

【NEWS RELEASE】

August 31, 2021

Sumitomo Mitsui Financial Group, Inc.

Publication of "SMBC Group TCFD Report 2021"

Sumitomo Mitsui Financial Group (President and Group CEO: Jun Ohta, hereinafter, the Group is collectively referred to as "SMBC Group") will publish "SMBC Group TCFD Report 2021" (hereinafter the "Report").

In December 2017, SMBC Group announced its support for the Task Force on Climate-Related Financial Disclosures (TCFD). Since then, we have actively been promoting efforts addressing climate change. In 2019, we became the first global financial institution to calculate and disclose estimated financial impact of climate change risks; and in 2021, we formulated the Roadmap Addressing Climate Change and the Action Plan to further accelerate our efforts.

This Report outlines our latest efforts during the past year. The points are summarized below.

1. Commitment to achieve net zero emissions

SMBC Group announced the Roadmap Addressing Climate Change and the Action Plan in May 2021. Since then, we understand that the number of customers who set net zero emissions goals and show understanding to financial institutions' intention to reduce financed emission has increased. Given this backdrop, we believe it is now necessary for us to take a stronger stance and action towards the realization of a carbon neutral society.

Accordingly, we are making a new commitment to "achieve net zero emissions across our overall investment and loan portfolio by 2050 in line with the goals of the Paris Agreement."

As a result, we are committed to achieve net zero emissions across both our overall investment and loan portfolio and our groupwide operations by 2050.

2. Enhancement of governance structure

SMBC Group established the Group Chief Sustainability Officer (CSuO) position in April 2021 through deliberation of the Board of Directors and personnel selection of the Nominating Committee; and set up the Sustainability Committee as an internal committee of the Board in July 2021.

In addition, we appended that ESG initiatives are incorporated into our executives' compensation system as a performance indicator in the Report.

In the Report, as new measures regarding our climate change governance system, we described them as the strengthening of both our supervision and execution system and the sophistication of executives' compensation system.

3. Grouping of strategic measures related to climate change

After grouping risks and opportunities related to climate change, SMBC Group accelerates its efforts to ensure resilience to climate change and capture growth opportunities.

In the Report, SMBC Group's strategic efforts addressing climate change are organized and specific details of each measure are described.

4. Enhancement of climate change scenario analysis

In SMBC Group, SMBC (core company of the Group) is conducting scenario analyses on physical risks and transition risks and calculating the assumed amount of each risk. This year, regarding physical risks, the target scope of the analysis was expanded from domestic to global by utilizing AI technology; and regarding transition risks, we readjusted our analysis based on the 1.5°C scenario.

In the Report, details of the analysis process, calculation results and the adjustments made this year are described.

5. Enhancement of policies on certain sectors and businesses

SMBC Group is introducing policies on sectors and businesses that are likely to impact climate change. Each policy is regularly reviewed in consideration of the external environment. In May 2021, we announced revision in our policy on coal-fired power generation. In addition, we are now revising policies on palm oil plantation development and deforestation.

In the Report, descriptions concerning policies on coal-fired power generation, palm oil plantation development and deforestation are included.

6. Calculation of greenhouse gas (GHG) emissions of our investment and loan portfolio

SMBC Group is calculating GHG emissions associated with our investment and loan portfolio on industries with high GHG emissions. Setting reduction goals and measures in each sector is important towards the achievement of net zero emissions by 2050. SMBC has first begun calculating GHG emissions of its electricity and oil/gas portfolio.

As the first step, the results of calculating carbon intensity¹ of SMBC's electricity portfolio, covering corporate finance and project finance, and its calculation process is described in the Report.

This is the first time among Japanese Banks to disclose the process and results of calculating GHG emissions including corporate finance by sectors.

SMBC Group will actively contribute to the achievement of sustainability and strengthen its disclosure by engaging in dialogue with customers and other stakeholders and acting together with them.

¹ Calculated by weighting carbon intensity (GHG emissions per power generation amount) of customers by SMBC's portfolio holding ratio

The Japanese version of the Report is now published. The English version will be released in September.

(URL) https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/pdf/tcfreport_e_2021.pdf

<Major updates in SMBC Group TCFD Report 2021>

Major updates compared to SMBC Group TCFD Report 2020	
Approach to climate change	<ul style="list-style-type: none"> ● <u>Commitment to net zero</u> Commitment to becoming net zero in our groupwide operations by 2030 and across our overall investment and loan portfolio by 2050.
Governance	<ul style="list-style-type: none"> ● <u>Establishment of Sustainability Committee</u> Sustainability Committee chaired by an outside director was newly established as an internal committee of the Board of Directors. ● <u>Additional description regarding the executives compensation system</u> Description about ESG initiatives incorporated into our executives compensation system as a performance indicator is added. ● <u>Establishment of Group CSuO (Chief Sustainability Officer)</u> We newly established the Group CSuO position to oversee and promote overall sustainability initiatives, including climate change issues. ● <u>Disclosure of status of governance regarding climate change</u> Status of governance and attendance of committee members in major committees including the Board is described.
Strategy	<ul style="list-style-type: none"> ● <u>Revisions in our awareness of risks</u> Target scope of scenario analysis for physical risks is expanded to global; As for transition risks, analysis based on 1.5°C scenario is added. ● <u>Revisions in our awareness of opportunities</u> Opportunities expected from the perspective of leasing, asset management, and consulting are organized and added. ● <u>Grouping of strategic measures based on our awareness of risk and opportunity</u> We organized SMBC Group's efforts on securing the resilience to climate change and capturing growth opportunities.
Risk management	<ul style="list-style-type: none"> ● <u>Scenario analysis (physical risks): Expansion of target scope</u> We analyzed the global impact of water disasters on credit costs using AI technology. ● <u>Scenario analysis (transition risks): Readjustment of the method</u> Scenario analysis was readjusted based on the 1.5°C scenario; then, the impact on global credit costs was analyzed while considering carbon price. ● <u>Enhancing policies on certain sectors and businesses</u> We enhanced the policies on coal-fired power plants, palm oil plantation development, and deforestation.

<p>Indicators and goals</p>	<ul style="list-style-type: none"> ● <u>Upward revision on targets to reduce GHG emissions in our own operation and provide finance that contributes to realizing sustainability</u> We enhanced our 2030 targets to become net zero in our own operation and provide JPY 30 trillion of finance that contributes to realizing sustainability ● <u>Adding carbon-related asset ratio as an indicator</u> We have set loan ratio of the energy and utilities sectors in SMBC as an indicator. ● <u>Calculating GHG emissions of our investment and loan portfolio</u> Current results of calculating carbon intensity of SMBC's electricity portfolio are disclosed.
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