

# Strengthening Efforts against Climate Change

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May 13, 2022



SUMITOMO MITSUI  
FINANCIAL GROUP



## MESSAGE FROM THE GROUP CEO

# Our Determination against Climate Change

Sumitomo Mitsui Financial Group  
Director, President and Group CEO

**Jun Ohta**

Transitioning to a decarbonized society and leaving a green planet for future generations are our obligation as human beings and pressing issues for companies. Under this recognition, we are committed to achieving net zero emissions in our overall loan and investment portfolio by 2050 and are enhancing our measures against climate change as the entire group.

On the other hand, forging a decarbonization pathway towards carbon neutrality requires consistent engagement with customers. Simply withdrawing existing loans that constitute the economy's lifeblood will not solve climate issues essentially. Instead, it would disrupt stable energy supplies and innovation in technologies for decarbonization. The NZBA<sup>1</sup> takes the same stance, encouraging member banks to engage with customers in order to accelerate their decarbonization efforts.

Each country's circumstances should be considered carefully as well. For example, there are geographical and meteorological challenges in Japan, our home market, to implement renewable energy abundantly. However, our customers are striving for the transition and innovation towards a decarbonized society at the same time. There is no single path forward, but as a financial institution, we are responsible for supporting our customers in their genuine and realistic efforts towards a decarbonized society by 2050.

<sup>\*1</sup> Net-Zero Banking Alliance. International banking initiative that aims to reach carbon neutrality by 2050. SMBC Group joined the alliance in October 2021.

The global response to climate change represents a paradigm shift - and also an opportunity for financial institutions. For example, the IPCC<sup>1</sup> estimates that halving greenhouse gas emissions around the world by 2030 will require USD 30 trillion of new investments. SMBC Group is eager to provide not only financial solutions, such as sustainable finance, bonds, leases and advising, but also non-financial solutions by mobilizing our own expertise and collaborating with external partners.

Given this background, SMBC Group today publishes our enhanced initiatives countering climate change. As a financial institution, we will take pride in supporting our customers advance towards decarbonization and make technological innovation. In addition, we are expanding our capability at the group and global levels, capturing climate-related business needs, and increasing our enterprise value unceasingly.

We also believe that the creation of social value as well as economic value will become more and more important in assessing and enhancing enterprise value. SMBC Group will tackle various social issues in addition to climate change - such as respect on human rights, biodiversity, and economic growth - and contribute to realizing a sustainable society, sustainably.



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Stone monument placed along the "Earth Path" at Furano Field in Hokkaido, founded by screenwriter Soh Kuramoto "Today's earth is what we owe to children in the future."

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May 13<sup>th</sup>, 2022

Sumitomo Mitsui Financial Group  
Director, President and Group CEO

Handwritten signature of Jun Ohta.

\*1 The Intergovernmental Panel on Climate Change.

## Summary (1)

# New disclosures and targets

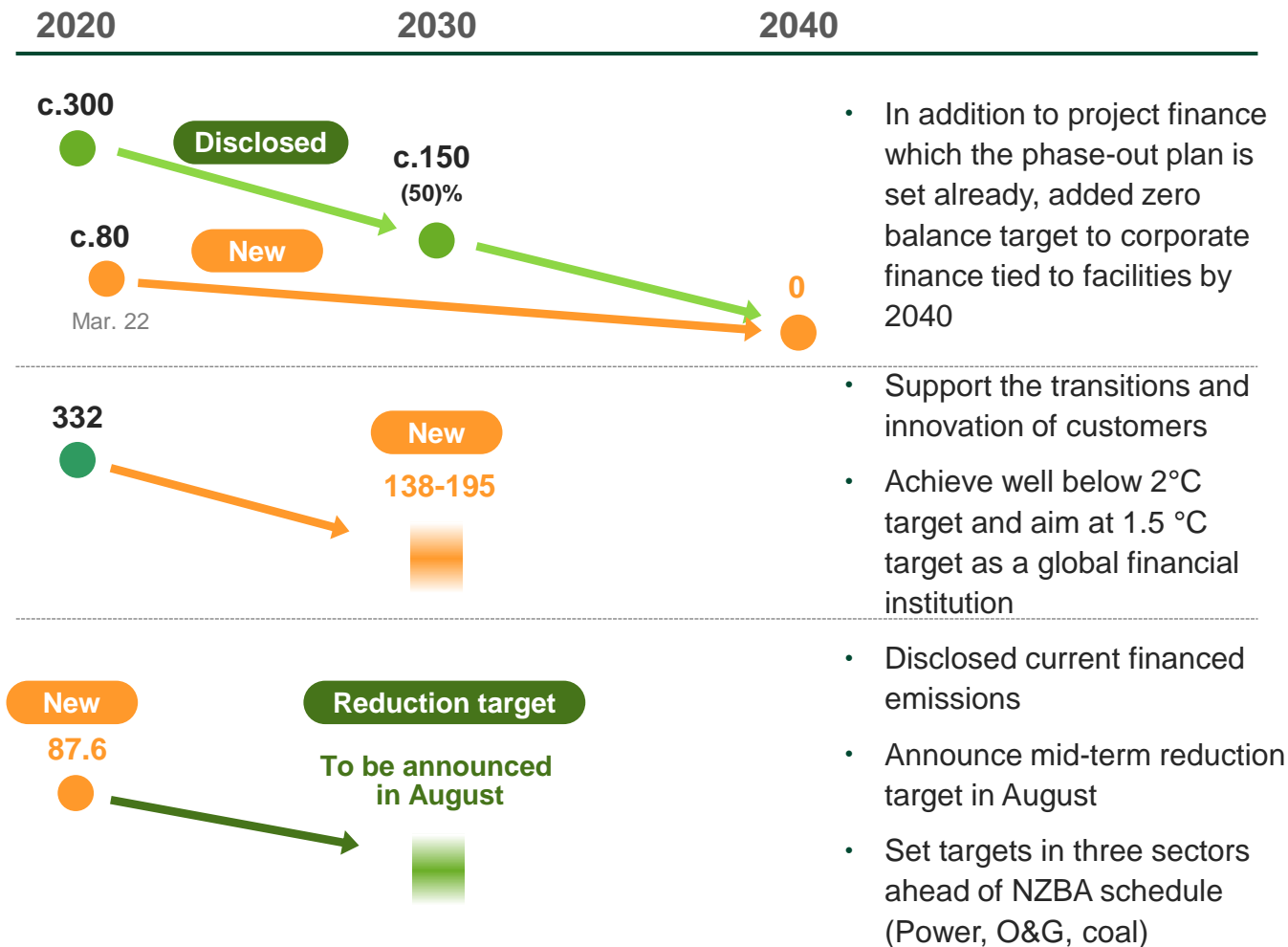
We expanded the phase-out plan for coal-fired power generations, set mid-term (2030) financed emissions reduction target for the power sector, and disclosed financed emissions for the energy sector. Mid-term financed emissions reduction target for the energy sector (O&G and coal) will be disclosed in the TCFD report in August

**Balance of loans for coal-fired power generation**  
(JPY bn)  
**See P.7**

<b>Project Finance</b>
<b>Corporate Finance</b> (tied to facilities)

**Financed emissions Power Sector**  
(gCO<sub>2</sub>e/kWh)  
**See P.8**

**Financed emissions Energy Sector (oil and gas, coal)**  
(MtCO<sub>2</sub>e)  
**See P.9**



\* Calculated financed emissions in this document are the results as of May 2022. Figures are subject to revision due to change of calculation methodology, etc.

## Summary (2)

### Other major updates (updates since April 2022)

We are accelerating groupwide efforts to achieve carbon neutrality, by enhancing resources, reducing in-house GHG emissions, advancing scenario analyses and expanding solutions

Items	Contents	#
Organizational Structure	<ul style="list-style-type: none"><li>Established the “Sustainability Division” and the “Environmental and Social Risk Management Dept” to strengthen organizational capabilities for sustainability with more human resources</li></ul>	P.13
Executive Compensation	<ul style="list-style-type: none"><li>Introduced quantitative ESG evaluation in addition to the existing qualitative evaluation to further strengthen management commitment to sustainability</li></ul>	P.13
Rules and Policies	<ul style="list-style-type: none"><li>Formulating the “SMBC Group Environmental and Social Framework”</li><li>Establishing the “Social Contribution Policy” and the “Sustainable Procurement Policy”</li></ul>	P.14
Scope 1 and 2 Reductions	<ul style="list-style-type: none"><li>Four HQ buildings fully implementing renewable energy to achieve net zero Scope 1 and 2 emissions by 2030</li><li>Launched the “SMBC Kawasaki Mega Solar Place” project - the first 1MW class solar power generation facility owned by a Japanese major bank</li></ul>	P.17
Enhanced Scenario Analyses	<ul style="list-style-type: none"><li>Conducted scenario analyses of transition risks in iron &amp; steel and automotive sectors, in addition to energy and power sector (first Japanese bank to include the iron &amp; steel sector)</li></ul>	P.18
Sustainability Investment Fund	<ul style="list-style-type: none"><li>Set a JPY 20 billion “Sustainability Investment Fund” to create new solutions, etc.</li><li>Participated in “Carbonplace”, a payment platform for carbon credit transactions, as the first sustainability investment project</li></ul>	P.21
SMDAM joined NZAMI	<ul style="list-style-type: none"><li>SMDAM joined NZAMI, a global initiative of asset managers, to achieve net zero GHG emissions from the investment portfolio by 2050</li></ul>	P.23



## **I. New Disclosures and Targets**

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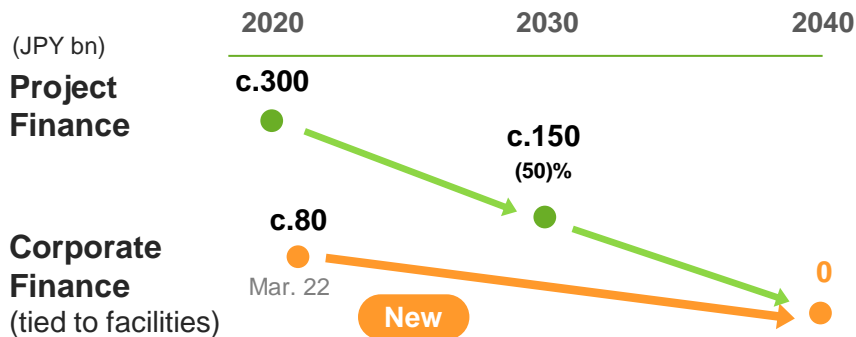
# Expand phase-out plan for coal-fired power generations

In addition to project finance for which the phase-out plan is already set, loan balance of corporate finance tied to facilities will be reduced to zero by 2040

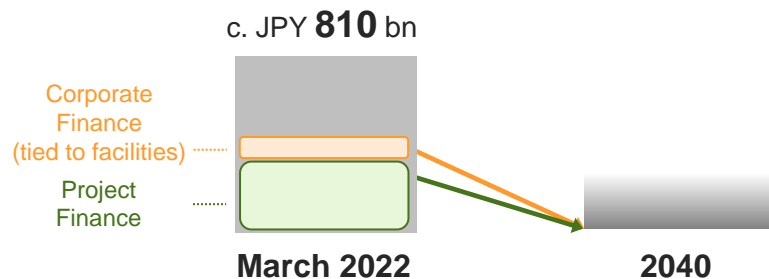
## Phase-out plan

Revised  
May 2022

- SMBC Group will not provide new project finance and corporate finance tied to facilities for new or existing coal-fired power generations under the current credit policy
- Current lending exposure is expected to be reduced to zero by 2040 due to scheduled repayments



## Reference: Lending to coal-fired power generations



## Coal-related financing policy

### Coal-fired power generations

Revised  
May 2021

**SMBC Group will not provide support for new or expansion of existing coal-fired power generations**

(Understanding of the Business/Sector)

- SMBC Group expects our customers to establish and publicly announce long-term strategies aimed at realizing a carbon neutral business model and other efforts to address climate change
- SMBC Group will support the activities of our customers contributing to the transition toward and realization of a decarbonized society.

### Coal mining

Revised  
May 2022

**SMBC Group will not provide support for new or expansion of existing thermal coal mining projects**

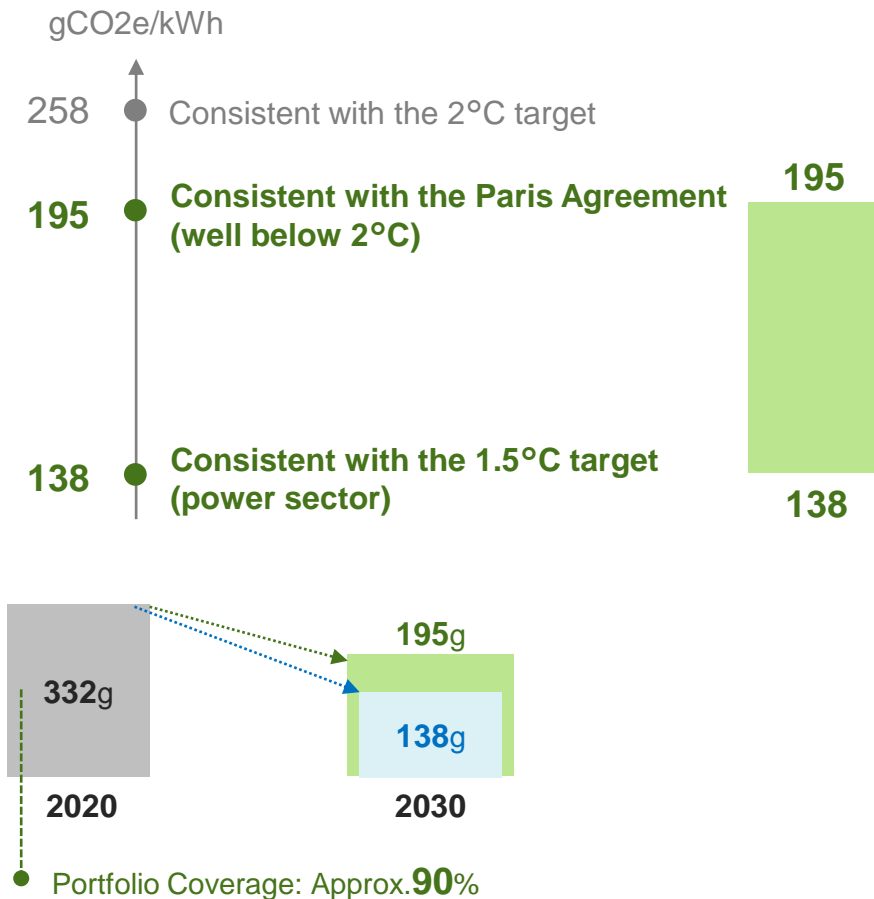
- Based on the awareness of risks our assets turning stranded during the transition to a decarbonized society, issues of human rights with respect to the elimination of illegal labor and child labor in coal mines and consideration of biodiversity associated with mining, SMBC Group revised our policy to not support newly planned and the expansion of thermal coal mining projects, as well as newly planned and the expansion of infrastructure developments that are dedicated to such projects

# Mid-term financed emissions reduction target in the power sector

We will support the transitions and innovation of customers and achieve the well below 2°C target, and aim for the 1.5°C target as a global financial institution

## Mid-term FE reduction target (2030)

New



## Concept of the target

### Emissions Intensity

- Total demand is expected to increase in the power sector due to continued economic growth in developing countries and the increasing electrification of industries, such as the shift from ICEV to Electronic Vehicles
- Based on these characteristics, an **emissions intensity target** is suitable as the metric for tracking efficiency during the transition process

### 195g CO<sub>2</sub>e/kWh

- Calculated based on the outlook of existing loans, loans for renewable energy and the global **transition finance market**, as well as the results of **client engagement**

- 195 gCO<sub>2</sub>e/kWh is **well below the IEA 2°C scenario**\*<sup>1</sup> for 2030
- Japan's overall GHG reduction target, energy circumstances of each country, and region-wise potential of renewable energy implementation are also considered

### 138g CO<sub>2</sub>e/kWh

- We will **aim to achieve the 1.5°C scenario**\*<sup>2</sup> as a global financial institution

\*1: IEA SDS scenario

\*2: IEA NZE2050 scenario



# Commitment to set mid-term financed emissions reduction target in the energy sector

Here we disclose current financed emissions in the energy sector (O&G, coal) (87.6 MtCO<sub>2e</sub>, absolute)  
 After customer engagement, we will announce mid-term financed emissions reduction target in the TCFD report in August.

## Current financed emissions (Mar. 21) New

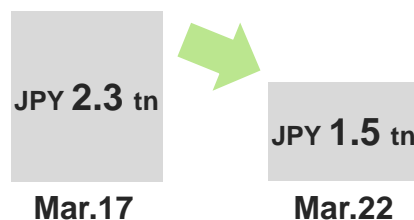
<b>Energy sector</b> (MtCO <sub>2e</sub> )	<b>87.6</b>	<b>Oil &amp; Gas</b>	<b>70.9</b>
		<b>Coal</b>	<b>16.8</b>

Portfolio Coverage: Approx. **70%**  
 Improve coverage by August

## Breakdown of lending (Mar.21)

	Corporate Finance	Project Finance	Total
Japanese	15%	8%	23%
Non-Japanese	65%	12%	77%
<b>Total</b>	<b>80%</b>	<b>20%</b>	<b>100%</b>

## Lending balance to upstream oil & gas projects

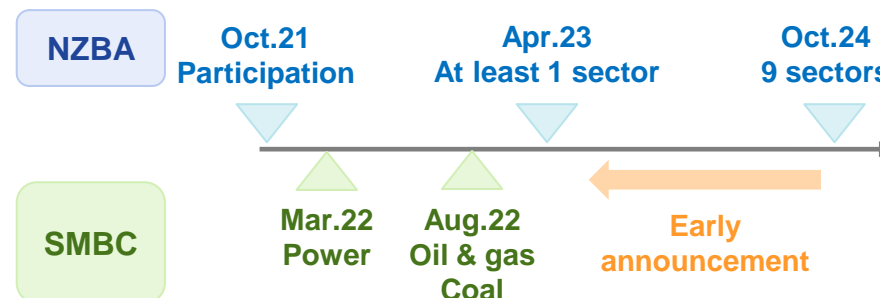


- Upstream projects in the O&G sector have been controlled to reduce the risk of resource price fluctuations.

## Disclosure of financed emissions New

### Comparison with NZBA schedule


- Financed emissions reduction targets to be announced in power, O&G, and coal sectors ahead of the NZBA schedule
- Aim to set targets for other sectors as soon as possible



### Illustration of reduction target



- As in the power sector, the target for energy sector (O&G and coal) will be set in a range, aiming to achieve the 1.5°C target



## **II. Sophistication of Sustainability Management System**

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# Sophistication of sustainability management system

Regarding climate change issues as one of our significant management issue, we are continuously improving our sustainability management system under the leadership of the Group CEO.

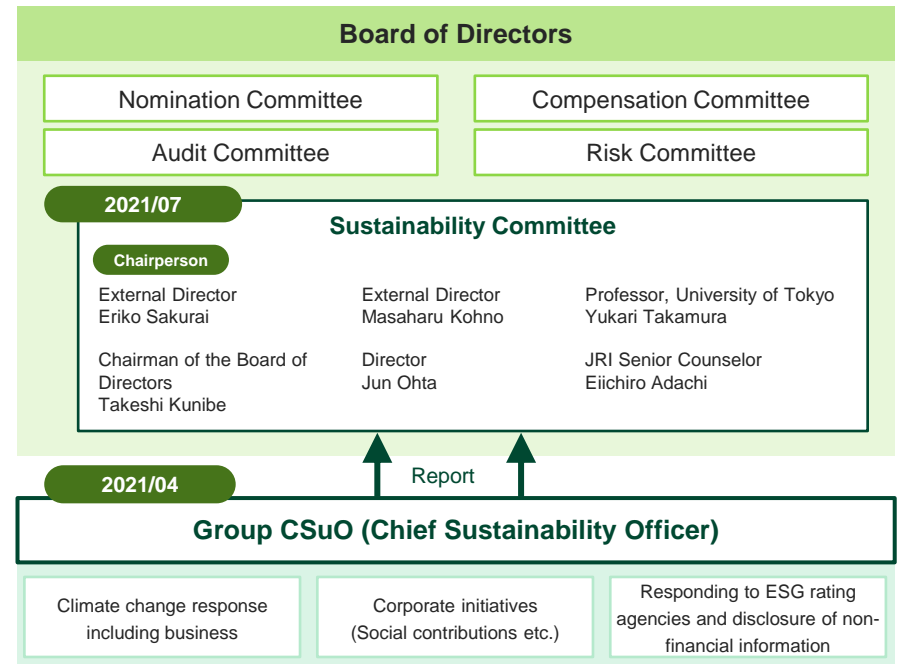
## Advancement of management system

October 2018	<p><b>Established “Corporate Sustainability Committee”</b></p> <ul style="list-style-type: none"> <li>Chairman - Group CEO</li> <li>Members - Head of each Group Company</li> </ul>
April 2020	<p><b>Revised management philosophy and established “Statement on Sustainability”</b></p> <p><b>SMBC Group GREEN x GLOBE 2030</b></p> <p>“Create the future of the earth and humanity with our customers”</p>
April 2021	<p><b>Appointed Group CSuO</b></p>
July 2021	<p><b>Established “Sustainability Committee”</b></p> <ul style="list-style-type: none"> <li>Established “Sustainability Division” and “Environmental and Social Risk Management Department”</li> </ul>
April 2022	<ul style="list-style-type: none"> <li>Introduced quantitative ESG evaluation to executive compensation</li> <li>Formulated “SMBC Group Environmental and Social Framework”</li> </ul>

Details  
P13, 14

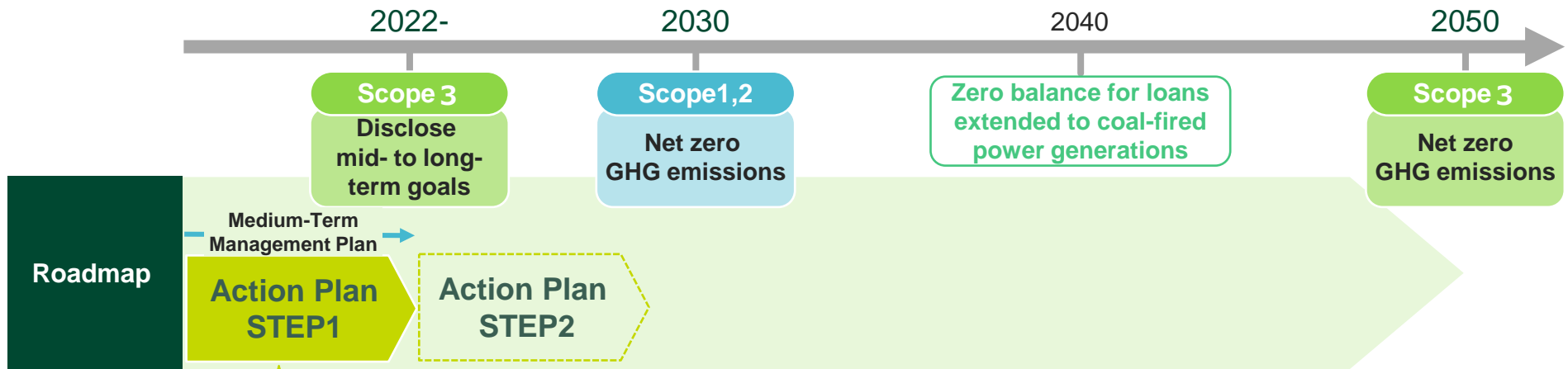
## Group CSuO/Sustainability Committee

- In addition to the Group CSuO position, the Sustainability Committee was established last year ahead of competitors, to enhance sustainability management from both execution and supervision perspectives
- The Sustainability Committee was held twice in FY2021

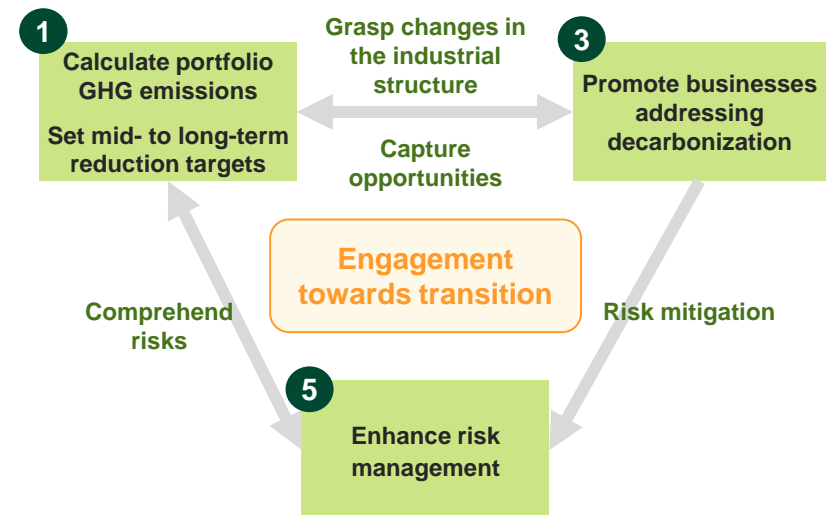


# Roadmap Addressing Climate Change

We have established a long-term action plan “Roadmap Addressing Climate Change” in order to realize a carbon neutral society by 2050. Setting short- to medium-term measures as “Action Plans”, we are addressing climate change issues as the entire group



	Main measures	Specific efforts
1	Measure portfolio GHG emissions and set reduction targets	Achieve net zero emissions (Scope3) by 2050
2	Reduce GHG emissions of the entire SMBC Group	Achieve net zero emissions (Scope1,2) by 2030
3	Enhance businesses addressing climate change and decarbonization	Execute JPY 30 tn of sustainable finance by 2030
4	Enhance governance/business management framework	Appoint Group CSuO and establish the Sustainability Committee
5	Enhance risk management framework	Expand scope of scenario analysis and revise policies for businesses and sectors



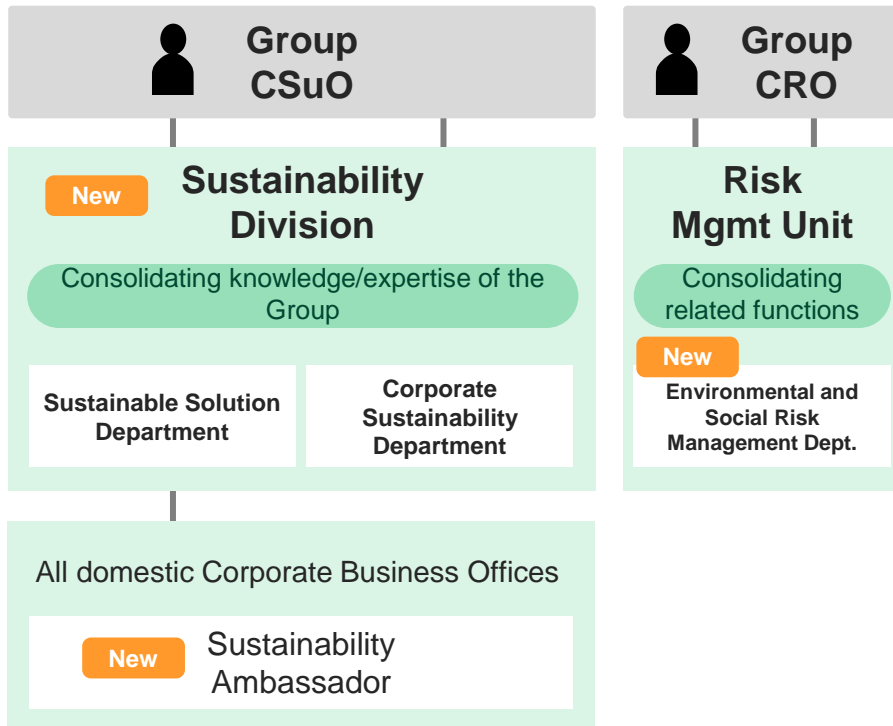
# Efforts this year (1)

This year, we implemented a large-scale organizational reform, increasing the number of employees and revising the executive compensation system

## Organizational reforms

Revised  
April 2022

- Established the “Sustainability Division” and the “Environmental and Social Risk Management Department” to strengthen organizational capabilities for sustainability adding more human resources



## Quantitative ESG evaluation for compensation

- Introduced quantitative ESG evaluation in addition to the existing qualitative evaluation to further strengthen management commitment to sustainability

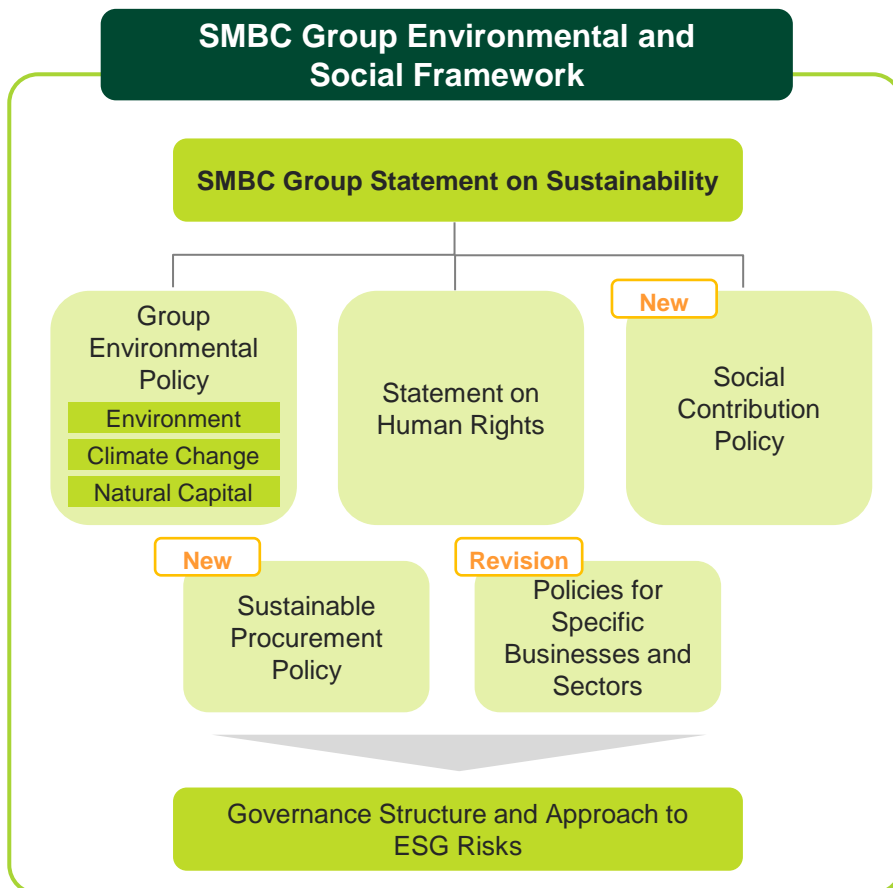
Base salary	Fixed compensation
<b>Bonus</b> ●Cash ●Stock <b>Compensation Plan II</b>	<b>Annual performance-linked (0-150%)</b> Standard level × <b>Annual performance</b> (New ESG evaluation) Individual's performance, etc.
	<b>Quantitative</b> Achievement of in-house targets ●Sustainable finance ●Reduction of Scope1/2 GHG emissions ±10% <b>Qualitative</b> Evaluation of major ESG rating agencies
<b>Stock Compensation Plan I</b>	<b>Mid-term performance-linked(0-150%)</b> Standard level × <b>Mid-term performance, etc.</b> Financial performance Share performance Qualitative evaluation Including “ESG initiatives”
<b>Stock Compensation Plan III</b>	Promotion reward plan

## Efforts this year (2)

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

### SMBC Group Environmental and Social Framework

New



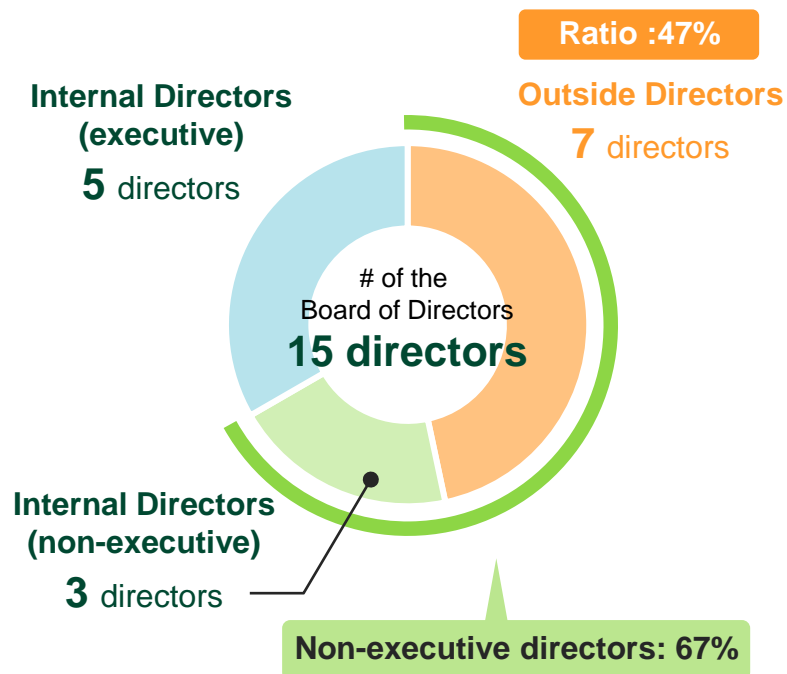
### Social Contribution Policy

- Established to strengthen value creation of SMBC Group by creating social impact through social contribution
- To clarify SMBC Group’s approach to social contribution activities from the following four perspectives: 1. Role in the society, 2. Social contribution as SMBC Group, 3. Approach to our employees, 4. Approach to public disclosure

### Sustainable Procurement Policy

- Established to strengthen responsible procurement and contribute to realizing a sustainable society with our suppliers
- To clarify our expectations towards suppliers regarding the environment, respect for human rights, compliance with laws, information management, and fair business practices, etc

# (Reference) Structure of the Board



**2 women**



**1 foreign national**

	Knowledge and experience we expect in particular						
	Management	Finance	Global	Legal/risk management	Accounting	IT/DX	Sustainability
T.Kunibe							
J.Ohta							
M.Takashima							
T.Nakashima							
T.Kudo							
A.Inoue							
T.Isshiki							
Y.Kawasaki							
M.Matsumoto							
A.M.Mitchell							
S.Yamazaki							
M.Kohno							
Y.Tsutsui							
K.Shinbo							
E.Sakurai							



## **III. Continued Efforts to Realize Carbon Neutrality**

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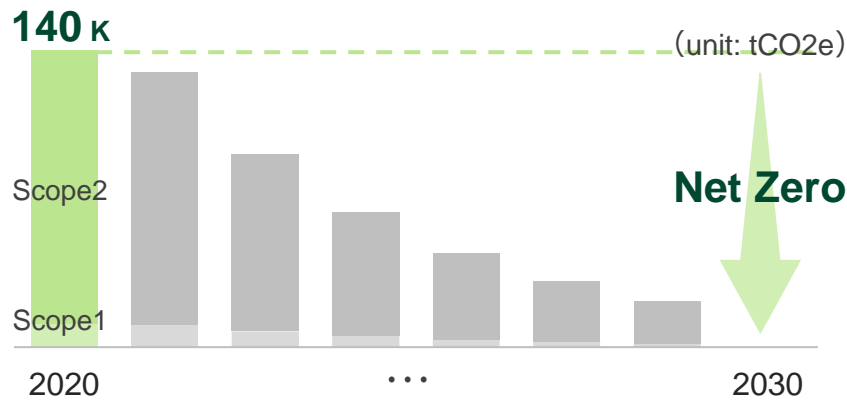


# Net zero in-house emissions

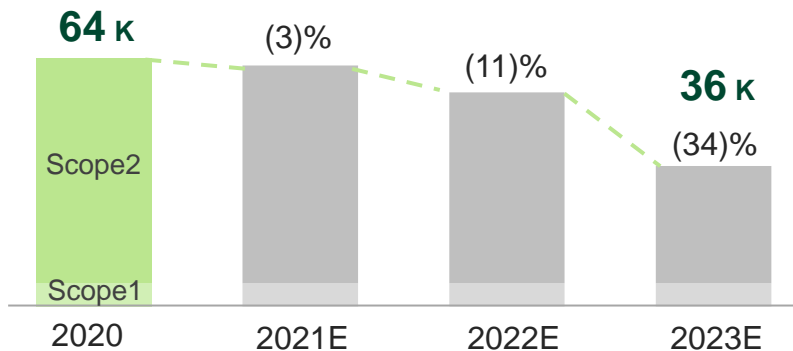
We are accelerating initiatives to achieve net zero emissions in Scope1 and 2 by 2030, including the implementation of renewable energy at offices and setting mega solar power generation facilities

## Scope1/2 reduction target KPI (2030) Revised May 2021

### SMBC Group's Plan



### SMBC's plan (domestic)



## Measures for emissions reduction

### Scope2 22/4 completed

#### Renewable energy for 4 HQ buildings

- Renewable energy is now fully implemented in the 4 HQ buildings (Head Office, East Bldg., Osaka Head Office, Kobe Head Office)



### Scope2 Operation from FY22

#### "SMBC Kawasaki Mega Solar Place"

- First 1MW class (1,037kW) solar power generation facility in idle space owned by a Japanese major bank



**GHG emissions reduction**  
**440t annually**

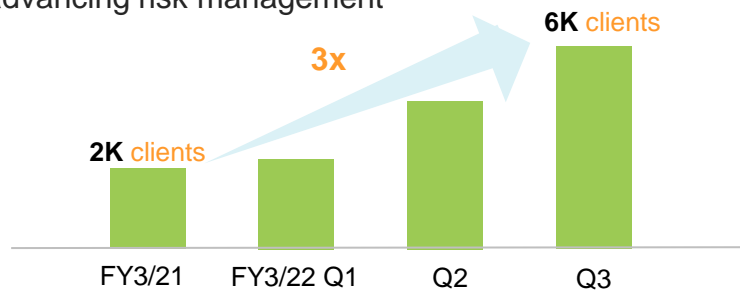


# Deepening engagement with customers

We are deepening dialogue with customers while improving the solution tools and scenario analyses, etc., for grasping business opportunities and enhancing risk management

## Number of engagements

- Number of engagements at SMBC Group have tripled in one year, in terms of capturing business opportunities and advancing risk management



## ESG risk summary sheet

- Introduced a framework to better understand the ESG risks and non-financial information of each customer for qualitative utilization in credit decisions and engagement with customers

Sectors covered	Analyzed items
<ul style="list-style-type: none"> <li>✓ Power</li> <li>✓ Coal mining</li> <li>✓ O&amp;G</li> <li>✓ Tobacco</li> <li>✓ Palm oil plantation</li> </ul>	<ul style="list-style-type: none"> <li>• GHG emissions</li> <li>• Response to ESG risks                             <ul style="list-style-type: none"> <li>➢ General risks</li> <li>➢ Sector-specific risks</li> </ul> </li> <li>• Third party evaluations</li> </ul>

## Advanced scenario analyses

New

- Added iron & steel and automotive to the sectors analyzed for transition risk
- First Japanese bank to include iron & steel sector in scenario analysis



Expected increase in credit cost (up to 2050)

JPY 2-24 bn annual → JPY 2.5-28.0 bn annual

## Examples of customer engagement

**SUMITOMO CHEMICAL/  
SUMITOMO JOINT ELECTRIC  
POWER**  
(Domestic,  
Chemicals/Power)

SMBC was mandated as sole arranger of the transition loan which became the first Climate Transition Finance model in the chemical sector conforming to METI's technology roadmap

**Company A · Company B**  
(Domestic,  
Chemicals/Pulp and Paper)

To drive energy conversion of CO2 heavy industries, we conducted demonstration studies along with several corporates

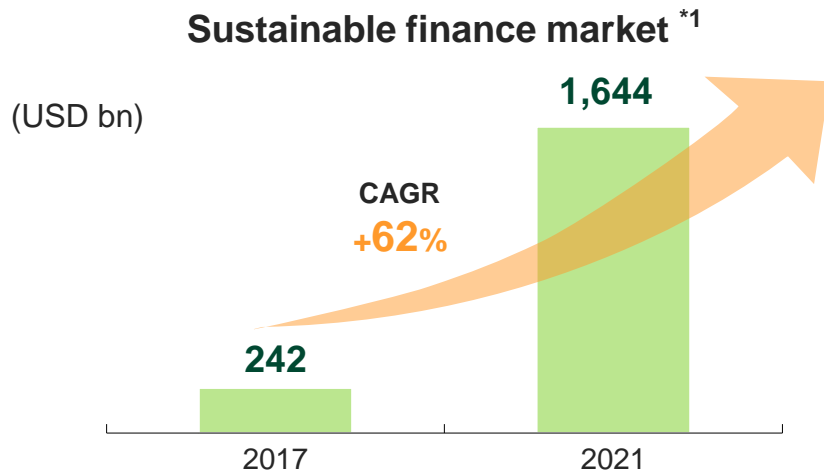
**Company C**  
(Domestic, Oil and gas)

We were appointed the advisory role for formulating the decarbonization roadmap and are providing solutions to execute the strategy

# Business opportunities from climate change (1)

Market growth has brought good progress towards the 2030 target for sustainable finance  
We aim for greater upsides by offering unique solutions

## Sustainable finance



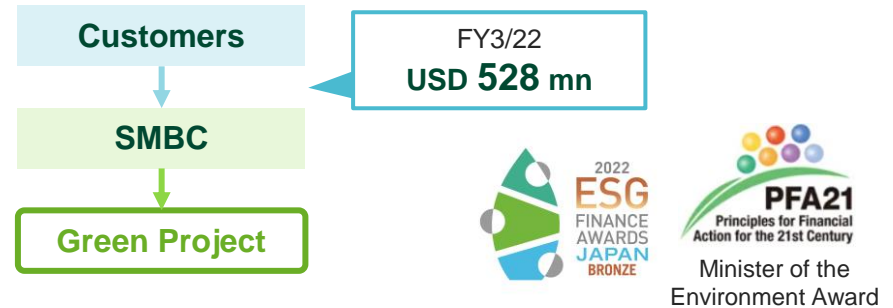
## KPI

(JPY tn)	FY3/22	Total <sup>*2</sup>	FY3/21-30 Target
Sustainable Finance	5.4	8.2	30
o/w Green finance	5.0	7.5	20

YoY<sup>\*3</sup> **+78%**

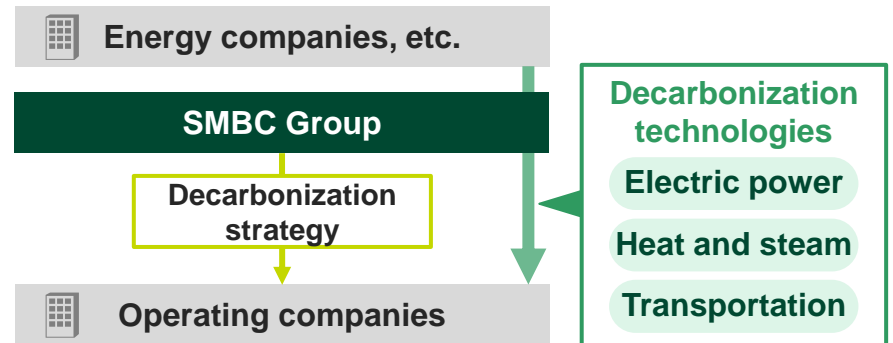
## Examples of unique solutions

### Green deposits



### Support for energy conversion

- Along with our customers, we are developing effective measures for carbon neutrality



\*1 Source: Bloomberg \*2 FX rates are based on fiscal year-end TTMs \*3 Excluding FX impact

# Business opportunities from climate change (2)

We provide various solutions to support customers efforts addressing climate change and transition

## Sustana Cloud service supporting GHG emissions calculations and reductions

Applying global standard GHG protocols

GHG emissions including supply chain  
Equipped with database necessary



- 40% of the participants in the POC were not our frequent customers
- Acquired various groupwide transactions through Sustana

SMFL  
SMFLみらいパートナーズ  
Solar power PPA

SMBC  
SMBC CLOUDSIGN  
Digitalization of the contracting process

## Transition Finance

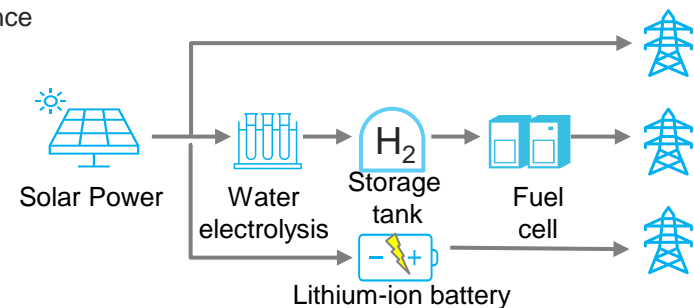
### Sumitomo Chemical Group Transition Finance

- Support for LNG power generation facility constructions
- Selected as a model case by METI
- **First model case in Japan** in the chemical sector

CO2 emissions reduction  
**890 K tons/year**

## Project finance for green hydrogen (Sep.21)

- First project finance globally for renewable energy using green hydrogen located in French Guiana
- SMBC was the only non-French commercial bank to participate in the finance



# Inventing unique solutions

We established an investment fund to develop decarbonization-related projects and are nurturing new solutions for the future

## Sustainability Investment Fund

New

Investment fund

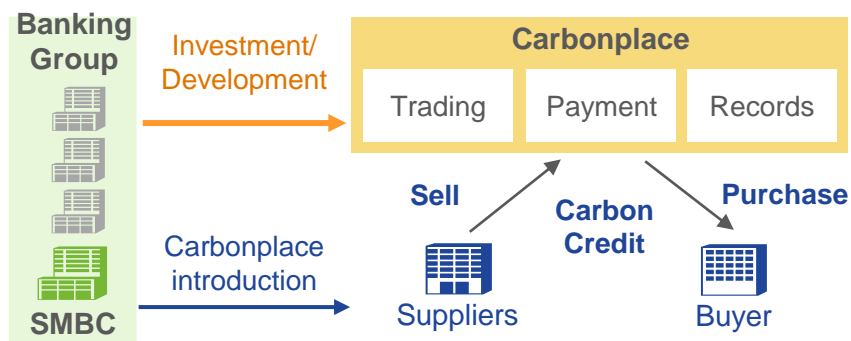
JPY 20 bn

Main areas of investments

- ✓ Areas contributing to business developments and providing solutions for our customers' decarbonization
- ✓ Areas where expertise should be accumulated for realizing a sustainable society in the mid-to-long term

## Carbon Credit Business

- Participating in “Carbonplace”, an international transaction platform for carbon credit as a founding member



## Clean Energy

- 1 Support social implementation of hydrogen and ammonia
- 2 Seize finance opportunity for clean energy area
- 3 Creating and developing new business with our customers

### Japan Hydrogen Association (Dec.20-)

- 2020: Leading role in establishing the association and became one of the management board members companies
- Mar.21: Made policy proposals to METI for the transition to a hydrogen society
- Apr.22: Established Japan Hydrogen Association (General Incorporated Association)

## Food and Agriculture

- 1 Building a sustainable agricultural management model
- 2 Creating and developing new business with customers
- 3 Supporting customers in utilizing our agricultural expertise

### “Mirai Farm Akita” (Aug.16-)

- Aug.16: Established a “corporation qualified to own cropland” in Ogata, Akita
- Entered rice and onion farming to realize sustainable agricultural management
- Engaging in various demonstration and business creation with our customers and community

# SMBC Group Solutions

We offer a wide range of financial and non-financial solutions to support our customers' efforts towards decarbonization

## Various solutions of SMBC Group

### Banking



- Project Finance
- ESG evaluation based finance



### Trust banking



- Sustainability related real estate
- Regional Revitalization



### Leasing



- Lease for energy saving facilities
- SDGs lease



### Securities



- Green Bond
- Social Bond



### Cards • CF



- Cashless
- Financial literacy education



### Consulting



- ESG/SDGs evaluation
- TCFD reporting



### Asset management



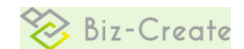
- ESG investments
- Impact investments



## Collaboration with external partners

GREEN×GLOBE Partners

Workshop etc



Business matching

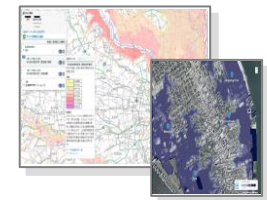


Industry/Government/  
Academia collaboration

## Creating Digital Solution



GHG emissions  
visualization tool



Scenario analysis using  
AI and satellite data

# Participation in initiatives

WE SUPPORT



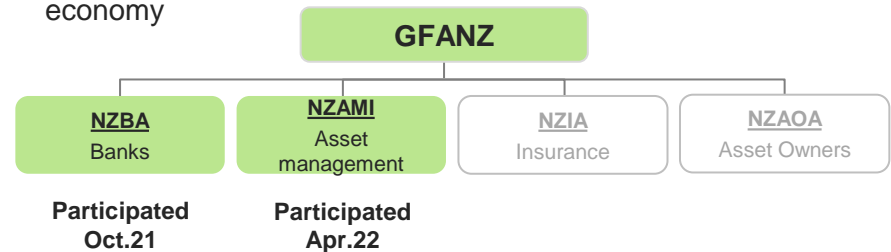
## GFANZ

- As a member of the workstream, we are involved in the discussions of cross-sectional initiatives towards carbon-neutrality, making suggestions to the industry and aiming to push each discussions to policy proposals

## SMDAM joins the NZAMI

Apr. 22

- SMDAM joined the NZAMI, a global initiative of asset management companies, to achieve net zero GHG emissions from their portfolio by 2050
- We will engage with investee companies to support transition to decarbonized society, environment conservation, and circular economy



## GX League Basic Concept

Feb. 22

- SMBC Group endorsed the “GX (Green Transformation) League Basic Concept” announced by METI
- GX League is for companies with ambitious carbon reduction goals, and it promotes the collaboration among various stakeholders to transform globally to a carbon neutral society



## **IV. Appendix**

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# Power sector: Details of interim target and guidelines

We have set interim targets follow guidelines and guidance such as NZBA, PACTA, SBTi, PCAF.

	Methodology	Guideline and guidance
Basic information	<b>Base Year</b> Fiscal year 2020 (loan amount as of March 31, 2021)	The base year for the targets shall be set to be no more than two full reporting years prior to the year when the target is set. (NZBA)
	<b>Scenario</b> IEA NZE 2050 (Selected IEA Net-Zero by 2050 emissions pathway, a scenario limits warming to below 1.5C by 2050)	The scenarios used by banks shall come from credible and well-recognized sources and banks should provide rationale for the scenario chosen. (NZBA)
Interim target	<b>Target year</b> 2030 interim targets set	Banks shall set an interim target for 2030 or sooner and may set further interim targets prior to that date.(NZBA)
	<b>Metric</b> Emissions intensity(g-CO2e/kWh) (In the transition stage to a decarbonized society, the demand for power is expected to increase. For this reason, selected emissions intensity which is used to track efficiency)	Targets shall be set based on: Absolute emissions; and/or Sector-specific emissions intensity.(NZBA)
	<b>Asset class</b> Balance sheet lending (exclude investment activities)	Over time, banks should increase the volume of investment activities covered by the targets in line with methodological developments. (NZBA)
	<b>Scope of Emissions</b> Scope1 (Scope1 accounts for the majority of GHG emissions in this sector)	If a company's relevant and mandatory scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, a scope 3 target is required. Scope1 is especially important for this sector. (SBTi)
	<b>Value Chain</b> Power generation businesses (Power generation businesses accounts for the majority of GHG emissions in this sector)	Power generation is by far the most carbon intensive segment of the sector. (PACTA)
	<b>Calculation method</b> In line with PACTA for Bank methodology	Portfolio weight approach.(TCFD*, PACTA for Bank) Provide an explanation of the methodology. (NZBA)
	<b>Asset Coverage</b> 90%	Each bank shall disclose the asset class and sector coverage of the emissions (provide rationale). (PCAF, NZBA)
	<b>PCAF score</b> Average PCAF score: 2.5	FIs should publish a weighted score by outstanding amount of the data quality of reported emissions data or should explain why they are unable to do so. (PCAF) Banks should provide an assessment of the data quality used in their calculations. (NZBA)
<b>Data source</b> Information disclosed by each customer, CDP, etc.	Provide references to external public sources of information. (NZBA)	

$$\text{Sector emissions of SMBC group} = \sum \left( \frac{\text{Credit to each corporate}}{\text{Total credit to subject sector}} \times \text{Each corporate's carbon intensity} \right)$$






\* TCFD "Guidance on Metrics, Targets, and Transition Plans", Portfolio Alignment Team "Measuring Portfolio Alignment : Technical Considerations"

# Energy sector: Details of interim target and guidelines

Similar to the power sector, we will set interim targets follow guidelines and guidance such as NZBA, PACTA, SBTi, PCAF.

		Methodology	Guideline and guidance
Basic information	Base Year	Fiscal year 2020 (loan amount as of March 31, 2021)	The base year for the targets shall be set to be no more than two full reporting years prior to the year when the target is set. (NZBA)
	Scenario	(To be disclosed in August 2022)	The scenarios used by banks shall come from credible and well-recognized sources and banks should provide rationale for the scenario chosen. (NZBA)
Interim target	Target year	(To be disclosed in August 2022)	Banks shall set an interim target for 2030 or sooner and may set further interim targets prior to that date. (NZBA)
	Metric	<b>Absolute emissions (Mt-CO2e)</b>	Targets shall be set based on: Absolute emissions; and/or Sector-specific emissions intensity. (NZBA)
	Asset class	<b>Balance sheet lending</b> (exclude investment activities)	Over time, banks should increase the volume of investment activities covered by the targets in line with methodological developments. (NZBA)
	Scope of Emissions	<b>Scope1,2,and 3</b> (Scope3 accounts for the majority of GHG emissions in this sector, include scope 1,2,and 3)	If a company's relevant and mandatory scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, a scope 3 target is required. (SBTi)
	Value Chain	<b>Upstream businesses</b> (Upstream businesses including integrated O & G companies)	The methodology concentrates on the upstream segment as the leading indicator for the whole sector value chain. (PACTA)
	Calculation method	<b>In line with PCAF methodology</b> $\text{Sector emissions of SMBC group} = \sum \left( \frac{\text{Credit to each corporate}}{\text{Total debt + equity of each corporate}} \times \text{Each corporate's GHG emissions Mt-CO2e} \right)$	The attribution factor is calculated by the outstanding amount of loan over the total equity and debt of the company. (PCAF) Provide an explanation of the methodology. (NZBA)
	Asset Coverage	(70%. To be improved by August 2022)	Each bank shall disclose the asset class and sector coverage of the emissions (provide rationale). (PCAF, NZBA)
	PCAF score	(Average PCAF Score: 2.3)	FIs should publish a weighted score by outstanding amount of the data quality of reported emissions data or should explain why they are unable to do so. (PCAF) Banks should provide an assessment of the data quality used in their calculations. (NZBA)
	Data source	<b>Information disclosed by each customer, CDP, etc.</b>	Provide references to external public sources of information. (NZBA)

# Links

		Issuance	URL	QR code
1	Annual Report	Aug.21	<a href="https://www.smfg.co.jp/english/gr2021/">https://www.smfg.co.jp/english/gr2021/</a>	
2	TCFD report	Sep.21	<a href="https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/">https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/</a>	
3	Sustainability Report	Mar.22	<a href="https://www.smfg.co.jp/english/sustainability/report/backnumber/">https://www.smfg.co.jp/english/sustainability/report/backnumber/</a>	
4	ESG data book	Jul.21	<a href="https://www.smfg.co.jp/english/sustainability/report/databook/">https://www.smfg.co.jp/english/sustainability/report/databook/</a>	
5	SMBC Group E & S Framework	Apr.22	<a href="https://www.smfg.co.jp/english/sustainability/group_sustainability/esframework/">https://www.smfg.co.jp/english/sustainability/group_sustainability/esframework/</a>	
6	Principles for Responsible Banking Report	Mar.21	<a href="https://www.smfg.co.jp/english/sustainability/group_sustainability/structure/">https://www.smfg.co.jp/english/sustainability/group_sustainability/structure/</a>	