

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Sumitomo Mitsui Financial Group (hereinafter individually refer to as the "SMFG" and collectively referred to as the "SMBC Group" or the "Group") is a global financial group based in Japan, operating in a wide range of businesses, including banking, leasing, credit cards, securities and consumer finance.

SMBC Group plays a role in supporting the growth of society as a "global solution provider," operating a wide range of financial and non-financial businesses in regions such as Asia, the Americas and Europe.

The Group's business consists of four segments: 'Wholesale,' 'Retail,' 'Global' and 'Global Markets,' and we operate both domestically and internationally.

Links and references

SMBC GROUP REPORT 2023 :

「Group Structure」 (P. 42-59)

[Annual Reports & SEC Filings | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

[FY2022 Form 20-F : 「SEGMENT ANALYSIS」 \(P.40-41\)](#)

[SEC Filings | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

The details of each segment and the respective proportions of each segment in our group's business net profit are as follows.

【Description of each Business Unit】

Wholesale Business Unit (31.6%) : The Wholesale Business Unit provides comprehensive solutions primarily for corporate clients in Japan that respond to wide-ranging clients

Retail Business Unit (12.5%) : The Retail Business Unit provides financial services to consumers residing in Japan

Global Business Unit (34.7%) : The Global Business Unit supports the global businesses of a diverse range of clients, such as Japanese companies operating overseas and non-Japanese companies

Global Markets Business Unit (21.2%) : The Global Markets Business Unit offers solutions through foreign exchange products, derivatives, bonds, stocks and other marketable financial products

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☒ UN Guiding Principles on Business and Human Rights

☒ International Labour Organization fundamental conventions

☒ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones:

Equator Principles, The UK Modern Slavery Act, Australian Modern Slavery Act

☒ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones:

Equator Principles,

☐ None of the above

Response

SMFG declares in its Mission Statement to “contribute to a sustainable society by addressing environmental and social issues.” Here, the Group has clarified its stance on contributing to the sound development of society through a wide range of businesses, including financial services.

In addition, the Group has established the “SMBC Group Statement on Sustainability” (the “Sustainability Statement”) as the basic principle in aiming to realize a sustainable society. The Sustainability Statement defines sustainability as “creating a society in which the current generation can enjoy economic prosperity and well-being, and pass on that society to future generations.” As a financial service provider aiming to achieve the Sustainable Development Goals (SDGs) and solve social issues, we demonstrate our commitment to creating a better society by engaging and taking action together with stakeholders, including customers.

In addition to the Mission Statement and Sustainability Statement mentioned above, we have established the “SMBC Group Environmental and Social Framework.” In this framework, the Group articulates our fundamental policy and comprehensive stance on the environment and society, and clarifies our commitment to contribute to the realization of a sustainable society.

Under the above understanding, the Group has set “Create Social Value” as one of the core policies in the new medium-term management plan “Plan for Fulfilled Growth,” which started in the fiscal year 2023, aiming to lead the economic growth and the solution of social issues. In order to address social issues, we will proactively engage in areas that may not be directly related to economic value in the short term, while anticipating changes in the times.

As the most pressing social issues that we should aim to solve, we have identified “Environment,” “DE&I & Human Rights,” “Poverty & Inequality,” “Declining Birth rate & Aging Population” and

Links and references

SMFG Website : 「Sustainability Policies > SMBC Group Statement on Sustainability」
[Sustainability Policies | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/sustainability/policies/)

SMFG Website : 「Sustainability Policies > SMBC Group Environmental and Social Framework」
[Sustainability Policies | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/sustainability/policies/)

News Release : 「Revision of SMBC Group Priority Issues (materiality)」
https://www.smfg.co.jp/news_e/pdf/e20230403_02.pdf
SMFG Website : 「Medium-Term Management Plan 2023 - 2025」
[Medium-Term Management Plan | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/mtmp/)

“Japan’s Regrowth” as the new “Materiality” areas of focus, and we have set goals to address these issues and incorporated them into our business strategy.

SMBC Group aims to create social value in order to solve social issues while achieving economic growth, and make people living in such a society feel happy, or in other words, contribute to growth for happiness.

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

- a) Scope:** What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

Links and references

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

<p>SMBC group has conducted the impact analysis for our major business segments, “Wholesale” and “Retail” business units in Japan, where the Group sets base, to identify priority areas for setting goals.</p> <p>Regarding Wholesale Business, we have identified the most significant impact areas by analysing the characteristics of the domestic corporate lending portfolio from both quantitative and qualitative perspectives.</p> <p>For the Retail Business, we have identified the most significant impact areas based on qualitative information such as the characteristics of various services and products, and the goals set by the Japanese government, since we do not disclose a breakdown by product or service.</p> <p>In this report, we have primarily conducted an analysis of specifying impact areas for the above two Business units. The “Global” and “Global Markets” business are not included in the analysis.</p>	
<p>b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <ul style="list-style-type: none"> i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. <p>If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.</p>	
<p>Response</p> <p><Wholesale Business></p> <p>The main sectors and their proportions in the domestic corporate lending portfolio of Sumitomo Mitsui Banking Corporation, which holds the Group’s main loan portfolio, are as follows: Real estate and Goods rental and leasing (20.2%), Manufacturing (14.8%), Finance and Insurance (10.7%), and Transportation, communications & public utilities (9.8%).</p>	<p>Links and references</p> <p>(Japanese only) FY2022 SMBC Security Report 「Loans and bills discounted, classified by industry」 (P. 62)</p>

³ ‘Key sectors’ relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

For example, the Manufacturing sector includes “Automobiles” and “Electrical & electronic components” and Transportation, communications & public utilities sector includes “Transportation” and “Electricity.”

Our portfolio includes “high-emission sectors” designated in 9 sectors by NZBA (Net-Zero Banking Alliance), such as “Real estate,” “Automobile,” “Transportation” and “Electricity.” This shows that our Wholesale Business might have impacts on climate change.

<Retail Business>

The Group's Retail Business consists of asset management, payment services, credit card operations, consumer finance operations and other related services. Since we have not conducted a breakdown by product/service or customer type in the aggregation, we have identified priority areas for the Retail Business based on external factors such as the characteristics of each service and the goals set by the Japanese government. Each product and service in our Retail Business is considered to have the following characteristics.

➤ Asset Management

The Asset Management business provides services that support customers in building their assets, designing appropriate life plans and financial plans, and contributing to the realization of their dreams and goals. Furthermore, the funds that have been managed can be used for new businesses, aggressive equipment investment and research & development by companies, thereby contributing to the revitalization of the whole Japanese economy. On the other hand, unlike deposits, asset management such as stocks, bonds, and investment trusts involves certain risks. To carry out appropriate and effective asset management, it is necessary to have a correct knowledge of financial and economic concepts, such as how to manage risks and returns.

➤ Payment Business, Credit Card Business and Consumer Finance Business

While these businesses provide services supporting customer's consumption activities, they also have potentials to cause problems such as financial crimes and multiple debts. In order to utilize these services effectively and enrich the life of consumers, a correct understanding of finance and economics, such as the mechanism of interest rates, is necessary.

[SMFG Security Report /
Sumitomo Mitsui Financial
Group \(smfg.co.jp\)](#)

SMBC GROUP REPORT
2023 : 「Retail Business Unit」
(P. 44-47)

[Annual Reports & SEC Filings |
Sumitomo Mitsui Financial
Group \(smfg.co.jp\)](#)

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

In October 2020, the Japanese government declared the goal to achieve net zero emissions of greenhouse gases (GHG) and a decarbonized society by 2050. In light of this declaration, the government's growth strategy includes achieving carbon neutrality as a prioritized area within the "Green Growth Strategy," in addition to economic growth and digitization.

Moreover, according to a survey conducted by S&P Global in 2015, Japan ranked sixth in financial literacy among the G7 countries, indicating a low level of financial literacy compared to other developed countries.

Under such circumstances, in November 2022, the Japanese government announced the "Doubling Asset-based Income Plan" as part of its efforts to achieve the "New Form of Capitalism." The plan sets goals such as "doubling the number of investors in five years" and "doubling the amount of NISA purchases in five years," and as one of the strategies to achieve these goals, it emphasizes "enhancing financial and economic education to disseminate the importance of stable asset formation."

In addition, from 2022 onwards, attention to financial education has been increasing, as the lowering of the age of majority and the full-scale integration of financial education through the revision of the national curriculum guidelines.

Links and references

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

Response

Links and references

<Wholesale Business>

Positive impact: Climate change

Negative impact: Climate change

<Retail Business>

Positive impact: Financial Health

Negative impact: Financial Health

d) For these (min. two prioritized impact areas): **Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

Links and references

<Climate Change>

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

The Group is a member of the NZBA, and we are progressively calculating our portfolio GHG emissions in the 9 sectors mentioned by the alliance.

By clarifying our portfolio GHG emissions and reduction targets, controlling the portfolio towards the achieving targets and supporting our customers' transitioning to a decarbonized society, we are working on addressing the challenges in the key impact area of "climate change" in our Wholesale Business.

The performance measurement for positive and negative impact are as follows:

【Amplifying positive impact】

Promotion of decarbonization-related innovation and facility investment through the provision of finance and other financial services to support customer's initiatives in their transition to a decarbonized society.

【Mitigating negative impact】

Reduction of GHG emissions and mitigation of the physical and transition risks of climate change for SMBC Group through the support on customer's initiatives by providing finance and other financial services in their transition to a decarbonized society.

<Financial Health>

Regarding the impact on society in the Retail Business, as described in 2.1a and 2.1b, we evaluate it based on qualitative factors such as the characteristics of products and services, and issues & goals set by the Japanese government.

【Amplifying positive impact】

Disseminating correct knowledge about asset management, life planning and household budget management through financial and economic education.

【Mitigating negative impact】

SMFG Website :

「Response to climate change (Working on TCFD Recommendations)」

[Response to climate change \(Working on TCFD Recommendations\) | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/en/ir/2022/03/20220320_01.html)

SMFG Website : 「Social Contribution (Financial Literacy Education)」

[Social Contribution \(Financial Literacy Education\) | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/en/ir/2022/03/20220320_02.html)

By disseminating knowledge and perspectives on the mechanisms of loans and credits, interest rates, and interest through financial and economic education, the negative impact on individual customers in our Retail Business can be reduced, such as the occurrence of multiple debtors.	
---	--

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁶ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with⁷ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. You can build upon the context items under 2.1.

Response

<Climate Change>

We set portfolio GHG reduction targets as SMART goals that are consistent with the effort goal of the Paris Agreement adopted by the Japanese government, which aims to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels."

Specifically, we calculate sector specific GHG emissions in line with the IEA's SDS (Sustainable Development Scenario) and NZE (Net Zero Emissions by 2050 Scenario) and set reduction targets based on these values. Also, in the "Green Growth Strategy" advocated by the government, promotion of financing on "Green," "Transition" and "Innovation" initiatives listed as one of its pillars. The KPI for sustainable finance of SMBC group is consistent with this strategy.

<Financial Health>

SMBC group holds seminars on "asset building" as one of the programs of our Financial Education. This initiative is consistent with "the enhancement of financial and economic education to disseminate the importance of stable asset formation," which is one of the pillars of the "Doubling Asset-Based Income Plan" advocated by the Japanese government. We also hold seminars on topics such as "life planning and household budget management," "loans and credit" and "financial troubles." These are consistent with the content of the "minimum financial literacy to be acquired" proposed by the Financial Services Agency and the changes in the Japanese environment, such as the lowering of the age of majority. SMBC group has set a SMART goal as the number of participants

Links and references

SMBC Group TCFD Report 2022

[Response to climate change \(Working on TCFD Recommendations\) | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

of financial and economic education program, with the aim of contributing to the improvement of the soundness of finance in Japan.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, A.2.1, A.2.2, A.2.3, A.3.1, A3.2, A.4.1	Please refer to the main text.

Impact area	Indicator code	Response
Financial health & inclusion	B2.1	Please refer to the main text.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

⁶ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁷ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Response

<Climate Change>
【Amplifying positive impact】

- By providing finance and other financial services for customer's initiatives on the transition to a decarbonized society, we can promote innovation and facility investment related to decarbonization.

As an indicator of amplifying positive impact in this area, we have set a KPI of "Executing 50 trillion yen of sustainable finance from FY2020 to FY2029." This KPI will be aggregated and disclosed based on the baseline of the 2020 fiscal year. The sustainable finance defined in our KPI refers to the businesses that are classified under the following categories defined by the International Capital Market Association (ICMA).

- The Green Bond Principles "Green Project categories"
- The Social Bond Principles "Social Project categories"
- Compliance with the "Climate Transition Finance Handbook"

【Mitigating negative impact】

- By providing finance and other financial services to support customer's initiatives on transition to a decarbonized society, we aim to reduce the GHG emissions of society as a whole and mitigate physical and transition risks related to climate change.

As a KPI for mitigating negative impacts on SMBC Group's loan and investment portfolio, we have set targets for reducing the carbon intensity of GHG emissions in the power sector and the portfolio GHG emission in the coal and petroleum gas sectors until the fiscal year 2030. This KPI will be aggregated and disclosed based on the baseline of the end of March 2021.

<Financial Health>

With regard to amplifying positive impacts and reducing negative impacts, the Group has set a KPI to provide financial and economic education to a total of 1.5 million people from FY2020 to FY2029. We will aggregate and disclose the number of participants as a KPI, based on the baseline of the 2020 fiscal year.

Links and references

News Release : 「Strengthen Efforts against Climate Change」

smfg.co.jp/news_e/pdf/e20230515_02.pdf

(Japanese only)SMBC Consumer Finance website : 「PROMISE Financial Literacy Education Program」

[PROMISE Financial and Economic Education- SMBC Consumer Finance Co., Ltd \(promise-plaza.com\)](https://promise-plaza.com)

Financial and economic education in the SMBC group refers to free seminars on various money-related topics such as “life planning and household budget management,” “loans and credit,” “financial troubles” and “asset building,” using the know-how and knowledge held by each group company. For example, seminar topics include the following:

➤ Life Planning and Household Budget Management:

Introducing the importance of life planning and points to clarify the purpose and priorities of expenditures in daily household budget management to achieve dreams and goals.

➤ Loans and Credit:

Learning the basic principles of contracts to enable appropriate selection of financial products. Introducing points for using financial products wisely while considering the risk of overuse.

➤ Financial Troubles:

Introducing information based on specific cases of financial troubles caused by malicious operators that are becoming more sophisticated on a daily basis, and measures to prepare for such situations.

➤ Asset Building:

Learning about the role and necessity of asset management in life events. Introducing the nature of financial products and points for investment.

c) SMART targets (incl. key performance indicators (KPIs)⁸): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

⁸ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

<p>Response</p> <p><Climate Change></p> <p>【Amplifying positive impact (SMART targets)】</p> <ul style="list-style-type: none"> ➤ Execute 50 trillion yen of green and sustainable finance (including 20 trillion yen of green finance) from FY2020 to FY2029. <p>【Mitigating negative impact (SMART targets)】</p> <ul style="list-style-type: none"> ➤ Reduce the carbon intensity of GHG emissions in the power sector in SMBC Group's investment/loan portfolio to 138-195g-CO₂e/kWh by FY2030. ➤ Reduce the portfolio GHG emissions in the oil and gas sector to 12-29% by FY2030 compared to the level in FY 2020. ➤ Reduce the portfolio GHG emissions in the coal sector to 37-60% by FY2030 compared to the level in FY 2020. <p>(* For reducing negative impacts on climate change, we are currently working on disclosing actual GHG emissions to measure the performance of portfolio GHG reduction targets, and acquiring third-party assurance in the report from FY2024 onwards.)</p> <p><Financial Health></p> <p>【Amplifying positive impact (SMART targets)】</p> <ul style="list-style-type: none"> - Provide financial education to a total of 1.5 million participants from FY2020 to FY2029. 	<p>Links and references</p> <p>SMBC Group TCFD Report 2022</p> <p>Response to climate change (Working on TCFD Recommendations) Sumitomo Mitsui Financial Group (smfg.co.jp)</p> <p>News Release : 「Strengthen Efforts against Climate Change」</p> <p>smfg.co.jp/news_e/pdf/e20230515_02.pdf</p>
<p>d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p>Response</p> <p><Climate Change></p>	<p>Links and references</p>

【Amplifying positive impact】

- Promotion of sustainable finance, such as green finance and social finance, by each branch under the support of the Sustainable Solution Department, which promotes and plans sustainable business across the Group. Accumulate knowledge on sustainable finance among sales staffs through training programs such as “Sustainability University,” “Sustainability Ambassador Program,” and “CSuO Channel.”

【Mitigating negative impact】

- Through consistent engagement with customers, we will support to draw up their decarbonization strategies together and provide solutions. We will also expand the scope of GHG emission calculation and emission reduction target sectors.
Establish a policy of prohibiting support for new and expanding coal-fired power plants and coal mining businesses, and monitor progress toward achieving the goal by checking the outstanding balance of loans annually.

The initiatives mentioned above are led by “Corporate Sustainability Department” and the “Sustainable Solution Department” under the newly established “Sustainability Division” in April 2022. Further, these initiatives are periodically reported to and monitored by the Board of Directors and its internal committee “Sustainability Committee.”

<Financial Health>

We have conducted a social impact assessment of our financial and economic education seminars with the cooperation of Social Value Japan, a specified non-profit organization. We conduct it in order to objectively analyse whether we are creating social impacts such as changes in the learners’ understanding, awareness, and behaviour regarding money, and to make our financial and economic education program more effective.

News Release : 「Strengthen Efforts against Climate Change」

smfg.co.jp/news_e/pdf/e20230515_02.pdf

SMBC Group TCFD Report 2022

[Response to climate change \(Working on TCFD Recommendations\) | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

SMFG Website : 「Social Contribution (Financial Literacy Education)」

[Social Contribution \(Financial Literacy Education\) | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it)	... second area of most significant impact: ... (please name it)	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

<Climate Change>

【Amplifying positive impact】

- Executed 14.9 trillion yen of sustainable finance (including 7.1 trillion yen of green finance) from FY2020 to FY2022

【Mitigating negative impact】

- For the aim to reduce negative impacts on climate change, we are currently working on disclosing actual GHG emissions to measure the performance of portfolio GHG reduction targets, and acquiring third-party assurance in the report from FY2024 onwards.

<Financial Health>

【Amplifying positive impact】 【Mitigating negative impact】

- Provided financial education program of SMBC Group to a total of 525 thousand participants from FY2020 to FY2022

Links and references

News Release : 「Strengthen Efforts against Climate Change」

smfg.co.jp/news_e/pdf/e20230515_02.pdf

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers⁹ in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹⁰). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

The Group declares in its Mission Statement to “contribute to a sustainable society by addressing environmental and social issues.” Also, the Sustainability Statement is a policy to promote responsible relationships with our customers, and states that we will engage and take action together with stakeholders, including customers, to create a better society. Our mid to long-term vision is to become “a trusted global solution provider that develops together with our customers and society,” and we are taking actions based on our Mission and Sustainability Statement. In addition, as one of the more specific guidelines to promote a responsible relationship with customers, we have established the “SMBC Group Environmental and Social Framework.” This framework explains our approaches to environmental and social issues as well as prohibited

Links and references

SMFG Website :

「Sustainability Policies > SMBC Group Environmental and Social Framework」

[Sustainability Policies | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

credits and the due diligence structure based on the “Sustainability Statement,” “Group Environmental Policy,” “Statement on Human Rights” and “Social Contribution Policy.”

【Prohibited Credits】

- Credits that may breach social norms such as laws and regulations
- Credits considered problematic in terms of public responsibility, such as credits in conflict with public order and morals, and credits that may have negative impacts on the environment*

*Including large-scale development or construction projects whose sites are subject to Ramsar wetlands or UNESCO World Natural Heritage Sites or that may have significant negative environmental impacts, and large-scale development or construction projects for which no appropriate environmental impact assessment has been conducted or no environmental management plan formulated even though such projects may significantly destroy the habitats of endangered species, native and tropical forests.

Furthermore, the Group's Retail Business Unit, which includes Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities, and SMBC Trust Bank conducting financial product sales, has established a “Basic Policy for Customer-Oriented Business Conduct” (the “Basic Policy”) to further promote customer-oriented business.

Under the Basic Policy, we adopt a fundamental stance of prioritizing medium to long-term diversified investments, supporting our customers’ stable asset building. Through our asset management and asset building services, we strive to contribute to the development of the capital market and economic growth by providing funds to companies and others that need growth capital.

【Basic Policy for Customer-Oriented Business Conduct】

1. Customer-Oriented Wealth Management Proposals Based on Medium- to Long-Term Diversified Investment

SMFG Website : 「Promotion of Environmental Businesses」

[Promotion of Environmental Businesses | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/en/promotion-of-environmental-businesses/)

SMBC GROUP REPORT 2023 : 「Customer-Oriented Initiatives」 (P. 132-133)

[Annual Reports & SEC Filings | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](https://www.smfg.co.jp/en/annual-reports-and-sec-filings/)

⁹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹⁰ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

<ol style="list-style-type: none"> 2. Lineup of Customer-Oriented Products 3. Customer-Oriented After-Sales Services 4. Customer-Oriented Performance Evaluation Systems 5. Improvement of Consulting Capabilities 	
<p>3.2 Business opportunities</p> <p>Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	
<p>Response</p> <p>With an aim to resolving various social issues including climate change, each of our group companies is working on businesses that aim for realizing a sustainable society and sustainable economic activities. Some of our major products, services and collaboration efforts are described below:</p> <p><Finance that contributes to realizing sustainability></p> <ul style="list-style-type: none"> - We provide finance that contributes to resolving environmental and social issues as well as realizing a sustainable society, including green loans, social loans, and sustainability-linked loans. - In terms of finance for renewable energy projects, we have a leading track record in the global market. In FY2021, we were involved in a total of 56 renewable energy projects in Japan and overseas, with an estimated CO2 reduction effect equivalent to 15,079,782 tons. <p><Green Deposits></p> <ul style="list-style-type: none"> - Funds from the Green Deposits are used to finance environmentally beneficial projects such as renewable energy. 	<p>Links and references</p> <p>SMFG Website : 「Promotion of Environmental Businesses」 Promotion of Environmental Businesses Sumitomo Mitsui Financial Group (smfg.co.jp)</p>

<ul style="list-style-type: none"> - We offer products that contribute to realizing sustainability not only through funding support such as green finance, but also through investments. <p><GREENxGLOBE Partners></p> <ul style="list-style-type: none"> - GREENxGLOBE Partners is a community which aims to achieve a goal to “disseminate awareness and opportunities to resolve environmental and social issues” by working together with customers to find solutions to such issues that are difficult to solve alone as individuals or companies. - Our activities include distributing articles related to environmental and social issues, hosting workshops, and organizing events and projects. In FY2021, we supported the revitalization of traditional Japanese industries, and launched a new project through food and agriculture-related workshops. 	
--	--

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹¹) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

【Amplifying positive impact】

- When providing finance that contributes to sustainability, we obtain evaluations from external evaluation agencies to confirm compliance with the designated finance requirements.
- In 2022, we announced to support the “GX League Basic Concept” by the Ministry of Economy, Trade and Industry. We are committed to challenging ourselves to rapid transition to carbon neutrality and to continue working collaboratively with various stakeholders on measures toward transformation.

【Mitigating negative impact】

- We are involved in the establishment of a financial framework for transitioning to and realization of a decarbonized society by joining the “Net-Zero Banking Alliance” and participating in its working groups.
- By joining “Partnership for Carbon Accounting Financials” and participating in discussions, we have enhanced the calculation of GHG emissions of our investment and loan portfolio. Additionally, we collaborate with other global financial institutions to provide opinions on the enhancement of the measurement methodology.

Links and references

SMFG Website :

「Participation in Initiatives and Reference Guidelines」

[Participation in Initiatives and Reference Guidelines | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

SMFG Website :

「Stakeholder Engagement」

[Stakeholder Engagement | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

¹¹ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

<p>The above initiatives are examples of collaborative efforts that contribute to reducing negative impacts through engagement with our stakeholders including “customers” and “society and environment (such as NGOs, NPOs, initiatives, and communities).” In addition to these, we have implemented the following Initiatives targeting “shareholders and markets” and “employees”:</p> <p><Shareholders and Markets></p> <ul style="list-style-type: none"> - We are working on transparent disclosure of information and maximization of shareholder value by explaining our management strategies, financial condition and sustainability initiatives through investor briefing sessions held after annual reporting, various conferences and individual meetings, ESG presentations, and information sessions for individual investors, etc. <p><Employees></p> <ul style="list-style-type: none"> - Implemented initiatives to promote direct dialogue between management and employees to deepen mutual understanding (e.g., communication between employees and the Group CEO during lunch breaks, communication between management and employees through internal SNS, etc.) - Details of initiatives to foster a corporate culture as a responsible bank are described in section 5.2. 	
---	--

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☐ Yes ☒ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

To further enhance our existing management structure for promoting sustainability, we established the “Corporate Sustainability Department” and the “Sustainable Solution Department” under the newly formed “Sustainability Division” in April 2022. These divisions and departments formulate the annual and mid-term business plans related to sustainability and conduct company-wide business planning and promotion, and business development to realize a sustainable society.

Initiatives planned and implemented by the Sustainability Division are periodically reported to the Board of Directors, as well as the Sustainability Committee within the Board of Directors, to enhance initiatives and monitor progress of these initiatives.

Links and references

SMBC GROUP REPORT 2023
[Annual Reports & SEC Filings | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

SMFG Website : 「Corporate Governance」

Further, these initiatives are deliberated in the Group Management Committee and the Corporate Sustainability Committee, which is comprised of CEOs of group companies, etc. As such, we have a sustainability management system which covers both the oversight and execution sides in place. Under this system, we are managing significant positive and negative impacts.

[Corporate Governance | Sumitomo Mitsui Financial Group \(smfg.co.jp\)](#)

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

To foster a corporate culture as a responsible bank, our companies introduced a group-wide training program called the “Sustainability University.” Participation in this training is mandatory for all employees, including executives. Currently, we are primarily focused on e-learning to provide employees with the knowledge and skills to sufficiently engage with customers related to social issue resolution.

In addition, starting in FY2022, we have assigned 420 Sustainability Ambassadors in our branches in Japan. By having these ambassadors act as a hub, we are strengthening the ability to engage and propose solutions across the company by promoting sustainability initiatives within each branch, while sharing information with the headquarters and other branches.

Links and references

Presentation Material regarding “SMBC Group’s Approach to Sustainability” : 「Sustainability University」 (P.15)

https://www.smfg.co.jp/english/investor/financial/small/pdf/20220524esg_pre01e.pdf

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹² Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and

¹² Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

The “Group Credit Policy” of SMBC Group clearly defines the universal and fundamental concepts, guidelines, and rules for credit businesses, declaring not engaging in credit transactions that are problematic from public or social perspectives. Under this principle, to address the environmental and social risks in our portfolio, the policy prohibits credit transactions that are expected to significantly and negatively impact the earth's environment.

Sumitomo Mitsui Banking Corporation, which handles the Group's core credit operations, has established a system for appropriate understanding and periodic monitoring and management of environmental and social risks through the utilization of non-financial information of customers in credit operations and evaluation of environmental and social risks for individual cases.

In addition, the Group's CRO (Chief Risk Officer) reports regularly to the Risk Committee, an internal committee of the Board of Directors, on the environmental and risk awareness related to climate change, risk appetite, and the implementation of risk management-related measures for climate change. The Risk Committee deliberates based on this report, and provides advice to the Board of Directors.

Links and references

SMFG Website :
「Sustainability Policies >
SMBC Group Statement on
Sustainability」

[Sustainability Policies |
Sumitomo Mitsui Financial
Group \(smfg.co.jp\)](#)

SMFG Website : 「Corporate
Governance」

[Corporate Governance |
Sumitomo Mitsui Financial
Group \(smfg.co.jp\)](#)

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes

☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes

☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes

☐ In progress

☐ No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☒ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

Response

We have obtained limited assurance from KPMG AZSA Sustainability Co., Ltd. for the "Response" included in "2.1 Impact Analysis," "2.2 Target Setting," "2.3 Target Implementation and Monitoring" and "5.1 Governance Structure for Implementation of the Principles" of this report.

For the links and our disclosed materials cited as references, we will continue to make efforts for establishing internal controls for information collection and obtaining assurance related to future sustainability information, taking into consideration domestic and international trends, and continue to consider obtaining certification and assurance.

Links and references

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☒ GRI
- ☒ SASB
- ☒ CDP

<input type="checkbox"/> IFRS Sustainability Disclosure Standards (to be published) <input checked="" type="checkbox"/> TCFD <input type="checkbox"/> Other:	
Response The Group is committed to disclosing sustainability information, considering standards such as GRI, SASB, and TCFD recommendations. Moving forward, we will continue to strive for enhancing information disclosure, taking into account of disclosure standards such as ISSB.	Links and references
6.3 Outlook What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis ¹³ , target setting ¹⁴ and governance structure for implementing the PRB)? Please describe briefly.	
Response The Group will keep implementing measures and managing progress towards achieving the KPIs set for the two impact areas described in this report (climate change and financial health).	Links and references

¹³ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁴ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input checked="" type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.¹⁵ The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

How to use: Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets¹⁶ (highlighted in **green**) or to client engagement¹⁷ targets (highlighted in **blue**), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.¹⁸ Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

¹⁵ It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

¹⁶ Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

¹⁷ Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹⁸ You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice ¹⁹ (pathway to impact)									Impact ²⁰		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used	A.4.1	Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics) ²¹
	A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No; If yes: - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base	A.2.2	Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO ₂ e (please also disclose what is excluded for now and why)	A.3.2	Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-intensive sectors	bln/mn USD or local currency, and/or % of portfolio	A.4.2	Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)

¹⁹ Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

²⁰ Impact: the actual impact of the bank's portfolio

²¹ If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

			year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			and activities ²² ? How much does your bank invest in transition finance ²³ ?			
	A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	A.2.3	Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (depending on the sector and/or chosen metric): kg of CO ₂ e/ kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit					
	A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; If yes: please specify which parts of the lending and investment portfolio you have analyzed	A.2.4	Proportion of financed emissions covered by a decarbonization target: What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% (denominator: financed emissions in scope of the target set)					

²² A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

²³ Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

	A.1.5	Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for		a transition plan in place?							
B. Financial health	B.1.1	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	B.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective	B.3.1	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	B.4.1	% of customers with a high level of financial health	Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.

						means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	B.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of	B.2.2	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including	B.3.2	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize,	B.4.2	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main

			stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			financial health tools)			through the transactions of the customer, the results of the plan.			financial institution customers.
	B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health	B.4.3	% of customers that feel confident about their financial situation in the next 12 months	Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
							B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due"	B.4.4	% of customers with products connected to long-term saving and investment plans	Transactional and/or survey data based. Measures the percentage of customers with products

								defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.			connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.	
							B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based

												using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multiple choice options of insurance, emergency funds, loan, credit card, family/friends, etc.
C. Financial Inclusion	C.1.1	# of products and services in the portfolio with a focus on financial inclusion	Internal data based. Measures how many of the products and services in the portfolio have a financial inclusion focus. We deem a product or service to have this focus when its design facilitates the access and usage by the prioritized customer. For example, no-fee savings account, low interest microloan, offline access or sim-based banking apps, etc	C.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective means that the bank has measured if the initiative is	C.3.1	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	C.4.1	% of customers with 2 or more active financial products, from different categories, with the bank	Transactional data based. Measures the percentage of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there's at least one usage per month. By category we mean credit/debt, savings/deposit/payment, insurance, investment, etc. Once a target has been set for this indicator, we encourage banks to ensure responsible selling policies or other initiatives so that the target doesn't become a toxic incentive.

					successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	C.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative	C.2.2	% of customers with effective access to a basic banking product	Transactional data based. Measures the percentage of customers with effective access to a basic banking product. By effective we mean the usage beyond first access. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e-	C.3.2	% of customers supported with dedicated customer journey/advisory services	"Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.		

			will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			money accounts, etc.						
	C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			



Independent Assurance Report

To the President and Group Chief Executive Officer of Sumitomo Mitsui Financial Group, Inc.

We were engaged by Sumitomo Mitsui Financial Group, Inc. (the “Company”) to undertake a limited assurance engagement to report on its responses (the “Responses”) included in the sections “2.1 Impact Analysis,” “2.2 Target Setting,” “2.3 Target Implementation and Monitoring” and “5.1 Governance Structure for Implementation of the Principles” of its Principles for Responsible Banking Report (the “PRB Report”) for the fiscal year ended March 2023.

The Company’s Responsibility

The Company is responsible for the preparation and presentation of the Responses in accordance with the requirements provided in the United Nations Environment Programme Finance Initiative's PRB Reporting and Self-Assessment Template - Reviewed version (V2) from September 2022 (the “Criteria”).

Our Responsibility

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries primarily of persons responsible for the preparation of information presented in the PRB Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the PRB Report.
- Inquiring about the design of the internal control system and process used to prepare the Responses.
- Examining, on a test basis, evidence supporting the preparation of the Responses in conformity with the Criteria.
- Evaluating the overall presentation of the Responses.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Responses in the PRB Report are not prepared and presented, in all material respects, in accordance with the Criteria.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Partner

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

September 15, 2023