



SUSTAINABILITY REPORT 2025

















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Structure of the report

The page layout is designed to flow from the Executive Summary to Chapter Summaries, followed by (Section Summaries and) the individual content within each chapter. This structure allows for a comprehensive understanding by breaking down the information progressively.







Message from the Group CEO









SMBC Group aims to help build a sustainable society, defining sustainability as "creating a society in which today's generation can enjoy economic prosperity and well-being, and pass it on to future generations." In our current Medium-Term Management Plan, which began in April 2023, we have positioned "Create Social Value" as one of the key pillars of our management. We identified five new priority issues (Material Issues): Environment, DE&I/Human Rights, Poverty & Inequality, Declining Birthrate & Aging Population, and Japan's Regrowth. SMBC Group is united in addressing these urgent social issues.

Addressing climate change is increasingly linked to industrial policies in many countries and regions that are affected by the complex and uncertain external environment. Even in Europe, which has traditionally led the way, there is a shift toward more pragmatic approaches. We have consistently emphasized the importance of balancing energy security with the decarbonization of the real economy while maintaining economic viability. We believe it is crucial to adopt realistic approaches that consider the unique circumstances of each country, region, and sector, as well as trends in new technology development. SMBC Group was the first Japanese bank to publish the "Transition Finance Playbook," which defines transition finance. We have engaged with 130 clients and executed 46 transition finance deals. steadily building our track record. We will continue to offer robust support for our clients' decarbonization efforts through transition finance and by providing risk capital to accelerate the social implementation of new energy and technologies.

In addition to addressing climate change, environmental protection requires the conservation and restoration of natural capital, transitioning to a circular economy, and adapting to mitigate the impacts of climate change. In May 2024, SMBC

Group acquired approximately 220 hectares of forest in Isehara City, Kanagawa Prefecture, known as "SMBC's Forests," and we are actively working to conserve and restore natural capital by protecting its valuable ecosystems. We view the circular economy as a rapidly expanding market and are helping build value chains for high-demand recycled materials like plastics and EV batteries, leveraging the strengths of SMBC Group in finance, leasing, and consulting, and fostering collaboration between primary and secondary industries.

On the other hand, transitioning to a decarbonized society involves significant shifts in traditional industrial structures, leading to the contraction or decline of existing industries and potential job losses, which can significantly impact other social issues such as poverty, inequality, and human rights. SMBC Group strives to ensure a just transition, where project workers and local communities can develop and gain new employment opportunities in a fair and equitable manner. We are also focused on breaking the cycle of poverty and inequality for future generations by providing educational and experiential opportunities for children, such as opening Atelier Banrai – ITABASHI, a space for children to learn and experience, using vacant bank branches. Additionally, we are working to alleviate poverty and inequality through social empowerment by offering microfinance and vocational training programs, particularly in Asian countries targeted by our Multi-Franchise Strategy, to those with limited access to financial resources.



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Message from the Group CEO









By leveraging digital technology, we are increasingly being able to provide solutions that address social issues in segments and regions where it was previously difficult to deliver our services. Since March 2023, our comprehensive financial service for individuals, Olive, has surpassed 5 million account openings. Our newly announced corporate service, Trunk, is designed to support the revitalization of a wide range of businesses, including small and medium-sized enterprises that are vital to Japan's economic growth. By integrating the diverse functions of our Group, such as payment services, into a digital platform, we aim to offer highly attractive services like Olive.

Creating social value through these sustainability initiatives is the sum of the value generated by each of our employees. Supporting employees who tackle social challenges and maintaining and enhancing our competitiveness requires investment in human capital. We anticipate an 8% increase in human capital investment at Sumitomo Mitsui Banking Corporation (SMBC) in fiscal year 2025. Based on our Group Talent Policy of "realizing a workplace and team where diverse employees continue to take on challenges and find meaning in their work," we will promote human capital management. In January 2026, SMBC plans to implement a comprehensive overhaul of its HR system for the first time since its merger. One of SMBC Group's Mission is to "create a work environment that encourages and rewards diligent and highly motivated employees," and we aim to build an environment and organizational culture that can provide such a workplace.

This report is designed to clearly present our integrated strategic direction for addressing social issues to our stakeholders, summarizing our efforts in climate change, natural capital, human rights, and human capital, which is the source of our competitiveness. SMBC Group has proactively expanded and enhanced its sustainability disclosures, being the first Japanese bank to issue TNFD and impact reports. We will continue to engage in dialogue with our stakeholders, striving for continuous improvement in our efforts and disclosures to create social value and build a sustainable society.

Sumitomo Mitsui Financial Group Director President and Group CEO

Toru Nakashima





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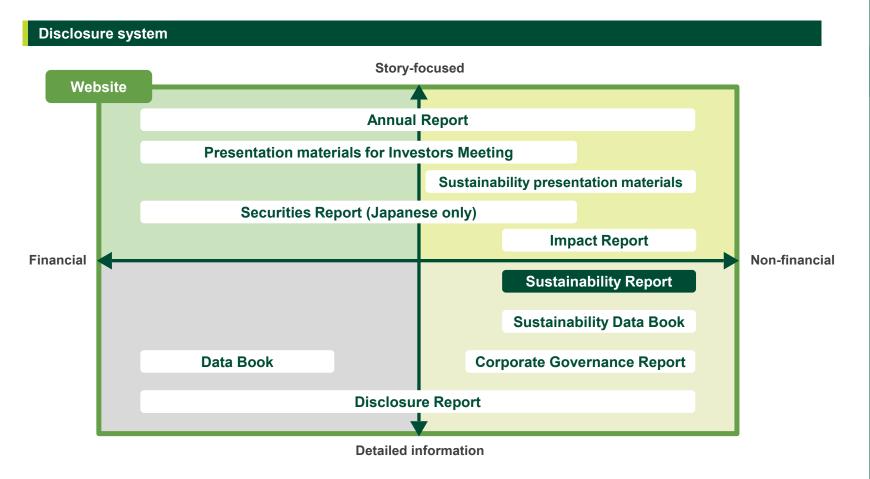
Editorial policy/Organization of sustainability disclosure











Editorial policy

The Sustainability Report 2025 summarizes SMBC Group's strategy and initiatives related to climate change, natural capital, human rights, and human capital. While editing the report, we have endeavored to convey in an easy-to-understand way the Group's initiatives in accordance with the four components recommended by major sustainability disclosure standards, namely governance, strategy, risk management, and metrics and targets.

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Executive summary











Strategy

Initiatives to address social issues and efforts to create value through business and by maximizing human resources



Climate change P. 20 ff.

Contributing to the decarbonization of the real economy and achieving net zero for SMBC Group

P. 44 ff. Respect for human rights

Creating a positive social impact through respect

for human rights across the entire supply chain

Integration

Natural capital

P. 34 ff.

P. 61 ff.

Accelerating efforts to achieve nature-positive outcomes as a pioneer in the financial industry

Human capital

Building opportunities for each employee with various careers and values to thrive

P. 68 ff.

Risk management

Recognition and incorporation of environmental and social risks within the company-wide risk management framework, and enhancement of risk analysis and management processes



Incorporation into the company-wide risk management framework

Environmental and social risks

Climate change

Natural capital

Human rights

Risk analysis

Risk management process

P. 101 ff.

Governance

Overall view of sustainability management in both supervisory and executive aspects, including the executive compensation system and strengthening of capability building



Supervisory structure

Supervision by the Board of Directors. Sustainability Committee, etc.

Execution structure

Establishment of the Group CSuO and Sustainability Division for Fulfilled Growth

Executive compensation system

Linking sustainability-related indicators both quantitatively and qualitatively

Capability building

Accumulating knowledge and fostering awareness among officers and employees

P. 114 ff.

Metrics and targets

Performance indicators related to strategy and risk management



Climate change/natural capital

Sustainable finance

Portfolio GHG and operational GHG reduction

Loan balance for coal-fired power generation/coal mining

Human capital

Deployment of human resources to focus areas

Rate of use of paid leave

Ratio of female in the Board of Directors

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Major updates over the year













Risk-taking in new energy and new technologies

- ✓ Accelerating social implementation in new energy and new technologies
- ✓ Actively providing risk capital for hydrogen, SAF, CCS, etc.

Transition finance

- ✓ Acquiring projects in Japan and overseas through repeated dialogues with customers
- ✓ Strengthening policy recommendations based on challenges identified through the initiatives

Collaborating with stakeholders

- ✓ Providing diverse solutions while collaborating with customers
- ✓ Diversification of dialogues and recommendations with industry and government

Natural capital



Diversification of nature-related finance projects

in Japan and overseas

Advanced analysis of contact points with natural capital and our business

Respect for human rights



Updated the SMBC Group Statement on Human Rights

Introduction of **remedy and grievance mechanism** for a wide
variety of stakeholders

Human capital



Strengthening Group and global HR Operations aligned with business

Reviewing SMBC's HR system

Risk management



Expansion of subjects for scenario analysis of **transition risks** (auto-parts)

Strengthening analysis by sector Continuation of appropriate management Expansion of subjects for environmental and social due diligence
Commenced monitoring

Governance



Clarified sustainability as a selection criteria for candidates for outside director

Clarified discussions at the **Board of Directors**and internal committees and
the status of their reflection in measures

Holding study sessions and roundtables for management members

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Strategy: Climate change









Taking into account the characteristics of countries, regions, and sectors, we will steadily advance in supporting our customers' efforts for decarbonizing the real economy and appropriately managing climate-related risks.

Opportunities

Transforming business models with complex needs of customers transitioning to a decarbonized society



Increase in credit-related costs and reputational damage caused by climate-related factors





Contributing to the decarbonization of the real economy

Developing an approach in line with the circumstances in countries, regions, and sectors

Risk-taking in new energy and new technologies

- Accelerating social implementation in new energy and new technologies
- Actively providing risk capital for hydrogen, SAF, CCS, etc.

Transition support

- Acquiring projects in Japan and overseas through repeated dialogues with customers
- Strengthening policy recommendations based on challenges identified during initiatives

Group solutions

 Supporting the resolution of customers' sustainability challenges with diverse and cutting-edge solutions



Enhancing risk management and achieving net zero

While also taking into account sector characteristics, continuing with appropriate management from the perspectives of policy, portfolio, and individual companies and projects

- Conducting scenario analysis on physical and transition risks
- Enhancing sector-specific analysis (e.g., emissions, sector characteristics, risk awareness)
- Continuing appropriate sector-specific management in accordance with points for realizing decarbonization and risk awareness

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Collaborating with stakeholders

Customers

Providing diverse solutions and business co-creation for the decarbonization of the real economy

Industry

Participating in financial initiatives and strengthening cross-industry partnerships

Governments

Sharing awareness of challenges and contributing to the formulation of public guidelines

Strategy: Natural capital









As a pioneer in the financial industry in the field of natural capital, we will leverage our strengths to promote various nature-positive initiatives, while enhancing the management of risks related to our dependence and impact on natural capital.

Opportunities

Increasing investment in the conservation and restoration of natural capital and biodiversity, etc.

Risks

Increase in credit-related costs and reputational damage caused by nature-related factors



Initiatives to achieve nature-positive



Creating a circular economy

- Developing solutions across the entire value chain in a circular society and establishing closed-loop systems for specific products by leveraging the strengths of our leasing subsidiaries
- Promoting circular/smart use during the utilization phase of FVs



Supporting our customers' initiatives

- Initiation of Natural Capital Management Promotion & Analysis Loan
- Providing solutions that contribute to nature-positive outcomes



SMBC Group's initiatives

- Conserving biodiversity and providing environmental education in company-owned forests
- Analyzing and evaluating the dependence and impact on natural capital in our business activities and those of our customers

Enhancement of naturerelated risk management



Enhancing risk management

- Advancing the analysis of the dependence and impact on natural capital in highly relevant sectors
- Prohibiting support for businesses that cause a significant adverse impact on the environment and biodiversity, and conducting assessments and risk evaluations of individual companies and projects

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Strategy: Respect for human rights









Recognizing respect for human rights as a corporate responsibility, we are not only committed to preventing, mitigating, and remedying adverse impacts across the entire supply chain, but also to boldly tackling social issues related to human rights. The Group aims to secure the trust of society, enhance corporate value, and contribute to creating a positive impact on society.

Commitment (summary of the "Statement on Human Rights")

We understand and respect internationally recognized human rights, such as those outlined in the "International Bill of Human Rights" and the "ILO Declaration on Fundamental Principles and Rights at Work," as the minimum standard.

With a view toward respecting internationally recognized human rights, SMBC Group will continue to engage in dialogue with stakeholders and work to develop and enhance a system of human rights due diligence in order to identify, prevent, and mitigate the adverse impact of its business activities on human rights.

(1) As a financial service provider, we respect the human rights of our customers and those affected by transactions with our customers. (2) As an employer, we respect the human rights of our employees. (3) As a purchaser, we respect the human rights of supplier employees and those affected by our procurement activities.

Addressing human rights risks/human rights due diligence

Addressing risks through relationships with customers

- Conducting human rights due diligence for investment and loan activities
- Supporting human rights initiatives through finance
- Ensuring customer-oriented business conduct
- · Enhancing accessibility to our services

Addressing risks related to employees

- Ensuring compliance with laws and preventing harassment
- · Improvement of working environment

Addressing risks through transactions with suppliers

- Formulation of Sustainable Procurement Policy
- Human rights considerations during transactions with suppliers

Remedy and grievance mechanism

Customers

Operating a feedback and complaints desk to improve products and services and utilizing the feedback for employee training

Employees

Operating the SMBC Group Alarm Line (whistle-blowing system) to take corrective action against human rights violations and raise awareness of the system

Suppliers

Established a remedy and grievance mechanism for handling complaints from a wide variety of stakeholders, including suppliers

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Strategy: Human capital









At SMBC Group, people are our most important asset.

Under the "SMBC Group Talent Policy," we aim to create a workplace and teams where diverse and professional employees continue to take on challenges and find fulfillment in their work.

Securing top talent and enhancing employee Opportunities capabilities and motivation through HR strategies tailored to a more diverse workforce, etc.

Risks

Loss of opportunities for organizational transformation in response to workforce diversification could lead to talent outflow, decreased employee capability and motivation, increased rule violations, etc.



SMBC Group Talent Policy

What SMBC Group expects employees to be

"Professional", "Collaborative", "Agile"



Employee Value Proposition

"Opportunities for self-expression", "Contribution to customers and society", "Career development and personal growth"



Creating a human resources portfolio that supports our strategies

- Securing professionals in priority areas
- · Agile personnel deployment in line with our strategy

Supporting employee growth and well-being

• Enabling every employee to thrive in their own way

Maximizing team performance

- Fostering a corporate culture that respects diverse values and drives results through collaboration
- Enhancing employee engagement
- Diversifying leadership

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Risk management/governance









Dialogue with stakeholders

By incorporating environmental and social risks into the company-wide risk management framework, we will enhance risk analysis and management processes and manage risks appropriately.

Environmental and social risks

Risks that environmental and social factors, such as climate change, natural capital, and human rights, become risk drivers and transmit through various pathways to each risk category, ultimately resulting in losses for SMBC Group.

Incorporating into companywide risk management

- Utilizing the Risk Appetite Framework for management that takes appropriate risks, and based on this framework, conducting the integrated management of environmental and social risks
- Incorporating risks related to climate change, natural capital, and human rights into Top Risks selected as particularly significant for management

Environmental and social risk management

General			
Risk identification	Organizing environmental and social risks that transmit to various risk categories such as credit risks		
Policy	Clarifying policies for specific businesses and sectors that are likely to have a significant impact on the environment and society		
Individual company/ project management	Assessing and evaluating environmental and social risks at the individual company/project level, and utilizing these assessments in credit decisions		

By topic Analyzing sector-specific physical risks, transition risks, and GHG emissions as Climate well as estimating financial impacts. change Implementing appropriate management based on the analysis Visualizing sectors that must be closely Natural monitored from the perspective of capital dependence and impact on natural capital Identifying salient human rights risks for SMBC Group based on the severity rights and likelihood of adverse impacts on human rights

Governance

Continuously working to enhance our sustainability management system from both execution and supervisory perspectives, and to improve expertise and awareness among management and employees toward creating social value.

Supervisory structure

The Board of Directors and internal committees, such as the Sustainability Committee, deliberate and supervise the progress and future direction of sustainability management.

Execution structure

The Group Management Committee, Corporate Sustainability Committee, and Group CxOs execute strategies aimed at sustainability and creating social value.

Capability building

Continuously providing opportunities for both management and employees to improve their expertise and awareness related to sustainability and creating social value.

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Metrics and targets



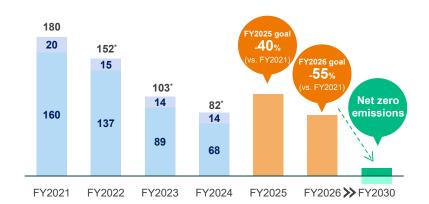






Operational GHG emissions





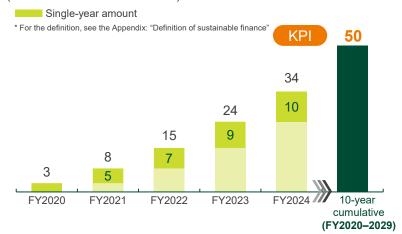
Portfolio GHG emissions

Sector	FY2030 Medium-term targets	FY2023 actual (vs. baseline)	Baseline (year)
Power	138–195 (g-CO ₂ e/kWh)	276 (-17%)	332 (FY2020)
Oil & gas	-1229% (Mt-CO ₂ e, from FY2020)	24.1 (-41%)	40.8 (FY2020)
Coal	- 3760% (Mt-CO ₂ e, from FY2020)	2.2 (-84%)	13.6 (FY2020)
Steel	1.2–1.8 (t-CO ₂ e/t-Steel)	2.0 (-)	2.0 (FY2021)
Automobile	120-161 (g-CO ₂ e/vkm)	197 (-4%)	205 (FY2021)
Real estate	33–43 (kg-CO ₂ e/m²)	80 (-1%)	81.0 (FY2021)

^{*} Targets/scope of calculation: Domestic and overseas locations of Sumitomo Mitsui Financial Group and its consolidated subsidiaries as of FY2021 (excluding equity-method affiliates). FY2024 figures are preliminary, as assurance has not yet been obtained.

Sustainable finance

(Cumulative amount: trillions of JPY)



Human capital management

Three strategies	Metrics	FY2024 actual	Targets
①Creating a human resources portfolio	Talent deployment in focus areas	+1,280 persons (FY2023–2024)	+1,400 persons (FY2023–2025)
that supports our strategies	New graduates hiring by business units	102 persons (FY2024 hiring track record)	361 persons (FY2026)
②Supporting	Paid leave acquisition rate	85%	More than 85 %
employee growth and well-being	Total annual training costs	JPY 5.2 billion	<u>—</u>
3Maximizing team	Ratio of females in the Board of Directors	31% (June 2025)	30 % (FY2030)
performance	Engagement score	74	Maintain 70 or

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Group Mission and the SMBC Group Statement on Sustainability









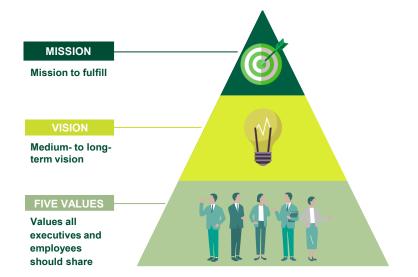


Our Mission is the basis for our corporate activities. It states that one of our missions to fulfill for our stakeholders is to "contribute to a sustainable society." To define our basic stance in striving to achieve this mission, we have formulated the "SMBC Group Statement on Sustainability."

Mission

- We grow and prosper together with our customers by providing services of greater value to them.
- We aim to maximize our shareholders' value through the continuous growth of our business.
- We create a work environment that encourages and rewards diligent and highly-motivated
- We contribute to a sustainable society by addressing environmental and social issues.

Our Group Mission, Vision, and Values



SMBC Group Statement on Sustainability (excerpts)

Throughout its 400-year history, SMBC Group has continuously demonstrated its enduring commitment to sustainability. We hereby declare that we will drive forward our efforts to make sustainability a reality.

Definition of sustainability

SMBC Group defines sustainability as "creating a society in which today's generation can enjoy economic prosperity and well-being and pass it on to future generations."

Understanding of the present situation and our role

As a financial institution, we will engage and act together with customers and other stakeholders to contribute to the global transformation into a better society.

Mitsui's predecessors

As a kimono merchant. Mitsui innovated in business practices, and as a money exchanger and bank, it became an important player in financial infrastructure.



(stored in Mitsui Bunko Collection)

Sumitomo's predecessors

Led the Japanese economy using copper refining technology.

Concerned about the land damaged by copper mines. Sumitomo re-created lush greenery through reforestation and provided a safe, secure life to local communities.



Historical Archives Collection)



Forestry Co., Ltd.

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Era of "Fulfilled Growth"





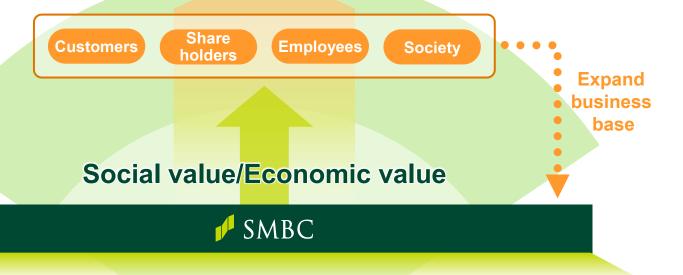




We aim to create an era of "Fulfilled Growth" in which people feel fulfilled as economic growth accompanies the resolution of social issues. To achieve this, we have set "Create Social Value" as one of the pillars of our Medium-Term Management Plan, and are engaging in related initiatives.

Era of "Fulfilled Growth"

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



Innovation of business practices

Achieved better life for people in the city of Edo by anticipating potential needs

Sumitomo Mitsui

Revitalization of land damaged by copper mines

Put efforts into reforestation under the spirit, "benefit self and benefit others, private and public interests are one and the same"

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Progress to date

Natural capital











1998 Formulated Environmental Policy

Climate change

Climate change Natural capital 2002 Expressed support for the United

Nations Environment Program Finance Initiative (UNEP FI)

Overall

2007 Expressed support for United Nations Global Compact (UNGC)

Climate change

- 2017 Expressed support for TCFD recommendations
- 2019 Published results of climate change scenario analysis for physical risks (the first global financial institution to

DE&I and human rights

2017 Formulated the Statement on Human Rights Announced the Diversity and Inclusion Statement

Overall

- 2010 Signed off on Principles for Responsible Investment (PRI)
- 2014 Set Material Issues (priority issues)
- 2018 Established the Corporate Sustainability Committee Announced policies for specific businesses and sectors (coal-fired power plants, palm oil plantations, and deforestation)
- 2019 Signed off on Principles for Responsible Banking (PRB)

Climate change

- 2020 Published results of climate change scenario analysis for transition risks Started publication of the TCFD Report
- Set net-zero targets for GHG emissions (by 2030 for SMBC's own operations; by 2050 for investment and loan
- 2022 Announced reduction targets on portfolio GHG emissions for the power, oil and gas, and coal
- 2023 Formulated climate-related Risk Appetite Framework Formulated Transition Finance Playbook
 - Announced reduction targets on portfolio GHG emissions for the steel and automobile sectors
- 2024 Announced reduction targets on portfolio GHG emissions for the real estate sector

Natural capital

- 2022 Joined the TNFD Forum
- 2023 Established FANPS, an alliance for nature-positive Started publication of the TNFD Report

DE&I and human rights

- 2022 Introduced human rights due diligence for obligors
- Started publication of the Human Rights Report
- 2024 Introduced a remedy and grievance mechanism

Overall

- 2020 Reviewed the Group Mission (added "contribute to the realization of a sustainable society") Announced the SMBC Group Statement on
- Newly established the Sustainability Committee and
- 2022 Formulated Sustainable Procurement Policy Revised executive compensation (incorporated sustainability-related indicators into single-year, performancelinked compensation)
- 2023 Revised Material Issues (priority issues) Revised executive compensation (incorporated the creation of social value into mid-term performance-linked compensation)
- Established the Sustainability Division for Fulfilled Growth Introduced environmental and social due diligence (for corporates)

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Interconnection of environmental issues and linkage to other issues









Addressing climate change, conserving and restoring natural capital, and transitioning to a circular economy are interconnected efforts aimed at solving environmental issues. By adopting an integrated approach, we can also address other social issues such as human rights, poverty, and inequality.

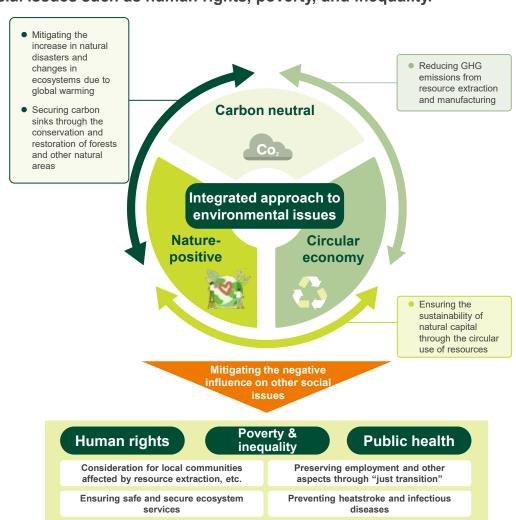
Addressing climate change, conserving and restoring natural capital, and transitioning to a circular economy are interconnected efforts.

For example, forest conservation increases carbon sinks, helping to mitigate climate change impacts. Additionally, measures against natural disasters like floods, which are exacerbated by climate change, can help stabilize ecosystems.

Transitioning to a circular economy promotes efficient resource use, reducing GHG emissions and ensuring the sustainability of natural capital.

This integrated approach also helps prevent negative chains of social issues. Reducing environmental harm respects the rights of those dependent on these environments, alleviates poverty and inequality, and ensures quality public health.

SMBC Group strives to address social issues by promoting an integrated approach that considers the relationships among these three environmental challenges, aiming to create synergies while avoiding trade-offs.



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Overall picture of efforts to contribute to a decarbonized society









Based on our understanding of the opportunities and risks associated with climate change, we are capturing business opportunities and enhancing risk management. Additionally, through dialogue and collaboration with stakeholders who support these initiatives, we aim to contribute to achieving a decarbonized society worldwide.



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The progression of global warming and the transition to a decarbonized society will have a significant impact on SMBC Group's businesses. We will analyze these impacts in terms of both opportunities and risks, and strive to seize opportunities for growth by contributing to the decarbonization of the real

Examples of events that may occur

economy while mitigating climate-related risks.

- Business model transformation to significantly reduce GHG emissions
- · Technological innovation and large-scale capital investment

World Economic Forum

USD 11 trillion/year

Investment in RNE, storage batteries, hydrogen, etc., by 2030

Japan GX Promotion Act

JPY 150 trillion

Support for hydrogen and RNE introduction in the coming 10 years, etc.

Physical risks

Climate change due to global warming

- · Increase in acute disasters such as typhoons and floods
- · Chronic climate changes such as rising temperatures and increases in rainfall

Transition risks

Changes due to the transition to a decarbonized society

- · Strengthened regulations in each country (stricter emissions targets, etc.)
- Industrial structure changes
- · Rising requests for disclosure

Impact on SMBC Group

Increasing demand for financial and non-financial support

- Expanding Capital Needs
- √ Increasing R&D and adoption of high-risk new energy and technologies
- ✓ Realistic emission reductions in fossil fuel-dependent regions
- Business Restructuring and Model Reform
- √ GHG emissions tracking and strategy development
- √ Business sales/acquisitions
- √ New business development
- ✓ Partner discovery

Physical risks

· Increase in credit-related costs and decrease in deposits due to deterioration in customer business performance and impairment of collateral

Analysis (Until 2050)

Acute: Cumulative JPY 67 to 85 billion Chronic: Up to JPY 30 billion per yea

- · Business continuity risks due to damage to Head Office and branches
- Increase in costs for disaster prevention measures and recovery efforts

Transition risks

· Performance deterioration and increase in creditrelated costs due to decrease in customer revenue and asset impairment

Scenario **Analysis** (Until 2050)

JPY 3 to 29 billion per vear (Increase in credit-related costs)

· Delayed response resulting in damage to reputation

SMBC Group's response measures

Contributing to the decarbonization

of the real economy

P. 26 ff.

Risk-taking in new energy and new technologies

Transition support

Group solutions

Collaboration with stakeholders

Sector-specific analysis

Enhancing risk management and achieving net zero

Managing risks by sector

Policy

Portfolio management

Individual company/project management

Main targets and action plans

Sustainable finance

Cumulative JPY 50 trillion (until 2030)

Transition finance

Acceleration of dialogues for further promotion

Net zero

(2030: Operational GHG; 2050: Portfolio GHG)

Zero balance of loans extended to coal businesses

Enhancement of environmental and social due diligence

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Opportunities

(Reference) Main targets and action plans for addressing climate change





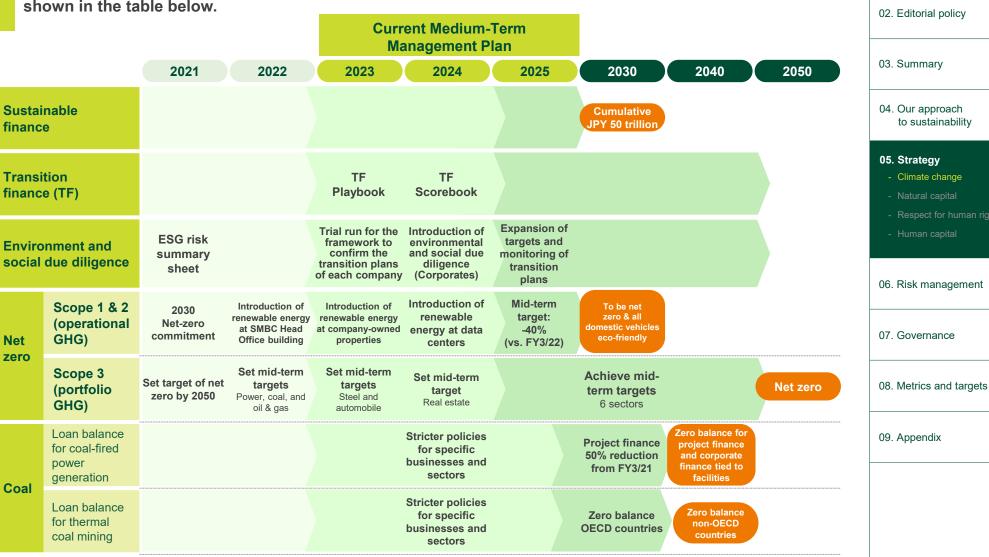
01. Message from the Group CEO











Awareness of climate-related opportunities









We recognize that responding to climate change is an urgent global issue, and many companies are prioritizing climate action as a key management priority. We anticipate growing demand for support and financing alongside capital investment for energy-saving and emissions-reducing equipment. We recognize the need to contribute to the decarbonization of the real economy through these business opportunities.

Events that may occur from climate change

 We recognize that responding to climate change is an urgent global issue, and many companies have positioned climate action as a key management priority.

Short- to medium-term

- Capital investment in energy-saving and GHG emissions-reducing equipment by companies is expected to increase.
- Decarbonizing energy sources is essential for realizing a
 decarbonized society. This requires not only expanding the use of
 existing technologies, such as renewables, but also developing and
 implementing next-generation energy solutions such as hydrogen,
 ammonia, and carbon capture, and building new supply chains.
- The required investment is estimated at USD 11 trillion globally by 2030 and JPY 150 trillion in Japan over the next decade, indicating significant financing demand.

Medium- to long-term

 We recognize that companies, especially those in carbon intensive sectors, aim to transform their business models toward a decarbonized society. In the medium to long term, business restructuring and M&A activity are expected to increase.

Customer needs and main challenges for decarbonization (= impact on SMBC Group)

Growing demand for financial and non-financial support

Alongside growing funding needs for equipment investment and technological innovation, we are seeing increased demand for support related to business restructuring and business model reform



Expanding demand for capital

Main challenges

- Pursuing R&D on new energy and technologies with high investment risks, or adopting decarbonization technologies
- Realistic emissions reductions in regions highly dependent on fossil fuels (energy transition)
 - * Especially in Japan and Asia, where fossil fuel use dominates, and geographical constraints exist

Business restructuring and business model transformation

Main challenges

- Tracking GHG emissions across the company as well as of the whole supply chain
- Formulating strategies and visions to address climate change
- Business sales, acquisitions, and new business development
- Discovering partners for fuel procurement and business restructuring for decarbonization

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Contributing to decarbonization of the real economy (promoting decarbonization businesses)











In achieving a decarbonized society, we believe that our greatest responsibility as a financial institution is to contribute to the decarbonization of the real economy. By leveraging the Group's strengths to provide support to our customers in addressing the wide-ranging challenges and the needs of decarbonization, we will work to reduce GHG emissions across the society and seize business opportunities arising from climate change.

Main challenges customers could face in decarbonization

Pursuing R&D on new energy and technologies with high investment risks, or adopting decarbonization technologies



Pursuing energy transition in regions dependent on fossil fuels



Addressing business restructuring and business model transformation

- ✓Tracking GHG emissions
- √ Formulating strategies and visions to address climate change
- ✓ Business sales, acquisitions, and new business development

Discovering partners for fuel procurement and business restructuring for decarbonization



SMBC Group's response

Risk-taking in new energy and new technologies

• Contributing to accelerating the social implementation of new energy and new technologies by actively providing risk capital during phases where funding tends to be insufficient

Supporting transition in the world, including Japan/Asia

• In addition to efforts in transition finance, continue dialogues with stakeholders regarding awareness of issues and solutions grounded in the practicalities of transition support

Various group solutions

 Supporting customers in solving sustainability-related challenges with SMBC Group's diverse and cutting-edge solutions

Financing

Equipment

introduction



SMF

Consulting



Asset management/



Collaboration with stakeholders

- Strengthen collaboration with partners, including Asuene, to provide solutions
- Leverage our extensive customer base to connect companies with decarbonization technologies to those with decarbonization needs
- Continue dialogue and policy recommendations with government and industry on practical finance challenges, risk-sharing needs, and realistic solutions for decarbonizing the real economy

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Risk-taking in new energy and new technologies







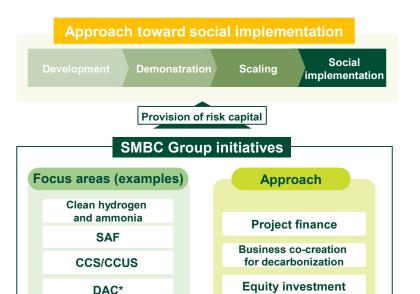


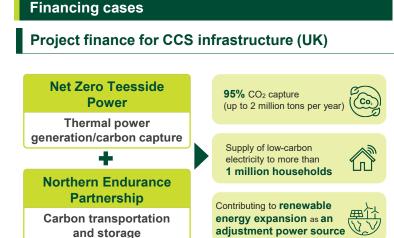


There are various challenges in the social implementation of new energy and new technologies essential for decarbonization and many projects fall into a supply-demand gap for funding during the scaling phase. SMBC Group contributes to accelerating the social implementation of new energy and technologies by actively providing risk capital during phases where funding is typically insufficient.

Overview of risk-taking

- In efforts to implement new energy and technologies socially, many projects encounter a funding gap during the scaling phase.
- This is due to risks and challenges that arise when scaling up, such as operational risks associated with a larger scale, a mismatch with market demand for the product, and increased funding needs.
- We will boldly take on risks in new energy and new technologies and contribute to accelerating their social implementation.





Green loan for a new tech venture (US)

- Providing a green loan of USD 20 million to Twelve, a company with technology that converts CO₂ into chemical products, supporting a SAF production project.
- Also providing equity through the Japan Hydrogen Fund.



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Transition finance: Case studies











Utilizing the Transition Finance Playbook (TF Playbook) in ongoing dialogues with customers, we actively support projects contributing to decarbonization in Japan and overseas.

Transition Finance Playbook

May 2023

- We determine compatibility with transition finance based on the two focal points of company transition strategy and target assets.
- Criteria for assets are set for each region based on policy, roadmaps, and taxonomies in each country and region.

Achievements*1

46 deals executed Engagement with 130 companies



Examples of client engagement

Power companies Government

- Continuous dialogues about combining stable energy supplies with realistic measures to cut emissions, and about providing financial support
- ✓ Confirming alignment with government policy regarding the necessity of new gas-fired power generation as an adjustment power source for replacing coal-fired power and introducing renewable
- Discussions with consideration for the role and economic benefits of suspending and discontinuing coal-fired power as a reserve power source
- ✓ Dialogues regarding the utilization of methods for lowcarbon power generation based on regionalities and discussing the necessity of value-difference support for promotion

Case studies in Asia Pacific

Australia: Renewable energy and gas-fired power

Supporting an Australian company that delivers off-grid power solutions*2 to power-scarce regions, such as mining sites, by combining renewable energy generation with the development of gas-fired power generation for balancing purposes.

Project key points

- Companies declaring net zero by 2035
- Combination of stable energy supplies and decarbonization



India: Wind power and power supply infrastructure

 Supporting the development of wind power facilities and transmission infrastructure in India.

Project key points

- Classified as green assets in our
- Contributing to the construction of interstate power supply infrastructure, which is one of the challenges for the expansion of renewable energy in India
- Setting short-term reduction targets aligned with the 1.5°C scenario



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^{*1.} Cumulative results since publication of the Transition Finance Playbook. Targets are the power, oil and gas, steel,

^{*2.} Independent power supply system for areas not connected to wide-area power transmission and distribution networks

Transition finance: Dialogues for further advancement











We have published the Transition Finance Scorebook, which compiles insights gained from implementing transition finance as outlined in the Transition Finance Playbook. Using the Scorebook, we continue to engage in dialogues with customers and governments about practical challenges and solutions for transition support.

Transition Finance Scorebook

October 2024

- We published the Transition Finance Scorebook, which outlines practical challenges and recommendations for solutions in promoting transition finance.
- This Scorebook is utilized in ongoing dialogues with customers and government about issues with initiatives aimed at decarbonization of the real economy.

Achievements

60 meetings



Examples

Stateowned oil companies

Power companies • In countries where political policies do no align with the Paris Agreement, we suggest strategies for state-run companies to meet SMBC Group's transition standards and engage in ongoing discussions about implementation challenges.

O&G upstream companies

- Using the TF Playbook, we explore the gap between customers' net-zero strategies and the transition requirements in SMBC Group's standards.
- Through repeated dialogues about decarbonization with downstream companies, we encouraged greater customer disclosure

Call for action and recommendations (featured in the Scorebook)

Support for companies with constraints to align with the **Paris Agreement**

Particularly in developing countries, it is challenging to formulate decarbonization plans aligned with the Paris due to issues that cannot be resolved by their company and a lack of clarity in the 1.5°C scenario.



- 1 More detailed country-specific roadmaps
- 2 Stronger transition support for high emitters of GHGs
- 3 Improved cost-sharing mechanism
- 4 Utilization of blended finance

The role of gas-fired power generation in transition

In response to increasing energy demand and as a form of adjustment power that supports renewable energy, gas-fired power generation plays a consistent role in the transition process.



- 1 Fostering understanding of the role of gas-fired power generation in energy transition and providing the appropriate support
- 2 Initiatives for avoiding carbon lock-in

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Various solutions across SMBC Group











Maximizing our strengths as a global financial group engaged in a wide range of businesses, we come together as a group to provide a variety of solutions that utilize the strengths of each company.

Major solutions for decarbonization

SUMITOMO MITSUI BANKING CORPORATION

SMBC SMBC TRUST BANK

Bank

- Project finance
- Sustainable finance, etc.



Trust banking

- Green trust ABL
- · Sustainability-related real estate



SMF

Leasing

- Solar power PPA
- EV adoption support, etc.



Securities SMBC SMBC NIKKO

- Green bonds
- Transition bonds, etc.



Card payments SUMITOMO MITSUI

 CO₂ emissions calculation based on card payment data



Consulting

- Target/strategy setting, Japan Research Institute disclosure support
 - · Decarbonization consulting



Asset management

- Sumitomo Mitsui DS Asset Management Sustainability investment
 - Impact investment



Risk-taking in new energy and new technologies

Hydrogen fund

• Participating as a group in establishing and operating the Japan Hydrogen Fund



Changes in the behavior of consumers

Everyone's CO2 Reduction (Minna De Genkotsu) Project

- Collaborating with local governments to work on changing the behavior of consumers with the aim of decarbonization
- Adopting eco-labels that indicate environmentally friendly products and services, raising awareness through workshops, etc.









SUMITOMO MITSUI

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Collaborations with stakeholders: Partners/Customers





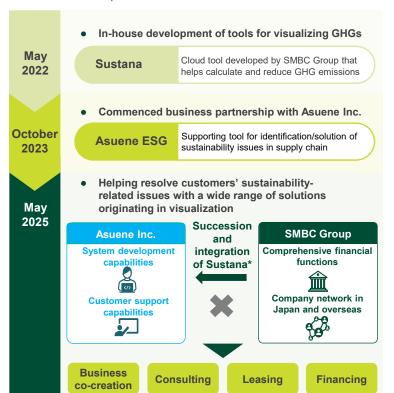




We collaborate with partners and customers to provide diverse solutions toward decarbonization of the real economy. SMBC Group will also continue to undertake non-financial initiatives for realizing a decarbonized society.

Decarbonization solutions growing from visualization

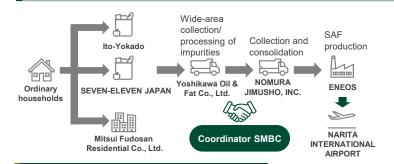
- We reached an agreement on the succession and integration of Sustana with Asuene Inc.
- We aim to further strengthen collaboration in order to respond to more advanced and complex needs.



Business co-creation

 We leverage our extensive customer base to introduce companies with decarbonization technologies and decarbonization needs.

Establishing a SAF supply chain in Chiba Prefecture



Energy solutions

SMFL MIRAI Partners

Offsite power purchase agreements (PPAs)

- We offer virtual PPAs and have a track record as the largest provider in Japan, with a capacity of up to 150 MW.
- By starting the development of power plants before securing customers, we ensure the rapid delivery of environmental value to our customers.

Storage batteries combined with renewable energy



- We provide installation and operation services for co-located battery storage systems at solar power plants.
- This allows for the full utilization of electricity that was previously curtailed due to output control.

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Collaborations with stakeholders: Dialogues with Industry/Policy recommendations











Taking into account practical issues in finance, we continue to engage in dialogues with industry and government and to recommend policies regarding credible solutions for the necessity of risk sharing and the decarbonization of the real economy.

Initiatives in Japan

Dialogues with government

We continue to engage in dialogues with government and to make recommendations about the necessity of risk sharing in the public and private sectors, for example, in relation to issues with financial support and blended finance.

- We engage in dialogues with government about the difficulties of risk-taking for private financial institutions with projects in which the risks of contributing to decarbonization are unclear.
- We engage in repeated discussions regarding risk sharing with government that utilizes GX promotional mechanisms, anticipate specific projects, and continue with dialogues aimed at supporting blended finance.



Dialogues with industry

Making policy recommendations based on dialogues with industry

- As credible solutions for the decarbonization of the real economy, we endorse
 the initiatives of power companies that are considering the utilization of gasfired power generation as an adjustment power source for the transition from
 coal and the introduction of renewable energy.
- We share with government the significance of the above initiatives from the perspective of a financial institution and contribute to formulating roadmaps and transition standards.

Making policy recommendations based on dialogues with industry

 We participate in the Japan Hydrogen Association (JH2A), and unite with industries such as hydrogen fund investors to accelerate initiatives for the social implementation of hydrogen.



Initiatives toward decarbonization in Asia

 While taking into account global trends and customer issues, we make recommendations about systems for supporting commercialization, approaches to funding, and so on.

Examples

Asia Zero Emission Community (AZEC)

 We make recommendations about integrating economic and financial support policies and the benefits of policy initiatives.

Asia Transition Finance Sub-Working Group

 We make recommendations based on practical project initiatives and so on, relating to the necessity and limitations of the ICMA and to realistic alternatives.

International Organizations and Government Agencies (ADB, IFC, MAS, etc.)

 We continue to engage in detailed discussions on the early retirement and cessation of coal-fired power plants, focusing not only on financing methods but also on policy and business challenges and solutions to ensure economic viability.

(Reference) Key initiatives in which SMFG is involved









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Overview of Net-Zero Transition Plan

Operational GHG emissions reduction targets

(Scopes 1 and 2)





01. Message from





				the Group CEO	
	Component	Item	Main content	02. Editorial policy	
	Foundations	Corporate policy on responding to climate change and the approach for initiatives	 Revisions to the SMBC Group Statement on Sustainability and Group Environmental Policy Scopes 1 and 2 net zero by FY3/31 Scope 3 net zero (portfolio GHG emissions) by 2050 	03. Summary 04. Our approach to sustainability 05. Strategy	
	Governance	Strengthening governance on responding to climate change	 Supervision by the Board of Directors and internal committees, including the Sustainability Committee Establishment of the Group CSuO to oversee and promote initiatives for overall sustainability, including response to climate change Enhancement of the executive compensation system and operation of the internal control process Capability building for executives and employees 		
		Decarbonization businesses	 Expansion of decarbonization solutions: Carbon credits Business co-creation for decarbonization: Supporting the installation of renewable energy Expanding sustainable finance by enhancing risk-taking: New energy and new technologies 	 Climate change Natural capital Respect for human rights Human capital 	
	Implementation strategy	Climate-related risk analysis and management	Environmental and social due diligence (corporate/projects)Policies for specific businesses and sectors	- Human capital	
		Portfolio GHG emissions	 Calculating portfolio GHG emissions and setting goals Developing metrics and targets to support decarbonization of the real economy 	06. Risk management	
		Operational GHG emissions	 Introducing renewable energy, switching to EVs, and switching to renewable energy sources at data centers 	07. Governance	
	Engagement	Engagement with customers	Transition Finance Playbook and Transition Finance ScorebookDialogues about transition plans	08. Metrics and targets	
	strategy	Engagement with industry	Participating in the PCAF, IIF, Japan Hydrogen Association (JH2A), etc.		
		Engagement with governments and authorities	Participating in various committees organized by the Japanese government	09. Appendix	
		Sustainable finance KPIs	Cumulative total of JPY 50 trillion by FY3/30		
	Metrics and targets	Portfolio GHG emissions reduction targets by sector	Setting targets for the power, oil & gas, coal, steel, automobile, and real estate sectors		

vs. FY3/22: 40% reduction in FY3/26 and 55% reduction in FY3/27

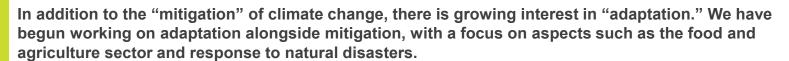
Column: Adaptation to climate change











Mitigation

Reduce GHG emissions and restrict rising temperatures and weather phenomena

Saving electricity and energy, utilizing RNE, popularizing EVs, etc.



Adaptation

Prepare for the adverse effects of disasters that are already likely to occur

Disaster preparedness, heatstroke prevention, crop breeding, etc.



Case study:

Initiatives in the food and agriculture sector



- Mirai Kyoso Farm Akita, an agricultural corporation funded by SMBC, SMFL, etc., established the Tohoku Onion Production Promotion R&D Platform in August 2022 in collaboration with Sojitz and the National Agriculture and Food Research Organization.
- Hokkaido, Saga, and Hyogo Prefectures account for about 85% of domestic onion shipments, but this bias in production areas poses the risk of price hikes due to poor harvests.
- Mirai Kyoso Farm Akita aims to establish a production area in Tohoku where harvesting is possible during the off-season for domestically grown onions, promote wide-area cooperation, and contribute to a stable supply of the vegetable.





Case study:

Customers

Loan for climate change response



- With the increased importance of decarbonization and adapting to climate change, this loan was launched in April 2025 as an initiative for supporting customer adaptation.
- It includes a special provision for partial debt forgiveness for customers who have incurred losses due to storms and flooding caused by typhoons or heavy rain.
- Along with existing loan for earthquake response, the aim of this product is to support improved customer resilience to natural disasters.

Product Scheme (

Normal conditions

Loan for climate change response

Loan for earthquake response

Loan interest rate+Fees

Partial debt forgiveness



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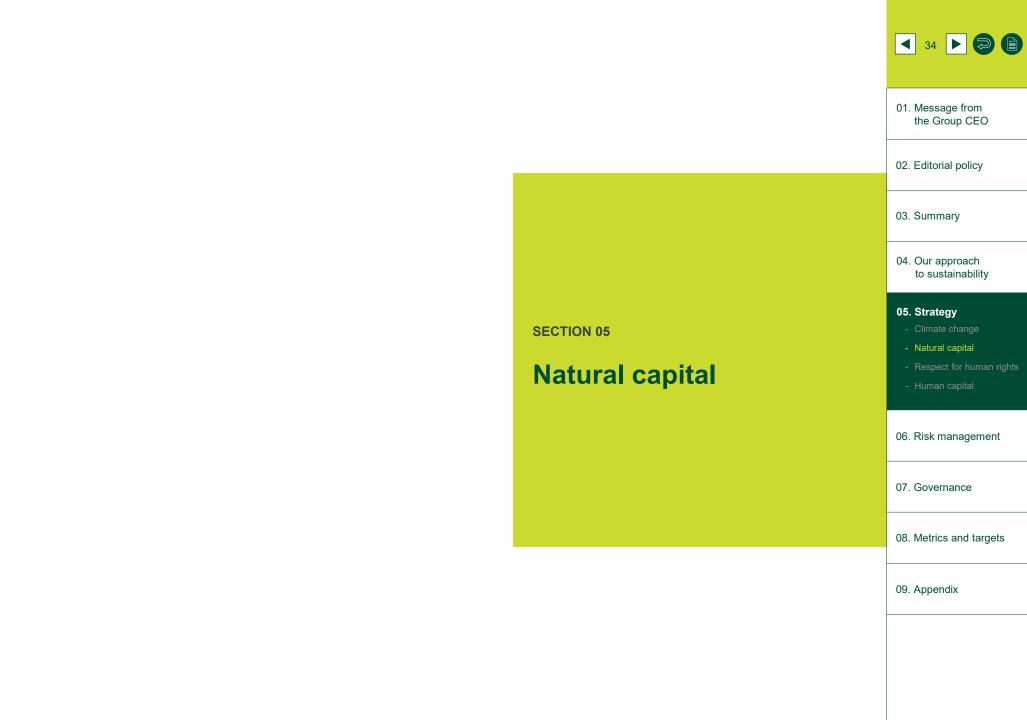
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Overall picture of efforts to achieve nature-positive initiatives







Based on our recognition of the opportunities and risks associated with natural capital, we are working to support the efforts of our customers and society to achieve nature-positive initiatives, as well as to enhance our own environmental conservation efforts, nature-related risk analysis and management systems.

Assumptions

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Connection between corporate activities and natural capital

Clarify the relationship between SMBC Group and its dependence on and impact on natural capital.



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Recognizing opportunities and risks related to natural capital

Analyze anticipated opportunities and risks, and incorporate them into efforts to achieve nature-positive initiatives.

Opportunities and risks associated with dependency Opportunities and risks associated with impact



Capturing opportunities P. 39-43

Efforts to achieve nature-positive

Support the efforts of our customers and society while also focusing on our own activities for environmental conservation.

Realizing circular economy

Support for customers

SMBC's own initiatives

Risk ment See the chapter on risk management

Enhancement of naturerelated risk management Enhance risk analysis for our own portfolio as well as the risk management process (by sector, individual company, and project) that might affect the environment and biodiversity.





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Connection between corporate activities and natural capital

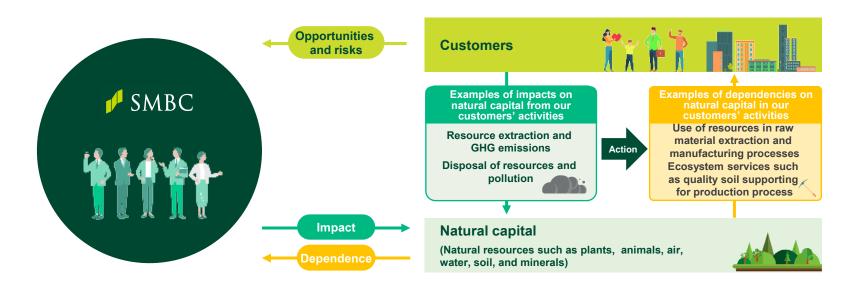






SMBC Group has a strong connection with natural capital—not only through its own business activities but also through transactions with customers. We will advance the understanding and analysis of our customers' interactions with natural capital, including their dependencies and impacts. By doing so, we aim to capture business opportunities in the field of natural capital while managing risks appropriately.

Direct and indirect links between SMBC Group and natural capital



- Company and social activities are dependent on and affect natural capital both directly and indirectly.
- Financial institutions have strong connections with natural capital through their transactions with corporate and individual customers. As such, when SMBC Group assesses nature-related opportunities and risks, we believe it is important to analyze how our customers' activities interact with natural capital and how these interactions result in costs and benefits for our customers.
- As natural capital is wide-ranging and also provides a diversity of benefits, customers' mutual dependencies and impacts on natural capital differ significantly with each region in which we develop affiliated sectors and businesses.
- When SMBC Group assesses nature-related risks and opportunities, we recognize the complexity and regional characteristics of natural capital and endeavor to respond with detailed and tailored approaches.

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Synergies/trade-offs between natural capital and climate change

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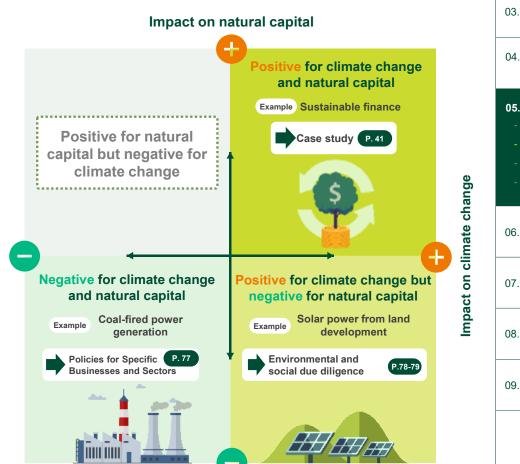






Recognizing the synergies and trade-offs between the conservation of natural capital and measures to combat climate change, we support initiatives that positively address both areas while implementing strategies to reduce negative impacts from an integrated perspective.

- There are synergies and trade-offs in the connection between the conservation of natural capital and our response to climate change, and SMBC Group recognizes the necessity of considering both in an integrated way.
- In some cases, initiatives for conserving biodiversity also help to mitigate climate change. For example, the conservation of forests and wetlands simultaneously conserves and restores biodiversity, and contributes to increased carbon sinks.
- On the other hand, while renewable power generation is an
 effective initiative for mitigating climate change, if it is
 accompanied by new land development, there may be a negative
 impact on natural capital because of changes to the surrounding
 environment.
- Furthermore, for example, there are also concerns that coal-fired power generation not only increases GHG emissions but also impacts biodiversity due to deforestation, pollution, and so on from coal mining.
- While actively promoting efforts to simultaneously respond to climate change and conserve natural capital, SMBC Group is also taking into account the possible negative impacts on natural capital and biodiversity, and we are considering measures that involve understanding and engaging with that connection.



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Recognizing opportunities and risks related to natural capital











We examine the relationship between our customers' activities and natural capital from a dependency and impact perspective. Leveraging this analysis, we identify business opportunities and risks within our operations, and enhance initiatives to achieve nature-positive outcomes and advance natural-related risk management.

Examples of events that may occur

- Shift to an environmentally friendly business model
- Pioneering the market for substitute materials
- Introduce adaptation technology

World Economic Forum

USD 10 trillion/year

Value of business opportunities to be created globally by 2030

Ministry of the Environment, Japan
JPY 47 trillion

Value of business opportunities in Japan as of 2030

Impact on SMBC Group

Increase in business opportunities

- Funding needs
- New financial products and services
- Consulting
- Business matching, etc.

SMBC Group's response measures

Initiatives to achieve nature positive

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Support customers' initiatives

SMBC Group's own initiatives (SMBC's forests)

Create a circular economy

Contribution to nature-positive initiatives

Minimization of resource consumption

Natural capital and biodiversity conservation

Changes in behavior of companies

Changes in behavior of individuals

Dependence on natural capital

- Rising prices of raw materials
- Increase in costs to adopt adaptation technology
- Decrease in consumption and production volumes

Impact on natural capital

- Increase in costs for complying with regulations
- Damage to reputation due to inadequate response

- Increase in creditrelated costs due to deterioration in customer business performance
- Delayed response resulting in damage to reputation

Risk analysis

Enhancement of naturerelated risk management

See the chapter on risk management

KISK allalysis

Policies (Policies for Specific Businesses and Sectors)

Individual company/ project management (Environmental and social due diligence)

Upgrade of dependency and impact analysis

Controlling impact on natural capital and biodiversity

Assessment and management of environmental and social risks through investment and lending

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Risks

Opportunities

Creating a circular economy









We will promote efforts to transition to a circular economy that reduces resource consumption and achieves material circulation, contributing to the sustainability of natural capital by capturing and expanding resource circulation needs and increasing the value of renewable resources.

Providing solutions across the entire value chain



SMF Group Solutions (examples)

G Circular LinX Waste management

- · In April 2024, SMFL MIRAI Partners established Circular LinX in a joint venture with Amita Holdings, which is a company engaged in circular society design business.
- · Through waste management systems and business process outsourcing (BPO), Circular LinX supports the enhancement of environmental management efficiency and promotes a circular economy for products, resources, and more.

SMART inc

Dismantling and disposal of facilities and plants

- · In April 2019, SMFL MIRAI Partners established SMART in a joint venture with ARBIZ Corporation, which works on the processing and recycling of industrial waste throughout Japan.
- The venture's one-stop services include the plant dismantling and equipment removal, and the resale and recycling of obsolete machinery and equipment.

Technology support for a circular economy

Plastics

In May 2023, SMBC entered into an investment contract with the U.S. Closed Loop Circular Plastics Fund, which is dedicated to advancing the circular economy. We will utilize the fund's advanced global expertise and its extensive network with startups, research institutes, global companies, etc., to support the optimization of customers' entire supply chain for recycling plastics.

EV batteries



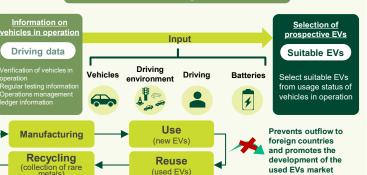
Japan Research Institute



In October 2024, the Japan Research Institute established the "EV Battery Smart Use Council," a collaboration between industry, government, and academia, aiming to implement a circular economy for EV batteries from a usercentric perspective.

In April 2025, SMBC entered into an investment contract with MobiSavi, a company specializing in EV data utilization using performance prediction technology. By leveraging technology that predicts maximum driving distances based on current vehicle data, we aim to curb the outflow of used EV batteries to foreign countries, expand the market for reuse and recycling, and promote the development of the used EV market.

MobiSavi technology for predicting maximum driving distances



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Supporting customers to achieve nature-positive initiatives (1/2)











To promote our customers' nature-positive initiatives, we offer solutions such as advancing natural capital management and supporting financing for projects that contribute to the conservation of natural capital.

Natural Capital Management Promotion & Analysis Loan



- With the goal of supporting customers' efforts toward natural capital management, we began handling this loan product in April 2024.
- Customers' efforts to promote natural capital management and disclose information relating to it are diagnosed and analyzed using unique criteria created by JRI and SMBC, and by giving back future issues, proposed measures, and so on, this financial product supports the first steps toward promoting natural capital management.
- After the loan is extended, JRI provides a feedback report that summarizes our 1) evaluation, 2) analysis, and 3) measures. Once the report is created, we engage with the customer to help them enhance their initiatives even further.

Natural capital management promotion analysis



Suggestions for the first steps are provided in a feedback report

Practicing natural capital management

- Business improvement
- Information disclosure (TNFD, etc.)





Financial institution alliance: FANPS

- In February 2023, MS&AD Insurance Group Holdings, Development Bank of Japan, The Norinchukin Bank, and SMFG established the Finance Alliance for Nature Positive Solutions (FANPS), a financial institution alliance aimed at promoting and supporting companies' transition towards nature-positive initiatives.
- In partnership with the National Institute for Environmental Studies, this advances the accumulation of knowledge and the gathering of information related to nature through collaboration between industry and academia, for example, by investigating solutions from a scientific standpoint. As well as ongoing activities for financial institutions to provide solutions to the potential needs of customer companies that aim to be nature positive, as a collaboration that goes beyond industry limitations, it promotes problem-solving initiatives such as dialogues with industry bodies.
- Utilizing this framework, we will provide solutions and finance to support companies' nature-positive efforts.

Finance Alliance for Nature Positive Solutions

MS&AD Insurance Group Holdings/Development Bank of Japan Inc./
The Norinchukin Bank/Sumitomo Mitsui Financial Group

Speaking at a COP16 event

Disseminating information about FANPS initiatives



Events and dialogues

Exchanging views with industry bodies



Publishing a solutions catalog

An updated edition is scheduled to be published during FY2025



FANPS simple diagnostics

Diagnosing and assessing the extent of response to TNFD disclosure



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Supporting customers to achieve nature-positive initiatives (2/2)











Implementation of Blue Loan for Water Infrastructure Development in Rural India

- In September 2024, SMBC arranged a syndicated loan with a Blue Loan tranche totaling USD 440 million (approximately JPY 64 billion), to the Housing and Urban Development Corporation (HUDCO) of India.
- HUDCO was established with the mission to develop housing and
 infrastructure aimed at achieving the Indian government's policy goal of "Jal
 Jeevan (clean water for every rural household)." The proceeds of this
 financing are designated for the construction of water supply infrastructure in
 rural areas of Rajasthan, located in northwestern India.
- By providing access to tap water through this Blue Loan, the project not only addresses water shortages but also contributes to improving the lives of women who previously had to walk long distances to fetch water from wells.

Underwriting an ESG bond in the South American Amazon region

- In June 2024, SMBC Nikko Securities underwrote a sustainable development bond totaling AUD 65 million (approx. JPY 6.8 billion) that was issued by the Inter-American Development Bank (IADB).
- This bond is supporting the funding aspects of programs that focus on conserving forests, low-carbon agriculture, protecting biodiversity, nurturing human capital, and establishing sustainable infrastructure in Central and South America, thereby contributing to conservation of the ecosystem and improvements in the lives of local people.



Creating project finance for an inland aquaculture business

- In May 2024, SMBC provided support in creating JPY 33 billion in project finance for a project in the city of Tsu, Mie Prefecture, that is developing large-scale aquaculture facilities for the farming of Atlantic salmon.
- Water utilized for aquaculture is filtered through biofilters before being reused, thereby reducing wastewater discharge and preventing the flow of feed and waste into the sea. Compared to offshore aquaculture, which is more prevalent, inland aquaculture can be expected to reduce environmental impact.
- A high proportion of Japan's Atlantic salmon is imported, and producing it domestically is also expected to contribute to reducing CO₂ emissions from air transport and improving Japan's food self-sufficiency.

Issuing Mobilizing Finance for Nature-based Solutions

- In October 2024, SMBC issued the report <u>Mobilizing Finance for Nature-</u> based Solutions.
- This report identifies key revenue generation models that benefit
 ecosystems, local communities, and the economy, expands nature-based
 solutions (NbS) for which financial institutions use nature as a foundation,
 and by demonstrating executable ways to generate value for people, the
 planet, and the economy, encourage action from the entire industry to
 promote NbS which lead to a sustainable future.



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Our natural capital conservation efforts: SMBC's Forests (1/2)











The entire area is contained within Tanzawa-Oyama Quasi-National Park, and we will contribute to achieving nature positive through our efforts in SMBC's Forests, which is habitat for a diversity of plants and animals.

Significance of acquiring SMBC's Forests

- Challenges related to forests are inherent social issues in Japan, including
 environmental conservation and the revitalization of local economies and
 communities. SMBC's Forests is owned by SMBC Group itself, and by
 striving for its conservation and restoration, our goal is to extend the benefits
 it provides to surrounding communities while enhancing its functions of
 biodiversity conservation, water source recharge, and absorbing CO2.
- Building on this, we will develop model cases for forest utilization and management and share them externally. This will deepen our understanding of the added value created by nature with our stakeholders and lead to the effective practice of nature-positive initiatives.

Overview of SMBC's Forests

Location	Hinata area, Isehara City, Kanagawa Prefecture
Size	220.65 ha
Key plants and animals	Plants: Cedar, cypress, sawara cypress, Japanese fir, Chinese silvergrass, holly olive, wisteria, etc. Animals: Asian black bear, sika deer, narcissus flycatcher, etc.





Initiatives in SMBC's Forests

Biodiversity conservation

- Research and analysis of biodiversity and ecosystem services
- Appropriate forest management and conservation such as forest thinning and measures to combat damage by deers
- Joining the 30by30 Alliance
- Certified as a natural symbiosis site

Environmental education

- Opening of Isehara Nature School
- Inviting local elementary school students to participate in an environmental education program
- ✓ Also being utilized for internal training

Local collaborations

- Entered with Isehara City into the Basic Agreement for Utilization in Hinata area
- Rice planting on unused agricultural land nearby

- de le la la

Sustainability initiatives

- Utilization of thinned wood (for fixtures and fittings at the Head Office building and other facilities)
- Generating carbon credits
- Biomass energy generation

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Our natural capital conservation efforts: SMBC's Forests (2/2)











Overview and results of investigation and analysis

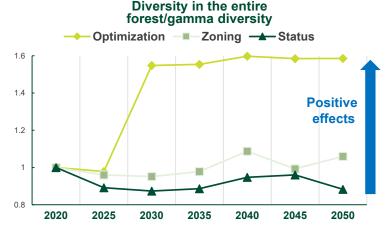
With the assistance of Think Nature Inc. and Geosphere Environmental Technology Corporation, we conducted analysis of **biodiversity conservation effects** and **water source recharge functions** of SMBC's Forests, dividing each into the assessment of current status and of individual scenarios (see right).

This demonstrated that the forest provides benefits through these biodiversity conservation and water source recharge functions, both now and in the future. We will promote appropriate forest management to create a more positive impact on the environment and local communities, keeping in mind that trade-offs between benefits may arise depending on management methods.

1) Biodiversity conservation effects

In SMBC's Forests, the prioritization of biodiversity conservation and the number of plant and animal species per square kilometer are greater than the national average, which also shows that the forest is valuable as a natural symbiosis site.

For each of the three scenarios listed above, predicted fluctuations in the number of plant and animal species in the entire SMBC's Forests show that an abundant forest will be maintained, with 20% more species based on management at present in the forest zoning scenario, and 79% more species in the biodiversity optimization scenario.

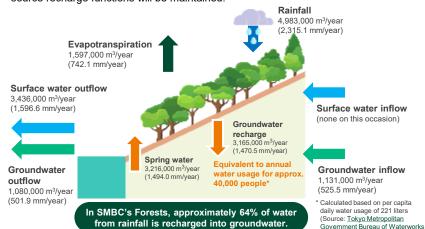


No. of species (assuming one species in 2020)

2 Assessment of impact on water source recharge

In SMBC's Forests, approximately 64% of water from rainfall is recharged, and assists in securing a sustainable water source in areas downstream. This also contributes to a multitude of functions such as flood mitigation and water quality purification.

In the three scenarios listed above, there is a negligible difference of less than 1% in changes to water recharge quantities due to differences in tree species, tree height, and tree density. It has been determined that even with the planned zoning management and tree species conversion aimed at maximizing biodiversity, water source recharge functions will be maintained.



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Overall picture of efforts to respect human rights









We will fulfill our responsibility to respect human rights throughout our entire supply chain, and work toward enhancing our corporate value and creating a positive impact on society.



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Create a positive impact on society through respect for human rights

Our approach to respecting human rights









SMBC Group's approach to respecting human rights



FINANCIAL GROUP • On the other hand, SMBC Group recognizes the impact on our group itself from our stakeholders if we fail to appropriately fulfill our responsibility to respect human rights.

 Examples of risk events related to human rights include credit risk due to the deterioration of a customer's performance caused by significant human rights violations initiated by the customer, and reputational risk if our company causes or contributes to human rights violations due to deficiencies in our human rights respect framework.

• In this way, while placing primary importance on the prevention of adverse effects on human rights, we will appropriately manage risks in the Group's management, build the trust of society, and strive to improve our corporate value. We will contribute to the realization of a sustainable society through an approach that considers such bidirectional human rights-related risks.

- - (customers, suppliers, employees, investors, NGOs, etc.)

Various stakeholders

Adverse impacts on human rights

Prevent, mitigate, and remedy adverse impacts

Building trust by the fulfillment of human rights respect

- **SMBC**
 - SUMITOMO MITSUI

 SMBC Group recognizes that respecting human rights is a responsibility that companies must fulfill. From the perspective of responding to human rights issues and in line with the United Nations Guiding Principles on Business and Human Rights, SMBC Group places primary importance on addressing the

negative impacts we may have on human rights,

remedying such impacts.

and we are committed to preventing, mitigating, and

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Our approach to respecting human rights





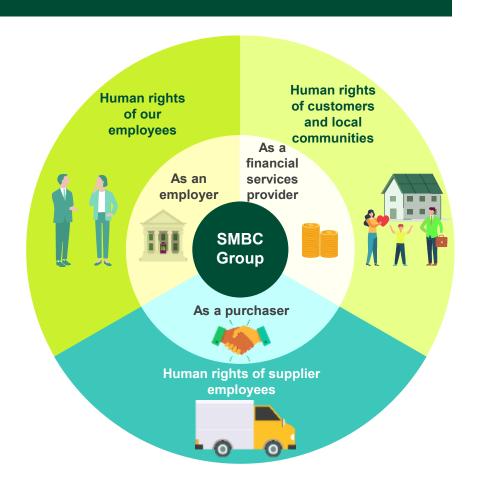




We will fulfill the responsibility to respect human rights that is expected of us as a financial services provider, purchaser, and employer by cooperating with customers and suppliers and through dialogues and collaborations with related stakeholders.

Human rights that SMBC Group respects

- We understand and respect internationally recognized human rights, such as those outlined in the "International Bill of Human Rights" and the "ILO Declaration on Fundamental Principles and Rights at Work," as the minimum standard. Furthermore, we will work to respect human rights based on international standards such as the United Nations Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and ILO MNE Declaration, and the Japanese government's Guidelines on Respecting Human Rights in Responsible Supply Chains. We also refer to the international standard ISO 26000, which provides guidance on social responsibility, and Children's Rights and Business Principles, which was jointly created by UNICEF, United Nations Global Compact, and Save the Children.
- Although laws and regulations differ in some respects depending on the country or region, SMBC Group pursues to respect the principles of internationally recognized human rights while complying with local laws and regulations.
- SMBC Group respects 1) the human rights of our customers and those affected by transactions with our customers, as a financial service provider; 2) the human rights of our supplier employees and those affected by procurement activity, as a purchaser; and 3) the human rights of our own employees, as an employer. Furthermore, by cooperating with suppliers and customers and through dialogues and collaborations with related stakeholders, we will fulfill the responsibility for respecting human rights that is expected of us.



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Commitment to respecting human rights









In 2017, SMBC Group established the "Statement on Human Rights" to express its stance on human rights.

We continually review the content of the Statement, considering the opinions we exchange with external experts and the advancement of initiatives regarding respect for human rights.

Key content of and revisions to the Statement on Human Rights

2017 establish ment

The statement was established to demonstrate our response
to the UK Modern Slavery Act, as well as to clearly declare that
we will protect and promote human rights outlined in the
International Bill of Human Rights, and that we will eliminate all
activities related to slavery, forced labor, human trafficking,
child abuse, and similar issues, from SMBC Group's
businesses and supply chains.



2021 revisions

- Clarified the approval process and authority for the Statement.
- Clarified that human rights considerations will be taken into account in lending transactions as per certain set criteria.
- Remedy and grievance mechanism was strengthened.



2023 revisions

- The human rights due diligence system in lending transactions was strengthened.
- Strengthened efforts based on Sustainable Procurement Policy.



- Added a recognition of the impacts on human rights that accompany the progression of climate change, impairment to natural capital, and the transition to a decarbonized society.
- Based on the progress of discussions about new human rights violations due to the development of AI, etc., we added a recognition of the impacts on human rights that accompany the development of AI and technologies.

Overview of the Statement on Human Rights

Employees

Stakeholders

Human rights that SMBC Group respects

 Understand and respect, as a minimum, the internationally recognized human rights, such as those set out in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

Methods for raising awareness Conduct various training related to human rights.
 Post to company intranet.

 Post information on SMBC Group website.

Suppliers

 Sustainable Procurement Policy formulated while also taking into account the approach of the Statement. Request for understanding of and cooperation with the criteria deemed appropriate by SMBC Group.

Authority for approval To be approved after deliberation at the Management Committee and the Board of Directors

Compliance with laws and regulations (Modern Slavery Act)

- SMBC has announced a <u>statement</u> on its efforts to prevent slavery and human trafficking in accordance with the UK and Australian Modern Slavery Acts.
- SMBC Bank International, SMBC Nikko Capital Markets (UK), SMBC Aviation Capital, SMBC Leasing, and SMFL Group have each announced a statement in accordance with the UK Modern Slavery Act.

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Our approach to human rights due diligence











Recognizing the importance to address adverse human rights impacts based on the form of involvement, we strive to identify, prevent, and mitigate such impacts in SMBC Group's operations. This is done in accordance with the human rights due diligence cycle required by international standards.

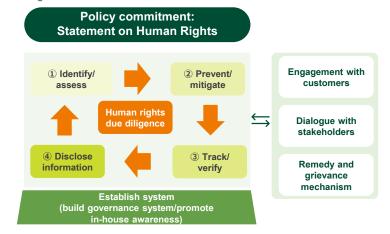
Addressing adverse human rights impacts

- Adverse impacts on human rights occur not only inside the company but also at
 external stakeholders when the company is perceived as having the potential to
 1) cause these impacts, 2) contribute to aggravating them, or 3) be directly linked
 to adverse impacts through its business operations, products, or services.
- If SMBC Group causes or contributes to adverse impacts on human rights, we strive to mitigate and remedy these through appropriate measures. We also collaborate with customers and suppliers to prevent and mitigate adverse impacts directly linked to our business, products, and services.

Adverse impacts on human rights SMBC Group's SMBC Group SMBC Group business is directly caused the contributed to the linked to the adverse impact adverse impact adverse impact Use Use leverage to Remedy actual impact Cease or influence company leverage to **Prevent** potential prevent mitigate that causes the contribution impact impact adverse impact

Human rights due diligence

- We implement a series of human rights due diligence procedures required by international standards, and work to build a governance system and raise awareness within the company.
- We clarify support policy on a group basis through Policies for Specific Businesses and Sectors.
- At SMBC, adverse impacts on human rights are identified and assessed as part of environmental and social due diligence. In addition, we undertake human rights due diligence for investors, asset management contractors, etc. at Sumitomo Mitsui DS Asset Management, and for customers at SMBC Nikko Securities.
- We will continue to work on the implementation and enhancement of human rights due diligence across SMBC Group, taking into account external dialogues.



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Addressing human rights through sustainable finance











SMBC supports its customers' efforts to respect human rights through sustainable finance.

Positive impact finance

This is a financing product designed to comprehensively analyze and evaluate the impacts (both positive and negative) of corporate activities on the environment, society, and economy. It aims to continuously support the realization of sustainable management. By setting goals that include respect for human rights and continuously monitoring customers' progress, we assist in advancing their initiatives.

Case study: Electronics manufacturer Company A

We set multiple evaluation indicators, including "proactive recruitment of minorities" and "workplace environment improvement" based on overtime hours. SMBC will monitor these indicators to support the creation of positive impacts and the mitigation of negative impacts.

Diversity Management Promotion & Analysis Loan



"Diversity," where various individuals exist as themselves and maximize their potential, is expected to be a survival strategy for companies in rapidly changing times, enhancing organizational performance and fostering innovation, beyond simply securing talent. In this context, in April 2025, SMBC collaborated with the Japan Research Institute to launch the Diversity Management Promotion & Analysis Loan. This initiative aims to support customers within Japan in taking their first steps toward diversity management by providing analysis of issues relating to their diversity initiatives, future strategies, and examples from other companies.







SMBC provide recommendation on the next steps toward achieving diversity management

Put into practice

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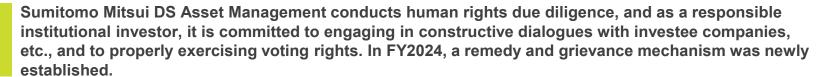
Respect for human rights at asset management companies











Implementing human rights due diligence

- We are classifying targets into categories such as investee companies, asset management contractors, contractors of operations other than asset management, and internal. We also set monitoring items based on the characteristics of each category and conduct human rights due diligence.
- Regarding issues identified from the results of human rights due diligence, we
 decide the relevant measures at the Management Committee, have the
 executive officers in charge take the necessary measures for improvement,
 report progress of these measures to the Board of Directors, and ensure
 proper monitoring.
- In FY2024, outside directors advised executives with a view to the permeation and promotion of human rights initiatives within the Company.

Investee companies

- Stance toward respecting human rights
- Compliance with laborrelated laws and regulations
- Supply chain management

Other contractors

- Establishment of human rights policy
- Compliance with overseas human rights laws and regulations
- Media reports on human rights issues



Within the company

Considerations in the asset

Media reports on human rights

management process

External asset managers
Establishment of human rights

- Prevention of harassment
 Provention of long working
- Prevention of long working hours
- Ensuring occupational health and safety



Establishing a remedy and grievance mechanism

- Through our FY2023 human due diligence, we identified challenges in human rights practices among our external suppliers and partners. In response, we have decided to establish a remedy and grievance mechanism utilizing the platform provided by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) via Sumitomo Mitsui Financial Group.
- In order to conduct the appropriate remedy and grievance response, internal policies have been established and the mechanism was launched in July, 2025.

Stewardship activities

- We are incorporating ideas about respect for human rights into stewardship activities such as engagement and the exercise of voting rights, and utilizing them in human rights due diligence.
- We are encouraging investee companies to properly manage and address human rights risks and to disclose relevant information.

Investee companies

- ✓ Identify companies with human rights issues
- ✓ Exercise voting rights
- ✓ Engagement



External asset managers

- ✓ Confirm that human
- rights policy is in place
 ✓ Encourage embedding
 human rights risk
 assessments into their
 business operations



FY2024 results from engagement and due diligence on the theme of human rights

Investee companies 147 External asset managers 118

- Encourage the formulation and disclosure of human rights policy.
- ✓ In relation to companies deemed to have problems with their attitude toward respecting human rights, limit investment and incorporate perspectives with consideration for human rights in decision-making criteria for exercising voting rights, and undertake the appropriate engagement.
- In relation to external asset managers, share ways of thinking about the importance of human rights considerations in the asset management process.
 and more

Going forward, we will continue to work on improving the effectiveness of the above engagement, etc.

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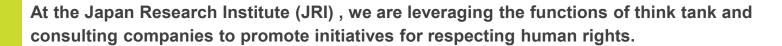
Think tank and consulting initiatives











We aim to contribute to a culture of respect for human rights by offering consulting services for building human rights frameworks and conducting research and information dissemination through the establishment and management of study groups and consortia.

Children's Commission Initiative



- Since FY2023, we have been promoting the Children's Commission Initiative, aiming to create a society where the value of children's rights is understood and respected.
- The initiative focuses on the following three points in line with the United Nations Convention on the Rights of the Child.
 - ① With a view to problem-solving related to children, creating forums for discussion so that related parties can learn from each other and take action.
 - ② Understanding the positive impacts that respecting children's rights can have on society (including businesses and communities) and the negative impacts of failing to respect children's rights.
 - ③ Through practical initiatives for listening to children's voices, emphasizing the necessity of professional bodies concerned with respecting children's rights.
- Overview of the JRI's initiatives
- ✓ Establishing the Children's Rights and Business Research Institute
- ✓ Publishing the Children's ESG Report based on the results of the Children's ESG Survey, etc.

Column: Supporting the future of the anime industry—
Global Anime Challenge



In 2024, the UN Working Group on Business and Human Rights released a report on their visit to Japan, highlighting concerns about labor practices and intellectual property rights in the anime industry. Additionally, the industry, which should be a growth sector for Japan, has long faced challenges with talent loss due to labor conditions, an issue also raised by the JRI.

The JRI has been entrusted with providing operational support for the Global Anime Challenge (GAC) project, which was launched with a grant from the Agency for Cultural Affairs. As a core member, JRI leverages the insights to support the project. The aim of the GAC is for talented young people involved in anime production to learn about prevalent global technologies and creative approaches, methods for selling anime in the global marketplace, and workstyles of the world's top practitioners, and by implementing these through hybridization with Japan's technical skills, to become human resources that drive the anime industry.

With the motivation of new creative approaches acquired through the program, candidates in the GAC are expected to bring about innovation in the anime industry, including improvements in working practices.

Through such projects, SMBC Group will contribute to tackling problems in the anime industry and by extension, to the sustainable development of anime production.

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Addressing human rights through transactions with customers (1/2)











We adhere to basic principles such as customer-oriented business conduct and compliance, and strive to avoid any inappropriate behavior that could lead to negative impacts on human rights, such as discrimination and violation of privacy.

Customer-oriented business conduct and compliance

 An inability to provide sufficient financial access in response to the fundamental needs of customers may lead to human rights violations such as discrimination.
 "We grow and prosper together with our customers by providing them with services of greater value." Making this commitment a component of "Our Mission," we work toward the enhancement of Customer Experience (CX) and quality through collaboration among Group companies.

Promotion structure



We have established a CX Improvement Sub-committee and a CX Improvement
Committee, to strengthen the initiatives and management systems for customeroriented business operations and promote collaborations within the Group. The CX
Improvement Sub-committee invites external experts as advisors for discussions to
further embed customer-oriented principles. The CX Improvement Committee,
comprising Management Committee executives, receives reports from the CX
Improvement Sub-committee and discusses various strategies.

Customer-oriented business conduct

 Based on the Principles for Customer-Oriented Business Conduct announced by the Financial Services Agency (JFSA), SMBC Group has formulated the Basic Policy for Customer-Oriented Business Conduct and a specific handling policy in our Retail Business Unit.

Protection of personal information (privacy policy)

• While the use of information continues to increase with the advancement of IT and digital technologies, there are growing social concerns about adverse impacts on human rights, such as personal information leaks and the violation of privacy. Given that, we recognize that information management aimed at the appropriate protection and use of information assets is an extremely important management issue. Our Group Policy has been formulated as a basic policy for the entire SMBC Group. In accordance with this policy, Group companies endeavor to clarify various safety management measures and management methods for information assets, provide training for and raise awareness among executives and employees, and strengthen information management systems.

System for checking advertisements

 SMBC has established a system to appropriately revise any advertising or promotional materials directed at external stakeholders, such as customers, if expressions that may raise human rights concerns are identified.

Prevention of money laundering and financial crime

SMBC Group recognizes the risk that our products and services provided to
customers and our own transactions with third parties may be misused for money
laundering and other illegal activities, leading to adverse impacts on human rights.
The Group is working to prevent customers, suppliers, executives, and employees
from involving in money laundering and other illegal activities. We are also
advancing initiatives toward the prevention of financial crime, which is becoming
more complex and ingenious.

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Addressing human rights through transactions with customers (2/2)









SMBC Group strives to ensure all customers have equal access to financial services by improving branch operations, web services, and employee awareness.

SMBC is focused on improving accessibility so that customers are not discriminated against based on disabilities.

Accessibility (SMBC)

- · With a view to achieving sustainability, SMBC aims to "create a society in which everyone can enjoy economic prosperity and well-being."
- SMBC is dedicated to enhancing accessibility across the entire bank, aiming to ensure that everyone, regardless of their situation or environment, can always use our services comfortably and confidently, whether they have a disability or not.



Accessibility policy of SMBC

• We aim to make it possible for customers, with or without disabilities, to safely and comfortably use all our online services without discrimination.



 We are continuing to improve online accessibility, and are effectively providing the necessary and reasonable considerations.



 We are striving to promote and raise awareness so that all employees recognize web accessibility as a critical issue and contribute to raising standards in the banking industry.



SMBC initiatives for accessibility

- SMBC works to ensure that new branch facilities are accessible to people with disabilities by evaluating them from the development stage. After implementation, we gather customer feedback to enhance universal design at our branches.
- We also focus on training employees who assist our customers, thereby enabling those customers to use our branches and services with a sense of security.

Customer feedback regarding our support

I am hearing impaired, and a staff member used a writing board to communicate with me slowly and comprehensibly, so I completed the transaction without a problem.



Case studies

Pictograms for facilities

















Voice-read password cards

Clear explanations of important information



We have been granted the highest award, the UCDA Award, for the sixth consecutive year at the UCDA Awards 2024, sponsored by the Universal Communication Design Association.

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Addressing human rights of employees









At SMBC Group, we have identified employee-related human rights risks such as "risk of forcing excessive or unfair work hours on employees," "risks of engaging in harassment of colleagues," and "human rights risks related to discrimination and gender," and are working to address them.

Legal compliance

- We regularly monitor labor conditions at SMBC Group companies.
 We comply with various labor laws, strive to eliminate overwork, and continually pursue improvements in work environment and hours.
- Each Group company promotes, as a policy, the creation of a
 work environment where all employees can find their work fulfilling,
 regardless of their employment status or role. In addition to
 providing wages above the minimum wage, each company is
 appropriately responding to the principle of equal pay for equal
 work, which was introduced in April 2020.
- Group companies also enter into labor agreements with labor unions and employee representatives. With mutual respect, we strive for sound corporate development, the maintenance and improvement of working conditions for union members, and the enhancement of their social, economic, and cultural status.

Prevention of harassment

- To build a healthy and inclusive workplace where everyone can work comfortably, each Group company has prepared and implemented a "Harassment Prevention Guideline".
- We also conduct training for managers to promote awareness, including practical points of caution and prevention measures for recurrence, using specific examples of harassment cases, as well as guidance on how to handle harassment reports.
- At SMBC, a dedicated Human Resources Consultation Office is in place to handle various employee concerns, including harassment issues.

Improvements in the work environment

- To improve the work environment, we regularly monitor overtime hours and the number of employees who work long hours. For the promotion of mental health, we conduct stress checks for all employees and provide external specialist counseling services.
- We are also working to make working hours more flexible through flextime and staggered work hours, as well as to increase flexibility in work location through telework systems and satellite offices.
- At SMBC, we manage daily work hours by recording login and logout times on employees' PCs to accurately track actual working conditions. If working hours exceed a certain threshold, the situation is reported to management, and both labor and management work together to prevent overwork. Employees also receive mental and physical care through consultations with occupational physicians.

We are also addressing long working hours by improving operational efficiency through RPA, setting work intervals, capping total work hours, establishing target leave times, implementing short workdays, and managing working hours based on total labor time.



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Addressing human rights when dealing with suppliers (Sustainable Procurement Policy)









SMBC Group has business relationships with a variety of suppliers throughout its business. To prevent and mitigate the occurrence of various adverse impacts on human rights, such as labor issues in supply chains, we request that our suppliers understand and cooperate with our Sustainable Procurement Policy. Also, we regularly review the status of our suppliers' action, including their efforts to respect human rights.

Sustainable Procurement Policy

 SMBC Group formulated its Sustainable Procurement Policy in April 2022 to promote responsible procurement activities throughout the supply chain with environmental and social considerations. This Policy takes into account international principles and guidelines, such as the ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights. We request that our suppliers not only comply with the laws and regulations applicable in each country in which they do business, but also understand and cooperate with the criteria deemed appropriate by SMBC Group.

Human rights considerations during transactions with suppliers

- In line with the formulation of our Sustainable Procurement Policy, SMBC Group introduced a framework in November 2022 to verify whether suppliers have established internal consultation channels for handling employee concerns about human rights violations. In addition, we inform each supplier of our Sustainable Procurement Policy and request that they understand and cooperate with the criteria deemed appropriate by SMBC Group.
- · Furthermore, in managing transactions with suppliers, SMBC Group regularly confirms its corporate policy on handling human rights issues and checks if there have been any negative information on human rights violations. In this way, we are addressing respect for human rights throughout our supply chains.















Request for understanding and cooperation with the criteria deemed appropriate by SMBC Group



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Remedy and grievance mechanism (1/2)







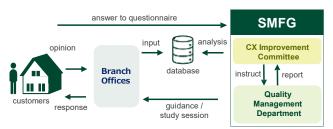




We have set up a grievance desk to receive feedback from customers and others, which is used to improve our services. We have also established a whistle-blowing system through which employees can report issues, including human rights concerns.

Grievance desk for receiving opinions and complaints

 At SMBC, all customer feedback that we receive is recorded in a database and widely shared within the Company. This customer feedback is analyzed by departments at Head Office and used to improve our products and services. It is also incorporated into employee training in an effort to improve our customer service capabilities.



 We have created mechanisms which are compliant with the international standards for complaints handling ISO 10002/JIS Q 10002 (Quality management – Customer satisfaction – Guidelines for complaints handling in organizations) and declared compliance.

Opinions and complaints related to human rights, and our responses

LGBTQ customers

"It's wrong to treat us unequally in bank procedures." We started offering loans with a guaranty from SMBC Guarantee, and people in common-law marriages and same-sex marriages can become joint debtors.



Overseas customers

"The procedures for account opening are too complicated."

We created and began handing out flyers for overseas customers which contains information on account opening procedures, providing explanations as needed.



SMBC Group Alarm Line (whistle-blowing system)

- SMBC Group Alarm Line is available 24 hours a day, 365 days a year to
 employees of Group companies (including contract, trial, temporary, and part-time
 employees), workers dispatched to our offices or seconded from other companies,
 and employees of external contractors.
- Incidents that can be reported include those involving human rights stipulated in the International Bill of Human Rights, violations of the basic principles and rights stipulated in the ILO Declaration on Fundamental Principles and Rights at Work, and actions contrary to our Statement on Human Rights and company policies.

Actions after whistle-blowing

- Conduct investigations mainly at designated departments, such as the General Affairs Dept. and the Human Resources Dept.
- If an investigation reveals that a human rights violation has occurred, we take corrective
 actions, such as disciplinary action or issuing warnings/guidance. In addition, we formulate
 recurrence prevention measures and conduct follow-ups to ensure there are no issues with
 whistle-blower protection.
- Reception and processing status on internal whistle-blowing cases are regularly reported to the Compliance Committee, the Group Management Committee, and the Audit Committee.

Initiatives to properly disseminate the system

- Conduct annual surveys of employees of major group companies to check the recognition level and trust level. → High recognition levels have been maintained.
- Actively inform all employees by displaying posters, distributing employee mobile cards, and holding training and study sessions.
- The number of reports made in FY2024 was 378, and is on the rise.

Main issues in the field of human rights

Sexual harassment, workplace harassment, pregnancy discrimination

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Remedy and grievance mechanism (2/2)







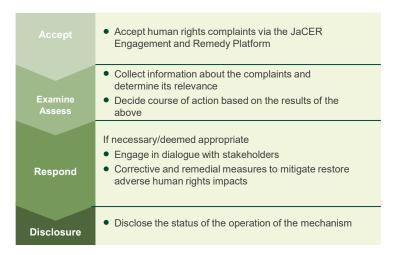




SMBC Group has established a mechanism (Remedy and Grievance Mechanism) to receive human rights complaints from a wide variety of stakeholders, not limited to customers and employees, and to take appropriate actions.

Operational structure of the mechanism

- · SMBC Group operates a grievance mechanism aiming to meet, as much as possible, the eight effectiveness criteria outlined in the "UN Guiding Principles on Business and Human Rights" for grievance mechanisms. In order to receive human rights complaints from a wide variety of stakeholders and to take the appropriate measures, we clarify the entire process in our internal policy—from receiving a complaint to investigating the details, considering our action, and taking remedial measures based on the dialogues—the viewpoint of the decision-making and authority, protection of the complainants.
- · In operating the mechanism, by utilizing the Engagement and Remedy Platform, which is operated and provided by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), we endeavor to provide a remedy and grievance mechanism with an objective and effective process that incorporates the knowledge of experts.

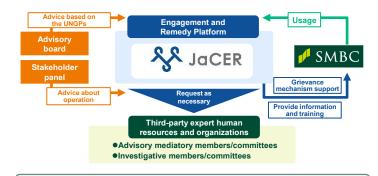


Effectiveness criteria indicated in the UNGPs

Legitimate	Accessible	Predictable	Equitable
Transparent	Rights- compatible	A source of continuous learning	Based on engagement and dialogue

Japan Center for Engagement and Remedy on Business and **Human Rights (JaCER)**

 JaCER provides a non-judicial grievance mechanism platform in accordance with the UNGPs. It is an organization that aims to promote dialogue and remediation by supporting member companies' grievance mechanisms from an expert standpoint, ensuring the legitimacy of grievance mechanisms, and improving their effectiveness and efficiency.



[Reception results]

In FY2024. SMBC received two cases via JaCER (one relating to harassment and one relating to responsible investment and lending in connection with company advertising)

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Stakeholder engagement (1/2)











We engage with customers and strive to share awareness of respect for human rights.

Engagement with customers

 SMBC obtains non-financial information, including information on human rights, through dialogues with customers, and recognizes the impact of their business activities on the environment and society. In relation to some obligors who are the target of environmental and social due diligence (for corporates), we assess the status of their response to environmental and social risks that include those relating to human rights. Among other things, this information is used to enhance credit assessment, and is reflected in the process of identifying and assessing adverse impacts on human rights due diligence. We also verify and encourage human rights frameworks for each project undertaken by large-scale developers.

P. 100

- Furthermore, if a serious problem relating to human rights is discovered in a customer's business activities, we also engage with relationship managers, etc. to encourage a stronger action on human rights.
- Going forward, we aim to share the importance of respect for human rights through discussions with customers during regular operations.



Customer dialogues and support on human rights theme

- At SMBC, we engage with customers on sustainability topics. Due to evolving social conditions and discussions on disclosure regulations, there is growing societal expectation for companies to respect human rights, leading us to increase dialogues on this theme.
- Furthermore, during FY2024, we conducted multiple internal training sessions about human rights based on customer requests.

Case study of human rights training session held in FY2024 (Daiei Kankyo Co., Ltd.)

- During the discussion with the Company, we learned that the Company faces challenges regarding efforts to respect human rights, such as inconsistent awareness of human rights within the company and the creation of standards for assessing human rights-related risks.
- SMBC member conducted training session on human rights for those in management positions in the department that are in charge of and involved in human rights at the company.
- Subsequently, SMBC introduced consulting services by Japan Research
- SMBC plans to continue providing support their initiatives toward respecting human rights

Feedback from the Company

SMBC training session was a good opportunity for related departments to foster awareness and ownership of how to respond to human rights risks.



• Through repeated dialogues with customers about strengthening initiatives and response concerning human rights, we hope the customers themselves using this to strengthen their initiatives. We also hope to contribute to spreading an awareness about the importance of addressing human rights.

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Stakeholder engagement (2/2)













Dialogue with stakeholders

- We exchange opinions with various stakeholders regarding SMBC Group's efforts to respect human rights, and incorporate into our operations the useful suggestions that we receive regarding specific areas for improvement. In April 2025, based on opinions received from our stakeholders, SMBC Group stipulated its stance on human rights defenders in the Statement on Human Rights.
- We support the ten principles of the United Nations Global Compact related to human rights protection, the elimination of wrongful labor practices, addressing environmental issues, and preventing corruption. Through participating in discussions in alliances between domestic companies affiliated with the initiative, we will strive to upgrade our own initiatives.
- In November 2024, we participated in the United Nations Forum on Business and Human Rights, where we gained a wide range of opinions and insights from a wide variety of stakeholders. We are utilizing these by incorporating them in the consideration of measures for respecting human rights at the Company.



Stakeholders	Examples of dialogue
Investors	 Status of the building of a human rights due diligence system Strengthening the expertise of directors
NGOs	 Concept of supporting companies and projects that potentially have adverse impact on human rights
International initiatives External experts	 Understanding the gap between the UNGPs and the status of the Group's initiatives, and taking steps toward enhancement Concept of the remedy and grievance mechanism Importance and situation of the human rights defenders
Suppliers	Promoting understanding of the Sustainable Procurement Policy
Employees	 Implementing training for raising awareness of human rights Operation and dissemination of the internal whistle-blowing system

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Recognizing opportunities and risks related to human capital











The environment surrounding people is constantly changing, presenting various opportunities and risks. By identifying these opportunities and risks, we will implement wide-ranging measures grounded in the SMBC Group Talent Policy to maximize human capital.

Impact on SMBC Group Events that may occur Changes in the mid-career Securina Enhanced hiring market human talents competitiveness · Higher popularity in the jobhunting market **Opportunities** Improved Skill Employee growth corporate enhancement image Fair operation of evaluation systems Improve Enhancement Diverse work styles motivation of engagement · Changes in the mid-career Decreased hiring market Talents outflow competitiveness Decline in popularity in the job-hunting market Increased turnover · Lack of skills/training Decrease in Damage to employee corporate Deterioration of employee capability image health Drop in Workforce diversification motivation / · Overemphasis on Decline in rule violations / performance in evaluation increased engagement Occurrence of harassment challenges in management

SMBC Group's response measures

SMBC Group Talent Policy

1 Creating a human resources portfolio that supports our strategies



2Supporting employee growth and well-being



3 Maximizing team performance



Main targets and action plans

Realizing a workplace and team where diverse employees continue to take on challenges and find meaning in their work

Securing professional talent and agile talent deployment in focus area

· Talent deployment in focus areas

Talent deployment in focus areas FY2023-2025 +1.400 persons

Enabling each employee to thrive authentically

- · Supporting autonomous career development
- · Promoting paid leave for employees

Paid leave acquisition rate FY2025 85%

Fostering a corporate culture that respects diverse values and drives results through collaboration

· Enhancing employee engagement

Engagement score Maintain 70 or higher

 Diversifying leadership Ratio of females in the Board of Directors FY2030: 30%

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SMBC Group's human capital management model

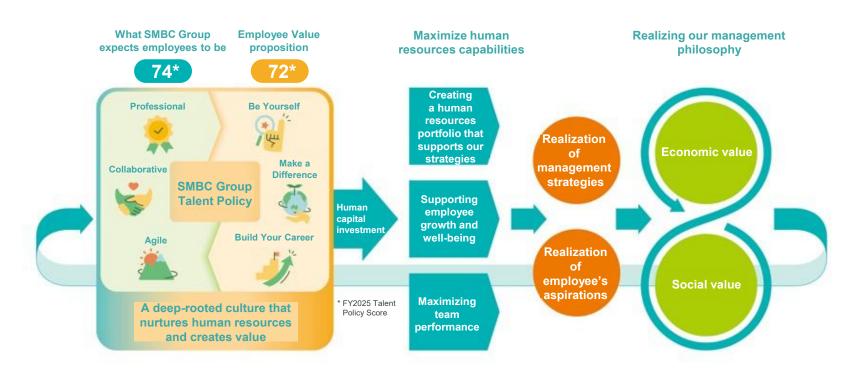












- At SMBC Group, people are a vital asset and the source of our competitiveness. The strength of each individual is something we take pride in, and maximizing each person's capabilities leads to the realization of "creating social value" and "creating economic value," and ultimately contributing to the sustainable growth of SMBC Group.
- To enhance talent capabilities, we have established the SMBC Group Talent Policy as our basic policy. Under this policy, we aim to create a workplace and teams where diverse and professional employees continue to take on challenges and feel fulfillment in their work. We promote a wide range of initiatives based on three strategies: "Creating a human resources portfolio that supports our strategies," "Supporting employee growth and well-being," and "Maximizing team performance."
- In FY2025, we newly introduced the "Talent Policy Score" as an index to quantitatively evaluate the level of implementation of the SMBC Group Talent Policy. This index visualizes the positive cycle between "What SMBC Group expects employees to be" and "Employee Value Proposition" in the Talent Policy. It is calculated by combining the results of various items from engagement surveys conducted for employees of Group companies, including overseas offices. We aim to maintain scores of 70 or higher in each area.

FY2025 Talent Policy Score

What SMBC Group expects employees to be	74	Employee value proposition	72
Professional	73	Be Yourself	71
Collaborative	75	Make a Difference	72
Agile	74	Build Your Career	72

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Creating a talent portfolio that supports our strategy











Enhancing our organizational talent capabilities requires effective talent portfolio management, which assigns the right people to the right positions to achieve our business strategy. To respond to increasingly diverse business needs, we are working to secure professional talent in key focus areas and implement agile talent allocation strategies that align with our objectives.

Talent deployment in focus areas

- Under the current Medium-Term Management Plan, we have identified three strategic focus areas: "Legal, Compliance, Risk Management, and IT" that support our business foundation, "DX" for driving Olive, and "Global." We have formulated a three-year deployment plan for each.
- To enhance expertise, we have introduced a certification system for highly specialized personnel and expanded our mid-career recruitment. In new graduate hiring, we have strengthened recruitment by each business unit, including IT/Digital and Global Banking courses.

Talent deployment plan for strategic focus areas

Strategic focus areas	FY2023 actual	FY2024 actual	Three-year plan (cumulative)
Legal, compliance, risk management, IT	+400 persons	+550 persons	+1,000 persons
DX, analytics	+150 persons	+100 persons	+300 persons
Global	+50 persons	+30 persons	+100 persons

New graduates hiring by business units



Enhancing business-aligned Group and global HR operations

- Enhancing business-aligned Group and global HR operations.
- Personnel exchange among Group companies (3.200 employees)
- ✓ Promotion of integration of global HR organizations and functions (including HR) system integration)
- To foster global talent, we provide opportunities for individuals to experience diverse businesses and cultures, and to strengthen their skills and expertise by promoting short-term assignments and secondments between Japan and overseas.

Indo wo Shiro Project

At SMBC, we dispatch junior employees to India, one of the key strategic countries, for three-month assignments.



Leadership development

- Established succession plans to systematically develop future management personnel.
- ✓ Development of executive management capabilities through training
- ✓ Promotion of appointments based on performance and achievements
- In FY2024, the "Global Talent Management Framework" was established to enable optimal placement in key global positions and facilitate the appointment of overseas employees as executive officers.

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Supporting employee growth and well-being











Helping employees grow and fully demonstrate their capabilities is also an important factor in strengthening our talent capabilities. We are developing systems to support new challenges and creating work environments that enable employees to thrive both mentally and physically.

Systems that support self-directed career development

- We provide opportunities for employees to engage with their careers and take on challenges through a Group-wide internal job posting system and regularly held "Job Forums" where departments explain their roles and appeal.
- We also promote diverse skills and experience development through external secondment programs and internal side-job programs that allow employees to allocate part of their working hours to roles in other departments.

	FY2022	FY2023	FY2024
Number of applicants for Group-wide internal job posting system	1,693	1,870	1,592
Number of users of side job system (including internal side job)	426	713	938

"Producing New CEOs program"

- We support employees with unique business ideas by allocating budgets and personnel to launch in-house ventures.
- In FY2024, six new "CEOs" were born.

"Career Challenge" (FA Program)

 At Sumitomo Mitsui Card Company, we offer a system that enables employees to apply for positions not currently open for recruitment.

"Job Shadow"

 At Sumitomo Mitsui Finance and Leasing Company, employees can experience working in other departments for a day.

Skill development and growth support

- To promote self-directed learning among employees, we utilize the Groupwide online learning platform "SMBC Group eCampus." Provision of diverse learning includes content across various fields, including through the Digital IT education organization "Digital University".
- Group companies also focus on developing specialized capabilities.
- ✓ Sumitomo Mitsui Finance and Leasing Company has established its own training platform, "SMFL Academy."
- ✓ SMBC Consumer Finance Company supports skill visualization and certification acquisition for employees.

Health and productivity management

- Group companies have adopted a "Health and Productivity Management Declaration" and are promoting health and productivity management to enhance employee vitality and productivity.
- Under the Chief Health Officer (CHO), companies, health insurance associations, and occupational health staff work together to implement various initiatives. We have also been recognized as a "Health and Productivity Management Outstanding Organization 2025 'White 500' (Large Enterprise Category)."



Encouragement to receive medical check-ups and screenings

Support for improving lifestyle habits

Health guidance and consultations

Seminars, training, and events

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Maximizing team performance











In addition to enhancing individual capabilities, we are focused on fostering a culture that maximizes team performance by encouraging employees to respect one another's diverse values and to achieve results through teamwork.

DE&I

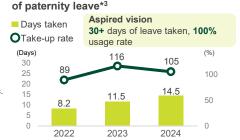
 We aim to build an organization where individuals from diverse backgrounds respect one another and can fully demonstrate their abilities and uniqueness. We position DE&I as a key growth strategy and promote a variety of initiatives.

Diversifying leadership

- We have set KPIs for the ratio of female mid-career, and non-Japanese managers to promote diversifying leadership.*1
- In Japan, where the gender gap remains wide, SMBC has introduced a "Sponsorship Program*2" in which Management Committee members comprehensively support the career development of female executive candidates.
- *1. Set KPIs and implement various measures in compliance with local laws and regulations.
- *2. SMBC only initiatives, in Japan.

Support for balancing work with childcare and nursing care

- To enable all employees to balance work and private life through diverse working styles and continue pursuing their desired careers, we are enhancing support for balancing work with childcare and nursing care.
 Average number of days and take-up rate
- ✓ Flexible work arrangements
- Fostering a workplace culture that encourages the use of these systems
- ✓ Promoting male participation in childcare
- ✓ Company-led childcare business
- ✓ Financial support for childcare, etc.
- ✓ Establishment of a nursing care consultation desk



*3. Due to the method of calculating the childcare leave take-up rate, which counts individuals who took leave spanning across fiscal years, it may exceed 100%.

A culture of enhancing performance

 To enhance overall organizational performance, we foster the development of leadership (from mid-level management to executive levels) and promote autonomous organizational improvement through engagement surveys.

Management development: 360-Degree Feedback

 Each manager receives feedback from an average of 22 employees, creating objective opportunities for self-reflection and the development of management skills that align with employees' values and evolving environments.

Employee engagement: SMBC Wevox

 We utilize "Wevox" across the Group globally to identify issues based on data and promote site-led improvements.



Column: Considerations for HR system reform at SMBC

SMBC is planning its first large-scale personnel system reform since its founding, which is scheduled to be implemented in January 2026. As the management environment evolves, the required expertise is becoming more sophisticated, and employee values are also diversifying. In response, we are advancing a workplace based on the following three concepts, where each employee can feel fulfilled and joyful by delivering results through self-motivated work and receiving fair evaluation and treatment. This is expected to generate a virtuous cycle of growth and development for both employees and the company.

Professionalism

Each person builds a professional foundation

Performance-based

Abolishing uniform seniority-based systems

DE&I

Enabling each employee to choose their own career path and work style

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Column: Supporting customers' human capital management











The rising importance of human capital management

(Labor shortages, changing values, investor expectations, growing focus on well-being, etc.)

SMBC Group

1

Resolving issues in HR

Corporate customers

Number of proposals related to human capital management

1,300 (FY2024)



Supporting

well-being



Case study: Human capital management promotion analysis-based loan — Company B (Construction)

In addition to lending, this product includes an analysis of the client's current initiatives and disclosures related to human capital management, as well as feedback on challenges and examples of solutions.

In the case of Company B (construction), we provided this product and highly rated the company's human capital management, particularly its prioritization of employee safety, which is achieved not only through identifying on-site accident risks but also by ensuring that workers can reliably take time off. We also provided advice on measuring the effectiveness of health and safety initiatives and shared examples from other companies.

1 Resolving issues in HR

 We provide a wide range of solutions by leveraging the Group's resources and collaborating with partner companies to address our clients' diverse HR needs.

Solution examples

Keeping track of the status

- HR Diagnostics

 (a web tool to visualize the status of HR initiatives)
- Human capital management promotion analysis-based

HR strategies

- Talent management systems (business alliances with leading players in the industry)
- Recruitment activities
- Recruitment
- New graduate recruitment support services

Examples of collaboration with partner companies

In partnership with Euphoria, a company with technology for data management and analysis related to employee conditions, we aim to provide both financial and non-financial solutions for visualizing, analyzing, and disclosing the impact of human capital on corporate performance.

Finance

SportsTech



2 Supporting well-being

 To support clients' initiatives in improving employees' financial wellbeing, we offer services such as managing corporate and personal defined contribution pension plans and providing financial and economic education.

Financial well-being

- Corporate DC / iDeCo
- · Performance-based compensation
- · Financial and economic education / Olive

Health and Productivity
Management

Employee benefits



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Overall picture of environmental and social risk management





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Environmental and social factors such as climate change, natural capital, and human rights may act as risk drivers and negatively impact SMBC Group's business. We are incorporating these environmental and social risks into our company-wide risk management and working to enhance our management processes.

Incorporating into company-wide risk management

A management framework for taking appropriate risks based on recognition of the environment and risks surrounding the Group.
 Operate a framework that also takes environmental and social risks into consideration.
 Select particularly significant risks in the management of SMBC Group.
 Incorporate risks relating to climate change, natural capital, human rights, etc.

Environmental and social risk management process (identification, assessment, prioritization, and monitoring)

Identifying risks by category		Organize environmental and social risks that transmit to each risk category, including credit risks.	s. P. 76
Policy		Clarify policies for specific businesses and sectors that are likely to have a significant impact on the environment and society.	
Individual company/project management		Review and assess environmental and social risks of individual companies and projects and utilize these assessments in credit decisions.	P. 78-79
Cost estimation (scenario analysis)		Estimate the financial impact on SMBC in relation to physical and transition risks.	P. 80-84
Climate change	Analysis by sector (risk and GHG emissions analysis)	 Analyze credit exposure by sector with significant climate change impacts, and assess the degree of opportunities and risks (heatmap) to identify high-risk sectors. Analyze GHG emissions within SMBC Group, and considering the results of risk analysis, set emission reduction targets and prioritize sectors for action. 	P. 85-88
	Managing risks by sector	 Implement the appropriate management (policy, portfolio management, management of individual companies and projects) in accordance with key points for achieving decarbonization and risk awareness. 	P. 90-93
Natural capital	Analysis using the LEAP approach	Organize opportunities and risks for SMBC Group in relation to natural capital.	P. 94-98
Human rights	Human rights due diligence	 Organize the adverse impacts on human rights that SMBC Group may be involved in through its business. 	P. 99-100



Risk management framework

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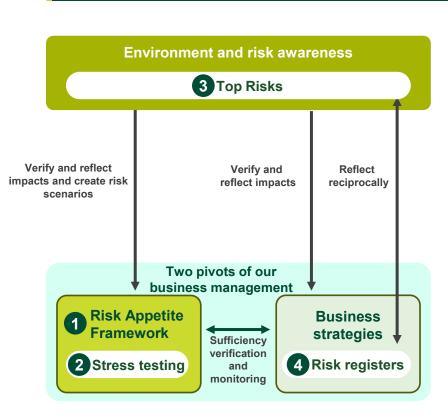






Along with business strategy, the Risk Appetite Framework (RAF) is regarded as one of two key components of SMBC Group's management control, to enable integrated risk management. Management shares the understanding of the environment and risks surrounding us, and uses this framework for facilitating appropriate risk-taking. Environmental and social risks are also managed within this framework.

Risk Appetite Framework Positioning



1 Risk Appetite Framework

P. 72

- SMBC Group has implemented a framework to manage group-wide risks, clearly
 defining the types and levels of risk we are willing to take or tolerate to grow profits in
 other words, our risk appetites.
- We determine our risk appetites in the process of formulating business strategies and operational policies. They are also determined based on Top Risks that significantly impact management and on risk analysis (stress testing) that illustrates the impact if these risks materialize.

2 Stress tests (scenario analysis)

P. 80-84

- In order to plan and execute forward-looking business strategies, we use stress testing
 in an effort to analyze and understand in advance factors such as the impact on SMBC
 Group when there are changes in economic or market conditions.
- For climate-related risks, we conduct scenario analysis using stress testing methods for physical risks and transition risks and estimate credit-related costs to understand the financial impact on SMBC in advance.

3 Top Risks

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Including environmental and social risk perspectives, we gather internal and external insights broadly, select particularly significant risks in the management as **Top Risks**, and utilize them in the creation of risk scenarios using stress testing, the formulation of business strategy, and so on.

4 Risk registers

- To enhance risk governance and strengthen risk ownership, each business unit formulates a risk register. These business units communicate with risk management departments to identify inherent risks, evaluate and verify the adequacy of these assessments and control measures.
- Through this framework, we identify and assess environmental and social risks that
 exist in business strategies, consider measures for their control, and reflect the
 necessary responses in those business strategies.

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Risk appetite







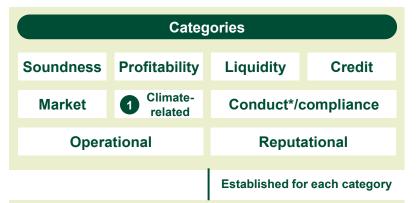


At SMBC Group, we clarify the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits (in other words, our risk appetite). We manage portfolio GHG emissions by sector, having also determined our risk appetite for climate-related risks.

Risk appetite composition

- · Risk appetite refers to the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits.
- Individual risk appetites have been established by strategies for each business unit as necessary, based on the overall risk appetite of SMBC Group. (These risk appetites are set after the selection of the Top Risks as mentioned later, based on risk analyses (stress testing) and the consideration of the impacts if these risks should materialize.)
- The outlook for the operating environment and risks and the risk appetite situation are monitored throughout the course of the fiscal year.

 Risk Appetite Measures and business strategies are revised as necessary.



- 2 Risk Appetite Statements

 3 Risk Appetite Measures
- * Conduct risk is the risk that our conduct negatively affects customers, market integrity, effective competition, the public interest, and SMBC Group's stakeholders through acts that violate laws and regulations or social parties

1 Category: Climate-related

• To mitigate the ripple effects on credit risks and other risks triggered by climate change, a new category was established in FY2023.

2 Risk Appetite Statements

 A qualitative explanation of our approach to risk-taking and risk management for various risk categories.

3 Risk Appetite Measures

- Quantitative Risk Appetite Measures that function as benchmarks for risks that we are considering taking and for risk/return.
- Overall risk capital levels are thus monitored throughout the course of each fiscal year to clearly indicate risk-taking capacity and promote the sound taking of risks.
- To address climate-related risks, we set and manage portfolio GHG emissions by sector as a management indicator.

See P. 90-93 for details

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Top Risks









At SMBC Group, risks that are particularly significant to management are identified as "Top Risks" based on active discussions in the Risk Committee and the Group Management Committee. From the perspective of environmental and social risks, we regard the greater frequency of disasters such as large-scale storms and floods, disparity in political policy, legislation, and social norms relating to environmental issues and human rights, and so on as Top Risks.

Selection method

- Collect a wide range of risk events comprehensively, considering both internal and external factors.
- Evaluate the likelihood of potential risk scenarios occurring and their impact on management.
- Discuss these risks in the Risk Management Committee and the Group Management Committee.
- Verify the appropriateness of Top Risks at the meetings of the Board of Directors and the Risk Committee (an internal committee).

Top Risks



Note: The above is only a portion of the risks recognized by SMBC Group. Please be aware that the materialization of risks other than those listed above could have a significant impact on our management.

Examples of usage

- Risk Appetite Framework (described above) and the formulation of business strategies
- Creation of risk scenarios for stress testing

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Definitions of risks by category and overview of company-wide management system









SMBC Group classifies and manages the types of risks that need to be controlled as follows. We regularly review these risk types and add new risks as they arise in response to the environmental changes.

Risk category	Definition	Company-wide management system
Credit risk	Risk of incurring losses due to reduction or loss of asset values (including off-BS assets) resulting from credit events such as deterioration of financial conditions of obligors	 Drawing from the Basic Policy for Group-Wide Risk Management, we formulate and manage the basic policy for credit risk management each year. We have instituted the "Credit Risk Committee," a discussion body aimed at ensuring agile and appropriate risk control, as well as safeguarding a robust governance structure in credit operations.
Market risk	Risk of incurring losses due to fluctuations in the market value of financial instruments resulting from changes in interest rates, currency rates, equity prices, etc.	 In line with the "Basic Policy for Group-Wide Risk Management," we establish and manage significant matters such as the basic policy for market risk and liquidity risk management, and risk limits.
Liquidity risk	Risk of difficulty in procuring funds necessary for settlement due to mismatch in the period between fund management and procurement or unexpected outflow of funds; risk of incurring losses due to forced procurement of funds at a significantly higher interest rate than usual	SMBC convenes an ALM Committee monthly to report on the adherence to market risk and liquidity risk limits, and to deliberate on ALM operation policies. An audit department conducts regular internal audits to verify our risk management system.
Operational risk	Risk of incurring losses resulting from improper or non- functional internal processes, people and/or systems, or from occurrence of external events	 Having established the "Policies for Operational Risk Management," the Corporate Risk Management Department and Corporate Risk Information Department, as departments overseeing operational risk, along with the management departments responsible for administrative risk, system risk, tangible asset risk, legal risk, etc., function as a comprehensive operational risk management system. They ensure the effectiveness of risk management by regularly reporting on the status of internal loss data, KRIs, risk amounts from scenarios, and risk reduction progress to the Group CRO.
Reputational risk	Risk of leading to impairment in enterprise value or a decline in customer trust due to failure in meeting expectations regarding high ethics, sincerity, etc. by stakeholders (customers, shareholders/markets, society/environment, employees, etc.), resulting from certain business operations of SMBC Group or a certain act conducted by one of its employees or another related person.	We established the "Policies for Reputational Risk Management," and we strive to clarify the operational structure and the system, methodology, and rules related to reputational risk management, working toward achieving effective risk management. Based on the "Basic Policy for Group-Wide Risk Management," the General Affairs Department and Public Relations Department centrally oversee this risk. They are responsible for planning, executing, promoting, and supporting risk management measures. We have established a body to discuss various strategies for minimizing reputational risk.

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Identifying risks by category











We are working to sort out the events and timeframe that will accompany the transmission of environmental and social risks to each risk category.

Environmental and social risks

Risks that environmental and social factors, such as climate change, natural capital, and human rights, become risk drivers and transmit through various pathways to each risk category, ultimately resulting in losses for SMBC Group.

Risk category

Credit risks

Market risk

Liquidity risk

Operational risk

Reputational

risks

Event examples relating to physical risks*

Climate change

Risk of increasing credit-related costs along with the deterioration of customer performance or impairment of collateral items due to natural disasters (Short to long-term)

Natural capital

Risks associated with the intensification of natural disasters due to the degradation of natural capital and the deterioration of customer performance due to increased raw material procurement costs (Short to long-term)

Climate change

Risk of changes in the market value of held financial products due to market fluctuations caused by natural disasters (Short to long-term)

Climate change

Risk of worsened funding environment or deposit outflows due to market fluctuations from natural disasters or deterioration in customer performance (Short to long-term)

Climate change

Risk of business discontinuation due to damage to the Head Office and branches; risk of increasing costs due to the need for a response and recovery (Short to long-term)

Climate change

Risk of being criticized for a delayed response for business recovery from a damaged Head Office and/or branches (Short to long-term)

Natural capital

Risks of reputational damage if natural capital is impaired due to adverse impacts, thereby impeding customers' business activity (Short to long-term)

Event examples relating to transition risks*

Climate change

Risks of increasing credit-related costs along with the deterioration of customer performance due to stricter regulations associated with the transition to a decarbonized society (Medium to long-term)

Natural capital

Risks associated with deterioration of customer performance due to the cost burden of adopting new technology to lessen the dependencies on certain natural capital, and increased cost burden of responding to changes in laws, regulations, and policies to conserve and restore natural capital (Medium to long-term)

Climate change

Risks of deterioration in customer performance and a decline in the value of strategically held stocks and funds along with stricter regulations (Short to long-term)

Climate change

Risk of deterioration of the funding environment and risk of a funds drain from deposits due to deterioration of the Group's reputation (Short to long-term)

Climate change

Risk of incurring losses due to fines and court proceedings relating to sales of products and services that do not meet climate change measures and green finance criteria (Short to long-term)

Climate change

Risk of deterioration in the reputation of SMBC Group due to a lack of responses to climate change and a delayed response to requests from stakeholders for information disclosure (Short to long-term)

Natural capital

Risk of reputational damage if customers' efforts to conserve natural capital are inadequate (Short to long-term)

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* Short-term: around three years, Medium-term: around Four to ten years, Long-term: over ten years

Policies for specific businesses and sectors

See website for details









To appropriately identify and manage environmental and social risks, SMFG has established "Policies for specific businesses and sectors" and clarified sectors that require special attention when providing support.

Cross-sectoral and cross-business policies

Support that may breach social norms such as laws and regulations

Support that may have negative impacts on the environment

Support in conflict with public order and morals

Support considered problematic in terms of public responsibility

Support for new projects that are perceived to have a significant negative impact on wetlands specified in the Ramsar Convention and/or UNESCO-designated World Natural Heritage sites

Support for projects that are recognized to involve child labor, forced labor, and/or human trafficking

Policies by businesses and sectors

Coal-fired power generation



Biomass energy generation



Hydroelectric power generation



Oil & gas



Mining



Tobacco manufacturing



Palm oil plantation development



Deforestation



Manufacturing of cluster bombs and other weapons of destruction



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Environmental and social due diligence





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We assess risks from both environmental and social perspectives for corporate and project-related matters and use the assessment results as a factor in credit decisions. We also conduct engagement with customers based on those results.

Overview of environmental and social due diligence

Finance for corporates Finance for projects Evaluate the environmental and social impact of large-scale · Periodically assess environmental and social risks of projects credit clients (including periodic monitoring after the project begins) **Overview** Engage with clients assessed as having particularly • Escalate when considering projects that are deemed to high environmental and social risks have particularly high environmental and social risks • Support for large-scale new development/expansion Business corporations in sectors such as oil & gas, coal, **Evaluation** projects power, steel, automobile, mineral resources, agriculture, targets • Support for projects falling under policies for specific apparel, and tobacco businesses and sectors Sector-specific environmental and social risks Potential environmental and social risks and mitigation measures associated with the project ✓ Examples in power sector: climate, resources, local communities, occupational health and safety ✓ Compliance with local laws and international standards (e.g., IFC Performance Standards) Mitigation measures ✓ Pollution control including climate-related risks ✓ Climate change: **Transition plan** P. 79 ✓ Resource management: Efficient use of resources ✓ Biodiversity **Key items** ✓ Occupational health and safety: Safety management ✓ Protection of Indigenous communities system, health and safety education ✓ Stakeholder engagement/grievance mechanisms **Governance system** Occupational health and safety ✓ Oversight of efforts to address environmental and social ✓ Risk management system/action plans

Enhancing credit decisions*

issues

Engagement

* In addition to conventional screening, assess and evaluate how environmental and social risks may impact credit and reputational risks, and make informed, comprehensive decisions accordingly.

(Reference) Environmental and social due diligence: **Evaluation of transition plans**











For corporate finance in sectors with high climate-related risk, we also review transition plans during environmental and social risk assessments.

Evaluation method for transition plans

Target sectors



Evaluation details

- Evaluations were conducted from the perspectives of GHG reduction targets, strategies and plans, and governance.
- Overall evaluations are based on companies' responses in each area

Points to confirm (examples)

GHG reduction	✓ Short-, medium-, and long-term reduction targets
targets	✓ Scope of reduction targets
	✓ Consistency with the Paris Agreement
	✓ Strategy to achieve goals
Strategy / Plan	 ✓ Equipment investment and related plans
	✓ Initiatives including the supply chain
	✓ Oversight by the Board of Directors
Governance	✓ Board capabilities
	 ✓ Compensation system

Progress of evaluation

- Among applicable sectors, we conducted evaluations of transition plans for approximately 300 companies with credit exposure above a certain threshold.
- Evaluations are conducted periodically, and engagement is carried out as necessary.

Evaluation results for April 2024 - March 2025



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Climate change scenario analysis









In our climate-related risk analysis, we estimate the financial impacts of physical and transition risk on SMBC, acknowledging their potential significant financial implications. In the scenario analysis, there is a high degree of uncertainty regarding the timing and scale for risks to materialize. Therefore, at present, we are making certain assumptions about the anticipated disasters and analysis targets and will continue

to work to refine our analytical methods. **Transition risks** Physical risks Chronic physical risks Acute physical risks **Policy changes** (Decreased productivity due to rising Risk event Changes in supply-demand balance (Water disasters) temperatures, etc.) NGFS / Net Zero 2050 IPCC*1/RCP*2 2.6 (overseas) (1.5°C scenario) SSP*3 1-2.6 (domestic) NGFS*4 / Current Policies IFA*5 / Net Zero Emissions (2°C scenario) **Scenario** IPCC/RCP 8.5 (overseas) (3°C scenario) (1.5°C scenario) SSP 5-8.5 (domestic) NGFS / Current Policies (4°C scenario) (3°C scenario) Energy, power, **Analysis** Corporate customers steel, automobiles*6 target Added and auto-components Region Global **Analysis Up to 2050** period Risk Credit-related costs expected to increase indicator (credit costs) Cumulative JPY 67 to 85 billion JPY 45 to 58 billion Domestic Result of JPY 7.5 to 8 billion Americas Up to JPY 30 billion per year JPY 3 to 29 billion per year analyses*7 Europe, the Middle JPY 11.5 to 12 billion East. Africa Asia and Oceania JPY 2.5 to 8 billion

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^{*1.} Intergovernmental Panel on Climate Change

^{*2.} Representative Concentration Pathways: For example, "RCP 2.6" means that the end-of-the-century radiative forcing (the magnitude of radiation that the energy entering and exiting Earth's surface has on Earth's climate) will be 2.6 w/m².

^{*3.} Shared Socioeconomic Pathway scenario: Scenario that combines future socioeconomic changes (e.g., population) with radiative forcing

^{*4.} Network for Greening the Financial System

^{*5.} International Energy Agency

^{*6.} Analysis targets are OEMs (original equipment manufacturers).

^{*7.} Targets include SMBC and its major local subsidiaries.

Climate change scenario analysis (significance)









The significance of conducting scenario analysis resides in visualizing the risk pathways and risk amounts currently anticipated, thereby establishing a foundation for developing strategies to manage climate-related risks and achieve net zero. For physical risks, we conduct scenario analysis based on the frequency of natural disasters and economic losses. For transition risks, we focus on sectors that are particularly vulnerable.

Physical risks

Risks of an increase in extreme weather events due to climate change affecting the business of SMBC Group's customers

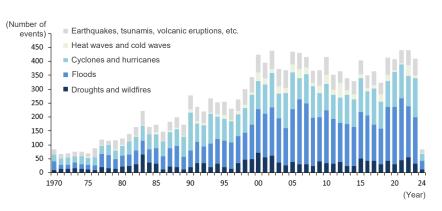
• [Analysis targets 1]: Acute physical risks]

Water disasters that are expected to account for the majority of natural disasters caused by climate change

• [Analysis targets 2]: Chronic physical risks]

Among the economic losses from climate change, significant impacts including reduced productivity due to rising temperatures

(Reference) Number of natural disasters that have occurred



Source: EM-DAT

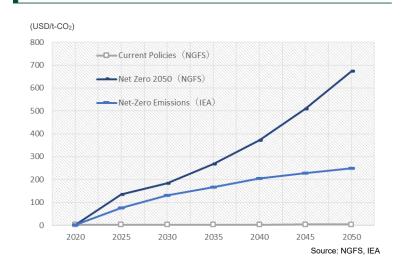
Transition risks

Risks that the transition to a decarbonized society will have an impact on the businesses of SMBC Group's customers, such as changes in carbon prices, resource prices, the supply and demand environment, and manufacturing costs dependent on the reduction in GHG emissions, due to the strengthening of policies, laws and regulations, and changes in industrial structure

• [Analysis targets]

Energy, power, steel, automobile, and auto-parts sectors that emit large amounts of GHG emissions and are expected to be particularly vulnerable to the transition to a decarbonized society

(Reference) Trends in carbon price



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Climate change scenario analysis: Analytical approach to physical risks (1/2)











Regarding acute physical risks, scenario analyses of water disasters—which are believed to account for the majority of natural disasters caused by climate change—are conducted and their impact up to 2050 is assessed.

Steps of analysis (acute physical risks)

Step 1

- Regarding the impact of water disasters on business performance, we calculate credit-related costs that are expected to arise from two routes: impairment of collateral value of business corporations, and downgrading of the obligor's classification due to the deterioration of financial conditions.
- In Japan, by using hazard maps*1 disclosed by the MLIT, the assumed flood inundation depth for each of the collateral items and corporate customers located on each map are recognized.
- For overseas, the assumed flood inundation depths for each corporate customer are calculated using AI analysis data from satellite images captured by Jupiter
- Based on the flood inundation depth data, the collateral impairment impact and deterioration of financial conditions are analyzed

Step 2

 Using data provided by a project to assess flood risk due to climate change*2 being conducted by MS&AD InterRisk Research Institute, the University of Tokyo, and the Shibaura Institute of Technology, the probability of flood occurrence up to 2050 for each of the following scenarios are set: RCP2.6 and SSP1-2.6 (2°C scenarios) as well as RCP8.5 and SSP5-8.5 (4°C scenarios), which are the basis for IPCC research projects.

Step 3

• The expected credit-related costs are calculated by applying the probability of flood occurrence for each climate change scenario set in Step 2 to the credit-related costs estimated in Step 1.

Process overview (acute physical risks)

Impact of increased credit exposure

Calculate the impaired amounts of collateral items in the event of flood damage

Increase in unsecured credit exposure due to impaired value of collateral items

Impact of financial deterioration of the obligor

Calculate the financial impact on the obligor in the event of flood damage

Downgrading of the obligor category due to financial deterioration

Calculate credit-related costs

Probability of flood occurrence for each climate change scenario (RCP2.6/RCP8.5, SSP1-2.6/SSP5-8.5)

Assumed credit-related costs: **Cumulative total of about** JPY 67 to 85 billion through 2050

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^{*1.} Flooding areas expected due to maximum anticipated rainfall

^{*2.} Hirabayashi Y. Mahendran R. Koirala S. Konoshima L. Yamazaki D. Watanabe S. Kim H and Kanae S (2013), Global flood risk under climate change. Nat Clim Chang., 3(9), 816-821. doi:10.1038/nclimate1911.

Climate change scenario analysis: Analytical approach to physical risks (2/2)







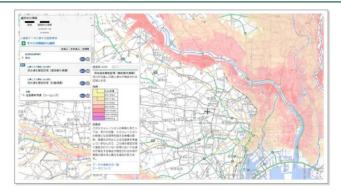




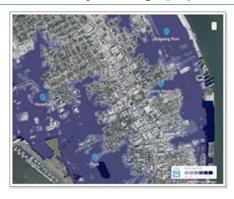
In analyzing the acute physical risks (water disasters) mentioned earlier, hazard maps and satellite analysis images such as those shown below are used. In addition, new scenario analysis of chronic physical risks (decline in productivity due to rising temperatures) and assessment of the impacts up to 2050 are conducted.

(Reference) Supplementary materials for acute physical risks

Water disaster hazard map (Ministry of Land, Infrastructure, Transport and Tourism (MLIT))



Satellite analysis image (Jupiter Intelligence)



Steps of analysis (chronic physical risks)

Step 1

• Chronic macroeconomic impacts—including reduced productivity due to rising temperatures—under the Current Policies scenario (3°C scenario) of the Network for Greening the Financial System (NGFS) are confirmed.

Step 2

 Credit-related costs assumed for the period up to 2050 by reflecting the analysis results in the stress test model that estimates the credit risk impact are calculated.

Process overview (chronic physical risks)

Impact of chronic physical risks on macroeconomy



Stress test model (estimation of credit risk impact)

Assumed credit-related costs: Increase of up to JPY 30 billion per year until 2050

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Climate change scenario analysis: Analytical approach to transition risks





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Scenario analysis targeting transition risks is conducted in the energy, power, steel, automobiles and components sectors, and the impact is assessed up to 2050.

Steps of analysis

Step 1

- In the transition to a decarbonized society, we analyzed the impact
 of risk factors anticipated in each sector on business performance
 under various scenarios, focusing on the energy, power, steel,
 automobiles and components sectors, which are expected to be
 particularly vulnerable due to their significant GHG emissions.
- ✓ NGFS Current Policies scenario (3°C scenario)
- √ The Net Zero 2050 scenario (1.5°C scenario), which also assumes the achievement of carbon neutrality by 2050 under the NGFS
- ✓ IEA/NZE scenario (1.5°C scenario)

Step 2

 Credit-related costs assumed for the period up to 2050 were calculated by reflecting the analysis results in the stress test model that estimates the credit risk impact.



Process overview Changes in industrial structure due to the transition to a low-carbon society Curbing the volume of CO2 emissions [Energy/power] [Energy/power] Changes in resource Changes in energy prices demand [Steel] [Steel] Changes in steel Impact of the shift to demand low-carbon steel in Rise in carbon production and demand [Automobile*1] price Changes in vehicle [Automobile*1] manufacturing costs by Change in sales ratio by power type*2 etc. power type*2 etc. [Auto-components] [Auto-components] Changes in Changes in demand by manufacturing costs by part type*3 part type*3 Changes in operating profit, equipment investment, etc. Stress test model (estimation of credit risk impact) Assumed credit-related costs Increase of up to JPY 3 to 29 billion per year up to 2050

^{*1.} Automobile sector: Original equipment manufacturers (OEMs) are analyzed.

^{*2.} All powertrains are analyzed, including internal combustion engine vehicles, hybrid electric vehicles, fuel cell electric vehicles, and battery electric vehicles.

^{*3.} Parts are categorized into ZEV-related, non-ZEV-related, and common parts.

Analysis by sector: Risk analysis heatmap









As part of our analysis of credit risk, SMBC Group has developed a sector-specific heatmap based on the degree of impact of climate-related risks. By considering the magnitude of risks in each sector, we are enhancing risk management and strategies.

Sector-specific heatmap

- We are organizing a sector-specific heatmap based on the impact
 of risks associated with climate change. This heatmap evaluates
 climate-related risks from both quantitative and qualitative
 perspectives. Qualitatively, it assesses the magnitude of
 anticipated impacts on each sector from changes in "policy and
 legal," "technology," "market," and "reputation" as we move
 toward net zero.
- Regarding transition risks, we recognize that risk levels are high
 in carbon-intensive sectors, such as power, oil & gas, and coal,
 as well as in the steel and automobile sectors. We view the
 response in these sectors as critical.
- For physical risks, we recognize certain risks in sectors with high resource dependence, including beverages, agriculture, food, and paper and forest products.
- However, methodologies for analyzing both transition and physical risks are still in development. Just like the aforementioned scenario analyses, we will continuously update them in accordance with changes in climate-related policies, technologies, and market conditions, as well as advances in climate science, to further enhance our strategies.

Sector	Transition risks	Physical risks		
Power	Very high	Low		
Oil & gas	Very high	Middle		
Coal	Very high	Middle		
Air cargo	Low	Low		
Passenger aviation	Middle	Middle		
Shipping	High	Low		
Railroads	Low	Low		
Truck services	Middle	Low		
Automobiles and components	High	Low		
Metals and mining	Middle	Low		
Steel	High	Low		
Chemical products	Middle	Low		
Construction materials	High	Low		
Capital goods	Middle	Low		
Real estate	Low	Low		
Beverages	Low	Middle		
Agriculture	Low	Middle		
Packaged foods and meat	Low	Middle		
Paper and forestry products	Low	Middle		

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Analysis by sector: Risk analysis (credit exposure)









Among transition risks, SMBC clarifies sector-specific credit exposure risks as a part of analysis related to credit risks. The results of analysis, such as the heatmaps described above and the scenario analyses, are reflected in the enhancement of sector-specific risk management and strategies.

	Mar.	2024	Mar.	2025
Sector*1	Credit exposure (JPY trillion)	Ratio (%)	Credit exposure (JPY trillion)	Ratio (%)
Power	11.4	4.0%	11.9	3.9%
Oil & gas	9.2	3.2%	8.6	2.8%
(Upstream/Integrated E&P)	2.4	0.8%	2.2	0.7%
(Upstream/Drilling, equipment & services)	0.2	0.1%	0.2	0.1%
(Midstream/Storage and transportation)	2.2	0.7%	1.9	0.6%
(Downstream/Refining and sales)	2.2	0.8%	2.1	0.7%
(Gas utilities)	0.7	0.2%	0.6	0.2%
(Commodity traders)	1.4	0.5%	1.4	0.5%
Coal (thermal coal)	0.0	0.0%	0.1	0.0%
Power and energy subtotal	20.6	7.1%	20.5	6.8%
Air cargo	0.0	0.0%	0.1	0.0%
Passenger aviation	1.4	0.5%	1.4	0.4%
Shipping	2.0	0.7%	2.3	0.8%
Railroads	1.5	0.5%	1.4	0.5%
Truck services	1.0	0.3%	1.0	0.3%
Automobiles and components	3.5	1.2%	3.7	1.2%
Transportation subtotal	9.3	3.2%	9.9	3.3%

	Mar.	2024	Mar. 2025		
Sector* ¹	Credit exposure (JPY trillion)	Ratio (%)	Credit exposure (JPY trillion)	Ratio (%)	
Metals and mining	1.6	0.5%	1.7	0.6%	
Chemical products	4.0	1.4%	4.5	1.5%	
Construction materials	8.0	0.3%	0.9	0.3%	
Capital goods*2	9.5	3.3%	9.2	3.1%	
Real estate	17.1	5.9%	18.4	6.1%	
Steel	2.4	0.8%	2.4	0.8%	
smbcMaterials and buildings subtotal	35.4	12.2%	37.1	12.3%	
Beverages	8.0	0.3%	1.0	0.3%	
Agriculture	0.8	0.3%	1.0	0.3%	
Packaged foods and meat* ³	1.6	0.5%	1.6	0.5%	
Paper and forestry products	0.7	0.3%	0.8	0.3%	
Agriculture, food, and forestry products subtotal	4.0	1.4%	4.3	1.4%	

Total of the above sectors*4	69.3	24.0%	71.9	23.9%
Grand total*⁵	289.4	100.0%	301.3	100.0%

^{*4.} Credit exposure of SMBC and major local subsidiaries, etc. (internal control basis)

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^{*5.} Total exposure of SMBC (including consolidated subsidiaries) (Total assets on consolidated financial statements + off-balance sheet assets, etc.)

^{01.} Message from the Group CEO

^{*1.} The sectors assessed were selected based on the definitions of carbon-related assets in the supplementary guidance of the TCFD recommendations.

^{*2.} Machinery, electrical equipment, construction, etc.

^{*3.} Manufacturing of packaged foods, including dairy products and meats, etc.

Analysis by sector: Overall picture of SMBC Group's GHG emissions (FY2024)



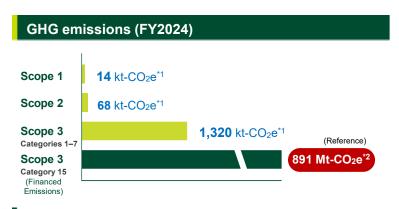








The main cause of GHG emissions is Scope 3, Category 15 (financed emissions), and to curb global warming, cutting such emissions is important not only for SMBC Group but also to support our customers in their decarbonization efforts.



Reduction targets



- *1. Targets/scope of calculation: Domestic and overseas locations of Sumitomo Mitsui Financial Group Inc. and its consolidated subsidiaries as of FY2021 (excluding equity-method affiliates)
- *2. Targets/scope of calculation: Loans extended by SMBC and major overseas subsidiaries, etc. (internal control basis; see the Appendix (Simplified calculation method for Scope 3, Category 15 (FE) for details.)

Reference: Scope 3, Category 15 (FE) emissions by sector
recording to the contract of t

Scope 1 + 2 Scope 3 Total*2 Sector 160.0 58.8 218.8 Power 351.7 Oil & gas 290.8 60.9 0.2 0.1 0.1 0.2 0.1 0.4 Air cargo Passenger aviation 3.8 2.0 5.8 5.9 6.0 12.0 Shipping 1.8 1.0 8.0 Railroads 3.9 Truck services 2.3 1.6 Automobiles and 0.8 10.9 10.1 components 5.5 10.1 Metals and mining 4.6 1.1 **Aluminum** 0.4 0.6 186.7 Chemical products 167.1 19.6 Construction materials 0.2 4.0 3.7 0.0 0.4 0.4 Cement Capital goods 2.3 22.6 24.9 3.5 Real estate 0.6 2.9 7.4 22.3 Steel 14.9 Beverages 0.3 1.4 1.8 12.5 8.3 4.2 Agriculture Packaged foods and meat 10.6 4.9 15.5 Paper and forestry 2.5 0.6 1.8 products 668.5 222.2 890.6 Total

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(Mt-CO₂e)

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Analysis by sector: GHG emissions by sector (FE) and reduction goals

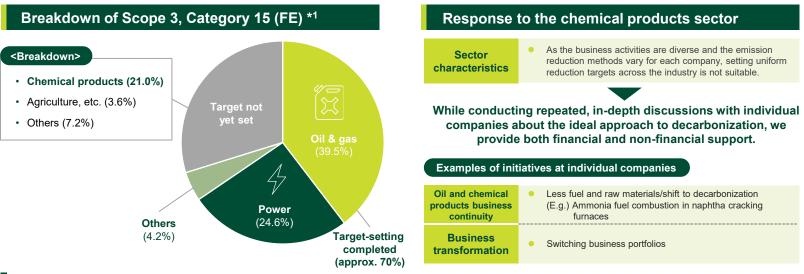








To reduce financed emissions (FE), we select the sectors for which to set targets while considering the results of sector-specific risk analysis, as well as the status of exposures, emissions, and calculation standards. When setting medium-term targets, we conduct separate calculations for each sector, based on their specific characteristics.



Status	of setting	targets	P. 90 ff.

	Power	Oil & gas	Coal (thermal coal)	Steel	Automobile	Real estate	Chemical products	Agriculture	Aluminum	Cement
Setting targets	2022/5	2022/8	2022/8	2024/3	2024/3	2024/5	-	-	-	-
Transition risks	Very High	Very High	Very High	High	High	Low	Middle	Low	Middle	High
Balance*1 (JPY trillion)	6.2	3.6	0.0	1.5	2.0	15.2	2.9	0.6	0.0	0.1
FE*1 (MT-CO ₂ e)	219	352	0	22	11	3	187	12	1	0
Maturity of calculation standards*2	0	0	0	0	0	0	Δ	Δ	0	0

^{*1.} Balances are loan exposure balances and financed emissions (FE) are totals for Scopes 1 to 3.

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^{*2.} Developed by SMBC Group based on the guidelines by international initiatives such as SBTi and TPI.

Column: GHG emissions in securities and asset management





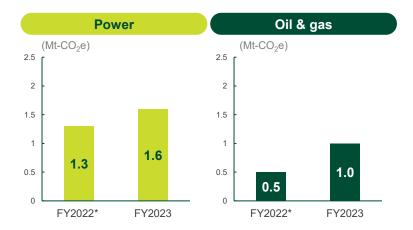




In addition to SMBC's Scope 3, Category 15 (FE) emissions, SMBC Nikko Securities and Sumitomo Mitsui DS Asset Management (SMDAM) calculate GHG emissions in line with businesses.

SMBC Nikko Securities: Underwriting Financed Emissions

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



^{*} Figures revised from the Sustainability Report 2024 due to more precise calculations

Details of emission calculations

 Appendix: Methodology for calculating Underwriting Financed Emissions

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SMDAM: Reduction targets and results

- Setting portfolio GHG emissions (carbon footprint) per USD 1 million of market value of investment as a KPI.
- Setting 2030 medium-term targets as well as 2050 long-term targets and disclosing progress.





Details of emission calculations and reduction goals

 Sumitomo Mitsui DS Asset Management website > Information disclosure based on TCFD (https://www.smd-am.co.jp/corporate/vision/fiduciary/03/)

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Sector-specific risk management: Power sector









Based on the aforementioned sector-specific risks and emissions analyses, we are organizing key points for achieving decarbonization and organized our understanding of climate-related risks. Considering the sector characteristics, we are implementing appropriate risk management by sector from the perspectives of policy, portfolio, and individual companies and projects.

Key points for achieving decarbonization

- · To respond to increasing electricity demand, a shift toward renewable energy and low-carbon fuels is necessary.
- Strong regional characteristics; closely linked to national policy

Transition risks

Very high

Recognition of climate-related risks

- · Emission regulations, mandates for renewable energy adoption, carbon pricing
- · Community engagement regarding continued operation, replacement, or construction of power plants
- Investor relations / Fundraising

SMBC's control policies and measures

Policy

- Respond in line with policies for specific businesses and sectors
- New or expanded coal-fired power projects / Projects extending beyond FY2040
- Support for companies whose main business is coal-fired power generation and with no existing transactions

Individual company/project management

- Risk assessment and engagement through environmental and social due
- Promote projects actively using the TF Playbook for transition definition











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Case studies

(UK) Project finance for CCS infrastructure

✓ World's first gas-fired power plant equipped with carbon capture and storage

(Australia) Renewable energy + Gas-fired power projects

- ✓ Renewable power plants also equipped with gas-fired power for adjustment power source
- A phase-out target is set for coal-fired power due to particularly high stranded asset risk. However, projects that contribute to efforts toward transitioning to a decarbonized society are excluded.

Portfolio management

- Set carbon intensity of power generation as a management indicator; manage with attention to high-emission sources
- Set a phase-out target for coal-fired power generation*







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Sector-specific risk management: Oil & gas and coal sectors











- · Oil: Ongoing demand recognized for use as feedstock in petrochemical products
- Gas: Holds significance as a transitional fuel. Given the anticipated continued demand for fuel, technological innovations such as carbon capture and utilization (CCUS) are also important.
- Coal: High emissions require planned transition to other businesses

Transition risks Very high

Recognition of climate-related risks

- Increased costs due to regulatory compliance
 Increased costs due to regulatory and carbon pricing
- Decreased demand and price drops due to the . Decreased demand and price drops due to spread of low-carbon technologies and subsidies
- Environmental impacts and effects on human rights and local communities from development

- compliance and carbon pricing
- the spread of low-carbon technologies
- Investor relations / Fundraising

SMBC's control policies and measures

Policy

- Respond in line with policies for specific businesses and sectors <Oil & Gas>
 - ✓ Unconventional oil and gas extraction, oil and gas mining in the Arctic, pipeline projects, etc.

<Coal>

- ✓ New or expanded projects related to thermal coal mining/related
- Projects for thermal coal mining companies that extend beyond FY2030/FY2040

Individual company/project management

<Oil & Gas/Coal>

 Risk assessment and engagement through environmental and social due diligence

<Oil & Gas>

· Promote projects actively using the TF Playbook for transition definition









Upstream gas

Gas refining and storage facilities

Flaring reduction

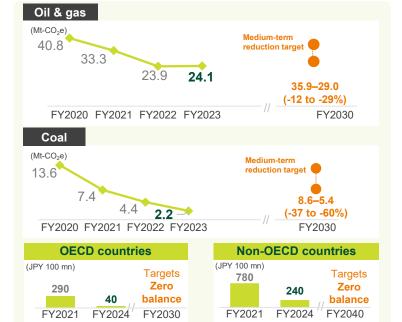
Case studies (engagement with thermal coal mining companies)

- · Explanation of policies for specific businesses and sectors and support
- · Held discussions toward transitioning from the thermal coal mining business

Portfolio management

- Set absolute emissions during production and use as a management indicator
- Manage the portfolio with attention to oil businesses with high emissions

- Set absolute emissions during mining and use as a management indicator and reduce the portfolio in stages in line with the policy
- Set a phase-out target for thermal coal mining*



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^{*} A phase-out target is set for thermal coal mining due to particularly high stranded asset risk. However, this excludes projects that contribute to the transition from fossil fuels.

Sector-specific risk management: Automobile and steel sectors











- Steel: Decarbonization of the sector largely depends on technological innovation (e.g., increased scrap reuse, development of low-carbon steelmaking technology, and carbon capture via CCUS for emissions that cannot be reduced)
- · Automobile: Improving fuel efficiency and decarbonizing the electricity/fuel used as power sources are key; strategies and technical development support are needed based on each country's energy conditions, infrastructure development, and consumer preferences



Recognition of climate-related risks

<Steel>

- Increased costs due to carbon
- Growing demand for low-carbon products/alternatives

<Automobile>

- Compliance with regulations on emissions, fuel efficiency, and restrictions on internal combustion vehicles, along with increased costs from carbon pricing
- Intensified competition in developing environmentally friendly vehicle technologies and standards

SMBC's control policies and measures

Individual company/project management

· Risk assessment and customer engagement through environmental and social due diligence <Steel>

Target: Crude steel production and mineral resource mining businesses <Automobile>

Target: OEMs and suppliers

Promote projects actively using the TF Playbook for transition definition

Steel **Automobile**













Electric Reduced **PHEV** furnace



Energysaving production

iron processes

<Steel sector>

efficiency reduction

Case studies

Green bond issuance (NIPPON STEEL)

- ✓ Supported funding for NIPPON STEEL's challenge to achieve carbon neutrality by 2050
- ✓ Procurement funds will be allocated to production facilities for ecofriendly vehicle products

<Automobile sector>

Support for building a sustainable finance framework (Mazda)

- ✓ Support for building the finance framework as a structuring agent
- ✓ Planned to be used for financing the global carbon neutrality of Mazda's production plants and for development/manufacturing of BEVs. PHEVs. etc

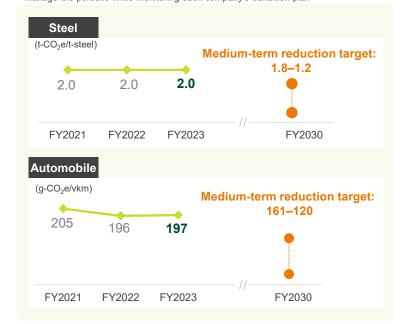
Portfolio management

<Steel>

- Set carbon intensity during crude steel production as a management indicator
- Manage the portfolio while monitoring each company's transition plan

<Automobile>

- · Set carbon intensity during manufacturing (OEM) and driving as a management indicator
- Manage the portfolio while monitoring each company's transition plan



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Sector-specific risk management: Real estate sector











Key points for achieving decarbonization

• As emissions are primarily driven by property usage (especially power), improving building performance and decarbonizing electricity is crucial

Transition risks

Low

Recognition of climate-related risks

- · Cost increases due to mandatory installation of renewable energy equipment and tightening of environmental standards for buildings; deterioration in the value of existing assets
- · Rising tenant demand for environmental initiatives



SMBC's control policies and measures

Individual company/project management

 Promoting sustainable finance for green buildings with environmental certification

GRESB

DBJ Green Building

CASBEE

BELS

LEED

Case study

Frontier Real Estate Investment Corporation

- ✓ Provided a green loan for the acquisition of Mitsui Shopping Park LaLaport AICHI TOGO
- ✓ The property has received a 5star rating under the DBJ Green Building certification as a facility with top-tier environmental and social considerations in Japan



Portfolio management

- · Set carbon intensity during building use (per floor size) as a management indicator
- Manage the portfolio with attention to the environmental performance of buildings



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Dependence on and impact of natural capital in corporate activities

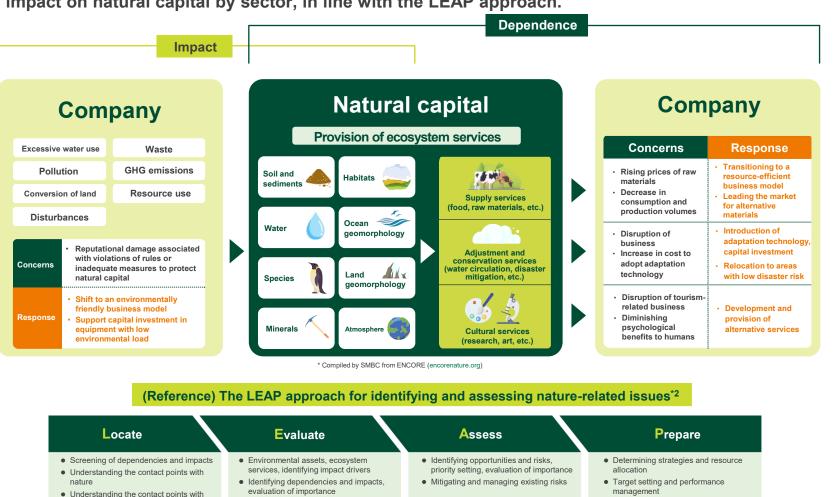








Companies interact with the ecosystem services provided by natural capital in terms of both dependencies and impacts. SMBC Group analyzes the degree of customers' dependency and impact on natural capital by sector, in line with the LEAP approach.



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· Reporting and display

sensitive locations

^{*2} Compiled by SMBC Group from the Recommendations of the Task Force on Nature-related Financial Disclosures (TNFD)

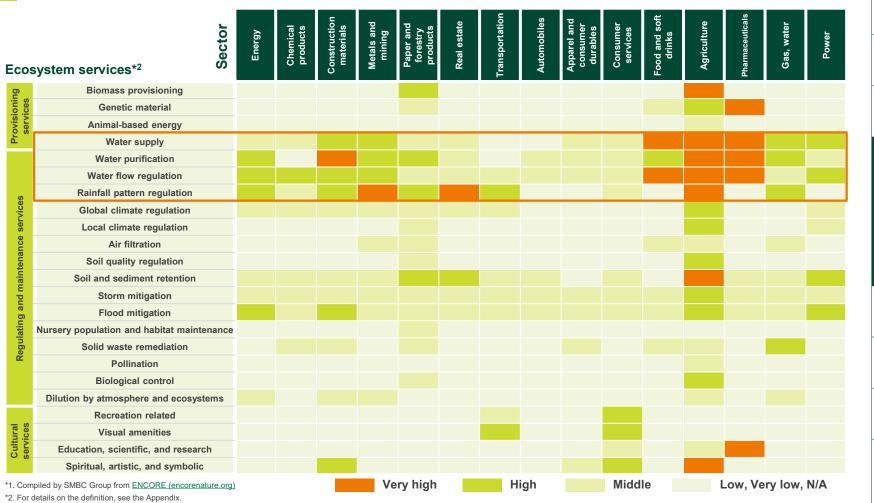
Heatmap of dependencies on natural capital







Using the nature-related risk analysis tool "ENCORE," we create a heat map*1 targeting priority sectors as outlined in the TNFD guidance for financial institutions. On the heat map concerning dependency on natural capital, many sectors are dependent on "water," which we recognize as particularly important natural capital for advancing business activities.



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Heatmap of impacts on natural capital

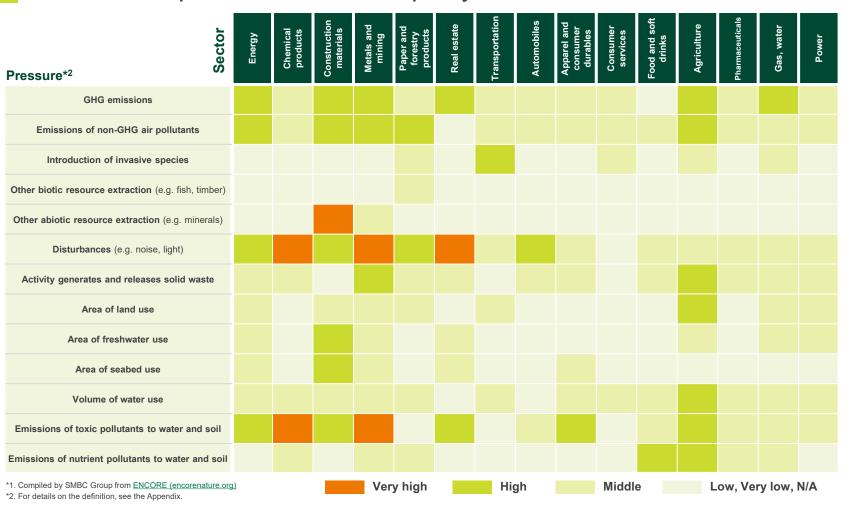
■







The heatmap*¹ for impact on natural capital shows that many sectors have cross-category impacts on a wide range of natural capital. As these are directly linked to opportunities and risks for SMBC Group, we will focus on the positive and negative impacts that our customers' business activities have on natural capital and address them as a priority.



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Assessment of sensitive locations





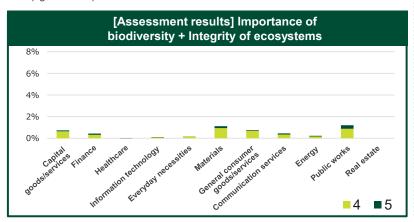


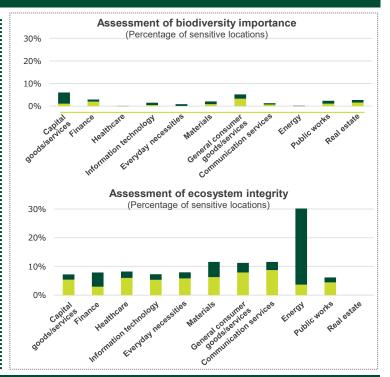


To understand the interactions with high-risk areas downstream in the value chain and the characteristics by sector, we conducted a trial analysis using location data from 25,481 direct operational sites worldwide of 133 major borrowers. With the cooperation of MS&AD InterRisk Research & Consulting, we evaluated four items using multiple indicators: "importance of biodiversity," "integrity of ecosystems," "importance of ecosystem service provision," and "physical water risk."

Importance of biodiversity + Integrity of ecosystems

- For the "importance of biodiversity," indicators include biodiversity hotspots and protected areas; for the "integrity of ecosystems," indicators include a decrease in tree cover, biodiversity degradation, and species loss. Evaluation was conducted on a five-level scale from 5 (Very high) to 1 (Very low).
- Areas with a score of 4 (High) or higher were categorized as sensitive locations. The industry average for each sector was calculated based on the percentage of company locations falling into these areas (figure to the right).
- When averaging the percentage of sites rated 4 (High) or above for both "importance of biodiversity" and "integrity of ecosystems" by industry, there was little variation across industries, with even the highest being only slightly above 1% (figure below).





Importance of ecosystem service provision

- While local residents and companies depend on some form of ecosystem services in their region, the importance of ecosystem service provision is especially significant for Indigenous Peoples, whose lives and livelihoods are directly and heavily dependent on natural capital. Accordingly, and on this theme, in order to analyze negative impacts on local stakeholders connected with nature, we calculated the ratio of areas for each company where Indigenous People live within 500 m of an operational base and the average per industry.
- On this occasion, it was not possible to obtain effective assessment results due to bias in the sample. However, we will continue our efforts to collect and scrutinize data, and enhance risk assessment.

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Assessment of sensitive locations









Physical water risks

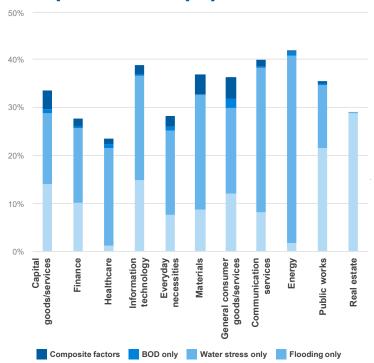
"Physical water risks" were analyzed using three metrics: water stress, flood risks, and biochemical oxygen demand (BOD) water quality pollution. Using the three metrics, bases assessed as a level 4 or 5 or bases with multiple risks assessed as a level 4 or 5 (composite factors) have been designated as sensitive locations. Regarding physical risks involving water, every industry is over 20%, and particularly in the energy, communication services, and information technology sectors, the results show that around 40% of bases are high risk. Physical risks involving water is shown to be a particularly high-priority item, so we conducted additional analysis of the bases of companies receiving investment or loans to discover whether these bases were assessed as being high risk, and if so, which of the three metrics were applicable.

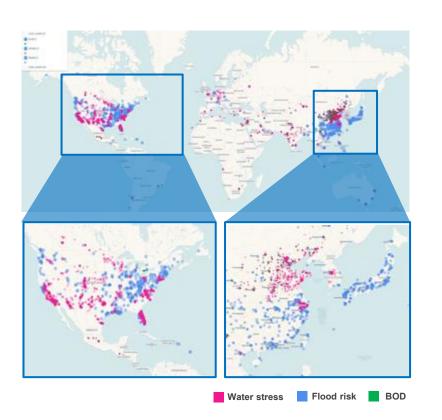
The analysis revealed that high-risk sites are particularly concentrated in Asia and North America. Focusing on Asia, Japan and southern China show high flood risk, while northern China exhibits high water stress. In North America, flood risk is especially concentrated in the eastern regions, whereas water stress is observed in a wide area, including around California and Florida.

Although there were fewer applicable bases for BOD in comparison with the two other metrics, it is particularly concentrated in northeastern China and India.

Based on the analysis results, we will engage in dialogue to support our customers reduce water-related risks.

[Assessment results] Physical water risks





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Identification and assessment of salient human rights issues for SMBC Group







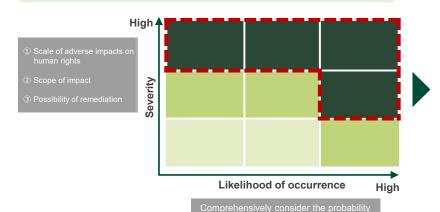




We map the human rights risks associated with the business of each SMBC Group company and identify and assess salient human rights risks.

Assessment method

- In FY2022, SMBC Group took the first step in human rights due diligence by mapping the potential adverse impacts on human rights it might be involved in through its business activities. In other words, through dialogues with employees and external experts, we visualized high-risk human rights areas in terms of severity and likelihood of occurrence from three perspectives: 1) adverse impacts through transactions with customers, 2) adverse impacts through transactions with suppliers, and 3) adverse impacts on employees.
- The severity of impact is determined based on the following criteria: 1) scale of the adverse impacts on human rights, 2) scope of the impacts, and 3) possibility of remediation. The likelihood of the occurrence of these impacts is determined by comprehensive consideration of their likelihood based on the business characteristics and external environment.
- When determining salient human rights issues, we first identified the more serious adverse impacts from among the risks mapped, then identified those risks with some level of severity and a high likelihood of occurrence.



Results of identification/assessment of salient human rights issues

- The salient human rights risks identified using the assessment method shown on the left are summarized in the table below.
- Going forward, SMBC Group will continue to review salient human rights risks as necessary, and focus on preventing and mitigating adverse impacts on these human rights.

Category of risk

Examples of salient human rights issues

Human rights risks related to transactions with customers

- Risk of involvement in human rights violations along supply chains due to financing and lease transactions (forced labor, child labor, occupational health and safety issues)
- Risk of contributing to or being involved in infringements on the rights of indigenous peoples/local communities via investments and financing
- Risk connected to infringements on human rights due to contribution to or involvement in businesses that have adverse impacts on the environment and climate change
- Risk of infringements on privacy due to the influence of technology and Al development
- · Risk connected to discrimination due to transaction restrictions

Human rights risks related to transactions with suppliers

- Risk that the supplier will not pay sufficient wages or will not pay salaries by a stipulated date
- Risk of inducing overwork among suppliers through business transactions
- Risk of contributing to forced labor due mainly to the threat of punishment via transactions with suppliers
- Risk of discrimination and disadvantage without reasonable grounds regarding hiring, promotions, and wages due to race, gender, language, and age at companies in the supply chain

Human rights risks related to employees

- · Risk of forcing excessive or unfair work hours on employees
- Risk of harassment (workplace harassment, sexual harassment, pregnancy discrimination, nursing care harassment, etc.) against colleagues
- · Human rights risks related to discrimination and gender
- · Risk of infringement on employees' privacy

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Environmental and social due diligence: Supplementary information on human rights due diligence







To prevent and mitigate the risk of involvement in human rights violations within the supply chain, SMBC verifies if appropriate measures are being taken by customers with whom we provide lending or consider lending. We strive to prevent and mitigate adverse impacts on human rights while obtaining the understanding and cooperation of customers.

Human rights due diligence for corporates

 To prevent and mitigate contribution to and direct involvement with human rights violations through business activities such as investment and loans, we conduct periodic monitoring through environmental and social due diligence (for corporates) and prioritize business activities with high risks.

New customers

 Prohibit new support for businesses that engage in child labor, forced labor, or human trafficking.

Existing customers

- · If there are human rights issues, encourage mitigation of adverse impacts.
- · If no improvement is seen, consider the business relationship carefully.
- · If we receive information about human rights violations, we check with our customers about their awareness and response status as necessary.
- We evaluate customers' wide range of human rights risks such as impacts on local communities, based on governance, risk mitigation measures, and the details of responses.
- We engage in dialogues with customers as necessary to address human rights risks.

Implementation results for FY2024

- As a result of environmental and social due diligence (for corporates) assessment conducted for approximately 300 companies, we identified one company as having serious human rights violations.
- For several other companies where adverse information on human rights was discovered, we confirmed corrective actions and prevention plans to prevent recurrence.

Human rights due diligence for projects

- We confirm whether appropriate consideration of human rights is being implemented for stakeholders affected by the project. If deemed insufficient, we continue to manage the matter until necessary follow-up is completed.
- In cases where the risk is particularly high, we consider conducting onsite investigations.

Human rights checklist (examples)

- ✓ Status of resident resettlement and compensation
- Impact on Indigenous peoples and status of obtaining Free, Prior, and Informed Consent (FPIC)
- ✓ Status of stakeholder engagement and establishment of remedy and grievance mechanisms
- ✓ Impact on the living environment due to the project, including environmental pollution and other factors
- Occupational health and safety of project workers

Evaluation results for January-December 2024

Total number of environmental and social due diligence (for projects) conducted*

Follow-up instructions for human rights cases

follow-up

Confirmed response Continued

cases

90

cases

Follow-up was concluded upon confirming adequate measures were taken.

Example case study:

As the project was offshore,

identified regarding the impact

whether the project operator

would appropriately assess

impacts on the livelihoods of

local fishermen and engage with

Offshore power

generation project

potential concerns were

on fisheries and vessel

navigation safety. Follow-up was conducted on

stakeholders.

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^{*} Projects that reached first disbursement



Overall picture of sustainability management system









SMBC Group's sustainability management is promoted by the responsibility of Group CxOs, including Group CEOs, and operates under robust governance structure with oversight of the Board of Directors. We also strive to further strengthen capability building through study sessions for management and employees.



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Supervision structure related to sustainability











The Board of Directors and each internal committee play an important role in effectively overseeing the execution of duties, from the perspectives of how to respond to sustainability-related risks and opportunities. Going forward, we will strive to continually strengthen our supervisory system.



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Discussion on the supervisory side regarding sustainability











Expert and objective discussions at the board level are rapidly reflected in executive-side initiatives.

		Main topics discussed
Вс	pard of Directors	 Promotion of efforts for creating social value Stakeholder communication regarding social value
Board of Directors	Sustainability Committee	 Progress and future direction of human capital management Need for impact-based information disclosure Changes in the external environment surrounding sustainability
Internal committees of the Board of Directors	Risk Committee	 Policies for addressing climate change Transition-related developments in Japan/Asia Trends in sustainability-related disclosure regulations Risks related to sustainability Trends and peer cases on greenwashing

Examples of initiatives resulting from discussions

- Support for employee involvement toward "participation by all"
- Expansion of engagement opportunities with investors
- Considerations for HR system reforms at SMBC
- Publication of Impact Report 2024
- Revision of strategy in response to the external environment
- Clarification of sector-specific climate risk awareness
- Promotion of transition finance
- Regulatory engagement and involvement in rulemaking
- Review of Top Risks
- Analysis of risks associated with greenwashing

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Skills matrix of the Board









When appointing directors, the Nomination Committee deliberates and formulates a skills matrix* summarizing the expected knowledge and experience. Since 2022, "sustainability" has been added to the skills matrix and in 2025, has also been specified as one of the criteria for selecting outside director candidates. We are striving to strengthen the oversight of sustainability management by appointing directors with sufficient expertise and business experience to manage sustainability-related risks and opportunities.

* These are areas particularly expected of the relevant directors and do not represent all of the knowledge and experience possessed by the directors.

Knowledge and experience we expect in particular									
	Corporate management	Finance	Global	Legal affairs / Risk management	Financial accounting	IT/DX	Sustainability		
Makoto Takashima	नार	•					~		
Toru Nakashima	777	8					Z		
Teiko Kudo		*		P			Z.		
Kazuyuki Anchi		8				Д	¥.		
Toshihiro Isshiki		8							
Honami Matsugasaki		8							
Sonosuke Kadonaga	TT			Ō					
Jun Sawada	TIT						~		
Yoriko Goto	TT	*		Ō			¥.		
Isao Teshirogi	Т								
Norimitsu Takashima									
Charles D. Lake II	TT	*							
Jenifer Rogers	737	*					×		
: Internal Director (non-executive)	: Internal (executiv		: Outside Director						

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Composition of the Board of Directors and internal committees*1









Director / Comm	Director / Committee member		Nomination Committee	Audit Committee	Compensation Committee	Risk Committee	Sustainability Committee
Makoto Takashima	Chairman of the Board	•	•		•		•
Toru Nakashima	Director President, Group CEO	•			•		•
Teiko Kudo	Director Deputy President and Executive Officer(Representative Executive Officer)	•					
Kazuyuki Anchi	Director Senior Managing Executive Officer	•				•	
Toshihiro Isshiki	Director	•		•			
Honami Matsugasaki	Director	•		•			
Sonosuke Kadonaga	Outside Director	•	•	•			
Jun Sawada	Outside Director	•	•		•		
Yoriko Goto	Outside Director	•		•			•
Isao Teshirogi	Outside Director	•			•	•	
Norimitsu Takashima	Outside Director	•	•		•		
Charles D. Lake II	Outside Director	•		•		•	
Jenifer Rogers	Outside Director	•			•		•
Hirohide Yamaguchi*2	Outside expert					•	
Tatsuo Yamazaki* ³	Outside expert					•	
Yukari Takamura* ⁴	Outside expert						•
Eiichiro Adachi* ⁵	Expert						•

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: Director/Committee member

^{•:} Chairperson/Committee Chair

^{*1.} As of July 2025

^{*2.} Chairman of the Advisory Board of Nikko Research Center, Inc., former Deputy Governor of the Bank of Japan

^{*3.} Specially appointed professor of International University of Health and Welfare

^{*4.} Professor at the University of Tokyo Institute for Future Initiatives

^{*5.} Fellow of The Japan Research Institute, Limited

(Reference) FY2024 attendance record for Board of Directors / internal committees*1





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Director / Committee member			Board of Directors		Nomination Committee		Audit Committee	Compensation Committee		Risk Committee		Sustainability Committee		
Takeshi Kunibe	Chairman of the Board	•	12/12	•	4/4			•	7/7			•	2/2	
Toru Nakashima	Director President, Group CEO	•	10/10					•	5/5			•	2/2	
Teiko Kudo	Director Deputy President and Executive Officer	•	12/12											
Fumihiko Ito	Director Senior Managing Corporate Executive Officer	•	12/12							•	4/4			
Toshihiro Isshiki	Director	•	12/12			•	14/14							
Yoshiyuki Gono	Director	•	12/12			•	14/14							
Shozo Yamazaki* ²	Outside Director	(•)	4/4			(•)	6/6			(●)	1/1			
Sonosuke Kadonaga	Outside Director	•	10/10	•	4/4	•	11/11							
Yoshinobu Tsutsui	Outside Director	•	12/12	•	4/4			•	7/7					
Katsuyoshi Shinbo*2	Outside Director	(•)	8/9			(•)	10/11	(●)	6/6					
Eriko Sakurai	Outside Director	•	12/12	•	4/4	•	7/7	•	7/7			•	2/2	
Charles D. Lake II	Outside Director	•	12/12	•	4/4	•	2/2			•	4/4			
Jenifer Rogers	Outside Director	•	12/12					•	7/7			•	2/2	
Hirohide Yamaguchi*3	Outside expert									0	4/4			
Tatsuo Yamazaki*4	Outside expert									•	4/4			
Yukari Takamura* ⁵	Outside expert											•	2/2	
Eiichiro Adachi*6	Expert											•	2/2	

^{•:} Chairperson/Committee Chair •: Director/Committee member

^{*1.} Directors' attendance status in FY2024

^{*2.} Resigned during the fiscal year. Titles and affiliations are as of the time of resignation

^{*3.} Chairman of the Advisory Board of Nikko Research Center, Inc., former Deputy Governor of the Bank of Japan

^{*4.} Specially appointed professor of the International University of Health and Welfare

^{*5.} Professor at the University of Tokyo

Institute for Future Initiatives

^{*6.} Fellow of The Japan Research Institute,

Expertise of the Sustainability Committee members











Chairperson and Outside Director Yoriko Goto

- Served as an outside director of SMBC from 2022 to 2025.
- · Appointed as an outside director and Sustainability Committee chairperson of our company in 2025.
- As Chair of the Board at Deloitte Tohmatsu Group, promotes sustainability from a supervisory perspective by providing proposals from the board to position the enhancement of social value as a management objective of the group.
- Representative of the Yoriko Goto CPA Office. Also concurrently serves as Outside Director of Shionogi & Co., Ltd. and Sony Group Corporation.

Outside Director Jenifer Rogers

- · Appointed as an outside director and Sustainability Committee member of our company in 2023.
- Attorney at Law, admitted in New York, the U.S.A. In addition to her expertise in corporate law, as the president of the American Chamber of Commerce in Japan (ACCJ) in 2021, she promoted initiatives to enhance economic relations between Japan and the United States—including the area of sustainability—and to strengthen the international business environment.
- Concurrently holds positions as General Counsel International at Asurion Japan Holdings G.K. and as Outside Director at Kawasaki Heavy Industries, Ltd.

Outside expert

Yukari Takamura

- Appointed as a Sustainability Committee member of our company in 2021.
- She specializes in international law and environmental law and conducts research on international treaties on the environment as well as legal policies on climate change and energy.
- After serving as a professor at Nagoya University's Graduate School and professor at the University of Tokyo's Integrated Research System for Sustainability Science (IR3S), she became a professor at the University of Tokyo's Institute for Future Initiatives in April 2019.
- She also serves as chairperson of the Central Environment Council, the Tokyo Metropolitan Environmental Council, the Procurement Price Calculation Committee for Feed-in Tariff Scheme for Renewable Energy, a member of the Financial Services Agency's Expert Panel on Sustainable Finance, a member of the Working Group on Corporate Disclosure of the Financial System Council, a member of the Sustainability Standards Board of Japan (SSBJ) of the Financial Accounting Standards Foundation, and a member of the Advisory Group on Climate Change and Sustainable Development of the Asian Development Bank.

Expert Eiichiro Adachi

- Appointed as a member of the Sustainability Committee of our company in 2021.
- After joining The Japan Research Institute, Ltd. ("JRI") in 1990, he served as the Senior Counselor and the Head of the Institute for Societal Values in Future Generations at JRI.
- He has mainly conducted industry research and corporate evaluations from the perspective of corporate social responsibility, and has
 been involved in numerous projects related to the environmentally conscious actions of financial institutions and research into socially
 responsible investment. He also serves as a Japanese expert of the Technical Committee ISO (International Organization for
 Standardization)/TC 322 and a member of the working group related to green finance of the Ministry of the Environment.

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Execution structure related to sustainability











Group Management Committee	 Functions as the highest decision-making body for the business execution and management of the entire Group under the Board of Directors. Deliberates on measures aimed at achieving sustainability for the entire Group. 	President/CEO of Group companies	Promotes sustainability initiatives at each company. Participates in the Corporate Sustainability Committee.
	Deliberates on the promotion of sustainability and the creation of social value across the Group, as well as the integration of	Group CEO	 Approves measures to achieve sustainability at Group Management Committee meetings and elsewhere.
Corporate Sustainability Committee	 sustainability management. With the Group CEO as the committee chair, it promotes the achievement of sustainability under the commitment of the upper management. 	Group CSO	Oversees efforts related to measures for creating social value.
Committee	Participants include the Presidents of Group companies, the Group CSO, Group CRO, Group CHRO, and Group CSuO, etc.	Group CRO	Promotes risk management across the Group, including from a sustainability perspective.
Risk Management Committee	 Chaired by the Group CRO. Deliberates on risk management measures related to sustainability. 	Group CHRO	Oversees and promotes initiatives related to human capital management across the Group and plans and manages related policies.
Diversity, Equity & Inclusion Committee	 Deliberates on DE&I-related initiatives across the Group. Chaired by the Group CEO, with the Group CHRO serving as Vice Chair, it promotes human capital management across the Group. Participants include the President/CEO of Group companies. 	Group CSuO	 Established in 2021. Oversees and promotes initiatives related to sustainability and creating social value across the Group and plans and manages related policies.

Expertise of the Group CSuO

Group CSuO Masayuki Takanashi

- · Appointed as general manager of the Corporate Sustainability Dept. at SMBC in April 2022 and the Group CSuO in April 2023.
- Joined Sumitomo Bank (now SMBC) in 1993 and led the creation of the bank's first annual report (published in 2016) in the Corporate Planning Department. As the Co-General Manager of the Loan Capital Markets Department in London, he also promoted sustainable finance in EMEA.
- After the appointment as Group CSuO, he has been promoting the following as the head of sustainability strategies for the entire
 Group: enhancement of risk management and transition plans related to climate change, strengthening sustainability-related business,
 promotion of initiatives for creating social value, building internal capability, and stimulation of stakeholder communication.

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We have introduced an executive compensation system that includes sustainability-related evaluation items from both quantitative and qualitative perspectives, which serves as an appropriate incentive.

: Cash compe	ensation : S	Stock compensation	: Varia	able compensation				
Compensation components	Payn	nent standards (r	ange of va	riation) and target i	ndices	Payment method	Many majesta	
Base salary	Fixed compen	Fixed compensation				• Cash	Key points	
Bonus (Cash)	Standard level	s × SMFG's annua	performan	annual performance ce, progress of initiati on of individual duties	ves toward the		Stock Compensation Plans I, II, and III are applicable to malus and claw-back provisions.	
	Targ	et index*2	Weight	Sustainability indicators	Weight	• Cash: 70%	→ This ensures a prudent	
Bonus (Stock Compensation	SMFG net busi profit*3	Annual growth/Target achievement	50%	Progress of KPIs*5 External ratings	±10%	• Restricted stock: 30%	risk culture expected of a financial institution.	
Plan II)	SMFG net inco	Annual growth/Target achievement	50%				Starting in FY2020, we adopted	
	Compensation determined based on SMFG's medium-term performance (0–150%) *6 Standard levels × SMFG's medium-term performance, etc.					sustainability initiatives as one of the qualitative items in processing medium-term		
		Evaluati	on index		Weight		performance-linked compensation.	
				20%		 From FY2022, sustainability evaluation was expanded to 		
	Financial			20%		single-year performance-linked		
Stock	index	SMFG gross profit*6)		15%		compensation. Sustainability-related	
Compensation		SMFG net income*4	· 		15%	 Restricted stock 	evaluations are	
Plan I	Share index	Total shareholder re	eturn (TSR)*1	10	15%		introduced from both quantitative and	
	Non-financial index	Creation of social v	alue*11		15%		qualitative perspectives.	
	Adjustment evaluation	Initiatives in new business areas, compliance, customer-oriented initiatives, and risk management		±5%		In April 2023, quantitative		
	In the case that CET1 ratio falls below a designated level at the end of each fiscal year, Stock Compensation Plan I for the respective fiscal year becomes null and void (knock-out provision).				indicators related to environmental sustainability and qualitative evaluations of			
Stock Compensation Plan III	(Promotion reward plan)				Restricted stock	initiatives related to SMFG priority issues were incorporated into medium-term performance- linked compensation.		

- *1. Compensation amounts for each fiscal year are determined by the Compensation Committee *2. If the Compensation Committee recognizes any element other than the above-mentioned target indices which should be taken into consideration, the Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid to the employee by a maximum of 5%, plus or minus
- *3. Consolidated net business profit *4. Consolidated profit attributable to owners of parent

Portion of variable compensation: 40 – 60%

Portion of stock-based compensation: 25 – 45%

- *5. Annual achievement rate of major KPIs related to sustainability
- *6. Compensation amounts determined by the Compensation Committee at the conclusion of the Medium-Term Management Plan *7. Post-Basel III reforms basis, excludes net unrealized gains (losses)
- on other securities *8. General and administrative expenses excluding "revenue-linked cost," "prior investment cost" and others
- *9. Consolidated gross profit
- *10. The Compensation Committee determines progress of performance by relative evaluation of TSR during the term of the Group's Medium-Term Management Plan
- *11. In addition to internal KPI achievement rates related to Environment (FE reduction, amount of sustainability finance executed) and employees (employee engagement, DE&I), the Compensation Committee evaluates performance based on progress in the five material issues ("Environment," "DE&I/Human Rights," "Poverty & Inequality," "Declining Birthrate & Aging Population," and "Japan's Regrowth")

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Capability building for directors and executive officers









To enhance the governance structure for sustainability, we continuously provide information on sustainability by leveraging various opportunities, such as holding sustainability training sessions for directors, as well as discussions at the Board of Directors and Management Committee meetings.

Sustainability study sessions for Directors

- In FY2024, we hosted a study session on sustainability trends with Ernst & Young ShinNihon LLC as the speaker.
- ✓ As part of the current macro environment, updates were shared on governmental sustainability stances and global initiatives.
- Recent developments were also introduced related to transition efforts, including emissions reduction initiatives by high-emission sectors, actions toward net zero, international cooperation in emerging markets, and examples from other financial institutions and companies in Japan and overseas.



Discussions at the Board of Directors and Management Committee

 We work to deepen our knowledge and understanding environment and latest trends regarding sustainability, and the response policy of SMBC Group.

Topics (examples)

Global trends in sustainability

Japan's Energy Policy

Main topics discussed

- ✓ Understanding the positions of various countries and regions
- Climate strategy based on the 7th Strategic Energy Plan and GX2040 Vision

SMBC Group Global Advisory Meetings

- As an advisory body to the Group Management Committee, we appoint experts with extensive experience in politics, economics, and global business as "SMBC Group Global Advisors" and regularly hold "SMBC Group Global Advisory Meeting."
- In FY2024, we held a session on "Creating Social Value".

Comments from Advisor Mr. Polman

- Achieving decarbonization requires viewing challenges not as risks, but as opportunities.
- ✓ It is essential to align long-term financial goals with those that promote social and environmental impact.



Mr. Paul Polman UN Global Compact Vice Chair (2018-2024) Unilever CEO (2009-2019)

Others (Support systems for outside directors)

- Continuously providing outside directors with information and knowledge, including on sustainability, necessary for overseeing management and providing the opportunities needed to fulfill their expected roles.
 - ✓ Participation in various internal meetings by the executive side
 - ✓ Informal sessions on specific themes
 - Study sessions on key topics such as sustainability and data governance

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Capability building for employees











Raising awareness for creating social value

Expanding participation opportunities

Shaka-kachi DAY

- Opportunities for employees to think and act on creating social value themselves
- Designating specific days at each location to engage in initiatives to create social value, including planning and implementing activities to address social issues in collaboration with local communities and customers, as well as supporting and participating in social contribution activities.
- In FY2024, 257 domestic and international locations participated.

Shaka-kachi AWARD

- Commendation recognizing employee initiatives in creating social value
- In FY2024, winners of the President's Award and Employee Choice Award were selected from approximately 2,500 applicants across 490 entries.

Sharing of initiatives

"Shaka-kachi case studies"

 A tool for sharing a wide range of best practices internally

"STORY BOOK 2024"

 A booklet compiling thoughts and initiatives of employees engaged in creating social value



► Example initiative:

Corporate tour for elementary school students introducing the appeal of local businesses



► President's Award Winner:

An industry-academic collaboration case working on marketing strategies for Olive



Enhancing employees' skills

CSuO Channel

- The study session for employees featuring themes related to sustainability and social value, with explanations given directly by the Group CSuO.
- The program began in FY2021 and over 3,000 employees have participated in total.

FY2024 **Event themes** (Examples)

- √ Key Takeaways from COP29
- ✓ Social Impact, etc.

Sustainability business study sessions

 We continuously hold internal workshops on specialized knowledge and solutions to support customers' sustainability management.

FY2024 **Event themes** (Examples)

- ✓ Visualization and Analysis of Non-Financial Data
- Group-Based Decarbonization Solutions,

Kinzai Sustainability Test

- To encourage the acquisition of basic sustainability knowledge. employees are encouraged to take the Kinzai Sustainability Test.
- The goal of 1,200 certified employees by FY2025 was achieved ahead of schedule.

Kinzai Sustainability Test Number of certified employees (cumulative)



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Capability building for human rights awareness

Chairperson

(members could serve in

the position temporarily)









We are actively working to raise awareness of human rights so that all employees will respect the human rights of customers, suppliers and other employees.

Promoting human rights awareness (SMBC) **Human Rights Committee** Vice Chairperson Committee member chairperson General Managers of Director in charge of the General Manager of the head office departments Human Resources Dept. Human Resources Dept. designated by the chairperson Secretariat **Human Rights Committee (Dept. Level)** Chairperson Committee member **Training Officer**

Managerial positions

determined by the Human

Rights Awareness

Promotion Committee

Human Rights Committee (Responsibilities and roles)

General managers,

etc.

- At SMBC, the Human Rights Committee, chaired by the director in charge of the Human Resources Dept., is taking the lead in promoting efforts to raise awareness of human rights among all employees.
- The Human Rights Committee establishes a company-wide basic policy on human rights awareness and supports the smooth operation of various training programs through the Human Rights Committee (Dept. Level) within the Bank.
- The secretariat reviews operations and measures, and holds a human rights slogan competition as well as an awards ceremony to coincide with Human Rights Week.

Human rights awareness training

Human rights trainings for employees (FY2024 results)

	Name of training	Target employees	Number of participants	Contents
SMBC Group	SMBC Group's new recruit training	Full-time employees	1,350	Covering overall human rights issues in general
	Training seminar for Human Rights Committee (Dept. Level) Chairman	All general managers (Japan)	General managers 797	Annual lecture by external experts
01100	Department/branch human rights training session	All employees (Japan)	28,314 (second half)	Held twice a year, based on selected themes
SMBC	Compliance training (Business and human rights)	All employees (Japan)	28,820	Held once a year*
	Training session at the time of promotion and appointment	Applicable employees	399	Covering overall human rights issues in general

* Conducted annually with the aim of raising the awareness of details related to "Business and human rights" as well as the "Statement on Human Rights"

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Key climate and nature-related metrics and targets











	Metrics Targets		Recent results	YoY	
Sustainable finance		Cumulative JPY 50 trillion by 2030	Cumulative JPY 34 trillion (FY2020–FY2024)	-	Results P. 116
	Green finance	Cumulative JPY 20 trillion by 2030	Cumulative JPY 11 trillion (FY2020– FY2024)	-	Definition and scope of tabulation
Port	folio GHG emissions	Net zero by 2050	-	-	
	Oil & gas	FY2030: -12 to -29% (from FY2020)	24.1 Mt-CO ₂ e (FY2023)	-41% (from FY2020)	-
	Coal	FY2030: -37 to -60% (from FY2020)	2.2 Mt-CO ₂ e (FY2023)	-84% (from FY2020)	
	Power	FY2030: 138 to 195 g-CO ₂ e/kWh	276 g-CO ₂ e/kWh (FY2023)	-17% (from FY2020)	
	Steel	FY2030: 1.2 to 1.8 t-CO ₂ e/t-Steel	2.0 t-CO ₂ e/t-Steel (FY2023)	-	
	Automobile	FY2030: 120 to 161 g-CO ₂ e/vkm	197 g-CO ₂ e/vkm (FY2023)	-4% (from FY2021)	Results P. 90-93
	Real estate	FY2030: 33 to 43 kg-CO ₂ e/m ²	80 kg-CO ₂ e/m ² (FY2023)	-1% (from FY2021)	Calculation P. 128 ff.
_	oan balance for coal-fired power generation*	Zero balance by FY2040 Project finance, equipment-linked corporate finance	Project finance JPY 194 billion (FY2024) Equipment-linked corporate finance JPY 57 billion (FY2024)	- JPY 58 billion (from FY2021) - JPY 29 billion (from FY2021)	
Loan	balance for thermal	Zero balance by FY2030 OECD countries	JPY 4 billion (FY2024)	- JPY 25 billion (from FY2021)	_
CO	al mining sector*	Zero balance in FY2040 Non-OECD countries	JPY 24 billion (FY2024)	- JPY 54 billion (from FY2021)	
0	perational GHG emissions	Net zero by FY2030	82 kt-CO ₂ e (FY2024)	-54% (from FY2021)	Results P. 118

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^{*} The amounts described for the most recent results and as the ratios vs. reference year were rounded to the nearest tenth.

Sustainable finance

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To support our clients in addressing social issues, we are actively promoting sustainable finance. We are making steady progress toward our target of JPY 50 trillion in execution by 2030, including JPY 20 trillion in green finance.



Case studies India US Sustainable link supply chain Blue loans for water supply finance for apparel companies Green loans for EV batteries UK Slovenia Samurai Sovereign Social Bond Social loans for affordable housing SMBC NIKKO **SMBC-JICA Sustainable Finance Framework** Renewable energy, water supply, SMBC

₩ DBSA

Development

Bank of

Southern Africa

SMBC-JICA

Sustainable

finance

frameworks

Co-financing

JICA

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battery, and energy

efficiency projects

^{*1:} Based on Dealogic (FY3/25 transaction amount)

^{*2:} Applicable to corporate bonds (excluding affiliates), municipal bonds (lead manager system, including JFM and public corporations), FILP agency bonds (including ABS type), and Samurai bonds

Portfolio GHG reduction targets and progress (Column: Ship sector)











What are the Poseidon Principles?

- The International Maritime Organization (IMO) formulated the IMO GHG reduction strategy with the aim of rapidly reducing GHG emissions.
 - ✓ Goal (2018)

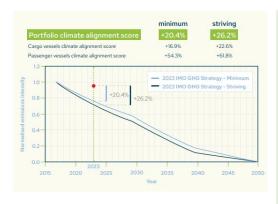
Reduce ${\rm CO_2}$ emissions by more than 50% by 2050 (vs. 2008) and achieve net zero early in this century.

✓ Revised goal (2023)

Reduce GHG emissions by 20 to 30% by 2030, by 70 to 80% by 2040 (vs. 2008), and achieve net zero by 2050.

 The Poseidon Principles are an initiative led by private financial institutions to tackle the IMO's reduction goals and were established in 2019 by major financial institutions. Financial institutions that have signed the Poseidon Principles are required to annually measure and publish a portfolio climate alignment (PCA) score*1 for their ship finance portfolios based on a common framework set out in the Principles.

SMBC's own initiatives



- SMBC signed the Principles in January 2021, and joined the Steering Committee in May 2024.
- Since 2021, we have been disclosing our PCA score against the IMO goals (2018).
 - ✓ The score improvement is mainly supported by the financing of more fuel-efficient ships and the increased focus by shipping companies and charterers on the reduction of fuel consumption.
- Since 2023, we have been disclosing our PCA score vs. the new IMO goals (2023).
- When the IMO CII correction factor*2 is applied, the following improvements are expected.
 - ✓ PCA (minimum): (2023 results) 24.2% ⇒ (2024 results) 15.7%
 - ✓ PCA (striving): (2023 results) 28.7% ⇒ (2024 results) 21.3%

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^{*1.} PCA is an indicator that shows the degree of alignment with IMO goals, with 0% indicating that emissions are exactly in line with the goals.

⁽A negative score indicates an emission reduction pace that exceeds the goals, while a positive score indicates a reduction pace that falls short of the goals.)

*2. The IMO CII (Carbon Intensity Indicator) is an index established by the International Maritime Organization (IMO) to measure the carbon dioxide emission efficiency of ships. This index is calculated using correction factors that account for specific operational conditions and special circumstances based on the type of vessel (such as shuttle tankers), ensuring that each vessel is assessed against a fairer standard.

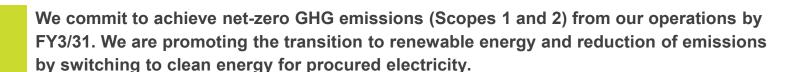
Reducing operational GHG (Scopes 1 and 2)









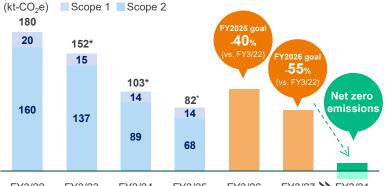


Results and targets

Corporate PPA

Scope:

Domestic and overseas bases of Sumitomo Mitsui Financial Group and its consolidated subsidiaries (excluding equity-method affiliates)



FY3/22 FY3/23	FY3/24 FY3/25 FY3/	26 FY3/27 >>> FY3/31
Main initiatives	Future focus areas	Initiatives for residual emissions
Switching to renewable energy for our own properties in Japan	Switching to renewable energy for data centers and leased properties	Clarifying the definition of net zero
SMBC Kawasaki Mega Solar Place	Introducing environmentally friendly vehicles	Utilization of carbon credits
Offsite	Early disclosure	

Targets/scope of calculation: Domestic and overseas locations of Sumitomo Mitsui Financial Group and its consolidated subsidiaries as of FY3/22 (excluding equity-method affiliates). FY3/25 figures are preliminary, as no assurance has yet been obtained.

New efforts

SMBC's Forests (Isehara City, Kanagawa Prefecture)

- Development of a forest conservation plan for credit generation
- Biomass power generation using thinned
- Environmental education programs for elementary school students



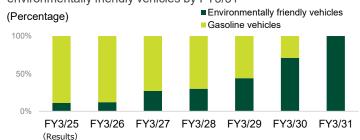
Procurement of geothermal power electricity

 Introducing an off-site corporate PPA for geothermal power generation at a self-owned building



Target for environmentally friendly vehicles (SMBC)

• Aiming to convert 100% of domestic company vehicles to environmentally friendly vehicles by FY3/31



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Human capital management metrics and targets (1)

1







The metrics for the three strategies aimed at maximizing human capital are steadily progressing toward their respective targets.

Achievement level of the "SMBC Group Talent Policy"

	Metrics*1	Targets	FY2023 actual	FY2024 actual
Talent Policy Score	What SMBC Group expects employees to be	Maintain 70 or higher	_	74
	Employee Value Proposition	Maintain 70 or higher	_	72

Three strategies

	Metrics*1	Targets	FY2023 actual	FY2024 actual
	Talent deployment in focus areas*2	FY2023–2025: +1,400 persons	+600 persons	+1,280 persons (FY2023-2024 cumulative)
	New graduates hiring by business units	FY2026: 361 persons	*4	102 persons (FY2024 hiring track record)
Creating a human	Number of mid-career hires		927 persons	989 persons
resources portfolio that supports our	Number of subject matter experts across the group		1,703 persons	1,972 persons
strategies	Number of personnel in the Global Business Unit*2	_	65,000 persons	70,000 persons
	Number of candidates for succession within 5 years / Degree of preparation for succession*3		279 persons, 7.0 x	314 persons, 8.3x

^{*1.} Unless otherwise noted, SMFG and its eight major companies (non-consolidated, domestic) are the aggregation targets.

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^{*2.} SMFG and its Group consolidated subsidiaries

^{*3.} Ratio of number of candidates to number of target posts

^{*4.} Due to changes in calculation methodology from FY2024, FY2023 figures are left blank.

Human capital management metrics and targets (2)





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Three strategies (cont.)

	Metrics*1	Targets*8	FY2023 actual	FY2024 actual
2	Paid leave acquisition rate	More than 85%	85%	85%
	Total annual training costs	_	JPY 4.6 billion	JPY 5.2 billion
	Number of applicants for Group- wide job posting system	_	1,870 persons	1,592 persons
Supporting employee growth	Number of users of side job system (including internal side job)	_	713 persons	938 persons
and well-being	Absenteeism* ² (percentage of employees who took at least one day of leave or were on sick leave in the past year)	_	3.3%	3.3%
	Presenteeism*3 (employee self-assessment of work performance over the past four weeks, with 100% being full capacity without illness or injury)	_	82.4%	80.2%
3	Ratio of females in the Board of Directors*4	FY2030: 30 %	23 % (as of June 2024)	31 % (as of June 2025)
	Number of female executive officers	FY2025: 30 persons	36 persons (as of June 2024)	40 persons (as of June 2025)
	Ratio of female managers*5	FY2025: 25 % FY2030: 30 %	20%	22%
	Foreign nationals executive officers*6	FY2025: 25 persons	22 persons (as of June 2024)	23 persons (as of June 2025)
Maximizing team	Ratio of locally hired employees in management positions at overseas offices* ⁷	2025: 93.7%	93.4%	94.2%
performance	Ratio of mid-career hires to total new hires in one year, Ratio of mid-career hires to total managers	FY2025: 30.7 %, 18.0 %	40.8%, 18.8%	40.3%, 20.2%
	Average number of days and take-up rate of paternity leave	30 days: 100 %	11.5 days: 116 %	14.5 days: 105 %
	Engagement score* ⁷ (overall engagement score from "Wevox" engagement survey)	Maintain 70 or higher	72	74

^{*1.} Unless otherwise noted, SMFG and its eight major companies (non-consolidated, domestic) are the aggregation targets.

^{*2.} SMBC non-consolidated

^{*3.} SMBC non-consolidated, measured using the University of Tokyo SPQ (1-item version)

^{*4.} SMFG non-consolidated

^{*5.} Target setting and aggregation based on the Act on the Promotion of Women's Active Engagement in Professional Life

^{*6.} SMFG and SMBC Group companies

^{*7.} SMBC Group companies

^{*8.} Set goals and implement various measures in compliance with local laws and regulations



External evaluation and initiatives









External evaluation

Inclusion in indices

GPIF selected indexes

2025 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN) 2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX



FTSE Blossom Japan Sector Relative Index





Japan





2025 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Various awards and certifications















Initiatives

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^{*1} five companies, *2 seven companies (two companies in Grade 3, five companies in Grade 2)

^{*3} four companies

Definition of sustainable finance









Definition

Financing for environmentally friendly projects such as climate change countermeasures (projects that fall under the "green project categories" of the International Capital Markets Association's (ICMA) Green Bond Principles, etc.)

Green **Financing**



Green project categories

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity

- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Eco-efficient production technologies and processes
- Green building that meets environmental standards

Social **Financing**



Financing for social-related projects (projects that fall under the "social project categories" of the ICMA's Social Bond Principles, etc.)

Social project categories

- Basic infrastructure of affordable price (drinking water, sewerage, sanitation facilities, transportation, energy, etc.)
- Access to essential services (education, health, etc.)
- Housing of affordable price

- · Employment creation through the potential benefits of funding for SMEs
- Employment creation through the potential benefits of microfinance
- Food security
- Socioeconomic improvement and empowerment

Transition Financing



Finance aiming to support efforts to reduce GHG emissions in accordance with a long-term strategy to achieve carbon neutrality in line with the Climate Transition Finance Handbook by ICMA or Transition Finance Playbook by SMBC Group

Finance in scope

- · Green finance, social finance, transition finance
- · Other finance for the purpose of support/promotion to resolve environmental and social issues

SMBC

- Project finance (for renewable energy, public infrastructure, etc.)
- SMBC original products (SMBC Social Issues Resolution Promotion & Support Loan, Human Capital Management Promotion & Analysis Loan, etc.)
- · Green Loan, Social Loan, Sustainability-Linked Loan, Transition Loan, Positive Impact Finance
- Non-recourse loans for environmental real estate properties, etc.

SMBC Nikko Securities

- Green Bond, Social Bond, Sustainability-Linked Bond, Transition Bond, etc.
- Green equity, social equity, transition equity, etc.

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Calculation method for Scopes 1 and 2









GHG emissions relating to Scopes 1, 2, and 3 (Categories 1 to 14) are calculated in accordance with GHG protocols (2004).

Item	Scope 1	Scope 2					
Target GHG	CO ₂ (Among the seven types of GHG, financial institutions emit almost no GHGs other than CO ₂ in the course of their operations)						
Target years	• FY2024		r				
Target boundaries	 with GHG protocols (2004) and selecting approaches for managemen Target boundaries are domestic and overseas bases of Sumitomo Mit method affiliates). 	tsui Financial Group and its consolidated subsidiaries (excluding equity- redit Company, which became a wholly-owned subsidiary in March 2024).					
Calculation method	Calculated using amount of activity and emission factors listed below.	 Calculated using amount of activity and emission factors listed below for both location and market criteria. Figures in this report are according to the market criteria used for KPIs. Information regarding key contract certificates purchased is as follows. Domestic Non-Fossil Certificates (NFCs) and International Renewable 					
Calculation method		Brazil and Chile. RECs, etc., for the NAR Green-e Renewable Energy Standard in the United States and Canada.					
	 Usage amounts of city gas, liquefied petroleum gas (LPG), fuel oil, diesel, and gasoline (for automobiles). Gasoline usage amounts from some automobiles are calculated based on gasoline payment amounts and average gasoline prices. 	 See our Sustainability Data Book for location criteria calculation results. Power, steam, hot water, and cold water usage amounts. Results values are used for power usage amounts, although in some cases, estimated values are used. The estimation method is as follows. The unit for power usage (kWh/m²) is set based on SMBC's (domestic operations) power usage amounts in the previous fiscal year and on 					
Amount of activity	 Due to restrictions on data aggregation, gasoline usage amounts for subsidiaries in India are not included. The basis for amount of activity is data from external sources that includes energy use itemization materials and aggregation tables from building management companies and owners based on purchase receipts. 	 total floor areas. Total floor areas at bases for which power usage data cannot be obtained in the unit (kWh/m²) are multiplied to estimate usage amounts. The basis for amount of activity is data from external sources that includes energy use itemization materials and aggregation tables from building management companies and owners based on purchase receipts. 					
Emission factors	 The majority of emissions occur in Japan, so emission factors based on the SHK system* announced by the Ministry of the Environment are used. Emission factors used for some overseas bases are in line with local 	The following emission factors are used. Domestic: The emission factors list for each electrical business operator—"Emission factors after adjustment," which is based on the SHK system*—is used. Overseas: Emission factors, etc., for each country published by the					
* GHG Emissions Calculation Re	circumstances. eporting, and Disclosure System based on the Act on Promotion of Global Warming Countermeasure	International Energy Agency (IEA) are used.					

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Calculation method for Scope 3 (Categories 1 to 14)

* IDEA: An inventory database that provides environmental impact data for products and services in Japan





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	Item	Description					
	Target GHG	 CO₂ (Among the seven types of GHG, financial institutions emit almost no GHG other than CO₂ in the course of their operations) 					
Target years		• FY2024					
Calculation method		 Calculation is based on estimates that use activity-based emissions and emission factors listed in each of the following categories. When doing so, among usable data, data for incorporation is determined so as to prioritize primary data and verified data directly related to company activities. Regarding activity-based data, primary data is used, but verified data is not. 					
 Amounts used include 1) paper purchasing costs, 2) advertising costs, 3) automobile-related costs, 4) communication costs, a outsourcing costs, and calculation involves applying emissions units from the Ministry of the Environment's "Database on Emis Unit Values for Calculating Greenhouse Gas Emissions, etc. by Organizations Throughout the Supply Chain." Calculated values only apply to SMBC's domestic businesses, so the number of employees in the Group as a whole is divided number of employees in SMBC's domestic businesses, and overall emissions are calculated by multiplying emissions using the results. 							
2	Capital goods	 Capital goods are calculated by applying emissions units from the Ministry of the Environment's "Database on Emissions Unit Values for Calculating Greenhouse Gas Emissions, etc. by Organizations Throughout the Supply Chain" to costs incurred from purchasing or acquiring fixed assets of SMFG and Group consolidated subsidiaries. The scope for aggregation is SMBC only. 					
3	Fuel- and energy- related activities not included in Scope 1 or Scope 2	 Calculation involves applying emissions units from the Ministry of the Environment's "Database on Emissions Unit Values for Calculating Greenhouse Gas Emissions, etc. by Organizations Throughout the Supply Chain" and the IDEA* to usage amounts for fuels—for example, city gas and LPG—power, and steam. Calculation involves multiplying SMFG Group's equivalent employee ratios using emissions units, then calculating emissions throughout SMFG Group. 					
4	Upstream transportation and distribution	 For upstream transportation and distribution, calculation involves applying emissions units from the Ministry of the Environment's "Database on Emissions Unit Values for Calculating Greenhouse Gas Emissions, etc. by Organizations Throughout the Supply Chain" to amounts for 1) shipping of administrative supplies, 2) shipping of internal mail, etc. Calculated values are non-consolidated values for SMBC and are calculated by multiplying SMFG Group-based employee ratios. 					
5	Waste generated in operations	 Calculation involves applying emissions units from the Ministry of the Environment's "Database on Emissions Unit Values for Calculating Greenhouse Gas Emissions, etc. by Organizations Throughout the Supply Chain" and the IDEA* to waste amounts from four SMBC head office buildings (Head Office, East Tower, Osaka Head Office, and Kobe Head Office). Calculation involves multiplying employee ratios for the entire SMFG Group using calculated values. 					
6	Business travel	 Calculated from domestic and overseas business travel costs for SMBC domestic employees. Methods of transport for domestic business travel are 1) rail, 2) air, and 3) car, and for overseas business travel, 1) rail and 2) air, and the calculation involves amounts for business travel costs per method of transport each fiscal year. Calculation involves applying emissions units from the Ministry of the Environment's "Database on Emissions Unit Values for Calculating Greenhouse Gas Emissions, etc. by Organizations Throughout the Supply Chain" to the applicable amounts. 					
7	Employee commuting	 Calculated from commuting costs for SMBC domestic employees. Methods of transport used for commuting are 1) rail and 2) bus/privately owned car, and the calculation involves commuting costs per method of transport using result percentages for methods of transport in each fiscal year. Calculation involves applying emissions units from the Ministry of the Environment's "Database on Emissions Unit Values for Calculating Greenhouse Gas Emissions, etc. by Organizations Throughout the Supply Chain" to the applicable amounts. 					
8 – 14	-	 Category 8 (upstream leased assets) is included in Scopes 1 and 2. Categories 9 to 12 and 14 are not applicable due to the nature of business. The calculation method for Category 13 (downstream leased assets) is under consideration. 					

Simplified calculation method for Scope 3, Category 15 (FE)





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Target assets

Loans*1

Target sectors

The following 21 sectors based on recommended disclosure items in the TCFD Recommendations, etc.

Power	Oil & gas	Coal (thermal coal)	Air cargo	Passenger aviation	Shipping	Agriculture
Railroads	Truck services	Automobiles and components	Metals and mining	Aluminum	Chemical products	Paper and forestry products
Construction materials	Cement	Capital goods*2	Real estate*3	Steel	Beverages	Packaged foods and meat*4

Target years

Baseline : End of March 2025 and end of March 2024

Loans : Loan balance as of March 31, 2025 and March 31, 2024

Customer's financial data : Most recent financial data available at the time of calculation*5

Data source for GHG emissions

Calculated using a unified method for all sectors using emission coefficients per revenue/asset amount cited from the PCAF database

(Corporate finance)

- Estimated using emission factors per revenue cited from the PCAF database (equivalent to Score 4)
- If calculation is not possible with emission factors per amount of assets, estimated using emission factors per asset amount cited from the PCAF database (equivalent to Score 5)

(Non-corporate finance)

• Estimated using emission factors per revenue cited from the PCAF database (equivalent to Score 5)

The basic formula (1) (Score 4)

Financed emissions = Σ Attribution factor \times Company emissions

- Attribution factor = Loan amount to each customer / (Total equity + Debt of each customer/project)*6
- Company emissions (GHG emissions) = Each customer's revenue*7 × Emission factor per revenue amount

The basic formula (2)

(Score 5)

The following formula is used when the calculation is not possible using the basic formula (1) Financed w missions = Σ Outstanding amount \times GHG emissions / Assets

- Outstanding amount = Loan amount to each customer/project
- GHG emissions / Assets = Emission factor per asset value taken from the PCAF Standard database

Points to note

- Due to revisions to the PCAF Standard, changes in definitions based on practical aspects of measurement (various definitions, measurement ranges, time points, etc.) and sophistication, calculation methods may change in the future, and calculation results may change significantly.
- The coefficients used to calculate the estimates are the emission factors per revenue and asset value from the PCAF database. These factors are subject to change in the process of refinement, etc., and the calculation results may change significantly in the future.
- By definition, Scopes 1, 2, and 3 allow multiple sectors or companies to record multiple GHG emissions. We also recognize as a challenge the fact that the PCAF database does not include data for estimating Scope 3 downstream GHG emissions.
 - *7. Using each customer's sales data

- *2. Machinery, electrical equipment, construction, etc.
- *3. Excluding mortgage loans
- *4. Including packaged food manufacturing such as dairy products and meat
- *5. If there is no consolidated financial data, singleentity financial data is used
- *6. Only Total equity + Debut used, not EVIC
- al data is used

Loan balances at SMBC and its main overseas subsidiaries, etc. (on an internal control basis)

Scope 3, Category 15 (FE) calculation results









FY2023 actual

Sector	Loan exposure		emissions CO ₂ e)*	PCAF	Cover- age ratio (%)
	(JPY trillion)	Scope 1, 2	Scope 3	score	
Power	6.4	174.0	62.8	4.5	100%
Oil & gas	4.0	313.6	48.7	4.5	100%
Coal (thermal coal)	0.0	0.1	0.2	4.1	100%
Energy (including power) subtotal	10.5	487.7	111.7	4.5	100%
Air cargo	0.0	0.1	0.0	4.5	100%
Passenger aviation	1.0	3.8	2.0	4.6	100%
Shipping	1.5	5.4	5.5	4.6	100%
Railroads	0.9	0.9	0.8	4.1	100%
Truck services	0.7	2.5	1.8	4.0	100%
Automobiles and components	2.0	0.9	11.0	4.0	100%
Transportation subtotal	6.1	13.6	21.1	4.3	100%
Metals and mining	0.7	4.3	4.0	4.2	100%
Aluminum	0.1	0.5	0.6	4.2	100%
Chemical products	2.5	161.1	18.8	4.1	100%
Construction materials	0.6	0.3	4.1	4.0	100%
Cement	0.1	0.0	0.5	4.0	100%
Capital goods	4.7	2.5	25.3	4.2	100%
Real estate	14.0	0.6	2.8	4.4	100%
Steel	1.6	9.1	18.2	4.1	100%
Materials and buildings subtotal	24.1	178.4	74.4	4.3	100%
Beverages	0.4	0.3	1.0	4.2	100%
Agriculture	0.4	3.2	1.6	4.1	100%
Packaged foods and meat	0.9	13.6	6.7	4.1	100%
Paper and forestry products	0.5	0.7	1.9	4.2	100%
Agriculture, food, and forestry products subtotal	2.1	17.7	11.3	4.2	100%
Total of the above sectors	42.9	697.4	218.5	4.3	100%

FY2024 actual

Sector	Loan exposure	Financed emissions (Mt-CO ₂ e)*		PCAF	Cover- age
	(JPY trillion)	Scope 1, 2	Scope 3	score	ratio (%)
Power	6.2	160.0	58.8	4.5	100%
Oil & gas	3.6	290.8	60.9	4.4	100%
Coal (thermal coal)	0.0	0.1	0.1	4.4	100%
Energy (including power) subtotal	9.9	450.9	119.9	4.5	100%
Air cargo	0.1	0.2	0.1	4.8	100%
Passenger aviation	1.0	3.8	2.0	4.6	100%
Shipping	1.6	5.9	6.0	4.6	100%
Railroads	1.0	1.0	0.8	4.1	100%
Truck services	0.8	2.3	1.6	4.1	100%
Automobiles and components	2.0	0.8	10.1	4.1	100%
Transportation subtotal	6.5	14.1	20.7	4.3	100%
Metals and mining	0.8	5.5	4.6	4.1	100%
Aluminum	0.0	0.4	0.6	4.0	100%
Chemical products	2.9	167.1	19.6	4.0	100%
Construction materials	0.6	0.2	3.7	4.0	100%
Cement	0.1	0.0	0.4	4.1	100%
Capital goods	4.4	2.3	22.6	4.1	100%
Real estate	15.2	0.6	2.9	4.5	100%
Steel	1.5	7.4	14.9	4.0	100%
Materials and buildings subtotal	25.6	183.6	69.3	4.3	100%
Beverages	0.5	0.3	1.4	4.1	100%
Agriculture	0.6	8.3	4.2	4.0	100%
Packaged foods and meat	0.9	10.6	4.9	4.1	100%
Paper and forestry products	0.5	0.6	1.8	4.2	100%
Agriculture, food, and forestry products subtotal	2.5	19.9	12.3	4.1	100%
Total of the above sectors	44.4	668.5	222.2	4.3	100%

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^{*} This calculation, performed using a uniform approach for inter-sector comparisons, utilizes estimated values derived from the PCAF database. We acknowledge that these estimates may deviate from the actual GHG emissions.

Sector-specific portfolio GHG emissions calculation (1) Overview of calculation and target setting approach





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Cate	gory	Oil & Gas / Coal sectors	Power sector	Steel sector	Automobile sector	Real estate sector		
Portfolio G	HG emissi	ons calculation						
	Assets	Loans from SMBC and major local subsidiaries						
	Sector	Borrowers with the upstream production business	Borrowers with the power generation business	Borrowers with the crude steel production business	Borrowers with the automobile production business (Gross vehicle weight of 3.5 tons or less)	Domestic borrowers of commercial real estate (non-recourse loans) or real estate REITs		
Calculation target	Value chains/ Scope	Scopes 1, 2, and 3 (Category 11) related to upstream production business	Scope 1 related to power generation business	Scopes 1 and 2 related to crude steel production business	Scopes 1, 2, and 3 (Category 11, WTW) related to automobile production business	Scopes 1 and 2 related to property operations, including Scope 3 Category 13 for REITs		
	GHG		C	O ₂ , CH ₄ , N ₂ O, HFCs, NF ₃ , PFCs, S	 BF ₆			
	KPI	Absolute emission (Mt-CO ₂ e)	Physical carbon intensity (g-CO ₂ e/kWh)	Physical carbon intensity (t-CO ₂ e/t-Steel)	Physical carbon intensity (g-CO ₂ e/vkm)	Physical carbon intensity (kg-CO ₂ e/m²)		
	Offset	Not considered at the moment (to be reviewed based on international trends and guideline developments)						
Data col	llection	Each company's disclosure information / Public databases / Internal information / Data providers						
Individual calculation		Refer to PCAF, follow the data quality hierarchy, and estimate from production volume or sales as needed	Refer to PCAF, follow the data quality hierarchy, and estimate from power generation and equipment capacity as needed	Refer to PCAF, follow the data quality hierarchy, and estimate from crude steel production volume by technology as needed	Refer to PCAF, follow the data quality hierarchy, and estimate from production and sales figures by powertrain as needed	Refer to PCAF, follow the data quality hierarchy, and estimate from property types as needed		
Portfolio ca	alculation	Calculate portfolio emissions (absolute emissions) using the attribution factor approach	Calculate p	portfolio carbon intensity using	the portfolio weighted averag	ge approach		
Setting por	rtfolio GHG	emissions reduction target	s					
Medium reduction (FY20	n target	Oil & Gas: 12–29% reduction Coal: 37–60% reduction (vs. FY2020)	138–195 g-CO ₂ e/kWh	1.2–1.8 t-CO ₂ e/t-Steel	120-161 g-CO ₂ e/vkm	33–43 kg-CO ₂ e/m²		
Consistency with the Paris Agreement		See the IEA/	See the IEA/N/E scenario			See the CRREM 1.5°C Pathway		
Approval/R	Review							
Govern	nance	Approved	d by the Management Commi	ittee, reviewed by the Board of	Directors (+ Sustainability Co	ommittee)		
Periodic	review		During this medium-te	erm plan period (FY2023–2025), review as necessary			
Third-party	assurance			In the process of preparation				

Sector-specific portfolio GHG emissions calculation (2) Overall picture of the calculation approach











The calculation of portfolio GHG emissions in SMBC Group consists of the following four steps.

Clarification of calculation target

- Clarify the assets/sectors/value chain/Scope/KPI to be used for calculation
- Offset: not taken into account*1
- · Identify borrowers for calculation and data collection based on the defined calculation targets, using industry codes, etc.

Data collection

- Collect data on credit/financials/GHG emissions/activity volume, etc.
 - ✓ Public information on each company
 - ✓ Public database (Government statistics, CDP. etc.)
 - ✓ Internal information (e.g., monitoring information)
 - Data vendors

Calculation of GHG emissions by credit client

- · Refer to PCAF, follow the data quality hierarchy, and calculate GHG emissions for each credit recipient
- Estimate from activity volume if GHG emissions are not disclosed

Portfolio GHG emissions calculation

Portfolio weighted average approach

✓ Calculate by taking the weighted average of the carbon intensity of each credit recipient with the loan amount

Attribution factor approach

✓ Calculate and sum up the attributable portion of GHG emissions based on the ratio of our bank's loans to the total funding of the borrower

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Formula for calculating portfolio GHG emissions by sector

SMBC's portfolio GHG emissions (carbon intensity)

$$= \Sigma$$

Loan amount to each

Company
Gross lending amount to the relevant sectors

company*3



Carbon intensity of each company*2

Loan amount to each Total funding of each



GHG emissions of each company

SMBC's portfolio GHG

emissions

⁽absolute emissions)

^{*1.} The Net Zero Target and how the associated carbon credits should be used by SMBC Group and credit recipient companies will be examined, taking into account the status of development of global standards.

^{*2.} Carbon intensity = GHG emissions / physical activity (e.g., kWh)

^{*3.} Unlisted company: Total equity + Debt: Listed company: EVIC (Enterprise Value Including Cash)

Sector-specific portfolio GHG emissions calculation (2) Overall picture of the calculation approach 1. Clarification of calculation target











Item	SMBC Group's approach and calculation approach	Target sectors	Corresponding target industry code (GICS) Eligible businesses*3	
	Each industry sector has its own unique challenges, and there are differences in the path to decarbonization and the speed of reduction.	Oil & gas	✓ Integrated Oil & Gas ✓ Oil & Gas Exploration & upstream production Production business	
(Presuppositions) Sector-specific approach Target assets	✓ The approach of setting emission paths by industry while taking into account climate science is called the Sectoral Decarbonization Approach (SDA) and is widely adopted by companies participating in the SBTi.	Coal	✓ Coal & Consumable Fuels ✓ Borrowers with the upstream production business	
	✓ Financial institutions' portfolios are diverse, and there is a need to engage with customers in many industries according to their circumstances. Therefore, SMBC Group adopts a sectoral approach when calculating and setting targets for portfolio GHG emissions.	Power	✓ Electric Utilities ✓ Multi-Utilities ✓ Independent Power Producers & Energy Traders ✓ Borrowers with the power generation business	
	✓ In the Group's core business of lending*1, SMBC and its primary consolidated subsidiaries*2 account for the majority of those lending operations.		✓ Renewable Electricity ✓ Borrowers with the crude	
	✓ Taking into account Scope 3 Category 15, GHG	Steel	✓ Steel steel production business	
Target sectors	emissions, climate-related risks, loan balances, and other factors, six material sectors were selected as the calculation scope.	Automobile	✓ Borrowers with automobile ✓ Automobile production business Manufacturers (Gross vehicle weight of 3.5 tons or less)	
	 Identify specific borrowers in each sector for calculation based on GICS. 		✓ Non-recourse loans for commercial real estate in Japan	
	✓ Specific targets for calculation in each sector are identified based on the perspective of the target value chain (i.e., whether the company has a business that is subject to calculation), which will be discussed later.	Real estate		

^{*1} Loans (corporate finance and project finance, etc.) are subject to calculation, based on year-end balances as of March 31

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^{*2} As of the end of March 2025, SMFG's consolidated loan balance was JPY 111 trillion, and SMBC's consolidated loan balance was JPY 112 trillion. For details on the financial statements of Sumitomo Mitsui Financial Group and SMBC, please refer to the financial reports (Annual Securities Reports, SEC Filings, etc.).

^{*3} Among companies classified in the target sectors, those engaged in the target business (generating ≥5% of revenue from it) are included. From the perspective of portfolio management, in order to understand the potential of emissions, estimates are also made based on the estimated power generation and production volumes for projects under construction with project financing.

Sector-specific portfolio GHG emissions calculation (2) Overall picture of the calculation approach 1. Identification of scope of calculation











Sector	Target value chain / Scope*1	KPI	GHG*2
Oil & gas	The majority of life-cycle GHG emissions from fossil fuels come from upstream mining and production operations (including methane leakage) and fuel use. In order to measure GHG emissions related to upstream production operations and the	through alternate use of electrification, hydrogen, etc. (The IEA/NZE scenario also assumes a decrease in the ratio of fossil fuels to primary energy and a	
Coal	use of their products, calculation targets include direct and indirect emissions related to fossil fuel production (Scopes 1 and 2) and product use emissions (Scope 3 Category 11) of credit recipient companies.	 decrease in consumption itself). ✓ Based on this characteristic, an absolute emission (Mt-CO₂e) that indicates direct GHG emissions is set as a measurement index. 	
Power	 The majority of GHG emissions come from power generation, not transmission and distribution or retail operations, and power generation assets are subject to stranded asset risk. To measure GHG emissions from power generation projects, direct emissions (Scope 1) related to power generation by credit recipient companies are included in the scope of calculation. 	 Continued economic growth in developing countries, the shift from gasoline to electric vehicles, and other industrial electrification will increase electricity demand in the process of decarbonization. Under the IEA/NZE scenario, the power sector is expected to reduce GHG emissions and increase power generation, mainly from renewable energy sources, toward 2050. Based on this characteristic, in the transition process, carbon intensity (g-CO₂el/kWh) related to power generation is set as a measurement index to emphasize efficiency in terms of GHG emissions. 	CO ₂ , CH ₄ , N ₂ O, HFCs, NF ₃ , PFCs, SF ₆
Steel	The majority of GHG emissions come from iron and steel making (crude steel production) operations, not from raw material mining or processing and distribution operations. Direct and indirect emissions (Scopes 1 and 2) of credit recipient companies are included in the scope of calculation to measure GHG emissions related to production operations.	erial mining or processing and distribution operations. (Scopes 1 and 2) of credit recipient companies are included measure GHG emissions related to production operations. Stion engine vehicles, the main emission source is fossil fuel nontrast, for electric vehicles, emissions during the chare key components, and emissions at the power licity consumed during driving are significant. GHG emissions related to power generation varies by worthy* operspective is important when aiming to reduce GHG ye. Sissions from vehicle production and driving, direct and lee production (Scopes 1 and 2) and emissions from product recipient companies on targets. Like electricity, steel is an essential material in infrastructure fields such as energy, construction, transportation, and electronic equipment. As automobiles and real estate are also an important part of infrastructure, total demand is expected to increase due to economic growth in developing countries, etc. Under the IEA/NZE scenario (1.5°C scenario), each sector is expected to reduce GHG emissions, while total demand (crude steel production, passenger car mileage, total building floor area) will increase toward 2050. Based on these characteristics, in the transition process, in order to emphasize efficiency in terms of GHG emissions, the carbon intensity of physical activities in	
Automobile	 ✓ In the case of internal combustion engine vehicles, the main emission source is fossil fuel consumption during driving. In contrast, for electric vehicles, emissions during the manufacture of batteries, which are key components, and emissions at the power generation stage of the electricity consumed during driving are significant. ✓ In particular, the progress of GHG emissions related to power generation varies by country and region, and the WTW⁺³ perspective is important when aiming to reduce GHG emissions in the real economy. ✓ In order to measure GHG emissions from vehicle production and driving, direct and indirect emissions from vehicle production (Scopes 1 and 2) and emissions from product use from a WTW⁺³ perspective (Scope 3 Category 11) by the credit recipient companies are included in the calculation targets. 		51 6
Real estate	The majority of life-cycle GHG emissions come from the use of buildings, not from construction, renovation, demolition, etc. In order to measure GHG emissions during the building use stage, direct and indirect emissions (Scopes 1 and 2) of the financed properties are included in the calculation targets. In the case of REITs, where funds flow indirectly to commercial real estate, emissions are recorded as for leased properties, so emissions related to leased assets (downstream) (Scope 3 Category 13) are also included in the scope of calculation.	each sector, such as crude steel production, vehicle operation, and building use, is set as a measurement index.	

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^{*1} Some value chains within each sector are targeted, but there may be cases where only part of the value chain's emissions are included in SMFG's portfolio GHG emissions calculations (resulting in overestimation). (For example, if the borrower only discloses total GHG emissions for all sectors or the entire value chain.)

^{*2} All GHGs are included in the calculation scope; however, there may be cases where not all GHGs of a borrower are included in SMFG's portfolio GHG emissions calculations (resulting in underestimation). (This may occur if borrowers only disclose certain GHGs such as CO₂, or if GHG emissions are not disclosed at all and SMFG must estimate them.)

^{*3} Emissions from the process from fuel extraction to energy supply to vehicles are WTT (Well to Tank), emissions from vehicle operation are TTW (Tank to Wheel), and emissions from vehicle operation over its life cycle considering both are called WTW (Well to Wheel).

Sector-specific portfolio GHG emissions calculation (2) Overall picture of the calculation approach 2. Data collection











Data collection approach

- Emissions data for each company in a financial institution's portfolio is required to calculate the GHG emissions of its portfolio of investments and loans.
- However, not all companies disclose their GHG emissions, and the disclosure status varies depending on company size, industry, and region, which is a major issue in calculating GHG emissions for financial institutions.
- The PCAF Standard defines a data quality score in light of this situation and recommends that calculations be made in accordance with the score.
- In this calculation, emissions data (Score 1–2) based on disclosed information is prioritized by referring to this data quality score, and emissions are estimated if not available (Score 3–4; estimation methods in next section).
- If data is insufficient for appropriate estimation, parent company data is used. If that is also unavailable, the client is excluded from actual results as "not calculated."*

Table of data quality scores in PCAF

Category	Concrete examples	Score
Reported	Emissions data verified by an independent third party	1
emissions	Unverified emissions data	
Physical	Estimated emissions based on energy consumption and other data	2
activity-based emissions	Estimated emissions based on production volume and other data	3
Economic	Estimated emissions based on sales data for each company	4
activity-based emissions	Estimated emissions based on each company's asset data	5

(Source: Based on the PCAF Standard)

Main data sources

- Since information from data providers alone is incomplete, in addition to various information obtained internally through credit operations and monitoring, emissions data and activity-based data (such as electricity generation) are also collected based on disclosure information from borrower companies (such as integrated reports) and surveys of public information (such as electricity survey statistics).
- If the collected data appears to be inaccurate (e.g., large year-over-year fluctuations, significant deviation from industry averages), we verify it using other data sources or engage in dialogue with data vendors or clients, making corrections or using lower-score data as needed.
- For emissions and activity-based data, we use the latest data available as of the end of March of the same year used for balance-based assessments.

Category	Example of data source
GHG emissions- related data	 ✓ Integrated reports and various sustainability-related reports ✓ (Project Finance) Monitoring Report ✓ CDP ✓ Data vendors (Bloomberg)
Activity-based data	 Integrated reports and various sustainability-related reports Public database of each country Financial reports (Securities Report, Annual Report, etc.) (Project Finance) Monitoring Report Intra-bank data Data vendors (Bloomberg, S&P Global Mobility)
Financial data	 ✓ Financial reports (Securities Report, Annual Report, etc.) ✓ Intra-bank data ✓ Data vendors (Bloomberg)

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^{*} Coverage ratio in FY2023 actual results is approximately 80–90%

Sector-specific portfolio GHG emissions calculation (2) Overall picture of the calculation approach 3. and 4. GHG calculation





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For GHG emissions per credit recipient, where emissions data is lacking, we make estimates based on activity-based or revenue data. Portfolio GHG emissions are also calculated by using either an attribution factor or a portfolio-weighted average approach.

Calculation of GHG emissions by credit client Sector Portfolio GHG calculation (Estimation methods when Score 1-2 cannot be obtained)*1 ✓ Score 3: Multiply fossil fuel production volume by GHG (CO₂, CH₄) emissions factors during production (IEA) to estimate Scopes 1 GHG Loan amount to and 2, and multiply by CO₂ emissions factors during combustion SMBC's portfolio emissions of Oil & gas (Ministry of the Environment) to estimate Scope 3. **GHG** emissions each ✓ Score 4: Estimate fossil fuel production volume by dividing fossil fuel-(absolute emissions) company each company related revenue by fossil fuel unit prices (World Bank), and estimate Scopes 1, 2, and 3 as in Score 3. ✓ Score 3: Multiply coal production volume by GHG (CO₂, CH₄) emissions ✓ Use attribution factor approach based on PCAF Standard to factors during production (CRIEPI) to estimate Scopes 1 and 2, calculate portfolio emissions (absolute emissions). and multiply by CO₂ emissions factors during combustion ✓ For the total funding, use EVIC for listed companies: for (Ministry of the Environment) to estimate Scope 3. Coal others, use Total Equity + Debt (or total project cost) per ✓ Score 4: Estimate coal production volume by dividing coal-related revenue client/project. by coal unit prices (World Bank), and estimate Scopes 1, 2, and 3 using the same method as in Score 3. ✓ Score 3: Multiply power generation by energy source by GHG (CO₂, CH₄, N₂O) emissions factors during power generation (IEA) to estimate carbon intensity (Scope 1). **Power** * If generation data is unavailable, estimate based on installed capacity by energy source and operation rate by energy source (per METI, etc.), and Loan amount to calculate Scope 1 carbon intensity during power generation using the above Carbon SMBC's portfolio intensity of **GHG** emissions each ✓ Score 3: Multiply production volumes by blast furnace and electric furnace Gross lending (carbon intensity) company Steel by CO₂ emissions factors during production (MPP) to estimate amount to each sector the carbon intensity of crude steel production (Scope 1). ✓ Score 3: Multiply powertrain-specific production volume by GHG emissions ✓ Use the weighted average approach as recommended by factors during production (IEA) and divide by regional life cycle PACTA, etc.*2 to calculate portfolio carbon intensity. mileage (IEA, etc.) to estimate Scopes 1 and 2 carbon intensity. **Automobile** Under the IEA/NZE scenario, the power sector is expected to Multiply powertrain-specific production volume by driving CO₂ reduce GHG emissions and increase power generation, emissions factors from a WTW perspective (IEA, Ministry of the mainly from renewable energy sources, toward 2050. Environment, PCAF) to estimate Scope 3 carbon intensity. ✓ Score 3: Multiply floor area by building type by CO₂ emissions factors during use (Ministry of the Environment) or by GHG emissions Real estate factors excluding NF₃ (CRREM) to estimate carbon intensity associated with building use.

^{*1} For Oil & Gas and Coal, estimations based on Score 5 (asset-based) or below, and for other sectors, estimations based on Score 4 (revenue-based) or below are not conducted. Where data is lacking, the borrower is excluded from actual results as "not calculated."

^{*2} Paris Agreement Capital Transition Assessment: Climate change transition risk assessment tool developed by the 2 Degrees Investing Initiative (2DII), a climate-related think tank.

Sector-specific portfolio GHG emissions calculation (3) Portfolio GHG emissions reduction targets



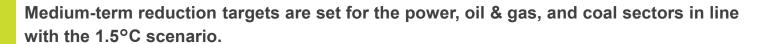


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- Set a goal of achieving net-zero GHG emissions across the entire investment and loan portfolio by 2050 and establish sectorspecific medium-term reduction targets toward the goal.
- For the power sector, the carbon intensity during generation (g-CO₂e/kWh) is indicated in the IEA NZE scenario, which we reference when setting targets.
- from each fossil fuel are indicated and we refer to these reduction rates when setting targets.

• For the energy sector, GHG emissions

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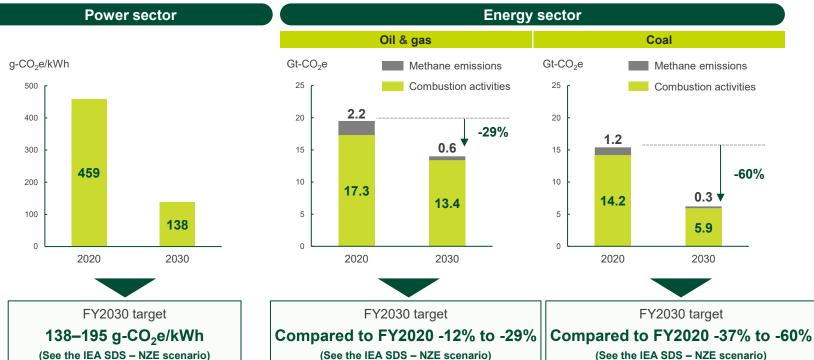
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Reference scenario (IEA/NZE scenario)



(See the IEA SDS - NZE scenario)

Sector-specific portfolio GHG emissions calculation (3) Portfolio GHG emissions reduction targets









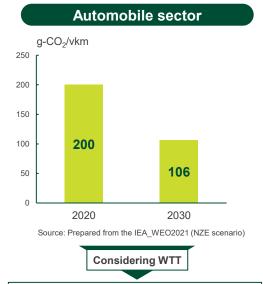


- Regarding the automobile sector, the IEA/NZE scenario shows the assumed carbon intensity (q-CO₂/km) of passenger cars, which should be referenced when setting targets (WTT emissions should be considered separately).
- In the steel sector, the Mission Possible Partnership's analysis of decarbonization scenarios for the steel sector shows crude steel production and GHG emissions by technology, which should be referred to when setting targets, taking into account the fact that blast furnace crude steel production is the dominant method in Asia.
- In the real estate sector, CRREM, an international initiative to calculate and publish GHG reduction scenarios for commercial real estate, provides a 1.5°C scenario and carbon intensity (kg-CO₂e/m²) by property type in Japan, which should be referenced when setting targets.

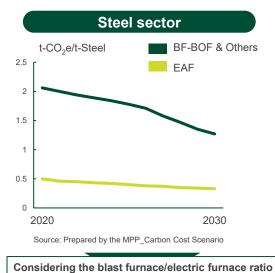
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Reference scenario (IEA/NZE scenario)



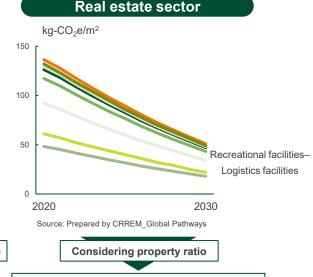
FY2030 target 120-161 g-CO₂e/vkm (See SBTi SDA Tool B2DS - IEA NZE scenario)





(See consistent with customers' goal of becoming carbon neutral by 2050 - MPP Carbon Cost scenario)

1.2-1.8 t-CO₂e/t-Steel



FY2030 target

33-43 kg-CO₂e/m²

(See the CRREM 2°C scenario - 1.5°C scenario)

Sector-specific portfolio GHG emissions calculation (4) Approval/Review











We are establishing the following governance and review framework for portfolio GHG reduction targets. In addition, we are working on establishing internal controls and discussing with an auditing firm to obtain third-party assurance.

Item

Initiative status/policy

Governance on reduction targets and transition plans

- ✓ Clarify responsibility for sustainability in both supervision and execution, and establish a system. (See "Governance" part).
- ✓ Reduction targets and transition plans are established through deliberations by the Management. Committee.
- √ The Group CSuO reports regularly to the Board of Directors and the Sustainability Committee on reduction targets, transition plans, and the status of initiatives.

Medium-term reduction target periodic review

- ✓ Based on the opinions of the Board of Directors and the Sustainability Committee, we regularly review our reduction targets and transition plans, taking into account the latest developments in climate science, including those from the IPCC.
- √ Regarding GHG emissions from underwriting operations (facilitated emissions), SMBC Nikko Securities conducted estimates for equity and bond underwriting and is currently considering setting targets based on the results.

Third-party assurance

- ✓ Third-party assurance has been obtained for operational GHG emissions.
- ✓ Preparations are underway to obtain third-party assurance for portfolio GHG emissions, including the establishment of internal controls and discussions with an auditing firm.

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Methodology for calculating facilitated emissions



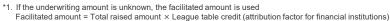




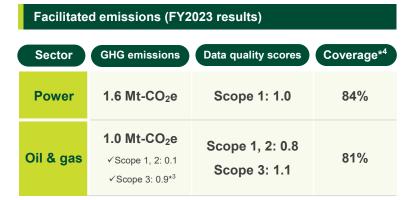


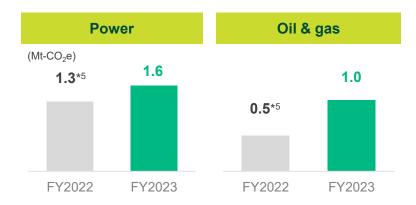
We calculate GHG emissions for the power and oil & gas sectors, regarding the core securities operations of bond and equity underwriting, based on the PCAF guidelines.

Summary of facilitated emissions calculation Oil & gas sector Category Power sector Approaches to calculating GHG emissions related to underwriting Underwriting of bonds and equities at SMBC Nikko Target activities Securities and major local subsidiaries, etc. Issuer companies that fall Issuer companies that fall Calculation target within the power sector within the oil and gas sector Sector (GICS) and have power (GICS) and have upstream production operations generation operations Scope 1 and 2 and Scope 3 Scope Scope 1 (Category 11) **KPI** Absolute emissions (Mt-CO₂e) Offset Not taken into consideration at this moment Collect data Company disclosures/data provider Formula for calculating facilitated emissions Weighting X emissions of Facilitated emissions (absolute emissions) = Σ EVIC or factor 33% the issuer: total equity + Debt*2 Mt-CO2e



^{*2.} Listed companies: EVIC, Non-public companies: Total equity + Debt (treated as zero with negative equity)





- *3. Scope 3, Category 11: Use of sold product
- *4. By sector, on an underwriting amount or league table credit basis
- *5. Figures revised from the previous occasion due to more precise calculations

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Coal-fired- and coal mining-related exposure









We have established portfolio GHG reduction targets for the power and coal (thermal coal) sectors, including a phase-out strategy*1 for coal-fired power generation and thermal coal mining as specific initiatives.

	Assets*2	Definition	FY2021	FY2022	FY2023	FY2024	Targets
Sector	(Coal-fired power) Loan balance for project finance*3	Total loans and undrawn amounts of commitments to coal-fired power project finance	JPY 251 billion	JPY 228 billion	JPY 225 billion	JPY 194 billion	FY2030 -50% (compared to FY2020) Zero balance in FY2040
Power	(Coal-fired power) Loan balance for equipment-linked corporate finance*3	Total loans and undrawn amounts of commitments to coal-fired power equipment-linked corporate finance	JPY 86 billion	JPY 77 billion	JPY 68 billion	JPY 57 billion	Zero balance in FY2040
Coal sector	Loan balance for thermal coal mining sector* ⁴ (OECD countries)	Total loans and undrawn amounts of commitments to corporates whose main business is general coal mining, located in OECD countries	JPY 29 billion	JPY 20 billion	JPY 8 billion	JPY 4 billion	Zero balance in FY2030
	Loan balance for thermal coal mining sector*4 (Non-OECD countries)	Businesses located in non-OECD countries (definition other than location is the same as above)	JPY 78 billion	JPY 69 billion	JPY 37 billion	JPY 24 billion	Zero balance in FY2040

- *1. A phase-out target is set for coal-fired power as well as coal mining due to particularly high stranded asset risk.
- *2. Scope of coverage/scope of data: Loan balances (on an internal control basis) at SMBC and its main local subsidiaries, etc. Amounts are rounded to the nearest unit.
- *3. Excluding projects that contribute to efforts toward transitioning to a decarbonized society.
- *4. Excluding supports provided for the activities of our clients contributing to transition from fossil fuels.

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Impacts of sales activities of our own company on nature









The TNFD recommendations call for organizations to indicate the areas in which their assets and operational bases are located, and then identify and disclose any locations that border sensitive locations (areas that are important for natural capital and biodiversity). Using the following process, we investigated the points of contact between our company's bases and sensitive locations, and confirmed the impact of our sales activities on nature.

Operational bases and information gathering

· Collected location data from a total of 544 bases.

Displayed location data on a map

(right figure)



to the tiles of the Geospatial Information Authority of Japan.

Building name	Number of offices
Domestic sales offices	472 locations
Head office building	8 locations
Welfare facilities and training centers	14 locations
Warehouses, storage centers, etc.	10 locations
Operation center	40 locations
Total	544 locations

Mapping

Identification of

sensitive locations

• Identified areas shown on the right as sensitive locations and investigated the connections with our domestic operational bases.

Natural environment conservation-related designated areas

- National park
- Quasi-national park
- Wilderness environment conservation area

 Wetland registered with the Ramsar Natural environment conservation area
- Habitat conservation area · Nationally designated wildlife sanctuary

Contact points with operational bases

- SMBC's domestic operational bases are conveniently located in urban areas and around major stations, so no "locations adjacent to sensitive locations" were found.
- In addition, in some areas of the Kansai region, we found that some of our bases were located relatively close to sensitive locations (within a two km radius). However, in light of the characteristics of the bases, we determined that the impact on natural capital and biodiversity would be limited.

Going forward

Considering natural capital and biodiversity, we will reduce water usage and waste volume at each existing base and consider initiatives to reduce the impact of the environmental load across SMBC Group.

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IFRS S2 Climate-related Disclosures index





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Core content	Standard	Report Section
0	the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities.	P.102-108,110,111
Governance	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.	P.102,109,111
	the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.	P.22
	the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain.	P.22
Strategy	the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan.	P.22-33
	the effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning.	P.76, P.80-84
	the climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities.	P.80-84
	the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks.	P.76-93
Risk Management	the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities.	-
	the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	P.71-74
	information relevant to the cross-industry metric categories.	P.86-89,110, 115-118,123-138
Metrics and Targets	industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry.	P.86,78-79
	targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets.	P.115-118,134- 135,138

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Core content	Standard	
	A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	P.102-108,110-111
Governance	B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	P.102,109,111
Governance	C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	P.47-60,99-100, 102-111
	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	P.36-38,94-98
	B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	P.36-43
Strategy	C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	-
	D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	P.42-43,139
	A(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	P.71-76
Risk Management	A(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	P.71-76,94-98
Management	B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	P.77-78
	C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	P.77-78
	A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	P.116
Metrics and Targets	B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	P.116
	C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	P.116

UNGP Reporting Framework index (1/2)











		UNGP Reporting Framework required items	Report Section	01. Message from the Group CEO
	Policy Commitment	A1.1 How has the public commitment been developed?	P.17,48	02. Editorial policy
		A1.2 Whose human rights does the public commitment address?	P.46,47	
		A1.3 How is the public commitment disseminated?	P.48,51,56,77,100, 113	03. Summary
		A2.1 How is day-to-day responsibility for human rights performance organized within the company, and why?	P.48,51,53,55,57, 102,103,109,113	04. Our approach to sustainability
		A2.2 What kinds of human rights issues are discussed by senior management and by the Board, and why?	P.51,102,103,109	
	Embedding Respect for	A2.3 How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?	P.48,55,57,113	05. Strategy
	Human Rights	A2.4 How does the company make clear in its business relationships the importance it places on respect for human rights?	P.46-49,51,56- 60,77,99,100	06. Risk management
		A2.5 What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?	P.51,100	07. Governance
	Statement of salient issues	B1 State the salient human rights issues associated with the company's activities and business relationships during the reporting period.	P.99	08. Metrics and targets
	Determination of salient issues	B2 Describe how the salient human rights issues were determined, including any input from stakeholders.	P.49,99	09. Appendix
	Choice of focal geographies	B3 If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.	-	
	Additional severe impacts	B4 Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.	-	

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	UNGP Reporting Framework required items	Report Section
Specific Policies	C1.1 How does the company make clear the relevance and significance of such policies to those who need to implement them?	P.51,54- 59,77,78,100,113
	C2.1 How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?	P.51,57-60,99
Stakeholder Engagement	C2.2 During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	P.51,55-60.100
	C2.3 During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	P.48,51,59,60,100
Assessing	C3.1 During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?	P.51,52,57,58,100
Impacts	C3.2 During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?	P.51,52,57,58,100
	C4.1 How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	P.51,53,57,58,77, 100,102,103,109
Integrating Findings and Taking Action	C4.2 When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?	P.49,51,77,78,100, 103,109
	C4.3 During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	P.50- 60,77,99,100,113
Tracking Performance	C5.1 What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?	P.100
	C6.1 Through what means can the company receive complaints or concerns related to each salient issue?	P.57,58
	C6.2 How does the company know if people feel able and empowered to raise complaints or concerns?	P.57,58
Remediation	C6.3 How does the company process complaints and assess the effectiveness of outcomes?	P.57,58
	C6.4 During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?	P.57,58
	C6.5 During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?	P.57,58

Abbreviations for organizations and job titles









Organization abbreviation

Abbreviation	Official title
SMFG	Sumitomo Mitsui Financial Group (holding company)
SMBC*	Sumitomo Mitsui Banking Corporation
SMBC Trust*	SMBC Trust Bank
SMFL*	Sumitomo Mitsui Finance and Leasing Company
SMBC Nikko*	SMBC Nikko Securities
SMCC*	Sumitomo Mitsui Card Company
SMBCCF*	SMBC Consumer Finance Company
JRI*	Japan Research Institute
Sumitomo Mitsui DS/ SMDAM*	Sumitomo Mitsui DS Asset Management
SMICC	SMFG India Credit Company Limited

Job title abbreviation

Abbreviation	Official title
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSO	Chief Strategy Officer
CRO	Chief Risk Officer
ССО	Chief Compliance Officer
CHRO	Chief Human Resources Officer
CIO	Chief Information Officer
CISO	Chief Information Security Officer
CDAO	Chief Data and Analytics Officer
CDIO	Chief Digital Innovation Officer
CSuO	Chief Sustainability Officer
CAE	Chief Audit Executive

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^{*} When "eight major companies" is used in the scope of this report, it refers to the companies marked with an asterisk.

Glossary (1/2)









Term	Official title	Remarks
B2DS	Beyond 2 Degree Scenario	Less than 2° C scenario published by the IEA (>50% probability of maintaining at 1.75° C or less)
BEV	Battery Electric Vehicle	Battery-powered electric vehicles
BF-BOF	Blast Furnace-Basic Oxygen Furnace	-
CRREM	Carbon Risk Real Estate Monitor	International initiative to calculate and publish GHG reduction scenarios for commercial real estate
СХ	Customer Experience	-
EAF	Electric Arc Furnace	-
EV	Electric Vehicle	-
EVIC	Enterprise Value Including Cash	A financial metric that represents the total value of a company, including its cash reserves
GHG	Greenhouse Gas	-
GX	Green Transformation	Transforming society and economic systems toward carbon neutrality
IEA	International Energy Agency	-
ILO	International Labour Organization	-
IPCC	Intergovernmental Panel on Climate Change	-
KPI	Key Performance Indicator	-
NGFS	Network for Greening the Financial System	-
NZE	Net Zero Emissions by 2050 Scenario	The IEA's published decarbonization scenarios for achieving net zero GHG emissions by 2050

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Glossary (2/2)









Term	Official title	Remarks
OECD	Organisation for Economic Co-operation and Development	-
OEM	Original Equipment Manufacturer	In this document, this refers to automakers in the automobile industry
PCAF	Partnership for Carbon Accounting Financials	-
PHEV	Plug-in Hybrid Electric Vehicle	-
RAF	Risk Appetite Framework	-
Scope1	-	Direct greenhouse gas emissions by businesses themselves
Scope2	-	Indirect emissions from the use of electricity, heat, and steam supplied by other companies
Scope3	-	Indirect emissions other than Scope 1 and Scope 2 (emissions by other companies related to the business's activities)
SBTi	Science Based Targets Initiative	-
SDS	Sustainable Development Scenario	Published by the IEA
TCFD	Task Force on Climate-related Financial Disclosures	-
TF	Transition Finance	Financial services and products designed to support companies and industries in their transition toward more sustainable and low-carbon business models
TNFD	Taskforce on Nature-related Financial Disclosures	-
TSR	Total Shareholder Return	-
UNGC	United Nations Global Compact	-

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Natural Capital: Definition of Terms









Ecosystem services	Definition
Biomass provisioning	The function of supplying reusable organic resources derived from plants and animals, such as grass, wood, fish, wild plants, and animals.
Genetic material	Refers to the DNA of all living organisms, used to develop new varieties, synthesize genes, and create products using genetic material.
Animal-based energy	Labor provided by domesticated animals such as cattle, horses, donkeys, goats, etc.
Water supply	The function of supplying users with water of appropriate quality for various uses through rainfall, melting snow, lakes, rivers, etc.
Water purification	Restores and maintains surface and groundwater bodies, improving water quality through nutrient retention and pollutant breakdown and removal.
Water flow regulation	The function of circulating water through absorption, storage, and evapotranspiration via rivers, soil, and the atmosphere.
Rainfall pattern regulation	The regulatory function of the hydrological cycle, such as rainfall generation, through evapotranspiration on a subcontinental scale by forests and other vegetation.
Global climate regulation	Earth's climate control function through the removal and sequestration of carbon dioxide and other greenhouse gases from the atmosphere.
Local climate regulation	The regulatory function of ambient atmospheric conditions through vegetation within the region.
Air filtration	The ability to filter pollutants from the atmosphere and reduce their harmful effects through deposition, uptake, fixation, and storage of pollutants.
Soil quality regulation	The ability to regulate soil fertility and properties through processes such as weathering, nitrogen fixation, nitrification, and mineralization.
Soil and sediment retention	The ability to stabilize vegetation and prevent damage to buildings, infrastructure, and other ecosystem services by reducing soil and sediment erosion and landslides.
Storm mitigation	The ability to reduce the negative impact of wind and sand on local communities through forests and other vegetation.
Flood mitigation	The function of seaside and riparian vegetation as a physical barrier against storm surges and high water levels, protecting beaches and riverbanks and preventing flooding.
Nursery population and habitat maintenance	Functions that maintain species through habitat retention and gene pool protection.
Solid waste remediation	The ability to reduce the harmful effects of discarded organic and inorganic materials through microorganisms, algae, plants, and animals.
Pollination	The ability to maintain or increase the number and diversity of other species through pollinators.
Biological control	The ability to prevent or reduce the impact of pests and human diseases.
Dilution by atmosphere and ecosystems	The ability to dilute gases, liquids, and waste generated by human activities, e.g., with fresh water, seawater, and air.
Recreation related	Services that enable people to directly interact with and enjoy the natural environment on-site.
Visual amenity	Services that provide sensory (especially visual) benefits to human beings and contribute to a comfortable life.
Education, scientific and research	Services that enable humans to gain and use knowledge about the natural environment.
Spiritual, artistic and symbolic	Services that contribute to the construction of identity and expression in the arts through the cultural, historical, aesthetic, and religious perceptions of the natural environment by humans.

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Natural Capital: Definition of Terms









Pressure	Definition	
Emissions of GHG	Activity emits GHG. Examples include volume of carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), Sulphur hexafluoride (SF6), Hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs), etc.	
Emissions of non-GHG air pollutants	Activity emits non GHG air pollutants. Examples include volume of fine particulate matter (PM2.5) and coarse particulate matter (PM10), Volatile Organic Compounds (VOCs), mono-nitrogen oxides (NO and NO2, commonly referred to as NOx), Sulphur dioxide (SO2), Carbon monoxide (CO), etc.	
Introduction of invasive species	Activity directly introduces non-native invasive species into areas of operation.	
Other biotic resource extraction (e.g. fish, timber)	Activity extracts biotic resources including fish and timber.	
Other abiotic resource extraction	Activity extracts abiotic resources. Examples include volume of mineral extracted.	
Disturbances (e.g. noise, light)	Activity produces noise or light pollution that has potential to harm organisms.	
Generation and release of solid waste	Activity generates and releases solid waste.	
Area of land use	Activity uses land area. Example metrics include area of agriculture by type, area of forest plantation by type, area of open cast mine by type, etc.	
Area of freshwater use	Freshwater area is used for the activity. Examples of metrics include area of wetland, ponds, lakes, streams, rivers or peatland necessary to provide ecosystem services such as water purification, fish spawning, areas of infrastructure necessary to use rivers and lakes such as bridges, dams, and flood barriers, etc. Impacts include hydrological changes, freshwater geomorphology and fluvial processes.	
Area of seabed use	Seabed area is used for the activity. Examples of metrics include area of aquaculture by type, area of seabed mining by type, etc. Impacts include hydrological changes, freshwater geomorphology and fluvial processes.	
Volume of water use	Water is used for the activity. Example metrics include volume of groundwater consumed, volume of surface water consumed, etc.	
Emissions of toxic pollutants to water and soil	Activity emits toxic pollutants that can directly harm organisms and the environment.	
Emissions of nutrient pollutants to water and soil	Activity emits nutrient pollutants that can lead to eutrophication.	

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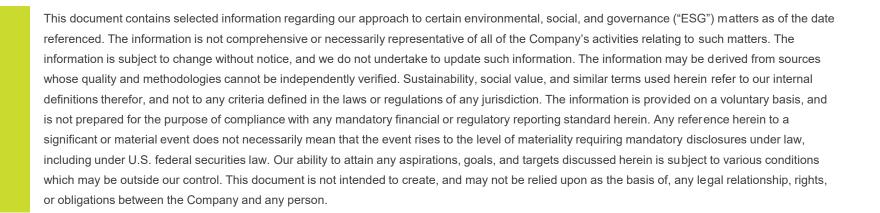
Disclaimer











Our investment decisions, including those that may involve sustainability considerations, pursuant to its independently determined policies and practices that seek to promote and be responsive to its risk management and other investment objectives. Any and all engagement by the company with other entities or organizations on sustainability or related issues is pursuant to, and consistent with, those independently determined policies and practices. Each decision will be made subject to local legal requirements.

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