

【NEWS RELEASE】

March 29, 2024

Sumitomo Mitsui Financial Group, Inc.

Enhancement of Initiatives for Sustainability

Sumitomo Mitsui Financial Group, Inc. (President and Group CEO: Toru Nakashima, hereinafter, the group is collectively referred to as "SMBC Group") hereby announces the enhancement of its initiatives for sustainability as described below.

1	Setting medium-term portfolio GHG emissions reduction targets for automobile and steel sectors
2	Revision of Policies for Specific Sectors and Businesses (coal-fired power generation, thermal coal, biomass, and human rights)
3	Introduction of environmental and social due diligence

(1) Medium-term portfolio GHG emissions reduction targets (automobile and steel sectors)

SMBC Group joined the Net Zero Banking Alliance (NZBA) in October 2021 and is committed to achieve net zero greenhouse gas (GHG) emissions across our investment and loan portfolios by 2050. We hereby announce that we have set medium-term GHG reduction targets for automobile and steel sectors. For details on emissions calculations, please refer to the SMBC Group TCFD Report 2023 (*1).

Automobile

 Unit: g-CO₂e/vkm

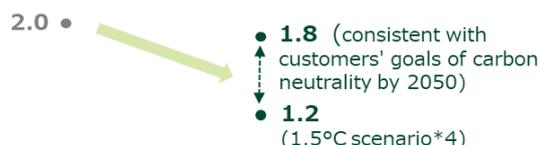

FY21 Actual Values >>> **FY30 Target**

*2 SBTi SDA Tool (B2DS) *3 IEA NZE scenario

Our approach

- Achieve a level consistent with below 2°C scenario
- In addition, aim for a level consistent with 1.5°C scenario
- For transition, it is necessary to take into account regional characteristics, such as energy circumstances
- Will continue to do research on the latest scenarios, engage in dialogue with our customers, and continuously update our approach and level of targets

Steel

 Unit: t-CO₂e/t-steel


FY21 Actual Values >>> **FY30 Target**

*4 Mission Possible Partnership Carbon Cost scenario

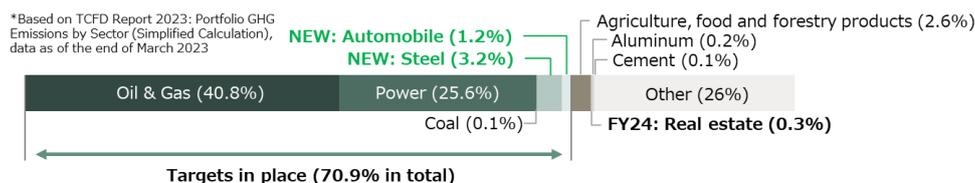
Our approach

- There are many blast furnaces in Asia that require time to decarbonize, and it is necessary to set targets based on regional characteristics
⇒ At first, achieve a level that is consistent with customer's goal of carbon neutrality by 2050
- In addition, aim for a level consistent with 1.5°C scenario
- Will continue to do research on scenarios based on regional characteristics, engage in dialogue with our customers, and update our approach and level of targets

In order to contribute to the decarbonization of the real economy through transition finance, SMBC Group has published the "Transition Finance Playbook" (hereinafter referred to as "the Playbook" (*5)), which sets out our definitions and criteria for transition finance.

Currently, the Playbook covers power and oil and gas sectors. Based on the above medium-term GHG reduction targets, we plan to expand its scope to the automobile and steel sectors in fiscal year 2024. SMBC Group will continue to be engaged in dialogue with customers in utilizing the Playbook, aiming to achieve the medium-term GHG reduction targets and realize a decarbonized society.

Reference: Status of medium-term portfolio GHG reduction targets (NZBA's nine sectors)



*1 SMBC Group TCFD Report 2023

https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/pdf/tcf_report_e_2023.pdf

*5 Transition Finance Playbook

https://www.smfg.co.jp/english/sustainability/materiality/environment/business/pdf/TFP_en.pdf

(2) Revision of Policies for Specific Businesses and Sectors (coal-fired power generation, thermal coal, biomass, and human rights)

SMBC Group has established Policies for Specific Businesses and Sectors which are likely to have significant impacts on the environment and society.

With the aim of respecting human rights and enhancing responses to climate change and efforts to conserve and restore natural capital, we have newly established and revised the following policies. For more information on the revised sector and business policies, please refer to our Sustainability Policy.

https://www.smfg.co.jp/english/sustainability/group_sustainability/

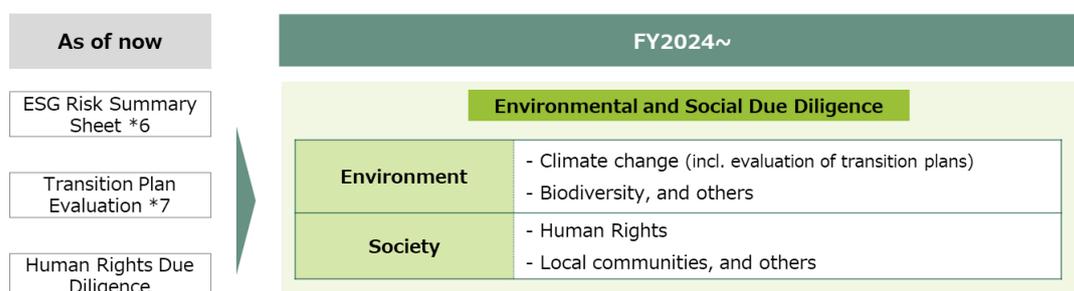
SMBC Group Policy for Specific Businesses and Sectors		Details of new establishments and revisions	
New 1	Policy prohibiting support across businesses and sectors	Item	Details
Revision 1	Coal-fired power generation, Oil & Gas	New 1 Policy on businesses causing human rights violations	As a cross-sectoral and business-cutting policy, established a new policy prohibiting support for businesses that cause child labor, forced labor, and human trafficking.
Revision 2	Coal mining, Deforestation	Revision 1 Policy on coal-fired power generation	Added policy to prohibit support for coal-fired power plants whose deadline exceeds FY2040
New 2	Palm oil plantation development, Biomass power generation	Revision 2 Policy on thermal coal mining	Added policy to prohibit support for thermal coal mining operators whose deadline exceeds FY2030 in OECD countries and FY2040 in non-OECD countries.
	Businesses and sectors likely to have impacts on climate change	New 2 Policy on biomass power generation	For new and expanded projects of woody biomass power generation projects, established a new policy to confirm the use of sustainable combustion materials.

(3) Introduction of environmental and social due diligence

Sumitomo Mitsui Banking Corporation (SMBC) will introduce environmental and social due diligence in fiscal year 2024. SMBC has already been working to understand the status of customers' responses to environmental and social risks, and it will develop an advanced due diligence framework as "environmental and social due diligence."

From a globally unified perspective, we will understand and evaluate our customers' environmental and social initiatives (including climate change, biodiversity, and human rights violations) and their risk mitigation measures, and use them to improve risk management through the enhancement of conventional credit decisions and to engage with customers to solve social issues.

Outline of environmental and social due diligence



*6 Introduced in July 2020 for the purpose of understanding customers' non-financial information on the environment and society and is also used for human rights due diligence.

*7 In FY2023, we conducted a trial evaluation of individual companies' transition plans in sectors with high transition risk, such as electric power and oil and gas.

Schedule of upcoming major sustainability-related disclosures and events (until the end of May 2024)

- Mid-May 2024: Publication of progress report on sustainability initiatives
- Mid-May 2024: Revision of Transition Finance Playbook 2024

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