

Sumitomo Mitsui Banking Corporation Green Deposit Framework

26 March 2021

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. Throughout its 400-year history, SMBC Group has continuously upheld its commitment to sustainability. In the conduct of its business activities, SMBC Group aims to contribute to the sustainable development of our society by offering higher added value to i) customers, ii) shareholders and the market, iii) the environment and society, and iv) employees.

1.2 The Bank’s approach to Sustainability

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 Corporate Social Responsibility (CSR) as the foundation of the group’s business strategies, with a particular focus on “Environment”, “Next Generation”, and “Community” as core components of its CSR activities.

1.3 The Bank’s approach to Green / Sustainable Finance

Environmental activity of SMBC Group is typically categorized into three pillars: i) promoting environmental business, ii) managing environmental risk, and iii) reducing environmental impact. With regards to the environment initiatives i) and ii) above, SMBC adopted the Equator Principles in 2006 and has since set its internal procedures to assess the social and environmental risks arising from large-scale project finance.

1.4 SMBC Group’s Environmental Policies

SMBC Group promotes its financial services based on international principles such as UN Global Compact and the Equator principles. Additionally, SMBC Group regards three pillar points in the SMBC Group Environmental Policy: “Environmental Business” “Environmental risk” and “Reduction of Environmental Impacts”. Every year, SMBC Group sets environment targets for, such as reducing greenhouse gas emissions, conserving resources and promotes global warming countermeasures, in accordance with the PDCA cycle. Main indicators are i) total of JPY 10 trillion in green financing to be conducted from FY2020 to FY2029, ii) CO₂emissions volumes of SMBC to be reduced by 30% from

FY2018 by FY2029, and iii) outstanding coal-fired thermal power generation loans to be reduced to zero by FY2040 (applicable to project finance¹).

1.5 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 criteria in the clause 2 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.

1.6 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.



Global Banking Planning Department and Sustainable Business Promotion Department of SMBC are 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.

2. 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
Renewable Energy	Acquisition, development, construction, operation, or maintenance of projects/assets generating electricity from: <ul style="list-style-type: none">- Solar and wind (on and offshore),

¹ Excludes projects entailing technologies pertaining to carbon recycling and other projects that contribute to the realization of a low-carbon society.

	<ul style="list-style-type: none"> - Geothermal (<i>subject to direct emissions threshold less than 100gCO₂/kwh</i>) - Hydropower (<i>subject to lifecycle emissions threshold 100gCO₂/kwh and capacity less than 25MW or small run-of-river hydro facilities with low storage capacity as well as an environmental and social impact assessment that ensures no significant controversy surrounding the project</i>) - Waste/Non-waste biomass (restricted to sustainable feedstock not competing with food production and/or waste materials and subject to exclusions listed in Section 2.2)
Energy Efficiency	<ul style="list-style-type: none"> i) Development, manufacture, installation, maintenance of or upgrades to: <ul style="list-style-type: none"> - End-user energy efficient technologies, products or equipment that are non-motorized or powered by electricity, - Energy efficient technologies, products or hardware systems that are non-motorized or powered by electricity ii) Installment of energy-conservation equipment, including, but not limited to, LED lighting, efficient HVAC (heating, ventilating, and air conditioning), building insulation and energy demand control systems which improve energy efficiency.
Resource Efficiency & Pollution Prevention and Control	<ul style="list-style-type: none"> i) Development, construction and/or operation of recycling facilities for municipal and industrial waste. ii) Development, construction and/or operation of mixed residual waste to energy power plants (subject to exclusions listed in Section 2.2).
Clean Transportation	<ul style="list-style-type: none"> i) Development, manufacture, or purchase of passenger vehicles such as: <ul style="list-style-type: none"> - Electric vehicles - Non motorized transport ii) Development, manufacture, purchase, or upgrades of public land transport such as: <ul style="list-style-type: none"> - Buses, Trucks and rails with zero direct emissions, - Individual rail that meets universal CO₂ direct emissions threshold of <50 gCO₂e/p-km (passenger) or <25gCO₂/t-km (freight), iii) Acquisition, development, operation, maintenance of supporting infrastructure for above mentioned transport
Green buildings	<ul style="list-style-type: none"> i) Acquisition, development, construction, or retrofit of: <ul style="list-style-type: none"> - Green building that receives regional, national or internationally recognized third-party verified green building recognized certifications, which are Leadership in Energy and Environmental

	<p>Design (LEED) Gold or above, Building Research Establishment Environmental Assessment Methodology (BREEAM) Excellent or above, or Comprehensive Assessment System for Built Environment Efficiency (CASBEE) A or above</p> <p>ii) Refurbishment/retrofit of building to achieve a 20% improvement in energy efficiency and/or 20% reduction in GHG emissions,</p>
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2.2 Exclusionary Criteria

The followings are excluded from the Eligible Green Projects²:

i) fossil fuel based assets, ii) fossil fuel based transportation / infrastructure and transportation with the main objective of transporting fossil fuel, iii) defense and security, iv) palm oil, v) wood pulp, vi) peat, non-certified feedstock, or unknown sourcing from sustainable feedstock and plastics, rubber, tire-derived fuel to energy, or fuel conversion from waste materials in biomass energy production, vii) non-waste biomass energy facilities with life-cycle GHG emission intensity above 100gCO₂e/kWh, viii) non-waste biomass to biofuel projects with below 50% reduction of life-cycle emissions relative to fossil fuel baseline, ix) non-waste biomass to energy relying on feedstock that contribute to deforestation, biodiversity loss or decrease in soil carbon pools³, x) energy-efficient technologies / processes that are inherently carbon-intensive and/or primarily driven / powered by fossil fuels, xi) mixed residual waste to energy projects that do not support segregation of recyclables before energy conversion, xii) nuclear power generation, xiii) coal-fired power generation, xiv) all mining, and xv) tobacco sectors.

3. Alignment with/contribution to SDGs

Use of Proceeds Category	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

² i), ii), iii), iv), v), xii), xiii), xiv) and xv) are general exclusionary criteria. vi), vii), viii) and ix) are applied to biomass energy projects under the Renewable Energy category, x) is applied to the Energy Efficiency category, and xi) is applied to waste to energy power plants under the Resource Efficiency & Pollution Prevention and Control category.

³ The use of Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), and/or Sustainable Green Ecosystem Council (SGEC) certified wood pellets or wood chips is not considered as deforestation.

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
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

4. Disclaimer

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