

【NEWS RELEASE】

July 27, 2021
Sumitomo Mitsui Financial Group, Inc.

Launch of the “SMBC Group GREEN Innovator”

Sumitomo Mitsui Financial Group, Inc. (President and Group CEO: Jun Ohta, hereinafter, the group is collectively referred to as “SMBC Group”) launched the “SMBC Group GREEN Innovator”, a label we use to collectively refer to our initiatives to develop and provide sustainability-related solutions/services and expand our know-how regarding the matter. There are two initiatives we newly developed under this activity.

1. “SMBC Group GREEN Innovator”

Following the Japanese government’s announcement of net-zero emissions goal for 2050, the target to achieve 46% reduction in Japan’s greenhouse gas emissions by 2030 was declared, and the momentum to realize sustainability including the transition to a decarbonized society have been growing.

We expect to see more diversified and sophisticated needs from our customers regarding decarbonization and other sustainability-related matters. Therefore, SMBC Group recognizes the necessity to enhance its ability to meet our customers’ needs on a group-wide basis and accumulate such know-how to contribute to realizing a sustainable society as a global financial group. Also, collaboration with corporates in other sectors is crucial, since those know-how extend to non-financial areas such as energy and other areas related to decarbonization.

Given this backdrop, SMBC Group will develop and provide sustainability-related services and accumulate such know-how under the “SMBC Group GREEN Innovator”. We will make smooth collaboration with other corporates by converging our sustainability-related know-how/information under the label and will provide advanced solutions to customers by enhancing our ability to develop such services.

< SMBC Group GREEN Innovator >



2. New Initiatives Established by SMBC Group GREEN Innovator

(1) Enhancement of Climate Change Scenario Analysis using AI Technology

Sumitomo Mitsui Banking Corporation (President and CEO: Makoto Takashima, hereinafter referred to as “SMBC”) will enhance its climate change scenario analysis on physical risks as an activity established by SMBC Group GREEN Innovator. This is also a part of our efforts to address the TCFD (“Task Force on Climate Change-Related Financial Disclosures) Recommendations, which is a framework regarding disclosure on climate change related information.

The goal of the current enhancement is to resolve the lack of scientific data, the lack of completeness in terms of subject regions, and other issues regarding climate change scenario analysis by applying AI technology developed by a US start-up, Jupiter Intelligence^{*1}, and collaborating with MS&AD InterRisk Research & Consulting, Inc, a consulting firm with top-class capabilities on risk analysis.

More specifically, we made it possible to forecast the depth of immersion from water disasters (floods) over the world by analyzing various climate related data and satellite images of landforms, etc., while the AI technology conduct machine learning. As a result, we were able to calculate the global quantitative risk amount from water disasters in areas where public institutions have not produced hazard maps and add overseas business corporations to our analysis.

We calculated the probability of flooding^{*2} for each climate change scenario in our physical risk analysis. We forecast an estimated credit cost impact of JPY 55~65 billion in total until 2050 when we combine the results of the new analysis targeting overseas business corporations with our existing analysis targeting domestic business corporations. We see the additional credit cost

to have limited impact on the annual financial results of SMBC, given that they average out to approximately JPY 2 billion a year. Details will be listed in the SMBC Group TCFD Report 2021, which is scheduled to be released this August.

*1 A US start-up that conducts climate change risk analysis by using AI technology to analyze a diverse range of data, including data from communications satellites, to predict the occurrence of natural disasters. It counts a researcher from the Nobel Award winning IPCC (Intergovernmental Panel on Climate Change) and a co-developer of the Princeton Ocean Model, the world-famous marine environment modeling system used in 70 countries, amongst its staff.

*2 Data based on the below research report was 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. Nat Clim Chang., 3(9), 816-821. doi:10.1038/nclimate1911.

< Overview of the Scenario Analysis (Physical Risks) >

	Previously	Enhanced
Risk events	Water disasters	No Change
Scenarios	RCP2.6 (2°C Scenario) RCP8.5 (4°C Scenario)	
Target of analysis	Corporate customers	
Analysis period	Up to 2050	
Risk indicators	Credit costs that are expected to increase	
Region	Japan	
Analysis results	JPY 30~40 Billion in total	

(2) Development of the SMBC Materiality Issues Identification Tool

SMBC and Japan Research Institute, Limited (President & CEO: Katsunori Tanizaki, hereinafter referred to as “JRI”) developed the SMBC Materiality Issues Identification Tool (hereinafter referred to as “the Tool”) as another activity established by SMBC Group Green Innovator.

The Tool was developed by leveraging JRI’s data analytic capabilities to meet the needs of our customers to contemplate their sustainability-related priority issues (materiality issues).

More specifically, sales staffs of SMBC will engage in discussions with customers regarding their industry, size, and other characteristics to make choices from a range of possible options in the Tool. As a result, potential materiality issues, related SDGs goals and initiatives/case studies of other companies will automatically arise. The Tool will make it possible to deepen sustainability-related discussions between customers and sales staff of SMBC.

Based on our Statement on Sustainability, SMBC Group will actively contribute to the achievement of sustainability by engaging in dialogue with customers and other stakeholders and acting together with them.