

【NEWS RELEASE】

April 25, 2019

Sumitomo Mitsui Financial Group

Disclosure of Information in Response to Recommendations by the
Task Force on Climate-related Financial Disclosures (TCFD)

TOKYO, April 25, 2019 --- Sumitomo Mitsui Financial Group, Inc. (President and Group CEO: Jun Ohta; our corporate group will hereinafter be referred to as “SMBC Group”) announce the following in response to recommendations by the Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD is a task force which was established in December 2015 by the Financial Stability Board (FSB) to develop voluntary, consistent climate-related financial disclosures that would be useful in understanding material risks. SMBC Group expressed its support for the TCFD in December 2017.

Addressing climate change is a priority issue globally. In 2016, the Paris Agreement came into effect, setting long-term targets such as keeping the global average temperature rise within 2 °C of pre-industrial levels. As a result, each country has submitted its own target for reduction of greenhouse gas emissions to the United Nations and has since been implementing countermeasures. The Japanese government has also set a target of reducing greenhouse gas emissions by 80% by 2050.

In order to clarify SMBC Group’s policies on climate change measures for the promotion of management aimed at developing a sustainable society, Sumitomo Mitsui Banking Corporation (President and CEO: Makoto Takashima; hereinafter referred to as “SMBC”), one of the core companies of SMBC Group, conducted climate change related scenario analyses to quantitatively calculate the financial impact of climate change. Including the results of scenario analyses, SMBC Group’s approach to climate change was arranged as follows and in-line with each of the four basic disclosure items proposed by the TCFD: "Governance" "Strategy" "Risk Management" and "Metrics and Targets".

Details will be included in our annual report to be published in July.

Governance (Organizational Governance of Climate-Related Risks and Opportunities)

SMBC Group recognizes that the realization of a sustainable society is a priority issue and, as such, has established the Group Environmental Policy in order to carry out on-going efforts to harmonize global environmental protection and pollution control with corporate activities. In October 2018, SMBC Group established the Corporate Sustainability Committee to further enhance the CSR Committee and contribute to the realization of a sustainable society. Chaired by the Group CEO, this committee aims to promote sustainability management based on a "non-financial perspective" with strong commitment from top management.

Based on the discussions of the Corporate Sustainability Committee and decisions of the Executive Committee, the Basic Policy on Climate Change is reflected in SBMC Group's business strategy, and the details of our initiatives are reported regularly to the Board of Directors. Through this system, we will identify business opportunities under climate change and promote risk control.

Strategy (Impacts of climate-related risks and opportunities on business, strategy, and financial planning)

[Physical Risks]

Due to an increase in extreme weather caused by climate change, risks are expected to impact our customer's businesses. As such, and in light of the frequent occurrence of natural disasters caused by climate change in recent years in Japan, SMBC Group has conducted climate change scenario analyses on physical risks and assessed its impact up to 2050.

As the majority of natural disasters caused by climate change are floods and storms, the analyses identified risk events as water-related disasters. The scenarios used were the RCP (1) 2.6 scenario (2 ° C scenario) and the RCP 8.5 scenario (4 ° C scenario) based on the Intergovernmental Panel on Climate Change (IPCC) research. Focusing on SMBC's corporate business partners and paying consideration to the impact on SMBC's collateral and the impact on customers' financial situation in the event of a water disaster in Japan, the analyses takes into account the probability of flooding (2) for each climate scenario and estimated the increase in credit costs expected due to the occurrence of a water-related disaster by 2050. Credit costs expected at that time were estimated to be approximately ¥ 30 billion to ¥ 40 billion. When viewed as a per-year average value, it is an additional credit costs of approximately ¥1 billion and thus the impact of water damage caused by climate change on current SMBC's single-year finances is considered to be limited.

This preliminary calculation is provisional and is based on certain targets and assumptions regarding natural disasters. In the future we will continue to expand the scope of targets for analysis and strive to identify risk amounts in a more precise manner.

[Transition Risks]

In the process of transitioning to a low-carbon society, there is a risk that the value of the affected assets will decline (Stranded asset Risk). In the future, SMBC Group will conduct climate change scenario analyses in the same way manner for transition risks as for physical risks, and will make efforts to analyze the impact of stranded assets. In addition, by engaging in dialogue with customers who have such assets, we can share concerns about stranded assets and support their efforts to increase their resilience to climate change.

Through these activities, we will consider business strategies in the transition period to a low-carbon society, taking into consideration the current status of the international community as it progresses toward achieving the SDGs (Sustainable Development Goals).

[Opportunities]

As part of its efforts to realize a low-carbon society, SMBC Group will support projects that contribute to mitigating climate change, such as renewable energy and green buildings, development of cities and communities with strong infrastructure that are resilient to natural disasters, and sustainable lifestyles. Against the backdrop of expected growth in the market for climate change related business, in fiscal 2018 SMBC Group provided approximately 520 billion yen in financing for renewable energy and was ranked No. 1 in the league table for this sector (3).

In addition, SMBC Group issues green bonds that comply with the International Capital Market Association (ICMA) and the Ministry of the Environment's Green Bond Guidelines, thereby contributing to the promotion of environmental business and reduction of environmental impact both in Japan and overseas. We will continue to work with our customers to resolve issues stemming from climate change, including support for green bond issuance and efforts towards investment.

Risk Management (Identification, assessment and management of climate-related risks)

As a framework for risk management, SMBC Group follows the procedures of PDCA (Plan, Do, Check, Act) to identify external environmental and risk events, analyze their impact, and establish a system to undertake necessary management. We will also respond to new risks arising from climate change in accordance with this framework. We are implementing various measures through close dialogue with stakeholders, including customers.

Specifically, SMBC has adopted the Equator Principles which are guidelines developed by private financial institutions for managing environmental and social risks related to financing large-scale development projects. From this fiscal year, we will expand the scope of environmental and social risk assessments with regard to coal mining financing to identify and assess risks to both the environment and society. In addition, in June 2018, SMBC established lending policies for specific sectors, including coal-fired power plants. Starting this fiscal year, SMBC Group companies (SMBC Nikko Securities, Sumitomo Mitsui Finance and Leasing, and SMBC Trust Bank) will also introduce business policies to further strengthen their risk management systems.

Going forward, while being cognizant of the further effects of climate change and continuing to strive to understand the external environment and the risks it poses to SMBC Group, we will take appropriate actions based on our findings.

Metrics and Targets (Metrics and targets used to assess and manage climate-related risks and opportunities)

SMBC Group is working to reduce greenhouse gas emissions. As a result of efforts to reduce environmental impact through reduced power consumption, CO2 emissions in fiscal 2017 fell to 203,490 tons (Scope 1: 17,120 tons, Scope 2: 18,944 tons, Scope 3: 167,426 tons), a total reduction of 1,750 tons from fiscal 2016. We will continue our efforts to reduce emissions while implementing energy-saving measures that lead to energy conservation.

(1) Representative Concentration Pathways

For example, "RCP 2.6" represents a radiative forcing (the amount of radiation that energy entering or leaving the surface of the Earth has relative to the Earth's climate) of 2.6 w/m² at the end of the century

(2) Data based on the following paper is used.

“ Hirabayashi Y, Mahendran R, Koirala S, Konoshima L, Yamazaki D, Watanabe S, Kim H and Kanae S (2013) Global Flood Risk Under Climate Change. NatClimate Chang., 3 (9), -821 816. doi: 10.1038/nlimit 1911.

(3) Results of the 2018 Project Finance League Table in "IJ Global" magazine

Efforts In-Line with TCFD Recommendations

Items	Recommended Disclosures	Progress Status
Governance	Organizational governance of climate-related risks and opportunities	<ul style="list-style-type: none"> ➤ Enactment of the "Group Environmental Policy" ➤ Establishment of the "Corporate Sustainability Committee" chaired by the Group CEO to reflect climate change responses in management strategies
Strategy	Impact of climate-related risks and opportunities on business, strategy, and financial planning	<ul style="list-style-type: none"> ➤ Conducted scenario analysis of climate change in physical risks <ul style="list-style-type: none"> *Targeting SMBC's domestic corporate business partners, we estimated credit costs in the event of a water disaster to be approximately ¥ 30 billion to ¥ 40 billion between 2019 and 2050 based on the scenarios of RCP 2.6 (2 ° C scenario) and RCP 8.5 (4 ° C scenario). ➤ Analysis of the future impact of stranded assets is discussed. ➤ Active efforts in renewable energy finance and issuance of green bonds
Risk Management	Processes used to identify, assess, and manage climate-related risks	<ul style="list-style-type: none"> ➤ Implementation of environmental and social risk assessments based on the Equator Principles ➤ Manage finance for coal-fired power plants and coal mining <ul style="list-style-type: none"> *Introduction of business specific policies for coal-fired power plants in SMBC Group companies (efforts from this fiscal year) *SMBC expanded the scope of its environmental and social risk assessments to include loans for coal mining (efforts from this fiscal year).
Metrics and Targets	Metrics and targets used to assess and manage climate-related risks and opportunities	<ul style="list-style-type: none"> ➤ Disclosure of greenhouse gas emissions