

Towards Sustainable Development of Society

Our Approach

We are currently facing various environmental and social issues to be addressed on a global scale, such as climate change, loss of biodiversity stemming from global warming, and human rights violations in the supply chain seen in emerging countries. SMBC Group views corporate social responsibility (CSR) as resolving social issues through our main business, and recognizing its role in accomplishing the United Nations Sustainable Development Goals (SDGs) in order to realize the sustainable development of society.

CSR Activities of SMBC Group

SMBC Group defines CSR as “Contributing to the sustainable development of society through its business activities by offering higher value to (1) customers, (2) shareholders and the market, (3) the environment and society, and (4) employees”, and have identified business ethics as the underlying principle for our CSR activities to facilitate efficient action with this regard.

SMBC Group has designated three priority issues, “Environment,” “Next Generation,” and “Community” as well as SDGs as areas for initiatives to be implemented in order to live up to the expectations and fulfill the requests of stakeholders and to contribute to the resolution of social issues. Simultaneously, the CSR Department has been set up within the Corporate Planning Department at the Group level, and the CSR committee is convened periodically to facilitate improvements in CSR initiatives by discussing matters related to group-wide CSR activities.

In addition, SMBC Group engages in regular dialogue with external experts, NGOs, and other stakeholders with the aim of reflecting valuable opinions on the expectations and responsibilities of the Group in its sustainability efforts.

➔ Please follow the link to read about SMBC Group's CSR activities.

<http://www.smfg.co.jp/english/responsibility/>



Dialogue held with stakeholders

Accomplishing Sustainable Development Goals (SDGs)

In order to fulfill our mission as a global financial group, SMBC Group seeks to contribute to the accomplishment of the SDGs and has selected goals to be focused on in its business with this regard.

About the SDGs

The SDGs are a set of 17 goals for the realization of a sustainable society that were adopted at the UN General Assembly in September 2015.



Environment

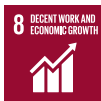


- Promote Environmental Business
- Manage Environmental Risks
- Reduce Environmental Impacts



- Support for growth industries
- Resolution of social issues in emerging countries
- Promote financial literacy education
- Develop a safe and secure community
- Promote social inclusion
- Support areas impacted by large-scale natural disasters

Social



Governance





Environmental Initiatives

Promote Environmental Business

The Company positions environmental businesses as a means to preserve and improve the global environment through its core business operations. Examples include supporting renewable energy projects, providing ESG financing to eco-friendly companies, and the promotion of environmental financing through the issuance of green bonds and the sales of eco funds. We are also providing information on our environmental and SDG initiatives to customers via various means, such as the SAFE environmental magazine and our participation in the Eco-Pro exhibition.



Eco-Pro exhibition at Tokyo Big Sight

Manage Environmental Risks

SMBC's Credit Policy, which sets out universal and basic philosophies, guidelines, and rules for credit operations, explicitly prohibits credit which may cause problems for society or for the public good, and also contains provisions regarding environmental and social risks in our business.

Furthermore, SMBC Group observes the Equator Principles, a set of environmental and social risk management standards for private-sector financial institutions, with regard to financing of large-scale development projects with the potential to significantly impact the environment or society negatively. Environmental and social risk assessments are carried out by the Environment Analysis Department of the International Banking Unit.



Equator Principles Annual Meeting

Issuance of Green Bonds

SMBC Group issues green bonds in overseas markets and is also one of the main issuers of these bonds in Japan.

The funds procured through these bonds are allocated to eco-friendly projects, such as renewable energy or energy conservation projects, in order to help preserve and improve the global environment through project financing.

Date of issue	Issuer	Amount
October 20, 2015	Sumitomo Mitsui Banking Corporation	US\$500 million
October 11, 2017	Sumitomo Mitsui Financial Group	€500 million

Reduce Environmental Impacts

To guide its efforts to reduce the negative environmental impact of its business activities, SMBC Group acquired certification under ISO 14001, the international standard for environmental management systems, at SMBC and six other Group companies^{*1} in 1998. We were the first Japanese banking Group to acquire this certification. Compliance with the new standards for this certification was achieved in fiscal 2017.



ISO 14001 certification

We are moving forward with initiatives for reducing the environmental impact of our business, such as making bank passbooks viewable online and providing electronic loan documents and billing statements. In addition, SMBC is working toward the goal of reducing electricity consumption intensity (electricity consumption / total floor area) in fiscal 2030 by 19.0% compared to fiscal 2009.

^{*1} Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities, Sumitomo Mitsui Finance and Leasing, Sumitomo Mitsui Card Company, Cedyne, SMBC Consumer Finance, and Japan Research Institute

Response to Climate Change

Climate change is one of the primary global issues to be addressed in the 21st century.

We have announced our support of the Task Force on Climate-related Financial Disclosures^{*2} at the One Planet Summit held in Paris in December 2017. SMBC Group will continuously support our customers in their efforts to reduce greenhouse gas emissions by such measures as promoting the introduction of eco-friendly technologies through their business operations. By conducting business in a manner that helps reduce greenhouse gas emissions, we will further enhance our actions towards addressing climate change.

^{*2} The Task Force on Climate-related Financial Disclosures was established by the Financial Stability Board (FSB) in April 2015 to urge individual companies to disclose their impact on climate change in their financial reports.

■ Governance on Climate Change

We deem the creation of a sustainable society as one of our priority issues and have established Group environmental policies to continuously implement measures to harmonize corporate activities with protection of the global environment and prevention of pollution. Also, to mitigate the impact of climate change, we will regularly review our credit policy for specific sectors and also report to the Group Management Committee and the Board of Directors as appropriate with regard to our climate change prevention initiatives and response measures.

■ Climate Change-Related Opportunities

SMBC Group supports the following initiatives: projects that contribute to the mitigation of the impacts of climate change, including those related to renewable energy and green buildings; investments made by companies to increase their energy efficiency; and projects to improve infrastructure and otherwise create cities and communities that are resilient to the impacts of climate change.

Specifically, the amount of syndicated loans for renewable energy projects reached approximately ¥300 billion in fiscal 2017. In addition, we issued green bonds in 2015 and then again in 2017. Through these efforts, we are promoting environmental businesses and contributing to reduced environmental impacts both domestically and globally.



Meeting with green bond investors

■ Management of Climate Change-Related Risks

To manage climate change-related risks, we will identify the sectors with assets that might suffer loss due to abnormal weather; assets that are vulnerable from the viewpoint of climate change, such as fossil fuels; and assets that might become isolated as a result of climate change and appropriately evaluate the risk exposure of those sectors.

For new financing of coal-fired power plants, we will limit financing to plants promising high levels of efficiency, regardless of where the plant will be constructed. In addition, we will make efforts to reflect the results of risk quantified through scenario analysis and stress tests carried out to assess the impact of climate change in our managerial decisions. At the same time, we are well aware of the need to make assumptions about the influence on our own business from revisions made to regulations and from the changes to our stakeholders' behavior due to climate change issues.



Shin Izumo wind farm project

Revision of Credit Policy

Based on consideration of the impacts of climate change and other environmental issues as well as human rights and other social issues, SMBC has revised its Credit Policy to include provisions regarding coal-fired power plants, palm oil plantation developments, and deforestation.

1. Coal-Fired Power Plants

As developed countries work toward the end goal of realizing a carbon-free society, SMBC Group will help ensure a smooth transition to a low-carbon society, the intermediary goal, by implementing more rigorous standards for financing coal-fired power plants. Under the new standards, we will limit financing of new projects to those using ultra-supercritical or more highly efficient methods, regardless of location.

2. Palm Oil Plantation Developments

We will prohibit financial support to palm oil plantation development projects that are highly likely to be involved in illegal logging and/or human rights violations such as child labor.

3. Deforestation

Based on the laws of relevant countries, we will prohibit financial support of projects that are highly likely to be involved in illegal logging and/or land clearing activities. For large-scale development projects, we will base financing decisions on assessments of the environmental risks, including if the projects entail clearing of primary forests and/or the destruction of local ecosystems, in accordance with the Equator Principles.

Social Initiatives



Financial Literacy Education

SMBC Group companies unite to provide financial and economic education based on their respective business models.

Examples of the various education activities conducted by the Group include financial and economic educational seminars for college students and those who have entered the workforce. We also offer *What Does a Bank Do?*, a book for elementary school students, and *JUNIOR SAFE*, an environmental magazine for children that has received the 10th Kid's Design award of excellence (by Minister of State for Consumer Affairs and Food Safety) and a Principles for Financial Action for the 21st Century award of encouragement. Other activities include the co-sponsorship of the KidZania work experience theme park and supporting Finance Park educational programs for middle school and high school students.



Bank service window experience at KidZania

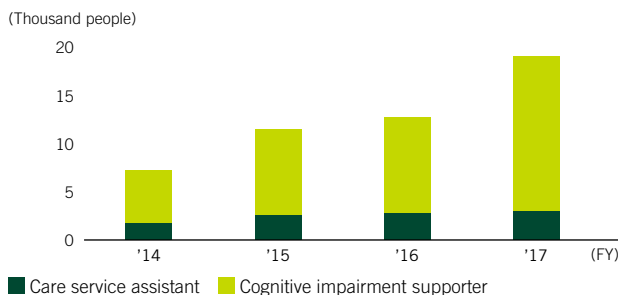
Number of participants at education programs

Approx. 130,000 (Fiscal 2017)

Assistance to Elderly and People with Cognitive Impairment and Disabilities

As of March 31, 2018, SMBC Group had trained approximately 16,000 staff members as cognitive impairment supporters. In addition, we encourage employees to acquire care service assistant qualifications and are developing our branches in a manner that ensures the elderly and people with disabilities can use them with ease.

Acquisition of Qualifications by Employees (Aggregate)



Resolution of Social Issues in Emerging Countries

In Indonesia, vocational school programs are being advanced on a national and municipal level with the aim of contributing to economic development and the cultivation of work skills among youths. Since March 2015, SMBC and PT Bank Sumitomo Mitsui Indonesia have cooperated with the Djarum Foundation, which is operated by the Djarum Group, a major Indonesian conglomerate, to support vocational schools and donate training equipments. In 2017, a vocational school supported by the Group was selected by the national government as a model case, indicating the high evaluation of our initiatives from the local community.



Vocational school in Indonesia

Supported School Programs

5 curriculums

Number of Students

Approx. 2,400

In Myanmar, we provide training for teachers to raise skill levels with respect to how to teach in multi-language settings and how to handle mixed-grade classes and thereby seek to help to improve the quality of instruction given to children and also make significant contributions to the development of human resources for the country's future development. In addition, SMBC became the first Japanese company to sign an agreement with the Japan Committee for UNICEF in July 2015. The agreement concerns a training program for school teachers in Myanmar to contribute to educational improvement. In recognition of these initiatives, the Cabinet Office of Japan conferred the Medal with Dark Blue Ribbon on SMBC in May 2018. Going forward, we will continue to contribute to the development of education in Myanmar to ensure that all children can receive a high-quality education.



Training program for school teachers in Myanmar

Number of Teachers Trained

Approx. 4,500

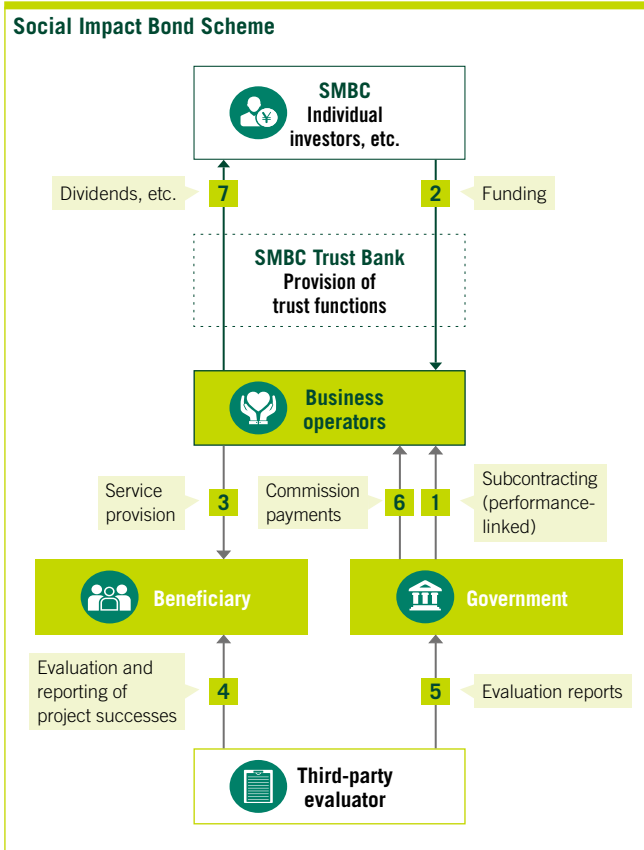
Number of Students Instructed by Trained Teachers

Approx. 70,000

■ Social Impact Bonds

SMBC and SMBC Trust Bank have begun offering social impact bonds. These bonds have been arranged into a full-fledged, first-in-Japan funding scheme, which is being used to fund Kobe City's program for preventing diabetic nephropathy and other serious illnesses.

Social impact bonds are schemes for collecting funds from private-sector contributors so that these funds can be used by private-sector companies to perform public service based on contracts from government and other institutions. Returns are issued to fund contributors based on the success of the relevant project. Through this scheme, SMBC Group aims to provide financial support for addressing the issues faced by communities and society of today.



■ Support Areas Affected by Natural Disasters

In May 2011, SMBC Group employees and members of their families began participating in voluntary activities in areas affected by the Great East Japan Earthquake. In addition, employees started volunteering in the areas affected by the Kumamoto earthquakes during fiscal 2016. A total of 100 employees and family members from across Japan took part in such activities during fiscal 2017 and ¥6 million in donations was collected.



Employee volunteers helping out in disaster-stricken area

Promote Social Inclusion (Coordination with NGOs and NPOs and Donations Through SMBC Volunteer Fund)

Approximately 10,000 executives and employees participate in SMBC's voluntary scheme for deductions from salaries for donations to charitable organizations. Through this scheme, donations totaling ¥21 million have been made to 32 organizations working toward the resolution of social issues in Japan and overseas. By holding regular discussions with NGOs and other organizations we receive their feedback which allows us to better understand society's expectations for us and reflect this understanding in our activities.



Supporting organizations working to preserve ecosystems along the Amazon river



Supporting organizations engaged in ecosystem surveys and preservation activities