



**GREEN
CLIMATE
FUND**

Meeting of the Board

28 June – 1 July 2021

Virtual meeting

Provisional agenda item 13

GCF/B.29/07/Add.03

14 June 2021

Consideration of accreditation proposals – Addendum III

Summary

This document contains the climate policy for APL100 Sumitomo Mitsui Banking Corporation (SMBC), released in 12 May 2021 and presented to the Board for information.

【NEWS RELEASE】

May 12, 2021

Sumitomo Mitsui Financial Group

Reinforcing Efforts against Climate Change

TOKYO, May 12 2021 ---Sumitomo Mitsui Financial Group, Inc. (President and Group CEO: Jun Ohta, hereinafter, the corporate group will collectively be referred to as “SMBC Group”) will reinforce its efforts against climate change. As such, SMBC Group will clarify the group's position concerning climate change and establish a detailed action plan. Furthermore, SMBC Group will revise its policy regarding coal-fired power generation.

Based on our Statement on Sustainability, SMBC Group will actively contribute to the achievement of sustainability by engaging in dialogue with customers and other stakeholders and acting together with them.

1 . Current Understanding of Climate Change Issues and SMBC Group’s Position (“Current Understanding and Position”)

Since the adoption of the Paris Agreement, the imperative to address climate change concerns continues to grow. In October 2020, the Japanese Government announced a net-zero emissions goal for 2050, committing to achieving a transition toward a decarbonized society. Given these circumstances, we endorse the Government’s policy, and strive to achieve greenhouse gas (“GHG” ⁽¹⁾) emissions reductions in line with the goals of the Paris Agreement. Moreover, We will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.

2. Action Plan addressing Climate Change**(1) Expanding climate change-related initiatives under SMBC Group GREEN×GLOBE 2030**

It is crucial to take actions against climate change to realize a sustainable society. In April 2020, SMBC Group has published its climate change-related initiatives in its long-term sustainability plan “SMBC Group GREEN×GLOBE 2030 (“GG2030”)”. Now, SMBC Group will expand its climate change-related initiatives based on our Current Understanding and Position. Climate change will be recognized as a “Major Challenge” that spans the key pillars⁽²⁾ of GG2030, and the Roadmap Addressing Climate Change and the Action Plan below will be added as an initiative regarding the said matter.

⁽¹⁾ In our past disclosures, the term “CO2” has been used to collectively describe greenhouse gases, but the term “greenhouse gases (“GHG”)” will be used going forward. SMBC Group follows the Framework for the Calculation, Reporting, and Publication of Greenhouse Gas Emissions and targets GHG, including CO2, in its calculations when preparing environmental impact data. As such, the term “greenhouse gases (GHG)” will be used going forward so that consistency is maintained with publicized data.

⁽²⁾ 1. Sustainability initiatives that are directed towards our customers/society
2. Internal initiatives that contribute to sustainability management
3. Enhance engagement with investors

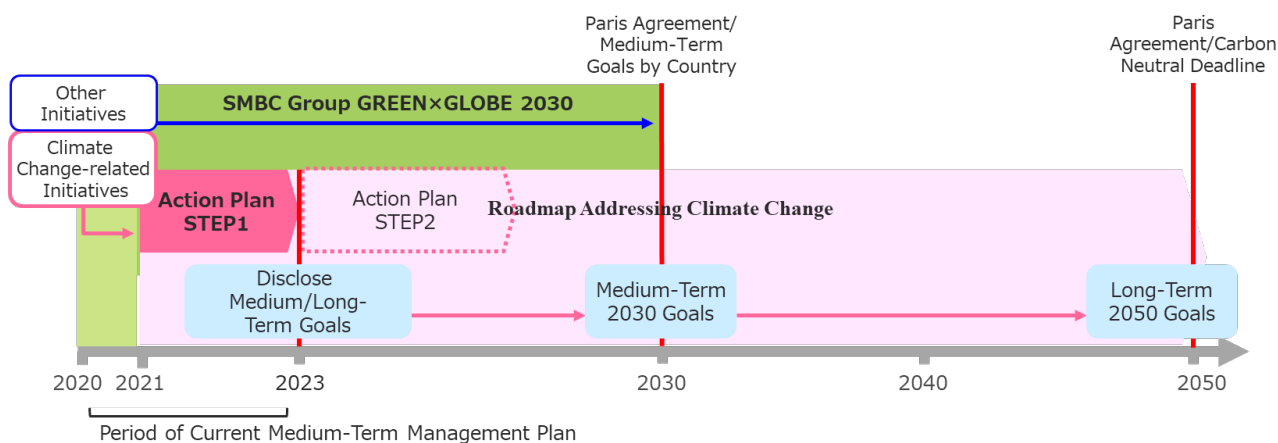
(2) Establishing the Roadmap Addressing Climate Change and the Action Plan

In order to effectively pursue efforts to reduce GHG emissions, SMBC Group will establish and publicly announce a detailed action plan that can gain the endorsement of its stakeholders as a financial institution.

As such, SMBC Group has named its long-term action plan to contribute to a carbon neutral society by 2050 as the Roadmap Addressing Climate Change, while also establishing detailed short-term and medium-term initiatives (the “Action Plan”). Initiatives that are to be executed during the current Medium-Term Management Plan as the first stage of the Action Plan will be collectively referred to as the Action Plan STEP1.

Furthermore, in order to consistently execute the Action Plan STEP1, a cross-functional working group will be established for each initiative, and SMBC Group will pursue the resolution of climate change on a group basis.

Figure 1: Position of the Roadmap Addressing Climate Change and the Action Plan



(3) The Action Plan STEP1

The time period of the Action Plan STEP1 shall equal that of the current Medium-Term Management Plan, and 5 key initiatives will be executed during the said timeframe.

① Establish medium-to long-term targets for GHG emissions of SMBC Group’s loan/investment portfolio
 〈Item in TCFD Recommendations : “Strategy” 〉

In order to carry out long-term efforts up to 2050 aimed at addressing climate change, it is critical that SMBC Group obtains a clear understanding of the GHG emissions generated by its loan/investment portfolio (Scope3⁽³⁾ of the Greenhouse Gas Protocol) and sets medium-to long-term targets regarding those emissions.

⁽³⁾ A framework regarding the measuring and reporting of GHG emissions established by the Greenhouse Gas Protocol, a global organization that counts research institutions, governmental bodies, corporations, NGOs, etc. amongst its members. GHG emissions resulting from corporate activities are grouped in the following three categories. Scope1 : Direct GHG emissions that occur from sources that are controlled or owned by an organization Scope2 : Indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling Scope3 : emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain (emissions from corporates that received loans/investments if a financial institution)

SMBC Group will engage with customers so that it can work with those customers to contribute to a carbon neutral society by obtaining a clear understanding of the GHG emissions generated by its loan/investment portfolio and setting medium-to long-term targets regarding those emissions. SMBC Group will first focus on business sectors with high GHG emissions (oil/gas, power), then move on to other business sectors.

② Accelerate initiatives aimed at reducing the GHG emissions of the entire SMBC Group

〈Item in TCFD Recommendations : “Strategy”〉

SMBC Group declared in GG2030 that Sumitomo Mitsui Banking Corporation (“SMBC”) would reduce its CO2 emissions by 30% from FY2018 to FY2029. However, SMBC Group will accelerate this initiative based on our Current Understanding and Position.

New target: SMBC Group will become net zero⁽⁴⁾ in its groupwide operations⁽⁵⁾ by 2030

③ Enhance businesses addressing climate change and decarbonization

〈Item in TCFD Recommendations : “Strategy”〉

Customers are also carrying out initiatives to reduce their impact on the environment in order to realize a carbon neutral society by 2050 and decarbonize their business models. Financial institutions are facing heightened expectations to support customers’ efforts to reduce their carbon footprint.

- While SMBC Group has already set a target of executing green finance equivalent to JPY 10 trillion between FY2020 to FY2029 in GG2030, the subject deals will be redefined, and the target will be revised upward.

New target: Execute green finance and finance that contribute to realizing sustainability⁽⁶⁾ equivalent to JPY 30 trillion between FY2020 to FY2029 (of which JPY 20 trillion is green finance).

Furthermore, subject transactions and target amounts will be reviewed/revised in a flexible manner based on the acceleration of measures aimed at addressing global environmental/social issues and their financing needs.

- SMBC Group has already established a specialized department (“Sustainable Business Promotion Department”) to support clients address sustainability-related issues, including climate change, while strengthening its global solutions. In addition, SMBC Group is focusing on the development of sustainability-related products, such as Green Deposits⁽⁷⁾ launched in April 2021. Going forward, the

⁽⁴⁾ The basic concept is to directly reduce GHG emissions by switching electricity to renewable sources making use of non-fossil fuel energy certificates, etc. For unavoidable emissions, carbon offsets such as purchasing credits will be considered to achieve net zero.

⁽⁵⁾ Scope1 and Scope2

⁽⁶⁾ “Finance that contributes to sustainability” includes financing for the purposes of supporting corporates transition to environmentally conscious businesses models and their social programs.

⁽⁷⁾ A deposit in which funds are allocated to the financing of environment-related projects, especially those in the renewable energy sector.

Sustainable Business Promotion Department will act as the hub for the sustainability-related efforts of overseas and domestic SMBC Group companies, thus further enhancing SMBC Group's ability to provide solutions on both a global and group basis that address customers' business issues which have arisen from climate change.

④ Enhance governance/business management framework concerning climate change

〈Item in TCFD Recommendations : “Governance”〉

In order to implement long-term initiatives aimed to address climate change, it is necessary to not only plan but do, check, act and repeat this cycle. At SMBC Group, regular reports regarding its sustainability-related efforts are submitted to the SMBC Group Management Committee, Corporate Sustainability Committee, Board of Directors, and Risk Management Committee so that those initiatives receive sufficient supervision and are reflected in SMBC Group's business strategies.

Preceding the current strengthening of climate change related initiatives, the CSuO (Chief Sustainability Officer) position was newly established in April 2021 as part of the group CxO framework to oversee and promote all SMBC Group sustainability-related initiatives, including climate change. Furthermore, in order to enhance the Board of Directors' oversight of climate change and other sustainability-related issues, the foundation of the Sustainability Committee as an internal committee of the Board of Directors is planned. Going forward, SMBC Group will enhance its governance capabilities by engaging in ongoing efforts to address climate change and other sustainability-related issues while the Group CSuO and Group CRO (Chief Risk Officer) will submit regular reports regarding those matters to the Board of Directors/internal committee.

⑤ Enhance risk management framework

〈Item in TCFD Recommendations : “Risk Management”〉

In order to realize a sustainable society, SMBC Group and its customers must possess an appropriate understanding of where risks associated with climate change exist and the probability that those risks will result in incidents. SMBC Group has identified climate change risk as one of its Top Risks⁽⁸⁾. In light of the above, SMBC Group has conducted scenario analyses of transition and physical risks while also introducing policies on businesses and sectors that are likely to have a significant impact on climate change.

SMBC Group will continue to enhance the policies, expand the scope of its scenario analysis, and monitor other measures to strengthen its risk management framework. At the same time, SMBC Group will reduce risks by supporting customers attempting to transition toward a decarbonized society.

Figure 2 shows these five initiatives shown along the items in TCFD recommendations. We will update the progress of these initiatives through TCFD reports.

⁽⁸⁾ SMBC Group identifies risks that threaten to significantly impact management as Top Risks.

Figure 2: Major Topics of the Action Plan STEP1C in accordance with the items in TCFD Recommendations)

Governance		<ul style="list-style-type: none"> - Regular reporting to the Board of Director/internal committee by the Group CSuO and Group CRO - Consider establishing a sustainability committee as an internal committee of the Board of Directors
Strategy	Business	<ul style="list-style-type: none"> - Expand menu of groupwide solutions aimed at addressing climate change-related business issues - Provide financing that contribute to resolving sustainability related issues including climate change
	Internal Activities	<ul style="list-style-type: none"> - Secure renewable energy sources to realize net zero GHG emissions - Commence measurements regarding portfolio GHG emissions for oil/gas and power sectors (Scope3)
Risk Management		<ul style="list-style-type: none"> - Enhance scenario analysis (add analysis applying the 1.5°C scenario, add sectors subject to analysis) - Review/Revise policies on businesses and sectors - Enhance monitoring framework regarding brown and green assets - Understanding and management of climate related risks
Metrics and Targets		<ul style="list-style-type: none"> - Execute green finance and finance that contributes to sustainability equivalent to JPY 30 trillion between FY2020 to FY2029 (Updated) - Become net zero in its groupwide operations by 2030 (Updated) - Zero balance for loans extended to coal-fired power plants by FY2040 (Unchanged)

3. Revision of Policy Regarding Coal-Fired Power Generation

Based on our Current Understanding and Position, SMBC Group will revise its policy regarding coal-fired power plants. This policy will be introduced in SMBC Group companies (SMBC, SMBC Trust Bank Ltd, SMBC Finance and Leasing Ltd, SMBC Nikko Securities Inc). While this policy becomes effective on June 1st, 2021, SMBC Group will conduct its reassessment proactively in consideration of the external environment.

<Policy>

Support for newly planned coal-fired power plants and the expansion of existing plants are not provided.

<Understanding of the Business/Sector>

SMBC Group expects our customers to establish and publicly announce long-term strategies aimed at realizing a carbon neutral business model and other initiatives to address climate change. Moreover, SMBC Group will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.