

Sustainability Report 2024

August 2024



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CEO Message

SMBC Group aims to realize a sustainable society defining sustainability as "creating a society in which today's generation can enjoy economic prosperity and well-being, and pass it on to future generations." In our current Medium-Term Management Plan that began in April 2023, we have positioned "Create Social Value" as one of the key pillars of our management. We identified five new priority issues (materiality): Environment, DE&I/Human Rights, Poverty and Inequality, Declining Birthrate and Aging Population, and Japan's Regrowth. SMBC Group is united in addressing these urgent social issues.

In terms of protecting the environment, it is required to address climate change, conserve and restore natural capital, and transition to a circular economy. These are not independent issues but are closely interconnected, making an integrated approach extremely important. For example, the more we curb global warming, the fewer species face extinction. The more we promote the restoration of forests and wetlands, the more carbon sinks we create. The more we advance the transition to a circular economy, the more we can reduce greenhouse gas emissions and the depletion of natural resources throughout the lifecycle.

Furthermore, the impacts of environmental destruction are more pronounced in developing countries than in developed countries, making the environment closely linked to other social issues such as human rights and poverty and inequality. As climate change progresses, Pacific island nations face the threat of land submersion due to rising sea levels, and countries in Africa and Southeast Asia are concerned about public health threats from the spread of infectious diseases like malaria. Additionally, the transition to a decarbonized society involves significant shifts in traditional industrial structures, leading to the contraction and decline of existing industries and the loss of jobs. Therefore, the importance of a "just transition," where affected workers and communities can achieve development and gain new employment opportunities in a fair and equitable manner, is increasingly recognized.



CEO Message

Finance is often referred to as the "lifeblood of the economy," and SMBC Group provides loans amounting to 100 trillion yen to customers across various sectors and regions both domestically and internationally. We are committed to robustly supporting our customers' efforts to address the complex and intertwined social issues the world currently faces, such as technological development and transition towards a decarbonized society, conservation and restoration of natural capital for achieving nature-positive outcomes, and respect for human rights throughout the supply chain. Additionally, based on the newly defined material issues, we aim to proactively address a broader range of social issues in collaboration with various partners, both financially and non-financially, striving to create social value in addition to pursuing economic value.

SMBC Group has proactively advanced the expansion and enhancement of sustainability disclosures, including the first issuance of TNFD report by a Japanese bank. In light of the recognition above, we have now published our first "Sustainability Report," which consolidates our previously separate reports on climate change, natural capital, human rights, and also human capital—the basis of SMBC Group's competitiveness—into a single document. This report aims

to clearly present our integrated strategic direction for addressing these social issues to our stakeholders.

Economic and social value we create is nothing more than the sum of the value generated by each and every one of our employees. Standing at the forefront, I will vigorously move forward step by step towards the realization of sustainability, together with over 120,000 employees working in Japan and across 38 countries and regions.



Sumitomo Mitsui Financial Group
Director President and Group CEO
Toru Nakashima

A handwritten signature in black ink, which appears to be the name 'Toru Nakashima' written in a cursive, flowing style.

Editorial policy / Organization of sustainability disclosure

In addition to this Sustainability Report, which integrates the previous TCFD/TNFD/Human Rights Reports, SMBC Group is disclosing our initiatives towards sustainability and the creation of social value through various channels.

SMBC Group's Materiality

Environment
(Climate change・Natural capital)



**DE&I/
Human Rights**



**Poverty and
Inequality**



**Declining Birthrate and
Aging Population**



Japan's Regrowth



Integration as Sustainability Report

Impact Report: Disclosing initiatives aimed at visualizing each social impact

Organization of Sustainability Disclosure

| Channel | Content |
|-----------------------------|---|
| Sustainability Report | Detailed initiatives related to climate change, natural capital, human rights, and human capital, in accordance with the four components recommended by major sustainability disclosure standards |
| Impact Report | Impact created by initiatives aimed at creating social value |
| Sustainability Data Book | Comprehensive listing of detailed data related to sustainability initiatives |
| Sustainability Website | Information on initiatives towards creating social value and sustainability, aimed at the general public |
| Sustainability Presentation | Explanation of initiatives towards creating social value and sustainability, aimed at investors |
| Annual Report | Coverage of business strategy and long-term value creation story |
| Securities Report | Partial disclosure of sustainability initiatives based on the Japanese legislation |
| Form 20-F | Annual report to the U.S. SEC, including partial disclosure of sustainability initiatives |

Summary

Executive summary

Strategy

Initiatives to address social issues and efforts to create value through business and by maximizing human resources

Risk Management

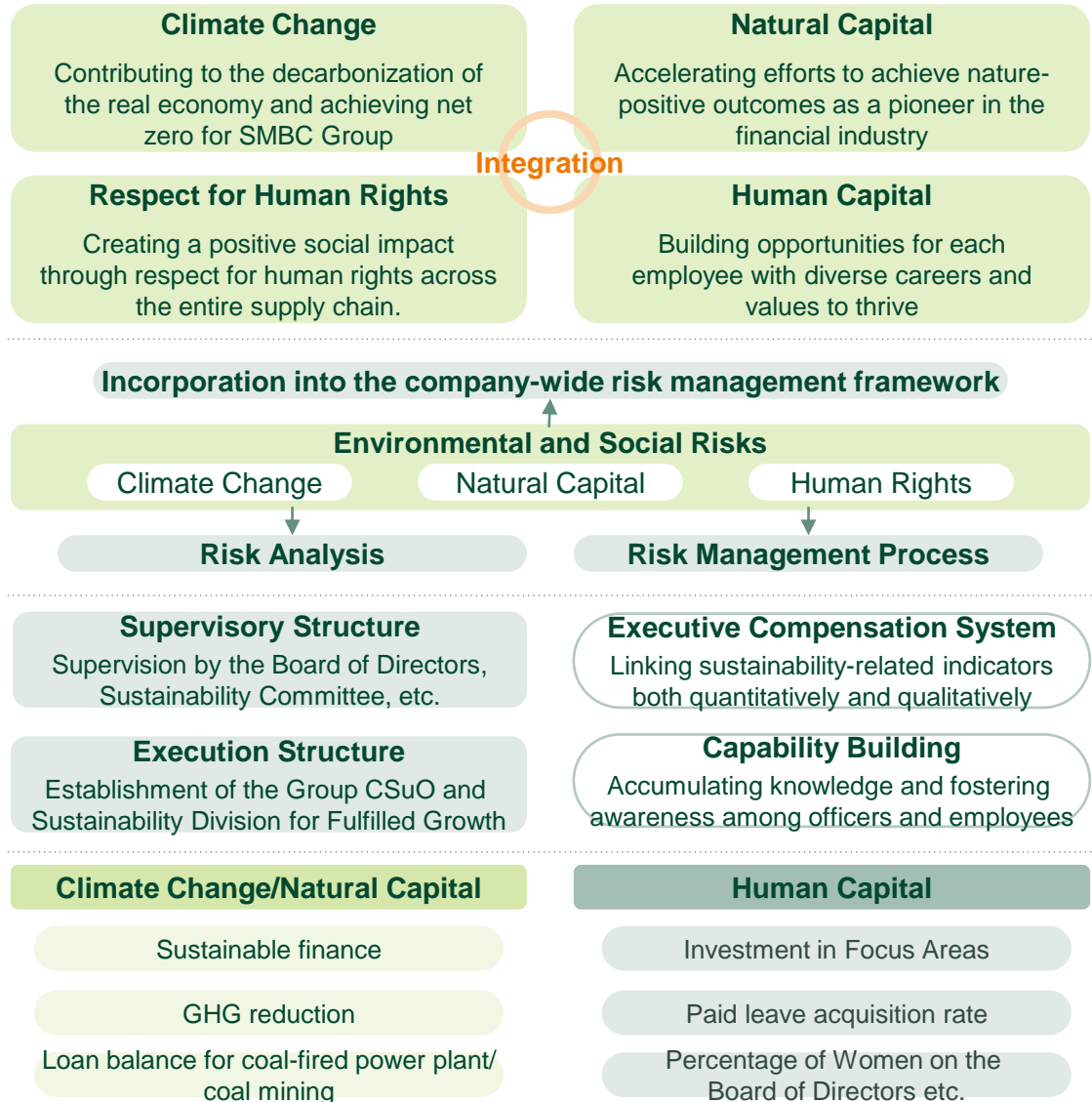
Recognition and incorporation of environmental and social risks within the company-wide risk management framework, and enhancement of risk analysis and management processes

Governance

Overall view of sustainability management in both supervisory and executive aspects, including executive compensation system and strengthening of capability building

Metrics and Targets

Performance indicators related to Strategy and Risk Management



Major updates over the year

Climate Change

Strengthening risk-taking for new energy and new technologies, including hydrogen

Enhancing support for transitions:
21 deals approved in FY2023

Transition Finance Playbook:
Included steel and automobile sectors

Visualizing sustainability issues:
Strategic capital and business alliance with Asuene

Disclosure of initiatives related to
"adaptation" to climate change

Natural Capital

Contributing to **circular economy** leveraging strengths of group companies

Commencement of **natural capital management promotion and analysis loans**

Human Rights

Addressing human rights through **financial inclusion** with group companies and partner firms

Expansion of scope and track record disclosure of **human rights due diligence**

Human Capital

Establishment of **SMBC Group Talent Policy**

Supporting customers in promoting human capital management

Risk Management

Conducting scenario analysis of **chronic physical risks**

Setting portfolio GHG emission reduction targets for **steel/automobile/real estate sector**

Revision and establishment of policies related to **coal-fired power generation, biomass energy generation and coal mining**

Introduction of **Environmental and Social Due Diligence**

Governance

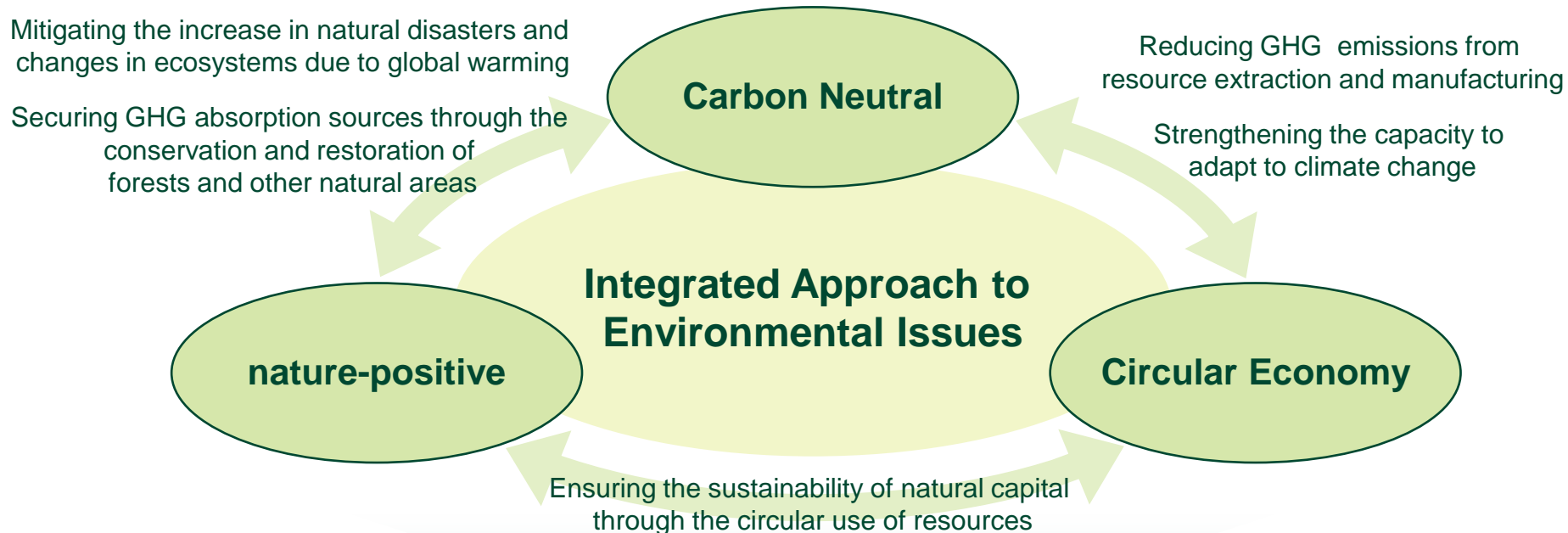
Majority of the board of directors consists of outside directors

Disclosure of the expertise of members of the Sustainability Committee (a board committee) and the Group CSuO

Holding study sessions and roundtables for management members

Interconnection of environmental issues and linkage to other issues

Addressing climate change, conserving and restoring natural capital, and transitioning to a circular economy are interconnected efforts aimed at solving environmental issues. By adopting an integrated approach, we can also address other social issues such as human rights, poverty, and inequality.



Mitigating the negative influence to other social issues



Strategy: Climate change

By leveraging the strengths and competitive edges of our group, SMBC Group will support our customers' efforts towards the decarbonization of the real economy, appropriately manage climate-related risks, and steadily advance our progress towards achieving net zero.

| | | | |
|--------------------|--|-------------|---|
| Opportunity | Transformation of our customers' business models Increasing complex decarbonization needs | Risk | Increase in credit-related costs and reputational damage, caused by climate related factors |
|--------------------|--|-------------|---|



**Contributing to the
Decarbonization of the Real Economy**

Providing financial and non-financial solutions that leverage the comprehensive strengths and competitive edges of SMBC Group

- SMBC Group focuses on reducing GHG emissions in the real economy and capturing business opportunities by supporting the introduction of new energy and technologies essential for decarbonization, conducting comprehensive transition supports, visualizing challenges across the entire supply chain, and fostering business co-creation among companies

Groupwide solution

New energy/
New technology

Transition support

Visualization

Business co-creation

**Enhancing Risk Management and
Achieving Net Zero**

Enhancing risk management at the policy, portfolio, and individual company/project levels

- Enhancing risk analysis, GHG emission analysis, and climate change scenario analysis considering sectoral and regional perspectives
- Setting GHG emissions reduction targets and sector-specific policies, managing portfolio GHG emissions and climate-related risks through the operation of the climate-related risk appetite framework, and strengthening individual company/project assessments and risk evaluations

Engagement

| | | |
|---|--|--|
| Customer | Industry | Governments |
| Supporting needs from upstream strategy formulation to downstream financing | Participating in financial initiatives and strengthening cross-industry partnerships | Sharing awareness of challenges and contributing to the formulation of public guidelines |

Strategy: Natural capital

As a pioneer in the financial industry in the field of natural capital, SMBC Group will leverage our strengths to promote various nature-positive initiatives while also enhancing the management of risks related to our dependence on and impact on natural capital.

| | | | |
|--------------------|--|-------------|--|
| Opportunity | Increasing Investments in the conservation and restoration of natural capital and biodiversity, etc. | Risk | Increase in credit-related costs and reputational damage, caused by nature related factors |
|--------------------|--|-------------|--|



Initiatives to Achieve nature-positive Outcomes

| | |
|--|---|
| <p>Realizing a Circular Economy</p> | <ul style="list-style-type: none"> • Developing solutions across the entire value chain in a circular society and establishing closed-loop systems for specific products by leveraging the strengths of our leasing subsidiaries • Promoting circular/smart use during EV's utilization phase |
| <p>Contributing to Sustainable Agriculture and Forestry</p> | <ul style="list-style-type: none"> • Collaborating with companies engaged in circular dairy farming and forestry • Contributing to the restoration of vegetation through investments in forest funds, and conserving biodiversity and water resources |
| <p>Supporting Our Customers' Initiatives</p> | <ul style="list-style-type: none"> • Initiation of "Natural Capital Management Promotion & Analysis Loan" • Providing solutions that contribute to nature-positive outcomes |
| <p>SMBC Group's Own Initiatives</p> | <ul style="list-style-type: none"> • Promoting initiatives to conserve forests, such as afforestation and reducing paper resources usage, and reducing resource consumption through waste recycling • Investigating the impact of our business activities on natural capital |

Enhancing Nature-Related Risk Management

Enhancing risk management

- Advancing the analysis of the dependence and impact on natural capital in highly relevant sectors
- Prohibiting support for businesses that cause significant negative impact to the environment and biodiversity, and conducting individual company/project level assessments and risk evaluations

Strategy: Respect for human rights

Recognizing respect for human rights as a corporate responsibility, SMBC Group is not only committed to preventing, mitigating, and remedying "negative impacts" across the entire supply chain but also boldly tackling social issues related to human rights such as poverty, inequality, and DE&I. SMBC Group aims to secure trust from society, enhance corporate value, and contribute to creating a positive impact on society.

Commitment (Summary of the "Statement on Human Rights")

We understand and respect internationally recognized human rights, such as those outlined in the "International Bill of Human Rights" and the "ILO Declaration on Fundamental Principles and Rights at Work," as the minimum standard

With a view toward respecting internationally recognized human rights, SMBC Group will continue to engage in dialogue with stakeholders and work to develop and enhance a system of human rights due diligence in order to identify, prevent and mitigate the negative impact of its business activities on human rights.

(1) As a financial service provider, we respect the human rights of our customers and those affected by transactions with our customers (2) As an employer, we respect the human rights of our employees (3) As a purchaser, we respect the human rights of the employees of suppliers and those affected by our procurement activities

Addressing Human Rights Risks Human Rights Due Diligence

Addressing Risks through Relationships with Customers

- Conducting human rights due diligence for investment and loan activities
- Supporting human rights initiatives and improving living standards through finance and financial inclusion
- Ensuring customer-oriented business conduct
- Enhancing accessibility to our services

Addressing Risks Related to Employees

- Ensuring compliance with laws and preventing harassment
- Promoting DE&I

Addressing Risks through Transactions with Suppliers

- Formulating Sustainable Procurement Policy
- Considering human rights in transactions with external vendors

Grievance Mechanism/ Remedy

Customers

Establishing a feedback and complaints desk to improve products and services and utilize it for employee training

Employees

Introducing the SMBC Group Alarm Line (whistle blowing system) to take corrective actions against human rights violations and raise awareness of the system.

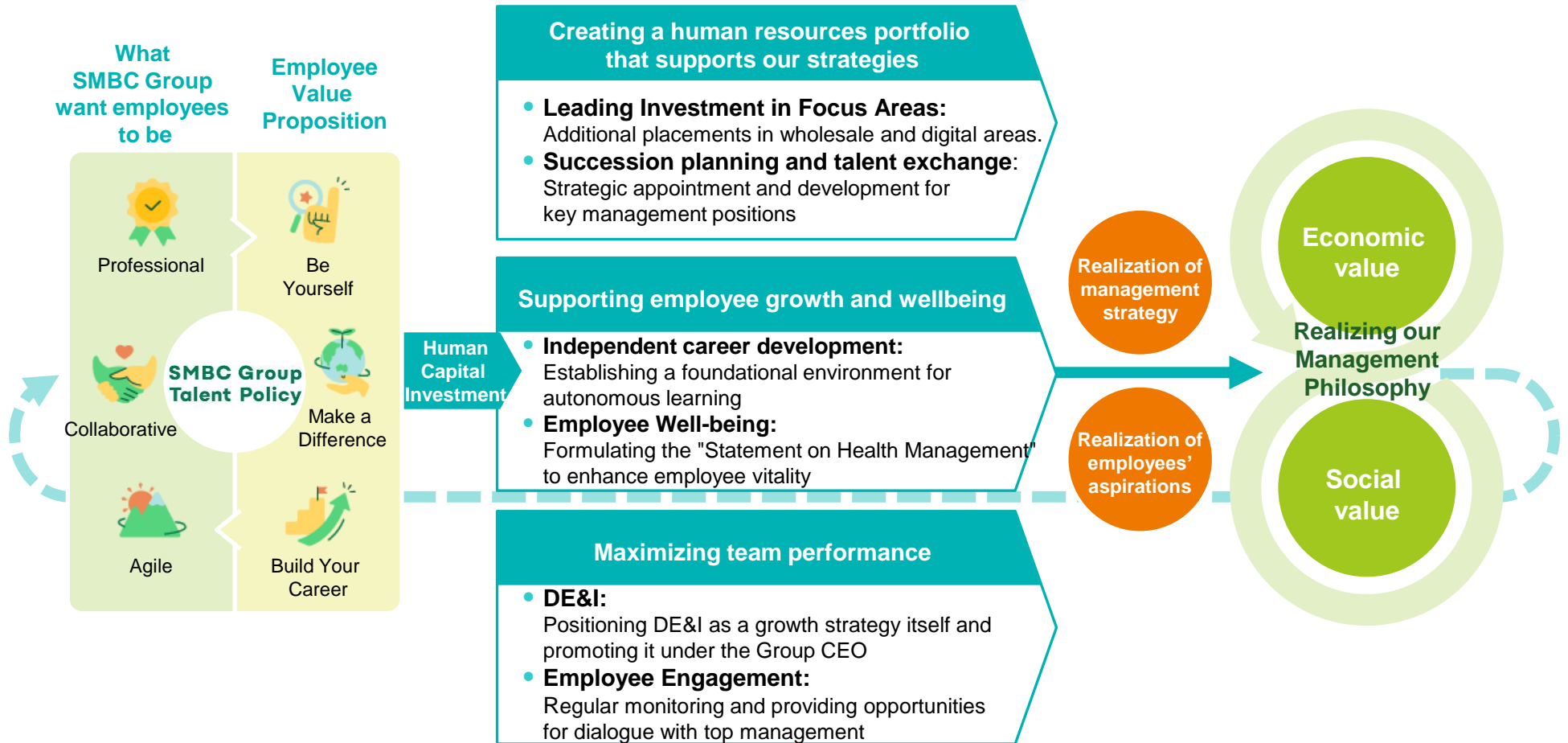
Suppliers

Working towards establishing a "Remedy and Grievance Mechanism" for handling complaints from a wide range of stakeholders, including suppliers (scheduled for introduction in FY2024).

Strategy: Human capital

By clearly defining the value we seek from and provide to our employees in the "SMBC Group Talent Policy," SMBC Group will create opportunities for each employee with diverse careers and values to thrive, thereby contributing to value creation.

Maximize Human Resources Capabilities



Risk management / Governance

Risk Management

By incorporating "environmental and social risks" into the company-wide risk management framework, SMBC Group will enhance risk analysis and management processes, and manage risks appropriately.

Environmental and Social Risks

Risks that environmental and social factors, such as climate change, natural capital and human rights, become risk drivers and transmit through various pathways to each risk category, ultimately resulting in losses to SMBC Group

Incorporation into Company-Wide Risk Management

- Incorporating risks related to climate change, natural capital, and human rights into "Top Risks" selected as particularly significant for management
- Organizing environmental and social risks that transmit to various risk categories such as credit risks, and working to enhance the management system

Risk Analysis

Climate Change

Analyzing transition risks, physical risks, and sector-specific GHG emissions, and estimating their impact on credit-related costs

Natural Capital

Visualizing sectors that should be closely monitored from the perspective of dependence on and impact on natural capital

Human Rights

Identifying salient human rights risks for SMBC Group based on the severity and likelihood of negative impacts on human rights

Risk Management Process

Policy

Clarifying policies for sectors and businesses that are likely to have a significant impact on the environment and society

Portfolio Management

Managing GHG emissions linked to our portfolio as quantitative indicators within the company-wide framework

Company/Project Level Management

Assessing and evaluating environmental and social risks at the individual company/project level, and utilizing these assessments in credit decisions

Governance

Continuously enhancing sustainability management system from both supervision/execution and perspectives, and continuously working to improve expertise and awareness of management and employees towards creating social value.

Supervisory Structure

Board of Directors and internal committees such as the Sustainability Committee deliberates and supervises the progress and future direction of sustainability management

Executive Compensation System

Linking sustainability and social value creation-related indicators both quantitatively and qualitatively to strengthen management's commitment

Execution Structure

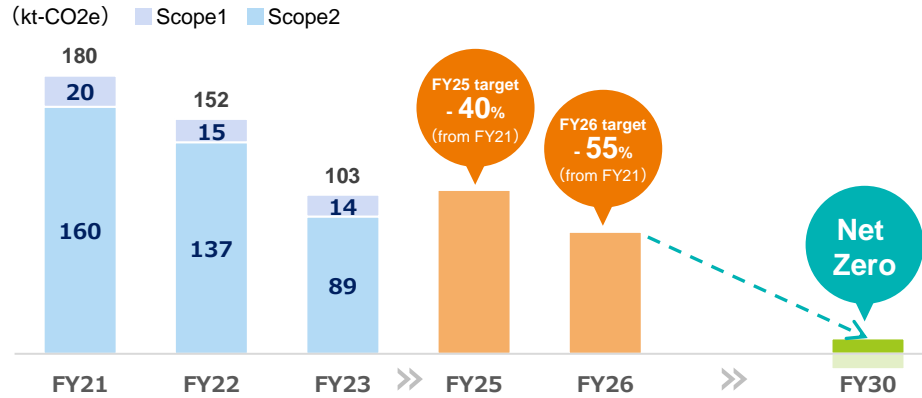
The Group Management Committee, Corporate Sustainability Committee, and Group CxOs execute strategies aimed at sustainability initiatives and creating social value

Capability Building

Continuously providing opportunities for both management and employees to improve their expertise and awareness related to social value creation and sustainability

Metrics and targets

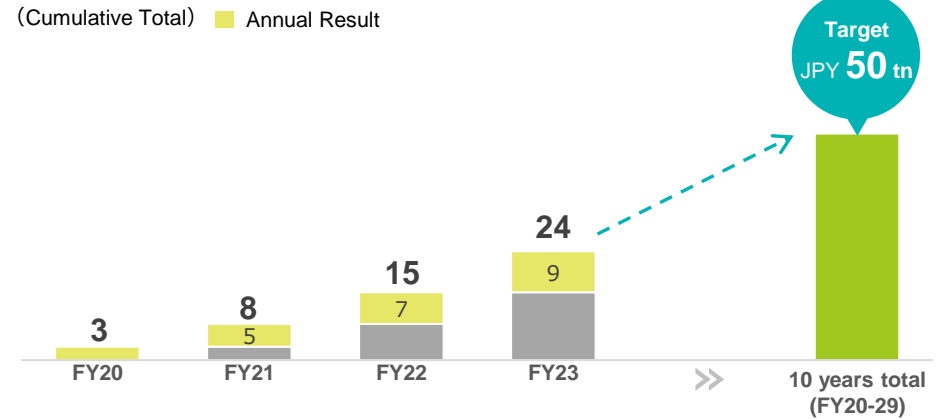
Operational GHG emissions



Portfolio GHG emissions

| Sector | FY2030 Mid-term target | FY2022 Results (vs. baseline) | Baseline (year) |
|-------------|--|-------------------------------|-----------------|
| Power | 138~195 (g-CO ₂ e/kWh) | 292 (-12%) | 332 (FY2020) |
| Oil and gas | -12~-29% (Mt-CO ₂ e, from FY2020) | 23.9 (-41%) | 40.8 (FY2020) |
| Coal | -37~-60% (Mt-CO ₂ e, from FY2020) | 4.4 (-68%) | 13.6 (FY2020) |
| Auto mobile | 120~161 (g-CO ₂ e/vkm) | 196 (-4%) | 205 (FY2021) |
| Steel | 1.2~1.8 (t-CO ₂ e/t-Steel) | 2.0 (—) | 2.0 (FY2021) |
| Real estate | 33.1~42.9 (kg-CO ₂ e/m ²) | 79.8 (-2%) | 81.0 (FY2021) |

Sustainable Finance



Human Capital Management

| 3 Pillars | Metrics | FY2023 Results | Target |
|---|---|----------------|------------------------------|
| ① Creating human resources portfolio that supports our strategy | Investment in Focus Areas | +600 persons | +1,400 persons (FY2023-2025) |
| | Annual training cost | JPY 4,682 mn | — |
| ② Supporting employee growth and wellbeing | Paid leave acquisition rate | 85% | More than 85% (FY2025) |
| | Percentage of Women on the Board of Directors | 23% | 30% (FY2030) |
| ③ Maximizing team performance | Engagement score | 72 | More than 70 |

Our approach to sustainability

Group Mission and the SMBC Group Statement on Sustainability

Our Mission is the basis for our corporate activities. It states that one of our missions to fulfill for our stakeholders is to “contribute to a sustainable society.” To define our basic stance in striving to achieve this mission, we have formulated the “SMBC Group Statement on Sustainability.”

Mission

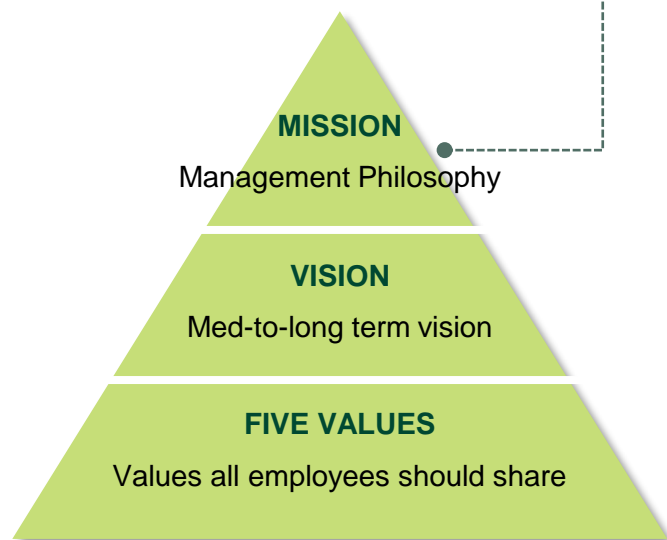
We grow and prosper together with our customers, by providing services of greater value to them.

We aim to maximize our shareholders’ value through the continuous growth of our business.

We create a work environment that encourages and rewards diligent and highly-motivated employees.

We contribute to a sustainable society by addressing environmental and social issues.

Structure of SMBC Group’s Management Philosophy



SMBC Group Statement on Sustainability (excerpts)

Throughout its 400-year history, SMBC Group has continuously upheld its commitment to sustainability. We hereby declare that we will drive forward our efforts to make sustainability a reality.

- **Definition of Sustainability**

SMBC Group defines sustainability as “creating a society in which today’s generation can enjoy economic prosperity and well-being and pass it on to future generations.”

- **Understanding of the Present Situation and Our Role**

As a financial institution, we will engage and act together with customers and other stakeholders to contribute to the global transformation into a better society.

Mitsui’s predecessors

As a kimono merchant, Mitsui innovated in business practices, and as a money exchanger and bank, it became an important player in financial infrastructure.



(stored in Mitsui Bunko Collection)

Sumitomo’s predecessors

Lead the Japanese economy using copper refining technology.

Concerned about the land damaged copper mines, Sumitomo re-created lush greenery through reforestation and provided a safe, secure life to local communities.



(stored in Sumitomo Historical Archives Collection)



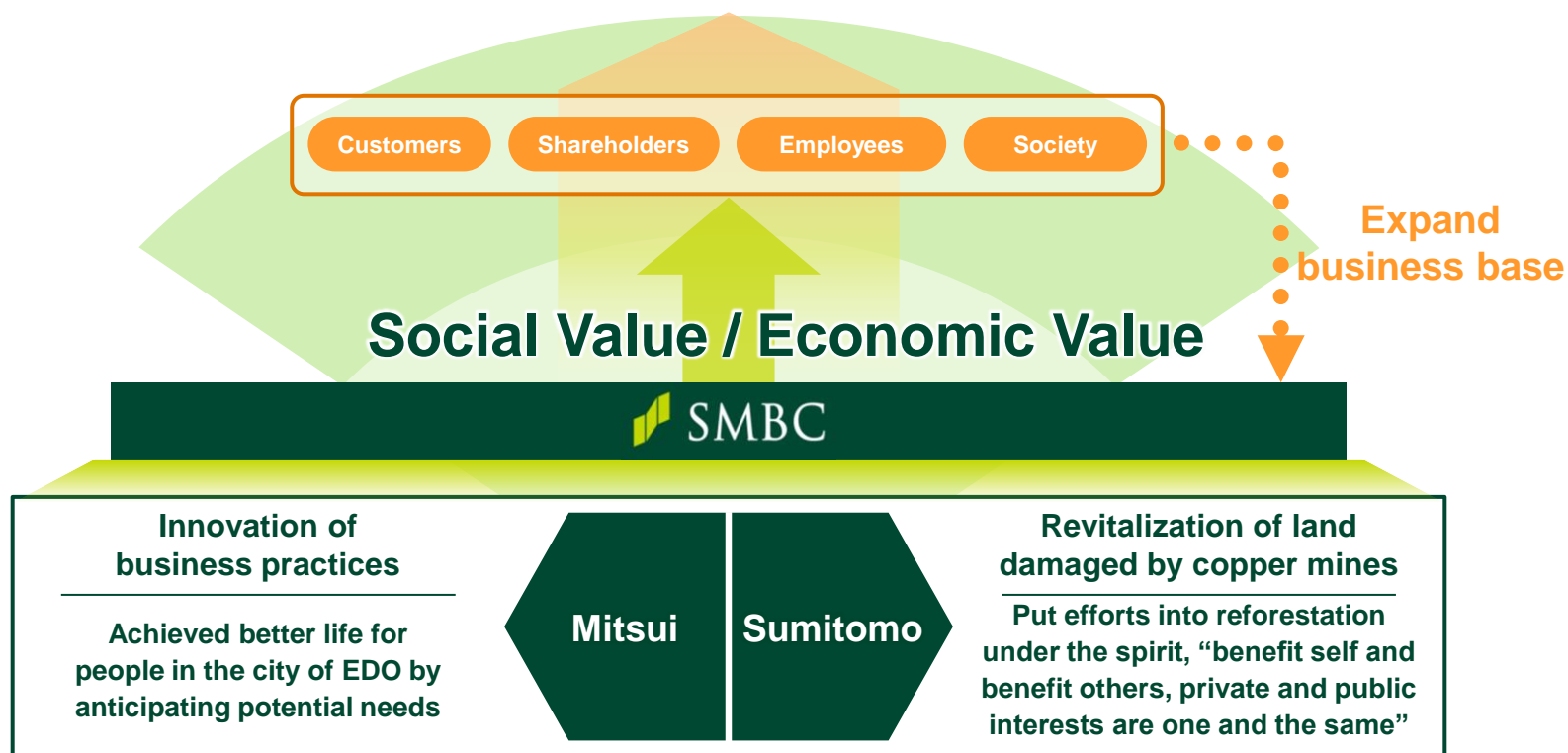
(stored in Sumitomo Forestry Co., Ltd. Collection)

Era of “Fulfilled Growth”

We aim to create an era of “Fulfilled Growth” in which people feel fulfilled as economic growth accompanies the resolution of social issues. To achieve this, we have set “Create Social Value” as one of the cornerstones our Medium-Term Management Plan, and are engaging in related initiatives.

Era of "Fulfilled Growth"

An era where people feel fulfilled as economic growth accompanies the resolution of social issues



Initiatives for social value creation and visualizing impact




Through our initiatives in creating social value and visualizing their results, we aim to expand the circle of engagement across society and strive towards the realization of an era of "Fulfilled Growth." In this endeavor, we approach "impact" from three aspects to advance our initiatives.

Expansion of SMBC Group's Circle of Initiatives for Social Value Creation

- As the creation of social value, or "impact," is of paramount importance, "impact" has been introduced as new "metrics" for evaluating companies.
- SMBC Group aims to lead this area by visualizing the results of our efforts using "impact."
- By broadening the scope of our social value creation initiatives, we are committed to realizing an era of "Fulfilled Growth."



The Three Aspects of "Impact" in SMBC Group

| | Environment | DE&I / Human Rights | Poverty & Inequality | Declining Birthrate & Aging Population | Japan's Regrowth |
|--|---|--------------------------------------|--|--|-----------------------------------|
| 1 Efforts for Social Value Creation — Focusing on five priority issues (materiality) to create social value and generate impact.  | Efforts Toward Achieving Net Zero | Human Capital Management | Providing Opportunities for Education and Trying Out | Addressing the Needs of the Elderly | Support for Startups |
| 2 Visualization of Created Social Value — Visualizing impact generated from social value creation and anticipating changes in "metrics."  | Contribution to Reducing GHG Emissions | Enhancing Employees Job Satisfaction | Supporting Customers' Social Independence | Improving Financial Literacy | Enhancing Customers' Productivity |
| 3 Expansion of Financial Solutions — Utilizing impact as "metrics" to assess customers' social value creation within the financial solutions provided by SMBC Group.  | <ul style="list-style-type: none"> • Positive Impact Finance • Impact IPO Support • Social Impact Bond • Impact Investments | | | | |

*For details on the SMBC Group's impact initiatives, please refer to the [Impact Report](#)

Progress to date



Strategy

Climate change

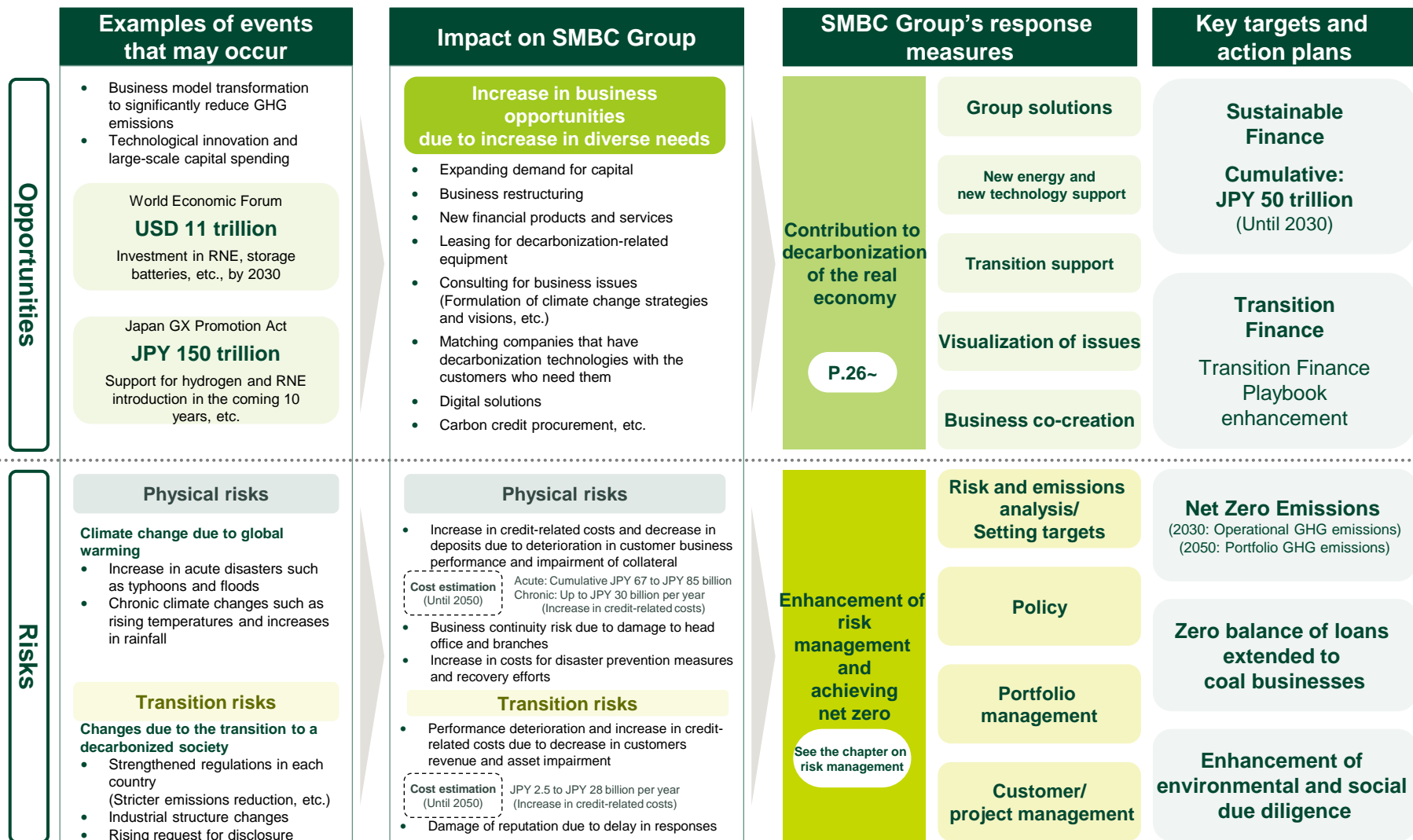
Overall picture of efforts to contribute to a decarbonized society

Based on our awareness of opportunities and risks associated with climate change, we thrive to achieve a decarbonized society through seizing business opportunities, enhancing risk management, and strengthening engagement and partnerships with stakeholders that supports these initiatives.



Awareness of opportunities and risks associated with climate change

The progression of global warming and the transition to a decarbonized society will have a significant impact on SMBC Group's businesses. We will analyze these impacts from both opportunity and risk perspectives, and strive to seize growth opportunities by contributing to the decarbonization of the real economy while mitigating climate-related risks.



(Reference) Major targets and action plans for addressing climate change

Main targets and action plans for responding to climate change, as well as our progress, are shown in the table below.

| Main targets and action plans | | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 | 2040 | 2050 |
|--|--|--------------------------------|--|--|--|--|---------------------------------------|---|----------|
| Sustainable Finance | | | | | Cumulative total JPY 24 trillion (FY2020–23) | JPY 50 trillion Cumulatively | | | |
| Transition Finance (TF) | | | | | TF Playbook Power, Energy | TF Playbook Steel, Automobile | To be continuously revised every year | | |
| Scope1,2 (Operational GHG) | | 2030 Net Zero Commitment | SMBC Head office building renewable energy introduction | Company-owned properties renewable energy introduction | Introduction of renewable energy to data centers | Mid-term target: –40% (vs. FY2021) Make net zero a reality | 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 | Facilitated Emissions Consider goals | Achieve mid-term targets 6 sectors | | Net Zero |
| Coal | Loan balance for coal-fired power generation | Established phase-out strategy | | | Updated policies for specific businesses and sectors | Project finance 50% reduction from FY2020 | | Zero Balance for Project finance and Corporate finance tied to facilities | |
| | Loan balance for thermal coal mining sector | Established phase-out strategy | | | Updated policies for specific businesses and sectors | Zero Balance OECD countries | | Zero Balance non-OECD countries | |
| Environmental and social due diligence | | ESG risk summary tool | Trial run for the framework to confirm the transition plan of each company | | Introduction of environmental and social due diligence | Continuous updates | | | |

Contributing to decarbonization of the real economy (promoting decarbonization businesses)

In achieving a decarbonized society, we believe that our greatest responsibility as a financial institution is to contribute to the decarbonization of the real economy in addition to achieving net zero within SMBC Group. By leveraging the Group's strengths to provide support to our customers in addressing the wide-ranging challenges and the needs of decarbonization, we will work to reduce GHG emissions across the society and seize business opportunities arising from climate change.

Main challenges customers could face in decarbonization

Pursuing R&D on new energy and technologies with high investment risks, or adopting decarbonization technologies

Grasping GHG emissions of their own company as well as of the whole supply chain

Pursuing energy transition in regions dependent on fossil fuels

Discovering partners for fuel procurement and business restructuring for decarbonization

Ensuring one-stop, speedy responses to issues

SMBC Group's strengths

1 Offering diverse, cutting-edge solutions

Financing



Consulting



Equipment Introduction



Asset management /payments



2 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

3 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

4 Visualization of sustainability issues withing 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

5 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

Various and cutting-edge solution across SMBC Group

Maximizing our strengths as a global financial group engaged in a wide range of businesses, we come together as a group to provide a variety of solutions that utilize the strengths of each company.

Major solutions for decarbonization

- Providing comprehensive support for our customers' diverse efforts toward decarbonization

Bank



- Project finance
- Sustainable finance, etc.



Trust banking



- Green trust ABL
- Sustainability related real estate



Leasing



- Solar power PPA
- EV adoption support, etc.



Securities



- Green bonds
- Transition bonds, etc.



Card payments



- CO2 emissions calculation based on card payment data



Consulting



- Target/strategy setting, disclosure support
- Decarbonization consulting



Asset management



- Sustainability investment
- Impact Investments



Case examples

Participate in the grid-scale battery storage business

- SMFL MIRAI Partners operates a variety of RNE power generation businesses such as solar, biomass, and hydroelectric power. It has established a limited liability company to operate a grid storage battery business with Idemitsu Kosan, RENOVA, and Nagase.
- SMFL MIRAI Partners arranged project finance for the project—the first for a grid-scale battery storage business in Japan.
- The plant is scheduled to begin operation in October 2025 in Himeji City, Hyogo Prefecture, and will contribute to the expansion of RNE sources, for which power generation varies depending on the weather.



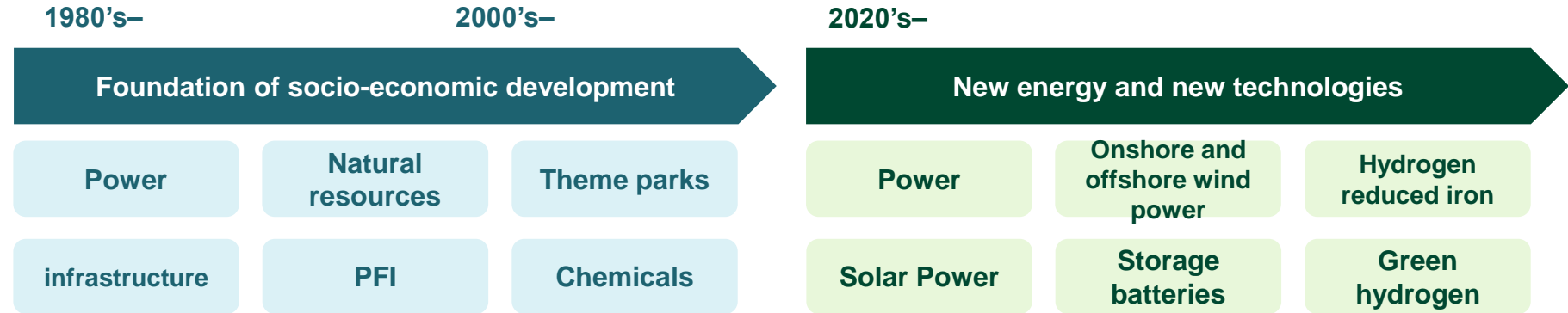
Published a report on sustainable aviation fuels (SAF)

- SMBC Aviation Capital, the core aircraft leasing subsidiary of SMBC Group, has conducted joint R&D and published a report on SAF—which is essential for decarbonizing the aviation industry—in collaboration with Boeing and Mitsubishi Heavy Industries.
- The report comprehensively summarizes the issues facing the expansion of the SAF market in Japan, as well as the necessary supply chain construction, fund raising, policy support, etc.



Risk-taking in New Energy and New Technologies

In order to decarbonize the real economy, it is essential to develop new energy resources and technologies and expand their introduction. We will actively support new energy and new technology projects with the project finance know-how we have developed.



History and achievements in the project finance field

- As a pioneer in this field, we have participated in numerous large-scale projects both in Japan and overseas, accumulating over 30 years of experience and a proven track record.
- SMBC has won the Global Bank of the Year award—the highest industrial honor in the world—a total of seven times from Project Finance International, the most prestigious journal in the field (on par with the top bank in the world).

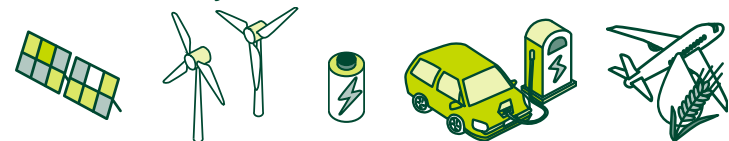


Awareness of issues concerning new energy and new technologies

- The following matters are in need: the commercialization of technologies in the development stage, the reduction of implementation and operation costs, infrastructure improvements such as power transmission and distribution networks, and policy support for the creation of demand.
- Financial institutions could face challenge of risk assessment and credit decisions for projects with high uncertainty and difficult market forecast.



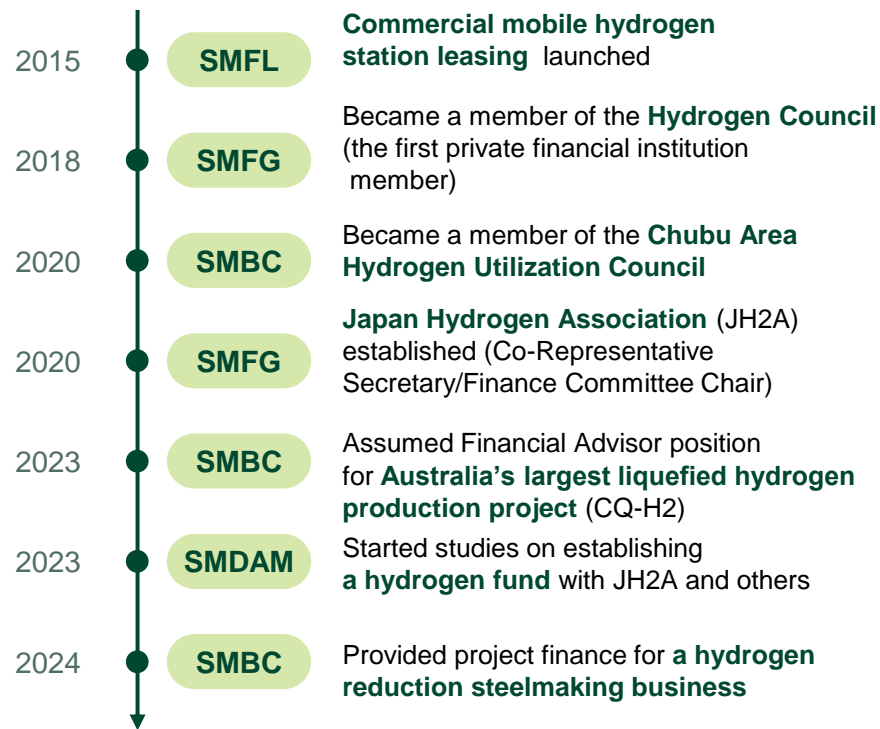
- We will boldly take on risks in new energy and new technologies, and contributed to the development of infrastructure and the scaling up of technologies that will serve as the foundation for a decarbonized society.



Risk-taking in New Energy and New Technologies

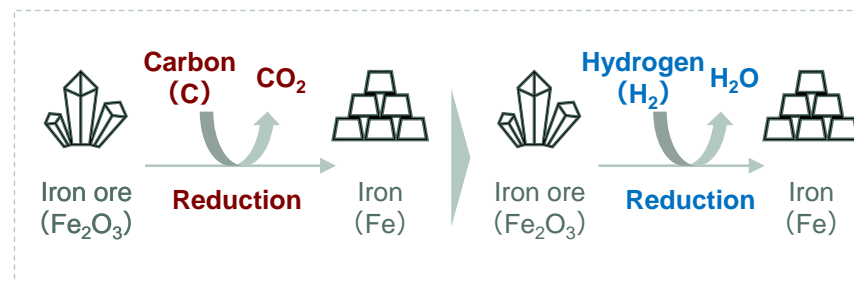
Hydrogen does not emit CO2 when used, and it is expected to play a role as a clean energy source in a decarbonized society. We have been promoting efforts on a global basis since the dawn of hydrogen, contributing to resolving the technological and institutional issues barring its social implementation. We are undertaking various initiatives, going beyond our framework as a financial institution to be a leading company in this field.

Initiatives for the social implementation of hydrogen



Case example: Support for the world's first large-scale hydrogen reduction steel plant

- Executed project finance to support the construction of the **world's first large-scale hydrogen reduction iron plant** for H2 Green Steel, a Swedish hydrogen reduction steel manufacturer
- Normally, steel is produced by removing oxygen from the ore with fossil sources, and this process emits CO2. However, **this project can reduce almost the entire amount of CO2 emissions** by using hydrogen instead of fossil sources.
- SMBC engaged with the stakeholders such as sponsors, off-takers, and suppliers of the hydrogen direct reduction iron plant regarding the current state of technology for hydrogen reduction iron and the challenges towards utilizing >90%hydrogen.
- Developed expertise in analyzing technology risks and the trend of energy transition, **SMBC became the only Asian bank in this landmark transaction.**



H2green steel



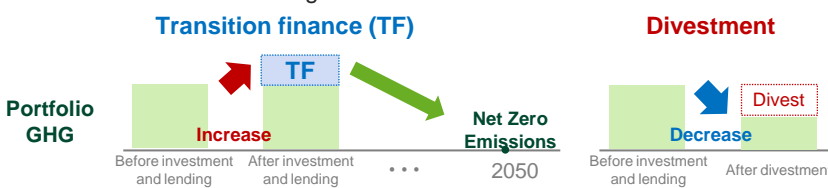
Supporting transition in the world, including Japan/Asia




We define transition finance as “financial services provided to clients aiming to support them align their business and/or operations with pathways in line with the objectives of the Paris Agreement.” We work to provide steady transition support using our Transition Finance Playbook and to solve related issues.

Transition Finance Playbook

| | |
|--------------------|--|
| Description | <ul style="list-style-type: none"> Shows SMBC Group's definition and criteria of Transition Finance and its decision-making process (Link) tfp_en.pdf (smfg.co.jp)  |
| Objective | <ol style="list-style-type: none"> Develop an objective and rational criteria Ensure accountability towards stakeholders Utilize the Playbook within customer engagement |
| Results | <ul style="list-style-type: none"> Engagement: 100 cases <ul style="list-style-type: none"> Mainly for customers in the power and oil/gas sectors Approved cases: 21 <ul style="list-style-type: none"> Support for introducing RNE and adjustment power sources for the transition of Asian power operators and others The steel and automobile sectors were added to the target scope. |

Challenges in making the transition

- Increase in short and mid-term portfolio GHG emission**
 - Due to issues with calculation methods, there is a risk that transition support will temporarily increase the portfolio GHG emissions linked to the financial institutions' loans, which might be deemed inconsistent with emission reduction goals.
- Lack of vision or infrastructure for achieving net zero by 2050**
 - If the national net zero goals are insufficient, and if industrial restructuring and infrastructure development are required for the transition, it will be difficult for a single company to pursue transition.
- Increase in cost burden**

| | | |
|---|---|---|
|  Company Increase in business transformation costs, occurrence of needs for price pass-throughs |  Government Economic performance, stable supply of energy, and decarbonization to be ensured at the same time |  Citizens Increased burden in the form of utility charges |
|---|---|---|

Future initiatives

Publish a progress report (1H of FY2024)

- We plan to summarize the past initiatives using the Transition Finance Playbook and to post articles on topics such as practical issues and recommendations to stakeholders.

Continue dialogues with stakeholders to resolve issues

- We intend to provide a sufficient explanation on the significance of transition support, lead efforts for rule-making and infrastructure improvements, improve understanding of the transition, and help accelerate the necessary initiatives across society.

Supporting transition in the world, including Japan/Asia

Decarbonization, particularly in Asian countries that are highly dependent on fossil fuels, is essential to achieving the Paris Agreement. In recognition of this fact, we are implementing a number of measures to support the energy transition.

Case example: Support for transition/GX

Power sector: Early retirement of coal-fired power plant in Australia







- Supporting a leading Australian electricity and gas utility company in establishing new energy storage facilities through adoption of the Playbook, which will contribute to accelerating the retirement and decommissioning of its coal fired power plants by up to 10 years earlier than originally planned.
- This would reduce GHG emission by up to 16 MT per year upon completion of decommissioning.



Support for RNE transition



Finance projects towards energy transition

| | | |
|---|--|---|
| India 2,000 MW class solar power  | Taiwan 1,000 MW class offshore wind power  | India 380 MW solar  |
| Australia Wind and solar power  | India 300 MW class wind and solar power  | India Solar power giga factory  |

(Reference) Overview of the certification procedure for transition finance

1 Check transition eligibility of the assets subject to lending

- Consider policies, taxonomies, roadmaps of each countries and best practices for each industry, and check the eligibility using the SMBC Internal Taxonomy (an internal document, annex to the Transition Finance Playbook),

2 Check the transition eligibility of the obligor and its sponsor

- Item examples to be checked
 - ✓ Details of GHG emissions reduction goals
 - ✓ Presence or absence of net zero commitment
 - ✓ Status of formulating specific transition strategies
 - ✓ Avoidance of carbon lock-in, etc.

3 Consider whether to approve the eligibility

- For a transition-eligible transaction, certify the finance as “transition finance” and advance to a normal credit screening process.
- If eligibility under the Transition Finance Playbook is insufficient, we will provide support to enable transition for the customer through such measures as conducting continuous engagement and helping the customer upgrade their transition plans.

Visualization of sustainability issues and business co-creation

In order to engage in decarbonization, it is essential to understand your current situation and collaborate with partners that have the necessary technologies. We are supporting our customers' decarbonization efforts by providing services such as visualization of issues and business co-creation, and striving to capture the financial opportunities that lie beyond.

Visualization of sustainability issues

- We will strengthen the utilization of visualized data and the response capabilities to consultation requests from companies and their other needs regarding specific measures to reduce GHG emissions.

Sustana

- Cloud tool that helps calculate and reduce GHG emissions** developed by SMBC Group
- It calculates CO2 emissions throughout the supply chain in accordance with the GHG Protocol (an international standard).
- Convenience is being improved through collaborations with external companies.



Cumulative total number of companies using the service

Approx. **2,000 companies** (as of July 2024)

Strategic capital and business alliance with Asuene

- In June 2024, a strategic capital and business alliance between the two companies took effect, and mutual collaboration started in **providing solutions and consulting services on a global basis.**
- Through the partnership, support can be provided leveraging the strengths of both companies. Examples include effective decarbonization solutions based on proven data, business matching, and various types of financing.



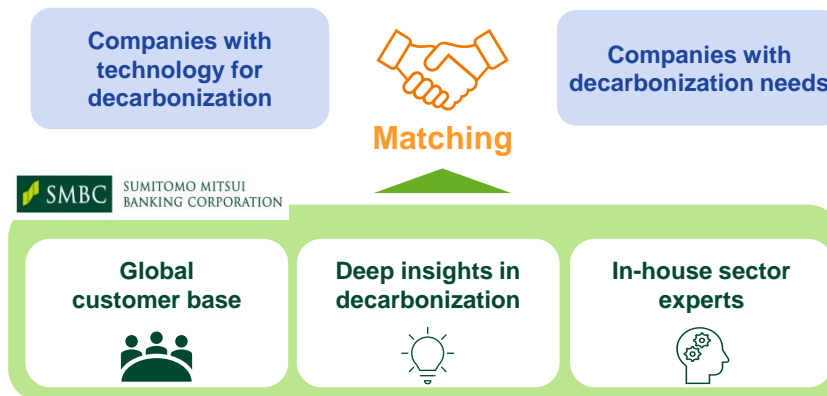
Advanced development capabilities, supply chain management know-how

×

Wide customer base, diverse financial and non-financial solutions

Business co-creation with customers

- We will pursue business co-creation aimed at decarbonization and create incidental financial events by matching customers in possession of technologies and those with needs.



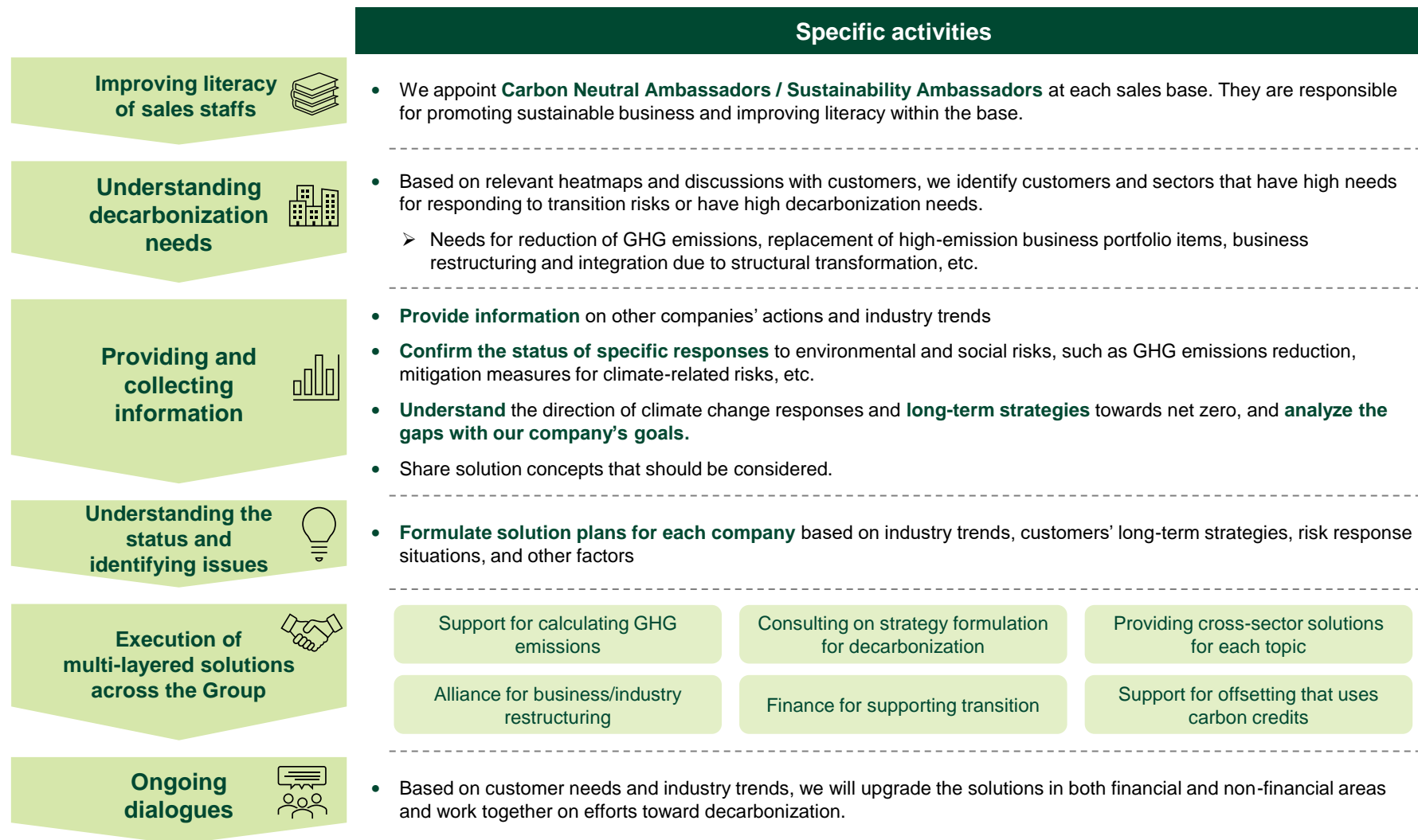
Case example: Introduction of renewable energy to SCSK data center

- SMBC coordinated the conclusion of a Corporate Power Purchase Agreement between SCSK, Tokyu Land Corporation and ReENE, which involved the issuance of Japan's first I-REC (a form of international RNE power certificate).
- This agreement will supply about 13% of the annual power usage at the data center of SCSK (netXDC Tokyo Center 1). It supports SCSK in the stable procurement of RNE. In addition, we contributed to establishing a new RNE procurement method, and further contributed to expanding the RNE market in Japan.



Engagement: Customers

We are working on improving the literacy of our sales staff, providing useful information, identifying strategies and issues, and to propose solutions that utilize the knowledge and networks of the entire Group.



Engagement: Strengthening collaboration between industry, academia and government

We will participate in various initiatives, conferences, and study groups led by industry, research institutes, and governments and authorities, and will be involved in creating the surroundings and formulating guidelines. Through the process, we will contribute to rule-making and strengthening partnerships toward the decarbonization of society as a whole.

Industries and research institutes

Industry: Glasgow Financial Alliance for Net Zero (GFANZ)

- We participate in various aspects of the activities of GFANZ, an alliance of international financial institutions aiming to achieve net zero.
- Many countries in Asia are highly dependent on coal-fired power generation as an energy source, and a gradual phase-out from fossil fuels (managed phase-out) is important to achieve a fair and comprehensive transition to decarbonization (just transition). We will contribute to the formulation of effective guidelines for such support.



Express opinions on check points necessary for support



Research institute: Singapore Green Finance Centre

- This is Singapore's first joint research institute to promote and disseminate sustainable finance. It consists of universities, authorities and multiple financial institutions,
- As a founding partner, we will contribute to the appropriate management of environmental risks, the development of sustainable financial solutions, and the accumulation of knowledge on policy design.



Government and authorities

COP28

- Participate in various panel discussions concerning the promotion of transition finance and the formulation of transition plans at international conferences attended by governments, authorities, and international organizations.



Participate in various conferences and study groups in Japan

- Participate in conferences and study groups on issues such as climate change, natural capital, and the circular economy organized by government ministries, local governments, research institutes, and others.
- Contribute to the formulation of various policies and public guidance by explaining SMBC Group's climate change initiatives and our awareness of problems based on discussions in customer engagement and global initiatives.

Examples of various conferences and study groups

Transition Finance Environmental Improvement Review Committee

Expert Council on Mobilizing New Funds for Development

Review Committee on Ideal State of Financial Infrastructure concerning Carbon Credit Transactions

Net Zero Transition Plan

SMBC Group’s transition plan, aligned with GFANZ guidance, is as follows (see the Appendix for a detailed comparison table):

| Components | Items | Main contents |
|-------------------------|---|---|
| Foundations | Corporate policy on climate change and the approach for initiatives | <ul style="list-style-type: none"> SMBC Group Statement on Sustainability, Group Environmental Policy Scope 1, 2 net zero by 2030 Scope 3 net zero (portfolio GHG emissions) by 2050 |
| Governance | Strengthening governance on climate change | <ul style="list-style-type: none"> Supervision by the Board of Directors and internal committees, including the Sustainability Committee Establishment of the Group CSuO to oversee and promote sustainability Enhancement of the executive compensation system Capability building for executive and employees |
| Implementation strategy | Decarbonization businesses | <ul style="list-style-type: none"> SMBC Group’s diverse, cutting-edge solutions Taking risks in new energy and new technologies Visualization of sustainability issues and business co-creation with customers |
| | Climate-related risk assessment and management | <ul style="list-style-type: none"> Upgrade of policies for specific businesses and sectors Introduction of environmental and social due diligence |
| | Portfolio GHG emissions | <ul style="list-style-type: none"> Expand the target scope for calculating portfolio GHG emissions and setting goals. GHG emissions analysis: Overall picture of GHG emissions, sectoral FE, and reduction goals |
| | Operational GHG emissions | <ul style="list-style-type: none"> Introducing RNE power, converting vehicles to EVs, acquiring forests in Isehara City |
| Engagement strategy | Engagement with customer | <ul style="list-style-type: none"> Introducing the Transition Finance Playbook |
| | Engagement with industry | <ul style="list-style-type: none"> Participation in GFANZ, NZBA, NZAMI, PCAF, IIF, JH2A, and others |
| | Engagement with governments and authorities | <ul style="list-style-type: none"> Participation in various committees organized by the Japanese government |
| Metrics and targets | Sustainable finance KPI | <ul style="list-style-type: none"> A cumulative total of JPY 50 trillion by 2030 |
| | Portfolio GHG emissions reduction targets by sector(Scope 3) | <ul style="list-style-type: none"> Setting targets for the power, coal, oil and gas, steel, automobile, and real estate sectors Setting KPIs for transition |
| | Operational GHG emissions reduction targets (Scope 1, 2) | <ul style="list-style-type: none"> vs. FY2021: 40% reduction in FY2025, 55% reduction in FY2026 |

Column: Adaption to climate change

In addition to the “mitigation” of climate change, there is growing interest in “adaptation”. We have begun working on adaptation, focusing on such areas as infrastructure, food and agriculture, and developing business continuity plans (BCPs).

Mitigation

Reduce GHG emissions and mitigate rising temperatures and weather phenomena

Saving electricity and energy, utilizing RNE, popularizing EVs, etc.

Adaptation

Prepare for the adverse effects of disasters that are already likely to occur

Disaster preparedness, heat stroke prevention, crop breeding, etc.

Case example: Initiatives in the food and agriculture sector



- Mirai Kyoso Farm Akita, an agricultural corporation funded by SMBC, SMFL, etc., established the Tohoku Onion Production Promotion R&D Platform in August 2022 in collaboration with Sojitz and the National Agriculture and Food Research Organization.
- Hokkaido, Saga and Hyogo account for about 85% of domestic onion shipments, but the bias in production areas poses the risk of price hikes due to poor harvests.
- Mirai Kyoso Farm Akita aims to establish a production area in Tohoku where onions can be harvested during the off-season for domestically grown onions, promote wide-area cooperation, and contribute to a stable supply of the vegetable.



Case example: Initiatives in the infrastructure sector



- In September 2022, the River Basin DX Study Group was established as a measure to combat increasingly severe flood damage.
- The Study Group considers flood control methods by using existing infrastructure scattered throughout each river basin and digitizing weather and river information.
- Given that financial and human resources for flood damage are becoming increasingly scarce, we aim to provide rich lives that utilize abundant river resources while taking possible flood control measures.

Case example: BCP responses



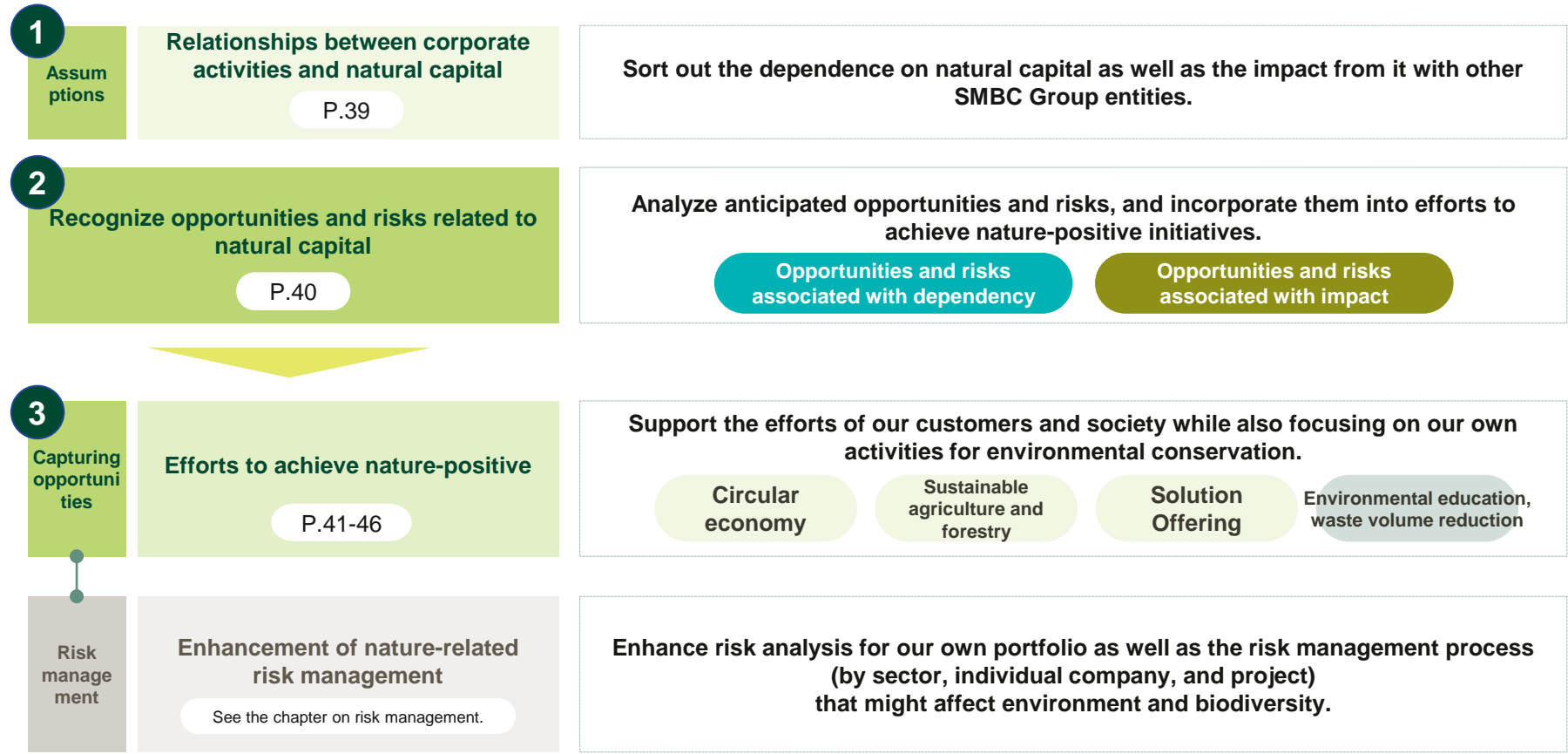
- Provide BCP analysis-based loans to help customers respond to increasingly severe natural disasters.
- Evaluate customer BCP, business continuity management (BCM), and business continuity management system (BCMS) based on evaluation criteria that we have independently formulated together with MS&AD InterRisk Research & Consulting.

Strategy

Natural capital

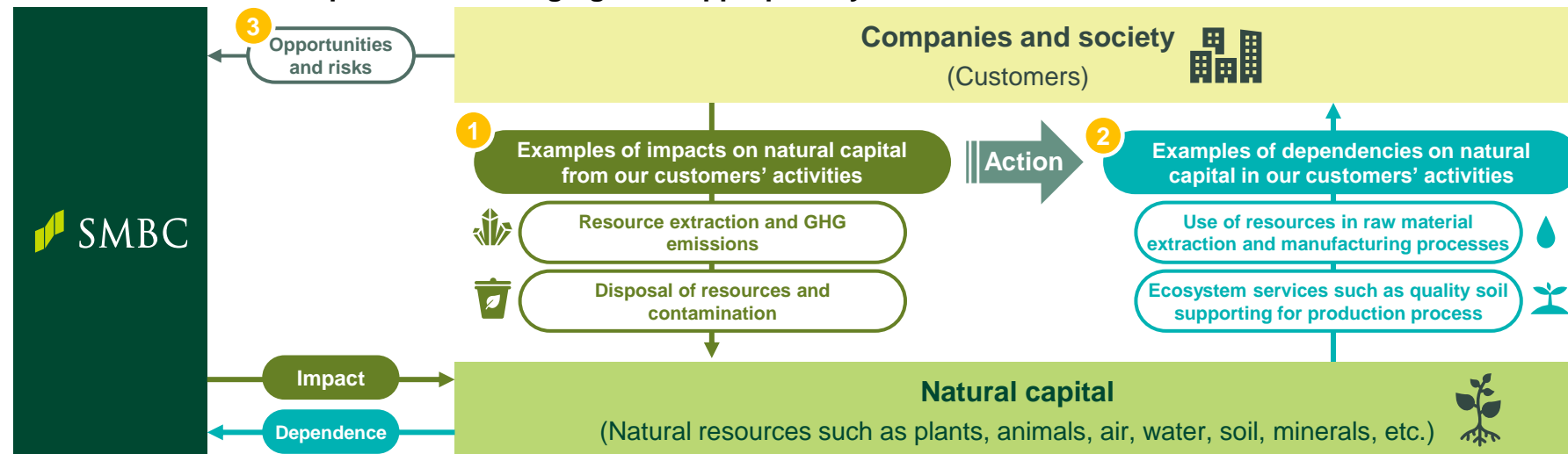
Overall picture of efforts to achieve nature-positive initiatives

Based on our recognition of the opportunities and risks associated with natural capital, we are working to support the efforts of our customers and society to achieve nature-positive initiatives, as well as to enhance our own environmental conservation efforts and nature-related risk analysis and management systems.



Connection between corporate activities and natural capital

SMBC Group has a strong connection with natural capital—not only through its own business activities, but also through transactions with customers. We will understand and analyze the points of interaction between our customers and natural capital, as well as their mutual dependencies and impacts, and seize business opportunities in the field of natural capital while managing risks appropriately.



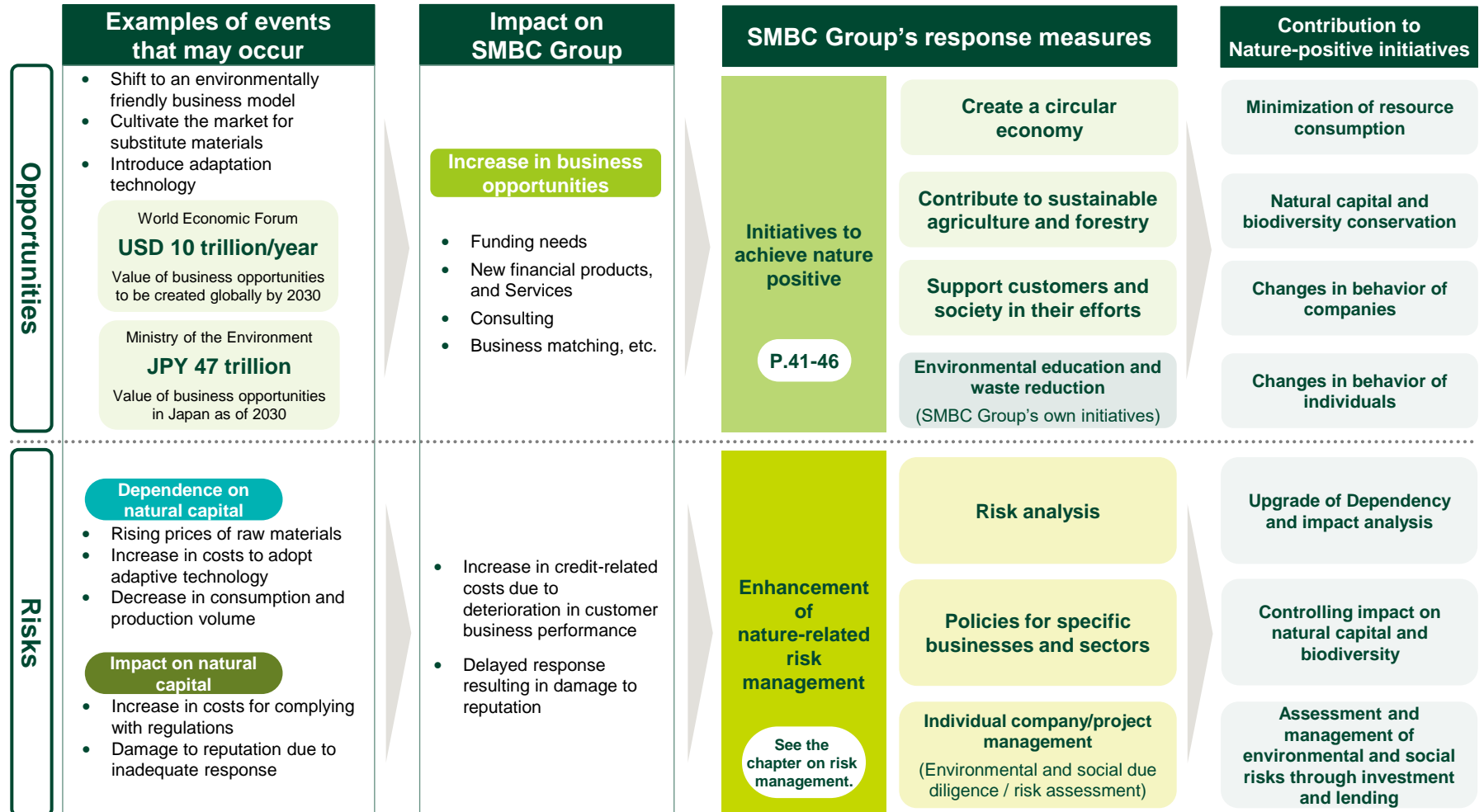
(Example) Connection with natural capital through transactions with customers: soft drink manufacturer

| | If natural capital is preserved and restored | If natural capital is impaired |
|---|--|---|
| 1 Impact on natural capital | Conservation of water resources and improvement of water quality | Excessive use of water resources and inappropriate wastewater treatment resulting in water shortages and deterioration of water quality |
| 2 Dependence on natural capital | Procurement of high-quality, low-cost water resources resulting in cost reductions and improvements in service quality | Difficulty in obtaining water resources and declining productivity resulting in increased costs and decreased quality of service |
| Customer performance | Improved performance | Deteriorated performance |
| 3 Opportunities and risks for SMBC Group | Increase in investment and lending opportunities and reduction in credit-related costs | Damage to reputation and increase in credit-related costs |

Recognizing opportunities and risks related to natural capital

We analyze the relationships between our customers' business activities and natural capital from the perspectives of dependency and impact, and identifying opportunities and risks for SMBC Group.

We strive to conserve and restore natural capital by supporting our customers' efforts to achieve nature-positive initiatives, through our own environmental conservation initiatives, and by enhancing our nature-related risk management systems.

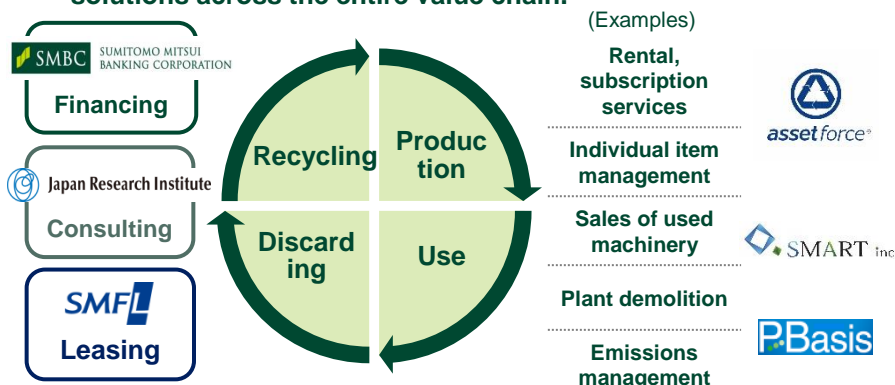


Creating a circular economy

We will promote efforts to transition to a circular economy that reduces resource consumption and achieves material circulation, contributing to the sustainability of natural capital by capturing and expanding resource circulation needs and increasing the value of renewable resources.

Providing solutions across the entire value chain

- Leveraging the Group's strengths, we will focus on **developing solutions across the entire value chain.**



SMFL Solution (example)



Waste management

- In April 2024, a joint venture was established with Amita Holdings, a company engaged in the circular society design business.
- It provides waste management systems and support for improving the efficiency of environmental management operations as well as for circular economy initiatives.



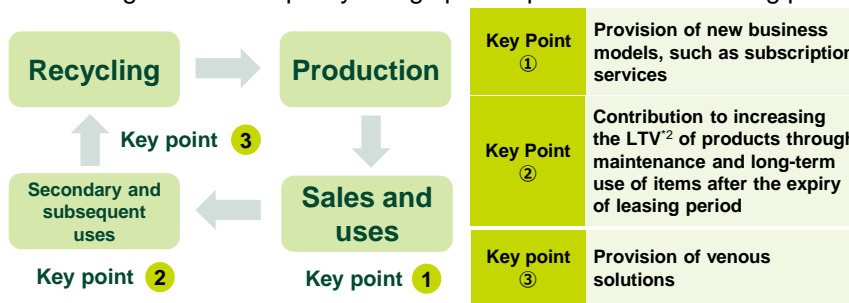
Dismantling and disposal of facilities and plants

- The venture's one-stop services range from plant demolition and equipment removal works to resale and recycling of unnecessary machinery and equipment.
- It undertakes a wide range of contracting works, from various facilities and plants to structures such as piers.

Creating a closed loop using specific products



- Utilizing the finance leasing business model, we support companies in building a closed loop*¹ by using specific products as a starting point.



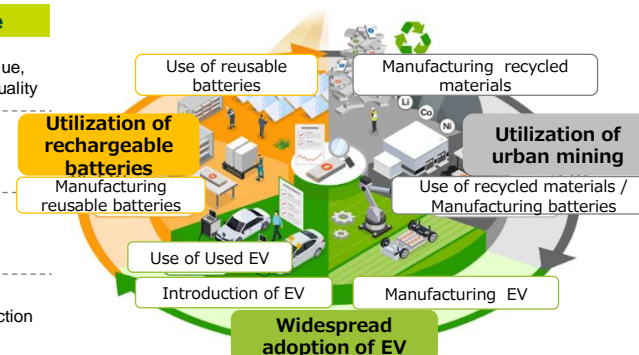
Promoting circular uses of EV batteries



- To maximize the cyclical value of EV batteries, the key is to use them "smartly" during the usage phase. Therefore, **we plan to launch a Smart Use Council to support EV user companies and promote setting specifications and standardization.**

Key points for smart use

| | |
|----------------------------------|---|
| Use of New EV | Raise residual value, improve battery quality |
| Widespread adoption of Used EV | Evaluate battery capacity, assure quality |
| Manufacturing reusable batteries | Safety, management of residual capacity |
| Recycling batteries | Secure quality, ensure CO2 reduction effects |



*1. Recycle the products and resources that were previously discarded as new resources.

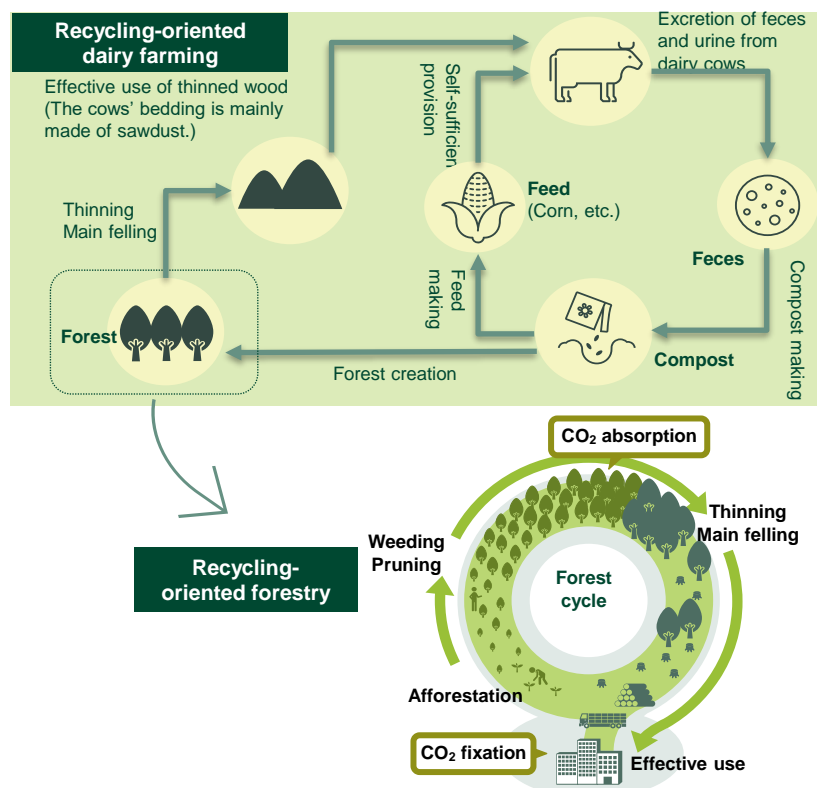
*2. An abbreviation for "life time value," which is the total profit generated by a customer from the start to the end of their uses of our services.

Contribution to sustainable agriculture and forestry

To conserve and effectively utilize natural capital in the fields of agriculture and forestry, we are working towards sustainable production through afforestation and appropriate forest management.

Circular dairy farming and forestry (Senbonmatsu Farm)

- In April 2024, a memorandum of understanding was signed with HORAI Co.,Ltd. for the purpose of collaboration.
- Through this collaboration, we aim to establish **recycling-based forestry (forest ecosystem)** and to upgrade **recycling-based dairy farming** at the Senbonmatsu Farm in Nasu-Shiobara City, Tochigi Prefecture.



Investing in forestry funds



- SMBC contributes to the **conservation of biodiversity and water resources** while promoting vegetation restoration through investments in forestry funds.

The Reforestation Fund

- A fund that conducts **industrial afforestation** for timber production and environmental afforestation for **forest conservation** on pasture land in South America.

Eastwood Climate Smart Forestry Fund

- This forestry fund aims to sell timber and **generate carbon credits** by implementing appropriate forest management for existing natural forests, mainly in North America.



Supporting customers and society in their efforts to achieve nature-positive initiatives

With the aim of promoting our customers' nature-positive initiatives, we provide solutions such as funding support for projects that contribute to promoting natural capital management and conserving natural capital.

Natural Capital Management Promotion & Analysis Loan



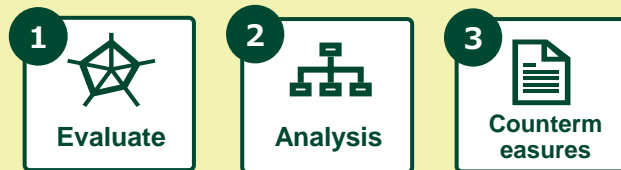
- In this loan product, customers' efforts to promote natural capital management are **diagnosed and analyzed** using unique criteria created by JRI and SMBC, thereby **supporting the promotion of further efforts** in the future.
- After the loan is extended, JRI will provide a **feedback report** that summarizes our **evaluation, analysis, and measures**.
- Once the report is created, we will **engage** with the customer to further help them enhance their initiatives.

Sustainable Development Bonds



- In June 2024, we exclusively underwrote bonds issued by the Americas Development Bank that are expected to contribute to the **conservation of biodiversity in the Amazon region of South America**.
- Uses of the funds include the protection of forests, development of infrastructure, and improvements to the living standards of indigenous peoples, all in the Amazon region. **The funds respond not only to natural capital conservation but also to human capital and climate change measures.**

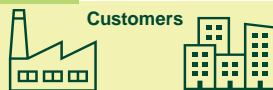
Natural capital management promotion analysis



Suggestions for the first step are provided in a feedback report

Practicing natural capital management

- Business improvement
- Information disclosure (TNFD, etc.)

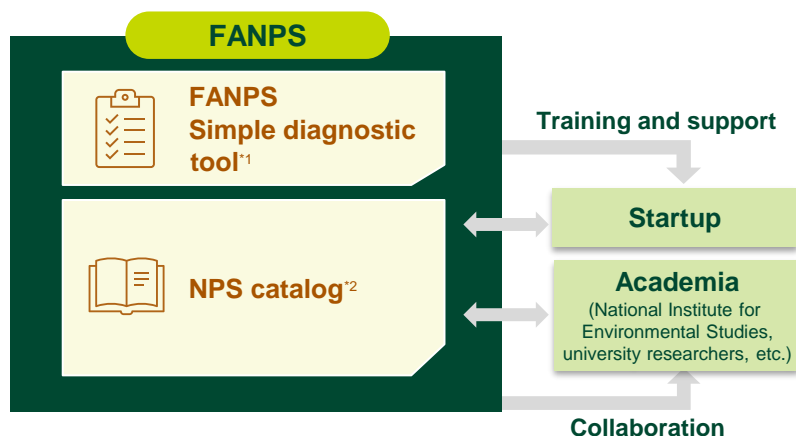


Supporting customers and society in their efforts to achieve nature-positive initiatives

We will promote nature-positive initiatives throughout society by supporting our customers in disclosing TNFD information, identifying issues in each region, and exploring solutions.

FANPS

- MS&AD Insurance Group Holdings, Development Bank of Japan, The Norinchukin Bank, and SMFG have established the Finance Alliance for Nature Positive Solutions (**FANPS**), a financial alliance **promoting and supporting companies in their efforts to become nature-positive**.
- It **provides tools** that allow companies to **easily assess** their own level of response to TNFD as well as **cataloging and publishing solutions** that contribute to nature-positive initiatives.
- Utilizing this framework, we will provide **solutions** and **finance** to support companies' nature-positive efforts.



*1. A tool that summarizes the time limits for responses required of companies based on the TNFD disclosure recommendations and allows companies to easily diagnose the level of their response.

*2. A catalogue useful for nature-positive initiatives that compiles the methods and tools for analyzing nature-related risks, and solutions that contribute to mitigating these risks, based on research, organized for each of the TNFD impact drivers.

Ecosperity Week 2024

- A roundtable was held at **Ecosperity Week 2024** in Singapore in April 2024 to **accelerate the creation of nature-positive solutions** in Southeast Asia.
- Using three projects located in Southeast Asia as case studies, participants exchanged views with various stakeholders, including experts, companies, and NPOs, on the opportunities, challenges, and solutions related to nature-positive finance.





Our company's environmental conservation efforts

In addition to forest conservation and external education, we contribute to the conservation and restoration of natural capital through a wide range of initiatives such as reducing paper usage and waste in our own business activities.

Furano Nature School

- Since 2006, we have supported environmental programs led by screenwriter So Kuramoto.
- We have carried out nature-related projects such as planting trees on closed golf courses and conducting environmental education programs.
- To date, **over 40,000 people** have participated in the tree-planting activities, and **80,000 trees** have been planted.



SMBC Green project

- SMBC is using tablets and **renewable resources to reduce paper usage volume**.
- By promoting the use of web passbooks, funds generated from the reduction in paper passbooks are **donated to reforestation activities** in the Kirikawa area of Tenkawa Village, Nara Prefecture.



Towards environmentally friendly materials



Reducing paper resource usage



Switch to web passbook

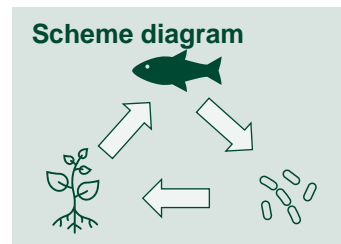
SMBC Forest

- We acquired about 220 hectares of forest in the Hyuga district of Isehara City, Kanagawa Prefecture.
- We joined the 30by30 Alliance* to contribute to **biodiversity conservation**.
- We plan to build environmental education facilities under the supervision of Furano Shizen Juku, and implement educational programs there.



Waste volume reduction initiative

- Environmentally friendly products (such as recycled waste cooking oil and shredder waste made into items such as hand soaps and hand sanitizers) are being introduced.
- An **aquaponics system (a system for growing both fish and plants by circulating water)** is now installed in the East Tower of the head office. It is used as a place for environmental education.



*An organization that collaboratively works to achieve the international goal of conserving and protecting 30% of each country's land and marine areas by 2030. It is working towards the goal of halting and reversing biodiversity loss (a nature-positive initiative).

Impacts of sales activities of our own company on nature

The TNFD recommendations call for organizations to indicate the areas in which their assets and operational bases are located, and then identify and disclose any locations that border sensitive locations (areas that are important for natural capital and biodiversity). Using the following process, we investigated the points of contact between our company’s bases and risk areas, and confirmed the impact of our sales activities on nature.

Activity bases and information gathering

- Collected location data from a total of **544 bases**.

Mapping

- Displayed location data on a map (right figure)



*Our sales bases have been added to the tiles of the Geospatial Information Authority of Japan.

| Building name | Number of offices |
|---|----------------------|
| Domestic sales offices | 472 locations |
| Head office building | 8 locations |
| Welfare facilities and training centers | 14 locations |
| Warehouses, storage centers, etc. | 10 locations |
| Operation center | 40 locations |
| Total | 544 locations |

Identification of sensitive locations

- Identified areas shown on the right as **sensitive locations**, and investigated the connections with our domestic activity bases.

| Natural environment conservation-related designated areas | |
|---|--|
| <ul style="list-style-type: none"> National park Quasi-national park Wilderness environment conservation area Natural environment conservation area | <ul style="list-style-type: none"> Habitat conservation area Nationally designated wildlife sanctuary Wetland registered with the Ramsar Convention |

Contact points with activity bases

- SMBC’s domestic business bases are conveniently located in urban areas and around major stations, so no “locations adjacent to sensitive locations” were found.
- In addition, in some areas of the Kansai region, we found that some of our bases were located relatively close to sensitive locations (within a two km radius). However, in light of the characteristics of the bases, we determined that the **impact** on natural capital and biodiversity **would be limited**.

Going forward

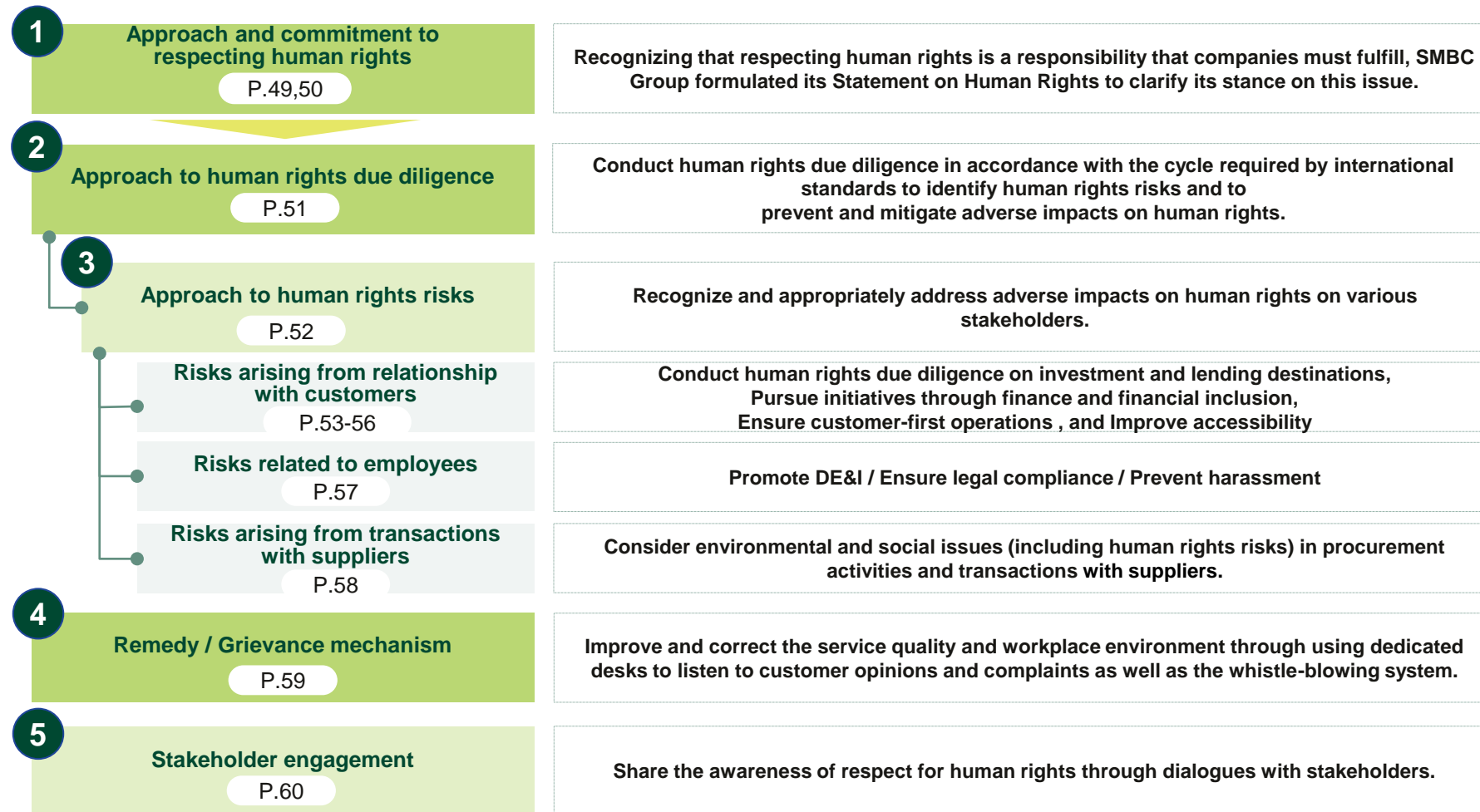
- Considering natural capital and biodiversity**, we will reduce water usage and waste volume at each existing base and consider initiatives to reduce the impact of the environmental load across SMBC Group.

Strategy

Respect for human rights

Overall picture of efforts to respect human rights

We will fulfill our responsibility to respect human rights throughout our entire supply chain, and work towards enhancing our corporate value and creating a positive impact on society.

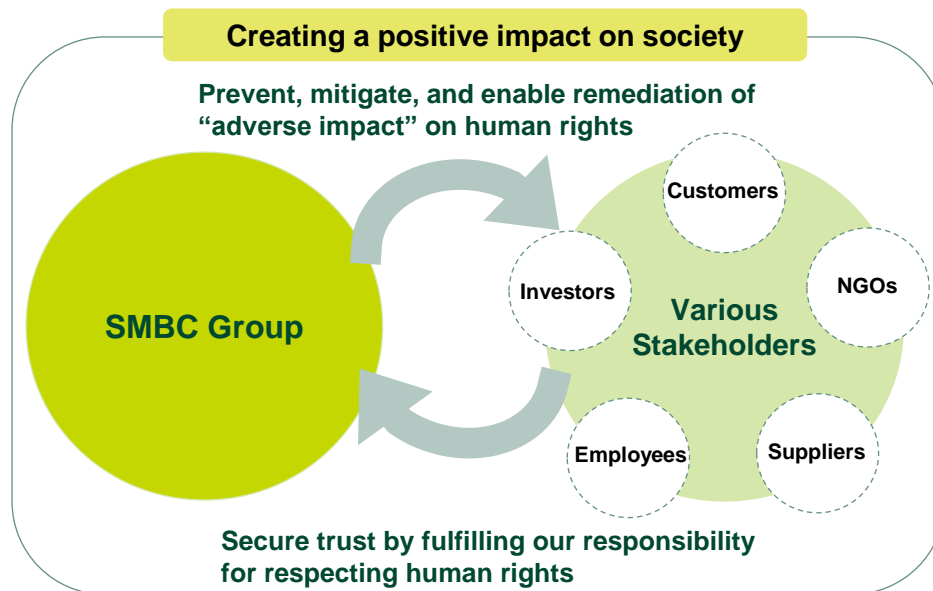


Our approach to respecting human rights

We have set human rights as one of our priority issues (materiality), and are committed to respecting human rights in order to prevent, mitigate, and remedy any adverse impacts on stakeholders; to creating a positive impact on society; and to working to realize the growth of our corporate value.

SMBC Group’s approach to respecting human rights

- Recognizing that **respecting human rights is a responsibility that companies must fulfill**, we have set human rights as one of our priority issue (materiality).
- Placing primary importance on **adverse impacts** by SMBC Group on stakeholders, we also take into account the impacts we may face ourselves, and are committed to **identifying** adverse impacts on human rights and work to **prevent, mitigate, and remedy** such impacts.
- Fulfilling our responsibility to respect human rights through the above initiatives will help SMBC Group secure trust from society, which will in turn contribute to enhancing our corporate value and **creating a positive impact** on society.



| Human rights that SMBC Group respects | |
|---|---|
| Internationally recognized human rights | <ul style="list-style-type: none"> • International Bill of Human Rights • ILO Declaration on Fundamental Principles and Rights at Work |
| International standards for corporate activities | <ul style="list-style-type: none"> • Guiding Principles on Business and Human Rights • ILO MNE Declaration • OECD Guidelines for Multinational Enterprises |
| Japanese government guidelines | <ul style="list-style-type: none"> • Guidelines on Respecting Human Rights in Responsible Supply Chains |

Commitment to respecting human rights

In 2017, SMBC Group established the “Statement on Human Rights” to express its stance on human rights. We continually review the content of the Statement, considering the opinions we exchange with external experts and the advancement of initiatives regarding respect for human rights.




Background of the Statement on Human Rights

| | |
|-------------------------------|--|
| 2017 Establishment | It was established to show our response to the UK Modern Slavery Act, as well as to clearly declare that we will protect and promote the human rights outlined in the International Bill of Human Rights, and that we will exclude all activities related to slavery, forced labor, human trafficking, child abuse, and similar issues, from our Group's businesses and supply chains. |
| 2021 Revision | <ul style="list-style-type: none"> Clarified the approval process and authority for the Statement. Clarified that human rights considerations will be taken into account in lending transactions per certain set criteria. Remedy and grievance mechanism was strengthened. |
| 2023 Revision | <ul style="list-style-type: none"> The human rights due diligence system in lending transactions was strengthened. Measures based on the Sustainable Procurement Policy were strengthened. |

Compliance with laws and regulations (Modern Slavery Act)

- SMBC announced a [statement](#) on its efforts to prevent slavery and human trafficking in accordance with the UK and Australian Modern Slavery Acts.
- SMBC Bank International, SMBC Nikko Capital Markets (UK), SMBC Aviation Capital, and SMBC Leasing each announces a statement in accordance with the UK Modern Slavery Act.

Overview of the Statement on Human Rights

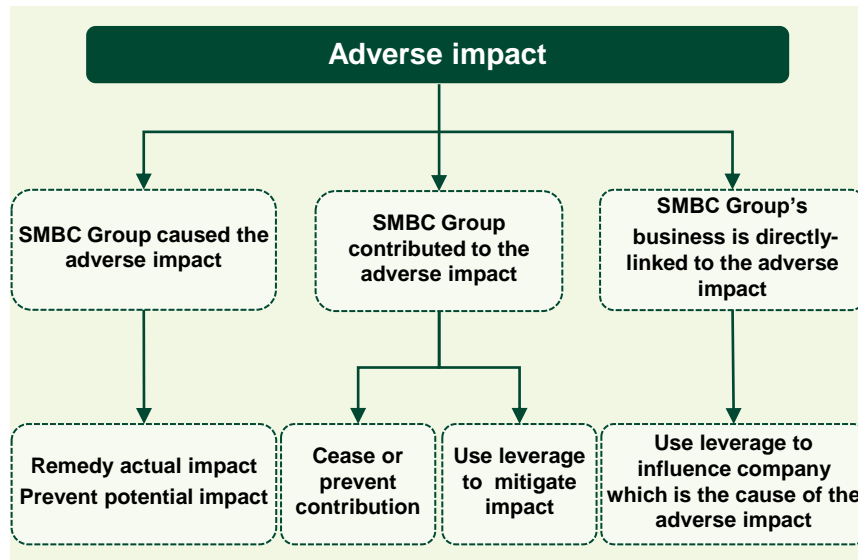
| | |
|--|--|
| Human rights that SMBC Group respects | <ul style="list-style-type: none"> Understand and respect, as a minimum, the internationally recognized human rights, such as those set out in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Respect 1) the human rights of our customers and those affected by transactions with our customers, as a financial service provider; 2) the human rights of our supplier employees and those affected by procurement, as a procurement entity; and 3) the human rights of our own employees, as an employer. <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;"> <div style="text-align: center;">  Customers and local communities </div> <div style="text-align: center;">  Employees of each supplier </div> <div style="text-align: center;">  Our employees </div> </div> |
| Internal and external communication | <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px; background-color: #e6f2ff;"> <p style="text-align: center; margin: 0;">Employees</p> <p style="text-align: center; margin: 0;">Training, company intranet</p> </div> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 5px; background-color: #e6f2ff;"> <p style="text-align: center; margin: 0;">Stakeholders</p> <p style="text-align: center; margin: 0;">Information posted on SMBC Group website</p> </div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #e6f2ff;"> <p style="text-align: center; margin: 0;">Suppliers</p> <p style="text-align: center; margin: 0;">Based on the statement, suppliers are requested to understand and cooperate in the criteria deemed appropriate by SMBC Group.</p> </div> |
| Statement approval authority | To be approved after deliberation at the Management Committee and the Board of Directors |

Our approach to human rights due diligence

Recognizing that it is important to address adverse human rights impacts in line with the form of involvement, we are striving to identify, prevent, and mitigate adverse human rights impacts from the business operations of SMBC Group in accordance with the human rights due diligence cycle required of companies under international standards.

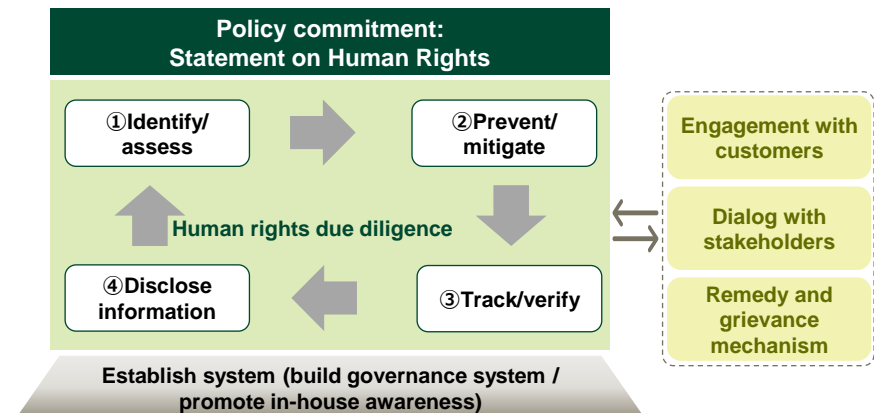
Response to adverse impacts on human rights

- Adverse impacts on human rights occur not only inside the company, but also at external stakeholders, when the company is perceived as having the potential to 1) **cause** them, 2) **contribute to aggravating** them, or 3) be **directly linked** to adverse impacts through its business operations, products, or services.
- **Address adverse human rights impacts** as per the flowchart below.



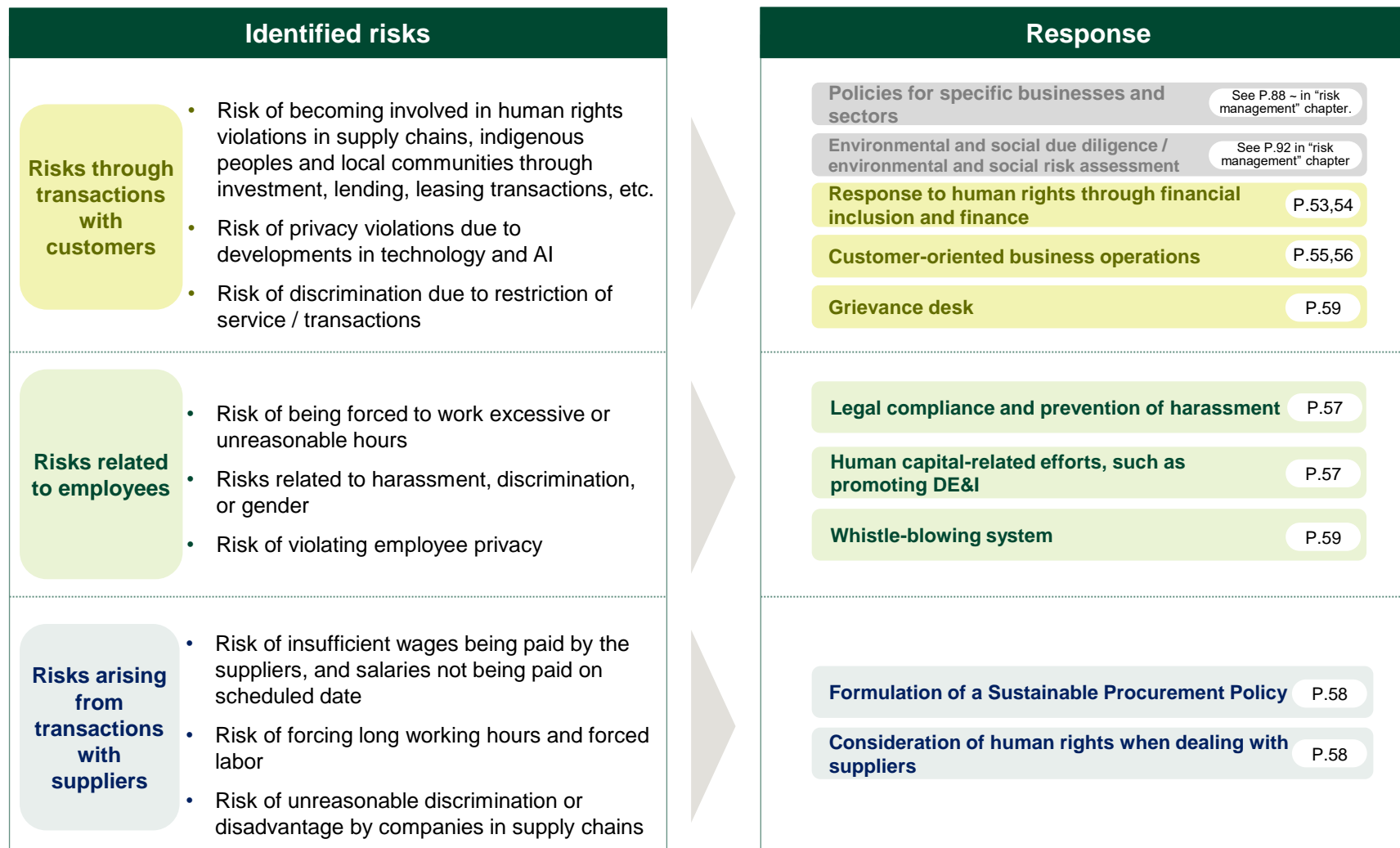
Human rights due diligence

- Pursue a series of human rights due diligence procedures and work to build a governance system and raise awareness within the company.
- Clarify the Group-based support policy through formulating Cross-sectoral and cross-business policies and policies for specific businesses and sectors.
- At SMBC, adverse impacts on human rights are being identified and assessed as part of the environmental and social due diligence and environmental and social risk assessments. In addition, the introduction of human rights due diligence for customers was completed at SMBC Nikko Securities in May 2024. We will continue to work on introducing and enhancing the system at SMBC Group companies.
- We will continuously **improve human rights due diligence** through external dialogues.



Approach to human rights risks

We recognize that there is a risk that our business may have an adverse impact on the human rights of our stakeholders (human rights risk), and we believe that properly responding to human rights risks will contribute to maintaining and enhancing our corporate value.



Addressing human rights through sustainable finance

SMBC supports its customers' efforts to respect human rights through sustainable finance.

Positive impact finance

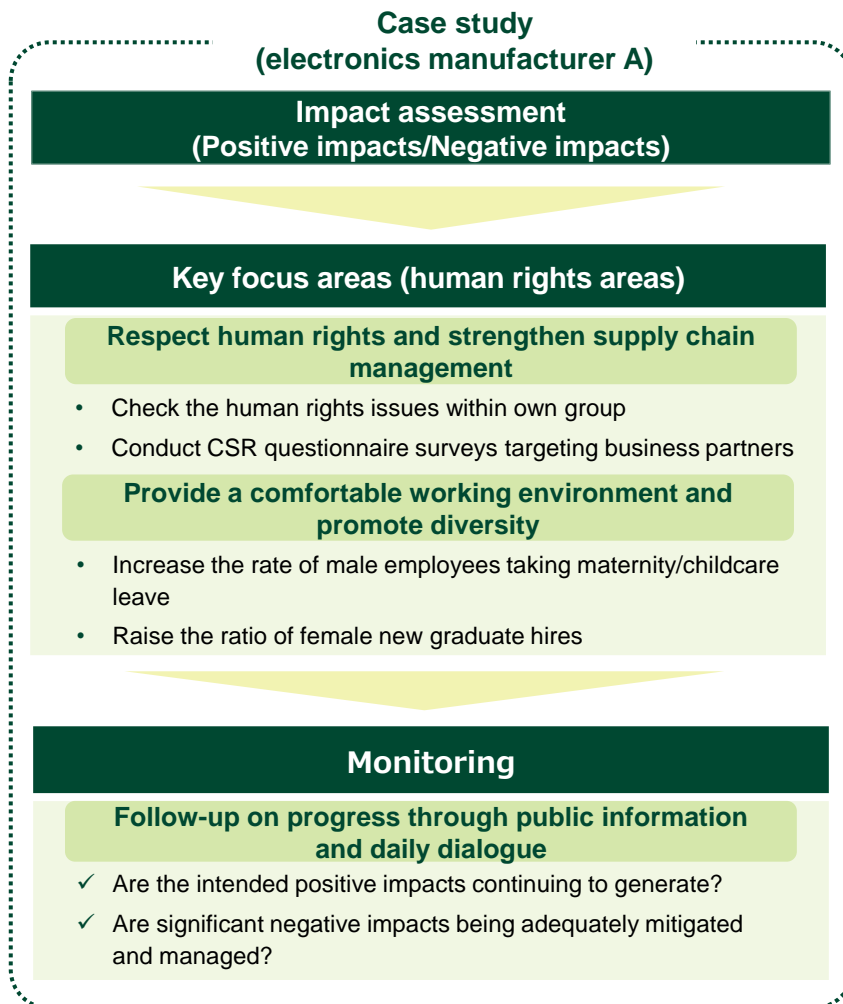
- A financing product aimed at comprehensively analyzing and evaluating the **impact** (both positive and negative) of a company's business activities on the **environment, society, and economy**, and providing ongoing support for activities aimed at **achieving sustainability management**.
- SMBC prepares a **Positive Impact Finance Assessment Report** based on priority initiatives and evaluation indicators established using SMBC's proprietary impact identification tool of **SMFG Impact Finder** and discussions with customers.
- SMBC follows up on the progress once a year after the loan is executed.

Sustainability-linked loan

- This loan product set sustainability performance targets (**SPTs**) that are aligned with the borrower's sustainability strategy in order to encourage the borrower to improve its sustainability performance, and **provides incentives or disincentive on the borrower, depending on the status of achievement of those targets**.

SPT examples in the field of human rights

- Obtain certification as an "KENKO Investment for Health Outstanding Organization"
- Maintain an annual paid leave utilization rate of 70% or more
- Maintain 100% rate of male employees taking childcare leave



Addressing human rights through financial inclusion

To contribute to achieving economic growth without leaving no one behind, we are working to improve living standards for people in socially disadvantaged positions through financial inclusion.

Initiatives to improve living standards through financial inclusion

- As part of our efforts to solve the issues of poverty and inequality, we are **promoting financial services** and **providing finance** in emerging Asian countries where there is a relatively large number of people without bank accounts and low-income earners.
- We are **promoting various financial inclusion initiatives** to contribute to improving the living standards of socially disadvantaged people and ensuring sustainable economic growth in emerging countries.

Case studies

1

Initiatives at BTPN Syariah (Indonesia)

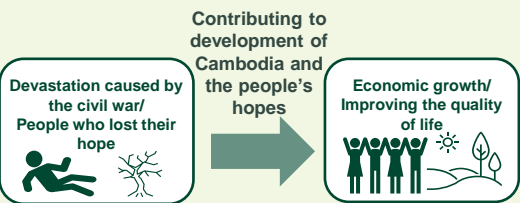
- BTPN Syariah is a subsidiary of BTPN, a local Indonesian bank of SMBC Group.
- The only syariah bank in Indonesia that focuses on rural individual customers**, with a particular focus on women who work for home-based proprietary businesses in rural areas.
- Bank staffs visit local communities to handle customer deposits and loan transactions.



2

Partnership with ACLEDA Bank (Cambodia)

- In 2012, a **business alliance** with ACLEDA Bank was launched, and we **invested** in the bank in 2014.
- Since its establishment in 1993, ACLEDA Bank has supported the social independence of the underprivileged through **microfinancing**.
- In 2020, along with the country's development, ACLEDA Bank became **the only listed bank**.



3

Collaboration with Gojo & Company, Inc.

- In November 2023, we began **collaborating** with Gojo & Company, Inc., which provides microfinance in India, Tajikistan, Cambodia, etc.
- We aim to contribute to financial inclusion in emerging countries by providing **low-cost, high-quality financial services** to micro businesses, mainly those run by women.
- In September 2023, we extended a **social loan (JPY 9 billion)** to the group company.
- Use of proceeds of the loan is to help **improve customer livelihood and empowerment**.



Addressing human rights through transactions with customers

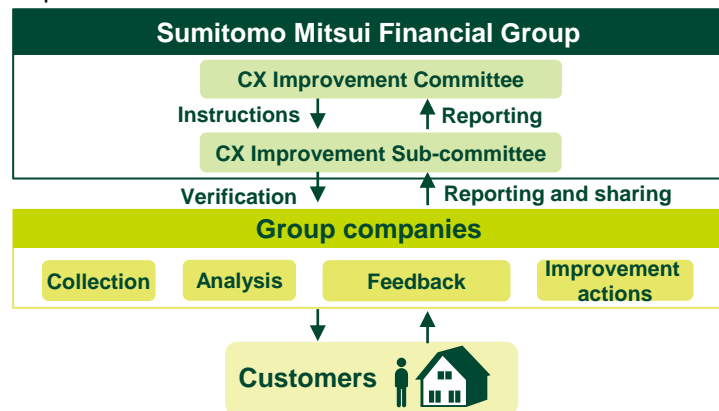
We adhere to basic principles such as customer-oriented business conduct and compliance, and strive to avoid any inappropriate behavior that could lead to adverse impact on human rights, such as discrimination and violation of privacy.

Customer-oriented business conduct and compliance

- Our Mission sets forth the following: **“We grow and prosper together with our customers by providing services of greater value to them.”** With our Group companies working together, we are making efforts to improve the service quality and customer experience (CX).

Promotion structure

- Strengthen the initiatives and management systems for customer-oriented business operations and promote collaborations within the Group.



Customer-oriented business conduct

- Based on the “Principles for Customer-Oriented Business Conduct” announced by JFSA, we have formulated the **Basic Policy for Customer-Oriented Business Conduct** and a specific handling policy in Retail Business Unit.

Protection of personal information (privacy policy)

- While the use of information continues to increase with the advancement of IT and digital technologies, there are growing social concerns about the negative impacts on human rights, such as personal information leaks and the violation of privacy. Given that, we recognize that **information management** aimed at the appropriate protection and use of information assets is an **extremely important** management issue.
- We clarify various safety management measures and management methods for information assets, provide training to and raise the awareness of executives and employees, and **strengthen the information management systems**.

System for checking advertisements

- At SMBC, if we find that any advertisements or promotional claims targeting customers or other external stakeholders are problematic **in terms of respect for human rights**, we ensure that they are appropriately corrected before being released.

Prevention of money laundering

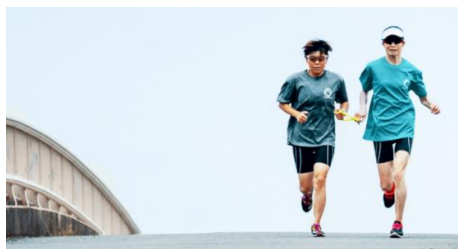
- SMBC Group recognizes the risk that our products and services provided to customers and our own transactions with third parties may be misused for money laundering and other illegal activities, leading to negative impact on human rights.
- The Group is working to prevent customers, contractors, executives and employees from getting involved in money laundering and other illegal activities.

Addressing human rights through transactions with customers

We are working to improve our branch operations and web services, as well as educate our employees, so that all customers can receive equal financial services.

Accessibility (SMBC)

Aiming to create a **society in which everyone can enjoy economic prosperity and well-being.**



Accessibility policy of SMBC

- We aim to make it possible for all clients, with or without disabilities, to safely and comfortably use all our online services without discrimination.



- We are continuing to improve online accessibility and are accurately providing necessary and reasonable considerations.



- We encourage all executives and employees to work to improve online accessibility as a crucial issue, and encourage them to make an effort to spread and enlighten people, to ensure contribution to an improvement in the banking industry standard.



SMBC initiatives for accessibility (examples)

Ensuring universal design for branch offices

- When introducing new branch office facilities, we check at the development stage if it is easy for people with disabilities to use.
- After introduction, by listening to customer feedback, we promote universal design at branch offices.



Training for employees

- Conducting training for employees who provide guidance to our customers.

Pictogram for facilities



Voice-read password card



Clear explanations on important information



- We have been granted the highest award, the **UCDA Award**, for the fifth consecutive year at the UCDA Awards 2023, sponsored by the Universal Communication Design Association.

Addressing human rights of employees

Given our belief that employees should be treated fairly and with dignity, we strive to provide our employees with a workplace where there are no violations of human rights of any kind, such as long working hours and harassment, as well as discrimination on the basis of race, nationality, gender, sexual orientation, or gender identity.

Legal compliance

- We regularly monitor the working conditions of each company and are **complying with various laws and regulations**, taking steps to eliminate excessive work, and improving the working environment and work hours.
- Each group companies are pushing forward as a policy to **create an environment where all employees can feel their job is rewarding regardless of their employment status**. In addition to providing wages above the minimum wage, each group company is properly addressing the principle of equal pay for equal work ,which was introduced in April 2020.
- Each SMBC Group company concluded a labor agreement with the employee union or the employee representative, respecting each other’s positions and aiming to promote the sound development of the bank, maintain and improve the working conditions of union members; and improve their social, economic, and cultural status.

Prevention of harassment

- In order to create a healthy working environment where everyone can work comfortably, we have created and distributed the **Harassment Prevention Guideline**.
- We conduct trainings aimed at raising awareness among managers which includes practical approaches using specific case studies to prevent recurrence, and how to handle harassment reports.

Cultivating a corporate culture that values diversity

- At SMBC Group, **our most valued asset is our people**.
- Our Mission Statement reflects this conviction : “We create a work environment that encourages and rewards diligent and highly motivated employees”.
- SMBC Group implements measures to promote the active participation and the growth of human resources from diverse backgrounds. We work across the Group to **create a work environment in which each employee can work comfortably and feel motivated**.
- We aim to build a corporate culture in which **diverse human resources can thrive** without discrimination based on race, nationality, age, gender, sexual orientation/gender identity, religion, creed, culture, disability, career, or lifestyle.

For details on human capital initiatives, see P.62.



Addressing human rights when dealing with suppliers (Sustainable Procurement Policy)

SMBC Group is dealing with a variety of suppliers in the course of its business. To prevent and mitigate the occurrence of various adverse impacts on human rights, such as labor problems in supply chains, we request that our suppliers understand and cooperate with our Sustainable Procurement Policy. Also, we regularly check the response status among our suppliers, including their efforts to respect human rights.

Sustainable Procurement Policy

See P.133 for the full text

- We formulated **Sustainable Procurement Policy** in April 2022 in order to promote responsible procurement activities throughout the supply chain that take into consideration the environment and society.
- We request that our suppliers not only comply with the laws and regulations applicable in each country in which they do business, but also that they **understand and cooperate with the criteria deemed appropriate** by SMBC Group.

Human rights considerations during transactions with suppliers

- In accordance with the Sustainable Procurement Policy and within the framework for third party management, we **check that grievance mechanism has been established** at each supplier to receive various inquiries and concerns from their employees regarding human rights violations and other matters.
- In addition, we inform each supplier of our Sustainable Procurement Policy and **request that they understand and cooperate** with the criteria deemed appropriate by SMBC Group.
- In managing transactions with suppliers, we regularly confirm their **corporate policy** on handling human rights issues and **check if there has been any negative information on human rights violations**. Thereby, we are addressing the respect for human rights throughout our supply chains.



Request for understanding and cooperation with the criteria deemed appropriate by SMBC Group

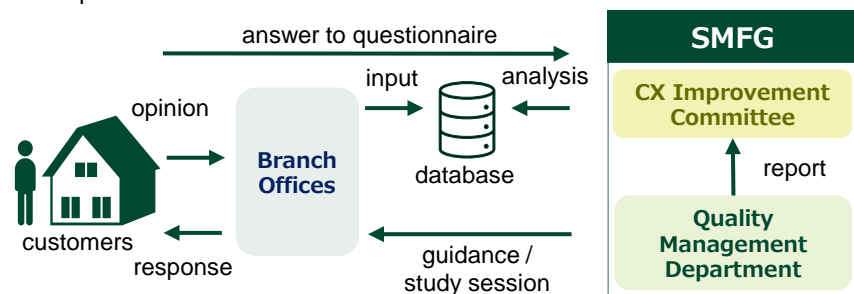


Remedy and grievance mechanism

We have set up a grievance desk to receive feedback from customers and others, and use it to improve our services. Also, we have also established a whistle-blowing system through which employees can report issues, including human rights concerns.

Grievance desk for receiving opinions and complaints

- At SMBC, customer feedback is analyzed by various departments at the head office and used to improve our products and services.
- We incorporate this into employee training to improve our customer service capabilities.



- Compliant with the international standards for complaints handling ISO 10002/JIS Q 10002 (Quality management – Customer satisfaction – Guidelines for complaints handling in organizations)

Opinions and complaints related to human rights and our responses

LGBTQ customers
 “It’s wrong to treat them unequally in bank procedures.”

People in common-law marriages and same-sex marriages can become joint debtors. We started to handle loans with a guaranty from SMBC Guarantee.



Overseas customers
 “The procedures for opening an account are too complicated.”

We made a flyer for overseas customers, which contains information on account opening procedures. They were handed out, and we gave explanations.



SMBC Group Alarm Line (whistle-blowing system)

- It is available 24 hours a day, 365 days a year to employees of the Group companies (including contract, trial, temporary, and part-time employees), dispatched worker working at our offices, people seconded from other companies, and employees of external contractors.

Actions after whistle-blowing

- Investigations are conducted mainly at designated departments, such as the General Affairs Dept. and the Human Resources Dept.
- If an investigation reveals that a human rights violation has occurred, take corrective measures, such as personnel disciplinary action or warnings/guidance. In addition, formulate recurrence prevention measures, and ensure follow-up to check if any problems have occurred in terms of whistleblowers protection.
- Reception and processing status on internal whistle-blowing cases are regularly report to the Compliance Committee, the Group Management Committee, and the Audit Committee.

Initiatives to well disseminate the system

- Conduct annual surveys of employees of major group companies to check the recognition level and trust level. → **High recognition level has been maintained.**
- Actively inform all employees by displaying posters, distributing employee mobile cards, and holding training and study sessions.
- The number of reports made in FY2023 was 345, and is **on the rise.**

Main consultation subjects in the field of human rights: Sexual harassment, workplace harassment, pregnancy discrimination

Initiatives for a wide range of stakeholders

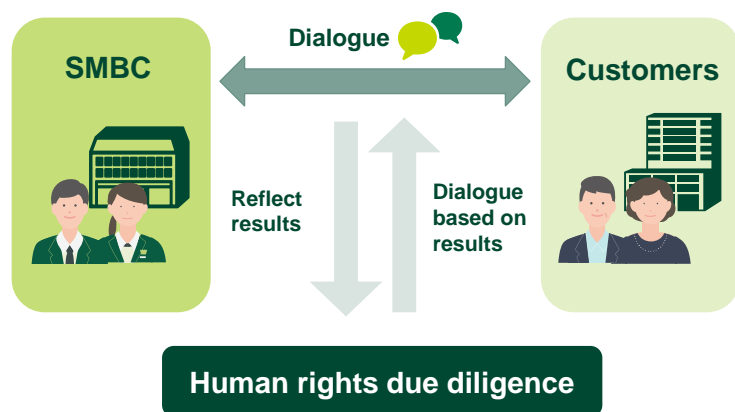
- We are working towards establishing a remedy and grievance mechanism for handling grievances from a wide range of stakeholders, including suppliers (scheduled to be introduced in FY2024).

Stakeholder engagement

We engage with customers and other stakeholders, strive to share awareness of respect for human rights, and reflect the findings in our own initiatives and operations.

Dialogues with customers

- SMBC obtains non-financial information, including information on human rights, through dialogues with customers, and recognizes the impact of their business activities on the environment and society.
- The results are used as qualitative inputs in credit assessment, and are **reflected in the process of identifying and assessing adverse impacts on human rights** in human rights due diligence. **Dialogues are held based on the results**, leading to further support for efforts.
- Going forward, we will continue to increase the quality of our engagement, actively support our customers' initiatives, and work with them to improve risk concerns.



Dialogues with other stakeholders

- We regularly exchange opinions with various stakeholders regarding the direction of SMBC Group's efforts to respect human rights, and incorporate the useful suggestions received regarding specific areas for improvement into our operations. In April 2024, we formulated a new policy on biomass power generation, including the perspective of human rights risks, based on dialogues with stakeholders.
- We support the 10 principles of the United Nations Global Compact related to human rights protection, the elimination of wrongful labor practices, environment, and anti-corruption. Through participating in discussions on alliances between the domestic companies under the initiative, we will upgrade our own initiatives.
- We promote suppliers' and employees' understanding of SMBC Group's policies, and dissemination of our systems.

| Stakeholders | Content of dialogues |
|----------------------------------|--|
| Investors | <ul style="list-style-type: none"> • Status of the building of the human rights due diligence system • Strengthen the expertise of directors |
| NGOs | <ul style="list-style-type: none"> • Concept for supporting borrowers and projects that could potentially have an adverse impact on human rights |
| International initiatives | <ul style="list-style-type: none"> • Grasp the gap between the UNGPs and the status of the group's initiatives, and take measures for enhancement |
| Suppliers | <ul style="list-style-type: none"> • Promote understanding of the Sustainable Procurement Policy |
| Employees | <ul style="list-style-type: none"> • Implement training for raising awareness on human rights • Operation and dissemination of the internal whistle-blowing system |

Strategy

Human capital

SMBC Group Talent Policy and three main strategies in human capital management

We recognize that the relationship between companies and employees is changing from “one of mutual dependence” to “one of choosing and being chosen”. SMBC Group has clearly stated “What SMBC Group expects employees to be” and “Employee Value Proposition” in the “SMBC Group Talent Policy”. We will promote three main strategies aimed at maximizing human resource capabilities group and global wide and connects these strategies to value creation.



What SMBC Group want employees to be

SMBC Group expects each one of employees to be the person who embodies SMBC Group's Mission, Vision, and Values. Namely, based on the premise of having awareness as a member of a global financial group with great responsibility to the society in which we operate, and the spirit of Diversity, Equity and Inclusion, each employee carries out own responsibility in their respective roles with professionalism, and demonstrate the best as a team, with respecting each other. And we expect that such employees and teams overcome various challenges and keep aiming high.

Employee Value Proposition

SMBC Group provides the stage where dreams come true, for the employees who understand what SMBC Group expects employees to be and strive for it. Namely, on the premise that we will foster an environment in which diverse professionals can always express their true self, we will provide opportunities to contribute to the customers and society by leveraging our customer base and business foundation, unique to a global financial group with a long history, and, through this, we will support your career development and growth.

Human capital investment

1

Creating a human resources portfolio that supports our strategies

P.63

2

Supporting for employee growth and well-being

P.64

3

Maximizing team performance

P.65

Creating a human resources portfolio that supports our strategy

We actively hire new employees and optimize staffing through the creation of a human resources portfolio to achieve our Medium-Terms Management Plan. Also, we formulate succession plans for vital Business Units and for key CxO positions.

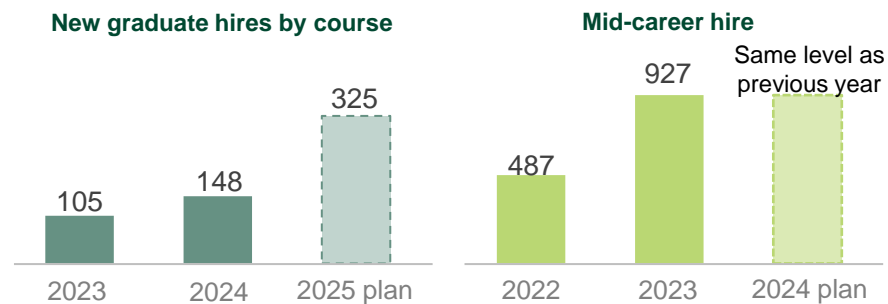
Expansion of human resources in focus areas

- For new graduate recruitment, we introduce “open recruitment” targeting undergraduates who are willing to gain experience in a wide range of business fields and “course-specific recruitment” targeting who are willing to cultivate high levels of expertise in a particular area. For mid-career recruitment, we hire human resources who possess diverse knowledge regardless of industry, with the aim of creating an organization more conducive to innovation.
- We secure and develop professionals in specific domains by evaluating and rewarding their expertise in focus areas, using the “Specific Skills Certification System”.

Key investments in Focus Areas

| Focus areas | Human resources planning (3 years) | |
|--|------------------------------------|----------------|
| | FY2023 results | |
| Legal, compliance, risk management, IT | +400 persons | +1,000 persons |
| DX, analytics | +150 persons | +300 persons |
| Global | +50 persons | +100 persons |

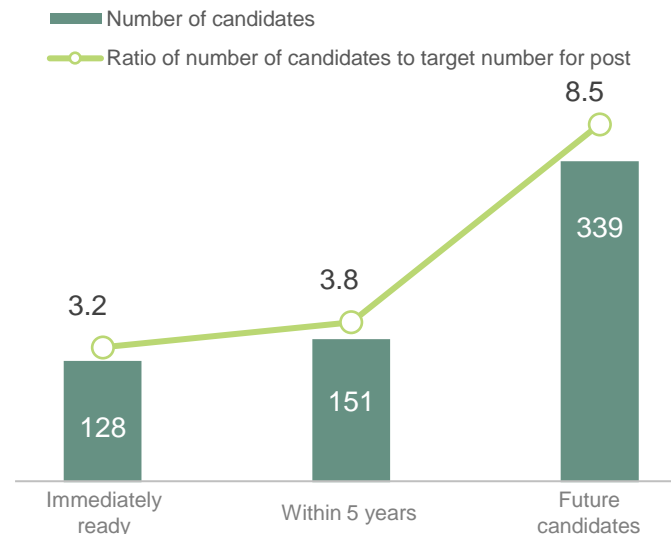
Results and plans by recruitment style



Succession planning and human resource exchanges

- Through transfers and human resource exchanges within SMBC Group, we provide employees who are named in the succession plan with opportunities to overcome personal challenges, broaden their management perspectives, and form cross-Group networks.
- We provide various opportunities including training and talent exchange so that they gain experiences not only within but also outside the Group. Our management, including CEO and outside directors, also participate in these opportunities and communicate with the participants to encourage them to develop their mindsets as future leaders.

Succession planning



Support for employee growth and well-being

We have created a variety of environments to support employees' growth through self-motivated learning and career development. Also, we are undertaking “Health and productivity management” to help support the physical and mental health and motivation of employees to underpin the continual provision of high value-added for customers.

Initiatives and systems to support self-directed career development and endeavors

Building an environment for self-motivated learning

- SMBC Group eCampus is an online learning platform shared among the Group. Containing about 1,700 content items, the platform offers learning materials in wide-ranging fields. Along with learning content, it offers features including training sign-up, tests, and questionnaires, and supports and deepens employees' self-motivated learning activities through linkage with personnel data.
- To improve the environment for achieving self-directed career development, we will further make use of the platform's features to build personalized UI and strengthen content.



Initiatives to support self-directed career development

- We provide internal job posting system for applying to positions across the Group.
- We also make efforts toward career education by which companies conduct career training according to age group, with career consulting available across the Group.

Endeavors through “Producing New CEOs

- We allocate budget and personnel to employees who have unique business ideas that can support SMBC Group's growth, and for some business ideas, we may even launch a new in-house venture beyond the framework of the company, selecting an employee as “president.”



Ensuring mental and physical health to support employees' growth

- Our subsidiaries have issued a “Health and Productivity Management Declaration” and are committed to health and productivity management with the aim of invigorating their organizations by enhancing employees' vitality and productivity
- Under the leadership of the Chief Health Officer, the companies, health insurance associations, and occupational health staff work collaboratively to implement measures including improvements of office environments and the development of support systems and work systems appropriate for the stages of primary to tertiary prevention.
- The Group as a whole organized running and walking events around the Imperial Palace, aiming to foster exercise habits and enhance communication through interactions between Group companies' employees and disabled athletes.
- In recognition of these efforts, SMFG was certified as one of the Health and Productivity Management Outstanding Organizations “White 500” (Large Enterprise Category).



Primary prevention

Training and seminars
Smoking cessation program
Introduction of lifestyle improvement support apps
Installation of running stations, massage rooms, etc.



Secondary prevention

Recommendations for secondary medical checkups, gynecological checkups, etc.



Tertiary prevention

Counseling to support return to work
Trial work system, work restrictions, etc.

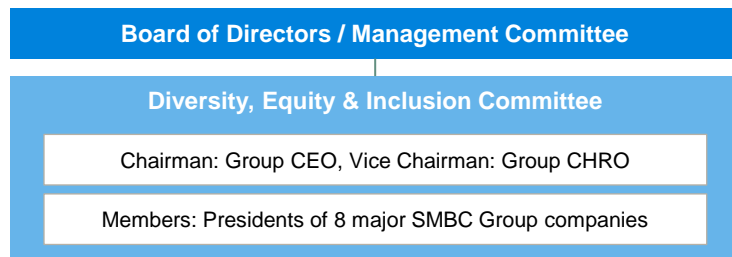
Maximizing team performance

We position Diversity, Equity & Inclusion (DE&I) as an important strategy for growth. We aim to enhance our organizational performance and maximize value creation by fully leveraging the capabilities of our diverse human resources. We are also working to increase employee’s engagement and awareness of their participation in management, as well as to reform our organizational culture and internal invigoration.

Promotion of DE&I

- DE&I Committee, chaired by our Group CEO, and the Group Management Committee discuss KPI settings and measures, and we also hold study sessions for managers, incorporating the latest external insights.

DE&I Committee



Diversity, Equity & Inclusion statement

- The content of the statement was revised in FY2023 to include the concept of equity. The commitment of the our top management was further clarified.

Diversity, Equity & Inclusion Statement (excerpts)

At SMBC Group, our most valued asset is our people. Our Mission Statement reflects this conviction: "We create a work environment that encourages and rewards diligent and highly motivated employees".

SMBC Group aims to be an innovative organization with diverse perspectives that fosters an inclusive environment where employees respect one another, strengthen their skills, express their individuality, and experience growth and fulfillment through their work.

We provide equitable opportunities, programs, and resources that will help our employees progress personally and professionally regardless of race, nationality, age, gender, gender identity, sexual orientation, religion, creed, culture, disability, or caring responsibilities.

Enhancing engagement and raising internal awareness

Enhancement of engagement

- SMBC Group uses Wevox, a tool for fixed-point observation of the state of organizational and employee engagement to support improvement actions by headquarters and management. After introducing Wevox at SMBC in FY2019, we moved ahead with rollout at other Group companies.
- As of April 2024, nearly all major companies in our Group have adopted Wevox. Results obtained through measurement of engagement are shared within organizations and are reflected in our business operation.
- We also work to enhance employee engagement and performance by setting up regular dialogues and 1-on-1 opportunities.

Enhancing employees’ sense of participation in our strategy

- Through several event including seminars, lunch meetings, and training, we provide opportunities for employees to interact and dialogue with top management.
- SMBC Group has introduced an employee stock ownership plan. This plan promotes medium- to long-term asset formation by employees and leads to opportunities to enhance employees’ awareness of their participation in management
- In FY2024, SMBC established a stock plan for employees to strengthen the commitment of employees and top management in working as one to enhance our corporate value. We plan to gradually expand it beyond to other Group companies.



Risk management

Overall picture of environmental and social risk management

Environmental and social factors such as climate change, natural capital, and human rights may act as risk drivers and potentially negatively impact SMBC Group's business. We are incorporating these environmental and social risks into our company-wide risk management and working to enhance our risk analysis and management processes.

1 Incorporating into company-wide risk management

| | |
|-------------------------------|--|
| Top Risks | <ul style="list-style-type: none"> Identify risks that threaten to significantly impact management of SMBC Group. Incorporate risks related to climate change, natural capital, human rights. |
| Risk Appetite Framework (RAF) | <ul style="list-style-type: none"> A management framework for taking appropriate risks based on the recognition of the environment and risks surrounding the Group. Operate a framework that takes environmental and social risks into consideration. |
| Risk management by category | <ul style="list-style-type: none"> Enhance the management system for environmental and social risks that transmit to each risk category, including credit risk. |

2 Risk analysis

| | | |
|-----------------|---|--|
| Climate change | Risk analysis for each sector | <ul style="list-style-type: none"> Analyze credit exposure by sector with significant climate change impact and assess the degree of opportunities and risks (heatmap) to identify high-risk sectors. |
| | GHG emissions analysis / target setting | <ul style="list-style-type: none"> Analyze SMBC Group's GHG emissions and consider emission reduction targets and priority response sectors. |
| | Scenario analysis | <ul style="list-style-type: none"> Estimate the financial impact on SMBC in relation to physical and transition risks. |
| Natural capital | Analysis using the LEAP approach | <ul style="list-style-type: none"> Organize opportunities and risks related to natural capital for SMBC Group. |
| Human rights | Mapping of human rights risks | <ul style="list-style-type: none"> Organize the negative impacts on human rights that SMBC Group may be involved in through its business. |

3 Risk management process

| | | |
|---|--|--|
| Policy | Policies for specific businesses and sectors | <ul style="list-style-type: none"> Clarify policies for sectors and businesses that are likely to have significant environmental and social impacts. |
| Portfolio management | Climate-related RAF | <ul style="list-style-type: none"> Manage portfolio GHG emissions as quantitative indicators. |
| Individual company / project management | Environmental and social due diligence / risk assessment | <ul style="list-style-type: none"> Assess environmental and social risks of individual companies and projects and utilize these assessment in credit decisions. |

Top Risks

SMBC Group identifies risks that threaten to significantly impact management as Top Risks. We recognize that the occurrence of natural disasters such as large-scale wind and flood damage, inadequate responses to climate change and the conservation and restoration of natural capital, and failures to address human rights and other social issues are risks that could have a significant impact on our management and have positioned them as our top risks.

Selection method

- Collect a wide range of risk events comprehensively, considering both internal and external factors.
- Evaluate the likelihood of potential risk scenarios occurring and their impact on management.
- Discuss these risks in the Risk Management Committee and the Management Committee.
- Verify the appropriateness of top risks at the meetings of the Board of Directors and the Risk Committee (an internal committee).

Top Risks

| | |
|---|---|
| World economic stagnation | Disasters such as large-scale earthquakes, storms, and floods |
| Highly volatile financial markets/sudden deterioration of the foreign currency funding conditions | Inadequate responses to Cyber-attacks |
| Manifestation of a global financial crisis | Changes in industrial structure due to technological innovation |
| Japanese economic stagnation | Inadequate responses to climate change and conservation of natural capital |
| Japanese fiscal instability | Inadequate response to human rights and other social issues |
| The U.S. - China struggle for supremacy | Misconduct damaging customer protection and market integrity |
| Growing tensions around Russia-Ukraine conflict | Inadequate preparedness for AML/CFT |
| Unstable situations in Asia and the Middle East | Inadequate response to system failures |
| Political turmoil and social instability | Inadequate preparedness for heightened regulatory and supervisory scrutiny |
| Outbreak of serious infectious disease | Difficulty in securing human resources |

Note: The above is only a portion of the risks recognized by SMBC Group. It is possible that the materialization of risks other than those listed above could have a significant impact on our management.

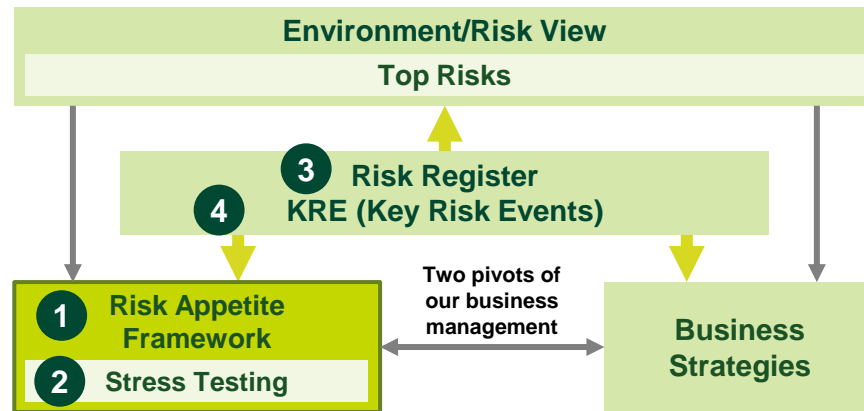
Examples of usage

- Discussions of Risk Appetite Framework (described later) and the formulation of business strategies.
- Creation of risk scenarios for stress testing.

Risk Appetite Framework (1/2)

The Risk Appetite Framework is one of two pivots of our business management alongside business strategies. It functions as a management framework for sharing information on the operating environment and risks facing SMBC Group among management and for facilitating appropriate risk taking based thereon. Climate-related risks will also be integrated into this framework for management.

Risk Appetite Framework Positioning



1 Risk Appetite Framework

- A framework for controlling group-wide risks that clarifies the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits (risk appetite).
- **Risk appetites** are decided during the process of formulating business strategies and management policies. These risk appetites are set based on Top Risks that threaten to significantly impact management and on risk analyses (stress testing) that illustrate the impact if a risk should materialize.

2 Stress tests (scenario analysis)

- We use stress testing to analyze and comprehend the impact on SMBC Group's businesses of changes in economic or market conditions, in order to plan and execute forward-looking business strategies.
- For **climate-related risk**, we conduct **scenario analyses** using stress testing methods for physical risks and transition risks and estimate credit-related costs to understand the financial impact on SMBC in advance. For details on climate change scenario analysis, see P.79 onwards.

3 Risk Register

- For the purpose of realizing more sophisticated risk governance and enhancing business units' risk ownership, business units communicate with risk management departments to identify risks present in their business.
- These risks are reflected in business strategies after they have been evaluated and the adequacy of measures for controlling them has been verified.
- Through this framework to **consider measures to identify, assess, and manage environmental and social risks** inherent in business strategies, and reflect them in our business strategies.

4 Key Risk Events

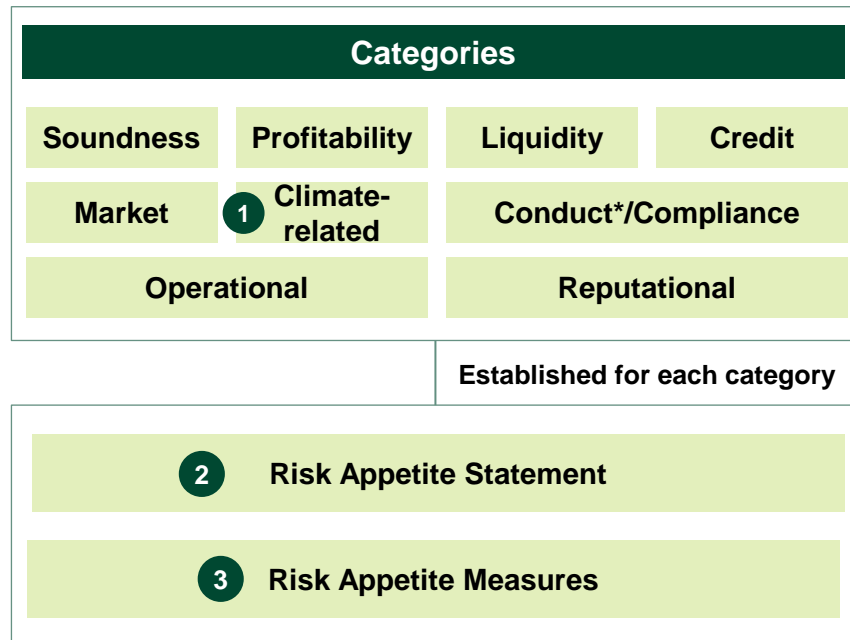
- **Key Risk Events (KRE), external events that indicate the increased threat of risks, including environmental and social risks, have been identified** to ascertain the symptoms of the potential risks.
- KRE are utilized to analyze and assess how likely similar cases will occur in SMBC Group and what effects such similar cases will have on SMBC Group, and to enhance our risk management system.

Risk Appetite Framework (2/2)

We clarify risk appetite for each risk category and quantitatively define the levels of acceptable risk and return. Starting in FY2023, we added a new category: Climate-related.

Risk appetite composition

- Risk Appetite refers the types and levels of risk that we are willing to take on or are prepared to tolerate in order to grow profits.
- Individual risk appetites have been established by strategies for each business unit as necessary based on the overall risk appetite of SMBC Group. (These risk appetites are set after the selection of the aforementioned Top Risks, based on risk analyses (stress testing) and the consideration of the impacts if these risks should materialize.)
- The outlooks for the operating environment and risks and the risk appetite situation are monitored throughout the course of the fiscal year. Risk Appetite Measures and business strategies are revised as necessary.



1 Category: Climate-related

- To mitigate the ripple effects on credit risk and other risks triggered by climate change, a new category was established in the FY2023.

For details, see P.91.

2 Risk Appetite Statements

- A qualitative explanation of our approach to risk taking and risk management for various risk categories

3 Risk Appetite Measures

- Quantitative Risk Appetite Measures that function as benchmarks for risks that we are considering taking and for risk/return
- Overall risk capital levels are thus monitored throughout the course of each fiscal year to clearly indicate risk-taking capacity and promote the sound taking of risks.

* Conduct risk is the risk that our conduct negatively affects customers, market integrity, effective competition, public interest, and SMBC Group's stakeholders, through acts that violate laws and regulations or social norms.

Risk management by category

We are working to sort out the events and timeframe that will accompany the transmission of climate- and nature-related risks to each risk category, and to improve our response measures.

| Risk category | Event examples relating to physical risks | Event examples relating to transition risks | Direction of risk response |
|--------------------------|---|--|---|
| Credit Risk | <p>Climate change: Risk of increasing credit-related costs along with the deterioration of customer performance or impairment of collateral items due to natural disasters (Short to long-term)</p> <p>Natural capital: Risks associated with the intensification of natural disasters due to the degradation of natural capital and the deterioration of customer performance due to increased raw material procurement costs (Short to long-term)</p> | <p>Climate change: Risks of increasing credit-related costs along with the deterioration of customer performance due to stricter regulations associated with the transition to a decarbonized society (Medium to long term)</p> <p>Natural capital: Risks associated with deterioration of customers' business performance due to the cost burden of adopting new technology to lessen the dependencies on certain natural capital, and increased cost burden of responding to changes in laws, regulations and policies to conserve and restore natural capital (Medium to long term)</p> | <ul style="list-style-type: none"> ● Identify future risks through scenario analysis. ● Discuss the enhancement of portfolio management, taking into account sector-specific risk levels. ● Conduct environmental and social due diligence targeting the major obligors in sectors likely to have an impact on climate change and natural capital and use the information to enhance credit decisions and customer engagement. ● Evaluate potential risks in our portfolio, we will continue refining processes to control their impact. |
| Market Risk | <p>Climate change: Risk of falling prices of our strategically held stocks and funds along with the deterioration of customer performance due to natural disasters (Short to long-term)</p> | <p>Climate change: Risks of deterioration in customer performance and a decline in the value of strategically held stocks and funds along with stricter regulations (Short to long term)</p> | <ul style="list-style-type: none"> ● Analyze the influence of climate-related risks on market risk and liquidity risk. |
| Liquidity Risk | <p>Climate change: Risk of losing deposits along with the deterioration of customer performance due to natural disasters (Short to long term)</p> | <p>Climate change: Risk of deterioration of the funding environment and risk of a funds drain from deposits due to deterioration of the Group's reputation (Short to long term)</p> | |
| Operational Risk | <p>Climate change: Risk of business discontinuation due to damage to the Head Offices and branch office; risk of increasing costs due to the need for a response and recovery (Short to long-term)</p> | <p>Climate change: Risk of incurring losses due to fines and court proceedings relating to sales of products and services that do not meet climate change measures and green finance criteria (Short to long term)</p> | |
| Reputational Risk | <p>Climate change: Risk of being criticized for a delayed response for business recovery from a damaged Head Office and / or branch offices (Short to long term)</p> <p>Natural capital: Risks of reputational damage if natural capital is impaired due to negative impacts, thereby impeding customers' business activity (Short to long-term)</p> | <p>Climate change: Risk of deterioration in the reputation of SMBC Group due to a lack of responses to climate change and a delayed response to requests from stakeholders for information disclosure (Short to long-term)</p> <p>Natural capital: Risk of reputational damage if customers' efforts to conserve natural capital are inadequate (Short to long-term)</p> | <ul style="list-style-type: none"> ● Improve risk response manuals and strengthen risk analysis systems. ● Collect internal loss data and risk quantification due to extreme weather, and gather external case information ● Analyze the potential impact on management and corporate value, as well as the likelihood of occurrence if risks materialize, and consider measures to mitigate these risks. ● For high-risk and significant events, verify and discuss the countermeasures, and report the details to the management committee. |

Short-term: around three years, Medium-term: around Four to ten years, Long-term: over ten years

(Reference) Definitions of risks by category and overview of company-wide management system

| Risk category | Definition | Company-wide management system |
|---------------------------------|--|---|
| <p>Credit Risk</p> | <p>Risk for the bank of incurring losses due to reduction or loss of asset values (including off-BS assets) resulting from credit events such as deterioration of financial conditions of obligors</p> | <ul style="list-style-type: none"> • The Group Chief Risk Officer (CRO) formulates and manages the basic policy for credit risk management each year, drawing from the Group-Wide Basic Policy for Risk Management. • We have instituted the "Credit Risk Committee", a discussion body aimed at ensuring agile and appropriate risk control, as well as safeguarding a robust governance structure in credit operations. |
| <p>Market Risk</p> | <p>Risk of incurring losses due to fluctuations in the market value of financial instruments resulting from changes in interest rates, currency rates, equity prices, etc.</p> | <ul style="list-style-type: none"> • In line with the "Basic Policy for Group-Wide Risk Management", we establish and manage significant matters such as the basic policy for market risk and liquidity risk management, and risk limits. |
| <p>Liquidity Risk</p> | <p>Risk of difficulty in procuring funds necessary for settlement due to mismatch in the period between fund management and procurement or unexpected outflow of funds; risk of incurring losses due to forced procurement of funds at a significantly higher interest rate than usual</p> | <ul style="list-style-type: none"> • At SMBC, we convene an ALM Committee monthly to report on the adherence to market risk and liquidity risk limits, and to deliberate on ALM operation policies. An audit department conducts regular internal audits to verify our risk management system. |
| <p>Operational Risk</p> | <p>Risk of incurring losses resulting from improper or non-functional internal processes, people and / or systems, or from occurrence of external events</p> | <ul style="list-style-type: none"> • In line with the Basel Framework, we strive to enhance group-wide management. • Having established the "Policies for Operational Risk Management", the Corporate Risk Management Department and Corporate Risk Information Department, as departments overseeing operational risk, along with the management departments responsible for administrative risk, system risk, tangible asset risk, legal risk, etc., function as a comprehensive operational risk management system. • They ensure the effectiveness of risk management by regularly reporting on the status of internal loss data, KRIs, risk amounts from scenarios, and risk reduction progress to the Group CRO. |
| <p>Reputational Risk</p> | <p>Risk of leading to impairment in enterprise value or a decline in customer trust due to failure in meeting expectations regarding high ethics, sincerity, etc. by stakeholders(customers, shareholders/markets, society/environment, employees, etc.), resulting from certain business operations of SMBC Group or a certain act conducted by its employee or another related person.</p> | <ul style="list-style-type: none"> • Established the "Policies for Reputational Risk Management" we strive to clarify the operational structure and the system, methodology, and rules related to reputational risk management, working towards achieving effective risk management. • Based on the "Basic Policy for Group-Wide Risk Management", the General Affairs Department and Public Relations Department centrally oversee this risk. They are responsible for planning, executing, promoting, and supporting risk management measures. • We have established a body to discuss various strategies to minimize reputational risk. |

Risk analysis by sector: Credit exposure by sector

We are organizing sector-specific credit exposures based on the TCFD guidance. The results of analysis, such as the heatmaps and scenario analyses described later, are reflected in the enhancement of sector-specific risk management and strategies.

| Sector*1 | 2023/03 | | 2024/03 | |
|--|--------------------------------|-------------|--------------------------------|-------------|
| | Credit exposure (JPY trillion) | Ratio (%) | Credit exposure (JPY trillion) | Ratio (%) |
| Power | 10.5 | 3.9% | 11.4 | 4.0% |
| Oil and gas | 9.4 | 3.5% | 9.2 | 3.2% |
| (Upstream / Integrated E&P) | 2.3 | 0.9% | 2.4 | 0.8% |
| (Upstream / Mining and equipment) | 0.2 | 0.1% | 0.2 | 0.1% |
| (Midstream / Storage and transportation) | 2.2 | 0.8% | 2.2 | 0.7% |
| (Downstream / Refining and sales) | 2.4 | 0.9% | 2.2 | 0.8% |
| (Gas utility) | 0.7 | 0.3% | 0.7 | 0.2% |
| (Commodity trader) | 1.6 | 0.6% | 1.4 | 0.5% |
| Coal (thermal coal) | 0.1 | 0.0% | 0.0 | 0.0% |
| Power and energy subtotal | 20.0 | 7.4% | 20.6 | 7.1% |
| Air cargo | 0.3 | 0.1% | 0.0 | 0.0% |
| Passenger aviation | 1.5 | 0.6% | 1.4 | 0.5% |
| Shipping | 2.1 | 0.8% | 2.0 | 0.7% |
| Railroad | 1.6 | 0.6% | 1.5 | 0.5% |
| Truck service | 1.0 | 0.4% | 1.0 | 0.3% |
| Automobiles and components | 3.4 | 1.2% | 3.5 | 1.2% |
| Transportation subtotal | 9.9 | 3.6% | 9.3 | 3.2% |

| Sector*1 | 2023/03 | | 2024/03 | |
|--|--------------------------------|---------------|--------------------------------|---------------|
| | Credit exposure (JPY trillion) | Ratio (%) | Credit exposure (JPY trillion) | Ratio (%) |
| Metals and mining | 1.6 | 0.6% | 1.6 | 0.5% |
| Chemical products | 3.6 | 1.3% | 4.0 | 1.4% |
| Construction materials | 0.8 | 0.3% | 0.8 | 0.3% |
| Capital goods*2 | 8.2 | 3.0% | 9.5 | 3.3% |
| Real estate | 15.4 | 5.7% | 17.1 | 5.9% |
| Steel | 2.4 | 0.9% | 2.4 | 0.8% |
| Materials & buildings subtotal | 31.9 | 11.8% | 35.4 | 12.2% |
| Beverages | 0.7 | 0.3% | 0.8 | 0.3% |
| Agriculture | 0.7 | 0.3% | 0.8 | 0.3% |
| Packaged food and meat*3 | 1.4 | 0.5% | 1.6 | 0.5% |
| Paper and forestry products | 0.7 | 0.3% | 0.7 | 0.3% |
| Agriculture, food, forestry products subtotal | 3.5 | 1.3% | 4.0 | 1.4% |
| Total of the above sectors*4 | 65.3 | 24.1% | 69.3 | 24.0% |
| Grand total*5 | 271.1 | 100.0% | 289.4 | 100.0% |

*1. The sectors assessed were selected based on the definitions of carbon-related assets in the supplementary guidance of the TCFD recommendations.

*2. Machinery, electrical facilities, construction, etc.

*3. Manufacturing of packaged foods, including dairy products and meats, etc.

*4. Credit exposure of SMBC and major local subsidiaries, etc. (internal control basis)

*5. Total exposure of SMBC (including consolidated subsidiaries)(Total assets on consolidated financial statements + off-balance sheet assets, etc.)

Risk analysis by sector: Risks and opportunities heatmap

We are organizing sector-specific heatmap based on the impact of risks (and opportunities) associated with climate change. By considering the magnitude of risks and opportunities in each sector, we are enhancing risk management and strategies.

Evaluation process for each sector

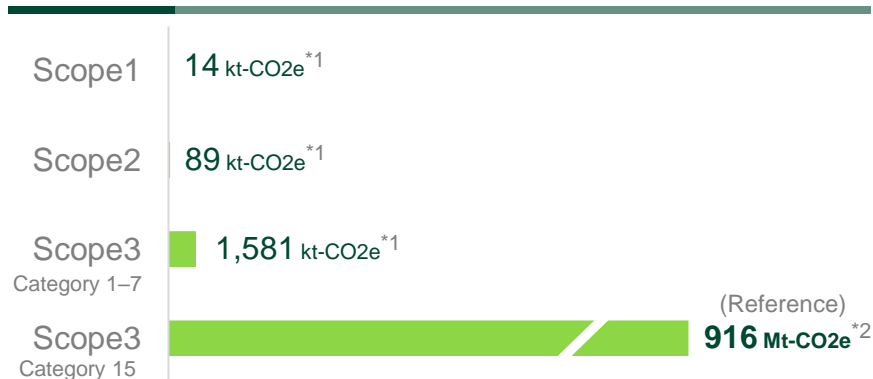
- ✓ Transition risks and physical risks: Referred to the risks related to policies and legal matters, regulations, technology, markets, reputation, impact on sectors assumed from chronic or acute risks, sector-by-sector scenario analysis results, etc.
- ✓ Opportunities: Referred to the areas that are considered future growth areas in domestic and overseas policies, projected capital investments for each sector, etc.

| Sector | Transition risks | Physical risks | Opportunities |
|-----------------------------|------------------|----------------|---------------|
| Power | Very High | Low | ↗ ↗ ↗ |
| Oil and gas | Very High | Middle | ↗ ↗ |
| Coal | Very High | Middle | ↗ |
| Air cargo | Low | Low | ↗ ↗ |
| Passenger aviation | Middle | Middle | ↗ ↗ |
| Shipping | High | Low | ↗ ↗ |
| Railroads | Low | Low | ↗ ↗ |
| Truck services | Middle | Low | ↗ |
| Automobiles and components | High | Low | ↗ ↗ ↗ |
| Metals & mining | Middle | Low | ↗ ↗ |
| Steel | High | Low | ↗ ↗ |
| Chemical products | Middle | Low | ↗ ↗ |
| Construction materials | High | Low | ↗ ↗ |
| Capital goods | Middle | Low | ↗ ↗ |
| Real estate | Low | Low | ↗ ↗ |
| Beverages | Low | Middle | ↗ |
| Agriculture | Low | Middle | ↗ ↗ |
| Packaged foods & meats | Low | Middle | ↗ |
| Paper and forestry products | Low | Middle | ↗ |

GHG emissions analysis: Overall picture of SMBC Group's GHG emissions (FY2023)

The main cause of GHG emissions is Scope 3, Category 15 (financed emissions), and in order to curb global warming, it is important not only for SMBC Group itself but also to support our customers in their decarbonization efforts.

GHG Emissions (FY2023)



Reduction target

| | | |
|------------------------------------|------------|---------------------------------|
| Scope 1,2 P.114 | Short-term | -55% by FY2026 (vs. FY2021) |
| | Mid-term | Net zero by 2030 |
| Scope 3 (Category 15) P.109~ | Mid-term | Targets by sector for FY2030 |
| | Long-term | Net zero by 2050 |

*1 Targets/scope for calculation : Domestic and overseas locations of Sumitomo Mitsui Financial Group Inc. and its consolidated subsidiaries as of FY2021 (excluding equity-method affiliates)

*2 Targets/scope of calculation : the loans extended by SMBC and major overseas subsidiaries, etc. (internal control basis; see the Appendix (simplified calculation method for Scope 3 Category 15 [FE]) for details.

(Reference) Scope 3, Category 15 Emissions by sector

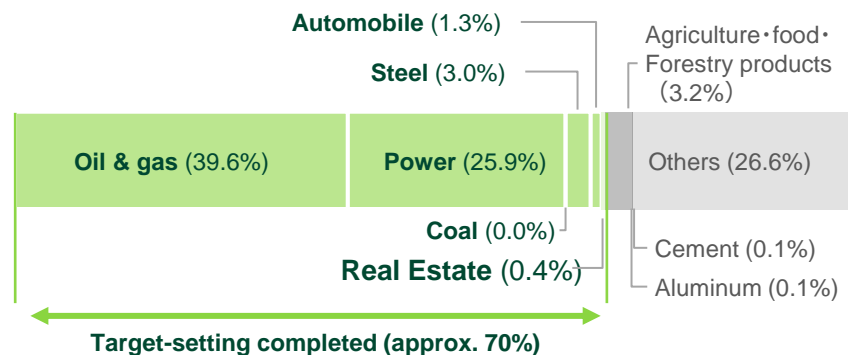
| Sector | (Mt-CO ₂ e) | | |
|-----------------------------|------------------------|--------------|--------------|
| | Scope 1 + 2 | Scope 3 | Total*2 |
| Power | 174.0 | 62.8 | 236.8 |
| Oil & gas | 313.6 | 48.7 | 362.3 |
| Coal | 0.1 | 0.2 | 0.3 |
| Air cargo | 0.1 | 0.0 | 0.1 |
| Passenger aviation | 3.8 | 2.0 | 5.7 |
| Shipping | 5.4 | 5.5 | 10.9 |
| Railroad | 0.9 | 0.8 | 1.8 |
| Truck services | 2.5 | 1.8 | 4.3 |
| Automobile and components | 0.9 | 11.0 | 11.9 |
| Metals and mining | 4.3 | 4.0 | 8.4 |
| Aluminum | 0.5 | 0.6 | 1.1 |
| Chemical products | 161.1 | 18.8 | 179.9 |
| Construction materials | 0.3 | 4.1 | 4.4 |
| Cement | 0.0 | 0.5 | 0.5 |
| Capital goods | 2.5 | 25.3 | 27.8 |
| Real estate | 0.6 | 2.8 | 3.4 |
| Steel | 9.1 | 18.2 | 27.3 |
| Beverages | 0.3 | 1.0 | 1.3 |
| Agriculture | 3.2 | 1.6 | 4.8 |
| Packaged foods and meat | 13.6 | 6.7 | 20.3 |
| Paper and forestry products | 0.7 | 1.9 | 2.6 |
| Total | 697.4 | 218.5 | 915.9 |

GHG emissions analysis: GHG emissions by sector (FE) and reduction goals

To reduce financed emissions, we select sectors for which to set targets considering the results of risk analysis, as well as the status of exposures, emissions, and calculation standards. When setting medium-term targets, we conduct separate calculations for each sector, considering the characteristics of the sector.

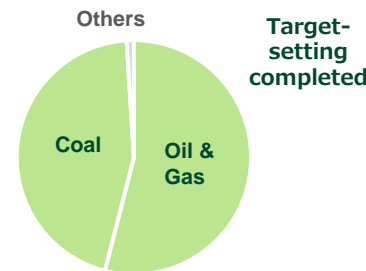
| Sector | Balance (JPY trillion) ^{*2} | Transition risks | (Reference) FE ^{*1} (Mt-CO2e) | Maturity of calculation standards ^{*2} | Goal setting: | |
|-------------|--------------------------------------|------------------|---|---|---------------|-----------|
| Power | 6.4 | Very High | 237 | ○ | ✓ | May 2022 |
| Oil & Gas | 4.0 | Very High | 362 | ○ | ✓ | Aug. 2022 |
| Coal | 0.0 | Very High | 0 | ○ | ✓ | Aug. 2022 |
| Automobile | 2.0 | High | 12 | ○ | ✓ | Mar. 2024 |
| Steel | 1.6 | High | 27 | ○ | ✓ | Mar. 2024 |
| Real Estate | 14.0 | Low | 3 | ○ | ✓ | May. 2024 |
| Agriculture | 0.4 | Low | 5 | △ | - | - |
| Aluminum | 0.1 | Middle | 1 | ○ | - | - |
| Cement | 0.1 | High | 1 | ○ | - | - |

SMBC Group's Portfolio Emissions by sector^{*1}

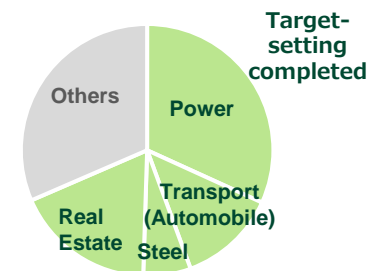


Breakdown of global CO₂/GHG emissions

By energy supply^{*3}
(CO₂ emissions)



By sectoral demand^{*4}
(GHG emissions)



*1. For details on calculation targets, etc., see the Appendix.

*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

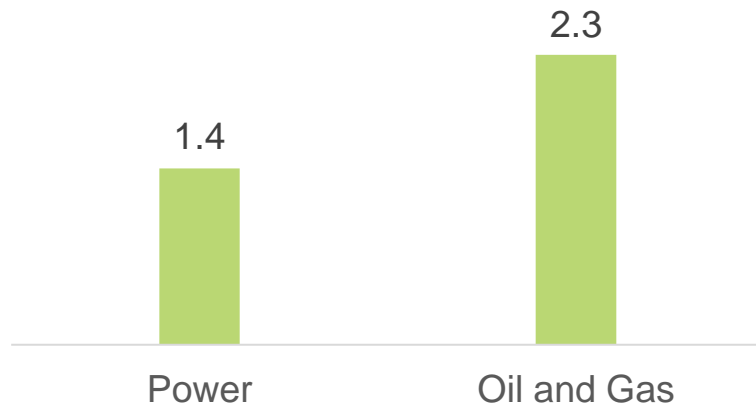
Column: GHG emissions in securities and asset management

In addition to SMBC's Scope 3 Category 15, SMBC Nikko Securities and Sumitomo Mitsui DS Asset Management (SMDAM) calculate GHG emissions in line with the businesses.

SMBC Nikko Securities: Underwriting Financed Emissions (FY2022)

- 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.
- Consider setting goals going forward, taking into account the content of the NZBA guidelines and international trends.

(Mt-CO₂e)



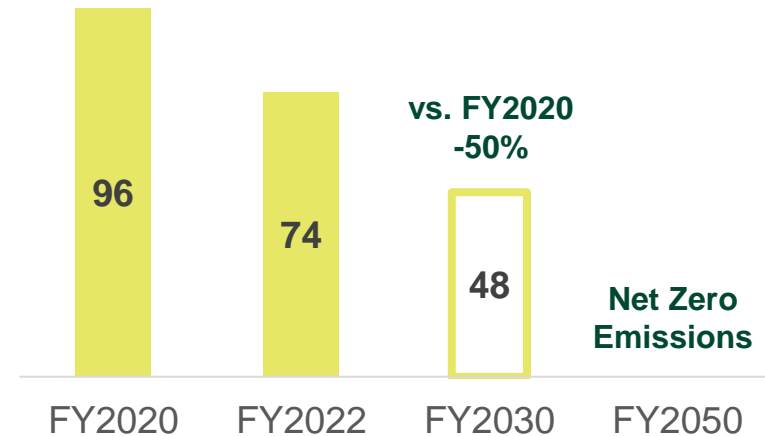
Details of emission calculations

- Appendix: Methodology for calculating GHG emissions related to underwriting operations **P.130**

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 USD 1 million of market value of investment.

(t-CO₂e/Million USD)



Details of emission calculations and reduction goals

- Sumitomo Mitsui DS Asset Management website > Information disclosure based on TCFD (<https://www.smd-am.co.jp/corporate/vision/fiduciary/03/>)

Climate change scenario analysis

Based on our new calculations and analysis of chronic physical risks, we recognize that both transition risks and physical risks may have significant financial impacts. In the scenario analysis, there is a high degree of uncertainty regarding the timing and scale for risks to materialize. Therefore, at present, we are making certain assumptions about the anticipated disasters and analysis targets and will continue to work to refine our analytical methods.

| | Physical risks | | Transition risks | |
|---|---|-----------------------|---|-------------------------------|
| Risk event | Acute physical risks (Water disasters) | | Policy changes Changes in supply-demand balance | |
| Scenario | IPCC ^{*1} /RCP ^{*2} 2.6 (overseas) SSP ^{*3} 1-2.6 (domestic) (2°C scenario) IPCC/RCP 8.5 (overseas) SSP 5-8.5 (domestic) (4°C scenario) | | NGFS / Net Zero 2050 (1.5°C scenario) IEA ^{*5} / Net Zero Emissions (1.5°C scenario) NGFS / Current Policies (3°C scenario) | |
| Analysis target | Corporate customers | | Energy, power, automobiles ^{*6} , and steel | |
| Region | Global | | | |
| Analysis period | Up to 2050 | | | |
| Risk indicator | Credit-related costs expected to increase (credit costs) | | | |
| Result of Analyses ^{*7} | Cumulative JPY67 to 85 billion | | Up to JPY30 billion per year | |
| | Domestic | JPY45 to 58 billion | | JPY2.5 to 28 billion per year |
| | Americas | JPY7.5 to 8 billion | | |
| | Europe, Middle East, Africa | JPY11.5 to 12 billion | | |
| Asia and Oceania | JPY2.5 to 8 billion | | | |

*1. Intergovernmental Panel on Climate Change

*2. Representative Concentration Pathways: For example, "RCP 2.6" means that the end-of-the century radiative forcing (the magnitude of radiation that the energy entering and exiting Earth's surface has on Earth's climate) will be 2.6 w/m².

*3. Shared Socioeconomic Pathway scenario: Scenario that combines future socioeconomic changes (e.g. population) with radiative forcing.

*4. Network for Greening the Financial System

*5. International Energy Agency

*6. Analysis targets are OEMs (original equipment manufacturers).

*7. Targets include SMBC and its major local subsidiaries.

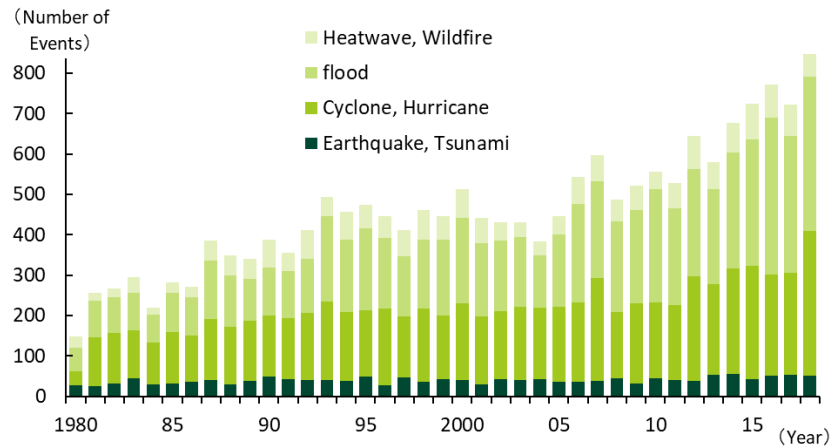
Climate change scenario analysis

The significance of conducting scenario analyses is that they build a foundation for formulating strategies for managing climate-related risks and achieving net zero through visualizing currently assumed risk pathways and risk amounts. In order to reduce risk volume, it is important to respond to climate change together with our customers and promote mitigation measures, including support for transition.

Physical risks

- Risks of an increase in extreme weather events due to climate change affecting the business of SMBC Group's customers
- Target of analysis ①: Acute physical risks
Water disasters that are expected to account for the majority of natural disasters caused by climate change.
- Target of analysis ②: Chronic physical risks
Decline in productivity due to rising temperatures which impact is expected large among cases causing economic losses resulting from climate change

(Reference) Number of natural disasters that have occurred

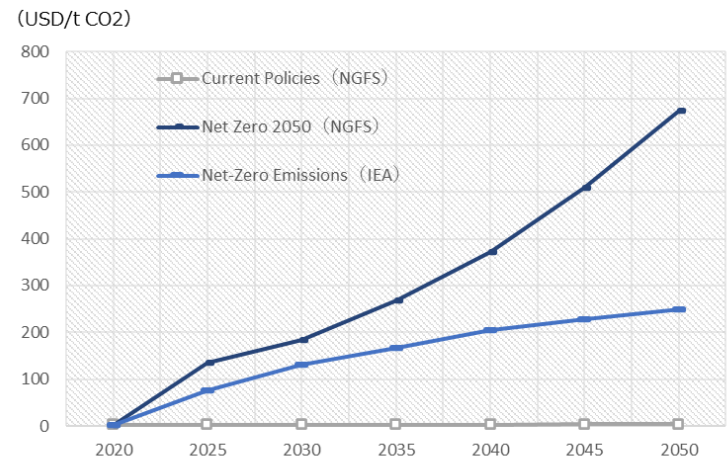


Material: Munich Reinsurance

Transition risks

- Risks that the transition to a decarbonized society will have an impact on the businesses of SMBC Group's customers, such as changes in carbon prices, resource prices, the supply and demand environment, and manufacturing costs depending on the reduction in GHG emissions, due to the strengthening of policies, laws and regulations, and changes in industrial structure.
- Target of analysis:
Energy, power, automobile, and steel sectors that large amounts of GHG emissions and are expected to be particularly vulnerable to the transition to a decarbonized society.

(Reference) Transition in carbon price



Source: NGFS, IEA

Climate change scenario analysis: analytical approach to physical risks

Regarding acute physical risks, scenario analyses on water disasters, which are believed to account for the majority of natural disasters caused by climate change are conducted and their impact up to 2050 are assessed.

Steps of analysis (Acute physical risks)

Step 1

- Regarding the impact of water disasters on business performance, we calculate credit-related costs that are expected to arise from two routes: impairment of collateral value of business corporations and downgrading of obligors classification due to the deterioration of financial conditions.
- In Japan, by using the hazard maps^{*1} disclosed by MLIT, the assumed flood inundation depth for each of the collateral items and corporate customer located on each map are recognized.
- For overseas, the assumed flood inundation depth for each corporate customer by using AI analysis data from satellite images captured by Jupiter Intelligence are calculated.
- Based on the flood inundation depth data, the collateral impairment impact and deterioration of financial conditions are analyzed.

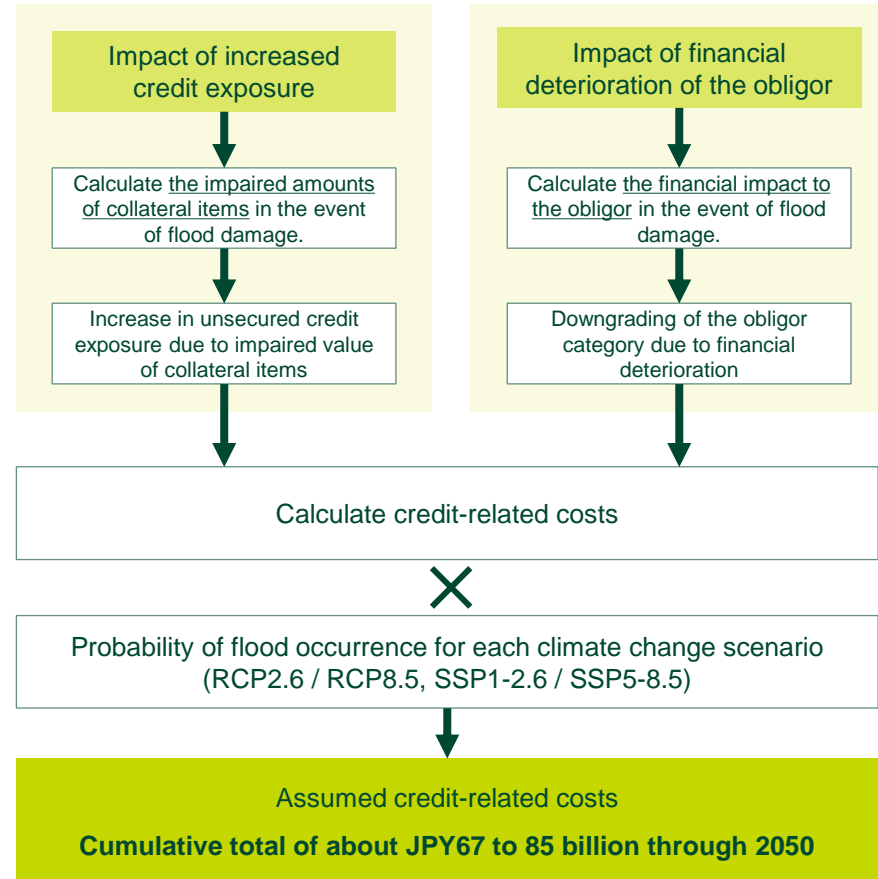
Step 2

- Using data provided by a project to assess flood risk due to climate change^{*2} being conducted by MS&AD InterRisk Research Institute, the University of Tokyo, and the Shibaura Institute of Technology, the probability of flood occurrence up to 2050 for each of the following scenarios are set: RCP2.6 and SSP1-2.6 (2°C scenarios) as well as RCP8.5 and SSP5-8.5 (4°C scenarios), which are the basis for IPCC research projects.

Step 3

- The expected credit-related costs by applying the probability of flood occurrence for each climate change scenario set in Step 2 to the credit-related costs estimated in Step 1 are calculated.

Process overview (Acute physical risks)



*1 Flooding areas expected due to maximum anticipated rainfall

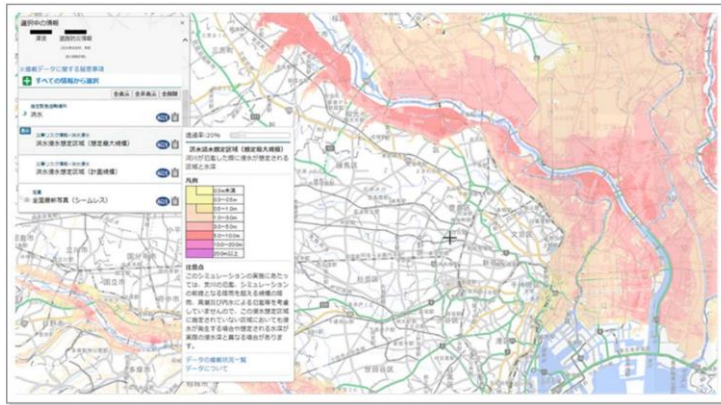
*2 Hirabayashi Y, Mahendran R, Koiraal S, Konoshima L, Yamazaki D, Watanabe S, Kim H and Kanae S (2013), Global flood risk under climate change. Nat Clim Chang., 3(9), 816-821. doi:10.1038/nclimate1911.

Climate change scenario analysis: analytical approach to physical risks

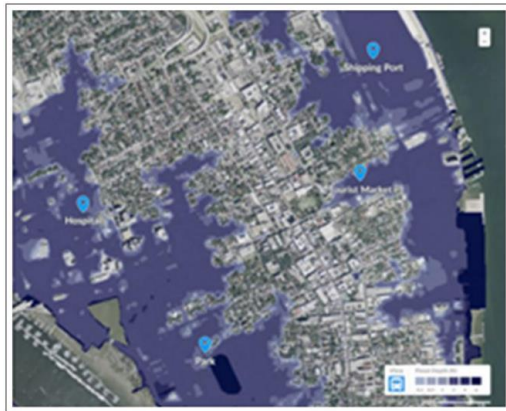
In analyzing the acute physical risks (water disasters) mentioned earlier, hazard maps and satellite analysis images such as those shown below are used. Also, a new scenario analysis for chronic physical risks (decline in productivity due to rising temperature) and assessed the impacts up to 2050 are conducted.

(Reference) Supplementary materials for acute physical risks

Water disaster hazard map (MLIT: Ministry of Land, Infrastructure, Transport and Tourism)



Satellite analysis image (Jupiter Intelligence)



Steps of analysis (Chronic physical risks)

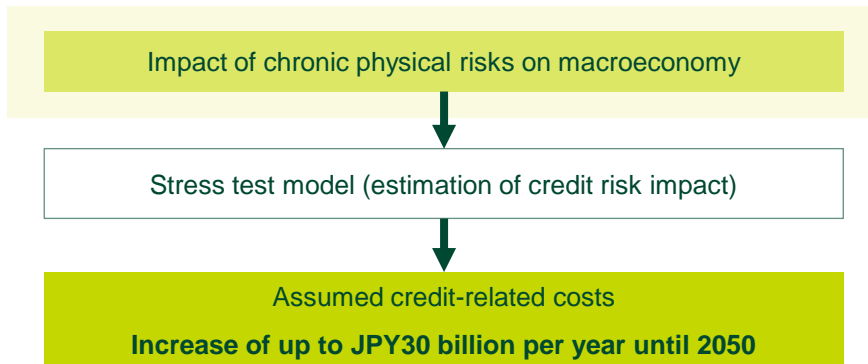
Step 1

- Chronic macroeconomic impacts, including reduced productivity due to rising temperature, under the Current Policies scenario (3°C scenario) of the Network for Greening the Financial System (NGFS) are confirmed.

Step 2

- Credit-related costs assumed for the period up to 2050 by reflecting the analysis results in the stress test model that estimates the credit risk impact are calculated.

Process overview (Chronic physical risks)



Climate change scenario analysis: analytical approach to transition risks

Scenario analysis targeting transition risks is conducted in the energy, power, automobile, and steel sectors, and the impact is assessed up to 2050.

Steps of analysis

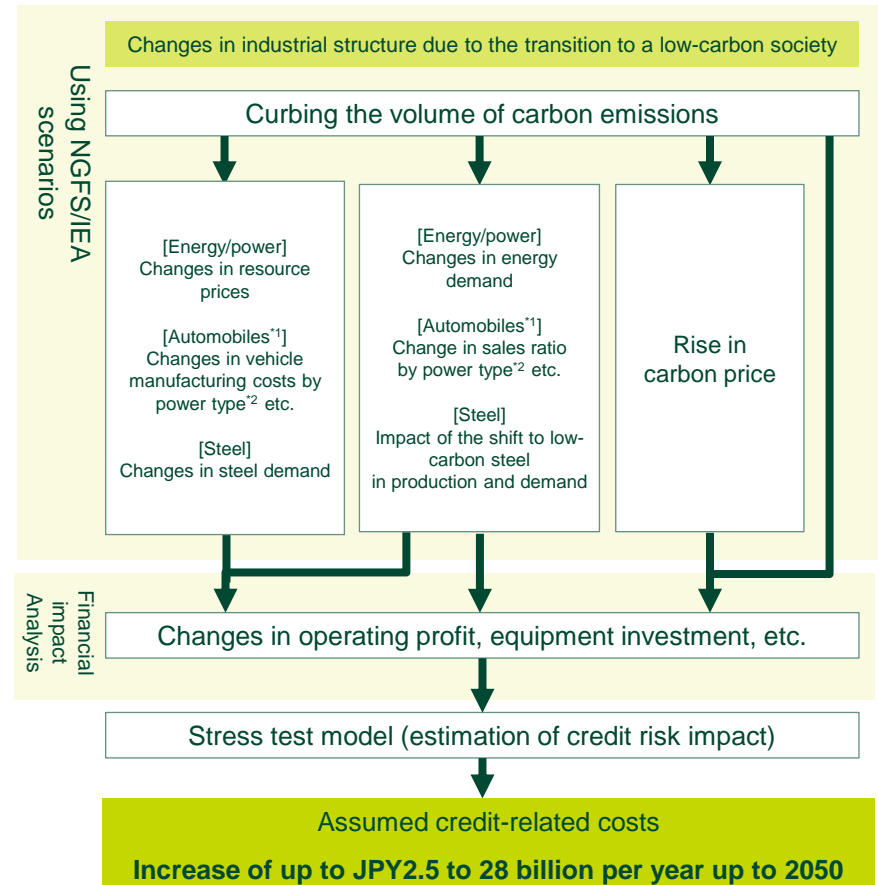
Step1

- In the transition to a decarbonized society, the impact of risk factors anticipated in each sector on business performance for each of the following scenarios, targeting the energy, power, automobile, and steel sectors, which are expected to be particularly vulnerable due to their large GHG emissions are analyzed.
 - ✓ NGFS Current Policies scenario (3°C scenario)
 - ✓ The Net Zero 2050 scenario (1.5°C scenario), which also assumes the achievement of carbon neutrality by 2050 under the NGFS
 - ✓ IEA/NZE scenario (1.5°C scenario)

Step2

- Credit-related costs assumed for the period up to 2050 by reflecting the analysis results in the stress test model that estimates the credit risk impact are calculated.

Process overview

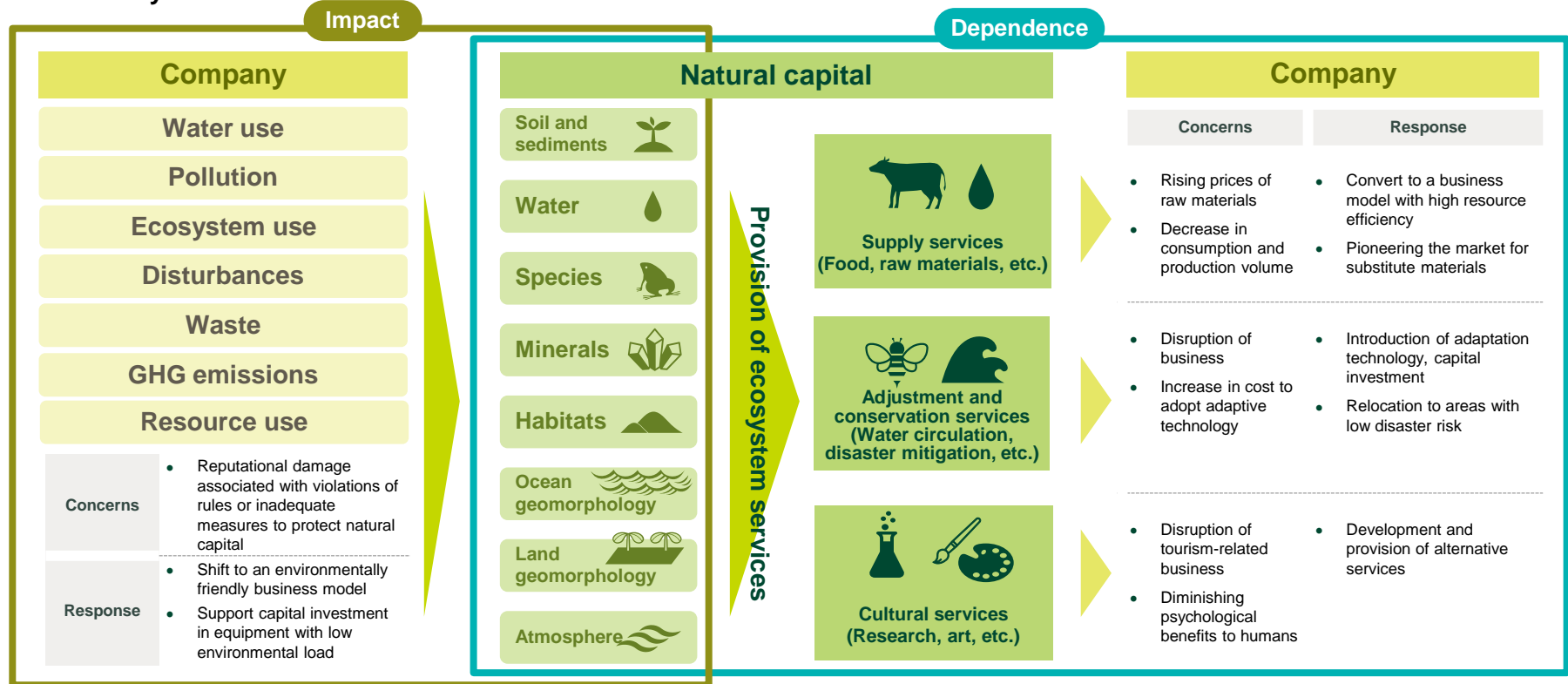


*1. Automobile sector: original equipment manufacturers (OEMs) are analyzed.

*2. All powertrains are analyzed, including internal combustion engine vehicles, hybrid electric vehicles, fuel cell electric vehicles, and battery electric vehicles.

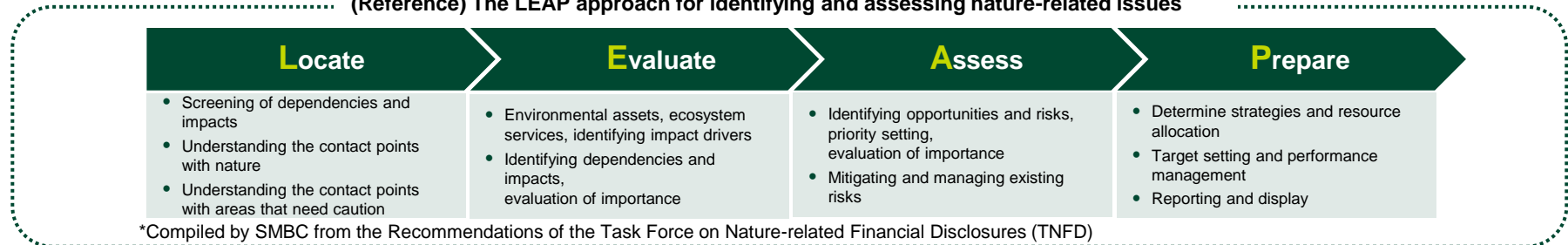
Dependence on natural capital in corporate activities, and its impact

A company interacts with the ecosystem services provided by natural capital in terms of both dependencies and impacts. In line with the LEAP approach, SMBC Group analyzes the degree of dependency on and impact from natural capital for each customer by sector.



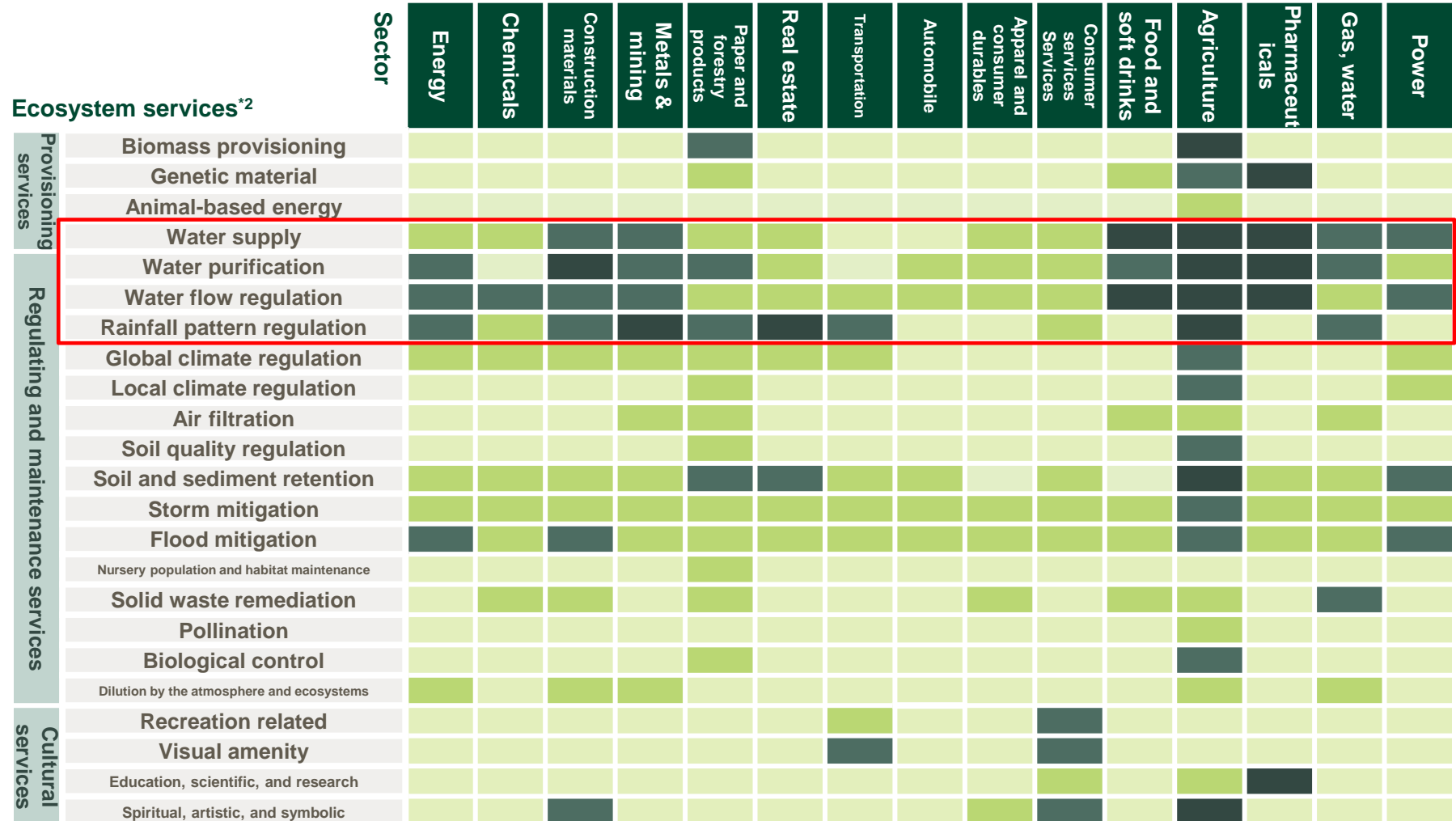
*Compiled by SMBC from [ENCORE \(encorenature.org\)](https://encorenature.org)

(Reference) The LEAP approach for identifying and assessing nature-related issues



Heatmap of dependencies on natural capital

Using the nature-related risk analysis tool ENCORE, we are creating a heatmap*¹ for the priority sectors in the TNFD guidance for financial institutions. When looking at the heatmap about dependency on natural capital, it is clear that many sectors are dependent on water. Therefore, we recognize that water is a particularly important natural capital for promoting business activities.



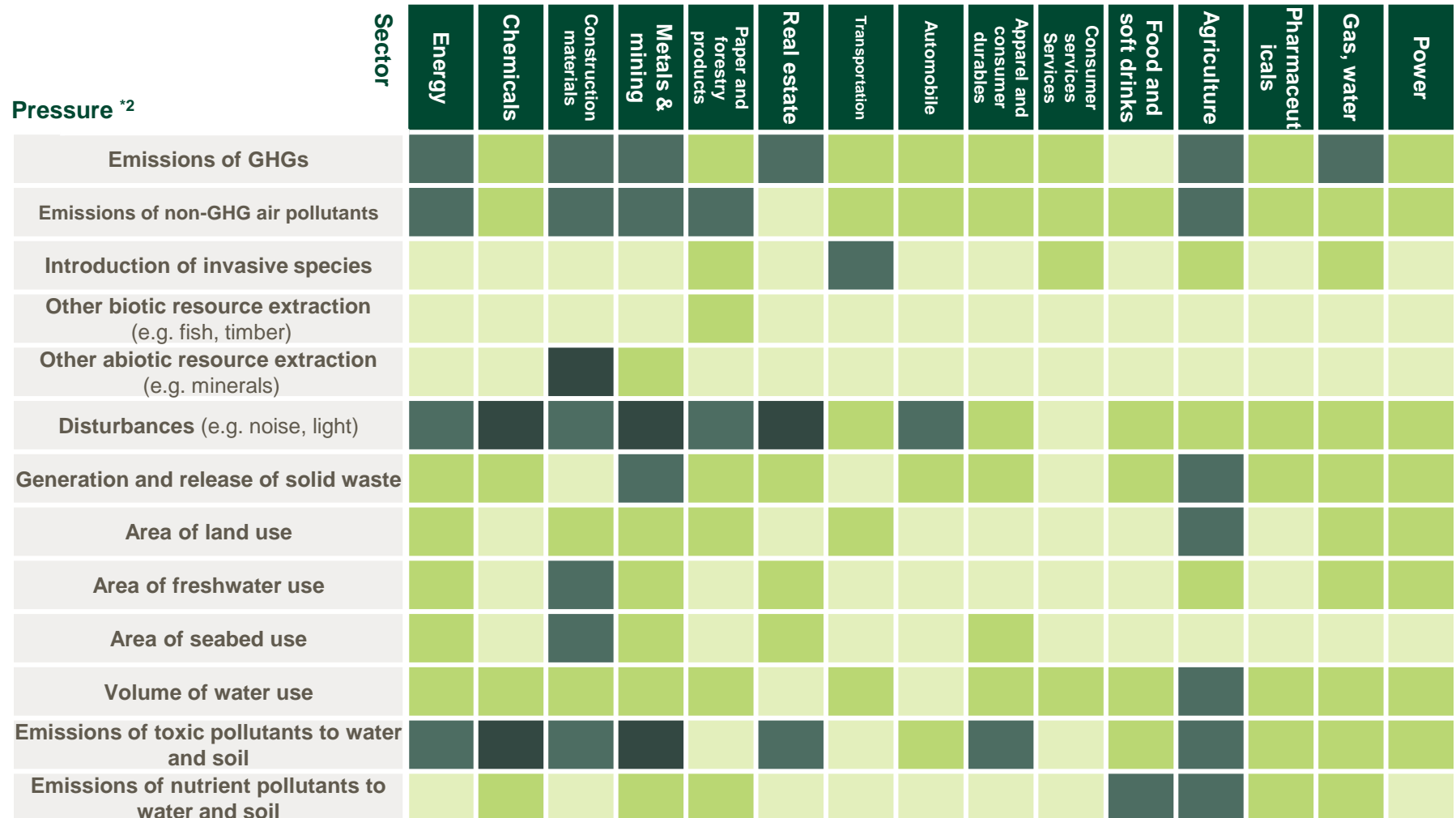
*1. Compiled by SMBC from ENCORE (encorenature.org)

*2. For details on the definition, see the Appendix.



Heatmap of impacts on natural capital

The heatmap*1 for impact on natural capital shows that many sectors have cross-category impacts on a wide range of natural capital. As these are directly linked to opportunities and risks for SMBC Group, we will focus on the positive and negative impacts that our customers’ business activities have on natural capital and address them as a priority.



*1. Compiled by SMBC from [ENCORE \(encorenature.org\)](https://www.ENCOREnature.org)

*2. For details on the definition, see the Appendix.

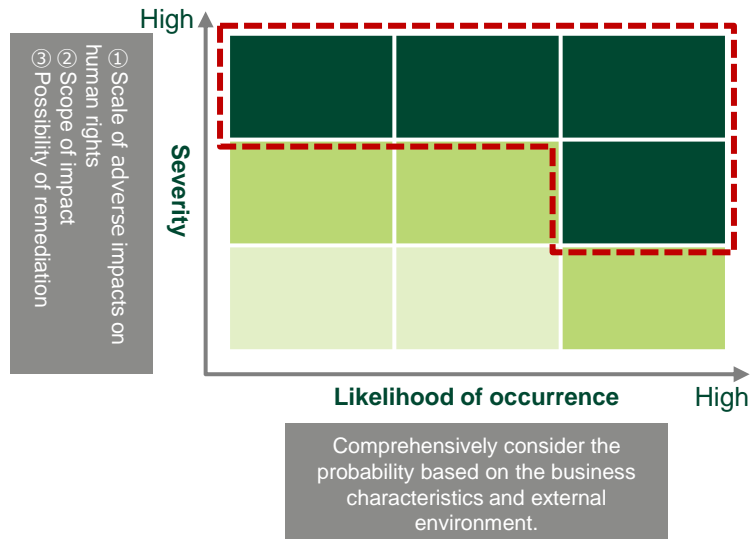


Identifying and assessing of salient human rights issues for SMBC Group

We map the human rights risks associated with the business of each SMBC Group company and identify and assess important human rights risks.

Assessment method

- Through dialogues with employees and external experts, we **visualized** high-risk human rights areas in terms of **severity and likelihood of occurrence** from three perspectives: 1) adverse impacts through transactions with **customers**, 2) adverse impacts through transactions with **suppliers**, and 3) adverse impacts on **employees**.
- The severity of impact will be determined based on the following criteria: 1) scale of the adverse impacts on human rights, 2) scope of the impacts, and 3) possibility of remediation. The likelihood of the occurrence of these impacts will be determined by comprehensive consideration on the probability based on the business characteristics and external environment.
- When determining **salient human rights issues**, we first identify the more serious adverse impacts from among the risks mapped, and then identify those with some level of severity and a high likelihood of occurrence.



Results of identification/assessment of salient human rights issues

- The important human rights risks identified using the assessment method shown on the left are summarized in the table below.
- Going forward, we will continue to regularly review significant human rights risks and focus on preventing and mitigating adverse impacts on these human rights.

| Category of risk | Examples of the salient human rights issues |
|---|---|
| Human rights risks related to transactions with customers | <ul style="list-style-type: none"> Risk of involvement in human rights violations along the supply chains due to financing and lease transactions (Forced labor, child labor, occupational health and safety issues) Risk of contributing to or being involved in the infringement on the rights of indigenous peoples / local communities via investments and financing. Risk connected to the infringement on human rights due to contribution to or involvement in businesses that have adverse impacts on the environment and climate change Risk of an infringement on privacy due to the influence of technology and AI development Risk connected to discrimination due to transaction restrictions |
| Human rights risks related to transactions with suppliers | <ul style="list-style-type: none"> Risk that the supplier will not pay sufficient wages or will not pay salaries by stipulated date Risk of helping a supplier force employees to work long hours due to transactions with the supplier Risk of contribution to forced labor due mainly to the threat of punishment via transactions with suppliers Risk of discrimination and disadvantage without reasonable grounds regarding hiring, promotions and wages due to race, gender, language, and age at companies along the supply chain |
| Human rights risks related to employees | <ul style="list-style-type: none"> Risk of forcing excessive or unfair work hours on employees Risk of harassment (workplace harassment, sexual, pregnancy discrimination, nursing care, etc.) against colleagues Human rights risks related to discrimination and gender Risk of infringement on employees' privacy |

Policies for specific businesses and sectors (1/3)

We have clarified our policies for each sector and business that is likely to have an impact on the environment and society and will continue to consider upgrading our policies in light of changes in the perception of risks for each sector and business.

Cross-sectoral and cross-business policies (Support that falls under the following categories will not be provided.)

- Support that may breach social norms such as laws and regulations
- Support that may have negative impacts on the environment
- Support in conflict with public order and morals
- Support considered problematic in terms of public responsibility
- Support for new projects that are perceived to have a significant negative impact on wetlands specified in the Ramsar Convention and/or UNESCO-designated World Natural Heritage sites
- Support for projects that are recognized to involve child labor, forced labor, and/or human trafficking New

Policies for specific businesses and sectors

Refer to the next page onwards for more details

- | | | |
|---|---|---|
| <div style="text-align: right; background-color: #f4a460; border-radius: 10px; padding: 2px 5px; display: inline-block;">Revision</div> <p style="text-align: center;">Coal-fired power generation (For details on phase-out targets, see P.111)</p> | <div style="text-align: right; background-color: #f4a460; border-radius: 10px; padding: 2px 5px; display: inline-block;">New</div> <p style="text-align: center;">Biomass energy generation</p> | <p style="text-align: center;">Hydroelectric Power Generation</p> |
| <p style="text-align: center;">Oil and gas</p> | <div style="text-align: right; background-color: #f4a460; border-radius: 10px; padding: 2px 5px; display: inline-block;">Revision</div> <p style="text-align: center;">Coal mining (For details on phase-out targets, see P.110)</p> | <p style="text-align: center;">Tobacco manufacturing</p> |
| <p style="text-align: center;">Palm oil plantation development</p> | <p style="text-align: center;">Deforestation</p> | <p style="text-align: center;">Manufacturing of cluster bombs and other weapons of destruction</p> |

Policies for specific businesses and sectors (2/3)

Policies are introduced by SMBC, SMBC Trust Bank, Sumitomo Mitsui Finance and Leasing, and SMBC Nikko Securities in a manner appropriate to their respective business models.

| | | |
|--------------------------------|--------------------------------------|---|
| Coal-fired power generation | Policy | <p>SMBC Group prohibits provision of the following support, excepting support provided to the activities of our clients that are contributing to the transition toward and realization of a decarbonized society.</p> <ul style="list-style-type: none"> • Support for newly planned coal-fired power plants and expansion of existing plants • Support for coal-fired power plants with maturity exceeding the end of FY2040 • Support for companies whose main business is coal-fired power generation and that do not have any existing transactions, including but not limited to lending, with SMBC Group |
| | Understanding of the Business/Sector | <p>SMBC Group expects our customers in the Coal-Fired Power Generation sector to establish and publicly announce long-term strategies aimed at realizing decarbonization and other initiatives to address climate change. SMBC Group understands that the provision of additional support to such plants toward decarbonization, such as for Managed Phase Out (MPO) and Carbon Capture, Usage and Storage (CCUS) is needed. SMBC Group will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.</p> |
| Biomass energy generation | Policy | <p>SMBC Group will support the new construction and expansion of woody biomass energy generation plants^{*1} only if it is confirmed that the plants use sustainable combustion materials^{*2}. Moreover, SMBC Group will conduct an environmental and social risk assessment in the case of transactions that are linked to biomass energy generation plants in order to confirm that consideration is given to environmental and social factors such as GHG emissions reduction.</p> <p>*1. The term "woody biomass energy generation plants" includes both single fired and co-fired plants. *2. The term "sustainable combustion materials" means no logging of primeval forests and/or human rights violations are recognized to have occurred in the production of the materials.</p> |
| | Understanding of the Business/Sector | <p>SMBC Group will support the activities of our clients that are contributing to the transition toward and realization of a decarbonized society, including biomass energy generation. At the same time, it is important to confirm that no logging of primeval forests and/or human rights violations are occurring in the process of producing combustion materials.</p> |
| Hydroelectric power generation | Policy | <p>For cases in which financing is used for hydroelectric power generation projects, SMBC Group is careful to ascertain the implementation of appropriate measures to mitigate impacts on biodiversity and local communities caused by resettlement and conduct environmental and social risk assessments whenever we are considering providing support.</p> |
| | Understanding of the Business/Sector | <p>As the transition to a decarbonized society progresses, hydroelectric power generation will play a greater role in power supply (assuming the absence of drought). However, there is a possibility that dam construction may have significant adverse impacts on biodiversity and local communities. It is particularly important to consider resettlement, loss of livelihood and biodiversity impacts along with hydrological changes such as changes in water flows.</p> |
| Oil and gas | Policy | <p>Environmental and social risk assessment is to be conducted for the following businesses and sectors whenever we are considering providing support. After identifying and evaluating environmental and social risks, appropriate measures should be considered.</p> <ul style="list-style-type: none"> • Oil sands Oil sands (tar sands) have relatively high carbon intensity and large environmental impacts are associated with their development. As such, SMBC Group conducts environmental and social risk assessments with a particular focus on soil and water pollution caused by wastewater, deforestation and efforts to protect biodiversity and indigenous communities whenever we are considering providing support. • Shale oil and shale gas The use of hydraulic fracturing methods during shale oil and shale gas development is believed to cause groundwater contamination and induce earthquakes. SMBC Group carefully monitors whether appropriate mitigation measures have been implemented for these issues and conduct environmental and social risk assessments whenever we are considering providing support. • Oil and gas mining projects in the Arctic The Arctic Circle (an area north of the 66°33' latitude) is home to both rare ecosystems and indigenous people with a unique culture. For mining projects in this region, SMBC Group conducts environmental and social risk assessments with a particular focus on not only environmental considerations but also on measures to protect biodiversity and indigenous communities whenever we are considering providing support. • Oil and gas pipeline Pipelines are expected to have a wide range of environmental impacts due to deforestation and the potential for oil spills, as well as social impacts on indigenous communities, not only at the time of construction but also post-completion. SMBC Group carefully ascertains whether appropriate mitigation measures have been implemented for these issues and then conduct environmental and social risk assessments whenever we are considering providing support. |
| | Understanding of the Business/Sector | <p>Oil and gas help contribute to a stable energy supply. However, as the transition to a decarbonized society progresses, consideration must be given to stranded asset risk, mitigation of environmental impacts, and local communities. SMBC Group expects our customers in the oil and gas sector to establish and publicly announce long-term strategies aimed at realizing decarbonization and other initiatives to address climate change. Moreover, SMBC Group will support the activities of our clients that are contributing to the transition toward and realization of a decarbonized society.</p> |

Policies for specific businesses and sectors (3/3)

| | | |
|--|---|---|
| Coal mining | Policy | <p>SMBC Group prohibits provision of the following support, excepting support provided for the activities of our clients that are contributing to fossil fuel conversion:</p> <ul style="list-style-type: none"> • Support for newly planned and expansions of thermal coal mining projects using the Mountain Top Removal (MTR) method • Support for newly planned and expansions of thermal coal mining projects • Support for newly planned and the expansion of infrastructure developments that are dedicated to the aforementioned projects • Support for companies whose main businesses are thermal coal mining or associated infrastructure development that do not have any existing transactions, including but not limited to lending, with SMBC Group • Support for thermal coal mining sector with maturity exceeding the end of FY2030 in OECD countries and the end of FY2040 in non-OECD countries |
| | Understanding of the Business/Sector | <p>In addition to the risks of stranded assets associated with the transition to a decarbonized society, it is important to consider human rights with respect to the elimination of illegal labor and child labor in coal mining as well as biodiversity issues associated with mining.</p> <p>SMBC Group expects our customers in coal mining sector to establish and publicly announce long-term strategies aimed at decarbonization and other initiatives to address climate change, such as business related to fossil fuel conversion. SMBC Group will support the activities of our clients that are contributing to fossil fuel conversion.</p> |
| Tobacco manufacturing | Policy | <p>With regard to support for tobacco manufacturers, SMBC Group will confirm that particular issues are being addressed including health hazards and human rights considerations such as illegal labor and child labor.</p> |
| | Understanding of the Business/Sector | <p>Smoking can cause health hazards, such as lung cancer and respiratory dysfunction. In addition, in relation to the cultivation of leaf tobacco (a raw material of cigarettes), it is important to address human rights considerations to eliminate illegal labor and child labor.</p> |
| Palm oil plantation development | Policy | <p>For palm oil plantation development projects, we ascertain whether or not they have received certification by the Roundtable on Sustainable Palm Oil (RSPO), which is given for palm oil produced with environmental and social consideration. Support is only provided after confirming that forest resources and biodiversity are protected when new plantations are developed and that no human rights violations, such as child labor, are occurring. For clients that are yet to be certified, obtaining certification is encouraged and supported, and submission of a plan to acquire certification is required. For customers who have no plans to acquire RSPO certification, we encourage them to rethink their position and require actions amounting to the same standard as required for RSPO certification. In addition, we require our business partners to publicly declare their compliance with NDPE (No Deforestation, No Peat, No Exploitation). We also encourage them to enhance their supply chain management and improve traceability to obtain RSPO certification and comply with NDPE through their supply chain.</p> |
| Deforestation | Policy | <p>For any business involving deforestation, we provide support only after having ascertained the absence of illegal deforestation or burning, as per the laws and regulations of the relevant country, and the absence of illegal labor violations.</p> <p>We also require operators engaged in such business, especially large-scale farm *1 development projects, to publicly declare their compliance with NDPE.</p> <p>When supporting forest management*2 projects in countries other than high-income OECD member countries, we require them to obtain FSC (Forest Stewardship Council) certification or PEFC (Programme for the Endorsement of Forest Certification Scheme) certification, and to declare NDPE compliance. If certification is yet to be acquired, we encourage and support its acquisition, and request submission of a plan to do so. We also encourage business operators to enhance their supply chain management and improve traceability to obtain such certification and comply with NDPE through their supply chain.</p> <p>In addition, when considering support for any large-scale project including but not limited to the above, we unflinchingly conduct environmental and social risk assessments, while closely monitoring the applicant's activities regarding the following points: impact on virgin forests and ecosystems; mitigation measures for the foregoing; inclusion of peatland development; consideration for workers and local residents, etc.</p> <p>*1 Farm of 10,000 ha or more (e.g. used in cultivation of soybeans, natural rubber, coffee, etc. or as grazing land for livestock)</p> <p>*2. Forest management refers to the business of nurturing and managing forests, which involves felling trees for the purpose of harvest and sale. This policy does not apply to the felling of trees (thinning) for forest conservation purpose in absence of an intention to harvest and sell.</p> |
| Manufacturing of cluster bombs and other weapons of destruction | Policy | <p>Cluster bombs are considered inhumane and SMBC Group prohibits the provision of support to cluster bomb manufacturers accordingly. In addition, SMBC Group prohibits the provision of support to the manufacturing of other weapons of destruction, including nuclear, biological and chemical weapons and anti-personnel mines.</p> |

Climate-related Risk Appetite Framework (Climate-related RAF)

After determining our risk appetite for climate-related risks, we set portfolio GHG emissions as a management indicator and manage these emissions by sector and business unit to be consistent with the 1.5°C scenario. Going forward, we will continue to strengthen appropriate management of risks associated with climate change through upgrading RAF operations.

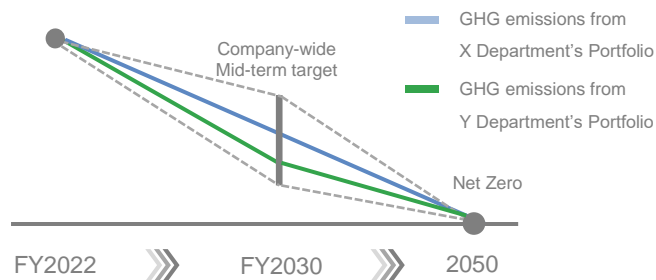
Examples of initiatives regarding climate-related risks

- In April 2023, a new risk appetite category, “Climate-related,” was added.
- The Risk Appetite Statement states that in order to achieve the net zero targets, the company should curb the increase in climate-related risks by strengthening engagement support to promote decarbonization and controlling portfolio GHG emissions.
- **The portfolio GHG emissions is set and managed as a management indicator.**

(Climate-related) Risk appetite measures

- The portfolio GHG emissions will be used as a management indicator to ensure that management by sector and business unit is consistent with the 1.5°C scenario in the future.
- In the future, we will consider introducing management indicators other than portfolio GHG emissions based on various risk analyses.

Conceptual diagram of risk appetite indicators



Target sectors



Environmental and social due diligence/risk assessment

We assess risks from environmental and social perspectives for both corporate and project-related matters and use the data as a qualitative factor in credit assessments. We also implement customer engagements based on the assessment results.

Environmental and social due diligence (corporate finance)

| | | | | | |
|--------------------------|--|-------------|--|---------|---|
| Overview | <ul style="list-style-type: none"> Assess customers' environmental/social initiatives and risk mitigation measures. Utilize to enhance credit assessment and customer engagements. <ul style="list-style-type: none"> ✓ If the direction of specific initiatives cannot be confirmed even after a certain period of engagement, we will carefully consider whether to continue business relationships with them. | | | | |
| Examples of items | <table border="1"> <tr> <td style="background-color: #d9e1f2;">Environment</td> <td>Climate change (transition risks and physical risks, including transition plan assessment [see below]), resource use, biodiversity, and emissions and waste</td> </tr> <tr> <td style="background-color: #d9e1f2;">Society</td> <td>Human rights, occupational safety and health, community relations, environmental impact of products, product management, etc.</td> </tr> </table> | Environment | Climate change (transition risks and physical risks, including transition plan assessment [see below]), resource use, biodiversity, and emissions and waste | Society | Human rights, occupational safety and health, community relations, environmental impact of products, product management, etc. |
| Environment | Climate change (transition risks and physical risks, including transition plan assessment [see below]), resource use, biodiversity, and emissions and waste | | | | |
| Society | Human rights, occupational safety and health, community relations, environmental impact of products, product management, etc. | | | | |
| Points to confirm | <ul style="list-style-type: none"> Measures to mitigate risks related to individual environmental/social issues Governance structure for environmental/social issues Measures to deal with unfavorable information | | | | |

Assessment of transition plans

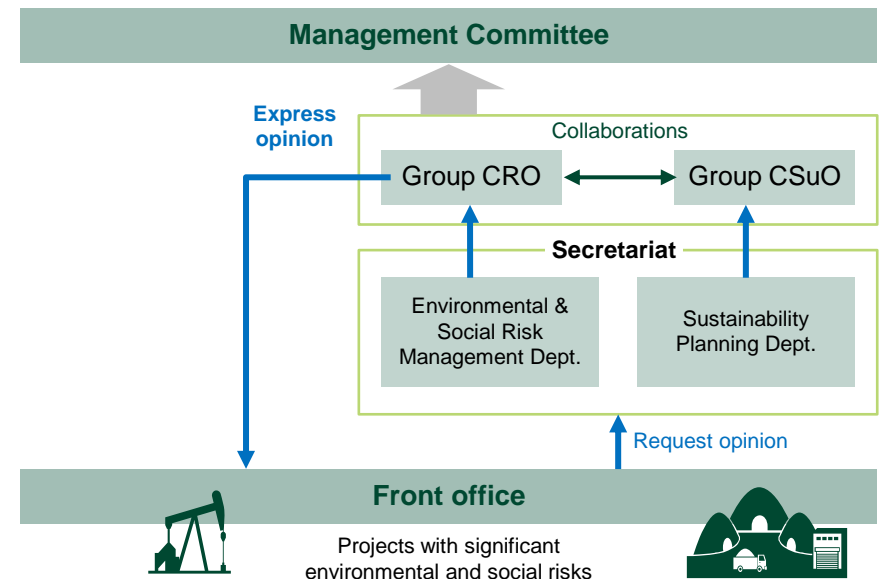
- Confirm customers' transition plans based on whether they have GHG emission reduction targets, status of compliance with the Paris Agreement, and their governance structure, etc.

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

Environmental and social risk assessment (project related finance)

- Conduct assessments towards large-scale projects that may have significant impacts on society and the environment, and reflect the results in credit decisions.
 - ✓ Assess the projects based on environmental and social factors such as pollution control, biodiversity, impact to local community, occupational safety and health, etc., as well as the organizational structure of the business sponsor, depending on the project sector.
- Escalate when considering projects that are deemed to have particularly high environmental and social risks.

Escalation process



Environmental and social due diligence/risk assessment: Supplementary information on human rights due diligence

To prevent and mitigate the risks of being involved in human rights violations in the supply chain, SMBC checks with customers or those for whom we are considering providing loans whether appropriate measures are being taken, and strives to prevent and mitigate adverse impacts on human rights while obtaining the understanding and cooperation of customers.

Human rights due diligence for corporate transaction

- To prevent and mitigate to contribute, and to directly linked to human rights violations through business activities such as investment and lending, we conduct periodic monitoring through environmental and social due diligence prioritizing business activities with high risks.

| | |
|---------------------------|---|
| New customers | Prohibit new support for businesses that engage in child labor, forced labor, or human trafficking. |
| Existing customers | If there are human rights issues, encourage mitigation of negative impacts. If no improvement is seen, carefully reconsider the business relationship. |
| | If we receive information about human rights violations, we check with our customers about their awareness and response status as necessary. |

- We evaluate customers' responses to risks, including a wide range of human rights risks such as impacts on local communities, based on governance, risk mitigation measures, and the details of responses.
- We engage in dialogues with customers as necessary to address human rights risks.

Corporate human rights due diligence results (FY2023)

Approx **50** cases



Customers with specific human rights issues **8** cases

- Confirm awareness of the case and measures to address the issues through dialogues, etc.
- In addition, when an investigation is requested by an external stakeholder, hold dialogues with the customers, as necessary.
- We recognize that we need to continually improve the accuracy, management systems, and monitoring of human rights due diligence, and will strengthen our efforts in these areas going forward.

Human rights due diligence for projects

- Conduct environmental and social risk assessments to ensure the human rights of stakeholders affected by the project are being properly considered.
- If consideration of human rights is deemed insufficient, continue to manage the matter until necessary follow-up is completed.
- In cases where the risk is particularly high, consider conducting onsite investigations.

Human rights checklist (example)

- ✓ Status of resident resettlement and compensation
- ✓ Impact on indigenous peoples and status of obtaining Free, Prior, and Informed Consent (FPIC)
- ✓ Status of stakeholder engagement and establishment of grievance mechanisms
- ✓ Impact on the living environment due to the project, including environmental pollution and other factors
- ✓ Occupational safety and health

Environmental and social risk assessment results (FY2023)

Total number of environmental and social risk assessments conducted

150 cases

Follow-up instructions regarding human rights

13 cases

Response confirmed

4 cases

Under continued follow-up

9 cases

Column: Human rights due diligence at asset management companies

Sumitomo Mitsui DS Asset Management has been conducting human rights due diligence since FY2022. As a responsible institutional investor, it is committed to engaging in constructive dialogues with investee companies as well as properly exercising voting rights.

Implementing human rights due diligence

- Classify targets into such categories as investee companies, asset management contractors, contractors of operations other than asset management, and internal; set monitoring items based on the characteristics of each category; and conduct human rights due diligence.
- When deficiencies arise, decide relevant measures in the Management Meeting, have the executive officers in charge take the measures, report progress on the measures to the Board of Directors, and ensure proper monitoring.

| Investee companies |
|--|
| <ul style="list-style-type: none"> Stance toward respecting human rights Compliance with labor-related laws and regulations Supply chain management |

| Asset management contractors |
|--|
| <ul style="list-style-type: none"> Establishment of human rights policy Considerations in the asset management process Media reports on human rights issues, etc. |

| Contractors for operations other than asset management |
|--|
| <ul style="list-style-type: none"> Establishment of human rights policy Compliance with overseas human rights laws and regulations Media reports on human rights violations |

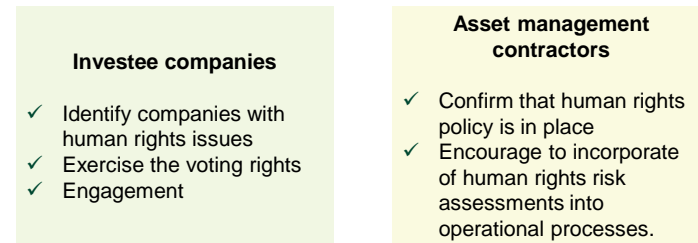
| Internal |
|--|
| <ul style="list-style-type: none"> Harassment Long working hours Occupational safety and health |

Initiatives for solving issues

- Sumitomo Mitsui DS Asset Management participates as a collaborative investor in “**Advance**”, a collaborative initiative by institutional investors **aiming to resolve human rights and other social issues**.
- Through participation in collaborative engagement organized by this initiative, **encourage investee companies to take steps to resolve human rights issues** among workers and in the local communities in which they conduct business, thereby contributing to the creation of a sustainable society.

Stewardship activities

- Incorporate ideas about respect for human rights into stewardship activities such as engagement and the exercise of voting rights, and utilize them in human rights due diligence.
- Encourage investee companies to properly manage and address human rights risks and disclose relevant information.



Number of companies we conducted engagements in human rights themes and results in FY2023

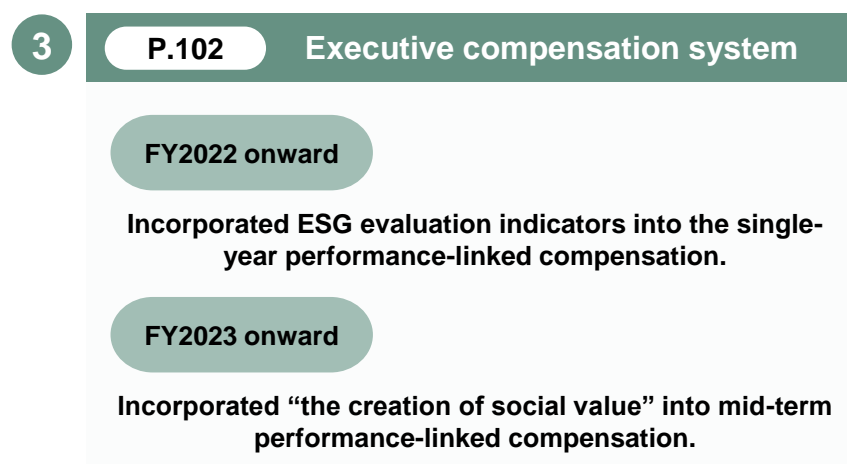
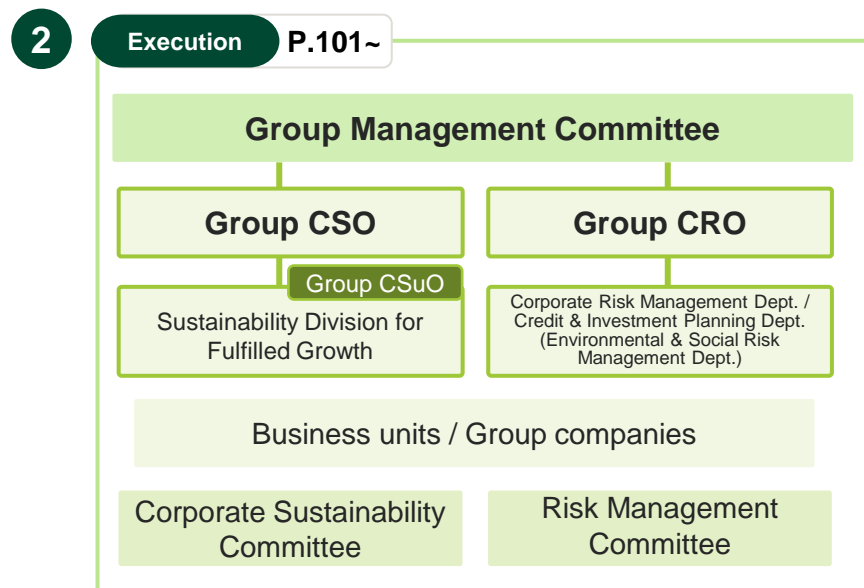
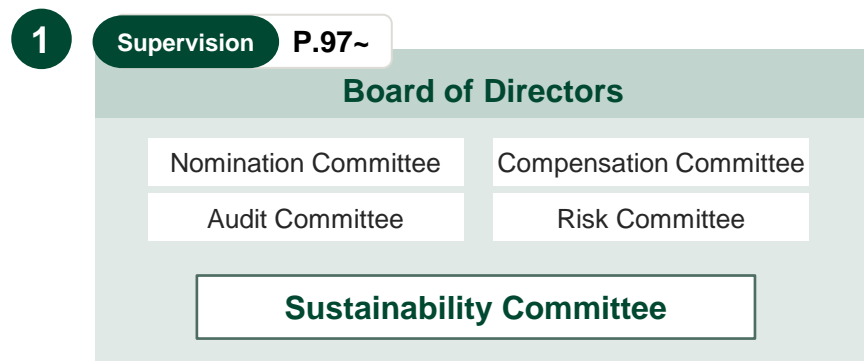
| | |
|------------------------------------|---|
| Investee companies 80 companies | Asset management contractors 116 companies |
|------------------------------------|---|

- Encourage the formulation of human rights policies (reduce the number of companies that have not yet formulated them).
 - Implement investment restrictions on problematic companies.
 - Clarify the policy of requiring companies where human rights issues have been discovered to establish human rights policies and build grievance mechanisms, and reflect the status of such efforts in the exercise of our voting rights.
- ▶ Going forward, we will continue to work on improving the effectiveness of the above engagement, etc.

Governance

Overall picture of sustainability management system

SMBC Group’s sustainability management is promoted under the responsibility of CxOs, including the CEO, and is operated by a robust governance structure under the supervision of the Board of Directors. We also strive to further strengthen capability building through holding study sessions for management and employees.



Supervision structure related to sustainability

The Board of Directors and internal committees play an important role each in effectively overseeing the execution of duties, from the perspectives of how to respond to sustainability-related risks and opportunities. Going forward, we will strive to continually strengthen our supervisory system.

| | | |
|--|---------------------------------|--|
| Board of Directors | | <ul style="list-style-type: none"> Decides on basic management policies and other matters that are defined as exclusive resolutions by the Board of Directors under the law and supervises the execution of duties by executive officers and directors. Oversees sustainability management and discusses responses to sustainability-related risks and opportunities. In FY2023, the CSuO reported five times on the formulation of basic policy on social value creation, including the promotion of sustainability, awareness of the international environment surrounding sustainability, enhancement of transition plans, and responses to non-financial information disclosure regulations. |
| Internal Committees of the Board of Directors | Nomination Committee | <ul style="list-style-type: none"> Decides the contents of proposals to be submitted to the general meeting of shareholders regarding the appointment and dismissal of directors. Also, the committee deliberates on matters regarding personnel decisions of officers of our company and major subsidiaries and selection of a successor to the president of our company, etc. Formulates a skills matrix (including sustainability) outlining the knowledge and experience expected of directors. Deliberates on the appointment of the Group CSuO and selection of the Sustainability Committee members. |
| | Compensation Committee | <ul style="list-style-type: none"> Determines the policy for determining compensation for directors, executive officers, and officers, and the compensation, etc. for individual directors and executive officers based on the policy. Deliberates on executive compensation based on the executive compensation system, which includes both quantitative and qualitative sustainability evaluation items. |
| | Audit Committee | <ul style="list-style-type: none"> Audits the execution of duties by directors and executive officers, and prepares audit reports, etc. The members selected by the Audit Committee conduct investigations into the business and assets of our company and subsidiaries. Monitors the status of sustainability initiatives. |
| | Risk Committee | <ul style="list-style-type: none"> In principle, the committee is held once a quarter, at which the Group CRO reports on environmental and risk awareness, risk appetite management, risk management operation systems, and other important risk management issues. After deliberation on these matters, the committee provides advice to the Board of Directors. Deliberates on sustainability-related risk management measures, etc. |
| | Sustainability Committee | <ul style="list-style-type: none"> Established in July 2021. The committee deliberates on matters related to domestic and international condition surrounding sustainability, the progress of sustainability-related measures, the status of efforts towards creating social value, and future direction, etc. In principle, the committee provides advice to the Board of Directors once every six months. The Group CSuO reports on progress and proposes action policies, which are supervised and deliberated upon by directors and internal/external experts. In FY2023, the committee deliberated on climate change responses, such as enhancing climate-related risk management, promoting sustainable business, addressing human rights and poverty disparities, international environmental awareness surrounding sustainability, and the status and future direction of efforts to create social value, etc. |

Composition of the Board of Directors and internal committees, their attendance status in FY2023

As of July 2024, the Board of Directors and its internal committees consist of 13 directors and four internal and outside experts. Also, in June 2024, the ratio of outside directors of Board of Directors became the majority. To ensure effectiveness, the chairman who does not have business execution responsibilities serves as chairman of the Board of Directors, and outside director serves as the chairperson of each internal committee.

| Director, internal committee member | | Board of Directors | | Nomination Committee | | Audit Committee | | Compensation Committee | | Risk Committee | | Sustainability Committee | |
|---|--|--------------------|-------------|----------------------|-----------|-----------------|-------------|------------------------|-----------|----------------|-----------|--------------------------|-----------|
| Takeshi Kunibe | Chairman of the Board | ● | 13/13 times | ● | 7/7 times | | | ● | 7/7 times | | | ● | 2/2 times |
| Toru Nakashima ^{*1} | Director President, Group CEO | ● | - | | | | | ● | - | | | ● | - |
| Teiko Kudo | Director Deputy President and Corporate Executive Officer, Group CCO | ● | 13/13 times | | | | | | | | | | |
| Fumihiko Ito | Director Senior Managing Corporate Executive Officer | ● | 11/11 times | | | | | | | ● | 4/4 times | | |
| Toshihiro Isshiki | Director | ● | 13/13 times | | | ● | 15/15 times | | | | | | |
| Yoshiyuki Gono | Director | ● | 11/11 times | | | ● | 12/12 times | | | | | | |
| Shozo Yamazaki | Outside Director | ● | 13/13 times | | | ● | 15/15 times | | | ● | 4/4 times | | |
| Sonosuke Kadonaga ^{*1} | Outside Director | ● | - | ● | - | ● | - | | | | | | |
| Yoshinobu Tsutsui | Outside Director | ● | 13/13 times | ● | 7/7 times | | | ● | 7/7 times | | | | |
| Katsuyoshi Shinbo | Outside Director | ● | 13/13 times | | | ● | 15/15 times | ● | 7/7 times | | | | |
| Eriko Sakurai | Outside Director | ● | 13/13 times | ● | 7/7 times | | | ● | 7/7 times | | | ● | 2/2 times |
| Charles D. Lake II | Outside Director | ● | 11/11 times | ● | 7/7 times | | | | | ● | 4/4 times | | |
| Jenifer Rogers | Outside Director | ● | 11/11 times | | | | | ● | 5/5 times | | | ● | 2/2 times |
| Hirohide Yamaguchi ^{*2} | Outside expert | | | | | | | | | ● | 4/4 times | | |
| Tatsuo Yamazaki ^{*3} | Outside expert | | | | | | | | | ● | 4/4 times | | |
| Yukari Takamura ^{*4} | Outside expert | | | | | | | | | | | ● | 2/2 times |
| Eiichiro Adachi ^{*5} | Expert | | | | | | | | | | | ● | 2/2 times |

● : Chairperson/Committee Chair
 ● : Director / Committee member

*1. Assumed the position from June 2024

*2. Chairman of the Advisory Board of Nikko Research Center, Inc., former Deputy Governor of the Bank of Japan

*3. Specially appointed professor of International University of Health and Welfare

*4. Professor at the University of Tokyo Institute for Future Initiatives

*5. Senior Counselor of The Japan Research Institute, Limited.

Skills Matrix of Directors

To select directors, the Nomination Committee formulates a skills matrix* that summarizes the expected knowledge and experience. Since 2022, “sustainability” has been added to the skills matrix. We are striving to strengthen the supervision of sustainability management through appointing directors with sufficient expertise and business experience to manage sustainability-related risks and opportunities.

Internal Director (non-executive) Internal Director (executive) Outside Director

| | Corporate management | Finance | Global | Legal affairs / Risk management | Financial 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 | | | | | | | |

*These are areas particularly expected of the relevant directors and do not represent all of the knowledge and experience possessed by the directors

Expertise of the Sustainability Committee members

The Sustainability Committee includes the following members, all of whom possess expertise in sustainability. The Committee strives to ensure the effectiveness of its supervision for the progress of sustainability-related measures.

| | |
|--|--|
| <p>Chairperson Outside Director Eriko Sakurai</p> | <ul style="list-style-type: none"> • Appointed as an outside director of our company in 2015, and Chairperson of the Committee in 2021. • Involved for many years in the global business division of Dow, a U.S. chemical manufacturer with global operations, and in the management of its Japanese subsidiary. <ul style="list-style-type: none"> ➢ Based on the company’s purpose “to deliver a sustainable future for the world”, she promoted sustainability-related measures such as environmentally conscious product development and initiatives toward GHG emission reduction. • Concurrently holds positions as an outside director for Astellas Pharma Inc., Kao Corporation, and Nippon Sheet Glass Co., Ltd. |
| <p>Outside Director Jenifer Rogers</p> | <ul style="list-style-type: none"> • Appointed as an outside director and Sustainability Committee member of our company in 2023. • Attorney at Law, admitted in New York, the U.S.A. In addition to her expertise in corporate law, as the president of the American Chamber of Commerce in Japan (ACCJ) in 2021, she promoted initiatives to enhance economic relations between Japan and the United States including the area of sustainability and strengthened the international business environment. • Concurrently holds positions as General Counsel Asia of Asurion Japan Holdings G.K., outside director for Kawasaki Heavy Industries, Ltd., and outside director for Seven & i Holdings Co., Ltd. |
| <p>Outside expert Yukari Takamura</p> | <ul style="list-style-type: none"> • Appointed as a member of the Sustainability Committee of our company in 2021. • She specializes in international law and environmental law, and conducts research on international treaties on the environment as well as legal policies on climate change and energy. • After serving as professor at Nagoya University’s Graduate School and professor at the University of Tokyo’s Integrated Research System for Sustainability Science (IR3S), she became professor at the University of Tokyo’s Institute for Future Initiatives in April 2019. • She also serves as chairperson of the Central Environment Council, the Tokyo Metropolitan Environmental Council, the Procurement Price Calculation Committee for Feed-in Tariff Scheme for Renewable Energy, a member of the Financial Services Agency’s Expert Panel on Sustainable Finance, a member of the Working Group on Corporate Disclosure of the Financial System Council, a member of the Sustainability Standards Board of Japan (SSBJ) of the Financial Accounting Standards Foundation, and a member of the Advisory Group on Climate Change and Sustainable Development of the Asian Development Bank. |
| <p>Expert Eiichiro Adachi</p> | <ul style="list-style-type: none"> • Appointed as a member of the Sustainability Committee of our company in 2021. • After joining The Japan Research Institute, Ltd. (“JRI”) in 1990, he is currently the Senior Counselor and the Head of the Institute for Societal Values in Future Generations at JRI. • He has mainly conducted industry research and corporate evaluations from the perspective of corporate social responsibility, and has been involved in numerous projects related to the environmentally conscious actions of financial institutions and research into socially responsible investment. He also serves as an Japanese expert of the Technical Committee ISO (International Organization for Standardization)/TC322, and a member of the Japan Financial Services Agency Expert Panel on Sustainable Finance, and a member of the working group related to green finance of Ministry of the Environment. |

Execution structure related to sustainability

Sustainability measures are being promoted mainly through the Group Management Committee, the Corporate Sustainability Committee, the upper management of each Group company, and the Group CSuO. We are continuing to strengthen efforts across the Group.

| | | | |
|--|---|--|---|
| <p>Group Management Committee</p> | <ul style="list-style-type: none"> • Functions as the highest decision-making body for the business execution and management of the entire Group under the Board of Directors. • Deliberates on measures aimed at achieving sustainability for the entire Group. | <p>President/CEO of Group companies</p> | <ul style="list-style-type: none"> • Promotes sustainability initiatives at each company • Participates in the Corporate Sustainability Committee |
| <p>Corporate Sustainability Committee</p> | <ul style="list-style-type: none"> • Regarding sustainability-related measures for the entire Group, it deliberates on and determines more detailed content than the Group Management Meeting. • With the Group CEO as the committee chair, it promotes the achievement of sustainability under the commitment of the upper management. • Presidents of the Group companies, the Group CSO, Group CRO, Group CHRO, and Group CSuO participate in it. • In FY2023, it deliberated on international environmental awareness, including forecasts of trends related to sustainability, and the direction of our sustainability strategy from the next fiscal year onwards. | <p>Group CEO</p> | <ul style="list-style-type: none"> • Approves measures to achieve sustainability at Group Management Committee meetings and elsewhere. |
| <p>Risk Management Committee</p> | <ul style="list-style-type: none"> • Chaired by the Group CRO, it deliberates on risk management measures related to sustainability. | <p>Group CSO</p> | <ul style="list-style-type: none"> • Oversees efforts related to social value creation measures. |
| | | <p>Group CRO</p> | <ul style="list-style-type: none"> • Promotes risk management across the Group, including from a sustainability perspective. |
| | | <p>Group CSuO</p> | <ul style="list-style-type: none"> • Established in 2021. • Oversees and promotes the Group's sustainability and social value creation initiatives, and plans and manages policies. |

Expertise of the Group CSuO

| | |
|---|---|
| <p>Group CSuO Masayuki Takanashi</p> | <ul style="list-style-type: none"> • Appointed as general manager of the Corporate Sustainability Dept. at SMBC in April 2022 and the Group CSuO in April 2023. • Joined Sumitomo Bank (now SMBC) in 1993 and led the creation of the bank's first annual report (published in 2016) in the Corporate Planning Department. As the Co-General Manager of the Loan Capital Markets Department in London, he also promoted sustainable finance in EMEA. • After the appointment as Group CSuO, he has been promoting the following as the head of sustainability strategies for the entire Group: enhancement of risk management and transition plans related to climate change, strengthening sustainability-related business, promotion of initiatives for social value creation, building internal capability, and stimulation of stakeholder communication. |
|---|---|

Executive compensation system

We have introduced an executive compensation system that includes sustainability-related evaluation items from both quantitative and qualitative perspectives, which serves as an appropriate incentive.

■ : Cash compensation ■ : Stock compensation ■ : Variable compensation

| Compensation Components | Payment Standards (Range of Variation) and Target Indices | Payment Method | Key points | | | | | | | | | | | | | | | | | | | |
|------------------------------------|---|------------------------------------|--|------------------|--|--------|-----------------|---------|----------------------------|----------------------------------|-----|---------------------|-------|-------------------|----------------------------------|-------------|-----------------------------------|-----|---------------------|-----------------------------|-----|-----------------------|
| Base salary | Fixed compensation | Cash | | | | | | | | | | | | | | | | | | | | |
| Bonus (Cash) | Compensation determined based on SMFG's annual performance (0%-150%) *1 Standard levels × SMFG's annual performance, progress of initiatives towards the realization of sustainability, status of execution of individual duties, etc. | Cash: 70% Restricted stock: 30% | <ul style="list-style-type: none"> Stock Compensation Plan I, II, and III are applicable to malus and claw-back provisions. → This ensures a prudent risk culture expected of a financial institution. | | | | | | | | | | | | | | | | | | | |
| Bonus (Stock Compensation Plan II) | <table border="1"> <thead> <tr> <th colspan="2">Target Index*2</th> <th>Weight</th> <th>ESG Evaluation</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td>SMFG Net business profit*3</td> <td>Annual growth/Target achievement</td> <td>50%</td> <td>Progress of KPIs*5</td> <td rowspan="2">± 10%</td> </tr> <tr> <td>SMFG Net income*4</td> <td>Annual growth/Target achievement</td> <td>50%</td> <td>Performances of ESG ratings</td> </tr> </tbody> </table> | | | Target Index*2 | | Weight | ESG Evaluation | Weight | SMFG Net business profit*3 | Annual growth/Target achievement | 50% | Progress of KPIs*5 | ± 10% | SMFG Net income*4 | Annual growth/Target achievement | 50% | Performances of ESG ratings | | | | | |
| Target Index*2 | | Weight | ESG Evaluation | Weight | | | | | | | | | | | | | | | | | | |
| SMFG Net business profit*3 | Annual growth/Target achievement | 50% | Progress of KPIs*5 | ± 10% | | | | | | | | | | | | | | | | | | |
| SMFG Net income*4 | Annual growth/Target achievement | 50% | Performances of ESG ratings | | | | | | | | | | | | | | | | | | | |
| Stock Compensation Plan I | Compensation determined based on SMFG's mid-term performance (0-150%)*6 Standard levels × SMFG's medium-term performance, etc. | Restricted stock | <ul style="list-style-type: none"> Starting in FY2020, we adopted ESG initiatives as one of the qualitative items in processing mid-term performance-linked compensation. From FY2022, ESG evaluation was expanded in single-year performance-linked compensation. → Sustainability-related evaluations are introduced from both quantitative and qualitative perspectives. | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th colspan="2">Evaluation Index</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Financial index</td> <td>ROCE1*7</td> <td>20%</td> </tr> <tr> <td>Base expenses*8</td> <td>20%</td> </tr> <tr> <td>SMFG gross profit*9</td> <td>15%</td> </tr> <tr> <td>SMFG net income*4</td> <td>15%</td> </tr> <tr> <td>Share index</td> <td>Total shareholder return (TSR)*10</td> <td>15%</td> </tr> <tr> <td>Non-financial index</td> <td>Creation of social value*11</td> <td>15%</td> </tr> <tr> <td>Adjustment evaluation</td> <td>Initiatives in new business areas, compliance, customer-oriented initiatives, and risk management</td> <td>±5%</td> </tr> </tbody> </table> <p>In the case that CET1 ratio falls below a designated level at the end of each fiscal year, Stock Compensation Plan I for the respective fiscal year becomes null and void (knock-out provision).</p> | | | Evaluation Index | | Weight | Financial index | ROCE1*7 | 20% | Base expenses*8 | 20% | SMFG gross profit*9 | 15% | SMFG net income*4 | 15% | Share index | Total shareholder return (TSR)*10 | 15% | Non-financial index | Creation of social value*11 | 15% | Adjustment evaluation |
| Evaluation Index | | Weight | | | | | | | | | | | | | | | | | | | | |
| Financial index | ROCE1*7 | 20% | | | | | | | | | | | | | | | | | | | | |
| | Base expenses*8 | 20% | | | | | | | | | | | | | | | | | | | | |
| | SMFG gross profit*9 | 15% | | | | | | | | | | | | | | | | | | | | |
| | SMFG net income*4 | 15% | | | | | | | | | | | | | | | | | | | | |
| Share index | Total shareholder return (TSR)*10 | 15% | | | | | | | | | | | | | | | | | | | | |
| Non-financial index | Creation of social value*11 | 15% | | | | | | | | | | | | | | | | | | | | |
| Adjustment evaluation | Initiatives in new business areas, compliance, customer-oriented initiatives, and risk management | ±5% | | | | | | | | | | | | | | | | | | | | |
| Stock Compensation Plan III | (Promotion reward plan) | Restricted stock | <ul style="list-style-type: none"> In April 2023, quantitative indicators related to environmental sustainability and qualitative evaluations of initiatives related to SMFG priority issues were incorporated into medium-term performance-linked compensation. | | | | | | | | | | | | | | | | | | | |



*1 Compensation amounts for each fiscal year are determined by the Compensation Committee
 *2 If the Compensation Committee recognizes any element other than the above mentioned target indices which should be taken into consideration, the Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid to the employee by a maximum of 5%, plus or minus
 *3 The Company's Consolidated net business profit
 *4 The Company's Consolidated profit attributable to owners of parent
 *5 Performances of annual progress of KPIs in the "SMBC Group GREEN × GLOBE 2030", such as the reduction of greenhouse gas emissions
 *6 Compensation amounts determined by the Compensation Committee at the conclusion of the Medium-Term Management Plan

*7 Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities
 *8 General and administrative expenses excluding "revenue-linked cost," "prior investment cost" and others
 *9 The Company's consolidated gross profit
 *10 The Compensation Committee determines progress of performance by relative evaluation of TSR during the term of the Group's Medium-Term Management Plan
 *11 The Compensation Committee evaluates the achievement of KPIs related to the environment (FE reduction and amount of sustainability finance executed) and employees (employee engagement and DE&I), as well as the status of efforts to address the five priority issues set forth by the Group ("Environment," "DE&I/Human Rights," "Poverty & Inequality," "Declining Birthrate & Aging Population," and "Japan's Regrowth")

Capability building for directors and executive officers

In order to enhance our governance system regarding sustainability, we held sustainability study sessions for management and roundtable discussion with global advisor in FY2023. We will continue to promote efforts to strengthen expertise, with a focus on further improving training content.

Sustainability study group for the management

- We held a sustainability study session for the management, inviting Professor Yukari Takamura of the University of Tokyo, Sustainability Committee member, as the lecturer.
 - ✓ The session covered climate change, circular economy, nature restoration (nature-positive initiatives), business and human rights, trends in sustainability disclosure regulations, and the responses required by companies.
 - ✓ Other topics discussed included the impact of non-financial information disclosure on the supervision and audit system, transitions in emerging countries, and measures in light of future political trends.



Discussions at the Board of Directors

- Increased knowledge of directors through discussions on the external environment and latest trends regarding sustainability, as well as on the response policy of SMBC Group.

| Topics (examples) | Main topics discussed |
|--|---|
| Non-financial information disclosure standards | ✓ Accuracy in information and data |
| Greenwashing | ✓ Greenwashing risks in disclosure and customer support |
| Sustainable business promotion | ✓ Support for customer transition |

Roundtable

- Held a meeting for exchanging opinions between our global advisor Mr. Paul Polman and our directors.
 - ✓ Gained insights into creating social value through discussions with the leading expert in sustainability management.



Mr. Paul Polman

- UN Global Compact Vice Chair (2018-2024)
- Unilever CEO (2009-2019)

Main points of discussion

- ✓ Linking sustainability with business strategy
- ✓ Setting long-term goals with significant social impacts
- ✓ Making continuous progress rather than expecting perfection from the start



Others (Support systems for outside directors)

- Continuously providing outside directors with information and knowledge including on sustainability, which is necessary for supervising management and providing related opportunities.
- Conducted study sessions on promoting DE&I and other topics.

Capability building for employees

Building employee capability is essential for promoting efforts to achieve sustainability and create social value. Through various measures, we will continue to focus on raising employee awareness and improving their expertise.

Social Value Creation Caravan

- In order to promote employee understanding of the new management cornerstone of the creation of social value, we held a Social Value Creation Caravan in FY2023.
- The Group CSO, Group CSuO, and members of the Sustainability Division for Fulfilled Growth visited each office and held a roundtable discussion to exchange opinions on expectations for specific roles and the support required to address these issues.

Past events

- ✓ Held at 196 locations in Japan and overseas

Employee opinion examples

- ✓ Introduction of new awards system
- ✓ An internal framework which does not bound by existing values created



CSuO Channel

- The study course for employees featuring themes related to sustainability and social value, with explanations given directly by the Group CSuO.
- The program began in FY2021 and over 2,000 employees have participated in total.

Sustainability University

- A framework for systematizing sustainability training
- By providing a wide range of content on topics such as climate change, natural capital, and business and human rights, the University is designed to enable employees to acquire the knowledge they need to contribute to the achievement of sustainability through their work.
- Starting in FY2024, we introduced online learning service Aidemy GX.
- Planning to continue expansion of training contents.

Examples of Training contents

Sustainability Basics Study Course

- ✓ For all Group employees
- ✓ Around 80,000 people took the course in FY2023.

Aidemy GX

- ✓ Online learning content provided by Aidemy
- ✓ A wide range of learning content from basics to specialized content

Kinzai Sustainability Test

- ✓ 400 people passed the test in FY2022
- ✓ Aiming to have a cumulative total of 1,200 people passing the test by FY2025.

Sustainability Ambassador

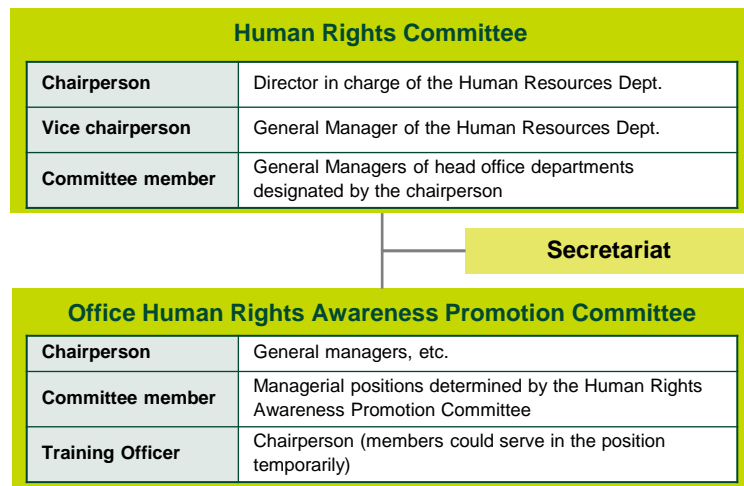
- SMBC has appointed Sustainability Ambassadors / Carbon Neutral Ambassadors at all of its sales offices in Japan and at some of its overseas offices.
- Each ambassador acts as a hub for information sharing between the head office and sales offices, and among sales offices themselves. Also, they implement sales measures to raise employee awareness of sustainability and strengthen proposal capabilities within each sales office. Through such steps, ambassadors support and accompany customers' efforts towards sustainability management across all sales offices.



Capability building for human rights awareness

We are actively working to raise awareness of human rights so that all employees will respect the human rights of customers, suppliers and other employees.

Promoting human rights awareness(SMBC)



Human Rights Committee (Responsibilities and roles)

- At SMBC, the Human Rights Committee, chaired by the executive officer in charge of the Human Resources Dept., is taking the lead in promoting efforts to raise awareness of human rights among all employees.
- The Human Rights Committee establishes a bank-wide basic policy on human rights awareness and supports the smooth operation of various training programs through the Office Human Rights Awareness Promotion Committees of each department or branch within the Bank.
- The secretariat reviews operations and measures, and holds a human rights slogan competition as well as an awards ceremony to coincide with Human Rights Week.

Human rights awareness training

Human rights trainings for employees (FY2023 results)

| | Name of training | Target entities | Number of participants | Contents |
|------------|--|---|------------------------|---|
| SMBC Group | SMBC Group new recruit training | Full-time employees | 1,116 | Covering overall human rights issues in general |
| | Sustainability Basics Study Course | SMBC Group All employees (including overseas offices) | About 80,000 | Held once a year ^{*1} |
| SMBC | Training seminar for Human Rights Awareness Promotion Committee including Branches and Departments | (Domestic) All general managers | General managers 788 | Held once a year, holding a session of lectures provided by experts |
| | Department/branch human rights training session | (Domestic) All employees | 28,774 (2H) | Held twice a year, based on selected themes |
| | Compliance training (Business and human rights) | (Domestic) All employees | 28,848 | Held once a year ^{*2} |
| | Training session at the time of promotion and appointment | Applicable employees | 393 | Covering overall human rights issues in general |

*1 Implemented for the purpose of understanding the current trends in sustainability and SMBC Group's initiatives (climate change issues, initiatives regarding respect for human rights, etc.)

*2 Conducted annually with the aim of raising the awareness of details related to "Business and human rights" as well as the "Statement on Human Rights")

Metrics and targets

Key climate and nature-related metrics and targets

To promote strategies and risk management related to climate change and natural capital, we are monitoring the following metrics and targets.

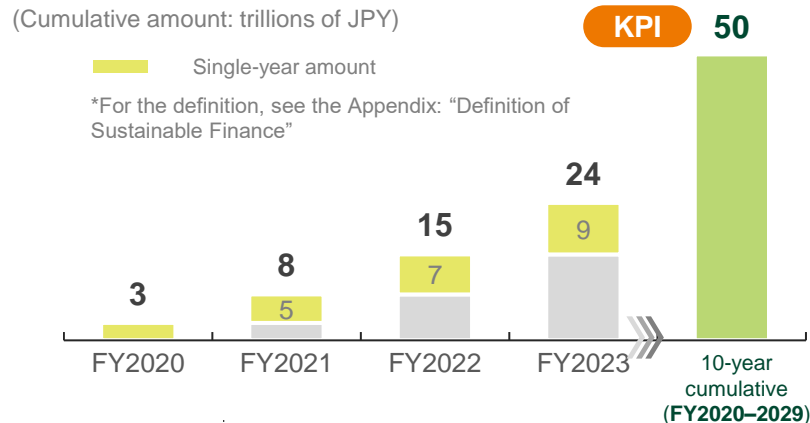
| Metrics | Targets | Recent results | YoY | |
|--|---|---|--|--|
| Sustainable finance | Cumulative JPY 50 trillion by 2030 | Cumulative JPY 24 trillion (FY2020–2023) | — | Results P.108 Definition and scope of tabulation P.118 |
| Green finance | Cumulative JPY20 trillion by 2030 | Cumulative JPY 11 trillion (FY2020–2023) | — | |
| Portfolio GHG emissions | Net zero by 2050 | — | — | Results P.109-112 Calculation method P.121-129 |
| Oil & Gas | FY2030: -12% to -29% (from FY2020) | 23.9 Mt-CO₂e (FY2022) | -41% (from FY2020) | |
| Coal | FY2030: -37% to -60% (from FY2020) | 4.4 Mt-CO₂e (FY2022) | -68% (from FY2020) | |
| Power | FY2030: 138 to 195 g-CO₂e/kWh | 292 g-CO₂e/kWh (FY2022) | -12% (from FY2020) | |
| Steel | FY2030: 1.2 to 1.8 t-CO₂e/t-Steel | 2.0 t-CO₂e/t-Steel (FY2022) | — | |
| Automobile | FY2030: 120 to 161 g-CO₂e/vkm | 196 g-CO₂e/vkm (FY2022) | -4% (from FY2021) | |
| Real estate | FY2030: 33.1 to 42.9 kg-CO₂e/m² | 79.8 kg-CO₂e/m² (FY2022) | -2% (from FY2021) | |
| Loan balance for coal-fired power generation* | Zero balance by FY2040 Project finance, equipment-linked corporate finance | Project finance: JPY 217 billion (FY2023) Equipment-linked corporate finance JPY 68 billion (FY2023) | - JPY 34 billion (from FY2021) - JPY 18 billion (from FY2021) | |
| Loan balance for thermal coal mining sector* | Zero balance by FY2030 OECD countries | JPY 8 billion (FY2023) | - JPY 21 billion (from FY2021) | |
| | Zero balance by FY2040 Non-OECD countries | JPY 37 billion (FY2023) | - JPY 41 billion (from FY2021) | |
| Operational GHG emissions | Net zero by 2030 | 103 kt-CO₂e (FY2023) | -43% (from FY2021) | Results P.114 |

*The amounts described for the most recent results and as the ratios vs. reference year were rounded to the nearest tenth.

Sustainable Finance

We are actively advancing sustainable finance to assist our clients in solving social issues and are on track to achieve our execution target of JPY 50 trillion by 2030, with JPY 20 trillion allocated to green finance.

Amount of sustainable finance (cumulative)



Details of progress

- In addition to our traditional strength in project finance for renewable energy, we are also enhancing our proposals to support our customers' decarbonization and transition efforts.
- By product, green finance and sustainability-linked loans in particular have accounted for a large proportion of results, and social finance, etc., have shown a steady increase.



Global

1st

Green loan*1

2nd

Sustainable loan*2,
Social loan*1

*1: Dealogic (amounts extended in FY2023)

*2: Environment Finance (number of credits executed in FY2023)

Case studies

| Indonesia | India |
|--|--|
| <p>Blue bonds contributing to the conservation of marine ecosystems (samurai government bonds)</p> | <p>Green loan for wind and solar power generation</p> |
| UK | Chile |
| <p>Social loans for affordable housings</p> | <p>Social loans for businesses working committing 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



Support using the Group's knowledge

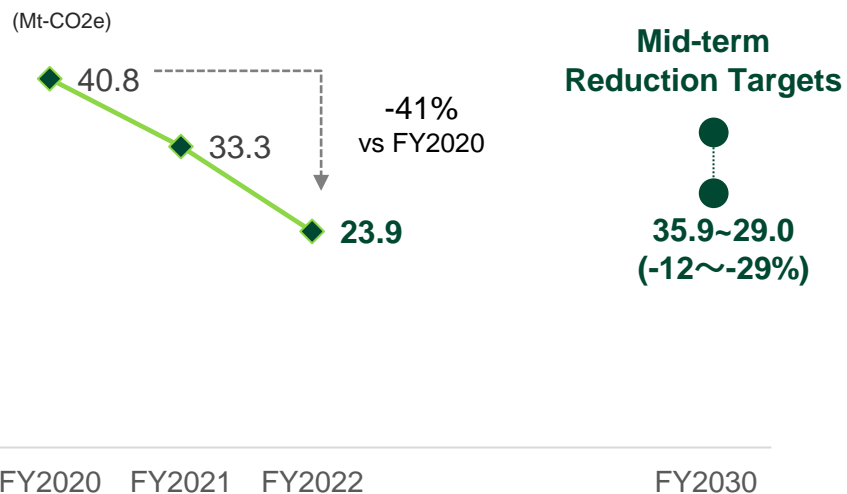


Portfolio GHG Reduction Targets and Progress (Oil & Gas Sector)

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

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

Results and Targets



Trend Status

- In FY2022, 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

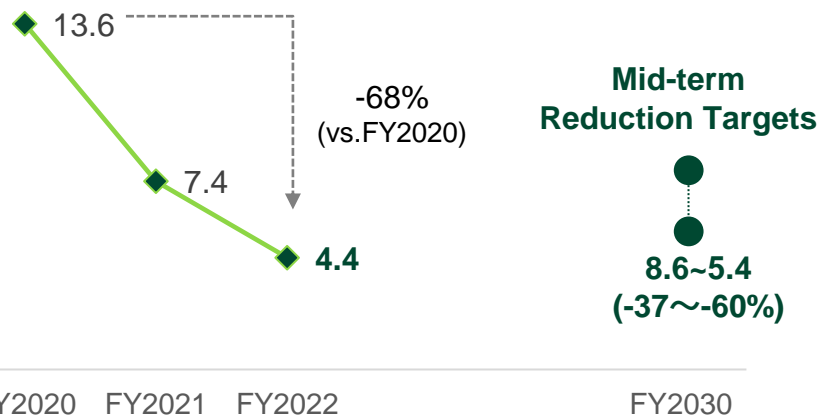
Portfolio GHG Reduction Targets and Progress (Coal Sector)

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

We will aim for steady reductions along with the achievement of the zero-balance target.

Results and Targets

(Mt-CO₂e)



Trend Status

- In FY2022, 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>

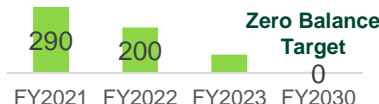
- Projects that fall under any of the following:
 - ✓ New and expansion of thermal coal mining operations
 - ✓ New and expansion of infrastructure projects linked to thermal coal mining
 - ✓ Coal mining by mountaintop removal mining method
- Thermal coal mining companies that fall under the following:
 - ✓ Have no existing transactions with the Group
 - ✓ Transactions in OECD countries beyond FY2030
 - ✓ Transactions in non-OECD countries beyond FY2040

Zero Balance Target

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

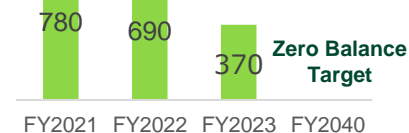
OECD Countries

(JPY 100mn)



Non-OECD Countries

(JPY 100mn)

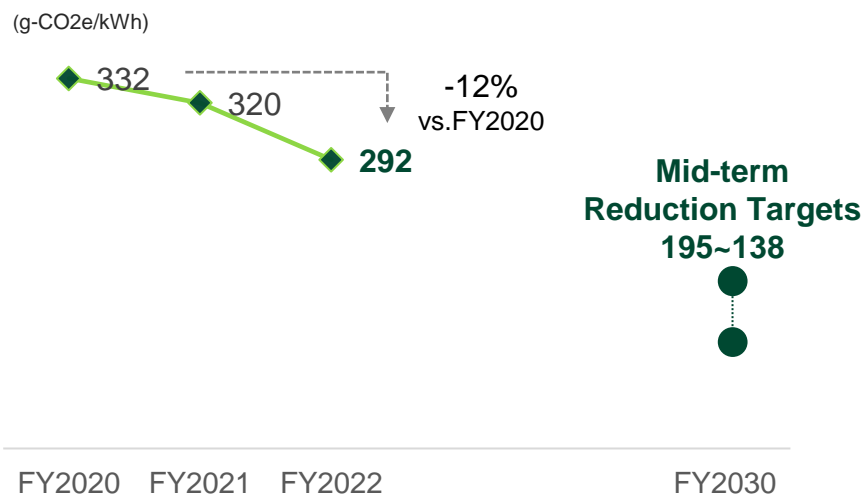


* Amounts are rounded to the nearest tenth. See Appendix 'Coal-fired- and coal mining-related exposure' for details.

Portfolio GHG Reduction Targets and Progress (Power Sector)

In the power sector, we achieved 12% reduction over the last two years. In addition to the zero-balance target, we 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

- 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

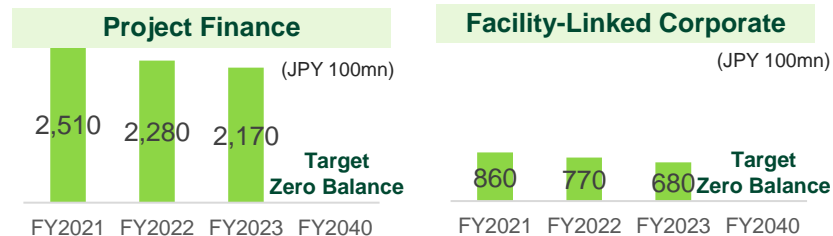
Expansion of Support for Renewable Energy Generation

- 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>

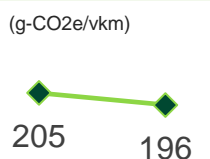





- New and the expansion of projects related to coal-fired power generation
- Coal-fired power plants with maturity exceeding FY2040
- Companies whose main business is coal-fired power generation, and which have any existing transactions, including but not limited to lending, with SMBC Group.



* Amounts are rounded to the nearest tenth. See Appendix 'Coal-fired- and coal mining-related exposure' for details.

Portfolio GHG Reduction Targets and Progress (Automobile, Steel and Real Estate Sector)

We set new mid-term emissions 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 FY2021 FY2022 *1 IEA NZE Scenario |  161 (Ref. SBTi SDA Tool B2DS) 120 (Ref. 1.5°C Scenario*1) FY2030 | 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 FY2021 FY2022 *2 Mission Possible Partnership Carbon Cost Scenario |  1.8 (Aligned with clients' goals aiming at carbon neutrality by 2050) 1.2 (Ref. 1.5°C Scenario*2) FY2030 | 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 FY2021 FY2022 *3 CRREM Global Pathways 1.5°C |  42.9 (Ref. CRREM) 33.1 (Ref. 1.5°C Scenario*3) FY2030 | 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 |

Portfolio GHG Reduction Targets and Progress (Column: Ship Sector)

SMBC signed the Poseidon Principles in 2021 and is committed to disclosing information about its ship finance portfolio.

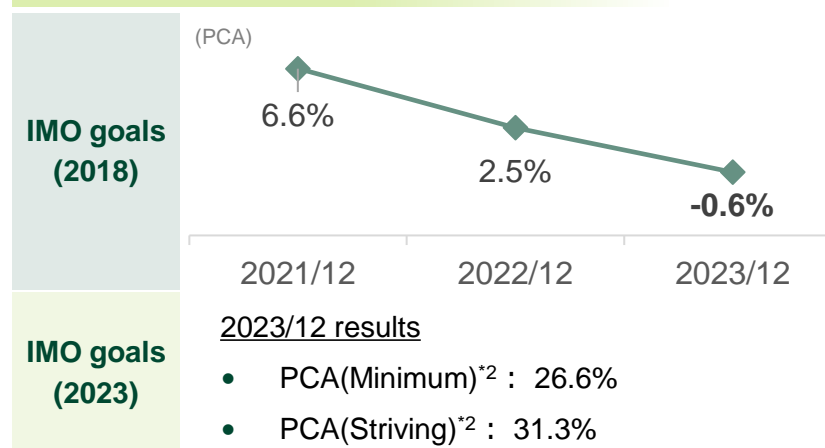
What are the Poseidon Principles?

- The International Maritime Organization (IMO) formulated the IMO GHG reduction strategy with the aim of rapidly reducing GHG emissions.
 - ✓ Goal (2018): Reduce CO2 emissions by more than 50% by 2050 (vs. 2008) and achieve net zero early in this century.
 - ✓ Revised goal (2023): Reduce GHG emissions by 20 to 30% by 2030 and 70 to 80% by 2040 (vs. 2008). Achieve net zero by around 2050.
- The Poseidon Principles are an initiative led by private financial institutions to tackle the IMO's reduction goals and were established in 2019 by major financial institutions.
- Financial institutions that have signed the Poseidon Principles are required to annually measure and publish a portfolio climate alignment (PCA) score for their ship finance portfolios based on a common framework set out in the Principles.

SMBC Group's own initiatives

- SMBC signed the Principles in January 2021, and joined the Steering Committee in May 2024.
- Since 2021, we have been disclosing our PCA score against the IMO goals (2018).
Note: The score has shown an improving trend due to the increased use of green fuels on LNG ships, container ships, and more.
- Since 2023, we have been disclosing our PCA score vs. the new IMO goals (2023).

Transition in SMBC Group performance*1



*1 PCA is an indicator that shows the degree of alignment with IMO goals, with 0% indicating that emissions are exactly in line with the goals. (A negative score indicates that emissions are being reduced faster than the goals, and a positive score indicates that emissions are being reduced slower than the goals.)

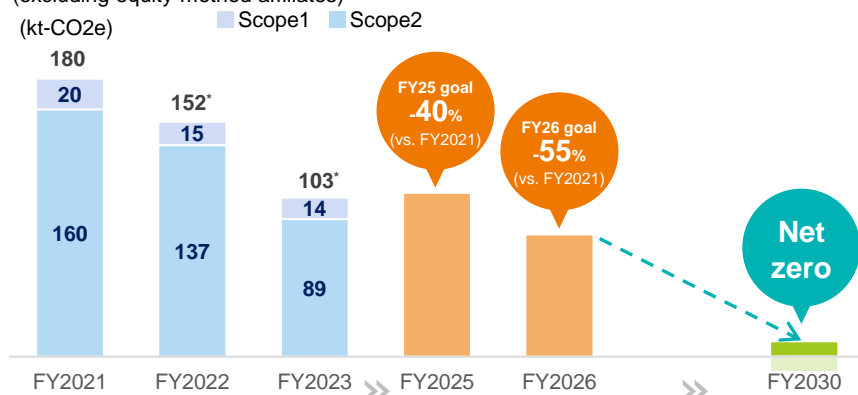
*2 The revised reduction goals are shown by a range, and an alignment score is calculated according to each range. "Minimum" aligns with the goals of reducing emissions by 20% by 2030 and 70% by 2040, while "Striving" aligns with reducing emissions by 30% by 2030 and 80% by 2040.

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

We are committed to achieving net zero GHG emissions (Scope 1/2) from our operations by FY2030, and are promoting the use of clean energy and reduction of emissions by switching to renewable energy for our electricity procurement.

Results and Targets

Targets:
Domestic and overseas bases of SMBC Group and its consolidated subsidiaries (excluding equity-method affiliates)



| Main Initiatives | Future Focus Areas | Neutralization of Residual Emissions |
|---|--|---------------------------------------|
| Switching to renewable energy for our own properties in Japan | Switching to renewable energy for data centers and leased properties | Clarifying the definition of net zero |
| SMBC Kawasaki Mega Solar Place | Switching company cars to EVs | Utilization of carbon credits |
| Offsite Corporate PPA | Acquisition of the third-party assurance | |

* Aggregated for the same scope as FY2021 (excluding SMFG India Credit Company, which became a wholly-owned subsidiary in March 2024). FY2023 figures are preliminary figures, as no assurance has been obtained yet.

New efforts

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



Third-party Assurance (Assurance: Data Governance)

- Early acquisition of third-party assurance

Transition to Renewable Energy for Electricity

- Installation of solar power at SMBC Nikko data center
- Transition to renewable energy for leased offices
- Introduction of new renewable energy sources (wind, biomass)

Human capital management Targets and Progress

The three strategies aimed at maximizing our human resources capabilities are making steady progress towards their goals.

| Three strategies | Metrics ^{*1} | Targets | FY2022 results | FY2023 results |
|---|---|----------------------------------|---------------------|---------------------|
| Creating a human resources portfolio that supports our strategies | Results of investment in focus areas ^{*2} | FY2023–2025: +1,400 persons | – | +600 persons |
| | Number of new graduate hired by course | FY2025: 325 persons | 46 persons | 105 persons |
| | Number of mid-career hires | FY2024: Same level as prior year | 487 persons | 927 persons |
| | Number of subject matter experts across the group | – | 1,652 persons | 1,703 persons |
| | Number of candidates for succession within 5 years / Degree of preparation for succession ^{*3} | – | 180 persons, 7.5x | 279 persons, 7.0x |
| Supporting employee growth and well-being | Total annual training costs | – | JPY 4.0 billion | JPY 4.7 billion |
| | Number of applicants for open recruitment system | – | 1,693 persons | 1,870 persons |
| | Number of users of side job system (Of which, internal) | – | 318 persons | 699 persons |
| Maximizing team performance | Ratio of female in the Board of Directors ^{*4} | FY2030: 30% | 20% (2023/6) | 23% (2024/6) |
| | Number of female executive officers | FY2025: 30 persons | 30 persons (2023/6) | 36 persons (2024/6) |
| | Ratio of female managers | FY2025: 25% FY2030: 30% | 19% | 20% |
| | Ratio of female in senior management position ^{*5} | FY2025: 30% FY2030: 35% | - | 26% |
| | Number of foreign-national officers | FY2025: 25 persons | 21 persons (2023/6) | 22 persons (2024/6) |
| | Ratio of locally hired employees in management positions at overseas bases ^{*6} | 2025: 93.7% | 93.7% | 93.4% |
| | Ratio of mid-career personnel and ratio of future managers among new hires | FY2025: 30.7%, 18.0% | 30.7%, 18.2% | 40.8%, 18.8% |
| | Average number of days and take-up rate of paternity leave | 30 days, 100% | 8.2 days, 89% | 11.5 days, 116% |
| Engagement score ^{*7} | Maintain 70 or higher | 72 | 72 | |

*1. Unless otherwise noted, SMFG and its eight major companies (non-consolidated, domestic) are the aggregation targets.

*2. SMFG and its Group consolidated subsidiaries

*3. Ratio of number of candidates to target number for post

*4. SMFG non-consolidated

*5. SMBC Group companies The number of directors and director equivalents or higher at overseas subsidiaries are aggregated in the tabulation required as per the Act on the Promotion of Women's Active Engagement in Professional Life.

*6. SMBC Group companies*7. SMFG, SMBC, SMBC Trust, SMFL, SMBC Nikko, SMCC, SMBCCF, JRI

Appendix

External Evaluation and Initiatives

External evaluation

Inclusion in indices



FTSE Blossom
Japan



FTSE Blossom
Japan Sector
Relative Index



S&P/JPX
Carbon
Efficient
Index

2024 CONSTITUENT MSCI NIHONKABU
ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

GPIF Selected Indexes



FTSE4Good

2024 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

Various awards and certifications*



TERRA
CARTA

work with Pride



Gold
2023



2024
健康経営優良法人
Health and productivity
ホワイト500



プラチナくるみん
子育てサポートしています



女性が活躍しています！

Initiatives

WE SUPPORT



UN GLOBAL COMPACT



FINANCE
UNEP INITIATIVE



PFA21
Principles for Financial
Action for the 21st Century

Signatory of:



PRI | Principles for
Responsible
Investment



CDP
DISCLOSURE INSIGHT ACTION



TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



POSEIDON
PRINCIPLES



PCAF



GFANZ
Glasgow Financial Alliance for Net Zero

We Support



EMPOWERMENT
PRINCIPLES
WOMEN'S
EQUALITY MEANS BUSINESS
UN WOMEN
UNITED NATIONS
GLOBAL COMPACT
www.weprinciples.org



30% Club
GROWTH THROUGH DIVERSITY



The
Valuable
500

* Major companies in SMBC group obtain following certifications from Ministry of Health, Labor and Welfare (MHLW)

- "Platinum Kurumin" (childcare support) : four companies
- "Eruboshi" (women's empowerment) : two companies in Grade 3, five companies in Grade 2

Definition of Sustainable Finance

| | | |
|------------------|-------------------------------------|---|
| Definition | Green Financing | <p>Financing for environmentally friendly projects such as climate change countermeasures (projects that fall under the “green project categories” of the International Capital Markets Association's (ICMA) Green Bond Principles, etc.)</p> <p><u>Green project categories</u></p> <ul style="list-style-type: none"> • Renewable energy • Energy efficiency • Pollution prevention and control • Environmentally sustainable management of living natural resources and land use • Terrestrial and aquatic biodiversity • Clean transportation • Sustainable water and wastewater management • Climate change adaptation • Eco-efficient production technologies and processes • Green Building that meet environmental standards |
| | Social Financing | <p>Financing for social-related projects (projects that fall under the "social project categories" of the ICMA's Social Bond Principles, etc.)</p> <p><u>Social project categories</u></p> <ul style="list-style-type: none"> • Basic infrastructure of affordable price (drinking water, sewerage, sanitation facilities, transportation, energy, etc.) • Access to essential services (education, health, etc.) • Housing of affordable price • Employment creation through the potential benefits of funding for SMEs • Employment creation through the potential benefits of microfinance • Food safety • Socioeconomic improvement and empowerment |
| | Transition Financing | <p>Finance aiming to support efforts to reduce GHG emissions in accordance with a long-term strategy to achieve carbon neutrality in line with the “Transition Finance Handbook” by ICMA or “Transition Finance Playbook” by SMBC Group</p> |
| Finance in scope | | <ul style="list-style-type: none"> ■ Green finance, social finance, transition finance ■ Other finance for the purpose of supporting / promoting to resolve environmental and social issues |
| | Sumitomo Mitsui Banking Corporation | <ul style="list-style-type: none"> • Project Finance (for Renewable energy, public infrastructure, etc.) • SMBC original products (ESG/SDGs Promotion & Analysis Loan, Human Capital Management Promotion & Analysis Loan, etc.) • Green Loan, Social Loan, Sustainability-Linked Loan, Transition Loan, Positive Impact Finance • Non-recourse loans for environmental real estate properties. |
| | SMBC Nikko Securities | <ul style="list-style-type: none"> • Green Bond, Social Bond, Sustainability-Linked Bond, Transition Bond, etc. • Green equity, Social equity, Transition equity, etc.. |

Simplified calculation method for Scope3 Category 15 (FE)

| | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------|---|-----------------------------|-----------------|---------------------|-------------------|--------------------|----------|----------|---------------|--------------------------|-----------------|----------|-------------------|------------------------|--------|-----------------|---------------|-------|-----------|-------------|--------------------------|-----------------------------|--|--|--|
| Target Assets | Loans*1 | | | | | | | | | | | | | | | | | | | | | | | | |
| Target sectors | <p>The following 21 sectors based on the recommended disclosure items in the TCFD Recommendations, etc.</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Power</td> <td>Oil and gas</td> <td>Coal (thermal coal)</td> <td>Air cargo</td> <td>Passenger aviation</td> <td>Shipping</td> </tr> <tr> <td>Railroad</td> <td>Truck service</td> <td>Automobiles & Components</td> <td>Metals & Mining</td> <td>Aluminum</td> <td>Chemical products</td> </tr> <tr> <td>Construction materials</td> <td>Cement</td> <td>Capital goods*2</td> <td>Real estate*3</td> <td>Steel</td> <td>Beverages</td> </tr> <tr> <td>Agriculture</td> <td>Packaged food and meat*4</td> <td>Paper and forestry products</td> <td></td> <td></td> <td></td> </tr> </table> | Power | Oil and gas | Coal (thermal coal) | Air cargo | Passenger aviation | Shipping | Railroad | Truck service | Automobiles & Components | Metals & Mining | Aluminum | Chemical products | Construction materials | Cement | Capital goods*2 | Real estate*3 | Steel | Beverages | Agriculture | Packaged food and meat*4 | Paper and forestry products | | | |
| Power | Oil and gas | Coal (thermal coal) | Air cargo | Passenger aviation | Shipping | | | | | | | | | | | | | | | | | | | | |
| Railroad | Truck service | Automobiles & Components | Metals & Mining | Aluminum | Chemical products | | | | | | | | | | | | | | | | | | | | |
| Construction materials | Cement | Capital goods*2 | Real estate*3 | Steel | Beverages | | | | | | | | | | | | | | | | | | | | |
| Agriculture | Packaged food and meat*4 | Paper and forestry products | | | | | | | | | | | | | | | | | | | | | | | |
| Target years | <p>Baseline : End of March 2024 and end of March 2023</p> <p>Loans : Loan balance as of March 31, 2024 and March 31, 2023</p> <p>Customer's financial data : Most recent financial data available at the time of calculation*5</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| GHG emissions' data source | <p>Calculated using a unified method for all sectors using emission coefficients per revenue/asset amount cited from the PCAF database. (Corporate Finance)</p> <ul style="list-style-type: none"> Estimated using emission factors per revenue cited from the PCAF database (Equivalent to Score4) If calculation is not possible with emission factors per revenue, estimated using emission factors per asset amount cited from the PCAF database (Equivalent to Score5) <p>(Non-Corporate finance)</p> <ul style="list-style-type: none"> Estimated using emission factors per asset amount cited from the PCAF database (Equivalent to Score5) | | | | | | | | | | | | | | | | | | | | | | | | |
| The basic formula (1) (Score4) | <p><u>Financed Emissions = \sum Attribution Factor \times Company Emissions</u></p> <ul style="list-style-type: none"> Attribution Factor = Loan amount to each customer / (Equity + Debt of each customer/project)*6 Company Emissions (GHG emissions) = each customer's revenue*7 x emission factor per revenue amount | | | | | | | | | | | | | | | | | | | | | | | | |
| The basic formula (2) (Score5) | <p>The following formula is used when the calculation is not possible using the basic formula (1).</p> <p><u>Financed Emissions = \sum Outstanding amount \times GHG emissions / Assets</u></p> <ul style="list-style-type: none"> Outstanding amount = Loan amount to each customer/project GHG emissions / Assets = emission factor per asset value taken from the PCAF Standard database | | | | | | | | | | | | | | | | | | | | | | | | |
| Points to Note | <ul style="list-style-type: none"> Due to revisions to the PCAF Standard, changes in definitions based on practical aspects of measurement (various definitions, measurement ranges, time points, etc.) and sophistication, calculation methods may change in the future, and calculation results may change significantly. The coefficients used to calculate the estimates are the emission factors per revenue and asset value from the PCAF database. These factors are subject to change in the process of refinement, etc., and the calculation results may change significantly in the future. By definition, Scopes1, 2, and 3 allow multiple sectors or companies to record multiple GHG emissions. We also recognize as a challenge that the PCAF database does not include data for estimating Scope3 downstream GHG emissions. | | | | | | | | | | | | | | | | | | | | | | | | |

*1 Loan balances at SMBC and its main overseas subsidiaries, etc. (on internal control basis)

*2 Machinery, electrical equipment, construction, etc

*3 Excluding mortgage loans

*4 Including packaged food manufacturing such as dairy products and meat

*5 If there is no consolidated financial data, use single-entity financial data

*6 Only total equity + debt used, not EVIC

*7 Using each customer's sales data

Scope3 Category 15 (FE) calculation results

FY2022 Actual*1

| Sector | Loan exposure (JPY trillion) | Portfolio GHG emissions (Mt-CO2e) *2 | | PCAF Score | Coverage Ratio (%) |
|---|------------------------------|--------------------------------------|--------------|------------|--------------------|
| | | Scope1/2 | Scope3 | | |
| Power | 6.1 | 182.3 | 63.3 | 4.4 | 100% |
| Oil and gas | 4.3 | 343.1 | 49.1 | 4.5 | 100% |
| Coal (thermal coal) | 0.1 | 0.3 | 0.4 | 4.1 | 100% |
| Energy (including power) Subtotal | 10.4 | 525.8 | 112.9 | 4.4 | 100% |
| Air cargo | 0.1 | 0.3 | 0.1 | 4.6 | 100% |
| Passenger aviation | 1.2 | 4.3 | 2.2 | 4.6 | 100% |
| Shipping | 1.6 | 5.8 | 5.9 | 4.6 | 100% |
| Railroad | 0.9 | 0.9 | 0.8 | 4.2 | 100% |
| Truck service | 0.7 | 2.4 | 1.8 | 4.0 | 100% |
| Automobiles & Components | 2.0 | 0.9 | 10.7 | 4.0 | 100% |
| Transportation Subtotal | 6.5 | 14.6 | 21.5 | 4.3 | 100% |
| Metals and Mining | 0.8 | 5.6 | 5.4 | 4.1 | 100% |
| Aluminum | 0.1 | 0.6 | 0.9 | 4.1 | 100% |
| Chemical products | 2.2 | 165.5 | 18.8 | 4.0 | 100% |
| Construction materials | 0.6 | 0.3 | 4.3 | 4.1 | 100% |
| Cement | 0.1 | 0.0 | 0.5 | 4.0 | 100% |
| Capital goods | 3.9 | 2.3 | 23.3 | 4.1 | 100% |
| Real estate | 12.3 | 0.5 | 2.5 | 4.4 | 100% |
| Steel | 1.6 | 10.4 | 20.8 | 4.1 | 100% |
| Materials & Buildings Subtotal | 21.4 | 185.2 | 76.5 | 4.3 | 100% |
| Beverages | 0.3 | 0.2 | 1.0 | 4.1 | 100% |
| Agriculture | 0.4 | 2.9 | 1.6 | 4.1 | 100% |
| Packaged foods and meat | 0.8 | 11.8 | 4.2 | 4.1 | 100% |
| Paper and forestry products | 0.5 | 0.7 | 2.1 | 4.2 | 100% |
| Agriculture, food and forestry products Subtotal | 2.0 | 15.7 | 8.8 | 4.2 | 100% |
| Total of the above sectors | 40.4 | 741.3 | 219.6 | 4.3 | 100% |

FY2023 Actual

| Sector | Loan exposure (JPY trillion) | Portfolio GHG emissions (Mt-CO2e) *2 | | PCAF Score | Coverage Ratio (%) |
|---|------------------------------|--------------------------------------|--------------|------------|--------------------|
| | | Scope1/2 | Scope3 | | |
| Power | 6.4 | 174.0 | 62.8 | 4.5 | 100% |
| Oil and gas | 4.0 | 313.6 | 48.7 | 4.5 | 100% |
| Coal (thermal coal) | 0.0 | 0.1 | 0.2 | 4.1 | 100% |
| Energy (including power) Subtotal | 10.5 | 487.7 | 111.7 | 4.5 | 100% |
| Air cargo | 0.0 | 0.1 | 0.0 | 4.5 | 100% |
| Passenger aviation | 1.0 | 3.8 | 2.0 | 4.6 | 100% |
| Shipping | 1.5 | 5.4 | 5.5 | 4.6 | 100% |
| Railroad | 0.9 | 0.9 | 0.8 | 4.1 | 100% |
| Truck service | 0.7 | 2.5 | 1.8 | 4.0 | 100% |
| Automobiles & Components | 2.0 | 0.9 | 11.0 | 4.0 | 100% |
| Transportation Subtotal | 6.1 | 13.6 | 21.1 | 4.3 | 100% |
| Metals and Mining | 0.7 | 4.3 | 4.0 | 4.2 | 100% |
| Aluminum | 0.1 | 0.5 | 0.6 | 4.2 | 100% |
| Chemical products | 2.5 | 161.1 | 18.8 | 4.1 | 100% |
| Construction materials | 0.6 | 0.3 | 4.1 | 4.0 | 100% |
| Cement | 0.1 | 0.0 | 0.5 | 4.0 | 100% |
| Capital goods | 4.7 | 2.5 | 25.3 | 4.2 | 100% |
| Real estate | 14.0 | 0.6 | 2.8 | 4.4 | 100% |
| Steel | 1.6 | 9.1 | 18.2 | 4.1 | 100% |
| Materials & Buildings Subtotal | 24.1 | 178.4 | 74.4 | 4.3 | 100% |
| Beverages | 0.4 | 0.3 | 1.0 | 4.2 | 100% |
| Agriculture | 0.4 | 3.2 | 1.6 | 4.1 | 100% |
| Packaged foods and meat | 0.9 | 13.6 | 6.7 | 4.1 | 100% |
| Paper and forestry products | 0.5 | 0.7 | 1.9 | 4.2 | 100% |
| Agriculture, food and forestry products Subtotal | 2.1 | 17.7 | 11.3 | 4.2 | 100% |
| Total of the above sectors | 42.9 | 697.4 | 218.5 | 4.3 | 100% |

*1 Revised from last year's published figures due to more precise calculations.

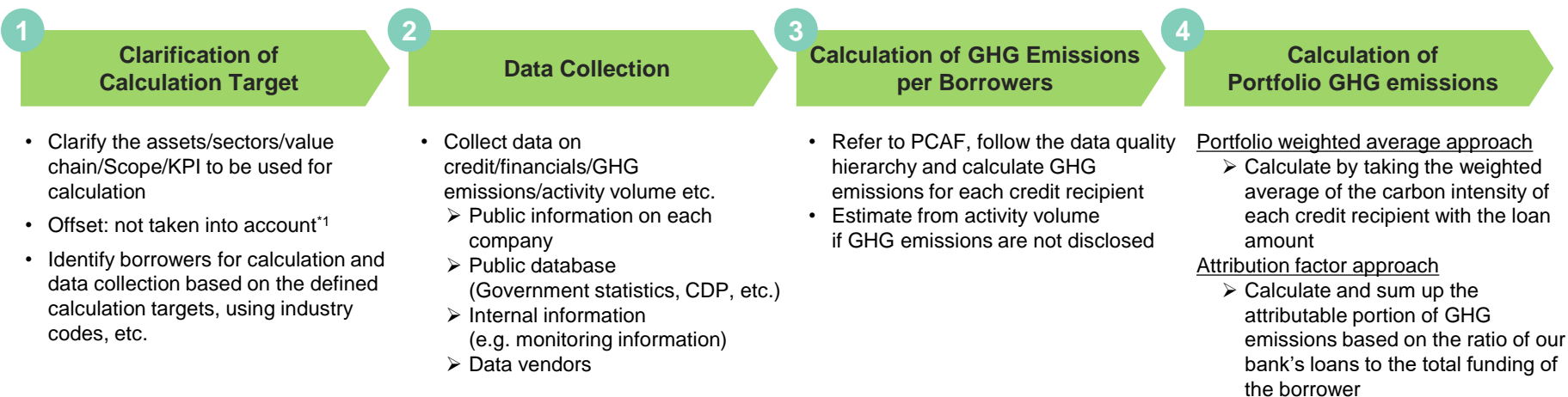
*2 This calculation, performed using a uniform approach for inter-sector comparisons, utilizes estimated values derived from the PCAF database. We acknowledge that these estimates may deviate from the actual GHG emissions.

Sectoral Portfolio GHG Emissions Calculation (1) Overview of Target Setting Approach

| Category | Oil & Gas / Coal Sector | Power sector | Steel Sector | Automobile Sector | Real Estate Sector | |
|--|--|---|---|--|---|--|
| Approach to Calculate Portfolio GHG Emissions | | | | | | |
| Calculation Target | Assets | Loans of SMBC and its major local subsidiaries | | | | |
| | Sector | Borrowers with the upstream production business | Borrowers with the power generation business | Borrowers with the crude steel production business | Borrowers with automobile production business (Gross vehicle weight of 3.5 tons or less) | Domestic Borrowers of commercial real estate (non-recourse loans) or real estate REITs |
| | Value Chains /Scope | Scope1 & 2 and Scope3 (Category 11) related to upstream production business | Scope1 related to power generation business | Scope1 & 2 related to crude steel production business | Scope1 & 2 and Scope3 (Category 11, WTW) related to automobile production business | Scope1 & 2 related to property operations, including Scope3 Category 13 for REITs |
| | KPI | Absolute emission (Mt-CO2e) | Physical Carbon Intensity (g-CO2e/kWh) | Physical Carbon Intensity (t-CO2e/t-Steel) | Physical Carbon Intensity (g-CO2e/vkm) | Physical Carbon Intensity (kg-CO2e/m ²) |
| | Offset | Not considered at the moment (to be considered when GFANZ/NZBA guidelines are established) | | | | |
| Data Collection | Each company's disclosure information / Public databases / Internal information / Data providers | | | | | |
| Individual Calculation | Refer to PCAF, follow the data quality hierarchy, and estimate from production volume or sales as needed | Refer to PCAF, follow the data quality hierarchy, and estimate from power generation and equipment capacity as needed | Refer to PCAF, follow the data quality hierarchy, and estimate from crude steel production volume by technology as needed | Refer to PCAF, follow the data quality hierarchy, and estimate from production and sales figures by powertrain as needed | Refer to PCAF, follow the data quality hierarchy, and estimate from property types as needed. | |
| Portfolio Calculation | Calculate portfolio emissions (absolute emissions) using the attribution factor approach | Calculate portfolio carbon intensity using the portfolio weighted average approach | | | | |
| Portfolio GHG Emissions Reduction Targets | | | | | | |
| Medium-term reduction target (FY2030) | Oil & gas:12~29% reduction Coal: 37~60% reduction (compared to FY2020) | 138~195 g-CO2e/kWh | 1.2~1.8 t-CO2e/t-Steel | 120~161 g-CO2e/vkm | 33.1~42.9 kg-CO2e/m ² | |
| Consistency with the Paris Agreement | See the IEA/NZE scenario | | See the MPP/Carbon Cost scenario (1.5°C consistency) | See the IEA/NZE scenario | See the CRREM 1.5°C Pathway | |
| Approval/Review | | | | | | |
| Governance | Approved by the Management Committee, reviewed by the Board of Directors (+ Sustainability Committee) | | | | | |
| Periodic Review | During this mid-term plan period (FY2023~25), Review as necessary | | | | | |
| Third-Party Assurance | In the process of preparation | | | | | |

Sectoral Portfolio GHG Emissions Calculation (2) Overall picture of the calculation approach

The calculation of portfolio GHG emissions in SMBC Group consists of the following four main steps



4 Formula for Calculating Portfolio GHG Emissions by Sector

$$\text{SMBC's Portfolio GHG emissions (Carbon intensity)} = \sum \left(\frac{\text{Loan amount to each company}}{\text{Gross lending amount to the relevant sectors}} \times \text{Carbon intensity of each company}^2 \right)$$

$$\text{SMBC's Portfolio GHG emissions (Absolute emission)} = \sum \left(\frac{\text{Loan amount to each company}}{\text{Total funding of each company}^3} \times \text{GHG emissions of each company} \right)$$

*1 The Net Zero Target and how the associated carbon credits should be used by SMBC Group and credit recipient companies will be examined, taking into account the status of development of global standards.

*2 Carbon intensity = GHG emissions / physical activity (e.g. kWh)

*3 Unlisted company : Total equity + debt

Listed company : EVIC (Enterprise Value Including Cash for listed companies)

Sectoral Portfolio GHG Emissions Calculation (2) Calculation Approach ① Calculation Target Arrangement

SMBC Group adopts a sectoral approach and calculates portfolio GHG emissions by sector, using SMBC's loans as the target asset.

| Item | SMBC Group's Approach and Calculation Approach | Target Sector | Target Industry Code (GICS) | Eligible Businesses*4 |
|--|--|----------------------|--|--|
| (Presuppositions) Sectoral Approach | <ul style="list-style-type: none"> Each industry sector has its own unique challenges, and there are differences in the path to decarbonization and the speed of reduction. The approach of setting emission paths by industry while taking into account climate science is called the Sectoral Decarbonization Approach (SDA) and is widely adopted by companies participating in the SBTi. Financial institutions' portfolios are diverse, and there is a need to engage with customers in many industries according to their circumstances. Therefore, SMBC Group adopts a sectoral approach when calculating and setting targets for portfolio GHG emissions. | Oil and gas | <ul style="list-style-type: none"> Integrated Oil & Gas Oil & Gas Exploration & Production | <ul style="list-style-type: none"> Borrowers with the upstream production business |
| | | Coal | <ul style="list-style-type: none"> Coal & Consumable Fuels | <ul style="list-style-type: none"> Borrowers with the upstream production business |
| | | Power | <ul style="list-style-type: none"> Electric Utilities Multi-Utilities Independent Power Producers & Energy Traders Renewable Electricity | <ul style="list-style-type: none"> Borrowers with power generation business |
| | | Target Assets | | |
| Target Sector | <ul style="list-style-type: none"> Joined NZBA in October 2021 NZBA guidelines recommend calculating portfolio GHG emissions and setting targets on a priority basis from nine carbon-intensive sectors*3 Of these nine sectors, six material sectors were selected for calculation, taking into account GHG emissions, climate-related risks, loan balances, and other factors. Identify specific borrowers in each sector for calculation based on GICS. Specific targets for calculation in each sector are identified based on the perspective of the target value chain (i.e. whether the company has a business that is subject to calculation), which will be discussed later. | Steel | <ul style="list-style-type: none"> Steel | <ul style="list-style-type: none"> Borrowers with the crude steel production business |
| | | Automobile | <ul style="list-style-type: none"> Automobile Manufacturers | <ul style="list-style-type: none"> Borrowers with automobile production business (Gross vehicle weight of 3.5 tons or less) |
| | | Real estate | <ul style="list-style-type: none"> Non-recourse loans for commercial real estate in Japan Loans to domestic REITs (J-REITs) | <ul style="list-style-type: none"> *Extract the above real estate related cases regardless of GICS |
| | | | | |

*1 As of the end of March 2024, Sumitomo Mitsui Financial Group (consolidated) had JPY 107 trillion in loans, and Sumitomo Mitsui Banking Corporation (consolidated) had JPY 108 trillion in loans. For details on the financial statements of Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation, please refer to the financial reports (Annual Securities Reports, SEC Filings, etc.).

*2 Loans (corporate finance and project finance, etc.) are subject to calculation

*3 Electricity, oil and gas, coal, steel, transportation, real estate, aluminum, cement, agriculture

*4 Among companies classified in the target sector, companies with target businesses (with a target revenue of 5% or more) are subject to calculation.

Sectoral Portfolio GHG Emissions Calculation (2) Calculation Approach ① Calculation Target Arrangement

Target Value Chains/Scope and KPIs are set based on sector-specific characteristics.

| Items | Target Value Chain / Scope | KPI |
|-------------|---|---|
| Oil and gas | <ul style="list-style-type: none"> ✓ The majority of life-cycle GHG emissions from fossil fuels come from upstream mining and production operations (including methane leakage) and fuel use. | <ul style="list-style-type: none"> ✓ In order to decarbonize, it is necessary to reduce consumption of fossil fuels through alternate use of electrification, hydrogen, etc. (The IEA/NZE scenario also assumes a decrease in the ratio of fossil fuels to primary energy and a decrease in consumption itself). ✓ Based on this characteristic, an absolute emission (Mt-CO2e) that indicates direct GHG emissions is set as a measurement index. |
| Coal | <ul style="list-style-type: none"> ✓ In order to measure GHG emissions related to upstream production operations and the use of their products, calculation targets include direct and indirect emissions related to fossil fuel production (Scope1 and 2) and product use emissions (Scope3 category 11) of credit recipient companies. | |
| Power | <ul style="list-style-type: none"> ✓ The majority of GHG emissions come from power generation, not transmission and distribution or retail operations, and power generation assets are subject to stranded asset risk. ✓ To measure GHG emissions from power generation projects, direct emissions (Scope1) related to power generation by credit recipient companies are included in the scope of calculation. | <ul style="list-style-type: none"> ✓ Continued economic growth in developing countries, the shift from gasoline to electric vehicles, and other industrial electrification will increase electricity demand in the process of decarbonization. ✓ Under the IEA/NZE scenario, the power sector is expected to reduce GHG emissions and increase power generation, mainly from renewable energy sources, toward 2050. ✓ Based on this characteristic, in the transition process, carbon intensity (g-CO2e/kWh) related to power generation is set as a measurement index to emphasize efficiency in terms of GHG emissions. |
| Steel | <ul style="list-style-type: none"> ✓ The majority of GHG emissions comes from iron and steel making (crude steel production) operations, not from raw material mining or processing and distribution operations. ✓ Direct and indirect emissions (Scope1 and 2) of credit recipient companies are included in the scope of calculation to measure GHG emissions related to production operations. | <ul style="list-style-type: none"> ✓ Like electricity, steel is an essential material in infrastructure fields such as energy, construction, transportation, and electronic equipment. ✓ As automobiles and real estate are also an important part of infrastructure, total demand is expected to increase due to economic growth in developing countries, etc. ✓ Under the IEA/NZE scenario (1.5°C scenario), each sector is expected to reduce GHG emissions, while total demand (crude steel production, passenger car mileage, total building floor area) will increase toward 2050. ✓ Based on these characteristics, in the transition process, in order to emphasize efficiency in terms of GHG emissions, the carbon intensity of physical activities in each sector, such as crude steel production, vehicle operation, and building use, is set as a measurement index. |
| Automobile | <ul style="list-style-type: none"> ✓ In the case of internal combustion engine vehicles, the main emission source is fossil fuel consumption during driving. ✓ In contrast, for electric vehicles, emissions during the manufacture of batteries, which are key components, and emissions at the power generation stage of the electricity consumed during driving are significant. ✓ In particular, the progress of GHG emissions related to power generation varies by country and region, and the WTW* perspective is important when aiming to reduce GHG emissions in the real economy. ✓ In order to measure GHG emissions from vehicle production and driving, direct and indirect emissions from vehicle production (Scope1 and 2) and emissions from product use from a WTW perspective (Scope3 Category 11) by the credit recipient companies are included in the calculation targets. | |
| Real estate | <ul style="list-style-type: none"> ✓ The majority of life-cycle GHG emissions comes from the use of buildings, not from construction, renovation, demolition, etc. ✓ In order to measure GHG emissions during the building use stage, direct and indirect emissions (Scope1 and 2) of the financed properties are included in the calculation targets. ✓ In the case of REITs where funds flow indirectly to commercial real estate, emissions are recorded as for leased properties, so emissions related to leased assets (downstream) (Scope3 Category 13) are also included in the scope of calculation. | |

* Emissions from the process from fuel extraction to energy supply to vehicles are WTT (Well to Tank), emissions from vehicle operation are TTW (Tank to Wheel), and emissions from vehicle operation over its life cycle considering both are called WTW (Well to Wheel).

Sectoral Portfolio GHG Emissions Calculation (2) Calculation Approach ② Data Collection

In addition to data vendors, we collect data while also utilizing disclosure documents and documents at the time of credit lending.

Data Collection Approach

- When calculating the portfolio GHG emissions of financial institution, emission and other emission-related data from each company that receives investment or loans is required.
- We leverage data providers to increase efficiency of data collection
- However, since information from data providers alone is incomplete, in addition to various information obtained internally through credit operations and monitoring, etc., emissions data and activity data (electricity generation) are also collected based on disclosed information (integrated reports, etc.) and surveys of public information (electricity survey statistics, etc.) by the companies to which credit is extended.

Main Data Sources

| Categories | Example of data source |
|-----------------------------------|--|
| GHG emissions Related data | <ul style="list-style-type: none"> ✓ Integrated reports and various sustainability-related reports ✓ (Project Finance) Monitoring Report ✓ CDP ✓ Data vendors |
| Activity data | <ul style="list-style-type: none"> ✓ Integrated reports and various sustainability-related reports ✓ Public database of each country ✓ Financial reports (Securities Report, Annual Report, etc.) ✓ (Project Finance) Monitoring Report ✓ Intra-bank data ✓ Data vendors |
| Financial data | <ul style="list-style-type: none"> ✓ Financial reports (Securities Report, Annual Report, etc.) ✓ Intra-bank data ✓ Data vendors |

Sectoral Portfolio GHG Emissions Calculation (2) Calculation Approach ③~④ GHG Calculation

For GHG emissions by credit recipient, estimates are made according to PCAF scores when emissions data are lacking. Portfolio GHG emissions are also calculated by using either an attribution factor or a portfolio weighted average approach.

Calculation of GHG emissions by credit client

- Emissions data for each company in a financial institution's portfolio is required to calculate the GHG emissions of its portfolio of investments and loans.
- However, not all companies disclose their GHG emissions, and the disclosure status varies depending on company size, industry, and region, which is a major issue in calculating GHG emissions for financial institutions.
- The PCAF Standard defines a data quality score in light of this situation and recommends that calculations be made in accordance with the score.
- In this calculation, emissions data based on disclosed information is prioritized by referring to this data quality score, and emissions are estimated if not available¹.
- Specifically, as mentioned earlier, we calculate the absolute amount related to upstream production business and its supply chain in the oil & gas /coal sector per borrower, and the carbon intensity related to each activity volume in the power, steel, automobile, and real estate sectors

Table of Data Quality Scores in PCAF

| Category | Concrete examples | Score |
|-----------------------------------|--|-------|
| Reported emissions | Emissions data verified by an independent third-party | 1 |
| | Unverified emissions data | 2 |
| Physical activity-based emissions | Estimated emissions based on energy consumption and other data | 3 |
| | Estimated emissions based on production volume and other data | 4 |
| Economic activity-based emissions | Estimated emissions based on sales data for each company | 4 |
| | Estimated emissions based on each company's asset data | 5 |

(Source: Based on the PCAF Standard)

Portfolio GHG Emissions Calculation

- Calculate SMBC Group's sectoral portfolio GHG emissions based on GHG emissions by credit recipient.
- The main methods for calculating portfolio-level emissions include the approach using the weighted average value in each financial institution's portfolio, recommended by PACTA² and others, and the approach using the attribution factor based on total funding (or EVIC for listed companies), recommended by PCAF.
- Portfolio-level emissions are calculated using the portfolio weighted average approach for calculations in each sector calculation using carbon intensity as an indicator, and the attribution factor approach for the energy sector (see p. 122 for calculation formulas).
- Aim to further increase data quality score/coverage ratio through the use of data providers, customer engagement, etc.

^{*1} From the perspective of portfolio management, in order to understand the potential of emissions, estimates are also made based on the estimated power generation and production volumes for projects under construction with project financing.

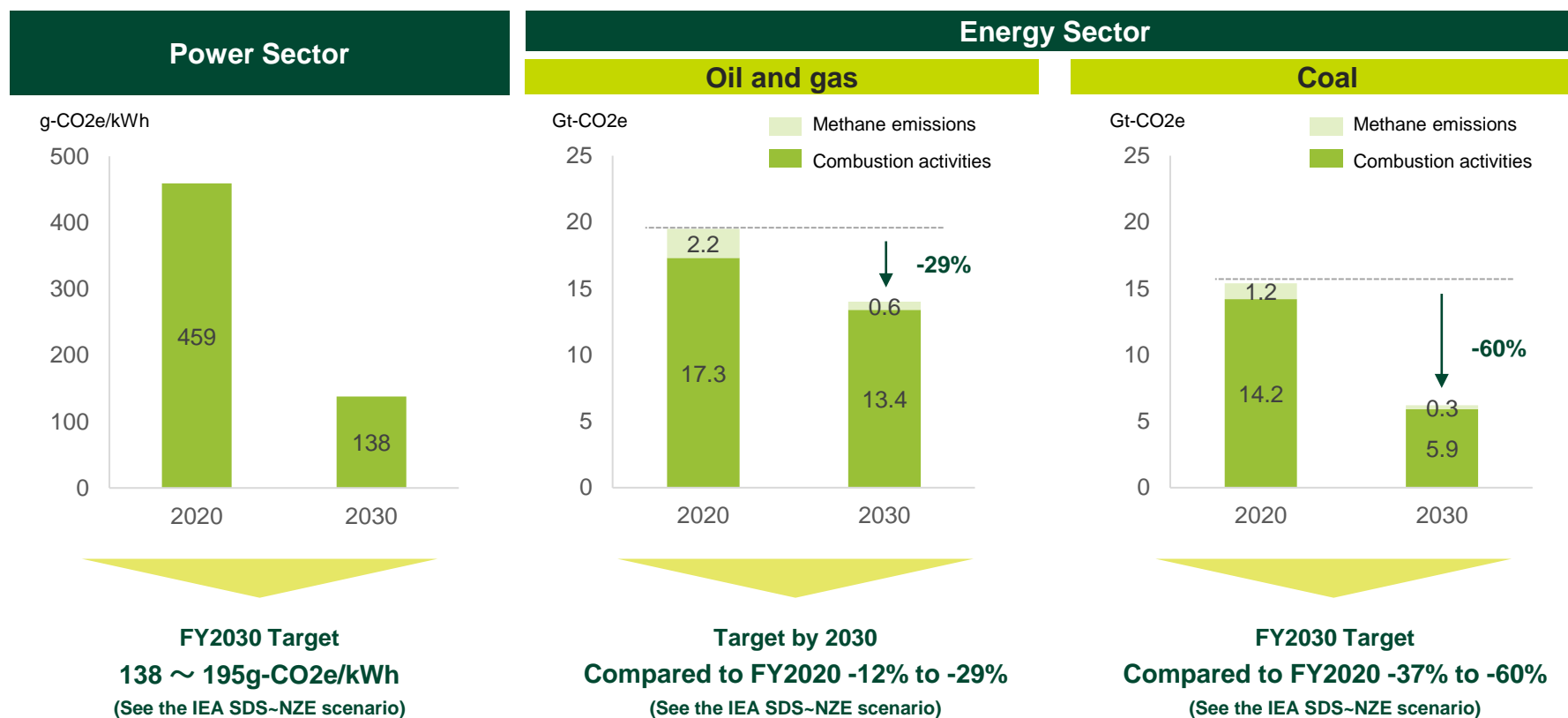
^{*2} Paris Agreement Capital Transition Assessment: Climate change transition risk assessment tool developed by the 2 Degrees Investing Initiative (2DII), a climate-related think tank.

Sectoral Portfolio GHG Emissions Calculation (3) Portfolio GHG Emissions Reduction Targets

Medium-term reduction targets are set for the electricity, oil and gas, and coal sectors in line with the 1.5°C scenario.

- Committed to achieving net zero GHG emissions across the investment and loan portfolio by 2050, in line with the Paris Agreement goals, by joining the NZBA and setting sector-specific mid-term reduction targets.
- For the electricity sector, the IEA/NZE scenarios provide the carbon intensity of electricity generation (g-CO₂e/kWh), which is referred to when setting targets.
- On the other hand, for the energy sector, GHG emissions derived from each fossil fuel are also shown, and this reduction rate is referred to when setting targets.

Reference scenario (IEA/NZE scenario)

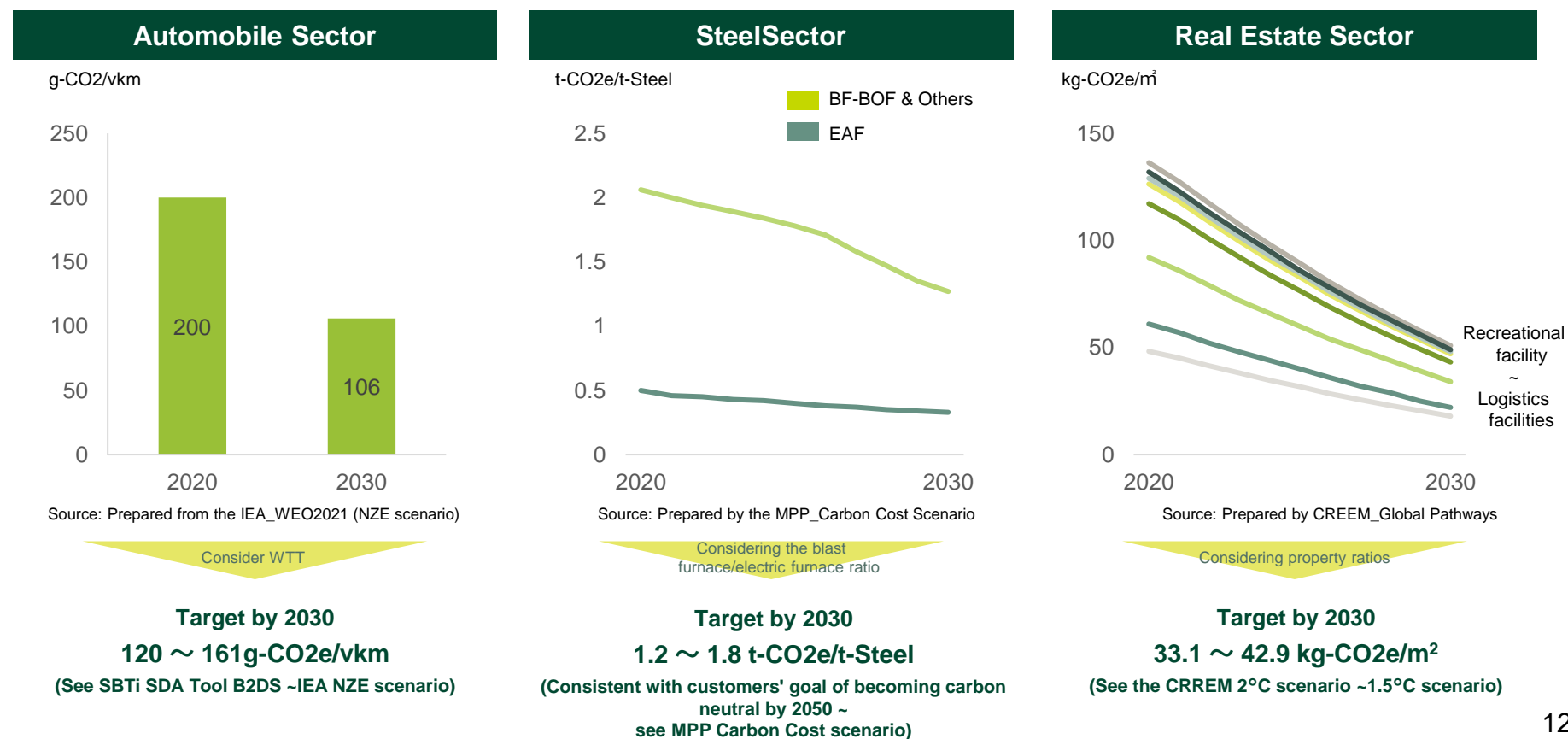


Sectoral Portfolio GHG Emissions Calculation (3) Portfolio GHG Emissions Reduction Targets

Medium-term reduction targets have also been set for the automobile, steel, and real estate sectors in line with the 1.5°C scenario.

- Regarding the automobile sector, the IEA/NZE scenario shows the assumed carbon intensity (g-CO₂e/km) of passenger cars, which should be referenced when setting targets (WTT emissions should be considered separately).
- In the steel sector, the Mission Possible Partnership's analysis of decarbonization scenarios for the steel sector shows crude steel production and GHG emissions by technology, which should be referred to when setting targets, taking into account the fact that blast furnace crude steel production is the dominant method in Asia.
- In the real estate sector, CRREM, an international initiative to calculate and publish GHG reduction scenarios for commercial real estate, provides a 1.5°C scenario and carbon intensity (kg-CO₂e/m²) by property type in Japan, which should be referenced when setting targets.

Reference scenario



Sectoral Portfolio GHG Emissions Calculation (4) Approval/Review

A governance review system is being established in line with the NZBA guidelines for portfolio GHG reduction targets. In addition, we are working on establishing internal controls and discussing with an auditing firm to obtain third-party assurance.

| NZBA Guidelines | Recommendations | Initiative status/policy |
|--|---|--|
| <p>Governance on reduction targets and transition plans</p> | <ul style="list-style-type: none"> • Targets shall be approved by the highest executive level within the bank. • The targets shall also be reviewed by the highest-level governance body. | <ul style="list-style-type: none"> ✓ Clarify responsibility for sustainability in both supervision and execution, and establish a system (See "Governance" part) ✓ Reduction targets and transition plans are established through deliberations by the Management Committee ✓ The Group CSuO reports regularly to the Board of Directors and the Sustainability Committee on reduction targets, transition plans, and the status of initiatives. |
| <p>Medium-term reduction target Periodic Review</p> | <ul style="list-style-type: none"> • The targets shall be reviewed at a minimum every five years. • Banks shall regularly review targets to ensure consistency with current climate science. • By 1 November 2025, all targets should have been reviewed to include capital markets targets, where significant and where data and methodologies allow. | <ul style="list-style-type: none"> ✓ Based on the opinions of the Board of Directors and the Sustainability Committee, we will periodically review our reduction targets and transition plan, taking into account the latest developments in climate science, including the IPCC. ✓ Regarding GHG emissions from underwriting operations (facilitated emissions), SMBC Nikko Securities conducted estimates for equity and bond underwriting and is currently considering setting targets based on the results. (To be discussed in conjunction with the next medium-term management plan) |
| <p>Third-party assurance</p> | <ul style="list-style-type: none"> • Independent third-party assurance of reduction targets and performance | <ul style="list-style-type: none"> ✓ Third-party assurance have been obtained for operational GHG emissions ✓ Preparations are underway to obtain third-party assurance for portfolio GHG emissions, including the establishment of internal controls and discussions with an auditing firm. |

Methodology for calculating GHG emissions related to underwriting

GHG emissions are calculated for the power sector and the oil and gas sector with respect to bond and equity underwriting activities, the core of our securities business. The calculation method is being upgraded based on the finalized PCAF Guidelines, and sector expansion and target setting will be examined in light of the NZBA Guidelines and international trends.

Summary of GHG emissions calculations for underwriting

| Category | Power sector | Oil and Gas Sector |
|--|---|--|
| Approaches to Calculating GHG Emissions related to Underwriting | | |
| Calculation Target | Target activities | Underwriting of bonds and equities at SMBC Nikko Securities and major local subsidiaries, etc. |
| | Sector | Issuer companies that fall within the power sector (GICS) and have power generation operations |
| | Scope | Scope1 and 2 and Scope3 (Category 11) |
| | KPI | Absolute emissions (Mt-CO2e) |
| | Offset | Not taken into consideration at this moment |
| Collect data | Company Disclosures / Data provider | |
| GHG Reduction Targets for Underwriting Activities | | |
| Reduction target | Target setting is under consideration based on the contents of the NZBA Guidelines and international trends | |

Formula for calculating GHG emissions from underwriting activities

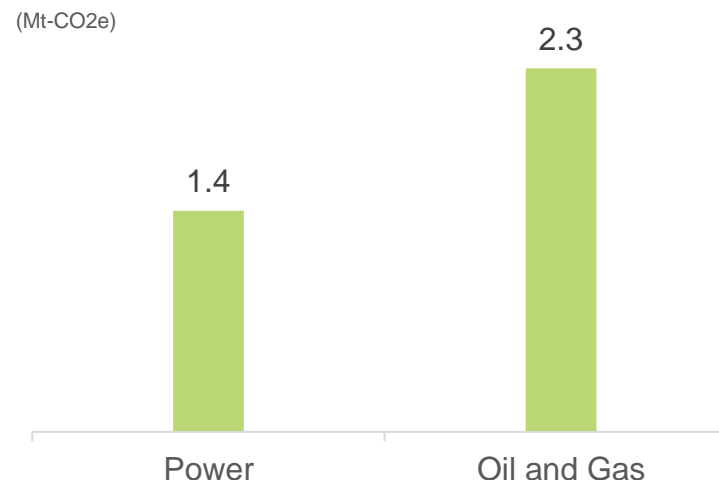
$$\text{GHG emissions of underwriting activities (Absolute emissions)} = \sum \left(\frac{\text{Facilitated amount}}{\text{Company value of the issuer}^{*1}} \times \text{Weighting factor } 33\% \times \text{Annual emissions of the issuer Mt-CO2e} \right)$$

Facilitated amount = Total raised amount x League table credit^{*2} (%)

*1 Unlisted company : Total equity + debt
Listed company : EVIC (Enterprise Value Including Cash for listed companies)
*2 Attribution factor for financial institutions

Estimated GHG emissions for underwriting (FY2022)

| Sector | GHG emissions | Data Quality Scores | Coverage ^{*4} |
|-----------|--|--------------------------------|------------------------|
| Power | 1.4Mt-CO2e | Scope1 : 2.0 | 94% |
| Oil & gas | 2.3Mt-CO2e ✓ Scope1/2 : 0.3 ✓ Scope3 : 2.0 ^{*3} | Scope1/2 : 2.0 Scope3 : 2.0 | 79% |



*3 Scope3 Category11: Use of sold product
*4 By sector, on a league table credit basis

Coal-fired- and coal mining-related exposure

We have established portfolio GHG reduction targets for the power and coal (thermal coal) sectors, including a phase-out strategy for coal-fired power generation and thermal coal mining as specific initiatives. With respect to the power sector, we are also monitoring credit balances for high emissions power producers.

| Asset*1 | | Definition | FY2021 | FY2022 | FY2023 | Targets |
|--------------|--|--|-------------------|-------------------|-------------------|---|
| Power sector | High Emissions-related Credit exposure | Total exposure for corporate finance with high carbon intensity (600 g-CO ₂ e/kWh) and coal-fired power generation equipment-linked corporate finance | - | JPY 1.10 trillion | JPY 1.06 trillion | — |
| | (Coal-fired power) Loan balance for project finance*2 | Total loans and undrawn amounts of commitments to coal-fired power project finance | JPY 251.0 billion | JPY 228.0 billion | JPY 217.0 billion | FY2030 -50% (compared to FY2020) Zero balance in FY2040 |
| | (Coal-fired power) Loan balance for equipment-linked corporate finance*2 | Total loans and undrawn amounts of commitments to coal-fired power equipment-linked corporate finance | JPY 86 billion | JPY 77 billion | JPY 68 billion | Zero balance in FY2040 |
| Coal Sector | (OECD countries) Loan balance for thermal coal mining sector*3 | Total loans and undrawn amounts of commitments to corporates whose main business is general coal mining, located in OECD countries | JPY 29 billion | JPY 20 billion | JPY 8 billion | Zero balance in FY2030 |
| | (Non-OECD countries) Loan balance for thermal coal mining sector*3 | Businesses located in non-OECD countries (definition other than location is the same as above) | JPY 78 billion | JPY 69 billion | JPY 37 billion | Zero balance in FY2040 |

*1 Scope of coverage/scope of data: Credit or loan balances (on an internal control basis) at SMBC and its main local subsidiaries, etc.. Amounts are rounded to the nearest unit.

*2 Excluding projects that contribute to efforts toward transitioning to a decarbonized society

*3 Excluding supports provided for the activities of our clients contributing to fossil fuel conversion

Group Environmental Policy

1. Based on this policy, SMBC Group strives to resolve environmental issues and contribute to the realization of a sustainable society.
2. This policy is established to make continuous efforts toward the environment, recognizing it as one of the materiality of SMBC Group. This policy is approved by the Board of Directors.
3. We offer financial products, information and solutions which contribute to the maintenance and improvement of both the global and local environment, as well as technological innovation, to support our clients deal with environmental issues.
4. We properly assess environmental risks to reduce that risks posed by our own activities and the society.
5. We strive to reduce negative environmental impact through the conservation of resources and energy, and the reduction of waste.
6. We strictly comply with environment-related laws and regulations.
7. We actively and effectively implement this policy by setting goals and targets for every fiscal year. We monitor and evaluate the status of their implementation and make continuous efforts to improve our system.
8. We regularly report to the Board of Directors and the Sustainability Committee on the status of environmental initiatives.
9. We place high priority on thoroughly educating our executives and staff about our environmental principles to ensure that they conform to these principles in the performance of their work.
10. We strive to implement this policy by disclosing the Group's environmental activities and communicating with our staff as well as the third parties.
11. We create a financial flow consistent with the Paris Agreement and contribute to an orderly and just transition to a decarbonized society, while strengthening climate actions and striving to reduce greenhouse gas emissions.
12. We make decisions recognizing the interplay between SMBC Group and nature, promote the conservation and restoration of natural capital, and strive to realize nature-positive initiatives.
13. This policy is disclosed on the Group's website, and the printed version is available upon request.

Sustainable Procurement Policy

1. Basic stance

SMBC Group's Mission states "We contribute to a sustainable society by addressing environmental and social issues". Based on the "SMBC Group Statement on Sustainability", our basic principle to realize this Mission, we will engage and act together with customers and other stakeholders to contribute to the global transformation into a better society.

SMBC Group has here established its "Sustainable Procurement Policy" (hereinafter "the Policy"), a set of expectations to promote responsible procurement in its entire supply chain, in light of the environment and society.

The Policy respects and takes into account international principles and guidelines, such as the ten principles of the UN Global Compact, the "OECD Guidelines for Multinational Enterprises", and the "United Nations Guiding Principles on Business and Human Rights".

Under this Policy, SMBC Group will comply with applicable laws and follow fair and transparent procedures based on the principle of free competition in its procurement activities.

2. Expectations for suppliers

SMBC Group aims to realize sustainable procurement with its suppliers, and seeks suppliers' understanding and cooperation regarding the following:

<Legal compliance>

SMBC Group expects its suppliers to comply with all applicable laws and regulations in the countries they operate and to conduct clean businesses.

<Human rights>

SMBC Group expects its suppliers to understand that they may negatively impact human rights through the course of their business activities, and to have a commitment to respect human rights in their business activities, including those in their supply chains.

<Safety and health>

SMBC Group expects its suppliers to comply with all applicable laws and regulations related to safety and health, and encourages them to meet appropriate standards related to labor practices, wages, workplace safety and health, and other labor issues.

<Environment>

SMBC Group expects its suppliers to strictly comply with environment-related laws and regulations and to fulfill their social responsibilities through the conservation of resources and energy and the reduction of waste.

SMBC Group anticipates that its suppliers will continuously make efforts to harmonize environmental preservation and pollution control with corporate activities.

<Fair and open business activities>

SMBC Group expects its suppliers to comply with bribery and corruption laws and regulations.

Suppliers must avoid involvement in activities that go against fair market competition and in giving or receiving illegal profits.

<Remedial measures>>

SMBC Group expects its suppliers to have grievance mechanisms in place, through which their employees and users who feel that the provided products or services have an adverse effect on them can raise their concerns and feel heard.

Suppliers will keep their systems readily accessible to whistleblowers and will protect the anonymity of whistleblowers to prevent any retaliation

<Information management>

SMBC Group expects its suppliers to have systems in place for protecting and using personal information properly and to improve the system through continued efforts.

IFRS S2 Climate-related Disclosures Index

| Core content | Standard | Report Section |
|----------------------------|--|--------------------------------|
| Governance | the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities | P.96-100,102,103 |
| | management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities | P.96,101,103 |
| Strategy | the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects | P.24 |
| | the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain | P.24 |
| | the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan | P.24-35,68 |
| | the effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning | P72, P.79-83 |
| | the climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities | P.79-83 |
| Risk Management | the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks | P.74-83,88-92 |
| | the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities | P.75 |
| | the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process. | P.69-73 |
| Metrics and Targets | information relevant to the cross-industry metric categories | P.74,76-78,102,107-114,119-131 |
| | industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry | P.74,92,93 |
| | targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets | P.107-114 |

GFANZ Financial Institution Net-zero Transition Plans Index

| Component | | Recommendations | Report Section |
|-------------------------|--|--|--------------------|
| Foundations | 1) Objectives and priorities | Define the organization’s objectives to reach net zero by 2050 or sooner, with measurable targets, milestones, and timelines, and identify the priority approaches of net zero transition action considering financing climate solutions, decarbonization through seeking net-zero aligned clients and portfolio companies, working to bring clients and portfolio companies into net-zero alignment, and supporting managed phaseout projects. | P.18,25 |
| Implementation Strategy | 1) Products and services | Align existing and new products and services with a 1.5 degrees C net-zero pathway to accelerate and scale the net-zero transition in the real economy, provide transition-related education and advice, and support portfolio decarbonization in accordance with the institution’s net-zero transition strategy. | P.26-32 |
| | 2) Activities and decision-making | Embed the financial institution’s net-zero objectives and priorities in its core evaluation and decision-making tools and processes, to support its net-zero commitment. This applies to both top-down/oversight structures and bottom-up tools and actions. | P.30-31,91-92 |
| | 3) Policies and conditions | Establish and apply policies and conditions on priority sectors and activities, such as thermal coal, oil and gas, and deforestation. Include other sectors and activities within lending, investment, and underwriting portfolios that are high emitting, or otherwise harmful to the climate, to define business boundaries in line with the institution’s net-zero objectives and priorities. | P.76-77, 88-90 |
| Engagement Strategy | 1) Clients and portfolio companies | Proactively and constructively provide feedback and support to clients and portfolio companies to encourage net zero-aligned transition strategies, plans, and progress with an escalation framework with consequences when engagement is ineffective. | P.30-31,33, 91-92 |
| | 2) Industry | Proactively engage with peers in the industry to a) exchange transition expertise as appropriate, and collectively work on common challenges; and b) represent the financial sector’s views cohesively to external stakeholders such as clients and governments. | P.21, 29, 34 |
| | 3) Government and public sector | Ensure that direct and indirect lobbying and public-sector engagement advocate for policies that support or enable an accelerated and orderly transition to net zero, and do not contravene any net-zero commitments of the institution. Review portfolio companies’ lobbying and advocacy efforts and utilize engagement levers to encourage consistency with the institution’s own net-zero objectives. Discuss clean investment plans and policies with governments and other key stakeholders to help attract private investment in climate solutions. | P.34 |
| Metrics and Target | 1) Metrics and targets | Set targets against key metrics that support the net-zero strategy and priorities, including targets for support and scaling of climate solutions, engagement, internal implementation, financed GHG emissions, and where relevant, managed phaseout projects. Monitor a range of metrics to assess progress in implementing the net-zero transition plan. | P.107-114 |
| Governance | 1) Roles, responsibilities, and remuneration | Define roles for Board and senior management so they have ownership, oversight, and responsibility for the net-zero targets. Assign appropriate individuals and teams to all aspects of both design and delivery. Review the transition plan regularly to ensure material updates/ developments are incorporated, challenges are reviewed as an opportunity to course correct, and implementation risks are being managed. | P.97, 101-102, 129 |
| | 2) Skills and culture | Provide training and development support to the teams and individuals designing, implementing, and overseeing the plan so that they have sufficient skills and knowledge to perform their roles (including at the Board and senior management level). Implement a change management program and foster open communications to embed the net-zero transition plan into the organization’s culture and practices. | P.103-104 |

TNFD Index

| Core content | Standard | Report Section |
|-------------------------------------|--|--------------------------|
| Governance | Describe the board’s oversight of nature-related dependencies, impacts, risks and opportunities. | P.96-100,102,103 |
| | Describe management’s role in assessing and managing nature-related dependencies, impacts, risks and opportunities. | P.96,101,103 |
| | Describe the organisation’s human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation’s assessment of, and response to, nature-related dependencies, impacts, risks and opportunities. | P.49-60,87,93,94, 96-103 |
| Strategy | Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term. | P.39,40,84-86 |
| | Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation’s business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place. | P.39-46 |
| | Describe the resilience of the organisation’s strategy to nature-related risks and opportunities, taking into consideration different scenarios. | - |
| | Disclose the locations of assets and/or activities in the organisation’s direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations. | P.45,46 |
| Risk & impact management | Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations. | P.69-73 |
| | Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s). | P.69-73,84-86 |
| | Describe the organisation’s processes for monitoring nature-related dependencies, impacts, risks and opportunities. | P.88-90,92 |
| | Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation’s overall risk management processes. | P.88-90,92 |
| Metrics & targets | Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process. | P.108 |
| | Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature. | P.108 |
| | Describe the targets and goals used by the organization to manage nature-related dependencies, impacts, risks and opportunities and its performance against these. | P.108 |

UNGP Reporting Framework Index (1/2)

| UNGP Reporting Framework required items | | Report Section |
|---|--|------------------------------|
| Policy Commitment | A1.1 How has the public commitment been developed? | P.21,50 |
| | A1.2 Whose human rights does the public commitment address? | P.50 |
| | A1.3 How is the public commitment disseminated? | P.50,58,88-90, 93,94,103-105 |
| Embedding Respect for Human Rights | A2.1 How is day-to-day responsibility for human rights performance organized within the company, and why? | P.50,55,92, 103,105 |
| | A2.2 What kinds of human rights issues are discussed by senior management and by the Board, and why? | P.94,97,101 |
| | A2.3 How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions? | P.57,59,102-105 |
| | A2.4 How does the company make clear in its business relationships the importance it places on respect for human rights? | P.49-51,54,58, 87-90,92-94 |
| | A2.5 What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result? | P.93,94 |
| Statement of salient issues | B1 State the salient human rights issues associated with the company's activities and business relationships during the reporting period. | P.87 |
| Determination of salient | B2 issues: Describe how the salient human rights issues were determined, including any input from stakeholders | P51,87,97,101 |
| Choice of focal geographies | B3 If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made. | - |
| Additional severe impacts | B4 Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed. | - |

UNGP Reporting Framework Index (2/2)

| UNGP Reporting Framework required items | | Report Section |
|---|--|----------------------------------|
| Specific Policies | C1.1 How does the company make clear the relevance and significance of such policies to those who need to implement them? | P.56-59,88-90, 92-94,103-105 |
| Stakeholder Engagement | C2.1 How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so? | P.59,60,87,94 |
| | C2.2 During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why? | P.54-60,88-90, 92-94,133 |
| | C2.3 During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it? | P.59,60,94,102,103 |
| Assessing Impacts | C3.1 During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they? | P.54-59,87-90, 92-94,133 |
| | C3.2 During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they? | P.54-58,87-90, 92-94,133 |
| Integrating Findings and Taking Action | C4.1 How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions? | P.55,59,88-90, 92-94,97,101 |
| | C4.2 When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed? | P.51,58,88-90, 92-94,97,101 |
| | C4.3 During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue? | P.54,57-60, 87-90,92-94, 103-105 |
| Tracking Performance | C5.1 What specific examples from the reporting period illustrate whether each salient issue is being managed effectively? | - |
| Remediation | C6.1 Through what means can the company receive complaints or concerns related to each salient issue? | P.59 |
| | C6.2 How does the company know if people feel able and empowered to raise complaints or concerns? | P.59 |
| | C6.3 How does the company process complaints and assess the effectiveness of outcomes? | P.59 |
| | C6.4 During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned? | P.59 |
| | C6.5 During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples? | P.59 |

Abbreviations for organizations and job titles

Organization Abbreviation

| Abbreviation | Official Title |
|---------------------------|---|
| SMFG | Sumitomo Mitsui Financial Group (holding company) |
| SMBC* | Sumitomo Mitsui Banking Corporation |
| SMBC Trust* | SMBC Trust Bank |
| SMFL* | Sumitomo Mitsui Finance and Leasing |
| SMBC Nikko* | SMBC Nikko Securities |
| SMCC* | Sumitomo Mitsui Card Company |
| SMBCCF* | SMBC Consumer Finance |
| JRI* | Japan Research Institute |
| Sumitomo Mitsui DS/SMDAM* | Sumitomo Mitsui DS Asset Management |
| BTPN | PT Bank BTPN Tbk |
| SMICC | SMFG India Credit Company Limited |

*When "8 major companies" is used in the scope of this report, it refers to the following companies.

Job Title Abbreviation

| Abbreviation | Official Title |
|--------------|------------------------------------|
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CSO | Chief Strategy Officer |
| CRO | Chief Risk Officer |
| CCO | Chief Compliance Officer |
| CHRO | Chief Human Resources Officer |
| CIO | Chief Information Officer |
| CISO | Chief Information Security Officer |
| CDAO | Chief Data and Analytics Officer |
| CDIO | Chief Digital Innovation Officer |
| CSuO | Chief Sustainability Officer |
| CAE | Chief Audit Executive |

Glossary

| Term | Official Title | Remarks |
|-------|---|---|
| AI | Artificial Intelligence | Artificial Intelligence |
| B2DS | Beyond 2 Degree Scenario | Less than 2°C scenario published by the IEA (>50% probability of maintaining at 1.75°C or less) |
| BEV | Battery Electric Vehicle | Battery-powered electric vehicles |
| CRREM | Carbon Risk Real Estate Monitor | International initiative to calculate and publish GHG reduction scenarios for commercial real estate |
| CSR | Corporate Social Responsibility | - |
| CX | Customer Experience | - |
| DE&I | Diversity, Equity & Inclusion | - |
| DX | Digital Transformation | Transformation of business processes, the customer experience, etc. using digital technology |
| EV | Electric Vehicle | - |
| EVIC | Enterprise Value Including Cash | A financial metric that represents the total value of a company, including its cash reserves |
| FE | Financed Emissions | GHG emissions through investments and loans, falling under Scope3 Category 15 |
| GFANZ | Glasgow Financial Alliance for Net Zero | A global coalition of leading financial institutions committed to accelerating the transition to a net-zero economy |
| GHG | Greenhouse Gas | - |
| GX | Green Transformation | Transforming society and economic systems toward carbon neutrality |

Glossary

| Term | Official Title | Remarks |
|------|--|--|
| IEA | International Energy Agency | - |
| ILO | International Labour Organization | - |
| IPCC | Intergovernmental Panel on Climate Change | - |
| IT | Information Technology | - |
| JV | Joint Venture | - |
| KPI | Key Performance Indicator | - |
| NGFS | Network for Greening the Financial System | - |
| NGO | Non-Governmental Organization | - |
| NZBA | Net-Zero Banking Alliance | - |
| NZE | Net Zero Emissions by 2050 Scenario | The IEA's published decarbonization scenarios for achieving net zero GHG emissions by 2050 |
| OECD | Organisation for Economic Co-operation and Development | - |
| OEM | Original Equipment Manufacturer | In this document, it refers to automakers in the automobile industry. |
| PCAF | Partnership for Carbon Accounting Financials | - |

Glossary

| Term | Official Title | Remarks |
|--------|---|--|
| PHEV | Plug-in Hybrid Electric Vehicle | - |
| RAF | Risk Appetite Framework | - |
| RNE | Renewable Energy | - |
| Scope1 | - | Direct greenhouse gas emissions by businesses themselves |
| Scope2 | - | Indirect emissions from the use of electricity, heat and steam supplied by other companies |
| Scope3 | - | Indirect emissions other than Scope1 and Scope2 (emissions by other companies related to the business's activities) |
| SDS | Sustainable Development Scenario | Published by the IEA |
| SPTs | Sustainability Performance Targets | - |
| TCFD | Task Force on Climate-related Financial Disclosures | - |
| TF | Transition Finance | Financial services and products designed to support companies and industries in their transition towards more sustainable and low-carbon business models |
| TNFD | Taskforce on Nature-related Financial Disclosures | - |
| TSR | Total Shareholder Return | - |
| UNGC | United Nations Global Compact | - |

Natural Capital: Definition of Terms

Definition of ecosystem services (1/2)

| Ecosystem services | Definition |
|-----------------------------|---|
| Biomass provisioning | The function of supplying reusable organic resources derived from plants and animals, such as grass, wood, fish, wild plants, and animals. |
| Genetic material | Refers to the DNA of all living organisms, used to develop new varieties, synthesize genes, and create products using genetic material. |
| Animal-based energy | Labor provided by domesticated animals such as cattle, horses, donkeys, goats, etc. |
| Water supply | The function of supplying users with water of appropriate quality for various uses through rainfall, melting snow, lakes, rivers, etc. |
| Water purification | Restores and maintains surface and groundwater bodies, improving water quality through nutrient retention and pollutant breakdown and removal. |
| Water flow regulation | The function of circulating water through absorption, storage, and evapotranspiration via rivers, soil, and the atmosphere. |
| Rainfall pattern regulation | The regulatory function of the hydrological cycle, such as rainfall generation, through evapotranspiration on a subcontinental scale by forests and other vegetation. |
| Global climate regulation | Earth's climate control function through the removal and sequestration of carbon dioxide and other greenhouse gases from the atmosphere. |
| Local climate regulation | The regulatory function of ambient atmospheric conditions through vegetation within the region. |
| Air filtration | The ability to filter pollutants from the atmosphere and reduce their harmful effects through deposition, uptake, fixation, and storage of pollutants. |
| Soil quality regulation | The ability to regulate soil fertility and properties through processes such as weathering, nitrogen fixation, nitrification, and mineralization. |
| Soil and sediment retention | The ability to stabilize vegetation and prevent damage to buildings, infrastructure, and other ecosystem services by reducing soil and sediment erosion and landslides. |

Natural Capital: Definition of Terms

Definition of ecosystem services (2/2)

| Ecosystem services | Definition |
|--|--|
| Storm mitigation | The ability to reduce the negative impact of wind and sand on local communities through forests and other vegetation. |
| Flood mitigation | The function of seaside and riparian vegetation as a physical barrier against storm surges and high water levels, protecting beaches and riverbanks and preventing flooding. |
| Nursery population and habitat maintenance | Functions that maintain species through habitat retention and gene pool protection. |
| Solid waste remediation | The ability to reduce the harmful effects of discarded organic and inorganic materials through microorganisms, algae, plants, and animals. |
| Pollination | The ability to maintain or increase the number and diversity of other species through pollinators. |
| Biological control | The ability to prevent or reduce the impact of pests and human diseases. |
| Dilution by atmosphere and ecosystems | The ability to dilute gases, liquids, and waste generated by human activities, e.g., with fresh water, seawater, and air. |
| Recreation related | Services that enable people to directly interact with and enjoy the natural environment on-site. |
| Visual amenity | Services that provide sensory (especially visual) benefits to human beings and contribute to a comfortable life. |
| Education, scientific and research | Services that enable humans to gain and use knowledge about the natural environment. |
| Spiritual, artistic and symbolic | Services that contribute to the construction of identity and expression in the arts through the cultural, historical, aesthetic, and religious perceptions of the natural environment by humans. |
| Storm mitigation | The ability to reduce the negative impact of wind and sand on local communities through forests and other vegetation. |

Natural Capital: Definition of Terms

Definition of pressure

| Ecosystem services | Definition |
|--|---|
| Emissions of GHG | Activity emits GHG. Examples include volume of carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), Sulphur hexafluoride (SF ₆), Hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs), etc. |
| Emissions of non-GHG air pollutants | Activity emits non GHG air pollutants. Examples include volume of fine particulate matter (PM _{2.5}) and coarse particulate matter (PM ₁₀), Volatile Organic Compounds (VOCs), mono-nitrogen oxides (NO and NO ₂ , commonly referred to as NO _x), Sulphur dioxide (SO ₂), Carbon monoxide (CO), etc. |
| Introduction of invasive species | Activity directly introduces non-native invasive species into areas of operation. |
| Other biotic resource extraction (e.g. fish, timber) | Activity extracts biotic resources including fish and timber. |
| Other abiotic resource extraction | Activity extracts abiotic resources. Examples include volume of mineral extracted. |
| Disturbances (e.g. noise, light) | Activity produces noise or light pollution that has potential to harm organisms. |
| Generation and release of solid waste | Activity generates and releases solid waste. |
| Area of land use | Activity uses land area. Example metrics include area of agriculture by type, area of forest plantation by type, area of open cast mine by type, etc. |
| Area of freshwater use | Freshwater area is used for the activity. Examples of metrics include area of wetland, ponds, lakes, streams, rivers or peatland necessary to provide ecosystem services such as water purification, fish spawning, areas of infrastructure necessary to use rivers and lakes such as bridges, dams, and flood barriers, etc. Impacts include hydrological changes, freshwater geomorphology and fluvial processes. |
| Area of seabed use | Seabed area is used for the activity. Examples of metrics include area of aquaculture by type, area of seabed mining by type, etc. Impacts include hydrological changes, freshwater geomorphology and fluvial processes. |
| Volume of water use | Water is used for the activity. Example metrics include volume of groundwater consumed, volume of surface water consumed, etc. |
| Emissions of toxic pollutants to water and soil | Activity emits toxic pollutants that can directly harm organisms and the environment. |
| Emissions of nutrient pollutants to water and soil | Activity emits nutrient pollutants that can lead to eutrophication. |

Disclaimer

- This document contains “forward-looking statements”, regarding the intent, belief or current expectations of us with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein.
- The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward looking statements.
- Please refer to our most recent disclosure documents such as our annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial condition and our operating results, and investors’ decisions.
- This document contains selected information regarding our approach to certain environmental, social, and governance (“ESG”) matters as of the date referenced. The information is not comprehensive or necessarily representative of all of the Company’s activities relating to such matters. The information is subject to change without notice, and we do not undertake to update such information. The information may be derived from sources whose quality and methodologies cannot be independently verified. ESG, sustainability, social value, and similar terms used herein refer to our internal definitions therefor, and not to any criteria defined in the laws or regulations of any jurisdiction. The information is provided on a voluntary basis, and is not prepared for the purpose of compliance with any mandatory financial or regulatory reporting standard herein. Any reference herein to a significant or material event does not necessarily mean that the event rises to the level of materiality requiring mandatory disclosures under law, including under U.S. federal securities law. Our ability to attain any aspirations, goals, and targets discussed herein is subject to various conditions which may be outside our control. This document is not intended to create, and may not be relied upon as the basis of, any legal relationship, rights, or obligations between the Company and any person.

Examples of frameworks referenced

| Organization | Framework/guideline |
|--------------|---|
| IFRS | IFRS S2 Climate-related Disclosures |
| GFANZ | Financial Institution Net-zero Transition Plans |
| TNFD | Recommendations of the Task Force on Nature-related Financial Disclosures |
| RAFI | UN Guiding principles Reporting framework with implementation guidance |

