Progress Report on Addressing Climate Change

May 13, 2025

SMBC SUMITOMO MITSUI FINANCIAL GROUP

Understanding of the environment

Decarbonization remains an urgent issue. It is crucial to adopt approaches aligned with the unique condition of each country and region to achieve decarbonization of the real economy.

Understanding of the Environment

● Decarbonization remaining an urgent issue globally	● Global temperature rise exceeding 1.5°C (Compared to pre-industrial level) ● Extreme weather events occurring more frequently
● Increasing link of climate change policies to industrial policies	● Japan: The 7th Strategic Energy Plan, GX2040 Vision ● Europe: The European Green Deal, The Clean Industrial Deal
● Acceleration of decoupling	● Europe: Striking a balance between energy security and economic efficiency ● United States: Withdrawal from the Paris Agreement

Contribution to decarbonization of the real economy

Importance of an approach considering regional contexts

Our approach to climate change

Maximize contributions to decarbonization of the real economy while maintaining appropriate control over climate-related risks.

P.4～

Contributing to decarbonization of the real economy

Point

Implementing approaches tailored to the specific circumstances of countries, regions, and sectors

1. Risk-taking in new energies and new technologies
2. Transition finance
3. Collaborating with stakeholders

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P.12～

Maintaining appropriate control over climate-related risks

Point

Strengthening sector-specific analysis and continuing appropriate management for decarbonization and risk awareness

1. Policies
2. Portfolio management
3. Individual company and project-level management

Contributing to Decarbonization of the Real Economy

Contributing to decarbonization of the real economy

Considering delays in the social implementation of new technologies and the context of specific regions and sectors, pragmatic approach to decarbonization is crucial.

Background

Innovation

- **Technological innovations being delayed due to lack of funding**
  - Hydrogen adoption facing slow progress
  - Delayed implementation of new technologies due to high costs

Region

- **The importance of support incorporating the context of Japan and Asia.**
  - Japan: Reactivation of nuclear power plants not progressing
  - Asia: Fossil fuel ratio is high

Sector

- **Emergence of challenges that are difficult to address individually by sector and company**
  - Power: Increase in demand
  - Oil and gas: Delay in CCS technology development

Pragmatic approaches toward decarbonization

1 Risk-taking in new energies and new technologies

- Actively providing risk money

H2 | SAF | CCS

2 Transition Finance

- Supports for gas-fired power generation in Asia
- Strengthening policy engagement based on findings of challenges in promoting transition finance

MPO | Gas

3 Collaborating with Stakeholders

- Conducting policy recommendations based on practical challenges

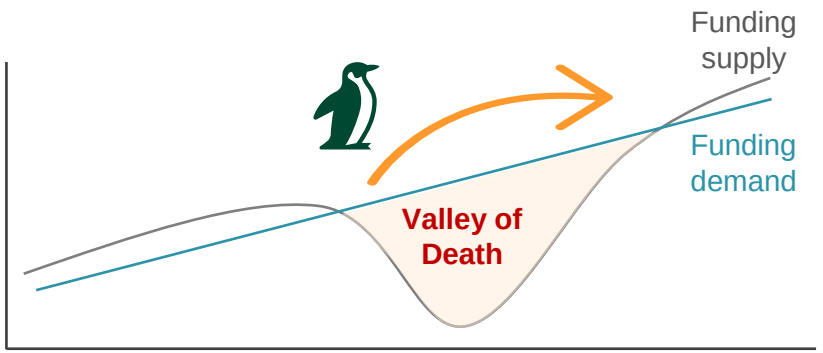
Blended finance | Dialogue with the industry

Risk-taking in new energies and new technologies

Contribute to the social implementation of new energies and new technologies through sound risk-taking.

Overview of risk taking

- Boldly taking on new risks as a ''first penguin''



Development → Demonstration → Scaling → Social implementation

Focus areas (examples)	Approach
Clean hydrogen and ammonia	Project finance
SAF	Business co-creation toward decarbonization.
CCS ・CCUS	Equity investment
DAC *	

Cases Studies

Project finance for CCS infrastructure (UK)

- Supporting the world's first gas-fired power plant equipped with carbon capture and storage facilities

Net Zero Teesside Power
Thermal power / carbon capture

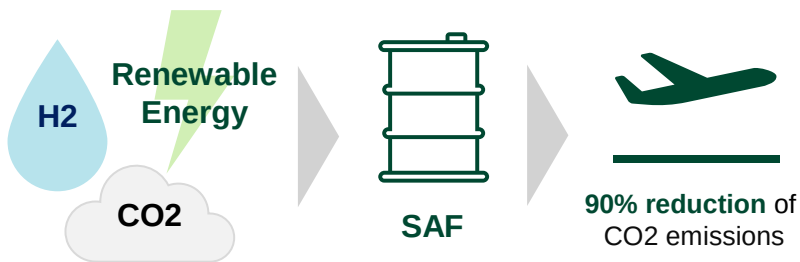
＋

Northern Endurance Partnership
Carbon transfer and storage

→ Capturing **95%** of CO2 emissions (Annual maximum amount of two million tons)
→ Providing low-carbon electric power to **over one million households**
→ **Contributing to the expansion of renewable energy as flexible load**

Green loan to new technology venture (United States)

- Providing green loan of USD 20 million for a SAF manufacturing project to Twelve, a carbon transformation company with technologies to convert CO2 into chemical products
- Also providing equity through the Japan Hydrogen Fund (for more details, see P.9)



* DAC: Direct air capture

Transition finance: Case studies

Leverage the "Transition Finance Playbook" to engage in ongoing dialogues with clients and accumulate track records globally.

Transition Finance Playbook 23/5

- Showing SMBC Group's definition and criteria of transition finance
- Categorizing transition finance with two perspectives: corporate transition strategies and target assets. Setting regionally-catered internal taxonomy for assets in accordance with applicable policies, roadmaps, and taxonomies

Achievements*1

Executed: **46** deals

Engaged: **130** companies

Examples of client engagement

Power company

- Continuous dialogue on balancing a stable power supply with realistic emission reduction measures and financial support
  - New gas-fired power
  - Decommissioning of coal fired power plants
  - Low-carbon power generation methods, etc.

Government

Cases Studies in Asia Pacific

Australia: Renewable energy and gas-fired power

- Supporting an Australian company that delivers off-grid power solutions*2 to power-scarce regions, such as mining sites, by combining renewable energy generation with the development of gas-fired power generation for balancing purposes

Key points of the deal

- Companies that set the goal of achieving net zero by 2035
- Coexistence of stable supplies and decarbonization

Vietnam: Gas upstream project

- Supporting projects that contribute to the energy transition of Vietnam

Key points of the deal

- Project based on the energy plan that Vietnam has set forth to achieve net zero by 2050
- Sponsors that set the goal of achieving net zero by 2050
- Contributing to the conversion from coal to gas

*1 Accumulated total upon and after the formulation of the Transition Finance Playbook in May of 2023 for power, oil and gas, steel, and automotive sectors
*2 Independent power supply system in areas not connected to the wide-area power grid.

Transition finance: Dialogue for further advancement

Focus on engagements with customers and governments to address issues for further advancement.

Transition Finance Scorebook 24/10

- Publishing the Transition Finance Scorebook, which outlines practical challenges and recommendations for solutions in promoting transition finance
- Continuously engaging with customers and governments utilizing the Scorebook

Achievements

Engagement: **60** meetings

Examples

State-owned oil company / Power company	Continuous dialogue on the difficulties of executing decarbonization measures not explicitly specified in the policy roadmap
Oil & gas upstream company	Engagement in dialogue on decarbonization with downstream companies leading to expanded disclosure
State-owned development bank / Oil company	Dialogue on the transition from oil to gas, the introduction of renewable energy supported by gas as a backup, and alignment with governmental policy

Call for Action and Recommendation

Support for companies with constraints to align with the Paris Agreement

- Especially in developing countries, it is challenging to formulate decarbonization plans aligned with the Paris Agreement due to issues that cannot be resolved internally and the ambiguity of the 1.5°C scenario

Recommendation

① **Detail roadmaps by country**
② **Strengthen transition support for those with high emissions**
③ **Improve cost sharing mechanism**
④ **Scale up blended finance**

The role of gas-fired power generation during transition

- In the transition process, gas plays a role of meeting the increasing energy demand due to population growth and supporting renewable energy as a flexible load

Recommendation

① **Generate understanding of the role of gas in energy transitions and provide appropriate support**
② **Strive to avoid carbon lock-in**

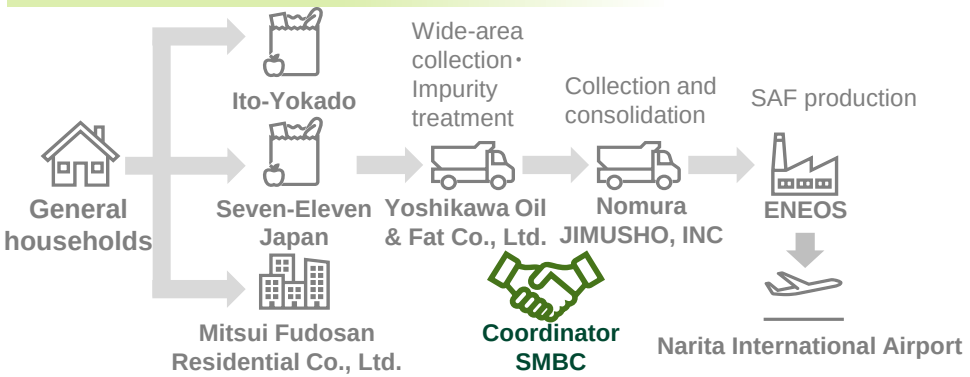
Collaborating with stakeholders

Collaborate with customers to provide diverse solutions for decarbonization of the real economy.

Co-creation of business

- Connecting companies with decarbonization technologies to those with the needs, by leveraging our broad range of customer base

Establishing a SAF supply chain in Chiba Pref.



Hydrogen fund

- Participating in the investment and management of Japan Hydrogen Fund as SMBC Group

Management: Sumitomo Mitsui DS Asset Management

Investment: SMBC / SUMITOMO MITSUI BANKING CORPORATION

Japan Hydrogen Fund — Scale of approximately **JPY 60 bn**

Energy solutions

SMFL MIRAI Partners

Offsite power purchase Agreements (PPAs)

- Largest-scale domestic solar virtual PPA (maximum 150MW)
- Demonstrating value by starting development without determined off-takers

Battery storage co-located with renewable energy

- Introducing and operating battery storage co-located with renewable energy power plants
- Contributing to making renewable energy a main power source

Change in individual behavior

Everyone's CO2 Reduction (Minna De Genkotsu) Project

- Cooperating with local governments on initiatives to change the behavior of individuals toward decarbonization

Japan Research Institute

SMBC / SUMITOMO MITSUI BANKING CORPORATION

- Promoting eco-labels that identify environmentally friendly products and services, providing education through workshops

みんなで! 減CO2

Policy recommendation

Continue dialogue and policy recommendations with the industry and government, considering practical challenges in finance.

Initiatives in Japan

- Continuing dialogue and recommendations with the government regarding challenges in financial support, and the need for public-private risk sharing such as blended finance
- Continuing dialogue with the industry
  - Participation in the Japan Hydrogen Association and investment in a hydrogen fund
  - Recommendations within committees based on dialogue with the industry (e.g., CCS)

JAPAN HYDROGEN ASSOCIATION
GX Acceleration Agency

(Reference) Key committees SMFG is involved

Committees, etc.	Participation	Host
Advisory Committee for Natural Resources and Energy, Strategic Policy Committee	Member	Ministry of Economy, Trade and Industry
Expert panel on Sustainable Finance	Member (Japanese Bankers Association)	Financial Services Agency
ESG Finance High Level Panel	Member	Ministry of Environment
Study Group for Discussing Development of Environment for Climate Transition Finance	Member	Ministry of Economy, Trade and Industry; Ministry of the Environment; Financial Services Agency
Safety Subcommittee on Carbon Dioxide Storage Projects	Member	Ministry of Economy, Trade and Industry
Working Group on Financial Infrastructure for Carbon Credit Transactions	Member	Financial Services Agency

Initiatives for Decarbonization in Asia

- Recommendations on support systems and funding approaches for commercialization, based on global trends and customer challenges

Examples

- **AZEC (Asia Zero Emission Community)**
  - Provide recommendations on the integration of economic policy and financial support policy, as well as the advantages of policy-driven initiatives
- **Asia Transition Finance Sub-Working Group**
  - Provide recommendations based on practical project initiatives regarding the importance and limitations of ICMA, and realistic alternative options
- **International Organizations and Government Agencies（ADB、IFC、MAS, etc.）**
  - Continue concrete discussions on policy and business challenges and solutions, beyond just financing methods, to ensure the economic viability of the early retirement and cessation of coal-fired power plants

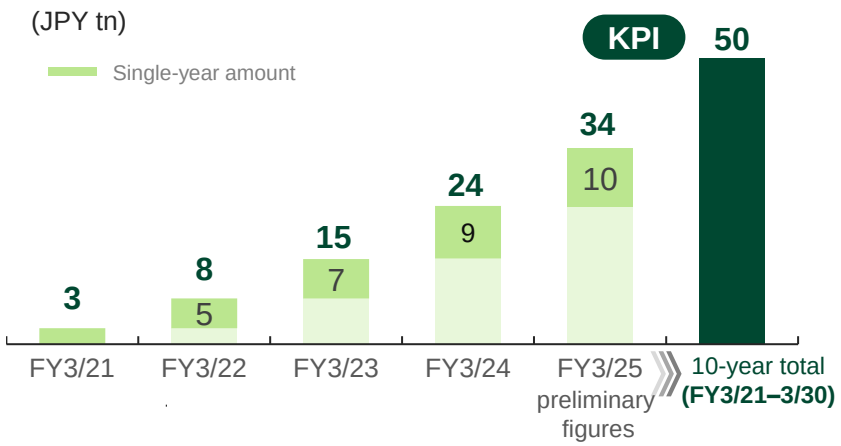
(Ref.) Key initiatives SMFG is involved

Financial Services Agency
Asia GX（Green Transformation）Consortium
AZEC Asia Zero Emission Community
ssfa Singapore Sustainable Finance Association
JETP

(Ref.) Sustainable finance

Steady progress towards the sustainable finance target of JPY 50 trillion.

Amount of sustainable finance (cumulative)



League Tables

SMBC SUMITOMO MITSUI BANKING CORPORATION

Global

2nd

Green Loan, Sustainable Loan, Social loan*1

SMBC SMBC NIKKO

Japan

3rd

SDGs Bonds Lead Manager*2

Finance examples

US

Sustainable link supply chain finance for clothing companies

India

Blue Loans for water provision
Green Loans for EV batteries

UK

Social loans for affordable housings

Slovenia

Samurai sovereign social bond

SMBC SMBC NIKKO

SMBC-JICA sustainable finance framework

SMBC **Joint financing** JICA

SMBC-JICA Sustainable finance framework

DBSA Southern Africa Development Bank

Renewable energy, water provision, battery, and energy optimization in Africa

*1 Dealogic (FY3/25 initiative amount)
*2 Includes corporate bonds (excluding affiliates), municipal bonds (lead manager system, JFM, public corporations), FILP agency bonds (including ABS type), and Samurai bonds.

Risk Management

Framework of climate-related risk management

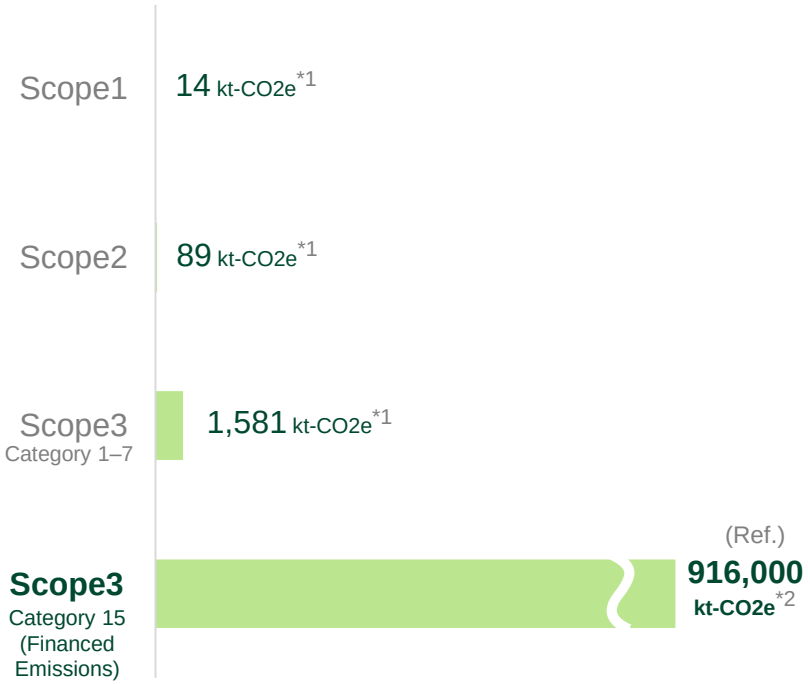
Continue appropriate risk management based on the unique characteristics of each sector and from the viewpoint of policy, portfolio, and individual company/project level.

Risk drivers	**Physical risks**	● Acute risk (examples: typhoon, flooding, forest fires) ● Chronic risk (examples: temperature rise, precipitation increase)
	Transition risks	● Policy changes / tightening of regulations ● Technology innovation ● Change of consumer behavior ● Increase of environmental lawsuits
Impact of risk materialization	**Credit related costs increase, etc. (Scenario analysis)**	● Physical risk: Increase in credit costs due to deterioration in customer business performance and impairment of collateral ● Transition risk: deterioration in customer business performance, increase in credit costs
Framework of risk management	**Sector analysis** (Strengthen)	● **Strengthening analysis by sector (examples: emissions volume, sector-specific issues, risk perception)** ● **Strengthening appropriate risk management aligned with key points to achieve decarbonization and risk awareness.**
	Policy	● Policies for specific businesses and sectors
	Portfolio management	● Manage portfolio GHG emissions ● Phase out targets
	Individual company and project-level management	● Environmental and social due diligence (corporate finance/ project related finance)

Portfolio GHG emissions

The great majority of GHG emissions is Scope 3, Category 15 (financed emissions).

GHG emissions (FY3/24)



*1 Targets/scope for aggregation: Domestic and overseas locations of Sumitomo Mitsui Financial Group Inc. and its consolidated subsidiaries as of FY3/22 (excluding equity-method affiliates)

*2 Scope of coverage/aggregation: Loans and bills discounted at Sumitomo Mitsui Banking Corporation and its main subsidiaries (internal controls basis; for details, refer to the Sustainability Report 2024)

Details by sector in Scope 3 category 15 (FE)

(Mt-CO2e)

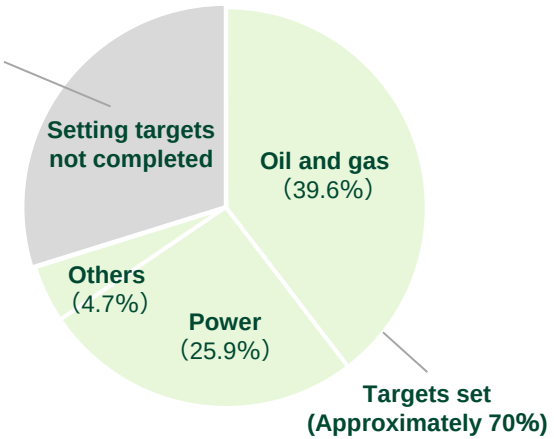
Sector	Scope1+2	Scope3	Total*2
Power	174.0	62.8	**236.8**
Oil & Gas	313.6	48.7	**362.3**
Coal	0.1	0.2	**0.3**
Air cargo	0.1	0.0	**0.1**
Passenger aviation	3.8	2.0	**5.7**
Shipping	5.4	5.5	**10.9**
Railroad	0.9	0.8	**1.8**
Truck services	2.5	1.8	**4.3**
Automotive & components	0.9	11.0	**11.9**
Metals & mining	4.3	4.0	**8.4**
Aluminum	0.5	0.6	**1.1**
Chemicals	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 & meats	13.6	6.7	**20.3**
Paper and forestry products	0.7	1.9	**2.6**
Total	**697.4**	**218.5**	**915.9**

Progress in setting mid-term targets by sector

Completed setting medium-term targets for 70% of Scope3.
Conduct dialogues with clients in chemical sector and support their initiatives.

Breakdown[*1] of Scope 3 category 15

- **Breakdown**
  - **Chemicals (19.6%)**
  - Agriculture, etc. (3.2%)
  - Others (7.0%)



Approaches to the Chemical Sector

Sector's uniqueness
- Setting uniform reduction targets for the industry as a whole is deemed impractical because of wide-ranging business and various emission reduction methods

We will conduct in-depth dialogues with each company to determine the best decarbonization approach and provide financial and non-financial support

Examples

Continuation of petrochemical business
- Transition to low-/decarbonized fuels and raw materials (e.g.) Ammonia combustion in naphtha crackers

Business Transformation
- Restructuring the business portfolio

(Reference) Progress with setting targets

	Power	Oil & Gas	Coal	Automobile	Steel	Real estate	Chemical	Agriculture	Aluminum	Cement
Setting targets	2022/5	2022/8	2022/8	2024/3	2024/3	2024/5	-	-	-	-
Transition risks	Very High	Very High	Very High	High	High	Low	Middle	Low	Middle	High
Balance[*1] (JPY tn)	6.4	4.0	0.0	2.0	1.6	14.0	2.5	0.4	0.1	0.1
FE[*1] (MT-CO2e)	237	362	0	12	27	3	180	5	1	1
Maturity of calculation standard[*2]	○	○	○	○	○	○	△	△	○	○

*1 Sustainability Report 2024, balance is loan balance, and financed emission (FE) is a total of Scopes 1-3
*2 Created by SMBC Group based on the progress of guideline development in international initiatives such as SBTi and TPI

Strengthen sectoral analysis

Maintain appropriate control based on understanding of climate-related risks and keys to achieving decarbonization.

Sector	Keys to achieving decarbonization	Transition risks	Awareness of climate-related risks
Power	• It is necessary to respond to increases in demand for electric power while converting to renewable energy and low carbon fuel • Regional characteristics are particularly strong, closely linked to national policies	**Very High** Note: thermal power generation that has no emissions countermeasures.	• Increase in costs due to emission regulations, mandatory renewable energy implementation, and carbon pricing • Continued operation of power plants, replacement, coordination with residents when establishing a plant • Investor demands / funding
Oil and Gas	• Oil: We are aware of the immediate demand for petrochemical raw materials • Gas: It is important as transition fuel. CCUS and other technological innovations are important as demand for fuel will likely remain	**Very High**	• Increase in costs due to environmental regulations, compliance with production and export permits, and carbon pricing • Risk of a decline in value due to reduced demand through the increased usage of low carbon technology and subsidy cuts • Environmental burden and impact on human rights and regional communities due to development
Coal (thermal coal)	• Due to high levels of emissions, a systematic shift to alternative businesses is necessary	**Very High**	• Increase in costs due to emission regulations and carbon pricing. • Risk of a decline in value due to reduced demand through the increased usage of low carbon technology • Investor demands / funding
Automobile	• It is important to lower fuel consumption and decarbonize electric power and fuel • It is necessary to support strategy and technology development based on each country's energy situation, infrastructure development status, consumer orientation, etc.	**High**	• Increase in costs due to compliance with regulations such as restrictions on exhaust emissions, fuel efficiency and sales limitations of internal combustion engine vehicles, as well as carbon pricing • Intensified competition in the development of technologies and standards related to environmentally friendly vehicles
Steel	• It depends largely on technological innovation (Key factors include increasing scrap recycling, developing low-carbon steelmaking technologies, and capturing unreducible carbon through CCUS)	**High**	• Increase in costs due to carbon pricing • Increase in demand for low-carbon steel products and alternative products
Real estate	• As emissions are mainly due to property use (especially electric power), it is important to improve property performance and decarbonize electricity	Low	• Increase in all cost categories and loss of property asset value due to compulsory obligations for low energy equipment and tightening environmental regulations for buildings • Increase in environmental response needs of tenants

Risk control by sector (Power)

Support the transition to renewable and low-carbon energy sources to contribute to increasing electricity demand and stable supply.

Keys to achieving decarbonization
- It is necessary to respond to increases in demand for electric power while converting to renewable energy and low carbon fuel
- Regional characteristics are particularly strong, closely linked to national policies

Transition risks
Very High
Note: thermal power generation that has no emissions countermeasures.

Climate-related risks
- Increase in costs due to emission regulations, mandatory renewable energy implementation, and carbon pricing
- Continued operation of power plants, replacement, coordination with residents when establishing a plant
- Investor demands / funding

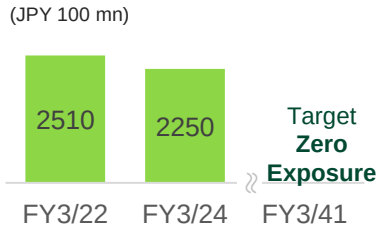
SMBC's control policies and measures

Policy
- Respond in accordance with policies for specific businesses and sectors
  - ✓ Projects for establishing or expanding coal-fired power generation, project that extend beyond FY3/41
  - ✓ Companies whose main business is coal-fired power generation and with whom there are no existing transactions

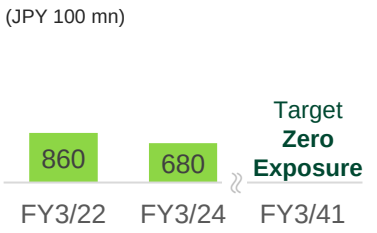
Individual company/deal management
- Conduct risk assessments and customer engagement through environmental and social due diligence
- Utilize the TF Playbook to define transitions and actively advance initiatives

Portfolio management
- Set carbon intensity of power generation as a management indicator. Manage portfolio while paying attention to business, where emissions are high
- Established phase-out target from coal-fired power*

Project finance



Equipment-linked corporate finance



Case examples

(UK) Project finance for CCS infrastructure P.6
- ✓ World's first gas-fired power plant equipped with carbon capture and storage facilities

(Australia) Renewable energy and gas-fired power P.7
- ✓ Renewable energy generation plant equipped with gas-fired power as a flexible load

* Recognizing the particularly high stranded asset risk of coal-fired power, phase-out targets are set, excluding projects that contribute to the transition to a decarbonized society

Risk control by sector (Oil and gas)

Contribute to stable supply of energy and customers' business transformation through support for natural gas and new energy sources while paying attention to environmental and social risks.

Keys to achieving decarbonization
- Oil: We are aware of the immediate demand for petrochemical raw materials
- Gas: It is important as transition fuel. CCUS and other technological innovations are important as demand for fuel will likely remain

Transition risks
Very High

Climate-related risks
- Environmental regulations, compliance with production and export permits and carbon pricing
- Risk of a decline in value due to reduced
- Environmental burden and impact on human rights and regional communities due to development

SMBC's control policies and measures

Policy
- Respond in accordance with policies for specific businesses and sectors
  - ✓ Unconventional types, mining for oil or gas in the Arctic Circle, pipeline businesses

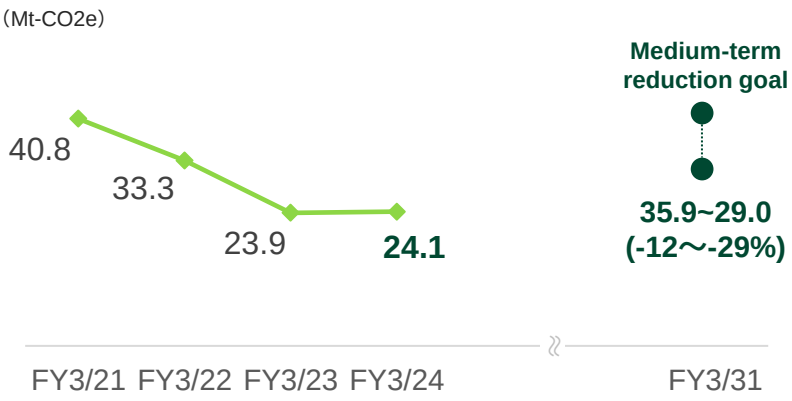
Individual company/deal management
- Conduct risk assessments and customer engagement through environmental and social due diligence
- Utilize the TF Playbook to define transitions and actively advance initiatives


Gas upstream


Gas purification and storage facilities


Flaring reduction

Portfolio management
- Set absolute emissions from mining and use as management indicators
- Manage portfolio while paying attention to the oil business, where emissions are high



Risk control by sector (Coal)

Provide support for clients' systematic business transformation.

Keys to achieving decarbonization
- Due to high levels of emissions, a systematic shift to alternative businesses is necessary

Transition risks: Very High

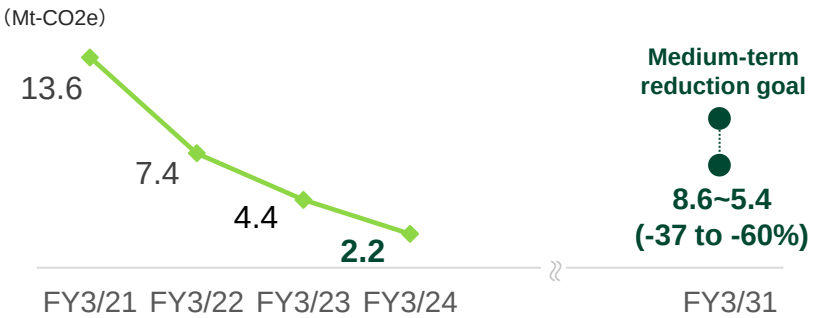
Climate-related risks
- Increase costs due to emission regulations and carbon pricing.
- Risk of a decline in value due to reduced demand through the increased usage of low carbon technology.
- Investor demands / funding

SMBC's control policies and measures

Policy
- Respond in accordance with policies for specific businesses and sectors
  - ✓ Projects to newly establish or expand thermal coal mining and related infrastructure
  - ✓ Projects for thermal coal mining businesses that extend beyond FY3/31 or FY3/41

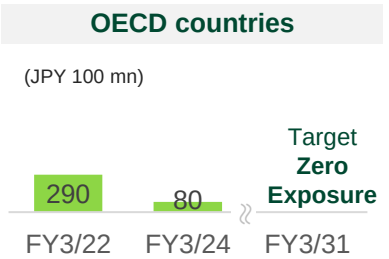
Individual company/deal management
- Conduct risk assessments and customer engagement through environmental and social due diligence

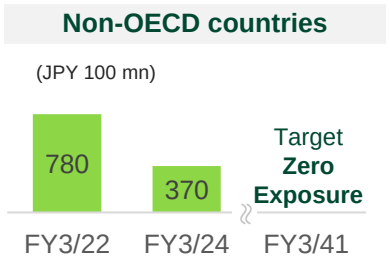
Portfolio management
- Set absolute emissions from mining and use as management indicators. Incremental portfolio reductions in line with policies
- Set phase-out targets for thermal coal mining businesses*



Examples of initiatives (engagement with thermal coal operators)

- Explanations on policies for specific businesses and sectors and support stance
- Conduct discussions on transitioning away from the thermal coal business





* Recognizing the particularly high stranded asset risk of thermal coal mining, phase-out targets are set, excluding projects that facilitate the conversion from fossil fuel businesses

Risk control by sector (Automobile)

Support the expansion of environmentally friendly vehicles within the entire industry, including OEMs and players in the supply chain.

Keys to achieving decarbonization

- It is important to lower fuel consumption and decarbonize electric power and fuel
- It is necessary to support strategy and technology development based on each country's energy situation, infrastructure development status, consumer orientation, etc.

Transition risks

High

Climate-related risks

- Increase in costs due to compliance with regulations such as restrictions on exhaust emissions, fuel efficiency and sales limitations of internal combustion engine vehicles, as well as carbon pricing
- Intensified competition in the development of technologies and standards related to environmentally friendly vehicles

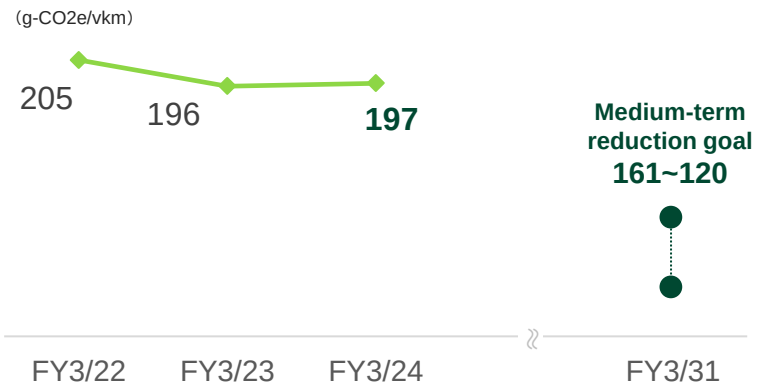
SMBC's control policies and measures

Individual company/deal management

- Conduct risk assessments and customer engagement through environmental and social due diligence
  Targets: OEM, suppliers
- Utilize the TF Playbook to define transitions and actively advance initiatives

Portfolio management

- Set carbon intensity for emissions from (OEM) manufacturing and travelling as management indicators
- Manage portfolio while paying attention to businesses with high emissions



Case examples

Support for building a sustainable finance framework (Mazda)

- Support for building this finance framework as a structuring agent
- The funds are scheduled to be used to finance making the company's global factories carbon neutral as well as developing and manufacturing BEVs and PHEVs

Risk control by sector (Steel)

Contribute to a stable supply of steel through recycling by using electric furnaces and supporting decarbonization in accordance with production processes.

Keys to achieving decarbonization
- It depends largely on technological innovation
  (Key factors include increasing scrap recycling, developing low-carbon steelmaking technologies, and capturing unreducible carbon through CCUS)

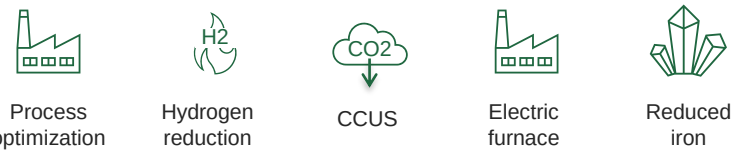
Transition risks

High

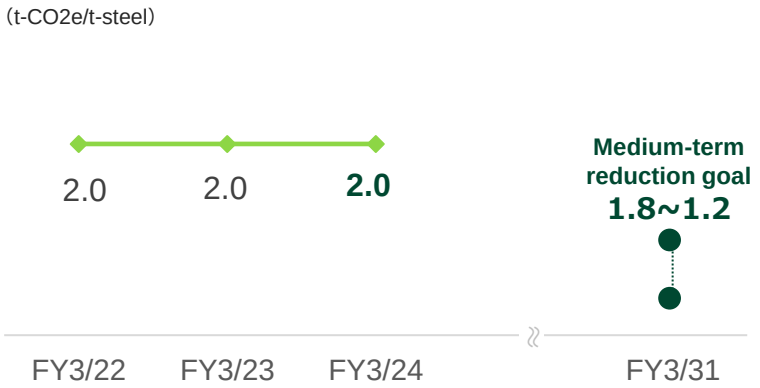
Climate-related risks
- Increase in costs due to carbon pricing
- Increase in demand for low-carbon steel products and alternative products

SMBC's control policies and measures

Individual company/deal management
- Conduct risk assessments and customer engagement through environmental and social due diligence (Crude steel manufacture and resource mining business)
- Utilize the TF Playbook to define transitions and actively advance initiatives



Portfolio management
- Set carbon intensity from crude steel manufacture as a management indicator
- Manage while paying attention to each company's transition plan



Case examples

Green Bond (Nippon Steel)
- Supporting Nippon Steel's fundraising efforts as they challenge the realization of carbon neutrality by 2050
- The raised funds will be allocated to production facilities for products intended for eco-friendly vehicles

Risk control by sector (Real estate)

Promote sustainable finance for green buildings and other structures with high environmental performance.

Keys to achieving decarbonization
- As emissions are mainly due to property use (especially electric power), it is important to improve property performance and decarbonize electricity

Transition risks

Low

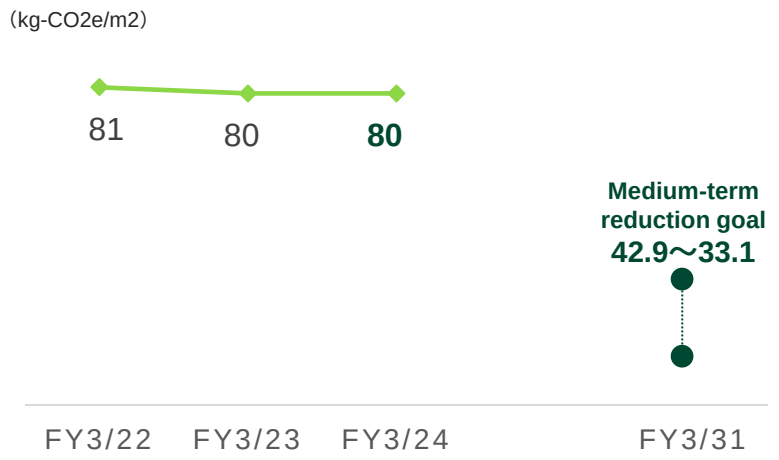
Climate-related risks
- Increase in all cost categories and loss of property asset value due to compulsory obligations for low energy equipment and tightening environmental regulations for buildings
- Increase in environmental response needs of tenants

SMBC's control policies and measures

Individual company/deal management
- Promote sustainable finance for green buildings and other structures that have obtained environmental certification

GRESB | DBJ Green building | CASBEE | BELS | LEED

Portfolio management
- Set carbon intensity at time of building use (equivalent to floor space) as a management indicator
- Manage portfolio while paying attention to the environmental performance of buildings



Case examples

Frontier Real Estate Investment Corporation

- ✓ Provided a green loan for the acquisition of Mitsui Shopping Park LaLaport Aichi Togo
- ✓ Achieved the highest 5-star rating in the DBJ Green Building Certification, recognizing the building's outstanding consideration for the environment and society

(Ref.) Environmental and social due diligence

Evaluate environmental and social risks in both corporate and project level and enhance credit assessment and customer engagements.

	Corporate finance	Project related finance
Overview	• Regularly assess environmental and social risks of credit obligors • Conduct engagement with obligors evaluated as having high environmental and social risks	• Evaluate the environmental and social impacts of large-scale projects (including periodic monitoring after project commencement) • Escalate when considering projects that are deemed to have particularly high environmental and social risks
Target scope	• Companies in the oil & gas, coal, power, steel, automotive, mining, agriculture, apparel, and tobacco sectors	• Support for large-scale new development/expansion project • Support for projects relevant to policies for specific businesses and sectors
Items to confirm	**Sector-specific environmental and social risks** ✓ Example of power sector: climate, resources, regional community, occupational safety and health **Reduction policy** ✓ Climate change: **Transition plan** P.24 ✓ Resource management: Optimize use of resources ✓ Occupational safety and health: Safety management system, health and safety education **Governance structure** ✓ Supervisory function for initiatives addressing environmental and social issues	**Environmental and social risks and reduction policies consequent upon the project** ✓ Status of compliance to laws in each region and international standards (IFC performance standards, etc.) ✓ Pollution countermeasures including environment-related risks ✓ Biodiversity ✓ Protect indigenous communities ✓ Stakeholder engagement / complaint processing mechanism ✓ Occupational safety and health ✓ Risk management system / action plan

Enhance credit assessment* **Customer engagements**

* In addition to conventional credit reviews, comprehensively assess the potential impact of environmental and social risks spreading to credit or reputational risks for an overall judgment

(Ref.) Assessment of transition plan

In the process of environmental and social risks evaluation, assess transition plan of obligors in sectors with high climate risk.

Assessment methods related to transition plans

Target sectors

- Power
- Agriculture
- Mining (including coal)
- Automobile (including components) — Addition
- Oil & Gas (including mid/downstream)
- Tobacco
- Steel — Addition

Assessment details

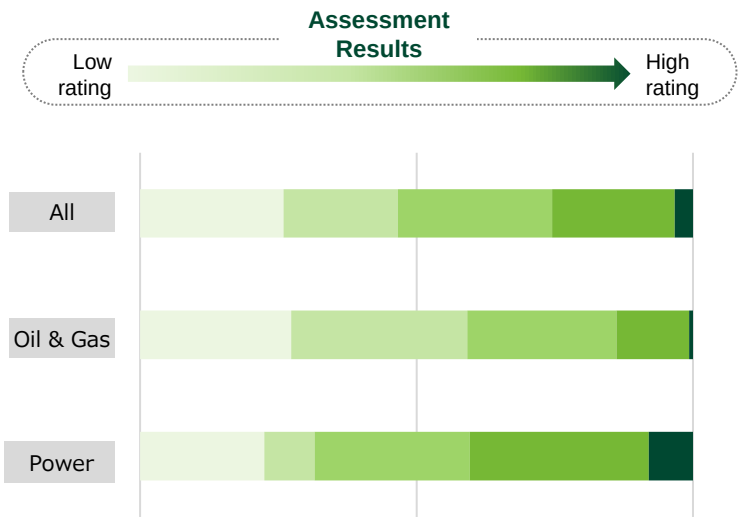
- Conduct assessments from the viewpoint of GHG reduction targets, strategy/plan, governance
- Conduct a comprehensive evaluation based on the response status for each item

	Items to confirm (examples)
GHG reduction targets	✓ Short/medium/long-term targets ✓ Scope of reduction target ✓ Consistency with the Paris Agreement
Strategy/plan	✓ Strategy aimed at achieving the target ✓ Plans for capital spending, etc. ✓ Progress of efforts, including in the supply chain
Governance	✓ Governance by the Board of Directors ✓ Capability of the Board of Directors ✓ Remuneration system

Progress of assessment

- Evaluated approximately 300 companies above a determined credit amount among targeted sectors
- Periodically conduct assessments, implement engagement as necessary

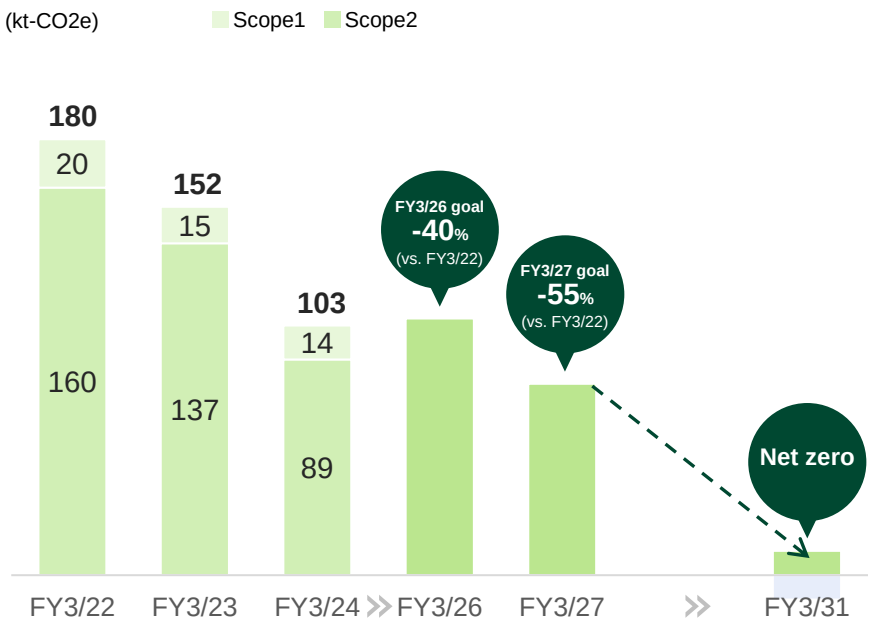
＜Results of April 2024 -March 2025＞



Operational GHG emissions reduction (Scope1, 2)

Steadily promoting initiatives to achieve net zero by 2030.
Newly set a target for 100% conversion of domestic company vehicles to environmentally friendly car.

Results/Target



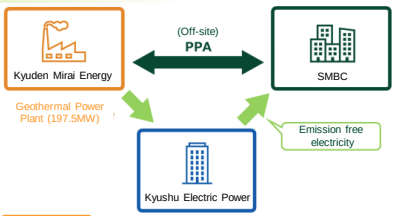
Core measures

SMBC Forest (Isehara City, Kanagawa Prefecture)

- Conduct environmental education for elementary school students
- Vegetation survey for the generation of credit
- Biomass power generation with timber from forest thinning

Procurement of geothermal power electricity

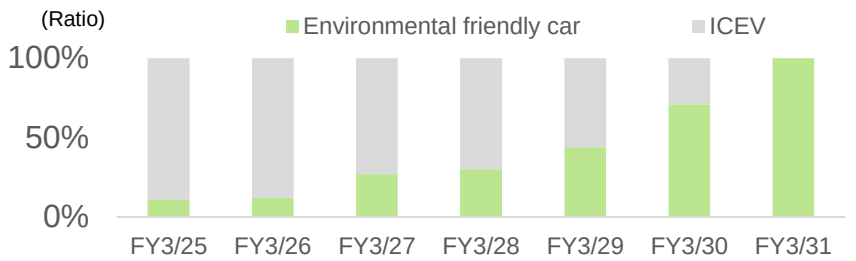
- SMBC has signed geothermal power purchase agreements (PPAs)



Environmentally friendly car Target

New

- Aim to replace all domestic company cars with environmentally friendly cars by FY3/31



Governance

Enhancement of our sustainability management system

Continuously enhancing both execution and supervision. This fiscal year, established a dedicated organization focused on sustainability-driven advisory and solution development.

Sustainability Management System

Supervision

Board of Directors

- Nomination Committee
- Compensation Committee
- Audit Committee
- **Risk Committee**

Established Jul. 2021 — **Sustainability Committee**

Execution

Established Oct. 2018 — **Corporate Sustainability Committee**

Established Apr. 2021 — **Group CSuO**

Established Apr. 2024 — **Sustainability Division for Fulfilled Growth**

Specialized organization for the further promotion of social value generation

- Sustainability Planning Dept.
  - New **Sustainability Advisory Dept.**
- Sustainability Development Dept.

Expertise of Sustainability Committee Members

Outside Director Eriko Sakurai (Until Jun. 2025)	• Advanced sustainability initiatives at Dow Inc.
Outside Director Yoriko Goto (as of Jun. 2025)	• Certified public accountant (Japan). Served as the Chair of the Board of Deloitte Tohmatsu Group, fostering sustainability from a governance perspective by proposing the establishment of management targets aimed at increasing social value
Outside Director Jenifer Rogers	• Served as the Chairman of the American Chamber of Commerce in Japan in 2021 • Focused on enhancing U.S.-Japan economic ties and global business environment with an emphasis on sustainability
Outside expert Yukari Takamura	• Professor at Institute for Future Initiatives, the University of Tokyo • Specializing in international law and environmental law
Expert Eiichiro Adachi	• Head of the Institute for Societal Values in Future Generations at the Japan Research Institute, Limited • Specializing in industrial research and corporate assessments from the perspective of corporate social responsibility

Executive Compensation System

Stock Compensation Plan	Quantitative indicators	Sustainable finance, employee engagement score, etc.
	Qualitative indicators	Efforts to address material issues
Bonus	Quantitative indicators	KPI achievement : Sustainable finance, operational GHG emissions, etc.
	Qualitative indicators	Sustainability ratings of major agencies

Skills Matrix of the Board*

Appointed directors using a skills matrix that summarizes the knowledge and experience expected by the Nomination Committee. Also, explicitly included sustainability as one of the standards for the selection of outside director candidates.

Knowledge and experience we expect in particular

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

	Management	Finance	Global	Legal / risk management	Accounting	IT/DX	Sustainability
Makoto Takashima	●	●	●	●	●	●	●
Toru Nakashima	●	●	●	●	●	●	●
Teiko Kudo		●	●	●			●
Kazuyuki Anchi		●	●	●	●	●	●
Toshihiro Isshiki		●		●			
Honami Matsugasaki		●	●	●			
Sonosuke Kadonaga	●		●	●			
Jun Sawada	●		●			●	●
Yoriko Goto	●	●	●	●	●		●
Isao Teshirogi	●		●	●			
Norimitsu Takashima				●			
Charles D. Lake II	●	●	●	●			
Jenifer Rogers	●	●	●	●		●	●

*. Subject to resolution at the Ordinary General Meeting of Shareholders in June 2025

Discussions on supervision related to sustainability

Promptly reflect professional and objective discussions on supervision to execution measures.

	Major discussions	Examples of measures implemented
Board of Directors	● Promote initiatives for creating social value	● Support for employee efforts aimed at full participation, etc.
	● Communications with stakeholders related to social value	● Expand opportunities for engagement with investors
	● Necessity of impact-based disclosure	● Release of Impact Report 2024
	● Changes in the external environment around sustainability	● Revision of strategies based on the external environment
Internal Committees: Sustainability Committee	● Responses to climate change	● Clarify perception of climate-related risks for each sector
	● Progress with transition in Japan and elsewhere in Asia	● Promotion of transition finance
	● Trends in disclosure regulations for sustainability-related information	● Engagement with authorities, participation in setting rules
Internal Committees: Risk Committee	● Risks related to sustainability	● Revision of Top Risks
	● Trends and examples from other companies regarding greenwashing	● Analysis of risks associated with greenwashing

Enhancing capabilities of executives and employees

Continuously enhancing expertise and fostering awareness to encourage initiatives for creating social value.

Enhancing Expertise of Executives

Sustainability Study Session for the Management

- In addition to continuous information provision through discussions at the Management Committee / Board of Directors, held a sustainability study session and invited outside lecturers

<Agenda>

International trends | Regulations | Examples of other companies

<Questions and comments from attendees>

How mush will electric power demand decline due to the decrease in population / technical innovation?

Reaffirm the importance of addressing the gap between ideals and reality

SMBC Group Global Advisory Meeting

- Held a "Social Value Creation" session at the Global Advisory Meeting, which is a consultative body for the Management Committee (Outside Directors also participated)

Don't be satisfied with the status quo

It is critical to align long-term financial targets with social and environmental impact targets

Things should be viewed as opportunities, not risks

Global Advisor
Mr. Paul Polman

Fostering awareness / support for activities

Enhancing Engagement Opportunities

Shaka-Kachi DAY

- Organizing and implementing a one-day event focusing on creating social value at various domestic and international sites

FY3/25
257 sites

Examples

- Organize local companies tour for elementary school students
- Host traditional cultural experience events for children with a long-established Japanese sweets shop in Ginza

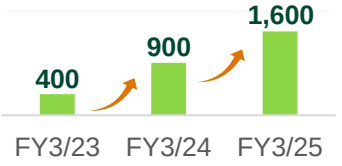
Support: tools / products to support customers' creating social value

SMBC social issues resolution promotion & support loan

- Loan products with support for linking businesses to social issues and creating action plans

FY3/25
19 companies
JPY **110** bn

Enhancing Employees' Skills

CSuO Channel	• Group CSuO's study session for employees	Total of over **3,000** participants
Employees who passed the Kinzai Sustainability Test		Achieved the goal of 1,200 **ahead of schedule** by FY3/26

Appendix

Key targets and actions for addressing climate change

Plan for Fulfilled Growth

Current Medium-term Management Plan

	2021	2022	2023	2024	2025	2030	2040	2050
Scope1,2 (Operational GHG)	2030 Net Zero commitment	Introduction of renewable energy to SMBC head office buildings	Introduction of renewable energy to company-owned properties	Introduction of renewable energy to data centers	Mid-term goals -40% (vs. FY3/22)	Net zero / 100% environmentally friendly cars (Japan)		
Scope3 (Portfolio GHG)	2050 Net Zero Target setting	Set mid-term target Power, Coal, Oil & Gas	Set mid-term target Steel, Automobile	Set mid-term target Real estate		Mid-term targets 6 sectors		Net Zero
Coal Loan balance for coal fired power generation				Tightening policies for specific businesses and sectors		Project finance 50% reduction from FY3/21	Zero Balance for Project finance and Corporate finance tied to facilities	
Coal Loan balance for thermal coal mining sector				Tightening policies for specific businesses and sectors		Zero Balance OECD countries	Zero Balance Non-OECD countries	
Sustainable finance						JPY 50 tn Cumulatively		
Transition finance (TF)			TF Playbook Power and energy	TF Playbook Steel and automobile	TF Scorebook			
Transition plan Assessment	ESG risk summary tool		Trial run for the framework to confirm the transition plan of each company	Introduction of environmental and social due diligence (Corporate)	Increase applicable targets / Monitoring transition plan assessment			

Overview of Net Zero Transition Plan

Plan for Fulfilled Growth

Components	Items	Major Contents
Foundations	Corporate policy on climate change and the approach for initiatives	• Revising the SMBC Group Statement on Sustainability and the Group Environment Policy • Achieve net zero GHG emissions for Scope 1 and 2 by 2030 • Achieve net zero GHG emissions for Scope 3 (portfolio GHG) emissions by 2050
Governance	Strengthening governance on climate change	• Supervision by the Board of Directors and internal committees, including the Sustainability Committee • Establishing the Group CSuO position to oversee and promote initiatives across all aspects of sustainability, including responses to climate change • Advance executive compensation system, management of internal control process • Strengthen capabilities of executives and employees
Implementation Strategy	Decarbonization businesses	• Expansion of decarbonization solutions: carbon credits • Co-creation of business towards decarbonization: support for installation of renewable energy • Expanding sustainable financing through further risk-taking approaches: new energy and new technologies
	Climate-related risk assessment and management	• Environmental and social due diligence • Policies for specific businesses and sectors
	Portfolio GHG emissions	• Portfolio GHG calculations and target setting • Development of targets and indicators to support decarbonization of real economy
	Operational GHG emissions	• Introduction of renewable energy electric power, switch vehicles to EVs, switch to use of renewable energy electricity sources at data center
Engagement Strategy	Engagement with customers	• Transition Finance Playbook, Transition Finance Scorebook • Dialogue related to transition plans
	Engagement with industry	• Participate in initiatives such as PCAF, IIF, Japan Hydrogen Association, etc.
	Engagement with governments and authorities	• Participate in committees held by the Government of Japan
Metrics and targets	Sustainable finance KPI	• Cumulative JPY 50 trillion by FY3/30
	Portfolio GHG emissions reduction targets by sector	• Setting targets on power, coal, oil & gas, steel, automobile, and real estate sectors
	Operational GHG emissions reduction targets (Scope 1 and 2)	• 40% and 55% decrease in FY3/26 and FY3/27 respectively from FY3/22

Policies for specific businesses and sectors

To appropriately identify and manage environmental and social risks, SMFG has established "Policies for specific businesses and sectors" and clarified sectors that require special attention when providing support.

Cross-sectoral and cross-business policies

- Support that may breach social norms such as laws and regulations
- Support that may have significant 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

Policies by businesses and sectors

- **Coal-fired power generation**
- **Biomass energy generation**
- **Hydroelectric power generation**
- **Oil and gas**
- **Mining**
- **Tobacco manufacturing**
- **Palm oil plantation development**
- **Deforestation**
- **Manufacturing of cluster bombs and other weapons of destruction**

Detail of portfolio GHG emissions reduction targets

Set medium-term targets to six sectors, steadily promoting initiatives aimed at reducing emissions.

Sector	Scope of Emissions	Metric	Mid-term target for FY3/29	FY3/24 Results	vs. baseline	Baseline (Base year)
Power	Scope1	Emission intensity (g-CO2e/kWh)	**138 – 195**	**276**	**-17%**	332 (FY3/21)
Oil and gas	Scope1-3	Absolute emissions (Mt-CO2e)	**-12 – 29%** (vs FY3/21)	**24.1**	**-41%**	40.8 (FY3/21)
Coal	Scope1-3	Absolute emissions (Mt-CO2e)	**-37 – 60%** (vs FY3/21)	**2.2**	**-84%**	13.6 (FY3/21)
Automobile	Scope1-3	Emission intensity (g-CO2e/vkm)	**120 – 161**	**197**	**-4%**	205 (FY3/22)
Steel	Scope1-2	Emission intensity (t-CO2e/t-Steel)	**1.2 – 1.8**	**2.0**	**-**	2.0 (FY3/22)
Real estate	Scope1-2*	Emission intensity (kg-CO2e/㎡)	**33.1 – 42.9**	**79.9**	**-1.4%**	81.0 (FY3/22)

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

Scope of portfolio GHG emissions reduction target

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

Sector	Businesses in scope	GHG emissions by value chain*	Value chain coverage
Power	Power generation business	Construction and operations 20% / **Power generation 75%** / Transmission and distribution 5%	75%
Oil and gas	Upstream business	**Extraction 2%** / Transportation 1% / Refining 4% / **Use 93%**	95%
Coal	Upstream business	**Mining 5%** / Transportation 2% / **Use 93%**	98%
Automobile	Automobile manufacturers	Parts 15% / **Manufacturing 5%** / **Travelling 80%**	85%
Steel	Crude steel producers	Raw materials 10% / **Manufacturing 70%** / Processing and distribution 20%	70%
Real estate	Commercial real estate	Construction 12% / **Use 75%** / Renovation/ Refurbishment 12% / Disposal 1%	75%

Scope of emissions considered in our portfolio GHG calculation

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

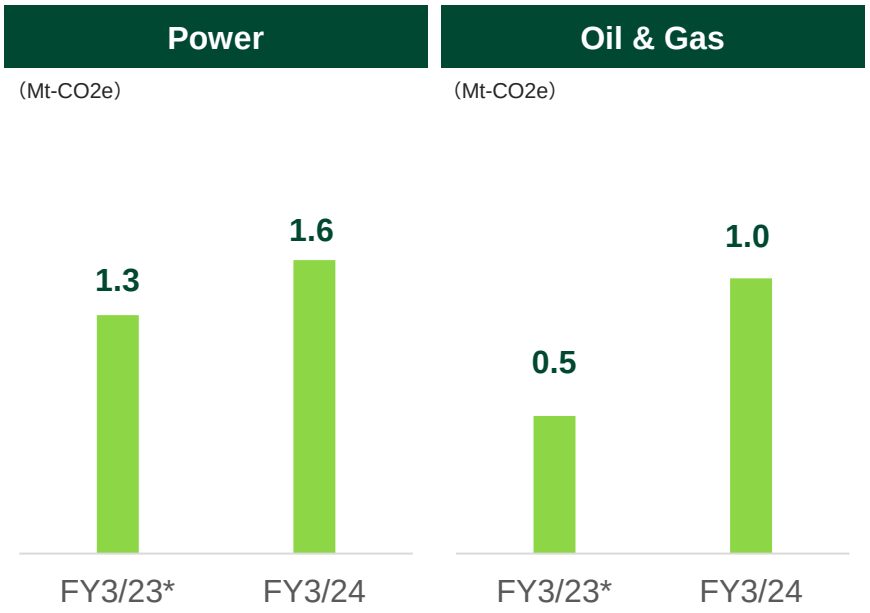
GHG emissions for securities and asset management

Plan for Fulfilled Growth

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

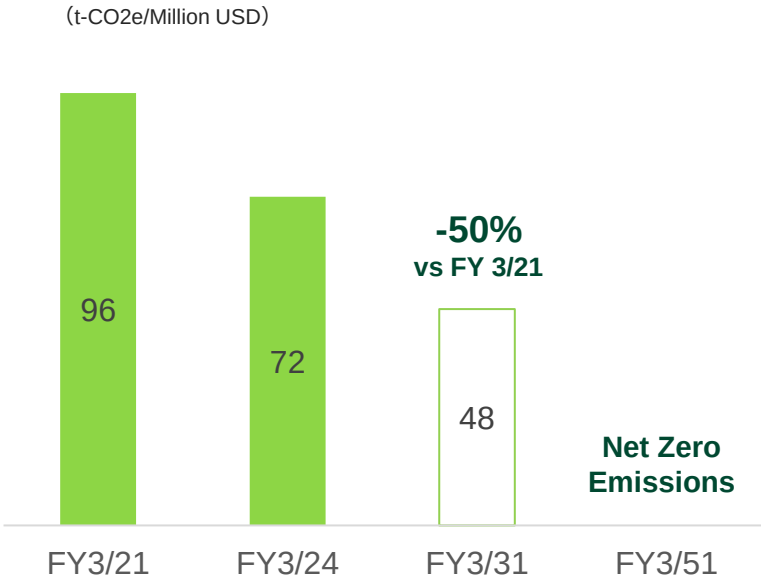
SMBC Nikko Securities: Facilitated Emissions

- Calculated 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



SMDAM: Reduction target and results

- Set portfolio GHG emissions (carbon footprint) per USD 1 million of investment market value as a KPI
- In addition to the long-term target for 2050, set a mid-term target for 2030 and disclose progress



*The figures have been revised since the release of the Sustainability Report 2024 in line with more precise calculations

Scenario analysis for climate change

Make certain assumptions regarding the disasters considered and the subject of analysis, etc., and conduct scenario analysis.

	Physical risks		Transition risks
Risk event	**Acute physical risks (Water disaster)**	**Chronic physical risks (Decreased productivity due to rising temperatures, etc.)**	**Policy changes Changes in supply-demand balance**
Scenario	IPCC *1/RCP *2 2.6 (Overseas) SSP *3 1-2.6 (Domestic) (2℃ scenario) IPCC/RCP 8.5 (Overseas) SSP 5-8.5 (Domestic) (4℃ scenario)	NGFS*4 / Current Policies (3℃ scenario)	NGFS / Net Zero 2050 (1.5℃ scenario) IEA*5 / Net Zero Emissions (1.5℃ scenario) NGFS / Current Policies (3℃ scenario)
Analysis Target	Corporate customers		Energy, power, automobiles,*6 steel
Region	Global		
Analysis Period	**Up to 2050**		
Risk indicator	**Credit costs that are expected to increase (Credit costs)**		
Analysis results*7	**Cumulative JPY 67 - 85 bn**	**Up to JPY 30 bn per year**	**JPY 2.5 - 28 bn per year**
	Domestic: JPY 45 - 58 bn		
	Americas: JPY 7.5 - 8 bn		
	Europe, Africa, Middle East: JPY 11.5 - 12 bn		
	Asia and Oceania: JPY 2.5 - 8 bn		

*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/㎡.
*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 Sumitomo Mitsui Banking Corporation and its major local subsidiaries.

(Ref.) Various solutions across SMBC Group

Main decarbonization solutions of SMBC Group

Banks SMBC SUMITOMO MITSUI BANKING CORPORATION	• Project finance • Sustainable finance, etc.	
Trust SMBC SMBC TRUST BANK	• Green ABL Trust • Sustainability related real estate	
Leasing SMFL	• Solar power PPA • EV adoption support, etc.	
Securities SMBC SMBC NIKKO	• Green bond • Transition bonds, etc.	
Card SMBC SUMITOMO MITSUI CARD	• CO2 emissions calculation based on card payment data	
Consulting Japan Research Institute	• Target/strategy setting, disclosure support • Decarbonization consulting	
Asset management Sumitomo Mitsui DS Asset Management	• Sustainability investment • Impact Investment	

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