

# Environmental Preservation Initiatives

The Group recognizes environmental preservation to be one of its most important management issues. Based on our Group Environmental Policy, we are implementing initiatives to preserve and achieve harmony with the natural environment in our corporate activities. SMFG is a signatory to the “Statement by Financial Institutions on the Environment and Sustainable Development” of the United Nations Environment Programme (UNEP).



## The Group Environmental Policy

### Basic Concepts

Recognizing the importance of realizing a sustainable society, SMFG is making continuous efforts to harmonize environmental preservation and corporate activities, in order to support the economy and contribute to the general well-being of society as a whole.

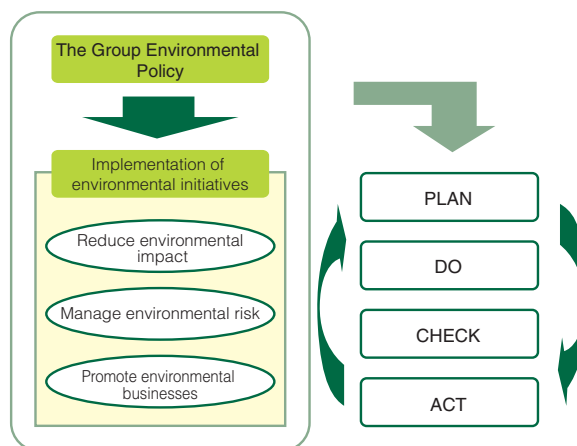
### Specific Environmental Policies

- We provide environment-friendly financial products, information, and solutions that help our customers in their efforts to preserve the eco-system.
- We devise ways to reduce levels of environmental risk posed by our own activities and those of society at large.
- We are determined to fulfill our social responsibilities through the conservation of resources, energy saving, and the reduction of waste.
- We enforce a policy of strict adherence to environment-related laws and regulations.
- We practice a high level of disclosure of information relating to the Group’s environmental activities, and make ceaseless efforts to improve our contribution to environmental preservation, incorporating the views of our staff and concerned persons from outside the Group.
- We place a high priority on thoroughly educating our staff in our environmental principles, and in ensuring that they conform to these principles in the performance of their work.
- We actively and effectively conduct environmentally aware management, and make continuous efforts to improve our system for tackling environmental issues, including by setting targets for each business term and reviewing them when deemed advisable.
- These policies are published on the Group’s website, and are also available in printed form upon request.

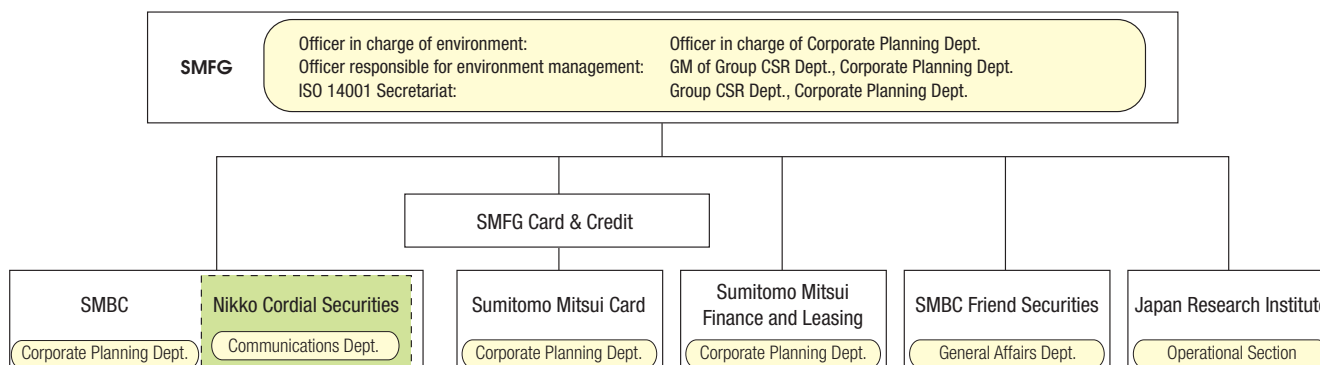
## Three Pillars of Group’s Activities

The three pillars of our environmental action plan are to “reduce environmental impact,” “manage environmental risk,” and “promote environmental businesses.” We set environmental objectives for various activities and follow the PDCA (plan, do, check, and act) cycle in these environmental activities. SMFG and principal Group companies have obtained ISO 14001 certification, the international standard for environmental management systems (EMS).

## Environmental Action Plan and the PDCA Cycle



## EMS Enhancement System



## Reducing Environmental Impact

### ● Realizing Carbon Neutrality

SMFG sets objectives each year for reduction in its use of electric power and other sources of energy and is actively engaged in reaching these energy conservation goals.

SMBC has made its Head Office “carbon neutral” through the procurement of “green” sources of energy and purchases of carbon credits.\* Sumitomo Mitsui Finance and Leasing’s Tokyo Head Office is also carbon neutral.

\* Carbon credits are also referred to as “Kyoto credits,” “emission allowances,” and “Certified Emission Reductions (CER).” In this annual report, we use “carbon credits” to refer to these and the other concepts recognized under the Kyoto Protocol.

### ● Response to Amended Act on the Rational Use of Energy

In April 2010, the amendments to the Act on the Rational Use of Energy came into effect, and as a result, the standard unit for evaluation of energy management was changed from the individual factory or office building to the entire company. Companies using 1,500kl or more of energy (crude oil equivalent) per annum are now required to establish an energy consumption management system and draw up medium- to long-term plans for improving energy efficiency, with the aim of reducing the volume of energy consumed by at least 1% per year. In response, the Group is taking measures to reduce energy consumption at all workplaces, and is also developing a consultancy business to meet the needs of customers attempting to conserve energy and reduce CO<sub>2</sub> emissions.

### ● Greening Bank Operations

SMBC has been steadily applying green IT to its branch terminals and ATMs. The new CUTE terminal for handling over-the-counter transactions, which was jointly developed with NEC Corporation and Oki Electric Industry Co., Ltd., uses highly functional image processing to electronically store documents, mainly copies of driver’s license and other forms of IDs, for a reduction in paper usage of 3 million A4 sheets per year. SMBC donated part of the cost savings resulting from the introduction of this system to the Tokyo Metropolitan Government’s Green Tokyo Fund, specifically for the “Creating Umi-no-Mori (Sea Forest)” project, one of the fund’s four greening projects.

In April 2010, SMBC began storing ATM transaction data, which had hitherto been printed out on paper (the “ATM Journal”), in the CUTE operations processing server. This is expected to save 28 million A4 sheets annually.

## Managing Environmental Risk

### ● Dealing with Soil Contamination and Asbestos Risk

To deal with the risk that land pledged as collateral by borrowers may be contaminated, SMBC requires contamination risk assessment for land meeting certain criteria. When the risk is judged to be high, the assessed value of the potential risk is deducted from the value of the collateral.

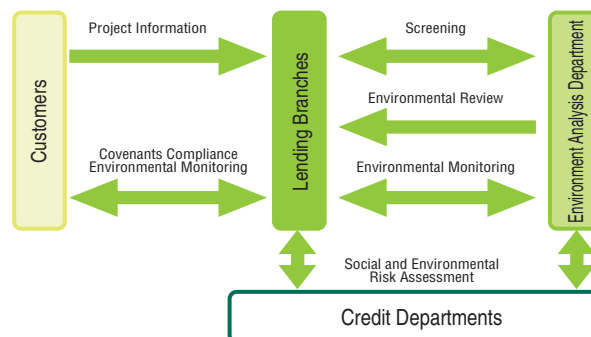
In addition, similar measures are taken regarding asbestos risk — risk assessments are conducted for asset collateral meeting certain criteria, and the assessed value of the potential risk is deducted from the value of the collateral. SMBC also encourages its customers to have structures surveyed more comprehensively for asbestos pollution. Regarding its own premises, SMBC surveys and properly removes asbestos from structures.

### ● Adoption of the “Equator Principles”

SMBC has adopted the Equator Principles, a set of principles for

determining, assessing and managing social and environmental risk in project financing. Its Environment Analysis Department assesses the social and environmental risk of large-scale projects in accordance with the Equator Principles.

### ■ Flow Chart of SMBC’s Social and Environmental Risk Assessment



## Promoting Environmental Businesses

The Group pursues environmental business as an effective way of contributing to society and the international community.

SMBC, in particular, formed the cross-organizational Eco-Biz Promotion Council in fiscal 2005 to discuss periodically the development of sophisticated and efficient products and services that contribute to environmental maintenance and improvement.

## Topics

### ◆ SMBC Environmental Assessment Loan/Private Placement Bond

#### SMBC wins 2009 Nikkei Veritas Superiority Award

SMBC received the Nikkei Veritas Award for Superiority at the 2009 Nikkei Superior Products and Services Awards for its SMBC Environmental Assessment Loan/Private Placement Bond, a financial product developed in collaboration with the Japan Research Institute. In this product, the environmental friendliness of the business operations of a corporate customer seeking to raise funds is assessed using JRI’s own assessment standards. The terms and conditions of the loan or bond are then set in accordance with the results of the assessment. SMBC has received high praise for this product, which aims to support companies that are helping to preserve the global environment.



### ◆ New Bank Branch Terminal — CUTE

#### Receives Special Award in Green IT AWARD 2009

The new CUTE terminal used in our branches, jointly developed by SMBC with NEC Corporation and Oki Electric Industry Co., Ltd., received a special award at the Green IT AWARD 2009, held by the Green IT Promotion Council. The award was given for CUTE’s significant contribution to reducing the environmental impact of bank operations by realizing paperless processing using IT, as well as for being a good example of how companies in different industries can collaborate to help preserve the environment. This is the first time the award has been received by a bank.

## Environmental Initiatives by Group Companies

Company	Customers	Program/Product	Description
SMFG	Corporate	SAFE environmental magazine	Started in 1996, this bimonthly magazine contains interviews with top management of companies, analyses of business trends and other useful information for corporate environmental activities.
		SMFG Environmental Business Forum	SMBC and SMBC Consulting Co., Ltd. jointly hold multifunctional events at Eco-Products, one of Japan's largest environmental exhibitions. This forum combines many types of events such as environmental seminar, business matching, etc.
SMBC*1		SMBC-ECO Loan	This loan offers reductions on loan interest rates of up to 0.25% for SMEs with environmental management systems certified by any of more than 20 companies and organizations, including local governments.
SMBC JRI*2		SMBC Environmental Assessment Loan/Private Placement Bond	Terms and conditions of this loan/bond depend on the results of an assessment of a company's environmental friendliness using standards established by the JRI. Customers can choose the fund procurement method — loans or private placement bonds. Loans extended: ¥100 billion to 30 companies (as of March 31, 2010)
		Eco-Products International Fair	At the fifth (March 2009) and sixth (March 2010) fair, SMFG president Teisuke Kitayama chaired the planning committees and oversaw the booths, international conferences and other activities.
		Ministry of Environment's interest-free financing program	The Ministry of the Environment operates a special interest-free financing program to support the attainment of the objectives under the Kyoto Protocol. Companies receive loans from financial institutions with interest subsidized by the government to finance capital investment, on condition that they set CO <sub>2</sub> emission reduction targets and achieve them within a specified period. As one of the financial institutions authorized to make loans under this program, SMBC provides support for companies tackling environmental issues.
		Global ECOBIZ Assist	This program supports the globalization of Japanese companies with environmental technologies by offering preferential fees and interest rates on loans for international trade. It offers these to midsize and SME companies that develop and manufacture equipment related to water, waste materials, new energy, the atmosphere, energy conservation and other areas (soil pollution remediation, greening, recovery of natural areas, etc.).
		Assistance in using the domestic carbon credit system	SMBC and Group companies are working on a program for assisting CO <sub>2</sub> emission reduction activities by using the domestic carbon credit system that began in October 2008.
		Carbon-credit related business activities (matching, advisory, trust and consulting activities)	SMBC serves customers with needs involving carbon credits by using overseas offices, trust functions and other resources to offer products and services such as introduction of sellers in developing countries, advisory service to support transactions, trust products, and financing. SMBC established a consulting company in Brazil to assist in development of Clean Development Mechanism (CDM) projects.
		Carbon credit trading	In June 2009, SMBC became a carbon credit dealer, the first Japanese bank to purchase and sell carbon credits directly with customers.
		Matching Business	SMBC utilizes its network of overseas offices to introduce valuable partners in developing countries for corporate customers planning to set up or expand business operations overseas.
		Strengthening alliances with international and financial institutions	In March 2010, with the aim of providing financing for renewable energy projects and developing its carbon credits trading and other businesses, SMBC signed a memorandum of understanding with International Finance Corporation (IFC) and Environmental Cooperation-Asia (ECO-Asia), a regional program of the United States Agency for International Development (USAID). SMBC has been forging business alliances with local financial institutions and economic organizations in Malaysia, the Philippines, Brazil and other countries as part of an effort to build a stronger global network.
		"Climate & Children Supporters"	SMBC and UNICEF started this program to target both the causes and results of climate change. When participating companies buy carbon credits to fight global warming, monetary contributions to the program are also made to aid a developing country (Mozambique) that is suffering from the effects of global warming.
	Individuals	SMBC Nikko World Bank Green Fund	SMBC and Nikko Cordial Securities started marketing "SMBC Nikko World Bank Green Fund," launched by Nikko Asset Management Co., Ltd. in collaboration with the World Bank. The fund is the world's first fund that invests in World Bank green bonds.
		DWS New Resource Technology Fund	To adapt to global shifts and growth in demand patterns, this fund invests mainly in stocks of companies worldwide with excellent growth prospects involving businesses associated with three themes of infrastructure, food and clean energy.
		Environmental campaign using JGBs for individuals	SMBC has been conducting an environmental campaign for each issue of Japanese government bonds (JGBs) since June 2008. Since June 2010, when SMBC began handling a new series of three-year JGBs for individuals, SMBC has used part of its earnings from the sale of these bonds to purchase a 100kg carbon credit per customer, and transfers the credits gratis to the Japanese government, thereby helping to reduce Japan's volume of greenhouse gas emissions.
SMBC SMFL*3	Individuals	Leading the Tokyo Metropolitan Government's Eco-Finance Project	SMBC has been selected as a core financial institution in the Eco-Finance Project being implemented by the Tokyo Metropolitan Government over a 5-year period starting in fiscal 2009. In this project, the fund deposited by the Tokyo Metropolitan Government with SMBC is used to meet a wide range of needs, conditioned on satisfying certain environmental standards, from financing and leasing for corporate clients to mortgage loans, automobile loans, and fixed-term deposits for individuals.
	Corporate	eco japan cup	This is a contest for selecting companies that have practical environmental technologies and ideas. SMBC gives assistance to those venture companies jointly with Japanese universities and thereby provides support for their R&D activities.
SMFL		Carbon-neutral leases	Started in August 2007, this is a new service that renders the greenhouse gases released by leased assets neutral through the allocation of carbon credits to these assets. The goal is to provide more support to companies that protect the environment through their own activities.
		Consulting business related to amended Act on the Rational Use of Energy	SMFL is enhancing environmental advisory services for companies in response to the amended Act on the Rational Use of Energy. This includes comprehensive energy conservation proposals that utilize leases.
JRI		Environmental advisory business	This business is involved in many projects centered on waste treatment and energy. The objective is to combat global warming and support the growth of environmental companies by creating new businesses.
JRI SMBC SMBCCN*4 JRIS*5		Consulting for construction of Tianjin Eco-City, and attracting Japanese companies	Leveraging its environmental business expertise, JRI is creating a plan for the use of renewable energy at the Tianjin Eco-City, China's first national project for an environmentally sustainable city. SMBC, SMBCCN and JRIS have signed a basic agreement with the Tianjin Eco-City Administrative Committee on initiatives to attract Japanese companies to the Tianjin Eco-City project.
SMCC*6	Individuals	Web Registration Campaign	SMCC is vigorously promoting the use of online account statements (the total bill amount is e-mailed and the details are posted on its website) as a means of conserving paper and helping cut CO <sub>2</sub> emissions.

\*1 Sumitomo Mitsui Banking Corporation \*2 The Japan Research Institute Limited \*3 Sumitomo Mitsui Finance and Leasing Co., Ltd. \*4 Sumitomo Mitsui Banking Corporation (China) Limited

\*5 The Japan Research Institute (Shanghai) Consulting Co., Ltd. \*6 Sumitomo Mitsui Card Company, Limited

## SMFG Environmental Business Forum at Eco-Products 2009

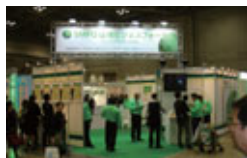
The Eco-Products exhibition, held each December, is one of Japan's largest environmental exhibitions. Following on from last year's event, SMFG once again held the SMFG Environmental Business Forum, comprising different types of environmental business events.

Targeting many different types of stakeholder, such as those seeking to newly enter the environmental business field, those looking to expand their marketing channels, and those examining their options regarding information gathering, SMFG conducted business matching, set up booths with catalogs, and held lectures, seminars, and other programs. By these means, SMFG provided forums for representatives of companies in the environmental field to meet and exchange information, thereby giving rise to new business opportunities.

Over the three-day duration of the exhibition, we held 17 seminars on various topics, as well as panel discussions. About 500 cases of business matching were arranged, and 41 companies had booths showcasing their products and services. In all, the SMFG Environmental Business Forum hosted a large number of business negotiations on new environmental technologies, products, and services.



Hundreds of companies found prospective business partners at the matching booth.



SMFG Booth

## Advisory services for the Tianjin Eco-City Project

The Tianjin Eco-City project is a large-scale eco-friendly urban development project being undertaken in China at the national government level, in line with the country's policy on the environment and energy. The development of the Eco-City is guided by 22 quantitative key performance indicators which are set at high levels, such as a renewable energy utilization rate of 20% or higher and a green building\* rate of 100%, in order to harmonize human activities with the natural environment, conserve natural resources, and efficiently recycle resources.

The Japan Research Institute (JRI) has drawn up the plan for achieving the renewable energy utilization rate of 20% or higher, including the technologies and their implementation methodology. SMBC, meanwhile, has signed a business alliance agreement with Tianjin Eco-City Administrative Committee, together with Sumitomo Mitsui Banking Corporation (China) Limited, JRI, and the Japan Research Institute (Shanghai) Consulting Co., Ltd., to attract Japanese companies to the Tianjin Eco-City project.

Moving forward, SMBC will further reinforce the services to Japanese companies setting up operations in the area by enhancing the collaboration with both Tianjin City and the Tianjin Eco-City project. JRI will actively promote initiatives for launching environment-/energy-related projects not only in the Tianjin Eco-City, but in many other parts of China, too.



Artist's rendition of Tianjin Eco-City when completed

\* "Green building" here refers to minimizing the building's impact on the environment, and to use "people-friendly" methods of construction and urban planning.

## SMBC Begins Handling World Bank Green Fund

On February 1, 2010, SMBC and Nikko Cordial Securities commenced handling of the SMBC Nikko World Bank Green Fund, an investment trust launched by Nikko Asset Management Co., Ltd.

This fund is the world's first fund developed in cooperation with the World Bank that invests in World Bank green bonds. The World Bank green bonds support World Bank-funded projects in developing countries to mitigate global warming. A portion of the profits from this green fund will be donated to UNICEF and the Japanese Red Cross.



Total asset value: ¥16,784 million (as of May 31, 2010)

## Eco-Products International Fair 2010

This international fair is held every year to promote the growth of environmental businesses in the Asia-Pacific region and increase their global competitiveness by making their supply chains more eco-friendly. SMBC was a member of the Preparatory Committee in 2009 and 2010. The sixth Eco-Products International Fair, held in March 2010 in Jakarta, Indonesia, was the largest ever with 164 Asian companies and organizations participating, and more than 90,000 visitors during the 4-day event.

At the international conference held parallel to the fair, lectures were given and panel discussions by world leaders and specialists on environmental issues from many countries were held. SMBC and JRI participated in a session on "Eco Business and Climate Change," and representatives of the two companies made presentations on the outlook for and initiatives on carbon credits business in Asia.



Panel discussion at the international conference



President Teisuke Kitayama of SMFG explains the carbon credits business to Muhaimin Iskandar, Minister of Manpower and Transmigration of Indonesia.