

[NEWS RELEASE]

April 16, 2020

Sumitomo Mitsui Financial Group, Inc.

Consideration of ESG risks

Sumitomo Mitsui Financial Group (“SMBC Group”, President & Group CEO: Jun Ohta) will publish policies for each business which are likely to have a significant impact on the environment and society, and these policies will be introduced in SMBC Group companies (Sumitomo Mitsui Banking Corporation, SMBC Nikko Securities, Sumitomo Mitsui Finance and Leasing Company and SMBC Trust Bank) in line with their business.

While these policies become effective on May 1st, 2020, SMBC Group will reassess them proactively in consideration of the external environment.

Based on the Sustainability Statement, SMBC Group will engage and act together with customers and other stakeholders to contribute to the global transformation into a better society.

1. Coal-Fired Power Generation

(Background) Since the adoption of the Paris Agreement, efforts to address climate change have been accelerated, and there is a global movement toward decarbonization, including the Japanese government calling for an 80% reduction in greenhouse gas emissions by 2050.

(Policy) Support for newly planned coal-fired power plants, in principle, is not provided. Exceptions may be considered for those projects which use environmentally friendly technologies, such as ultra-supercritical* pressure and for those projects which have been provided support before the revision. SMBC Group also support the development of technologies which contribute to carbon recycling, such as carbon dioxide capture and storage / CCS.*Ultra-supercritical: Steam pressure >240 bar and steam temperature ≥ 593 . Or, CO₂ emissions < 750 g-CO₂/kWh.

2. Hydroelectric Power Generation

(Background) As the transition to a low-carbon society progresses, hydroelectric power generation will play a greater role in power supply. However, when constructing a hydroelectric power plant, it is important to consider the impact on biodiversity associated with dam construction and also on local communities caused by resettlement

(Policy) For those cases in which financing is used for hydroelectric power generation projects, SMBC Group carefully monitors whether appropriate mitigation measures against the impact on biodiversity and local communities caused by resettlement have been implemented and conducts environmental and social risk assessments when we consider lending.

3. Oil and Gas

(Background) Oil and gas will continue to be an important source of energy, and we actively consider measures that contribute to the transition to a low-carbon society. On the other hand, as the transition to a low-carbon society progresses, it is important to consider the risk of stranded assets that will cause the value of the assets owned to decline in the future, measures to reduce the environmental impact associated with development, and give proper consideration to the residents of the development area.

(Policy) The scope of environmental and social risk assessments that take into account Equator Principles is be expanded for the following business and sectors when we consider lending. After identifying and evaluating environmental and social risks, appropriate measures are considered.

(1) Oil Sand

Oil sand (tar sand) has relatively high carbon intensity and large environmental impacts are associated with its development. As such, SMBC Group conducts environmental and social risk assessments, paying close attention to soil and water pollution caused by wastewater, deforestation, and efforts to protect biodiversity and indigenous communities, when we consider lending.

(2) Shale Oil and Shale Gas

During shale oil and shale gas development, the use of hydraulic fracturing methods is assumed to cause groundwater contamination and induce earthquakes. SMBC Group carefully monitors whether appropriate mitigation measures have been implemented for these issues, and then we conduct environmental and social risk assessments when we consider lending.

(3) Oil and Gas Mining Projects in the Arctic

The Arctic Circle (an area north of the 66°33' latitude) is home to rare ecosystems and indigenous people with a unique culture. For mining projects in this region, SMBC Group conducts environmental and social risk assessments, playing close attention not only to environmental considerations but also to measures to protect biodiversity and indigenous communities, when we consider lending.

(4) Oil and Gas Pipelines

Pipelines are expected to have a wide range of environmental impacts due to oil spills and deforestation, as well as social impacts on indigenous communities, not only at the time of construction but also when completed. SMBC Group carefully monitors whether appropriate mitigation measures have been implemented for these issues, and then we conduct environmental and social risk assessments when we consider lending.

4. Coal Mining

(Background) In addition to the risks of stranded assets associated with the transition to a low-carbon society, it is important to consider human rights with respect to the elimination of illegal labor and child labor in coal mines and biodiversity issues associated with mining.

(Policy) The scope of environmental and social risk assessment that take into account Equator Principles is expanded for coal mining businesses when we consider lending. Through this, environment and social risks are identified and evaluated. In addition, we don't provide support for coal mining projects that are conducted using the Mountain Top Removal (MTR) method, as this method has a large environmental impact.

5. Tobacco Manufacturing

(Background) Smoking can cause health hazards, such as lung cancer and respiratory dysfunction. In addition, with the cultivation of leaf tobacco (a raw material of cigarettes), it is important to consider human rights to eliminate illegal labor and child labor.

(Policy) With regard for support for tobacco manufacturers, Sumitomo Mitsui Banking Corporation has confirmed that particular issues including health hazards and considering of human rights to eliminate illegal labor and child labor are being addressed.

6. Nature Conservation Areas

(Policy) SMBC Group does not provide support for new projects that are perceived to have a significant negative impact on wetlands specified in the Ramsar Convention and UNESCO-designated World Natural Heritage sites.

7. Palm Oil Plantation Development

(Policy) For palm oil plantation development projects, SMBC Group confirms that the palm oil which is produced is produced with due consideration for the environment and society and has been certified by the Roundtable on Sustainable Palm Oil (RSPO) or by an equivalent certifying body. Support is only provided after confirming that forest resources and biodiversity are protected when new plantations are developed and that there are no human rights violations, such as child labor. For those customers that have not yet been certified, SMBC Group encourages and supports them to obtain certification.

8. Deforestation

(Policy) For projects which involve deforestation, SMBC Group provides support after confirming that illegal logging and incineration are not carried out and the laws and regulations of each country are observed. For large-scale projects, environmental impacts, such as the destruction of primeval forests and ecosystems, are evaluated in accordance with the Equator Principles when we consider lending.

9. Manufacturing of Cluster Bombs and Other Weapons of Destruction

(Policy) Cluster bombs are considered inhumane, therefore SMBC Group prohibits credit to those manufacturers. In addition, it is confirmed that loans are not used for manufacturing of other weapons of destruction.

End.