

# Impact Report 2024

- Social Value Creation of SMBC Group -  
2024.8





# CEO Message

## Staying ahead of change in “measures” for assessing corporate value

SMBC Group, a corporate group with routes in Mitsui and Sumitomo, has cherished the spirit of “Sanpo-Yoshi (three-way satisfaction),” wishing for the happiness of customers and society and conducting business with the aim of developing alongside our customers and society. Based on this spirit, handed down over the years, our Medium-Term Management Plan launched in April 2023 places “Create Social Value” as one of the pillars of management. We have identified five new priority issues (materiality): Environment, DE&I/Human Rights, Poverty & Inequality, Declining Birthrate & Aging Population, and Japan’s Regrowth. SMBC Group is united in addressing these social issues.

As the creation of social value becomes increasingly important, the “measures” by which corporate value is assessed are naturally evolving. In the future, in addition to financial results, the positive and negative influence that corporate activities make to society and environment, in other words, “impact,” will be included as a new measure. SMBC Group is staying ahead of this shift in “measures,” and, by leveraging impact, we will expand our efforts in creating social value.

For example, in recent years, products and services utilizing impact assessments have begun to expand globally. In the medium to long term period, measuring and disclosing impacts will become even more crucial in corporate evaluations. SMBC Group will not only assess on a financial basis but also appropriately evaluate the impacts generated by our customers. As a provider of financial services, often referred to as the “lifeblood of the economy,” we will create a significant flow of capital towards solving social issues.

Furthermore, SMBC Group recognizes that our commitment to creating social value contributes to long term corporate value enhancement, not only through bottom-line growth but also by influencing expected growth rates and reducing capital costs, etc. By striving to expand and sophisticate our disclosures based on impact and goals, we will quantitatively and objectively demonstrate to our stakeholders the progress and results of our efforts towards creating social value, in addition to traditional financial outcomes and output-based metrics.

# CEO Message

## Widening the circle of social value creation

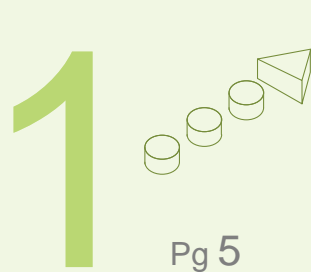
Moreover, demonstrating progress and results through impact not only enhances our initiatives but also boosts our employees' motivation towards creating social value. With over 120,000 employees engaged in various operations across Japan and 38 other countries and regions, the source of the social value we create lies in the abundant passion of our diverse workforce, driven by their strong desire to contribute to society and serve our customers. We hope that as each employee experiences the tangible results of their efforts, our initiatives towards creating social value will expand even further.

With this thought, we have published our first "Impact Report," detailing our initiatives related to impact. Moving forward, we will continue to engage in creating social value and will demonstrate the results as impacts, aiming for a world where customers resonate with our initiatives and the circle of social value creation widens. SMBC Group will lead in the area of social value creation and impact, forging a significant movement towards solving social issues and contributing to the era of "Fulfilled Growth."



Sumitomo Mitsui Financial Group  
Director President and Group CEO  
Toru Nakashima

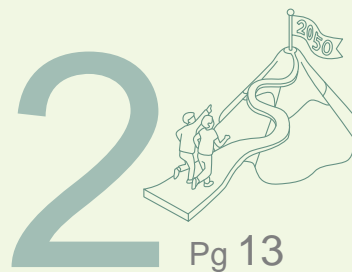
A handwritten signature in dark ink, appearing to read 'Toru Nakashima'.



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## Impacts in SMBC Group

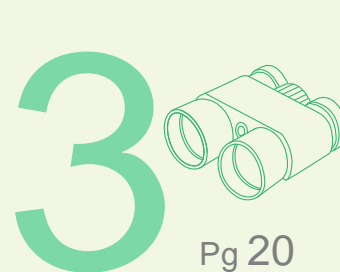
- Era of "Fulfilled Growth"
- SMBC Group's Priority Issues (Materiality)
- Circle of Initiatives for Social Value Creation
- Three Aspects of "Impact" in SMBC Group
- Ref. Growing Social Awareness of Impact



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## Efforts for Social Value Creation

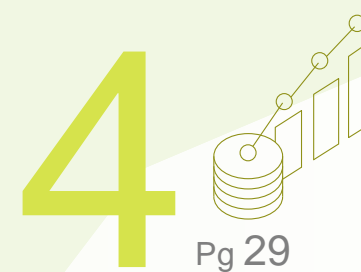
- Highlights
- Efforts for Social Value Creation
  - Environment
  - DE&I/Human Rights
  - Poverty & Inequality
  - Declining Birthrate & Aging Population
  - Japan's Regrowth



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- Cases of Impact Visualization
  - Support for Customers' Transition
  - Pro Bono Work Project
  - Financial Inclusion
  - Financial and Economic Education
  - Impact Investments



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## Expansion of Impact-driven Solutions with Utilization of Impact

- Utilization of Impact Assessment in Business
- Ref. Participation in Impact Initiatives

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**Impact Report 2024**  
- Social Value Creation of SMBC Group -

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# Executive Summary

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.




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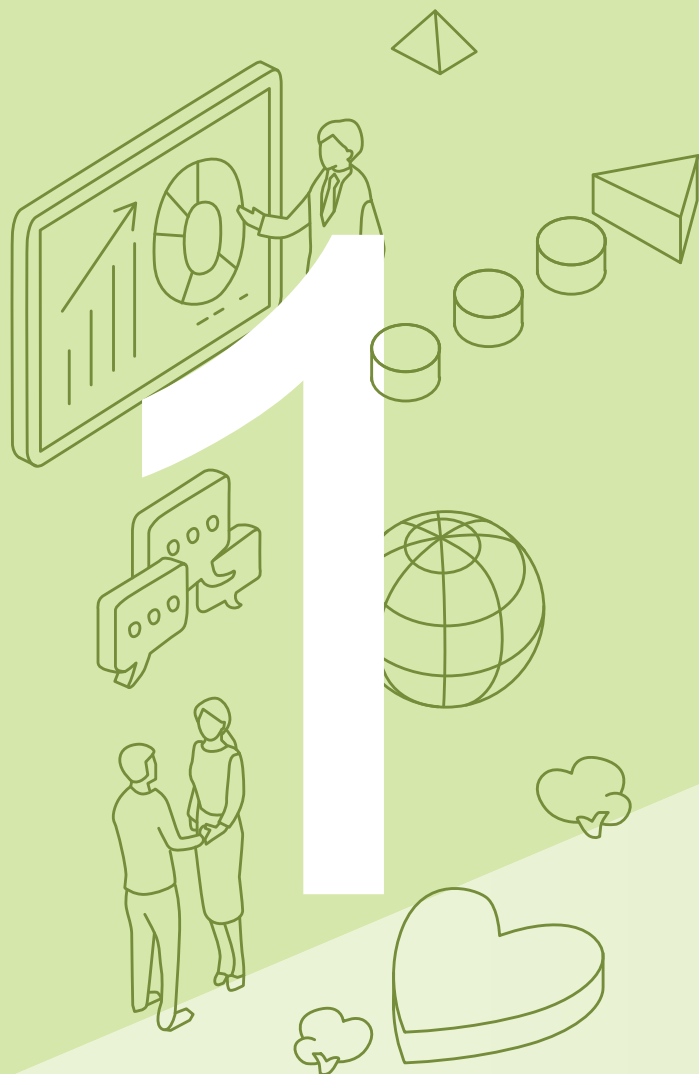
Expansion of SMBC Group's Circle of Initiatives for Social Value Creation

- 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
<b>1 Efforts for Social Value Creation</b> Pg.13~  - 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
<b>2 Visualization of Created Social Value</b> Pg.20~  - 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
<b>3 Expansion of Financial Solutions</b> Pg.29~  - Utilizing impact as "metrics" to assess customers' social value creation within the financial solutions provided by SMBC Group.	<ul style="list-style-type: none"> <li>• Positive Impact Finance</li> <li>• Impact IPO Support</li> <li>• Social Impact Bond</li> <li>• Impact Investments</li> </ul>				



## Impacts in SMBC Group

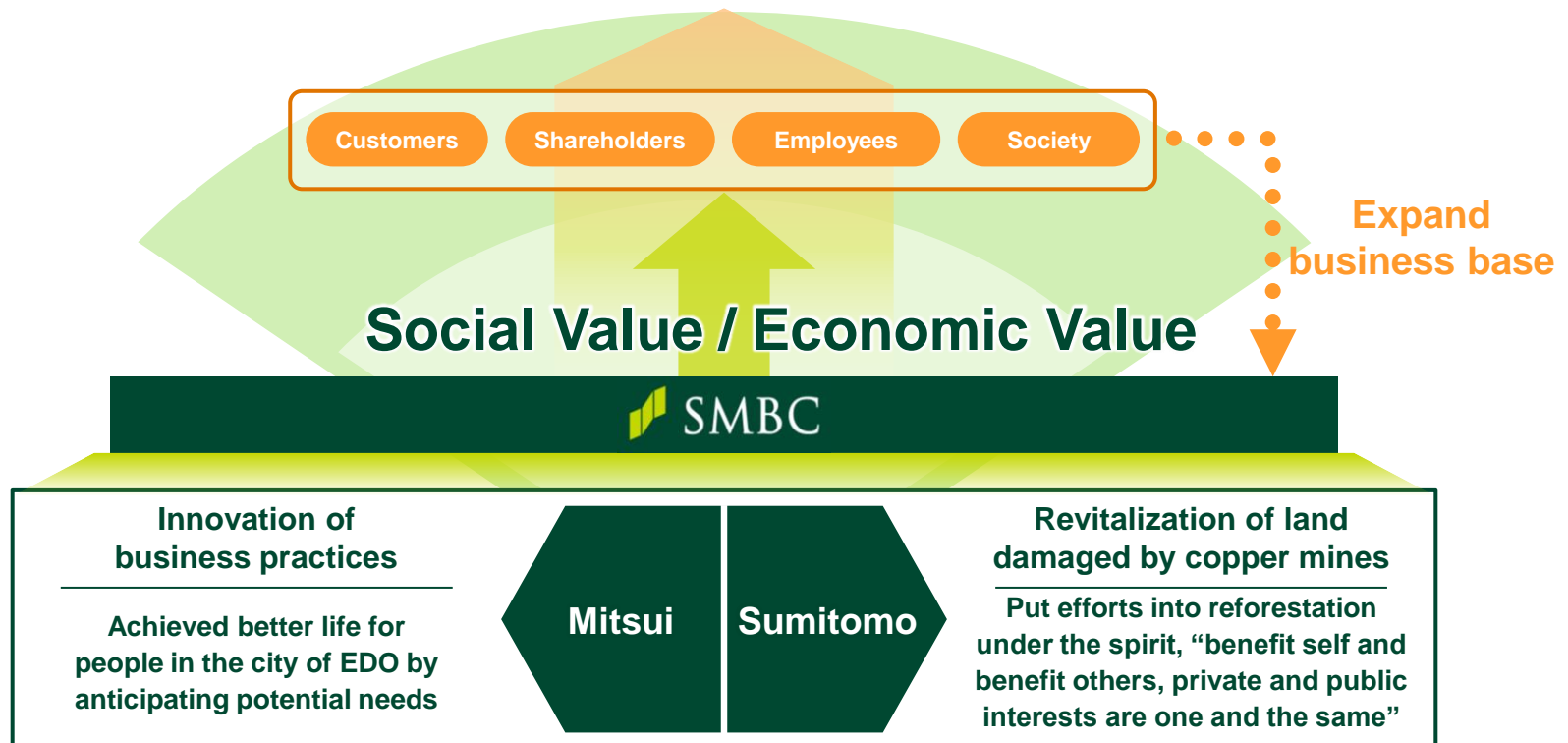
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# Era of “Fulfilled Growth”

SMBC Group has positioned "Social Value Creation" as one of the pillars of management in its Medium-Term Management Plan, which began in April 2023 and is striving for an era of "Fulfilled Growth" as the envisioned societal goal. We are committed to pursuing economic value and creating social value. We are also committed to returning value to stakeholders while expanding our business base to generate a virtuous cycle of further value creation, contributing to the realization of an era of "Fulfilled Growth."

## Era of "Fulfilled Growth"

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





# SMBC Group's Priority Issues (Materiality)

In working to create social value, SMBC Group has set five priority issues (materiality) and ten goals as urgent matters SMBC Group should address. We have established KPIs for each issue and is making steady progress.

		Output KPI	FY23 Results
Environment	Support transition to achieve a decarbonized society	Sustainable Finance <b>JPY 50 tn</b> (FY3/21-30)	<b>JPY 24 tn</b> (FY3/21-24)
	Contribute to the conservation and restoration of natural capital		
DE&I / Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement Score Maintain at least <b>70</b>	<b>72</b>
	Respect for human rights throughout the supply chain		
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	# of microfinance borrowers <b>+ 800 k</b> (FY3/26 /vs. FY3/23)	<b>+ 153 k</b>
	Contribute to financial inclusion in developing countries		
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM / foreign currency balance <b>JPY 18 tn</b> (as of the end of FY3/26)	<b>JPY 17 tn</b>
	Build user-friendly infrastructure to support a society with a declining population		
Japan's Regrowth	Support customer's business model transformation	Investment and loans for startups <b>JPY 135 bn</b> (FY3/24-26)	<b>JPY 79.2 bn</b>
	Create innovation and foster new industries		

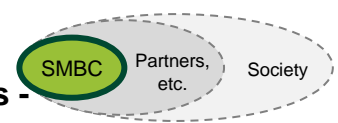


# Circle of Initiatives for Social Value Creation

As the creation of social value, in other words, “impact,” becomes increasingly important, “impact” is being used to create new “metrics” for evaluating companies. By staying ahead of this change and demonstrating the results of our initiatives for social value creation, using “impact,” we aim to lead in this area and to realize an era of "Fulfilled Growth" across the whole society, by expanding the circle of initiatives for social value creation.

	Growing Importance of Social Value Creation	Change in “Metrics”	Realization of Impact-Driven Society
Society	<ul style="list-style-type: none"> <li>Expanding expectations for addressing social issues.</li> <li>Growing demands for new “metrics” of evaluation for companies.</li> </ul>	<ul style="list-style-type: none"> <li>Impact becomes new “metrics”</li> <li>Through the visualization of outcomes, widen empathy for social value creation.</li> </ul>	<ul style="list-style-type: none"> <li>Impact is widely recognized as “metrics.”</li> <li>Expanding efforts for social value creation across society.</li> </ul>
SMBC Group	<ul style="list-style-type: none"> <li>Incorporate social value creation as a pillar of management.</li> <li>Initiate impact-based information disclosure.                             <ul style="list-style-type: none"> <li>✓ Employees: Enhance engagement in initiatives.</li> <li>✓ Investors: Understand initiatives of companies quantitatively .</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Support customers' social value creation by leveraging impact in addition to our own initiatives.</li> <li>Foster a trend for social value creation throughout society with impact-based information disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate our efforts for social value creation and promote initiatives in society.</li> </ul>





# Circle of Initiatives for Social Value Creation- Support for Employees -

To expand the circle of social value creation, it is essential that each of SMBC Group's ca.120,000 employees takes proactive action. SMBC Group supports such action through various activities and opportunities.

## Support for Employees Actions

- Established a package of measures to bolster the employee's voluntary actions.

**SMBC Social Issues Resolution Promotion & Support Loan:**  
Supporting customer efforts aimed at solving social issues.

**Expense budget (JPY 10bn) and Investment fund (JPY 40bn):**  
Supporting co-creation of business and product development, etc. with customers.

## Discussion Papers on Social Issues

- ✓ Early-stage tools developed for dialogues with customers to support their efforts in solving social issues.
- ✓ Through discussions on the vision of the desired society and concrete strategies, we aim to support customer initiatives and create co-creation business opportunities.

### Overview of Discussion Paper

- Awareness of Social Issues
- Illustration and details of 50 major social issues, etc.



## Social Value Creation Meeting

- ✓ Group CEO-led meetings for swift decision-making on implementing employees' ideas aimed at creating social value.



## Enhancing Employees' Skills

### Sustainability University

- ✓ Systematized and expanded sustainability training programs (e.g., study sessions, online learning service, sustainability certification).

### CSuO Channel / Social Value Creation Caravan

#### CSuO Channel

- Group CSuO's study session for employees

Over **2,000** participants in total



#### Social Value Creation Caravan

- Roundtable discussion with employees

Held at **196** sites in Japan and overseas



## Employee Engagement Opportunities

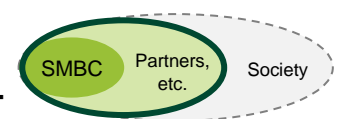
### Shaka-Kachi DAY

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



### Shaka-Kachi AWARD

- ✓ Establishing an employee-inclusive award system for initiatives for social value creation, hosted by the Group CEO.

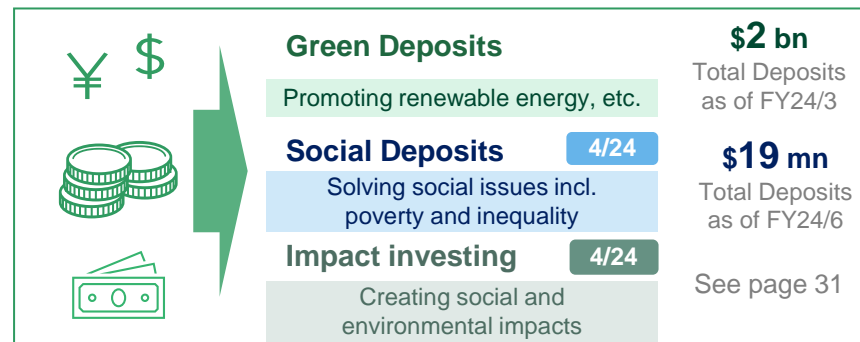
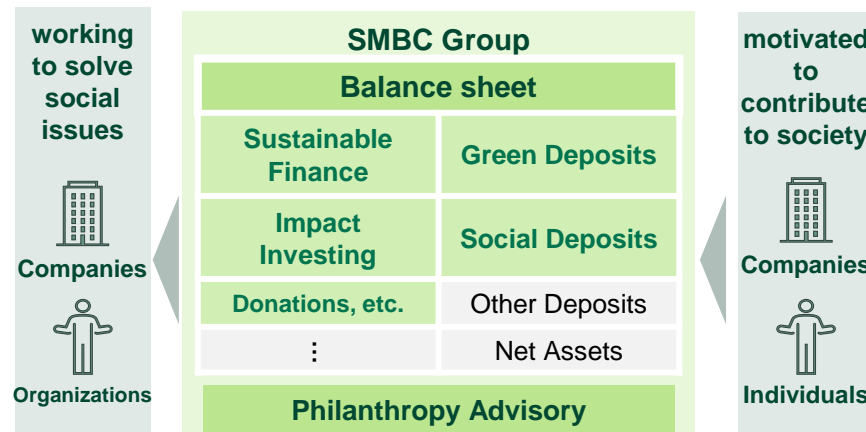


# Circle of Initiatives for Social Value Creation- Collaboration with Partners -

To expand the circle for social value creation, it is crucial to collaborate with customers and society to address social issues. We will advance initiatives in partnership with various partners, leveraging our functions as a financial institution.

## Allocating Funds to Solving Social Issues

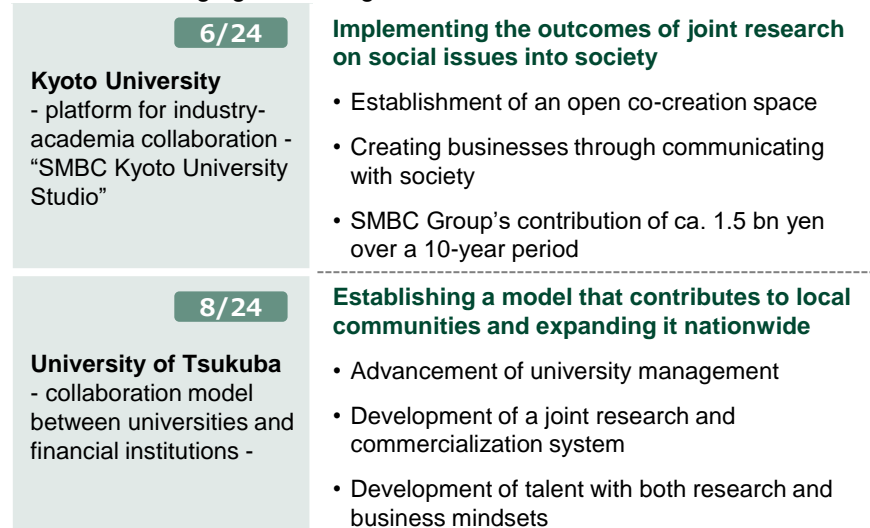
- We are building a financial framework that connects customers who want to contribute to solving social issues with those who are actively working on these challenges, ensuring that funds are directed towards the resolution of social issues.



## Platforms Created with Partners

### Industry-Academia Collaboration

- We are working with universities to create movements to create social value, leveraging “knowledge.”



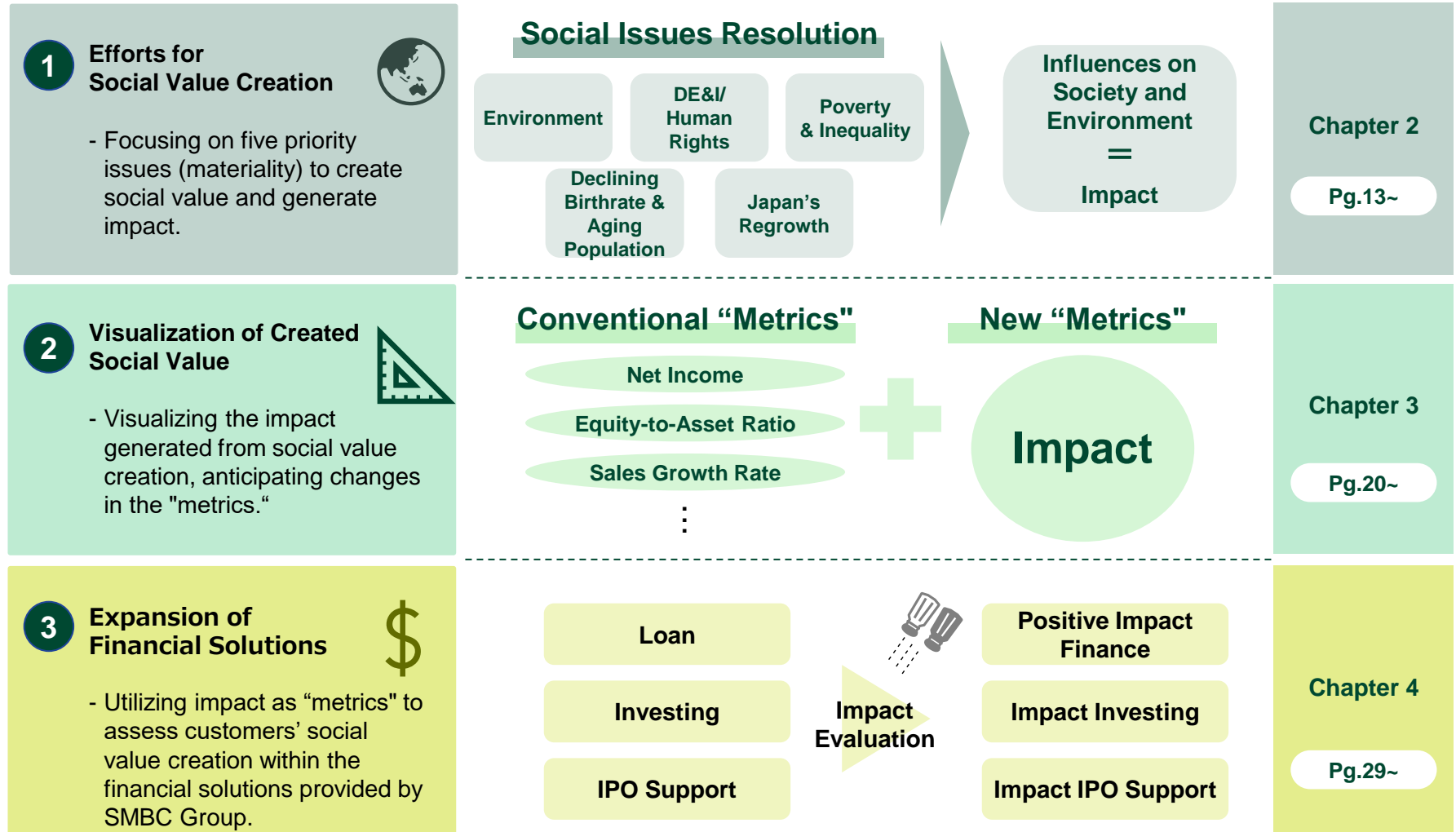
### GREEN × GLOBE Partners (GGP)

- We operate a community to solve environmental and social issues.



# Three Aspects of "Impact" in SMBC Group

SMBC Group views "impact" from three aspects. This report shows examples of "impact" and SMBC Group's approaches for each aspect in the following chapters.



# Ref. Growing Social Awareness of Impact

With the expansion and intensification of global social issues, private companies are increasingly called upon to actively engage in solving these challenges. There is also a growing social interest in creating and visualizing impact.

## Expansion and Intensification of Social Issues

- Global economic activities have led to distortions, manifesting as severe social issues.
- In Japan, changes in population structure have brought what is referred to as the "lost 30 years" of prolonged sluggish growth, intensifying such social issues.

### SMBC Group's Priority Issues (Materiality)

Environment

DE&I  
/ Human  
Rights

Poverty &  
Inequality

Declining  
Birthrate &  
Aging  
Population

Japan's  
Regrowth

## The Roles of Corporations in Achieving Sustainable Society

- To achieve the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, there are high expectations for corporations' creativity and innovation to solve challenges.
- Additionally, there is a growing recognition of the need to incorporate sustainability considerations when lending and investing to aim for sustainable development (United Nations Principles for Responsible Investment - PRI).

## Social Interest in Impact Creation and Visualization

### Policy Trends

- ✓ "Grand Design and Action Plan for a New Form of Capitalism 2022" states the necessity of including "problem solving" for evaluating corporations (approved by the Cabinet of Japan in 6/22).
- ✓ The "Basic Policy on Economic and Fiscal Management and Reform 2024" includes support for the expansion of impact investing and lending (approved by the Cabinet of Japan in 6/24).
- ✓ The Financial Services Agency (2024) published the "Basic Guidelines on Impact Investing (Impact Finance)," which clarifies the fundamental elements for composing investment cases, fundraising, and collaboration among impact investment market participants.

### Launch of Initiatives

Impact Consortium	A platform for collaboration and dialogue aimed at supporting initiatives to realize impact and establishing impact investing and lending, etc..
Global Impact Investing Network	A global organization responsible for sharing knowledge on impact investing and building a network of impact investors.
GSG Impact	A global organization promoting impact investing and the impact economy, with participation from over 50 countries and regions.

### Expansion of the Impact Investment Market \*

Japanese Impact Investment  
Balance (the end of 6/23)

JPY **11,541** bn  
(197% of last year)

Global Impact Investment  
Balance (2022, estimations)

Approx. USD **1.2** tn

\* Domestic Advisory Committee of GSG (name at the time) "Current Status and Challenges of Impact Investing in Japan - Fiscal Year 2023 Survey"  
GIIN "Current Status and Issues of Impact Investment in Japan FY 2022 Survey"



# Efforts for Social Value Creation

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  - DE&I / Human Rights
  - Poverty & Inequality
  - Declining Birthrate & Aging Population
  - Japan's Regrowth

# Highlights

## Efforts for Social Value Creation in SMBC Group

### Environment

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Efforts Toward  
Achieving Net Zero

Support for  
Customer's Transition

Conservation and  
Restoration of Natural  
Capital

Contribute to Circular  
Economy

### DE&I / Human Rights

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Human Capital  
Management in SMBC  
Group

Support Customers in  
Human Capital  
Management

Initiatives in  
Respecting Human  
Rights

Assist Customers in  
Respecting Human  
Rights

### Poverty & Inequality

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Provide Education and  
Opportunities to Break  
Negative Cycles

Engage in "Poverty  
and Inequality  
Eradication Projects"

Financial Inclusion  
through Microfinance,  
etc.

Accelerate Social  
Independence Support  
in Emerging Asian  
Countries

### Declining Birthrate & Aging Population

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Asset Formation  
Support Tailored to  
Customer Needs

Address the Diverse  
Needs of the Elderly

Efficient Infrastructure  
Provision Using Digital  
Technology

Contribute to the  
Enhancement of  
Financial Literacy

### Japan's Regrowth

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Support Customers'  
Business Model  
Transformation

Create Innovation and  
Foster New Industries

Enhance Efficiency  
through Financial Digital  
Services

Revitalize Regional  
Economies



# Environment

**SMBC Group supports our customers' transition towards a decarbonizing the real economy, assists customers' efforts to achieve nature-positive outcomes, and provides initiatives and solutions related to the Circular Economy, which aims to reduce resource consumption and promote a sustainable cycle.**

## Support for Customers' Transition

- We leverage our group's strengths to support our customers' efforts in technological innovation and transition toward decarbonization of the real economy.

### Risk-Taking in New Energy and New Technology

#### "Green Hydrogen"

Financial Advisor for Green Hydrogen Production Projects

#### Hydrogen-based Steelmaking


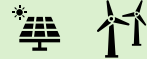

Project finance for the construction of large-scale hydrogen reduction steelmaking plants

### Transition Finance

- We support our customers' steady transition using the Transition Finance Playbook\*<sup>1</sup>.  
(For the impact of transition finance, see page 23.)



### Financing for Energy Transition

India	Australia	Taiwan
2,000MW Solar, etc. 	Wind · Solar 	1,000MW Offshore Wind 

**Impact**

**Decarbonization of the real economy**

## Efforts for Conservation and Restoration of Natural Capital

- In order to promote nature - positive initiatives by customers, we provide solutions such as financing products that encouraging natural capital management.

### FANPS (Finance Alliance for Nature Positive Solutions)

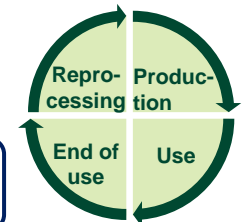
- ✓ Together with MS&AD Insurance Group Holdings, the Development Bank of Japan, and The Norinchukin Bank, we have established the alliance "FANPS" to promote and support the transition of companies towards Nature Positive.
- ✓ We provide tools for a quick assessment of alignment with TNFD\*<sup>2</sup> and publish a catalog of solutions that contribute to Nature Positive.

**Impact**

**Realization of Nature Positive**

## Contribution to Circular Economy

- We offer initiatives and solutions related to the Circular Economy, which aims to reduce the consumption of natural capital while realizing a resource recycling cycle, on a group-wide basis.



**Impact**

**Realization of Circular Economy**

\* 1 This report shows the definition of SMBC Group's transition finance and the judgment criteria and flow related to eligibility (see page 23 for details).

\* 2 The Taskforce on Nature-related Financial Disclosures

# DE&I / Human Rights

Under our Talent policy, SMBC Group aims to maximize talent potential, ensuring that our diverse and professional employees continue to take on challenges and feel a sense of fulfillment in their workplace and teams. As a "hub" connected to various regions and industries, we are committed to respecting human rights not only within our own company but also throughout our entire supply chain.

## Human Capital Management in SMBC Group

- Under the "Talent Policy," which clarifies "what we expect from employees" and "the value we provide to employees", SMBC Group is expanding its investment in human capital and advancing initiatives aimed at maximizing talent potential.

Creating a human resources portfolio that supports our strategies

Supporting employee growth and wellbeing

Maximizing team performance

**Impact**

Further value creation through maximization of talent potential

## Human Capital Management Support for Customers

- Utilizing the comprehensive strengths of SMBC Group, we support our customers in resolving HR and management challenges.

### HR Navi

- ✓ A tool for a simple assessment of the state of human capital management.
- ✓ Supporting to resolve issues with services provided by SMBC Group based on diagnostic results.

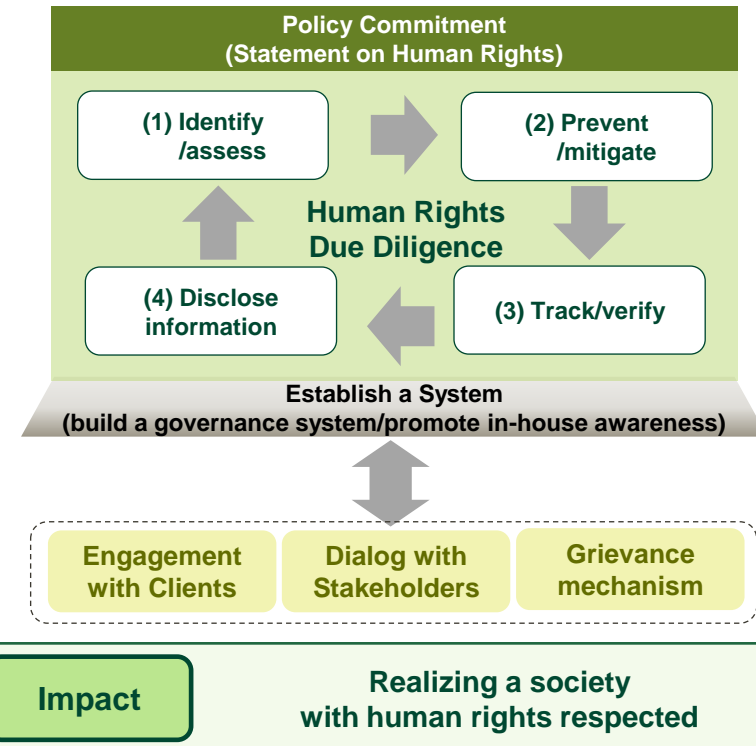


**Impact**

Maximizing customers' human capital and enhancing their corporate value

## Initiatives for Respecting Human Rights

- SMBC Group identifies various potential negative impacts on the human rights of stakeholders such as our own employees, customers, and suppliers, and strives to prevent, mitigate, and remedy these impacts.



**Impact**

Realizing a society with human rights respected

# Poverty & Inequality

**Not only absolute poverty in emerging countries but also relative poverty in developed countries like Japan, have become a social issue. To break the negative cycle of poverty, we are providing opportunities for education and trying out in Japan and promoting financial inclusion in emerging countries.**

## Giving Opportunities for Educational and Trying Out (Japan)

- The educational disparity among children due to their parents' economic status can affect future employment opportunities, leading to a cycle where the children also fall into poverty.
- SMBC Group collaborates with NPOs and corporations to provide children with opportunities for education and trying out, aiming to break such a cycle and create safe and enjoyable places for children.
- Moving forward, we will also take on the more proactive attempt of "eradicating poverty and inequality."

### SMBC Group Study Coupon Program



### Creation of Spaces and Experiences for Children

(an example of a project under consideration)



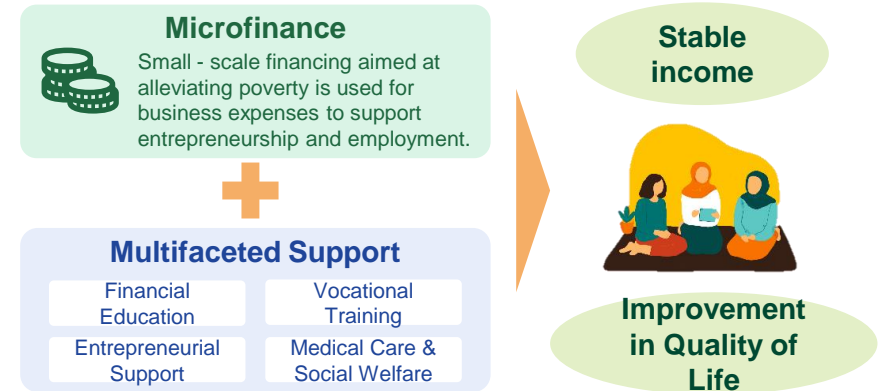
- We are working on creating spaces and experiences for children using the idle bank branches.
- ✓ Hosting children's cafeterias
- ✓ Various experience programs, etc.

**Impact**

**Addressing poverty and inequality in Japan through providing children with opportunities for education and trying out**

## Social Independence Support (Overseas)

- Achieving social independence is necessary to escape absolute poverty in emerging countries.
- Under SMBC Group, BTPN Syariah \*1 and SMICC\*2 are promoting financial inclusion by leveraging their expertise in financial services, as well as promoting social independence from non-financial perspectives.



### Collaboration with Gojo & Company, Inc.

- In November 2023, we started collaboration on financial inclusion with Gojo & Company, Inc., which provides microfinance in countries, including India, Tajikistan and Cambodia.

 Gojo & Company, Inc.

**Impact**

**Eradicating poverty and inequality in Asia through the achievement of social independence for the impoverished**

\* 1 PT Bank BTPN Syariah Tbk

\* 2 SMFG India Credit Company (Formerly Fullerton India)

# Declining Birthrate & Aging Population

Japan experiences the aging population and declining birthrate which are advancing more rapidly than most all other countries, causing people to harbor various "anxieties." SMBC Group is undertaking initiatives aimed at alleviating such "anxieties."

## Customers' anxieties

### Financial Anxieties of the Parenting & Elderly generations



### Anxieties about health and daily life



### Income Disparities and Future Uncertainties in the Community



## SMBC Group's Role

### Wealth Building Support

Promoting NISA and investment products, as well as digital consultations tailored to customers' life stages

Integrated proposals combining banking, trust, and securities services.



### Life Shift Services (Service for the 100-year life)

Set "enriching the experience of aging" as the business purpose

SMBC エルダープログラム (SMBC Elder Program) 三井住友銀行の遺言信託 (SMBC's testamentary trust)



Digital service for end of life-planning notebook

### Digitalization of Financial Infrastructure

Through Olive, Providing a wide range of financial services regardless of regions



## SMBC Elder Program

- ✓ A service where dedicated concierges act as life partners, closely attending to various concerns of customers.
- ✓ Provide support for asset management, including consultations on gifting and testamentary trusts.



### Lifelong Relief Support

Health consultations, hospital visit arrangements, caregiving advice, and support for daily life troubles.

### Comfortable Life Support

Comprehensive real estate support, housekeeping services, digital-related support, and travel consultations.

### Relief for Next Generation

Testamentary trust services, gift-related services, and end-of-life planning services.

## Impact

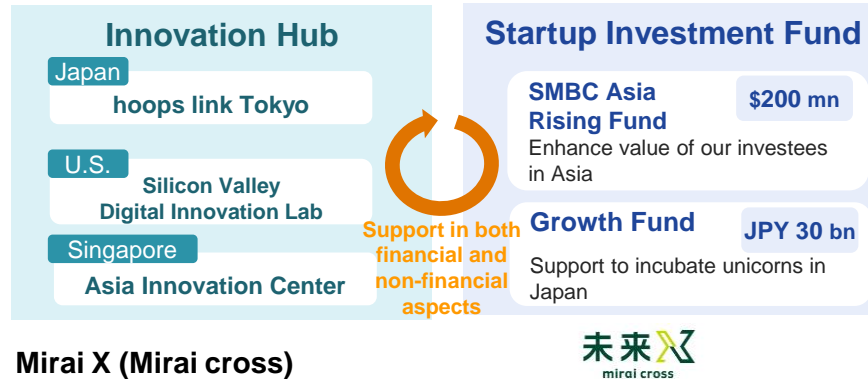
Alleviating various "anxieties" of customers associated with the aging population and declining birthrate

# Japan's Regrowth

Since the collapse of the bubble economy, Japan has been trapped in a low growth, often referred to as the "lost 30 years." SMBC Group is committed to support Japan's regrowth, including support for startups.

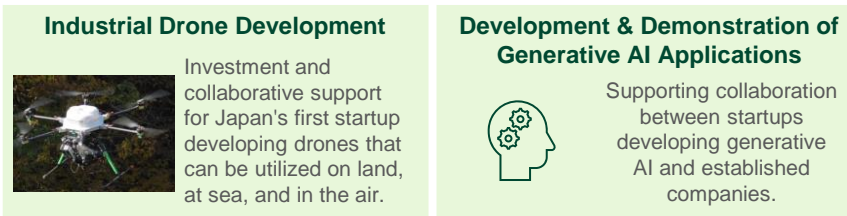
## Startup Support

- We support the social implementation of startups' innovative technologies and ideas from both financial and non-financial perspectives.



## Mirai X (Mirai cross)

- The platform "Mirai Cross" involves a diverse array of players, including corporations, venture capitalists, and public institutions, providing support for collaboration and business creation tailored to the stage of startup development.



**Impact**

Realizing sustainable economic growth in Japan through the creation of innovation and nurturing of new industries

## Support for Building New Industries

- We support the commercialization of innovative ideas aimed at solving social issues, thereby constructing new industries with global competitiveness.

### Establishment of a Joint Venture for Drug Discovery

We have agreed to establish a joint venture with Takeda Pharmaceutical Company and Astellas Pharma aimed at creating innovative pharmaceuticals originating from Japan.



**Impact**

Activating the ecosystem through the construction of new industries

## Initiatives for Regional Revitalization

- We are promoting the revitalization and competitive enhancement of regional industries by providing support for industrial development and overseas expansion.

### Support for drafting "Kumamoto Semiconductor Industry Promotion Vision"



Research triggered by the entry of a major Taiwanese semiconductor company into Kumamoto

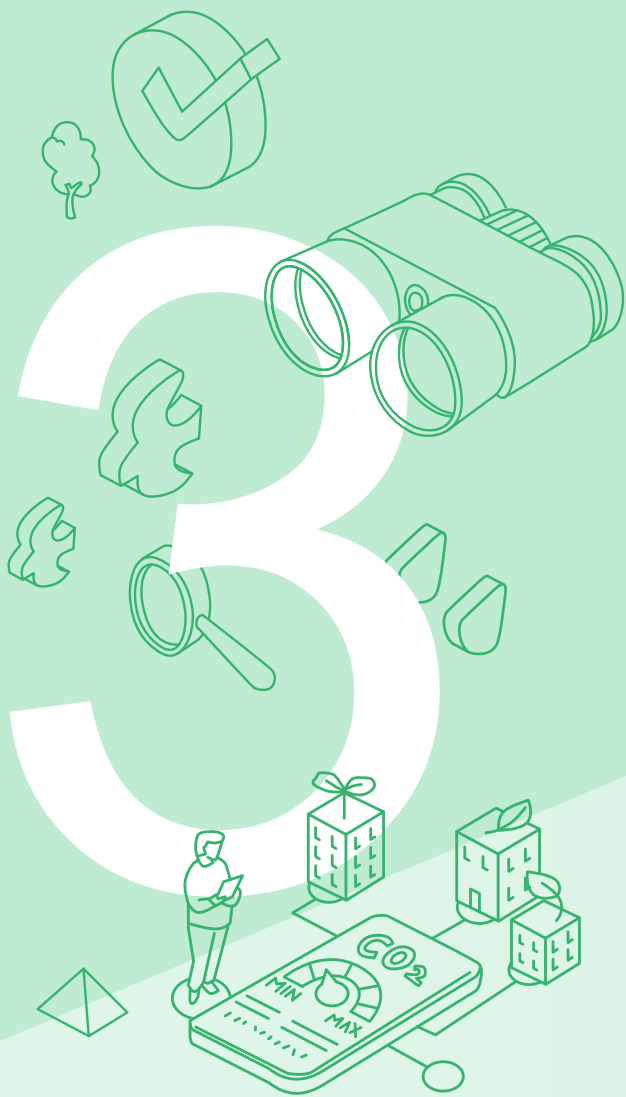
### Support for the global expansion of Nanbu Ironware



Matching Nanbu ironware manufacturers with cross-border e-commerce company

**Impact**

Promotion of local industries and revitalization of regional economies



## Visualization of Created Social Value

- Highlights ..... 21
- Efforts for Impact Visualization ..... 22
- Cases of Impact Visualization ..... 23
  - Support for Customers' Transition
  - Pro Bono Work Project
  - Financial Inclusion
  - Financial and Economic Education
  - Impact Investments

# Highlights

Visualization  
areas  
in this report

## Efforts for Social Value Creation in SMBC Group

### Environment

P.23

Efforts Toward  
Achieving Net Zero

Support for Customer's  
Transition

Impact  
Contribution to  
GHG reduction

Conservation and  
Restoration of  
Natural Capital

Contribute to  
Circular Economy

### DE&I / Human Rights

P.25

Human Capital  
Management

Impact  
Enhancement of  
Job Satisfaction

Support Customers in  
Human Capital  
Management

Impact  
Enhancement of  
Management Capability

Initiatives in  
Respecting Human  
Rights

Assist Customers in  
Respecting Human  
Rights

### Poverty & Inequality

P.26

Provide Education  
and Opportunities to  
Break Negative  
Cycles

Engage in "Poverty  
Eradication  
Projects"

Financial Inclusion through  
Microfinance, etc.

Accelerate Social  
Independence Support in  
Emerging Asian Countries

Impact  
Supporting Customers' Social Independence

### Declining Birthrate & Aging Population

P.27

Asset Formation  
Support Tailored to  
Customer Needs

Address the Diverse  
Needs of the Elderly

Efficient  
Infrastructure  
Provision Using  
Digital Technology

Contribute to the  
Enhancement of Financial  
Literacy

Impact  
Enhancement of  
Financial Literacy

### Japan's Regrowth

P.28

Support Customers'  
Business Model  
Transformation for  
Companies

Create Innovation  
and Foster New  
Industries

Enhance Efficiency through  
Financial Digital Services

Impact  
Enhancement of  
Customers' Productivity

Revitalize Regional  
Economies



# Efforts for Impact Visualization

Starting in FY2023, SMBC Group has initiated efforts towards impact visualization. We have organized the steps towards visualization as follows and will proceed with our initiatives based on these steps, ultimately aiming to measure and disclose metrics. We will continue to work on these steps and revise them.

## Steps toward Visualization

<b>1 In-depth Analysis of Priority Issues (Materiality)</b>	<ul style="list-style-type: none"> <li>● Identify the factors and challenges related to materiality and the further issues they cause.</li> <li>● List SMBC Group's initiatives addressing the identified factors and challenges.</li> </ul>
<b>2 Identification of the Scope for Impact Visualization</b>	<ul style="list-style-type: none"> <li>● Evaluate the factors and challenges identified in step 1 using following three criteria.</li> <li>● Identify initiatives to be prioritized to visualize their impacts based on the evaluation.</li> </ul> <div data-bbox="803 554 1889 775"> <p>&lt;Evaluation Criteria&gt;</p> <ul style="list-style-type: none"> <li>✓ Stakeholder Scale: The size of stakeholders desiring the resolution of the issue.</li> <li>✓ Effect of Resolution: The social impact and effect and its scope, when the issue is solved.</li> <li>✓ Contribution Potential: The extent to which SMBC Group's initiatives can contribute to solving the issue. (Evaluated based on the available resources for our initiatives and the status of other companies' efforts, etc.)</li> </ul> </div>
<b>3 Logic Model Construction</b>	<ul style="list-style-type: none"> <li>● Construct a logic model that logically explains the connection from the content of the initiatives identified as the scope for visualization in step 2 to the goals through the initiatives.</li> </ul> <div data-bbox="803 903 1889 1061"> <p>A logic model is a tree - type diagram that clarifies to whom and what results (outputs) are to be brought and what changes and outcomes (outcomes / impacts) are to be aimed through inputs and activities.</p> <div data-bbox="814 975 1879 1053"> <div>Activities - Business Activities -</div> <div>→</div> <div>Outputs - Direct Results -</div> <div>→</div> <div>Outcomes - Changes in Customers -</div> <div>→</div> <div>Impacts - Social Change -</div> </div> </div>
<b>4 Impact-Based Metric Setting</b>	<ul style="list-style-type: none"> <li>● Based on the logic model constructed in step 3, consider metrics that should be quantitatively demonstrated.</li> <li>● Set impact-based metrics to be measured and disclosed.</li> </ul>
<b>5 Metric Measurement &amp; Disclosure</b>	<ul style="list-style-type: none"> <li>● Establish a data collection and calculation flow to measure the metrics set in step 4.</li> <li>● By continuously monitoring the measured metrics, measure the degree of impact achievement and disclose it both internally and externally of SMBC Group.</li> </ul>

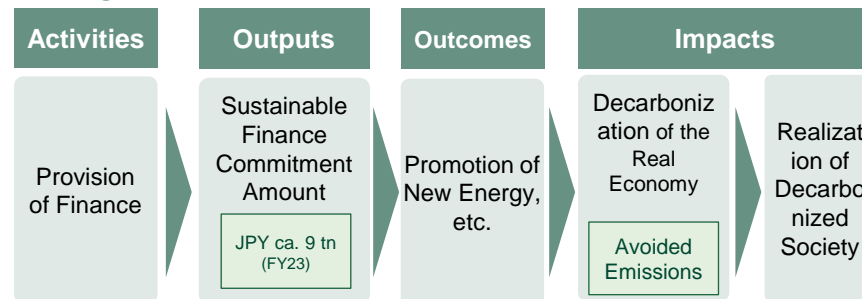
# Support for Customers' Transition (1) - Environment -

**SMBC Group is committed to supporting our customers' steady transition and contributing to the decarbonization of the real economy.**

## Transition Support through Finance

- As a partner to our customers, SMBC Group supports a series of initiatives aimed at transition, including the calculation of GHG emissions, the development of transition plans, business model transformation, and fundraising. We provide support through both financial and non-financial means.
- We recognize that as a financial institution, we can play a significant role in the global environment by directing funds to projects that contribute to the transition.

### <Logic Model>



### Transition Finance Playbook

- 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 demonstrate the expectations to our customers and the criteria for eligibility requirements for our financing, utilizing this Playbook to promote transition finance.

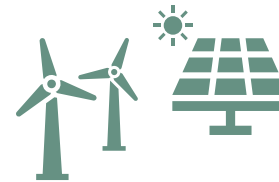


## Examples of Financing

### Green finance

- ✓ Finance that supports environmentally considerate projects, such as renewable energy projects

- SMBC has supported an Indian power company in constructing a hybrid power plant combining wind and solar power generation.



Reduction in GHG emissions equivalent to **2 Mt/year**

### Transition Finance

- ✓ Finance that supports companies working on GHG emissions reduction based on a long-term strategy towards achieving decarbonization

- SMBC has supported a major Australian electricity and gas supply company in establishing new energy storage facilities, which will contribute to the early retirement/decommissioning of coal fired power plants.



Completion of retirement up to **10 years earlier** than initially planned

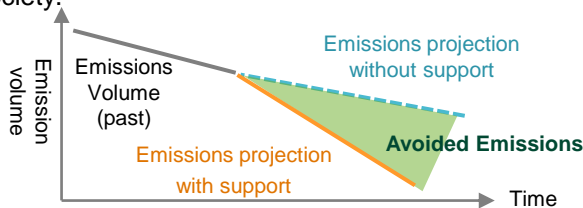
Reduction in GHG emissions equivalent to **16 Mt/year**

# Support for Customers' Transition (2) - Environment -

We visualize the impacts of our transition support initiatives by using the avoided emissions achieved by SMBC's service offerings.

## What is "Avoided Emissions"?

- Avoided Emissions is an indicator that shows how much a company's products and services have contributed to reducing GHG emissions across society.



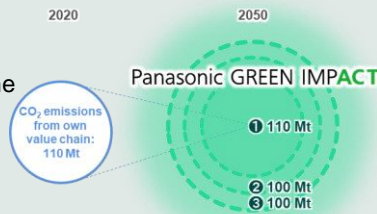
### [Column] International Trends around Avoided Emissions

- The Avoided Emissions is believed to lead to the enhancement of environmentally friendly products and services and to promote the development of decarbonization technologies. It has garnered attention, being discussed at the 2023 G7 Summit, among other forums.
- With WBCSD<sup>\*1</sup> publishing guidelines and international discussions on calculation and disclosure becoming more active, some companies are taking the lead in voluntary disclosure. This indicates an expected further spread and expansion of the Avoided Emissions.

### Disclosure Example from an Operating Company – Panasonic Group <sup>\*2</sup>

Panasonic aims to generate Avoided Emissions of 200 million tons/year (②+③) by 2050 and is visualizing the Avoided Emissions of each product and service.

- ① OWN IMPACT
- ② CONTRIBUTION IMPACT
- ③ FUTURE IMPACT



## Avoided Emissions from Projects SMBC Participated in

- For the FY2023, we calculated the Avoided Emissions for finance related to renewable energy projects.
- Going forward, we will work on expanding and refining the calculation of the Avoided Emissions, referencing guidance issued by WBCSD and PCAF<sup>\*3</sup>.

**The Avoided Emissions from Renewable Energy Projects SMBC Participated in (FY2023)** = approx. **30 Mt**

### <Calculation Formula>

#### Avoided Emissions

=  $\Sigma$  (Emission Factor of Grid Electricity in Each Country × Estimated Annual Generation of Renewable Energy Projects)

### <Considerations for Calculation>

- Assuming that the electricity generated by renewable energy projects financed by Sumitomo Mitsui Banking Corporation replaces electricity generated from fossil fuels, we calculated the CO<sub>2</sub> emission reduction using the CO<sub>2</sub> emission factor of the power sector in the region where the project is located.
- For this calculation, the lending share has not been taken into account.



\* 1 The World Business Council for Sustainable Development

\* 2 Panasonic Group Sustainability Databook 2023

\* 3 Partnership for Carbon Accounting Financials

# Pro Bono Work Project - DE&I / Human Rights -

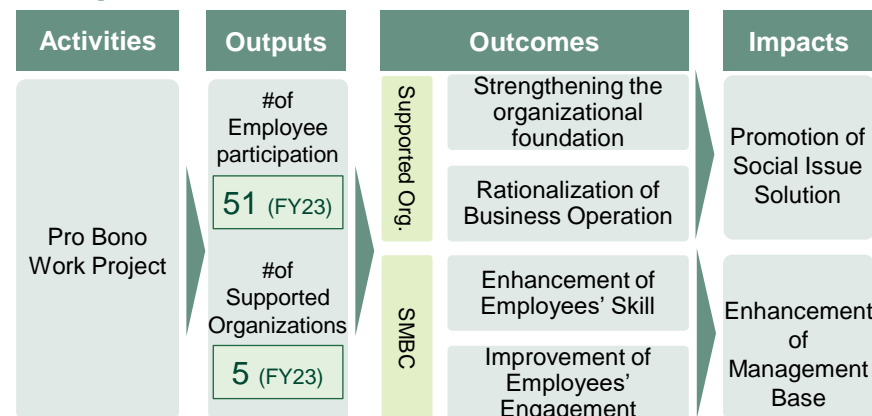
**Pro bono**, derived from the Latin "*Pro Bono Publico*" meaning "for the public good," refers to initiatives that support non-profit organizations, etc. by leveraging employees' skills and experience gained through professional work. It contributes to solving a wide range of social issues through support for various organizations.

## SMBC Group Pro Bono Work Project

- SMBC Group's pro bono efforts began with Sumitomo Mitsui Banking Corporation in FY2011 and have expanded to include various group companies. With SMBC Nikko Securities introducing the use of part of work hours for this purpose, aiming to further contribute to solving social issues, the initiative has grown. From FY2023, it operates as a unified group-wide project.

FY23	Support Period	Jul. – Dec. 2023 (6 months)
	Supported Organizations	<ol style="list-style-type: none"> <li>Heart full family</li> <li>Watashi to boku no yume</li> <li>Chance For All*</li> <li>Chance for Children*</li> <li>Pride House Tokyo</li> </ol> <p>* Support for ③&amp;④ lasts 4 months</p>

### <Logic Model\*1>



\* 1 Prepared by SMBC Group based on the report of Social Value Japan, a non - profit organization

\* 2 Created by Public Resource Foundation. We have set 156 items (four - level evaluation) in five areas as indicators of our organizational base. Figures are out of 100 points.

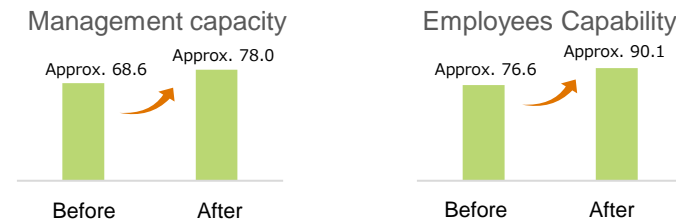
\* 3 Number of valid responses to the questionnaire N = 42. Figures are out of 5 pt.

## Impact of Pro Bono Work Project

- Designated by SMBC, NPO Social Value Japan conducted a social impact assessment of the Pro Bono Work Project in FY23

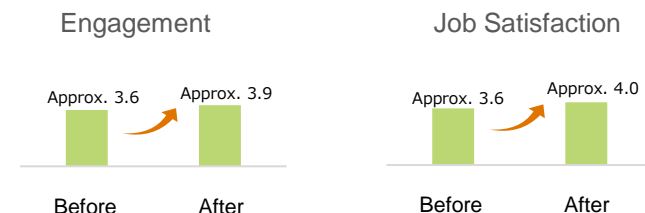
### Impact on Supported Organization <Chance For All>

- The support and problem-solving provided through the pro bono work project and its impact on the organizational base of NPO Chance For All were analyzed based on surveys and interviews utilizing the NPO Management Diagnostic Tool \*2.



### Impact on SMBC Group Employees

- The changes in employee awareness and engagement resulting from participation in pro bono work were analyzed based on a survey \*3 of participants.



# Financial Inclusion - Poverty & Inequality -

Under SMBC Group, BTPN Syariah supports social independence for the impoverished in Indonesia through various activities, including providing microfinance, contributing to the eradication of poverty and inequality.

## BTPN Syariah Initiatives

### BTPN Syariah

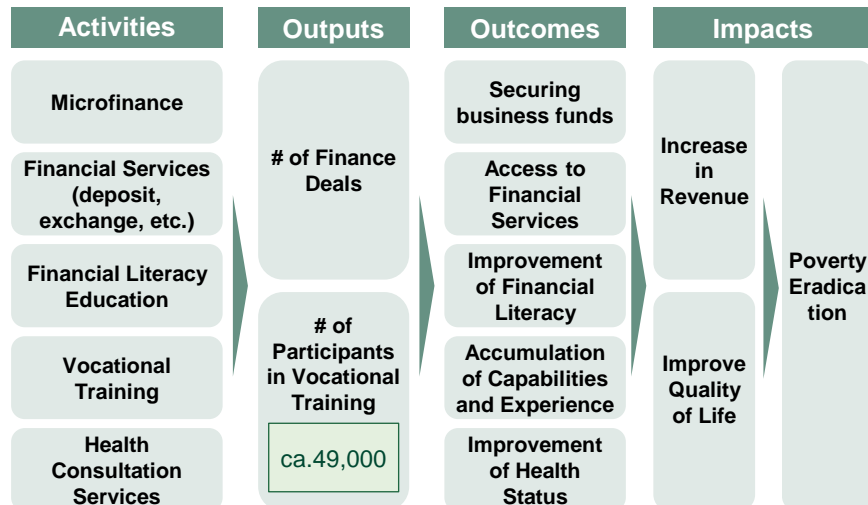


BTPN Syariah emerged as a spin-off from Bank BTPN's Sharia division and has been operating as Indonesia's 12th Sharia commercial bank since 2014. It is committed to promoting financial inclusion by offering a range of services to its customers.

### Initiatives to Support Social Independence

- BTPN Syariah provides microfinance to impoverished clients, including women in rural areas.
- Beyond financial services, it offers multifaceted supports to aid clients' social independence and contribute to poverty eradication.

### <Logic Model>

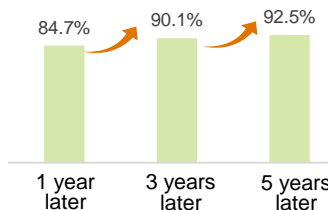


## Impact on Poverty & Inequality Resolution

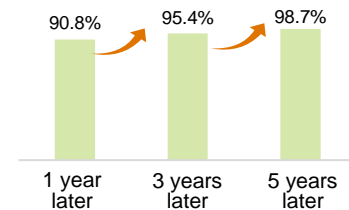
### Changes in the Living Environment\*

- BTPN Syariah measures changes in clients' living conditions and poverty status, using this data as a benchmark for evaluating the impact of its initiatives and for strategic planning.

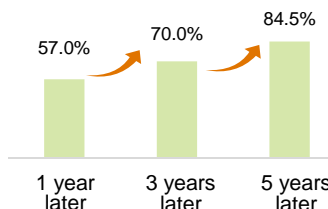
#### Child Enrollment Rates



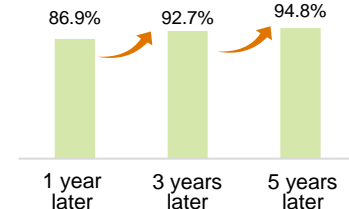
#### Ownership Rates: Modern Cooking Facility



#### Ownership Rates: Refrigerator or freezer



#### Ownership Rates: Motorcycle or motorized boat



### Improvement of Poverty

- BTPN Syariah, in collaboration with the Institute of Population Studies at the University of Indonesia, also measures the comprehensive impact on its customers. Results show 11.1% reduction in the proportion of customers living in extreme poverty over three years after they started using the service.

\* A statistical tool, the Poverty Probability Index (PPI) is used to measure the effectiveness of poverty reduction programs and collect data on poverty.

# Financial and Economic Education - Declining Birthrate & Aging Population

SMBC Group provides a variety of financial and economic education targeted at multiple generations. Utilizing the knowledge and expertise possessed by each Group company, we aim to create society where everyone can acquire accurate financial knowledge, enabling them to live without anxiety about financial issues.



## SMBC Group Financial and Economic Education

- Societal needs for financial and economic education have been surged in recent years, due to concerns over financial troubles associated with lower the legal adult age, the addition of financial education to high school curricula, and the government's push for a "nation built on asset management."
- SMBC Group, with SMBC Consumer Finance at the forefront, has been focusing on education, even before these needs escalated. Based on the industry-leading track record, SMBC Group rebranded the program to group-level, and is enhancing content and expanding delivery channels.

### Online game learning material "Quest of Finance"



Expected  
# of users:  
Ca. **2,500**

### Lectures about finance and economics by bank branch managers (FY3/24)



# of classes:  
**185**  
# of participants:  
Ca. **19,000**

### Financial Literacy Lectures at Universities (FY3/24)



# of participants:  
Ca. **56,000**

### Kinzai Institute for Financial Affairs Financial Literacy Certification (FY3/24)



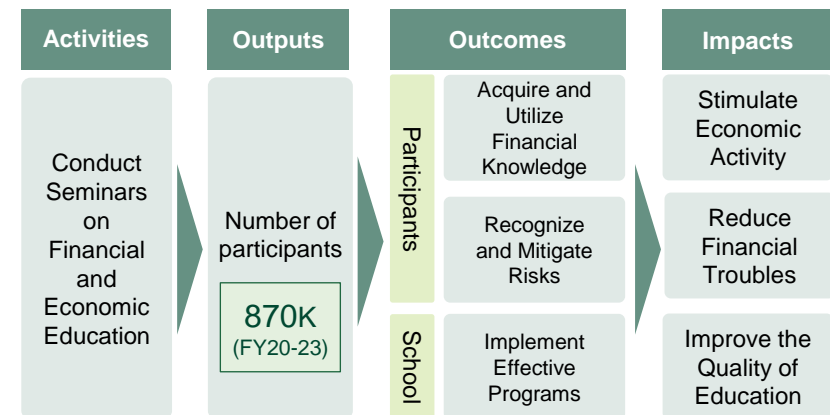
# of passers:  
Ca. **18,000**

SMBC Group supported in establishment of the certificate

## Impact of Financial and Economic Education

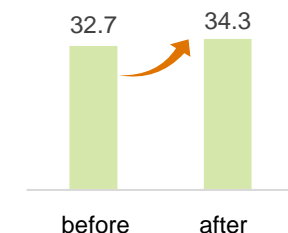
- For the 2022 "PROMISE Financial and Economic Education Seminar" (SMBC Consumer Finance), a social impact assessment\*1 was conducted by the NPO Social Value Japan.

### <Logic Model\*2>



### <Evaluation Results>

- We presented the participants with true/false questions regarding financial literacy and checked their scores based on the accuracy rate. An improvement in financial literacy was observed before and after participating in the seminar.



\* 1 SMFG, "Social Contribution (Financial Literacy Education) "

\* 2 Prepared by SMBC Group based on the report of Social Value Japan, a non - profit organization



# Impact Investment - Japan's Regrowth -

As part of its efforts to support Japan's regrowth, SMBC Group is engaged in impact investing, which not only seeks financial returns but also invests in businesses that generate positive impacts on society and the environment.

## Impact Investments by SMDAM

- Sumitomo Mitsui DS Asset Management (SMDAM) is involved in impact investing, setting impact themes that include sustainable technology and industrial infrastructure development. SMDAM manages its own impact investment funds and has provided customers with externally managed impact investment funds.
- From the fiscal year 2024, SMDAM will continue to support companies addressing social issues through externally managed impact investment funds, aiming to capture impact investment opportunities across a wide range of regions and investment themes.

## Examples of Impact Investment

- In its own funds, SMDAM conducted impact investments in companies such as:
  - ✓ Unite and Grow: Aiming to solve talent shortages and IT challenges by sharing engineers with knowledge and skills in corporate IT departments among member companies.
  - ✓ Hosokawa Micron: Aiming to advance technology through the development, manufacturing, sales, maintenance, and system engineering of equipment, etc.



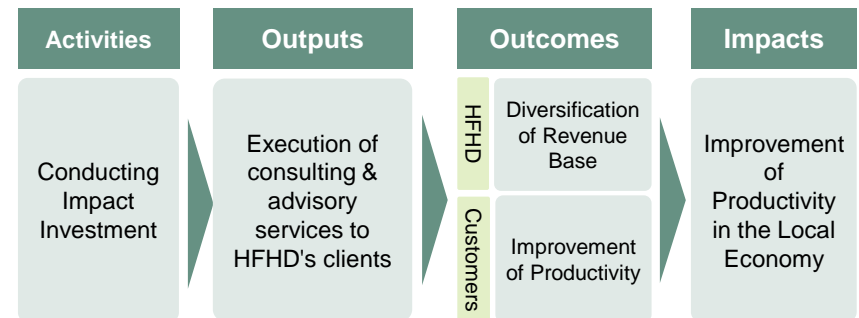
## Impact of the Impact Investment

- Based on impact evaluation through logic analysis, etc., SMDAM conducted impact investment in Hokkoku Financial Holdings (hereafter "HFHD") through its own fund in 2023.

### Businesses Supported by Impact Investment

- HFHD aims to increase productivity for itself, its clients, and the region by providing services related to consulting functions, improving administrative processes using various tools, digitalization, and transitioning to cashless payment operations.

### <Logic Model – Impact Investment in HFHD>



### <Evaluation Results>

Number of HFHD's customers provided with services aimed at improving productivity (FY2023)

= 438 companies





## Expansion of Impact-driven Solutions with Utilization of Impact



- Utilization of Impact Assessment in Business ..... 30
- Ref. Participation in Impact Initiatives ..... 32

# Utilization of Impact Assessment in Business (1)

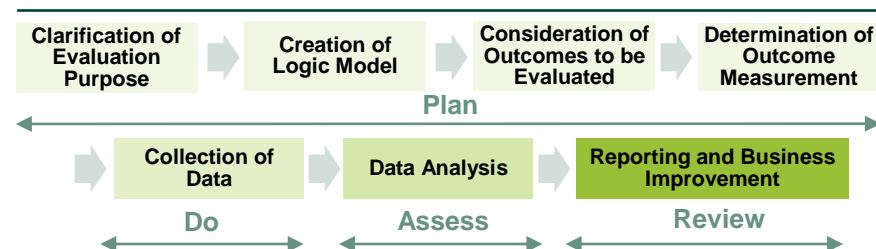
**SMBC Group uses the new “metrics” of impact in its business to support customers businesses to create positive impacts or reduce negative impacts on society and the environment (e.g., Positive Impact Finance)**

## Impact Assessment in Financial Solutions

- SMBC Group provides various financial solutions utilizing impact assessments.

<b>Positive Impact Finance (PIF)</b>	A financing approach that combines engagement to identify and monitor the impact of funded companies, aiming to maximize their positive impact on society and mitigate negative effects	 SUMITOMO MITSUI BANKING CORPORATION  Japan Research Institute
<b>Impact IPO Support</b>	Support of IPO for companies, including impact startups, that aim to achieve both business growth and the resolution of social issues	 SMBC NIKKO
<b>Social Impact Bond (SIB)</b>	A mechanism where service providers, commissioned by government agencies or similar entities, use funds raised from investors to deliver public services, and returns are provided to the investors based on the outcomes achieved	 SUMITOMO MITSUI BANKING CORPORATION  SMBC TRUST BANK  Japan Research Institute
<b>Impact investment</b>	Investment approach intended to generate positive and measurable social and environmental impacts, in addition to investment returns	 SUMITOMO MITSUI BANKING CORPORATION  SMBC VENTURE CAPITAL  Sumitomo Mitsui DS Asset Management

## Evaluation Flow \*

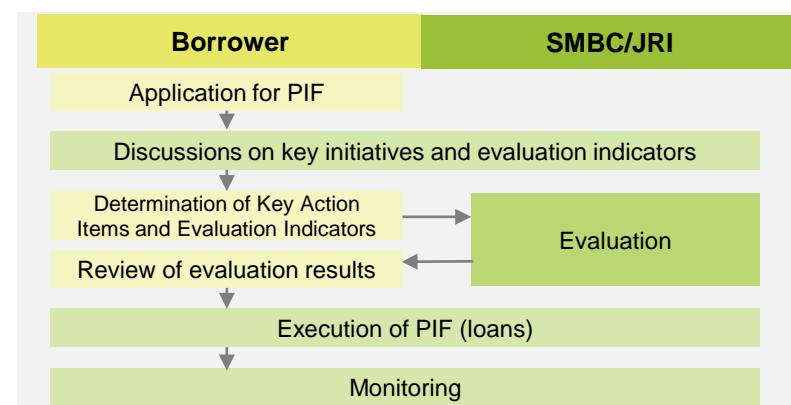


\* Prepared by the SMBC Group from the GSG Domestic Advisory Committee Social Impact Assessment Working Group "Social Impact Assessment Tool Set Implementation Manual (Ver. 2.0)"

## Positive Impact Finance Japan Research Institute

- In implementing PIF, SMBC collaborates with the Japan Research Institute (JRI), to assess the impact of the lenders' business activities.

## Flow of SMBC's PIF Valuation



## Examples of Key Initiatives and Evaluation Indicators

- ✓ Evaluate the impact of the lenders' business activities on the environment, society, etc.

Key Initiatives	Evaluation Indicators
Reduce environmental burden associated with business activities	CO <sub>2</sub> emission intensity per unit of sales
Expand sales of products and services that contribute to a healthy and secure society	Ratio to total sales, of products and services that contribute to social health and security
Promote sustainability of suppliers	Procurement ratio from suppliers who consider environment, labor, human rights, etc.

# Utilization of Impact Assessment in Business (2)

**Support for Impact IPOs, Social Impact Bonds, and Impact Investments are also initiatives that utilize impact assessments.**

## Support for Impact IPOs



- SMBC Nikko supports Impact IPOs.

### Amekaze Taiyo, the First Impact IPO\* from an NPO in Japan

- ✓ An NPO operating the direct-from-farmers e-commerce site "Pocket Marche" in Hananomaki City, Iwate went on public in December 2023.
- ✓ "Pocket Marche" sets "impact indicators" such as the amount paid by consumers to producers.



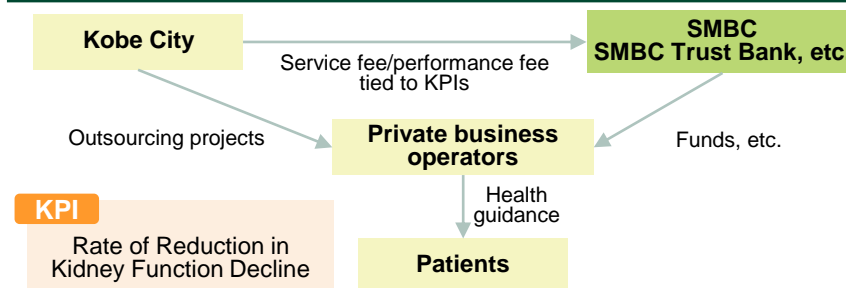
Pocket Marche website \*

## Social Impact Bond



- SMBC Group supports public works through social impact bonds.

### Japan's First SIB: Prevention of Severe Diabetic Nephropathy



\* Pocket Marché Directly from the Source - Seasonal Fruits, Vegetables and Seafood (poke-m.com)

## Impact Investments



- SMBC and SMBC Venture Capital (SMBCVC) have launched impact investments in startups that contribute to the resolution of SMBC's five materiality topics.
- Sumitomo Mitsui DS Asset Management (SMDAM) is also engaged in impact investments (see P.28 for reference).

## Non-financial Support for Expanding Impact Investment

- SMBCVC supports impact measurement and management (IMM) at start-up companies, in addition to regular investment activities.
- SMBC provides the following supports for generating impacts in cooperation with SMBCVC and non-financial support to expand the number of companies which are engaged in impact investment.
  - ✓ Holding meetup events for social entrepreneurs and investors interested in impact investment, etc.
  - ✓ Holding individual consultation meetings for startups
  - ✓ Implementing workshops on impact management

Support for creating logic models at workshops



# Ref. Participation in Impact Initiatives

SMBC Group participates in several initiatives and actively drives the discussion for the advancement of impact ecosystem.

## Initiatives in which SMBC Group Participates\*

	Initiatives in Japan				International Initiative
	Impact Consortium	GSG Impact JAPAN	Impact - Oriented Financial Declaration	Impact Startup Association	GIIN (Global Impact Investing Network)
Established	2023	2014	2021	2022	2009
Purpose	A forum for collaboration and dialogue among a wide range of stakeholders	Expansion of the impact investment market and ecosystem	Implementation of impact - oriented finance	Build an ecosystem of "Impact Startup"	Acceleration of impact investment
Major Participants	Diversified stakeholders (Industry, Government, Academia, and Civil Society)	Members selected based on the results of leading activities related to impact investment	Financial institutions, NPOs, etc.	Financial institutions, Corporations, Startups, etc.	Institutional investors, Asset management companies, Financial institutions, NGOs, etc.
Main Activities	<ul style="list-style-type: none"> <li>Four Subcommittees: Data Metrics, Market Research Formation, Regional Practice, Public-Private Partnership</li> <li>Organizing forums and related events</li> </ul>	<ul style="list-style-type: none"> <li>Research/Study: Publish survey reports/policy recommendations.</li> <li>Awareness/Promotion: Host forums/seminars and disseminate information via social media.</li> <li>Networking: Regular meetings for policy discussions</li> </ul>	<ul style="list-style-type: none"> <li>Sharing the information on the latest developments in the impact Field</li> <li>Awareness activities related to impact-oriented finance</li> <li>Visualization of impact pathways</li> <li>Promotion of collaboration with investors</li> </ul>	<ul style="list-style-type: none"> <li>Information exchange and study sessions among members</li> <li>Networking events with media representatives</li> <li>Co-hosted seminars with government organizations</li> </ul>	<ul style="list-style-type: none"> <li>Holding of GIIN Impact Forum</li> <li>Provision of IMM tools such as IRIS +</li> <li>Research and policy recommendations on impact investment</li> </ul>

\* Prepared by SMBC Group using the website of each initiative

# Conclusion

Toward an Era of “Fulfilled Growth”



# Toward an Era of “Fulfilled Growth”

A stylized illustration of a rocket ship. The body is white with a green grid pattern. It has a green conical nose cone and a green base. Three grey fins are attached to the base. A small grey circular window is located on the side of the body.

[illegible]

The publication of this report is only the first step in SMBC Group's attempt to address its impact. Going forward, we plan to disclose impacts caused by a wider range of our initiatives. To expand the circle of social value creation and to realize an era of "Fulfilled Growth," SMBC Group continues to advance efforts for impact through trial and error with stakeholders.



# Expert Commentary

## Mr. Sean Gilbert

**Chief Investor Network Officer,  
Global Impact Investing Network  
(GIIN)**



I congratulate SMBC on their first report that seeks to explore the global and local environmental and social challenges towards which they can make a contribution and present their related activities.

Around the world, financial institutions have been developing policies and practices to support being responsible corporate citizens. There is a growing interest in moving beyond these policies to take action that will deliver real-world outcomes to help society avoid critical tipping points or reach important thresholds, such as limiting global warming to 1.5 degrees or expanding access to critical health care services for under-served populations.

Impact investing plays a key role as a vehicle for developing investment strategies that focus the deployment of capital around a thesis for how to help reach a measurable improvement in the real world. I appreciate SMBC's efforts to describe some of their intentions and look forward to seeing how they develop their impact investing practice and deepen their impact measurement in the coming years.

## Ms. Nana Otsuki

**Senior Fellow, Pictet Asset  
Management (Japan) Ltd. /  
Professor, Graduate School of  
Management, Nagoya University of  
Commerce & Business**



Aspiring for 'Fulfilled Growth' - This phrase encapsulates SMBC Group's determination to pursue a solution that reconciles the sometimes-conflicting demands of growth as a global financial group and the resolution of social issues as a public institution.

Creating an impact premium is a new solution for this purpose. SMBC Group is at the forefront, while not many companies have explicitly undertaken this approach yet.

In current ESG disclosures, many cases only measure outputs, such as the number of participants of initiatives. However, SMBC Group goes further, striving to visualize the 'impact' that brings about change in society. For example, it is interesting that SMBC Group measures changes in participants' mindsets after six months of pro bono activities.

In the past, Mitsui made Kimono -a traditional Japanese garment-accessible to the common people, and Sumitomo espoused the philosophy of "Benefit self and benefit others, private and public interests are one and the same." integrating the pursuit of profit with the role of a public institution. The pursuit of 'Fulfilled Growth' embodies these spirits anew after centuries. As a pioneer of impact activities in Japan, it will be interesting to see if SMBC Group can become a driving force for social transformation, creating a virtuous cycle that in turn supports its own growth.



# Expert Commentary

## Mr. Paul Polman

**Business leader /  
Campaigner /  
SMBC Group Global Advisor**



The greatest opportunity of this century lies in the transition to sustainable and inclusive economies that ensure prosperity within planetary boundaries. Financial institutions stand to gain substantially from this transition and bear a crucial responsibility to drive it.

While trillions of dollars are already being redirected towards greener and more inclusive economies, to succeed we must channel trillions more.

The future's leading companies will be those that recognize their responsibility to deliver value and fulfilled growth across natural, social, and economic systems and adopt a long-term, regenerative perspective across their operations.

SMBC Group's commitment to the green energy transition, nature restoration, and to balance economic prosperity with "Social Value Creation" in corporate strategy positions the company as leaders and sets a benchmark for sustainability management both in Japan and globally.

But we know that no organization can deliver a net positive world alone. SMBC will now collaborate with stakeholders and global partners to implement clear impact metrics, transparency criteria, and accountability frameworks that drive positive impact across its operations and portfolios.

In addressing the world's most pressing challenges, countless opportunities arise. SMBC Group is well poised to seize these opportunities and to drive sustainable growth and innovation.

## Mr. Ken Shibusawa

**CEO, Shibusawa & Company, Inc. /  
Founder and Chairman, Common  
Asset Management, Inc. /  
Founder and CEO, &Capital Inc. /  
Senior Advisor, Brunswick Group**



In the last two years, the impact initiatives in Japan have attracted attention not just domestically but also from around the world. The turning point was the adoption of the "Grand Design and Action Plan for a New Form of Capitalism" by the Japanese Cabinet in June 2022.

The government's comprehensive economic policy now explicitly includes 'impact' as a metric to be measured alongside 'risk' and 'return', recognizing 'problem-solving' as another critical dimension of evaluation in capitalism.

GSG Impact JAPAN, a private initiative that has been championing impact investment since 2014, was appreciated as it considered its shift of the focus "from impact investing to the broader impact economy."

It is significant that SMBC Group's report mentions the growing need for new "metrics" toward social value creation. It represents a major shift in the values of capitalism by incorporating elements left behind that were not captured by total amounts or averages into the value judgments of capitalism.

There is a strong sense of anticipation for SMBC Group's future business developments, which are expected to lead the way in achieving an era of "Fulfilled Growth" that everyone desires.

# Appendix

# Sustainability Management System

SMBC Group's sustainability management is operated under a strong governance system, executed under CxOs including the CEO and supervised by the Board. Impact creation and visualization are also supervised and executed under this system.



## Deepening Materiality and Identifying the Scope of Impact Visualization (e.g., Japan's Regrowth)

Impact visualization of the other Priority Issues (Materiality) is also underway. For “Japan's Regrowth” as an example, ① In-depth Analysis of Priority Issues (Materiality) and ② Identification of the Scope for Impact Visualization are being undertaken as follows.

### Identify priority issues related to "Japan's Regrowth"

Extract social issues		✓ Identify and classify social issues related to “Japan’s Regrowth” by socio - economic factors using external frameworks			
Analysis in line with evaluation items		✓ To identify initiatives for focusing on SMBC Group’s impact visualization efforts, we analyze the size of the stakeholders who desire the resolution of the issue, the effect on society and its scope when the issue is resolved, and the extent to which SMBC Group's initiatives can contribute to solving the issue.			
Social issues (e.g.)			Example of Criteria		
			Stakeholders	Effects	Possibilities to Contribute
Society	Labor Market	Aggravation of labor shortage / Company's existential crisis	Workers / Companies	Deterioration of work environment Business continuity	DX Solution M&A
	Working Environment	Inflexible working environment for elderlies, foreigners, home-workers, or etc.	Workers / Companies	Demonstration of capabilities Gaining diversified labor force	Consulting
	Human capital	Inadequate investment in human capital	Workers / Companies	(Re)Skilling of workers Sustainable growth of companies	HR Solution Consulting
	...	...	...	...	...
Economy	Technology development	Delay in realization and scaling of cutting-edge technology, or in overseas expansion	Companies	Improvement in revenue and profitability	M&A Support for overseas expansion
	Productivity	Low productivity due to lack of digital investment	Companies	Improvement in productivity and profitability	DX Solution
	Industrial Metabolism	Stagnation of star-ups’ growth and commercialization	Companies	Growth of industries Business model transformation	Finance Business matching
	...	...	...	...	...

Ref: In identifying social issues for “Japan's Regrowth,” we refer to the framework of the Cambridge Institute for Sustainability Leadership. This framework emphasizes the importance of understanding how the economy is supported by society and the environment in economic reconstruction. Accordingly, our company has categorized social issues into two main areas: society and economy, treating “Environment” as a separate materiality.

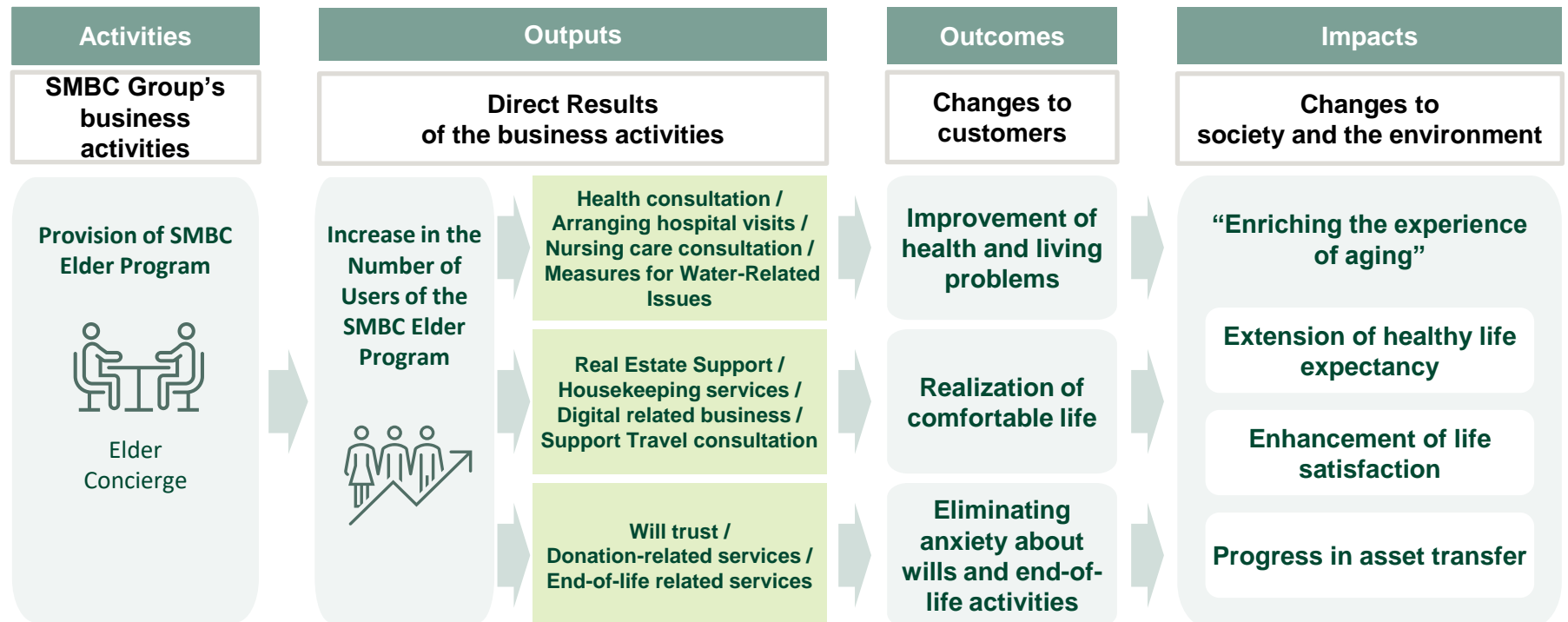
# Logic Model (e.g., Declining Birthrate & Aging Population)

Among the steps to visualize impact, one example of ③ Logic Model Construction is as follows. A logic model is being organized for the SMBC Elder Program, which is one of the initiatives addressing the challenges of an aging population & declining birthrate, to clarify the causal relationship from activities to the intended goals.

## What is a logic model?

A logic model is a tree - type diagram that clarifies to whom and what results (outputs) are to be brought and what changes and outcomes (outcomes / impacts) are to be aimed through inputs and activities.

## Logic Model of “SMBC Elder Program” (illustrative)



# International Principles and Frameworks for Impact

As interest in impact grows, international principles and frameworks are being developed, and SMBC Group refers to them to visualize impact and to avoid impact-washing.

## Impact Measurement Management (IMM)

- IMM is a process that visualizes the positive and negative impacts a business has on solving social issues. Through this process, businesses aim to enhance positive impacts and reduce negative ones by making improvements and decisions based on the visualized results.
- In SMBC Group, we clarify the story from business activities to impact creation, set and measure indicators, and disclose them, while also evaluating and managing impact through dialogue with stakeholders.

### UNEP FI's Impact Protocol for Banks

- The UNEP FI Protocol for Banks is a framework that guides financial institutions in assessing and managing their social and environmental impacts stemming from their operational activities.
- Under this framework, financial institutions identify and measure the impact that should be created through their business activities based on this framework. Next, they set impact targets based on the measurement results, develop business plans to achieve these targets, and conduct monitoring.



## Logic Model

- A logic model is a tree-like diagram used to clarify who will receive what results (outputs) through the resources invested (inputs) and activities undertaken, and what changes or outcomes (outcomes/impacts) are ultimately sought.
- When implementing impact measurement and management, SMBC Group constructed logic models and examined causal relationships from a broad range of perspectives.



## Five Dimensions of Impact

- Referring to the five dimensions of impact developed by IMP<sup>\*1</sup> (Impact Frontiers), SMBC Group verifies the needs of its stakeholders and its ability to contribute to impact creation.

Impact Dimension <sup>*2</sup>	
What	Details and demand of outcomes
Who	Subjects with outcomes
How Much	Size of outcomes
Contribution	Contribution to the changes happened
Risk	Risks in the absence of expected impacts

\* 1 Impact Management Project

\* 2 Prepared by SMBC Group from GIIN website

# Glossary

Word	Description	Page
<b>Asia Innovation Center</b>	The SMBC Group's base established in Singapore. Collaborating with business partners and startups in Asia, it engages in new business development utilizing technology.	P.19
<b>Financial Literacy Test</b>	An examination established by the Kinzai Institute for Financial Affairs for high school students, university students, and new graduate employees, etc. It aims to improve systematic and practical financial knowledge and appropriate decisions. (Source①)	P.27
<b>GGP Edge Program</b>	A program operated by GREEN×GLOBE Partners (GGP), a community run by SMBC Group to resolve environmental and social issues, to support creation of social value by GGP partners.	P.10
<b>Green Deposit</b>	A product where the funds entrusted by customers are allocated to projects that contribute to solving environmental issues such as climate change. SMBC has been implementing this system since 2021.	P.10
<b>Green hydrogen</b>	Green hydrogen is defined as hydrogen produced by splitting water into hydrogen and oxygen using renewable electricity through a process called electrolysis. This results in very low or zero carbon emissions through its production.	P.15
<b>Growth fund</b>	A fund that invests in later-stage startups. To strengthen its investment capabilities in promising startups aimed at creating Japan's first unicorn, SMBC together with Global Brain Corporation and SMBC Venture Capital established a 30-billion-yen fund in 2023.	P.19
<b>hoops link tokyo</b>	An open innovation hub operated by the SMBC Group, located in Shibuya, to promote interaction among startups, local governments, universities, and large corporations, etc.	P.19
<b>Hydrogen reduction steelmaking</b>	A technology to reduce iron ore without emitting carbon dioxide by using hydrogen in the steelmaking process.	P.15
<b>IMP (Impact Management Project)</b>	An initiative that forms a global platform for the definition, measurement, and reporting of impact, and facilitates consensus-building and the establishment of norms for impact management. It was concluded in 2021 and its resources was incorporated by Impact Frontiers in 2022. (Source②)	P.41



# Glossary

Word	Description	Page
<b>Nature Positive</b>	The global goal that halts and reverses nature loss by 2030 on a 2020 baseline and achieve full recovery by 2050.	P.15
<b>PCAF</b> (Partnership for Carbon Accounting Financials)	An industry-led partnership to facilitate transparency and accountability of the financial industry to the Paris Agreement. (Source③)	P.24
<b>PRI</b> (Principles for Responsible Investment)	A platform that promotes responsible investment by advocating for institutional investors to incorporate environmental, social, and governance perspectives into their investment decisions. (Source④)	P.12
<b>Silicon Valley Digital Innovation Lab</b>	The SMBC Group's base established in Silicon Valley. Similar to the Asia Innovation Center, it collaborates with business partners and startups, etc. to engage in new business development utilizing technology.	P.19
<b>SMBC Asia Rising Fund</b>	A corporate venture capital established in Singapore by SMBC and Incubate Fund to accelerate collaboration and business development through investments in promising startups, primarily in Asia.	P.19
<b>Social deposit</b>	A deposit system in which funds deposited by customers are used to finance projects that contribute to solving social problems such as poverty and inequality. SMBC started to offer this service in 2024.	P.10
<b>WBCSD (World Business Council for Sustainable Development)</b>	WBCSD is a global, CEO-led organization of ca. 230 leading businesses working together to accelerate the transition to a sustainable world. Participating companies share best practices, form new partnerships, and engage in policy formation and problem-solving. (Source⑤)	P.24

(Source①) The Kinzai Institute for Financial Affairs website

(Source②) The Impact Frontiers website

(Source③) The PCAF website

(Source④) The PRI website

(Source⑤) The WBCSD website



# Disclaimer

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This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our managements 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 conditions and our operating results, and investors’ decisions.

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