts to address  
human rights

## Human Rights Due Diligence

launched  
Oct. 22

- Expanding the scope of the due diligence

Identify, analyze, and assess  
the impact on human rights

Integrate the findings in the  
control measures

Disclose to stakeholders

Track the effectiveness of  
the control measures

## Grievance Mechanism

Planned  
FY3/25

Employees

Internal reporting system

Customers

Feedback and complaints desk

Other  
stakeholders:  
- Suppliers  
- Local communities  
,etc.

Engagement and remedy  
framework for human rights

Accepting petitions  
for grievance

Inquiring the  
petitions

Determining and  
executing  
response policies

# Various Initiatives on Social Value Creation

Plan for  
Fulfilled Growth

## Support for Colombia's Coffee Industry

Poverty &  
Inequality

- Supporting the Colombian Coffee Growers Federation with a sustainability loan

Purchase guarantee  
for small-scale farmers

Agricultural technique  
supports

Technical research

- ✓ Empowerment of small-scale farmers
- ✓ Sustainable growth of key industries
- ✓ Colombia's socio-economic development



## Aquarium Development

Japan's  
Regrowth

- Development and operation of aquariums using trust schemes

"átoa" aquarium in Kobe Port  
Museum



Shikoku Aquarium



SMBC SMBC TRUST BANK

## Initiatives Aimed at Changing Individuals' Behaviors

Environment

### Let's "Genkotsu" (decarbonization) Project

- A co-creation-typed trial project for both companies and consumers that promotes 'touching,' 'learning,' and 'engaging' in decarbonization from the perspectives of shopping, education, and finance

80%

The percentage of participants whose willingness to purchase environmentally friendly products increased through the demonstration experiment



大阪府 (Osaka Prefecture)



Japan Research Institute



SUMITOMO MITSUI  
BANKING CORPORATION



## Old Folk House Revitalization

Japan's  
Regrowth

- Renovated old folk houses in Dazaifu, Fukuoka, Japan and operate as hotels



SMFL

		Date of issue	URL	QR Code
1	Annual Report	July 2023	<a href="https://www.smfg.co.jp/english/investor/library/annual/fy2022e_f01_pdf/fy2022e_f01_00.pdf">https://www.smfg.co.jp/english/investor/library/annual/fy2022e_f01_pdf/fy2022e_f01_00.pdf</a>	
2	TCFD Report	August 2023	<a href="https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/pdf/tcf_d_report_e_2023.pdf">https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/pdf/tcf_d_report_e_2023.pdf</a>	
3	TNFD Report	April 2023	<a href="https://www.smfg.co.jp/english/sustainability/materiality/environment/naturalcapital/pdf/tnfd_report_e_2023.pdf">https://www.smfg.co.jp/english/sustainability/materiality/environment/naturalcapital/pdf/tnfd_report_e_2023.pdf</a>	
4	ESG Data Book	February 2024	<a href="https://www.smfg.co.jp/english/sustainability/report/databook/">https://www.smfg.co.jp/english/sustainability/report/databook/</a>	
5	Transition Finance Playbook	May 2024	<a href="https://www.smfg.co.jp/english/sustainability/materiality/environment/business/pdf/tfp_en.pdf">https://www.smfg.co.jp/english/sustainability/materiality/environment/business/pdf/tfp_en.pdf</a>	
6	Human Rights Report	May 2023	<a href="https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/Human_Rights_Report_e.pdf">https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/Human_Rights_Report_e.pdf</a>	