



# Environmental Preservation Initiatives

## Basic views for environmental preservation

The Group recognizes environmental preservation as one of its most important management issues. Based on our Group Environmental Policy, we are implementing initiatives to preserve the natural environment and achieve the corporate harmony.

### The Group Environmental Policy

#### Basic concepts

Recognizing the importance of realizing a sustainable society, SMFG is continuously making efforts to preserve and achieve harmony with the natural environment in its corporate activities in order to support the economy and contribute to the betterment of society as a whole.

#### Specific environmental policies

- We provide environment-friendly financial products, information and solutions which support our clients in their efforts to preserve the eco-system.
- We devise means to reduce environmental risks posed by our own activities and the society.
- We are determined to fulfill our social responsibilities through the conservation of resources and energy, and the reduction of waste.
- We strictly comply with environment-related laws and regulations.
- We practice the highest level of information disclosure related to the Group's environmental activities and consistently improve our efforts to contribute to environmental preservation by communicating with our staff as well as the third parties.
- We place high priority on thoroughly educating our staff about our environmental principles to ensure that they conform to these principles in the performance of their work.
- We actively and effectively implement "environmental management," and make continuous efforts to improve our system to deal with environmental issues by setting goals and targets for every fiscal year and reviewing them as deemed necessary.
- These policies are disclosed on the Group's website, and the printed version is available upon request.

### Three pillars of the Group's activities

The three pillars of our environmental action plan are: 1) "Reduction of impacts on environment," 2) "Management of environmental risks," and "Promotion of environmental businesses." We have set environmental objectives for each environmental activity and follow the procedures of Plan, Do, Check, and Act (PDCA) for such environmental activities.

### Environmental Management System (EMS) based on ISO14001 certification

The environmental management certification of ISO14001 has been obtained by SMFG and its major companies (SMBC, Sumitomo Mitsui Card, Sumitomo Mitsui Finance and Leasing (SMFL), Japan Research Institute (JRI), SMBC Friend Securities, and SMBC Nikko Securities). In 1998, SMBC was the first bank in Japan to obtain this certification. The Group has developed the structure to promote EMS which is organized and managed mainly by the Corporate Planning Department and senior environmental officers.

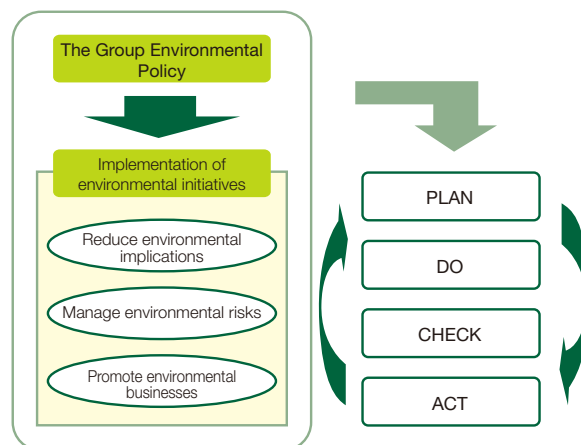
### Signing of the "Principles for Financial Actions (the principles for financial actions for the 21st Century) for achieving the sustainable society"

"Principles for Financial Action towards a Sustainable Society" were adopted in October 2011, by SMBC, SMBC Friend Securities, SMBC Nikko Securities, Minato Bank, Kansai Urban Banking Corporation (KUBC), and Japan Net Bank.

The principles have been set forth by the Drafting Committee for the Japanese version of PRI after having seven meetings which started in September 2010, attended and participated by diverse financial institutions including SMBC, SMBC Nikko Securities, for the purposes of making the environmental financing widely-known and improving the quality of environmental financing.

The Group continues to expand its environmental financing activities in Japan based on these principles.

### Environmental Action Plan and PDCA Procedures



## Reducing Environmental Impact

### ● Initiatives for Carbon Neutrality

SMBC has made its Head Office “carbon neutral” through the purchases of “green energies and carbon credits\*.” Tokyo and Osaka head offices of SMFL are also carbon neutral.

In addition, SMBC Friend Securities is proceeding with converting its corporate vehicles into more environment-friendly vehicles while making the rest of unconverted vehicles carbon neutral for the amount equivalent to CO<sub>2</sub> emitted.

\* In general, the “carbon credits” are also referred to as “emission allowances.” In this annual report, we use “carbon credits.”

### ● Promotion of IT greenization of financial systems

SMBC is moving forward with IT greenization of terminals and ATMs at branches. The new “CUTE” terminals installed at branches, which were jointly developed by NEC Corporation and Oki Electric Industry Co., Ltd., realize the paperless environment by electronically converting and processing hard copies of records and data/information such as ID documents and ATM transaction details (ATM journals). This process electronically converts the amount equivalent to approximately 3.1 million of A4-sized papers annually to achieve paperless environment.

SMBC donated part of the costs saved by the installation of CUTE to the Tokyo Metropolitan Government’s Green Tokyo Fund, specifically for the “Creating Umi-no-Mori (Sea Forest)” project. We also gave a donation to the University of Tokyo’s “Life in Green Project” for the construction of research facilities for botanical studies.

### ● Proactively using clean energies

In December 2011, we reopened the SMBC branches in Shimo-Takaido (Tokyo) and Konan (Hyogo) after converting them into environment-friendly model branches. The discarded forest thinning was partially used for the architectural design of these building structures of two branches. The exterior walls were built by utilizing green plants; the roofs were installed with solar panels and light collecting equipment; and the interiors were installed with LED lighting and energy-saving air-conditioning facilities.



The environmental systems will be regularly inspected for the degree of effectiveness for environment-friendliness and those facilities and equipment which are highly effective for environment-friendliness will be considered for the installation for new buildings in the future.

Solar power equipment was installed on the roof of the Group’s principal computing center in June 2012, as a part of the voluntary energy-saving measures.

We began using the new system starting July 2012.

SMBC Friend Securities converts its branches to more environment-friendly interiors such as tiled carpets made of materials which have carbon credits, at the time of relocation or renovation.

## Managing Environmental Risks

### ● Environmental and social risks in loan (credit) activities

SMBC believes it is important to take into account the environmental risks for conducting credit assessment. Factoring environmental risks in the credit assessment (environmental Credit risks) is stipulated in SMBC’s Credit Policy, which sets forth the universal and basic philosophies, guidelines and rules for credit operations. For example, to deal with the risks of soil and asbestos contamination in real estate pledged as collateral, SMBC requires contamination risk assessment for such real-estate collateral meeting certain criteria. If contamination risks are found to be high, the assessed value of the potential risks will be deducted from its value. Furthermore, our Credit Policy clearly stipulates that the credit, which is used for the production of cluster bombs, is prohibited.

### ● Managing environmental and social risks in extensive development projects

Extensive development projects may have significant impacts on environmental society. Accordingly, the international society requires financial institutions to conduct a thorough review of impact which such projects may have on the environment and the society when providing financial support.

SMBC has adopted the Equator Principles which pledge to the society that financial institutions shall thoroughly review impact of extensive development projects on the environment and the society when providing financial support for such projects. The Environment Analysis Department has been established to assess the environmental risks.

### ● Lawful disposal of properties at the expiration of leases

SMFL is completely in compliance with environment-related laws and regulations to prevent contamination of the environment due to illegal disposals of industrial waste materials triggered by the expiration of leases. In addition, multi-phased assessment mainly in terms of compliance, local research and interviews are conducted annually in order to prudently select the most appropriate company which handles transportation and disposing of waste materials at the time of expiration of lease.

## Environmental Businesses

### ● Environmental contributions through core businesses

The Group considers that environmental businesses are means to preserve and improve the global environment while pursuing its core business operations as a financial institution. SMBC has been regularly holding the cross-organizational “Eco-biz Promotion Council,” starting from fiscal 2005, for the development of advanced and efficient products and services. Presently, each of group companies has become a member of this Conference for participating in periodical discussions.

## Initiatives for Environmental Businesses by Group Companies

Company	Program / Product	Description
SMFG	"SAFE," corporate environmental magazine	Started in 1996, this bimonthly magazine contains interviews with top management of environmentally advanced companies, analyses of business trends, and other beneficial information for corporate environmental activities. It can be viewed online at SMFG's website (in Japanese).
	SMFG Environmental Business Forum	SMBC organized the major three-day event at Eco-Products, one of Japan's largest environmental exhibitions. Over 1,000 business meetings were arranged under themes of "energy" and "environment," with participants, including companies from South Korea and Singapore, in the international business-matching activities.
SMBC* <sup>1</sup> / JRI* <sup>2</sup>	SMBC Environmental Assessment Loans and Private Placement Bonds	Terms and conditions for loans and bonds are set forth according to the assessment conducted pursuant to the environmental assessment standards originally created by SMBC and JRI, and SMBC determines terms and conditions for the loan or bond according to the results of such assessment.
SMBC	SMBC-ECO Loan	This loan product offers reductions of interest rates up to 0.25% for SMEs certified with environmental management systems by more than 20 organizations, including NPOs and local governments.
	Ministry of the Environment and Ministry of Economy, Trade and Industry subsidized-interest financing program	Under this program, companies may conditionally receive loans from financial institutions, with interest subsidized by the government, to finance capital investment which reduces CO <sub>2</sub> emissions. SMBC supports companies taking environmental initiatives as one of the financial institutions authorized to provide loans under this program.
	Carbon-credits related business activities (advisory and consultation services)	SMBC supports and advises clients, who may have needs for carbon-credits for their businesses with overseas companies, by providing them with business contacts in developing countries, giving advices and financing for their transactions. SMBC has the consulting company as its subsidiary in Brazil which supports the development of Clean Development Mechanism (CDM) projects; and it also invests in and provides environmental advice on the sustainability funds managed by Banco Nacional de Desenvolvimento Econômico e Social.
	Carbon-credits trading	SMBC was the first bank to become the carbon-credits trader in June 2009 and began trading carbon credits directly with clients.
	Strengthening alliances with international and financial institutions	In March 2012, the bank executed a Memorandum of Understanding with the development bank of Mongolia for financial cooperation for financing environmental and infrastructure projects which reduce emissions of global warming gases. SMBC continues to develop the solid global network by similarly executing MOU with local financial institutions and economic organizations in Philippines, Brazil and other countries for the promotion of financing for renewable energies projects and carbon-credits trading businesses.
	Environmental campaign program for JGBs for individuals	We have contributed to global environmental protection by: 1) trading the amount equivalent to 100kg of carbon credits; and 2) forestation in the area equivalent to 1m <sup>2</sup> per each individual who purchased JGBs. Concurrently, we also have initiatives for supporting the recovery and reconstruction of areas affected by the Great East Japan Earthquake by obtaining the partial domestic credits generated from northeastern Japan.
Nikko* <sup>3</sup>	Nikko World Trust – Nikko Green New Deal Fund (JPY Non-hedged Class) / (JPY Hedged Class)	This fund invests in shares of companies located in countries where high growth is anticipated through their environmental preservation activities, focusing on "green new deals" for economic recovery based on measures required for global environment.
SMBC / Nikko	SMBC Nikko World Bank Bond Fund	This fund is the first fund in the world to invest in green bonds issued by the World Bank (data provided by Nikko Asset Management Co., Ltd.). A portion of earnings from the fund is donated to the Japan Committee for UNICEF and the Japanese Red Cross Society to be used to resolve any social conflicts around the world. The fund invests in a certain class of World Bank-issued green bonds.
SMBC / SMFL* <sup>4</sup>	eco japan cup	This is the contest for selecting and recognizing companies which have practical environmental technologies and ideas. SMBC also makes arrangements for venture companies to conduct research and development jointly with Japanese universities and contribute to research grants.
SMFL	Carbon-neutral leases	The first new business in the leasing industry started in August 2007 of providing services to make greenhouse gasses emitted by the use of leased assets carbon neutral by allocating carbon credits.
	Amendment to the Act on the Rational Use of Energy	SMFL is strengthening its consulting services to appropriately respond to the Amendment to the Act on the Rational Use of Energy, and it also plans to propose comprehensive energy-saving solutions by leveraging the lease.
	Trading of used machinery and equipment	Machineries and facilities with expired leases or those purchased back from clients are sold by SMFL to other clients who may need such machineries or facilities. Through such purchases and sales, SMFL strives to become the environment-friendly leasing company committed to recycling and reusing.
JRI	Promotion of CSR and environmental management	JRI supports companies for their CSR and environmental management by assisting them with the development of CSR management strategies and conducting carbon-credit research and investigation.
	Environmental advisory business	JRI manages many new environment-related projects mainly focusing on energies and waste disposals. It strives to contribute to resolving issues associated with global warming and development of businesses contributing to environment, rather than developing new businesses.
	Proposals for energy-related policies	It makes proposals for policies such as how the next-generation energy systems should be; the road map plan for separating the generation and transmission of electrical power; or how the electric power portfolios should be based on the projection of demand and supply of power until 2030.
SMCC* <sup>5</sup>	Cooperation with the Eco-Point program	We participate in the eco-points business promoted by the Ministry of Environment and we also provide Sumitomo Mitsui VISA Gift Cards as gifts in exchange for eco points accumulated for the said eco-points business. Furthermore, we also donate the amount equivalent to 0.1% of the face value of the said Gift Cards to non-profit organizations, for plantation in deforested areas and other environmental protection activities.
SMCC / Cedyne	Web Registration Campaign	SMCC is proactively promoting the use of online account statements (breakdown of credits and debits is e-mailed and the details are posted on its website) for conserving paper and helping to reduce CO <sub>2</sub> emissions.
Cedyne	Issuance of socially contributing environmental cards	We issue socially contributing environmental credit cards such as "Chikyuni Yasashii Card" and "Cedyne Card AXU," and the part of payments for such cards are donated to environmental preservation organizations.
Friend* <sup>6</sup>	World Bank green bonds	SMBC Friend marketed the World Bank green bonds issued by the World Bank in November 2011. The funds raised by such bonds are to support projects which respond to preventing global warming and resolving any issues originated from global warming, in accordance with the assessment standards set forth by the World Bank.
Friend / Nikko	Electronic statement service	Promoting the usage of online account statements
Minato* <sup>7</sup>	Minato Eco-Monogatari Carbon Offset Time Deposits	"Forestry carbon offset usage fee," a sum equivalent to 0.05% of ¥6 billion (an amount of money to be raised), will be released by Minato Bank. The money released will be used to maintain the forest environment in Hyogo Prefecture through Hyogo Prefectural Federations of Forest Owners Cooperative Associations.
	Minato ECO Loan / Private Placement Bond	In certain cases, Minato Bank offers preferential interest rates for loans and preferential underwriting fees for private placement bonds only for corporations which have obtained the certification for environmental management system.
KUBC* <sup>8</sup>	Eco-Time Deposits	KUBC supports households in saving energies by offering them with special interest rate for their deposit as long as they fill out the designated "energy-saving checklist."
	Support for Power-Saving Measures	It is now possible for KUBC to offer the same terms and conditions such as loan term and interest rate for loans for purchasing homes pre-installed with solar power generation systems or for costs for installation of such systems. The bank is committed to supporting the adoption of solar power and revitalization of the housing market.
	Housing loans for smart homes	KUBC donates a certain percentage of the housing loans used to purchase the homes installed with specified solar power generation systems in the subdivisions in the Katata district of Otsu-city in Shiga prefecture to the Ohmi Environment Conservation Foundation which is dedicated to preservation of Lake Biwa.

\*<sup>1</sup> Sumitomo Mitsui Banking Corporation \*<sup>2</sup> The Japan Research Institute, Limited \*<sup>3</sup> SMBC Nikko Securities Inc. \*<sup>4</sup> Sumitomo Mitsui Finance and Leasing Co., Ltd.

\*<sup>5</sup> Sumitomo Mitsui Card Company, Limited \*<sup>6</sup> SMBC Friend Securities Co., Ltd. \*<sup>7</sup> THE MINATO BANK, LTD. \*<sup>8</sup> Kansai Urban Banking Corporation