

[NEWS RELEASE]

May 13, 2022

Sumitomo Mitsui Financial Group, Inc.

Strengthening Efforts against Climate Change

Sumitomo Mitsui Financial Group, Inc. (President and Group CEO: Jun Ohta; hereinafter the Group is collectively referred to as “SMBC Group”) hereby announces the progress in advancement of its climate change response as the “Strengthening Efforts against Climate Change”.

(URL) “Strengthening Efforts against Climate Change”

https://www.smfg.co.jp/news_e/pdf/e20220513_04.pdf

SMBC Group will make every effort in addressing environmental and social issues the world is facing, including actions to climate change, conservation of biodiversity, and the protection of human rights. Moreover, SMBC Group will further expand its support to customer’s efforts and innovative technologies, and by doing so, contribute to the realization of sustainability.

(Appendix) Points of “Strengthening Efforts against Climate Change”

1. Expansion of phase-out strategy for coal-fired power generations

SMBC Group has set a target of reducing the balance of loans in project finance for coal-fired power generations to zero by FY2040.

In addition, we will set a new target of reducing the loan balance of corporate finance tied to facilities to zero by FY2040.

2. Efforts to achieve net zero greenhouse gas emissions in loan and investment portfolios

SMBC Group joined the Net-Zero Banking Alliance (NZBA) in October 2021 and is committed to achieving net zero greenhouse gas (GHG) emissions across its loan and investment portfolios by 2050. As part of its efforts to achieve net zero emissions, Sumitomo Mitsui Banking Corporation (President and CEO: Makoto Takashima; hereinafter “SMBC”) has begun calculating emissions in the power and energy sectors and is working to set reduction targets.

In addition to setting a mid-term reduction target for GHG emissions in our loan and investment portfolios (Financed Emissions) in the power sector, SMBC will also disclose the current financed emissions for the energy sector.

(i) Establishment of mid-term financed emissions reduction target in the power sector

We will set a target to reduce emissions intensity from the current 332gCO₂e/kWh to 138-195g CO₂e/kWh by 2030.

(ii) Current financed emissions in the energy sector

The absolute emissions is calculated for the oil & gas and coal mining sectors. The current emissions amount is 87.6Mt CO₂e. The mid-term reduction target will be set in the “SMBC Group TCFD Report 2022” (to be released in August 2022).

3. Organizational changes

We have established the “Sustainability Division” and the “Environmental and Social Risk Management Department” to enhance our approach to sustainability. We will reinforce our management structure by consolidating our sustainability-related functions and expertise across the Group, strengthening and increasing our capacity to address environmental and social issues and improving risk management systems which are the backbone of our business promotion.

4. Adoption of “ESG evaluation” as a quantitative evaluation indicator to determine executive compensation

Since FY2020, SMBC Group has incorporated “ESG initiatives” as a qualitative evaluation indicator to determine medium-term performance-linked compensation to reflect the degree of achievement of long-term targets related to sustainability including climate change response.

In addition, we will expand the scope of application of ESG evaluation to annual performance-linked compensation starting from FY2022. Specifically, the Compensation Committee where majority members are outside directors will determine the evaluation of ESG initiatives for the fiscal year in question in accordance with the achievement of internal KPIs specified in “SMBC Group GREEN×GLOBE 2030” during the fiscal year and reflect the evaluation on annual performance-linked compensation within the range up to ±10%.

5. Revisions of Rules and Policies

Expected roles for financial institutions regarding actions to climate change, conservation of biodiversity, protection of human rights and the solution of environmental and social issues are ever-expanding. Against this backdrop, we formulated the “SMBC Group Environmental and Social Framework” to organize our basic stance and approach to these issues and to improve our accountability to stakeholders.

6. Reduction of GHG emissions (Scope 1, 2) of our own operations

SMBC Group is committed to achieving net zero GHG emissions in its own operation by 2030.

As part of our efforts to achieve net zero emissions for Scope 1 and 2, we switched all the power used at our four head office buildings (Head Office, East Tower, Osaka Head Office, Kobe Head Office) to renewable energy. In addition, we have installed megawatt class solar generation equipment in the idle spaces owned by SMBC Group for the first time as a Japanese major bank and plan to commence operations during the current fiscal year.

7. Enhancement of the analysis of climate change scenarios

SMBC conducts the analysis of climate change scenarios related to transition risks targeting the energy and power sectors.

We have enhanced the scenario analysis by adding the automobile and iron and steel sectors to the scope of analysis. As for the scenarios, we used the Net Zero Emissions by 2050 Scenario by the International Energy Agency (IEA) and Net Zero Emissions Scenario by the Network for Greening the Financial System (NGFS). After taking into account the anticipated impact on credit risks by sector under each scenario, we calculated the amount of expected total credit cost by 2050. As a result of the calculation, credit cost is expected to increase by 2.5 to 28 billion yen in total for the four sectors each year.

8. Initiatives to strengthen sustainable businesses

The amount of sustainable finance extended by SMBC Group during FY2021 amounted to 5.4 trillion yen, increasing 78% (excluding the effect of the exchange rates) from the level in FY2020.

We have also launched the “Sustainability Investment Fund” of 20 billion yen with the aim of developing new solutions related to sustainability. As the first project of this fund, we will participate in “Carbonplace,” a payment platform for carbon credit trading.

9. Initiatives to achieve net zero emissions through responsible investment

Sumitomo Mitsui DS Asset Management Company, Limited (President and CEO: Takashi Saruta; hereinafter “SMDAM”) jointed the Net Zero Asset Managers Initiative (NZAMI), an initiative by global asset management companies with the goal of achieving net zero GHG emissions across the entire investment portfolio by 2050. As a responsible institutional investor, SMDAM will support efforts by its investee companies to realize a decarbonized society.