

Strengthening Efforts against Climate Change

May 15, 2024



SUMITOMO MITSUI
FINANCIAL GROUP

Summary (Major Updates Over the Past Year)

Contributing to Decarbonization of the Real Economy

P.5~

- Established Transition Finance Playbook (Power, Oil & Gas, Steel, Automobile)
- Expanding support for energy transition such as early retirement of coal-fired power plants, introduction of renewable energy, etc.
- Support for customers' initiatives by non-financial methods such as visualization of non-financial data and development of business

Governance

P.19~

- Established the Sustainability Division for Fulfilled Growth as a dedicated organization aimed at further promoting social value creation
- Held study sessions and roundtable discussions for the Group executives lectured by experts
- Expanded and enhanced training programs for employees

Achieving Net Zero within SMBC Group

P.12~

Policy

- Revised Policies for Specific Businesses and Sectors (Coal-Fired Power Generation, Thermal Coal Mining, Biomass Power Generation)

Portfolio Management

- Established new reduction targets for the automobile, steel, and real estate sectors, with the completion of setting mid-term targets in accordance with the NZBA guidelines
- Reduced GHG in investment and loan portfolios for sectors with established mid-term targets (Power, Oil & Gas, Coal)

Customer/Project Management

- Introduced environmental and social due diligence

Operations Emissions

- Advanced group-based initiatives to reduce our own GHG emissions towards net zero by 2030

Approach to Net Zero

Current Medium-Term Management Plan

		2021	2022	2023	2024 New	2025	2030	2040	2050
Scope1,2 (Operational GHG)		2030 Net Zero Commitment	Switch to renewable energy SMBC head office	Self-owned buildings	Data centers	Mid-term Target 40% reduction from FY21	Net Zero		
Scope3 (Portfolio GHG)		2050 Net Zero Commitment	Set mid-term target Power, Coal, Oil & Gas	Set mid-term target Steel, Automobile	Set mid-term target Real estate		Achieve mid-term targets 6 sectors		Net Zero
Coal	Loan balance for coal-fired power generation		Established phase-out strategy		Tightening policies for specific businesses and sectors		Project finance 50% reduction from FY20	Zero Balance for Project finance and Corporate finance tied to facilities	
	Loan balance for thermal coal mining sector			Established phase-out strategy	Tightening policies for specific businesses and sectors		Zero Balance OECD countries	Zero Balance non-OECD countries	
Sustainable Finance							JPY 50 tn Cumulatively		
Transition Finance (TF)				TF Playbook Power, Energy	TF Playbook Steel, Automobile				
Assessment of customers' transition plans		ESG Risk Summary Tool		Company-Specific Transition Strategy Assessment Framework Pilot	Introduction of Environmental and Social Due Diligence				

Towards Achieving Net Zero

Maximizing contributions to the decarbonization of the real economy while achieving net zero within SMBC Group

Contributing to Decarbonization of the Real Economy



Coexist
+

Achieving Net Zero within SMBC Group



- 1 Risk-taking in new energy and new technologies
- 2 Supporting Transition in the world, including Japan/Asia
- 3 Visualization of ESG related challenges within the whole supply chain
- 4 Co-creation of businesses with our customers towards decarbonization
- 5 Offering diverse and group-based solutions

Considerations

Policy

Portfolio
Management

Customer/Project
Management

Main Items

Policies for Specific
Businesses and Sectors

Phase-out Strategy

Climate-related RAF

Environment/Social Risk
Assessment

Environmental and
Social Due Diligence

Contributing to Decarbonization of the Real Economy

As a global solution provider, firmly support our customers' initiatives towards transition and technological innovation by leveraging our strengths

Customers' needs

High investment risks in R&D of new energy and technologies
Challenges in adopting currently costly decarbonization technologies

Still high dependence on fossil fuels in energy consumption in Japan and Asia

A lack of resources and know-how about understanding the GHG emissions from both the company and the entire supply chain

Finding partners to transform fuel procurement and business structures for decarbonization

One-stop and speedy response to various phases and challenges towards decarbonization

SMBC Group's strengths

1 Risk-taking in new energy and new technologies

- Establishing a market leader position in the field of new energy and new technologies as a pioneer in project finance

2 Supporting Transition in the world, including Japan/Asia

- In pursuit of decarbonization in Asia, which is essential for achieving the Paris Agreement goals, accelerating initiatives, disclosure, and dialogue to support transition finance

3 Visualization of ESG related challenges within the whole supply chain

- Utilizing Sustana/Asuene ESG as a lever to visualize non-financial data in the supply chain and using it for the dialogue with customers and providing solutions

4 Co-creation of businesses with our customers towards decarbonization

- Leveraging a global customer base and deep insights into the decarbonization field to connect companies and create businesses aimed at decarbonization

5 Offering diverse and group-based solutions

- Supporting our customers' efforts towards decarbonization with a diverse range of solutions from the entire SMBC Group

Risk-taking in New Energy and New Technologies

Establishing a market leader position in the field of new energy and new technologies as a pioneer in project finance

1980s~

2000s~

2020s~

Foundation of socio-economic development

New Energy and New Technology

Power

Natural Resources

Theme Parks

Green Data Center

Onshore/Offshore Wind

Hydrogen Reduced Iron

Infrastructure

PFI

Chemical

Solar Power

Storage Battery

Green Hydrogen



Americas

Data Center deal



Australia

Appointed as a FA for a green hydrogen project

CQ-H₂

Central Queensland Hydrogen Project

Global

Renewable Energy Projects

Global Ranking

#3

(IJ Global)

Europe

World's 1st large scale green steel project



Transition Finance

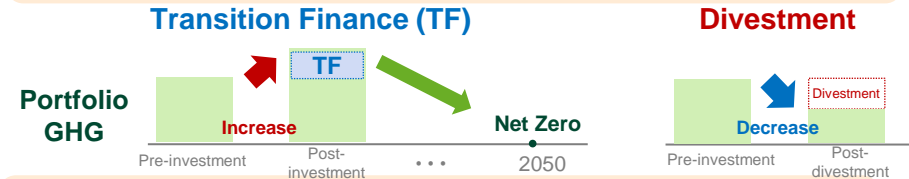
Accelerating initiatives, disclosure, and dialogue to support transition finance based on the challenges that have become apparent through actual deals

Transition Finance Playbook

<p>Summary</p>	<p>Shows SMBC Group's definition and criteria of Transition Finance and its decision-making process</p> 
<p>Goals</p>	<ol style="list-style-type: none"> Develop an objective and rational criteria Ensure accountability towards stakeholders Utilize the Playbook within customer engagement
<p>Results</p>	<ul style="list-style-type: none"> Engaged : 100 meetings Approved: 21 deals

Challenges

1 Increase in short and mid-term portfolio GHG emissions



2 Addressing companies currently having difficulties with alignment with the 1.5°C scenario

- Net zero targets of their governments are not aligned with the 1.5°C scenario
- Industrial structural transformation is necessary, etc.

3 Cost Burden



Goals for FY3/25

FY24 first half Playbook Progress Report

- Summary of FY2023's initiatives
- Challenges from operational perspective
- Recommendations towards customers, financial institutions, and governments to promote transition finance, etc.

Continue engagement to resolve issues

Customers  SMBC Engage  Govt. 

Contributing to Decarbonization in Asia

In pursuit of decarbonization in Asia, which is essential for achieving the Paris Agreement goals, strengthening financing and industry-academia-government collaboration, considering the circumstances of the region.

Examples of transition finance

Early retirement of coal-fired power plant in Australia







- Transition finance to a major Australian electricity and gas supply company in establishing new energy storage facilities, which will contribute to **the early retirement/decommissioning of coal fired power plants**



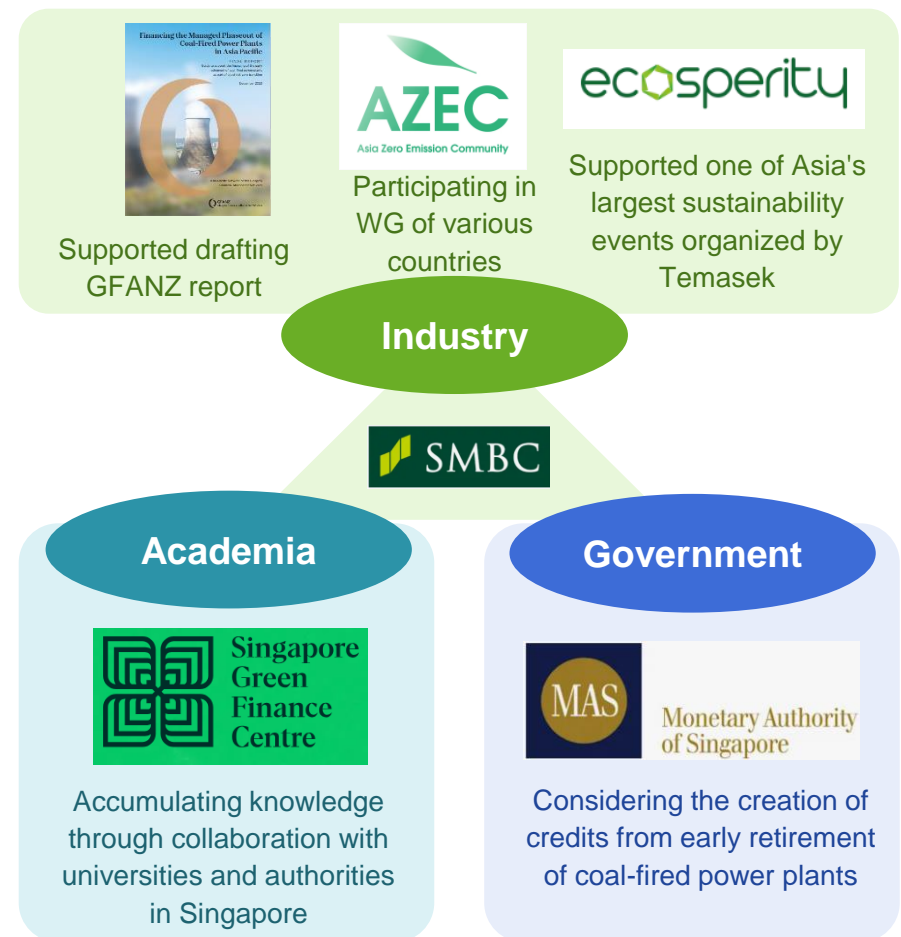
Completion of retirement up to **10 years** earlier than initially planned

Reduction in GHG emissions equivalent to **16MT/year**

Financing plenty of projects for energy transition

India 2,000MW Solar 	Taiwan 1,000MW Offshore Wind 	India 380MW Solar 
Australia Wind·Solar 	India 300MW Wind·Solar 	India Solar gigafactory 

Industry-academia-government collaboration



Visualization/Co-creation of Business

Thoroughly supporting our customers' pain points in decarbonization from non-financial aspects through data visualization and creation of new businesses, etc.

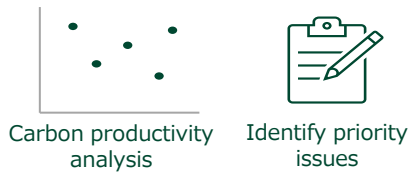
Data visualization

Sustana GHG emission calculation/reduction support cloud tool developed by SMBC Group

Linking data with other companies



Insights derived from data



Number of users (cumulative) more than **1,800** Companies

May 2024

ASUENE ESG Supporting tool for identification/solution of ESG issues in supply chains

ASUENE ESG



In October 2023 **Started business alliance** with Asuene Inc.



Co-creation of business

Companies with technology for decarbonization



Connect

Companies with decarbonization needs



Global customer base



Deep insights in decarbonization



In-house sector experts



Examples of business co-creation

Installation of renewable energy in SCSK's data center

- First corporate PPA with the issuance of I-REC in Japan



Installation of renewable energy in DHL Group's logistics facility

- An agricultural solar power project that contributes to regional revitalization and sustainable farm management



Various Solutions Across SMBC Group

SMBC Group offers a range of solutions to support our customers' efforts towards decarbonization, leveraging the collective capabilities of the entire group.

Major solutions for decarbonization

Banking



- Project finance
- Sustainable finance, etc.



Trust banking



- Green ABL Trust
- Sustainability related real estate



Leasing



- Solar power PPA
- EV adoption support, etc.



Securities



- Green bond
- Transition bond, etc.



Card payments



- CO2 emissions calculation based on card payment data



Consulting



- Target/strategy setting, disclosure support
- Decarbonization consulting



Asset management



- ESG investments
- Impact investments



Examples of solutions

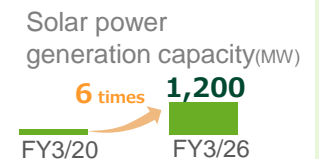
Grid-scale battery storage project



- Japan's first project finance structuring and equity participation ~Renewable Energy Deal of the Year in IJ Global Awards 2023 APAC

Renewable energy project

- Expanding primarily in solar power generation



Carbon credits



- Intermediate J-Credit creation support, buying and selling services with BYWILL



Collaborating with stakeholders

With companies



- Joint study with Boeing and Mitsubishi Heavy Industries to scale up SAF in Japan



With academia

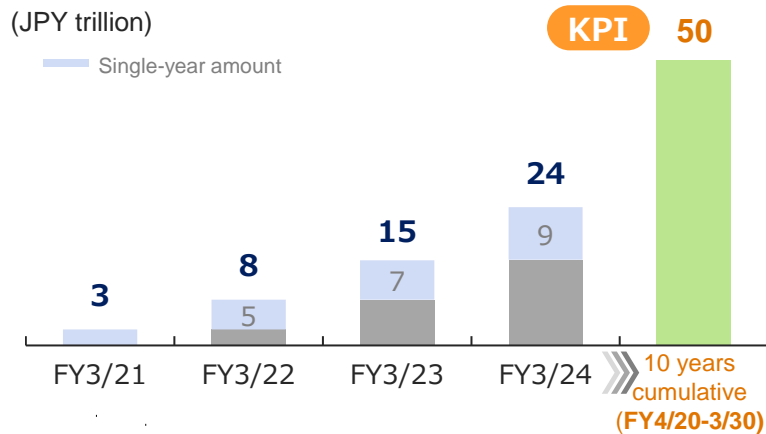


- Established consortium with Kyoto University and others, with the aim of the implementation of the carbon cycle

Ref. Sustainable Finance

Steady progress towards the sustainable finance target of 50 trillion yen

Amount of sustainable finance (cumulative)



League Tables



Finance Case Studies

Indonesia	India
<p>Blue bond contributing to the conservation of marine ecosystems</p> <p>The Samurai bond</p>	<p>Green loan for wind and solar power generation</p>
UK	Chile
<p>Social loan for affordable housings</p>	<p>Social loan for businesses committed to financial inclusion</p>

Support for the formulation of sustainable finance frameworks

- To support **Mazda's** net zero efforts, as a structuring agent, SMBC Group supported the formulation of the finance framework
- The framework was adopted as the **Climate Innovation Finance Promotion Project** by the **Ministry of Economy, Trade and Industry (METI)**, the first project by the automobile companies in Japan



*1,3 Dealogic (FY23, amount of finance), *2 Environment Finance (FY23, number of cases)

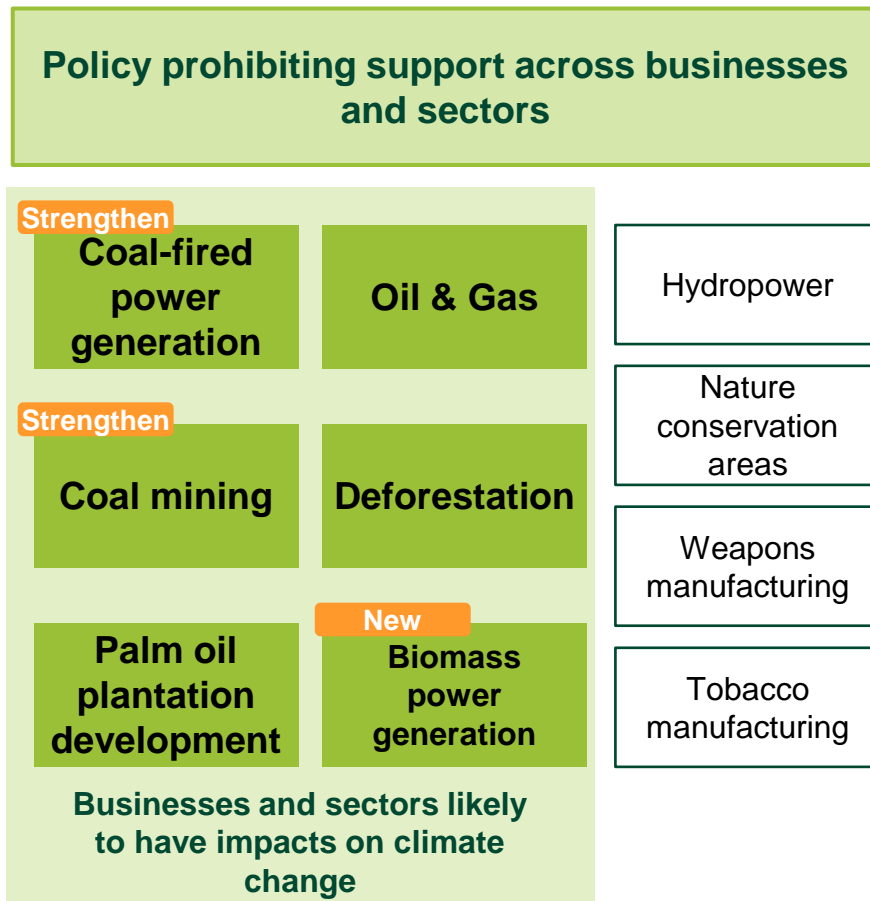
Towards Achieving Net Zero as SMBC Group

Appropriate management of policies, portfolio, and individual customer/project towards realization of Net Zero as SMBC Group

Considerations	Main Items	Main Updates
Policy	<ul style="list-style-type: none"> Policies for Specific Businesses and Sectors Phase-out Strategy 	<ul style="list-style-type: none"> ● Revised Policies for Specific Businesses and Sectors P.13 <ul style="list-style-type: none"> • Coal-fired power generation • Thermal coal • Biomass power generation
Portfolio Management	<ul style="list-style-type: none"> Climate-related RAF 	<ul style="list-style-type: none"> ● Set mid-term GHG reduction targets for automobile, steel, and real estate sectors P.14 <ul style="list-style-type: none"> • Mid-term reduction targets have been set for six sectors that account for 70% of our portfolio's GHG emissions (FE)
Customer/ Project Management	<ul style="list-style-type: none"> Environmental / Social Risk Assessment Environmental and Social Due Diligence 	<ul style="list-style-type: none"> ● Introduced Environmental and Social Due Diligence P.17 <ul style="list-style-type: none"> • Assess customers' environmental/social initiatives and risk mitigation measures • Assessment of customer's transition plans

Revision of Policies for Specific Businesses and Sectors

Considering the environment and society, revised/established policies for specific businesses and sectors



Coal-fired power generation **Strengthen**

- Clarified that we will not support towards coal-fired power plants with maturity exceeding FY3/41, in addition to newly planned/expansion of coal-fired power plants

Thermal coal mining **Strengthen**

- Clarified that we will not support towards thermal coal mining projects with maturity exceeding FY3/31 in OECD countries and FY3/41 in non-OECD countries, in addition to newly planned/expansions of thermal coal mining projects

Biomass power generation business **New**

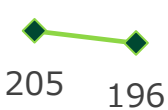





- Clarified that we will support new construction and expansion of woody biomass power generation plants only if the use of sustainable combustion materials is confirmed

Oil & Gas

- Conduct environmental and social risk assessment when considering support towards projects such as oil sands, shale oil and shale gas, oil and gas mining projects in the Arctic, and oil and gas pipelines

Establishment of New Portfolio GHG Emission Reduction Targets

Set new mid-term reduction targets in the automobile, steel, and real estate sectors

	Results	Targets	Characteristics and Approaches to GHG Reduction
Automobile 3/24	(g-CO ₂ e/vkm)  205 196 FY3/22 FY3/23 <small>*1 IEA NZE Scenario</small>	 161 (Ref. SBTi SDA Tool B2DS) 120 (Ref. 1.5°C Scenario ^{*1}) <hr/> FY3/31	Characteristics <ul style="list-style-type: none"> Emissions are primarily caused by vehicle operation or fuel production (electricity, hydrogen, etc.). ⇒ important to expand the adoption of various next-generation vehicles, considering regional characteristics Approaches <ul style="list-style-type: none"> Support for decarbonization tailored to factors such as the types of next-generation vehicles and regions (TF Playbook) Support for next-generation vehicle infrastructure (charging stations, hydrogen stations, etc.)
Steel 3/24	(t-CO ₂ e/t-steel)  2.0 2.0 FY3/22 FY3/23 <small>*2 Mission Possible Partnership Carbon Cost Scenario</small>	 1.8 (Aligned with clients' goals aiming at carbon neutrality by 2050) 1.2 (Ref. 1.5°C Scenario ^{*2}) <hr/> FY3/31	Characteristics <ul style="list-style-type: none"> Emissions are primarily caused by crude steel production; to support its growing demand, production through blast furnaces, etc., is necessary in addition to recycling with electric furnaces. ⇒ important to commit to energy transition, considering the industrial structures and energy situations of each region. Approaches <ul style="list-style-type: none"> Support for decarbonization tailored to the production process (TF Playbook) Support for new production technologies, such as direct reduction, including the hydrogen direct reduction method
Real Estate 5/24	(kg-CO ₂ e/m ²)  81 80 FY3/22 FY3/23 <small>*3 CRREM Global Pathways 1.5°C</small>	 42.9 (Ref. CRREM) 33.1 (Ref. 1.5°C Scenario ^{*3}) <hr/> FY3/31	Characteristics <ul style="list-style-type: none"> Emissions are primarily caused by property use (especially electricity). ⇒ important to improve property performance and decarbonize electricity Approaches <ul style="list-style-type: none"> Support for clients' decarbonization in the real estate sector and the electricity sector Support for environmentally friendly properties, such as green buildings

Details of Reduction Target on Portfolio GHG Emissions (Scope3) **Fulfilled Growth**

Set mid-term targets in six sectors and steadily promoting initiatives towards GHG emissions reduction

Sector	Scope of Emissions	Metric	Mid-term target for FY3/31	FY3/23 Results		FY3/22 Results	Baseline (Base year)
					vs. baseline		
Power	Scope1	Carbon intensity (g-CO ₂ e/kWh)	138~195	292	-12%	320	332 (FY3/21)
Oil & Gas	Scope1,2, and 3	Absolute emissions (Mt-CO ₂ e)	-12~29% (vs.FY3/21 baseline)	23.9	-41%	33.3	40.8 (FY3/21)
Coal	Scope1,2, and 3	Absolute emissions (Mt-CO ₂ e)	-37~60% (vs.FY3/21 baseline)	4.4	-68%	7.4	13.6 (FY3/21)
Automobile	Scope1,2, and 3	Carbon intensity (g-CO ₂ e/vkm)	120~161	196	-4%	205	205 (FY3/22)
Steel	Scope1,2	Carbon intensity (t-CO ₂ e/t-Steel)	1.2~1.8	2.0	-	2.0	2.0 (FY3/22)
Real Estate	Scope1,2*	Carbon intensity (kg-CO ₂ e/m ²)	33.1~ 42.9	79.8	-1.5%	81.0	81.0 (FY3/22)

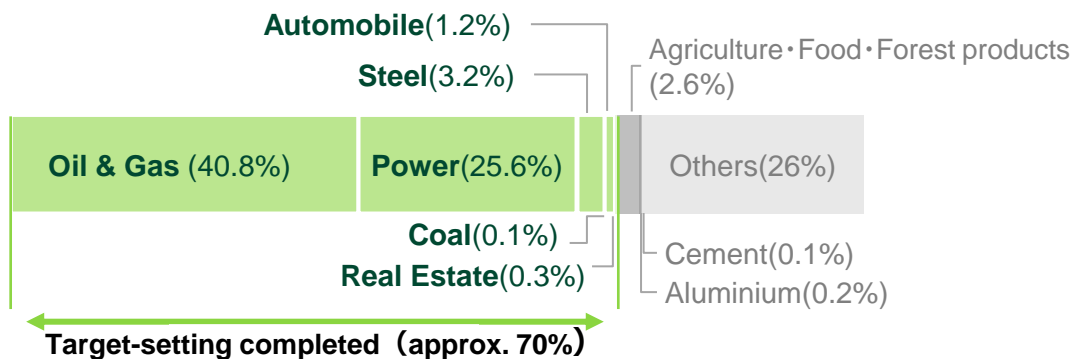
* Domestic commercial real estates (non-recourse loans and REITs), including Scope 3 Category 13 for REITs

Overview of Portfolio GHG Emissions (Scope 3)

Completed mid-term target setting in a total of six sectors covering the major Scope 3 sectors

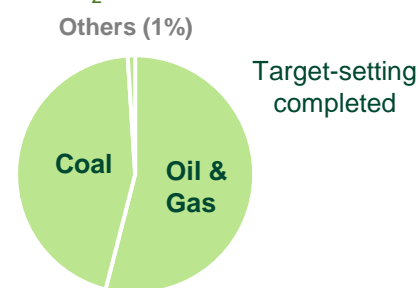
Sector	Balance (JPY trillion) *1	Transition Risks	FE (MT-CO2e) *1	Maturity of calculation standards*2	Goal setting
Power	6.1	Very High	415	○	✓ May 2022
Oil & Gas	4.3	Very High	663	○	✓ Aug. 2022
Coal	0.1	Very High	1	○	✓ Aug. 2022
Automobile	2.0	High	20	○	✓ Mar. 2024
Steel	1.6	High	53	○	✓ Mar. 2024
Real Estate	12.3	Low	5	○	✓ May. 2024
Agriculture	0.4	Low	8	△	-
Aluminium	0.1	Middle	3	○	-
Cement	0.1	High	1	○	-

SMBC Group's Portfolio Emissions by Sector*1

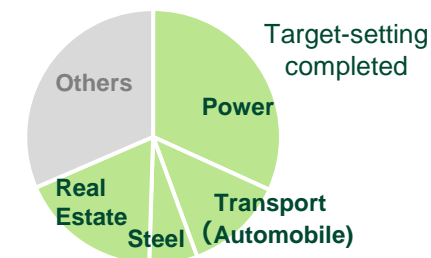


Breakdown of global CO₂/GHG emissions

By energy supply*3 (CO₂ emissions)



By sectoral demand*4 (GHG emissions)



*1 TCFD Report 2023; Balance refers to the loan balance. FE (Financed Emission) is the sum of Scope 1,2 and 3 *2 Developed by SMBC Group based on the guidelines by international initiatives such as SBTi and TPI *3 IEA World Energy Outlook 2022 *4 WRI World Greenhouse Gas Emissions 2019

Strengthening Risk Analysis and Management Process

Introduced environmental and social due diligence to enhance our existing credit assessment which will strengthen the risk management and customer engagements

Environmental and Social Due Diligence (corporate finance) Apr. 24

Overview	<ul style="list-style-type: none"> Assess customers' environmental/social initiatives and risk mitigation measures Utilize to enhance credit assessment and customer engagements ✓ If we are unable to confirm that our customers are taking specific steps toward transition after a certain period of engagement, we will carefully consider whether to continue business relationships with them.
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Examples of items	<table border="1"> <tr> <td style="background-color: #c6e0b4;">Environment</td> <td>Climate change <including assessment of transition plans(as detailed below)> , resource management, biodiversity, etc.</td> </tr> <tr> <td style="background-color: #c6e0b4;">Social</td> <td>Human rights, occupational safety and health etc.</td> </tr> </table>	Environment	Climate change <including assessment of transition plans (as detailed below)> , resource management, biodiversity, etc.	Social	Human rights, occupational safety and health etc.
Environment	Climate change <including assessment of transition plans (as detailed below)> , resource management, biodiversity, etc.				
Social	Human rights, occupational safety and health etc.				

Points to confirm	<ul style="list-style-type: none"> Sector-specific risks Risk mitigation measures for each environmental/social issues Governance structure for environmental/social issues
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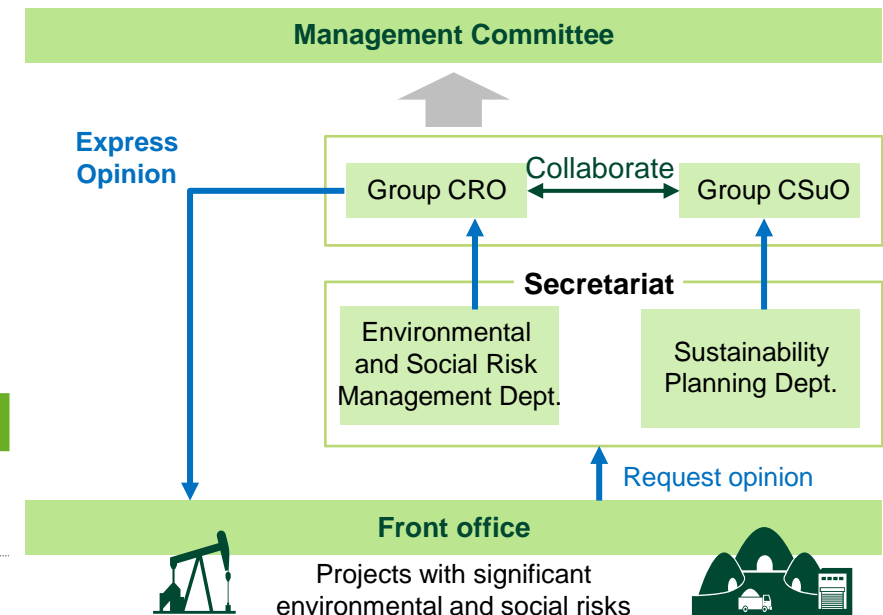
Assessment of transition plans

Examples of items	Points to confirm
Reduction target	Short/mid-term GHG reduction target, 1.5°C alignment
Governance	Involvement of Board of Directors
Specific initiatives undertaken	Investment plan, participation in initiatives, etc.

Ref. Environmental/Social Risk Assessment (project related finance)

- Conduct environmental / social risk assessment for financing large-scale projects and reflect the result in the credit approval process
- Escalation process (as details below) is required when financing projects with particularly high risk

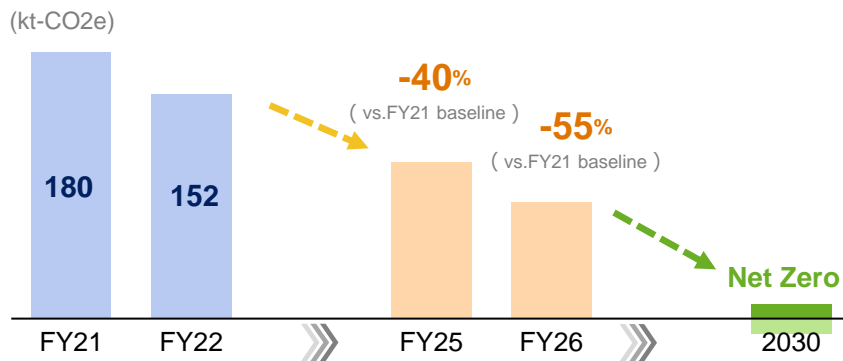
Escalation process



Reducing GHG Emissions in SMBC Group Operations (Scope 1, 2)

Steadily promoting initiatives to achieve net zero by 2030 as a Group

Results and Targets



Main Initiatives

Switching to renewable energy for our own properties in Japan

SMBC Kawasaki Mega Solar Place

Offsite Corporate PPA

Future Focus Areas

Switching to renewable energy for data centers and leased properties

Switching company cars to EVs

Acquisition of the third-party assurance

Neutralization of Residual Emissions

Clarifying the definition of net zero

Utilization of carbon credits

New Initiatives in FY3/24

SMBC Forest

- Acquired approximately **220ha** of forest in Isehara City, Kanagawa Prefecture
- Creation of credits** with the forest absorbing CO2 (equivalent to approximately 700t-CO2e)
- Promoting tree growth through appropriate thinning and afforestation, etc. and an increase in CO2 absorption



SMBC Uji Green Power Plant

- Acquisition of naming rights
- Using renewable electricity** from the power plant at SMBC branches



Data Governance

Establishing Internal Control System

Data Management

The Third-Party Assurance

Ensuring the Reliability of GHG Emissions Data

Enhancement of Sustainability Management System

Continuous sophistication in terms of both execution and supervision

Sustainability Management System



Execution



Expertise of Sustainability Committee Members

Outside Director Eriko Sakurai	<ul style="list-style-type: none"> Advanced sustainability initiatives at Dow Inc.
Outside Director Jennifer Rogers	<ul style="list-style-type: none"> Served as the Chairman of the American Chamber of Commerce in Japan in 2021 Focused on enhancing U.S.-Japan economic ties and global business environment with an emphasis on sustainability
External Expert Yukari Takamura	<ul style="list-style-type: none"> Professor at the Institute for Future Initiatives, the University of Tokyo Specializing in international law and environmental law
Expert Eiichiro Adachi	<ul style="list-style-type: none"> Head of the Institute for Societal Values in Future Generations at the Japan Research Institute, Limited Specializing in industrial research and corporate assessments from CSR perspective

Executive Compensation System

- To strengthen management's dedication, integrated both quantitative and qualitative sustainability indicators



















































Stock Compensation Plan	Quantitative indicators	Sustainable finance, Portfolio GHG emissions, Engagement score, DE&I
	Qualitative indicators	Efforts to address materiality
Bonus	Quantitative indicators	KPI achievement : Sustainable finance, Scope 1,2 GHG emissions, etc.
	Qualitative indicators	ESG rating of major agencies

Board Skills Matrix

Appointed directors using a skills matrix that summarizes the knowledge and experience expected by the Nomination Committee

Knowledge and experience we expect in particular

Internal Directors (non-executive)
 Internal Directors (executive)
 Outside Directors

	Management	Finance	Global	Legal /risk management	Accounting	IT/DX	Sustainability
Takeshi Kunibe							
Toru Nakashima							
Teiko Kudo							
Fumihiko Ito							
Toshihiro Isshiki							
Yoshiyuki Gono							
Shozo Yamazaki							
Sonosuke Kadonaga							
Yoshinobu Tsutsui							
Katsuyoshi Shinbo							
Eriko Sakurai							
Charles D. Lake II							
Jenifer Rogers							

Enhancing Capabilities of Executives and Employees

Continuously enhancing expertise and fostering awareness to encourage social values creation initiatives

Enhancing Expertise of Executives

Sustainability Study Group for the Management

- Sustainability study session lectured by Professor Yukari Takamura from the University of Tokyo



In addition to climate change, learned the latest trends in topics that are of increasing interest globally, including circular economy and human rights

Round Table

- Held discussions between internal and external directors and Mr. Paul Polman, our Global Advisor

< Points of discussion >

- Linking sustainability to business strategy
- Setting long-term, socially impactful goals
- Not striving for perfection while keeping making constant progress



Enhancing Employees' Skills

"Sustainability University"

- Systematizing and expanding sustainability-related training

Basic study sessions
for all Group employees

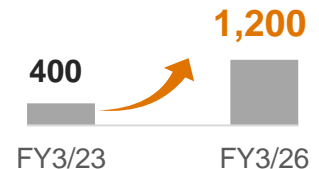
Ca. 50,000 participants

Online Learning Service
"Aidemy GX"

Introduced to

Ca. 40,000 employees

Employees who passed
the Kinzai Sustainability Test



CSuO Channel / Social Value Creation Caravan

CSuO Channel

Group CSuO's study session for employees

Total of **2,000** participants



Social Value Creation Caravan

Roundtable discussion with employees

Held at **196** locations in Japan and overseas





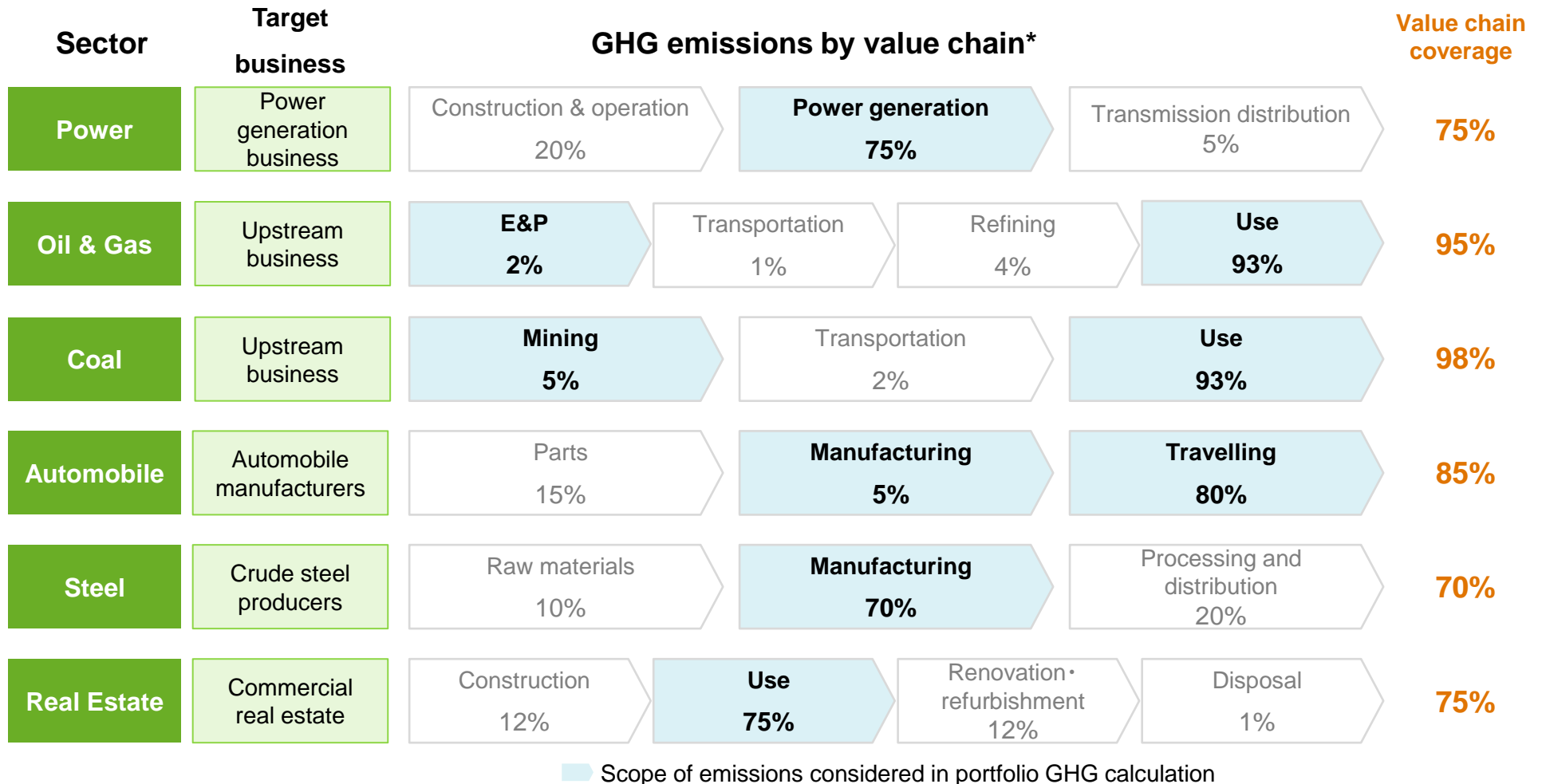
Appendix

Overview of Net Zero Transition Plan

Components	Items	Major Contents
Foundations	Corporate policy on climate change and the approach for initiatives	<ul style="list-style-type: none"> Revised the SMBC Group Statement on Sustainability and the Group Environmental Policy Achieve net zero GHG emissions for Scope 1 and 2 by 2030 Achieve net zero GHG emissions for Scope 3 (portfolio GHG) emissions by 2050
Governance	Strengthening governance on climate change	<ul style="list-style-type: none"> Supervise by Board of Directors and internal committees, including Sustainability Committee Established Group CSuO to oversee and promote initiatives across all aspects of sustainability, including response to climate change Advance executive compensation system, management of internal control process Strengthen capabilities of directors and employees
Implementation Strategy	Products and services related to climate change	<ul style="list-style-type: none"> Expansion of decarbonization products and services : GHG emissions visualization services, carbon credit business, etc. Co-creation of business towards decarbonization : support for installation of renewable energy Expanding sustainable financing through further risk-taking approaches: new energy and new technologies
	Climate-related risk assessment and management	<ul style="list-style-type: none"> Strengthened Policies for Specific Businesses and Sectors Introduced environmental and social due diligence
	Portfolio GHG emissions (Scope 3)	<ul style="list-style-type: none"> Expansion of portfolio GHG calculation and target setting Development of targets and indicators to support decarbonization of real economy
	Operations emissions (Scope 1,2)	<ul style="list-style-type: none"> Switching to renewable electricity and company cars to EVs
Engagement Strategy	Engagement with customers	<ul style="list-style-type: none"> Established Transition Finance Playbook Introduced company-specific assessment framework on transition plan
	Engagement with industry	<ul style="list-style-type: none"> Participate in initiatives such as GFANZ, NZBA, NZAMI, PCAF, IIF, Japan Hydrogen Association (JH2A) , etc.
	Engagement with the Government	<ul style="list-style-type: none"> Participate in committees held by the Government of Japan
Metrics and Targets	Sustainable finance KPI	<ul style="list-style-type: none"> Cumulative JPY 50 trillion by FY3/30
	Portfolio GHG emission reduction targets by sector (Scope 3)	<ul style="list-style-type: none"> Setting targets on power, coal, oil & gas, steel, automobile, and real estate sectors Setting KPIs related to transitions
	Operations emissions reduction targets (Scope 1,2)	<ul style="list-style-type: none"> 40% and 55% decrease in FY25 and FY26 respectively from FY21

Overview of Portfolio GHG Emissions Target Setting

Set emission reduction targets in six sectors aiming at covering key items in the value chains



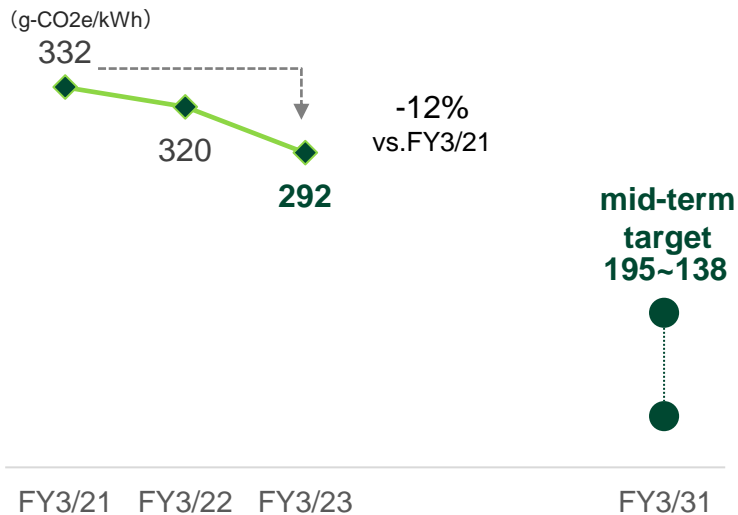
* Compiled by SMFG with reference to IEA: World Energy Outlook 2022, METI: Industry Roadmap for Transition Finance, MLIT : White Paper on Land, Infrastructure, Transport, and Tourism in Japan

Portfolio GHG Reduction Targets and Progress (Power Sector)

In the power sector, achieved 12% reduction over the last two years.

In addition to a zero balance target, will continue to expand supports for transition finance and renewable energy generation.

Results and Targets



Trend Status

- With the promotion of sustainable finance, the balance of project finance for renewable energy in our portfolio has expanded.
- The balance of project finance for high-emission power generation projects, including coal-fired power generation, has decreased.

Sector-Specific Approaches

Support for Decarbonization Utilizing the TF Playbook **P.7**

- Defining transition in the power sector with the TF Playbook
- Advancing engagement and actively promoting transition projects
- Supporting the early retirement and decommissioning of coal-fired power plants

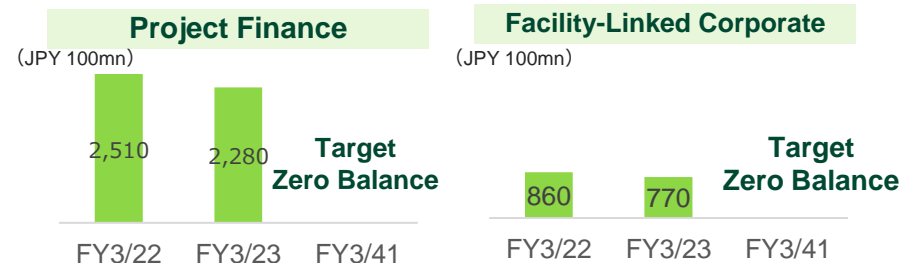
Expansion of Support for Renewable Energy Generation **P.11**

- Leveraging our achievements and expertise as a frontrunner in green loans, including renewable energy, expanding support globally
- Green loan amount of finance: World No. 1

Policies for Specific Businesses and Sectors

<Excluded from support>

- New and the expansion of projects related to coal-fired power generation
- Coal-fired power plants with maturity exceeding FY3/41
- Companies whose main business is coal-fired power generation and which have any existing transactions, including but not limited to lending, with SMBC Group.

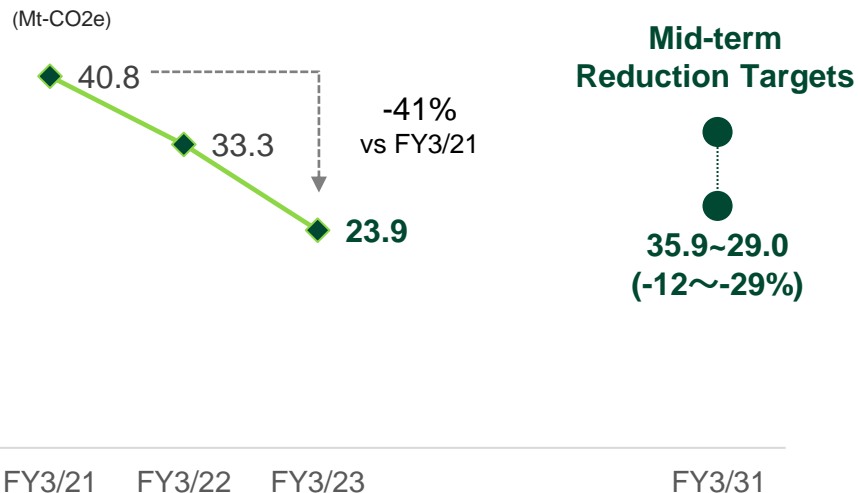


Portfolio GHG Reduction Targets and Progress (Oil & Gas Sector)

Emissions already reduced to the mid-term reduction target level.

Will continue to support transitions and the development of alternative fuels and aim for steady reduction.

Results and Targets



Trend Status

- In FY3/23, the impact of COVID-19 gradually eased, economic activity resumed and oil and gas production of creditee companies and projects increased.
- On the other hand, loans for high-emission projects decreased by carefully judging the selection of projects.
- In addition, with the increase in customer's market capitalization, the amount attributable to SMFG decreased.

Sector-Specific Approaches

Policies for Specific Businesses and Sectors

<Careful response through environmental/social risk assessments>

- Large-scale new and expanded oil and gas upstream projects
- Carefully respond to the following cases, regardless of novelty or scale.
 - ✓ Oil sand
 - ✓ Shale Oil and Shale Gas
 - ✓ Oil & Gas mining in the Arctic
 - ✓ Oil & Gas Pipelines

Supporting Decarbonization with TF Playbook

- Define transitions in the oil & gas sector with TF Playbook, enhance engagement and actively promote transition deals

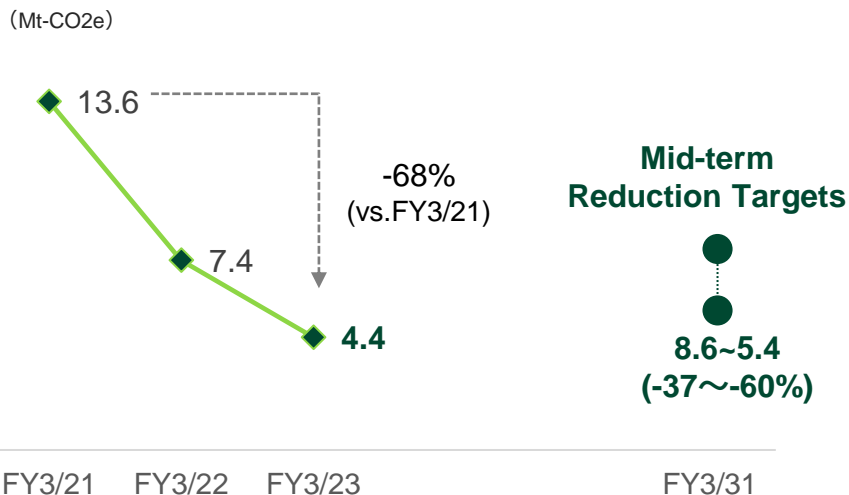
<Main points of transition judgement>

- ✓ GHG reduction targets aligned with the Paris Agreement
- ✓ Concrete transition strategies to achieve goals
- ✓ (Only for finance in the format of Use of Proceeds) Eligibility for loaned assets

Portfolio GHG Reduction Targets and Progress (Coal Sector)

Emissions already reduced to the mid-term reduction target level in the thermal coal sector. Will aim for steady reductions to achieve the zero balance target.

Results and Targets



Trend Status

- In FY3/23, the impact of COVID-19 gradually eased and coal production of creditee companies and projects increased.
- On the other hand, loans decreased due to repayment progress upon maturity and restraint aligned with the Policies for Specific Businesses and Sectors.

Sector-Specific Approaches

Policies for Specific Businesses and Sectors

<Excluded from support>

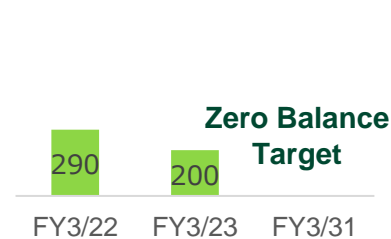
- Projects that fall under any of the following:
 - ✓ New and expansion of thermal coal mining operations
 - ✓ New and expansion of infrastructure projects linked to thermal coal mining
 - ✓ Coal mining by mountaintop removal mining method
- Thermal coal mining companies that fall under the following:
 - ✓ Have no existing transactions with the Group
 - ✓ Transactions in OECD countries beyond FY3/31
 - ✓ Transactions in non-OECD countries beyond FY3/41

Zero Balance Target

- Reduction target for loans, including uncommitted withdrawals for companies and projects whose main business is thermal coal mining

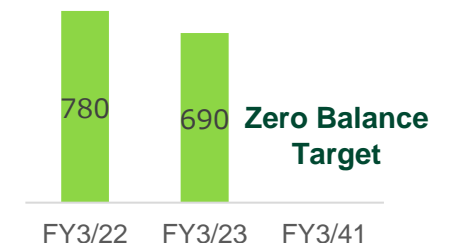
OECD Countries

(JPY 100mn)



Non-OECD Countries

(JPY 100mn)



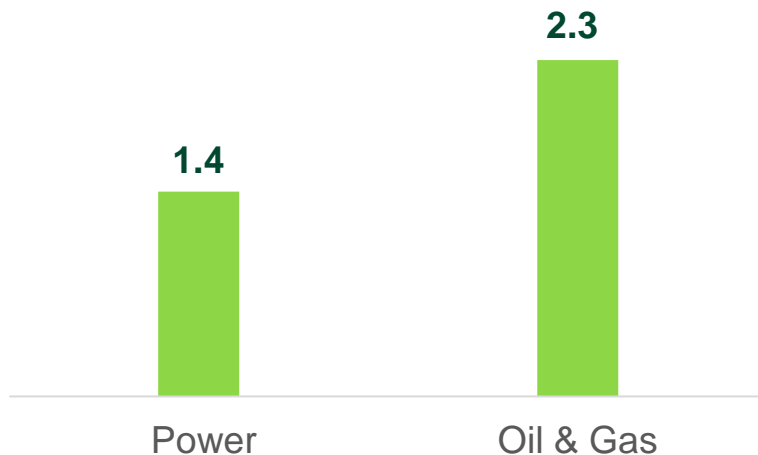
GHG Emissions from Securities and Asset Management

SMBC Nikko Securities and Sumitomo Mitsui DS Asset Management (SMDAM) calculate GHG emissions in line with the businesses.

SMBC Nikko Securities: Underwriting Financed Emissions (FY3/23)

- Calculates GHG emissions in the power and oil & gas sectors for underwriting, which is the core businesses of securities business
- Based on the final version of the PCAF guidelines, the calculation method has been advanced.

(Mt-CO₂e)



SMDAM: Reduction Targets and Results

- Discloses reduction targets based on the commitment to the Net Zero Asset Managers Initiative
- Aim to reduce portfolio GHG emissions (carbon footprint) per \$1 million of market value of investment

(t-CO₂e/Million USD)

