

【NEWS RELEASE】

June 18 2018

Sumitomo Mitsui Banking Corporation

Establishment of policy for businesses associated with Environmental and Social risk

TOKYO, June 18, 2018 -- Sumitomo Mitsui Banking Corporation (“SMBC”, President and CEO: Makoto Takashima) announced the establishment of its policy towards financing businesses with potentially significant adverse environmental and/or social impact effective from today.

Reflecting our commitment to combat climate change and socially responsible policies, we have revised our Credit Policy, which contains our overall financing policy, guidelines and rules. Pursuant to our Credit Policy, SMBC will cease to provide financial support to borrowers engaged in businesses contrary to public responsibility, or which may have a significant negative impact on the global environment.

For large-scale projects, which may potentially exert a major impact on the environment and society, we will continue to comply with Equator Principles, a set of guidelines developed by private-sector financial institutions for managing environmental and social risks related to financing large-scale projects, and conduct appropriate environmental and social risk assessments.

Set out below are policies for specific sectors that have significant environmental and/or social influence such as adverse impact on human rights and climate change.

1. Coal-fired power plants

We have previously prudently provided loans to coal-fired power plants that satisfy certain criteria referring to OECD Arrangement on Officially Supported Export Credits. While developed countries continue to press forward with measures to create a decarbonized society, to ensure a smooth transition to a low carbon society, our policy for new financing will be stricter, limiting financial support to only coal-fired power plants that use USC (*) or more advanced technologies which are considered highly efficient.

For projects, which we have already committed support from the perspective of energy shortage solution in emerging countries, or where the Japanese government or Multilateral Development Banks support are confirmed will be considered prudently as exceptions.

(*) Ultra-supercritical (i.e., with a steam pressure >240 bar and $\geq 593^{\circ}\text{C}$ steam temperature) or Emissions < 750 g CO₂/kWh

In addition, our loan exposure to coal-fired projects is quite limited in our overall portfolio of electricity generation projects. In fact, we have proactively provided financing support towards the renewable energy sector such as solar and wind. As a result, we were ranked 4th in Bloomberg New Energy Finance Clean Energy & Energy Smart Technology League table in FY2017, and 2nd in the previous year. Consistent with our commitment to the Paris Agreement and support to TCFD (Task Force on Climate-related Financial Disclosures), we will proactively continue to support renewable energy projects.

2. Palm oil plantation developments

As part of our efforts towards conservation of forest resources and biodiversity as well as prevention of human rights violations, we will not provide financial support to Palm Oil plantation companies that are involved in illegal logging and/or human rights violations such as child labor. We will check that internationally accepted external certifications such as RSPO (Roundtable on Sustainable Palm Oil), or other equivalent certifications are obtained or expected to be obtained to support sustainable palm oil development.

3. Deforestation

We will not provide financing to businesses that are involved in illegal logging and/or land clearing activities which are against applicable national laws and regulations. For large-scale development projects, we will continue to review and evaluate the environmental and social risks, including if they entail clearing of primary forests and/or the destruction of local ecosystems in accordance with the Equator Principles.

The world today faces significant environmental and social issues, such as climate change caused by global warming, destruction of biodiversity, and human rights violations such as child and forced labor. As a global financial group, we hope to contribute to the development of a fair and sustainable society to fulfill our social responsibilities through the observance of these policies.