

SMBC Green Deposit Framework

June 2024

1. Introduction

1.1 About the Bank

Sumitomo Mitsui Banking Corporation (“SMBC” or the “Bank”) is one of the three largest banking groups in Japan and fully held by Sumitomo Mitsui Financial Group (“SMFG” or “SMBC Group”). SMBC is the main operating bank among SMFG. SMFG is designated as one of the global systemically important banks (“G-SIBs”) in recognition of its broad range of financial services in both domestic and overseas markets, including banking, leasing, securities, credit cards, and consumer finance.

1.2 SMBC Group’s Efforts to “Create Social Value”

SMBC Group defines sustainability as “creating a society in which today’s generation can enjoy economic prosperity and well-being and pass it on to future generations”. SMBC Group identifies efforts to realize sustainability as the foundation of the group’s business strategies, with a particular focus on the “Environment”, “DE&I / Human Rights”, “Poverty & Inequality”, “Declining Birthrate & Aging Population” and “Japan’s Regrowth” as its materiality issues.

In recent years, the global trend has been to prioritize economic activities, neglecting the creation of social value, which has led to the emergence of social issues such as environmental problems, human rights, poverty and inequality. Addressing these urgent issues has become a major theme in corporate management, and in the immediate term, the creation of social value has become a prerequisite for competition among companies. In addition, in Japan, with the advancement of an aging population with fewer children and the continuation of low economic growth, the contribution of companies to Japan's regrowth is becoming increasingly important.

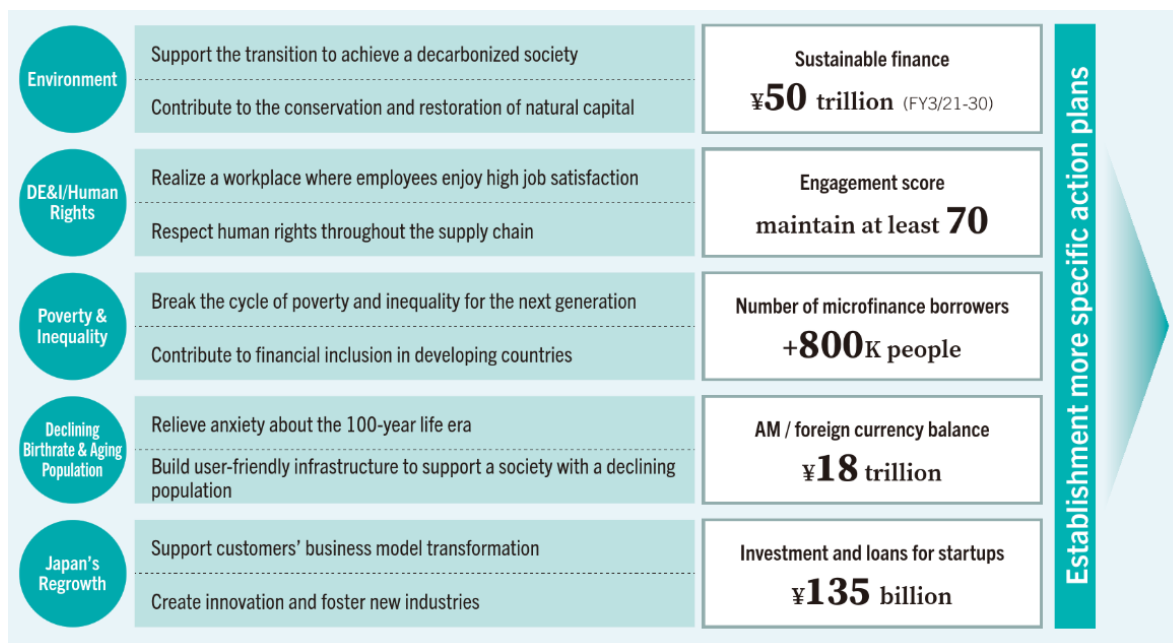
Therefore, SMBC Group has established the Medium-Term Management Plan "Plan for Fulfilled Growth" for the three years from Japanese fiscal 2023 and set “Create Social Value” as a pillar of our corporate philosophy. We have also identified "Environment", "DE&I / Human Rights", "Poverty & Inequality", "Declining Birthrate & Aging Population", and "Japan's Regrowth" as priority issues (materiality) be proactively addressed. We have also set 10 goals towards their resolution.

With the spirit of business that aims to create social value, which Mitsui and Sumitomo have inherited over a long period as corporate citizens, we will further expand our activities as a group. By creating social value and directing it towards giving back to society, in addition to economic growth, we aim to contribute to "fulfilled growth", where society as a whole and individuals can become sustainably



affluent.

Figure 1. Five Priority Issues and 10 Goals towards Resolution



1.3 SMBC Group's Transition Plan

In financial institutions, the majority of GHG emissions are indirect emissions associated with investments and loans. It is not only necessary to reduce the emissions produced by the financial institutions themselves, but also to advance the decarbonization of their portfolios. When considering portfolio decarbonization, it is vital to contribute to the reduction of GHG emissions by businesses, essentially aiding the decarbonization of the real economy. Additionally, it is crucial that financial institutions perform engagements considering their customers' risks and opportunities related to climate change, provide necessary support and growth capital, including sustainable finance, and facilitate the transition to carbon neutrality in the socio-economic spectrum from a financial standpoint.

Based on our corporate philosophy of “contributing to a sustainable society by addressing environmental and social issues,” SMBC Group is striving to achieve a decarbonized society. As part of this, we aim to reduce climate-related risks, capture growth opportunities stemming from the transition to decarbonization, and enhance our corporate value through climate change measures.

Furthermore, SMBC Group is committed to achieving net zero GHG emissions from our own operations by 2030, as well as net zero GHG emissions from our loan and investment portfolio by 2050. We acknowledge the importance of providing transition finance for a smooth and fair transition, and of supporting innovation for the establishment of next-generation technologies.

As a financial institution, we take pride in our strong commitment to firmly supporting our customers' endeavors towards transition and technological innovation. This is all with the aim of contributing

maximally to securing a stable supply of energy and achieving long-term decarbonization.

Figure 2. Major targets and action plans for addressing climate change

Main targets and action plans	2021	2022	2023	2024	2025	2030	2040	2050
Sustainable Finance				Cumulative total JPY 24 trillion (FY2020–23)		JPY 50 trillion Cumulatively		
Transition Finance (TF)			TF Playbook Power, Energy	TF Playbook Steel, Automobile		To be continuously revised every year		
Scope1,2 (Operational GHG)	2030 Net Zero Commitment	SMBC Head office building renewable energy introduction	Company-owned properties renewable energy introduction	Introduction of renewable energy to data centers	Mid-term target: –40% (vs. FY2021) Make net zero a reality	Net Zero		
Scope3 (Portfolio GHG)	2050 Net Zero Commitment	Set mid-term target Power, Coal, Oil & Gas	Set mid-term target Steel, Automobile	Set mid-term target Real estate	Facilitated Emissions Consider goals	Achieve mid-term targets 6 sectors		Net Zero
Coal	Loan balance for coal-fired power generation	Established phase-out strategy		Updated policies for specific businesses and sectors		Project finance 50% reduction from FY2020	Zero Balance for Project finance and Corporate finance tied to facilities	
	Loan balance for thermal coal mining sector		Established phase-out strategy	Updated policies for specific businesses and sectors		Zero Balance OECD countries	Zero Balance non-OECD countries	
Environmental and social due diligence	ESG risk summary tool		Trial run for the framework to confirm the transition plan of each company	Introduction of environmental and social due diligence		Continuous updates		

1.4 Intent of the Framework

Sumitomo Mitsui Banking Corporation Green Deposit Framework (“Framework”) is to establish and develop a green deposit product (“Green Deposit”) for SMBC and its affiliates globally, while setting out underlying eligible qualifying environmental themes and activities. SMBC and its affiliate will use the Framework to guide the development of Green Deposit and ensure that all transactions categorized as the Green Deposit will adhere to the Framework. Based on the green eligibility guide under this Framework, the proceeds from the Green Deposit will be allocated to assets held by SMBC and its affiliates and will be managed and tracked through a portfolio approach. The Framework has been published on its website.

1.5 Internal and External Review Process

SMBC contracted Sustainalytics, a Morningstar Company, a leading provider of ESG research and ratings for investors, financial institutions, and corporate clients, to support the development of the Framework and to support the annual review and update of the Framework.



Sustainable Solution Department of SMBC is responsible for developing and maintaining the Framework, including ensuring that the underlying themes and activities align with market practice

and expectation. The Framework will be annually reviewed and updated with the support from Sustainalytics. Sustainalytics will also provide limited assurance on annual basis to ensure that SMBC allocates the proceeds of Green Deposit to the Eligible Green Projects appropriately in compliance with this Framework.

Green Eligibility Guide

SMBC defines criteria for eligible green projects (“Eligible Green Projects”) and uses the proceeds of Green Deposit to finance new or existing Eligible Green Projects.

2.1 Eligible Green Projects

Categories	Eligible Green Projects	Exclusion Criteria
Renewable Energy	<p>Acquisition, development, construction, operation, or maintenance of projects/assets generating electricity from:</p> <ul style="list-style-type: none"> i) Solar ii) Solar thermal energy, with less than 15% fossil fuel back-up iii) Wind (on and offshore) iv) Geothermal, with the direct emissions intensity of less than 100 gCO₂/kwh v) Hydropower, which meets one of the following criteria: <ul style="list-style-type: none"> - Run-of-river without artificial reservoir or with low storage capacity, - Facilities that became operational before 2019 with life cycle GHG emissions intensity of 100 gCO₂e/kwh, or power density of greater than 5 W/m², or - Facilities that became operational after 2020 with life cycle GHG emissions intensity of 50 gCO₂e/kwh, or power density of greater than 10 W/m² <p>For refurbishment, the project that meets the above hydropower criteria. If the project increases the size of the dam or reservoir, a new environmental and social impact assessment needs to be undertaken</p> <p>vi) Waste biomass energy, with feedstock limited to a) residues from forestry and agriculture, b)</p>	<ul style="list-style-type: none"> - Projects which have not undertaken an environmental and social impact assessment that ensures no significant controversy surrounding the project - Plastics, rubber, tire-derived fuel (TDF) to energy, or fuel

	<p>residues from fisheries certified with MSC¹, ASC² or MEL³, c) waste from palm oil operations certified with RSPO⁴ or RSB⁵, or d) wastewater and sewage sludge</p> <p>vii) Non-waste biomass energy with life cycle GHG emissions intensity of less than 100 gCO₂e/kWh, using feedstock restricted to a) wood and wood pellets certified with FSC⁶ or PEFC⁷, or b) non-wood crops</p>	<p>conversion from waste materials</p> <ul style="list-style-type: none"> - Feedstock that: <ul style="list-style-type: none"> a) is produced on land with high biodiversity within the last 10-15 years, b) is produced on land with a high amount of carbon has been converted for feedstock production, or c) competes with food production - Feedstock from palm oil, wood pulp or waste from peat - 10% or more of feedstock is non-certified oil, energy crops, including corn, soy, sugarcane, and wood pellets without sustainable sourcing and GHG emissions reduction commitments
Energy Efficiency	<p>i) Development, manufacture, installation, maintenance of or upgrades to:</p> <ul style="list-style-type: none"> - End-user energy efficient technologies, products or equipment that are non-motorized or powered by electricity, or - Energy efficient technologies, products or hardware systems that are non-motorized or powered by electricity <p>ii) Installment of energy-conservation equipment, including, but not limited to, LED lighting, efficient HVAC (heating,</p>	<ul style="list-style-type: none"> - energy-efficient technologies / processes that are inherently carbon-intensive and/or primarily driven / powered by fossil fuels

¹ Marine Stewardship Council (MSC), at: <https://www.msc.org/>

² Aquaculture Stewardship Council (ASC), at: <https://www.asc-aqua.org/>

³ Marine Eco-Label Japan (MEL), at: https://melj.jp/eng/about_us

⁴ The Roundtable on Sustainable Palm Oil (RSPO), at: <https://rspo.org/>

⁵ The Roundtable on Sustainable Biomaterials (RSB), at: <https://rsb.org/>

⁶ Forest Stewardship Council (FSC), at: <https://fsc.org/en>

⁷ Program for the Endorsement of Forest Certification (PEFC), at: <https://www.pefc.org/>

	ventilating, and air conditioning), building insulation and energy demand control systems which improve energy efficiency	
Resource Efficiency & Pollution Prevention and Control	<p>i) Development, construction and/or operation of recycling facilities for municipal and industrial waste</p> <p>ii) Development, construction and/or operation of mixed residual waste to energy power plants</p>	<ul style="list-style-type: none"> - Chemical recycling of plastic - E-waste or Waste from Electrical and Electronic Equipment (WEEE), without robust waste management processes to mitigate associated risks - Plastics, rubber, tire-derived fuels (TDF), gas capture from operational landfills, and landfill gas flaring
Clean Transportation	<p>i) Development, manufacture, or purchase of non-fossil fuel-based vehicles such as:</p> <ul style="list-style-type: none"> - Electric vehicles, - Fuel cell vehicles, or - Non-motorized transport <p>ii) Development, manufacture, purchase, or upgrades of public land transport such as:</p> <ul style="list-style-type: none"> - Buses, trucks and rails with zero direct emissions, or - Individual rail that meets universal CO₂ direct emissions threshold of <50 gCO₂e/p-km (passenger) or <25 gCO₂/t-km (freight) <p>iii) Acquisition, development, operation, maintenance of supporting infrastructure for above mentioned transport</p>	<ul style="list-style-type: none"> - Fossil fuel-based transportation or infrastructure and transportation with the main objective of transporting fossil fuels
Green buildings	<p>i) Acquisition, development, construction, or retrofit of green building that receives regionally, nationally or internationally recognized, third-party verified green building certifications, which are:</p> <ul style="list-style-type: none"> - Leadership in Energy and Environmental Design (LEED): Gold or above - Building Research 	<ul style="list-style-type: none"> - Industrial facilities - Facilities/buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels

	Establishment Environmental Assessment Methodology (BREEAM): Excellent or above, or <ul style="list-style-type: none"> - Comprehensive Assessment System for Built Environment Efficiency (CASBEE): A or above, or - DBJ Green Building Certification: 4 Stars or above, or - Building-Housing Energy-efficiency Labeling system (BELS): 4 Stars or above ii) Refurbishment/retrofit of building to achieve a 30% improvement in energy efficiency and/or 30% reduction in GHG emissions	
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2.2 General Exclusionary Criteria

The followings are excluded from the Eligible Green Projects:

- i) fossil fuel-based assets,
- ii) defense and security,
- iii) nuclear power generation,
- iv) coal-fired power generation,
- v) all mining, and
- vi) tobacco sectors

3. Alignment with/contribution to SDGs

Categories	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Pollution Prevention and Control	3. Ensure healthy lives and promote well-being for all at all ages	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

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