Sumitomo Mitsui Banking Corporation Green Deposit Framework

14 June 2022

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 efforts to realize sustainability as the foundation of the group’s business strategies, with a particular focus on “Environment”, “Community”, and “Next Generation” as its materiality issues.

1.3 SMBC Group’s Environmental Policies
SMBC Group sets three pillars based on the SMBC Group Statement on Sustainability and the Group Environmental Policy: "Promotion of Environmental Businesses" "Management of Environmental Risks" and "Reduction of Environmental Impacts". For example, SMBC Group is making efforts to resolve environmental and social issues through its businesses, such as providing project finance for renewable energy businesses, and reducing greenhouse gas emissions.

Concerning climate change issues, SMBC Group has set the “Roadmap Addressing Climate Change” to realize carbon neutrality by 2050. In light of this regard, we have set several targets as below:

i) Achieve net zero emissions through SMBC Group’s overall investment and loan portfolio by 2050
ii) Achieve net zero emissions in SMBC Group’s own operation by 2030
iii) Execute total of JPY 30 trillion of finance contributing to sustainability (of which JPY 20 trillion of green finance) from FY2020 to FY2029
iv) Achieve zero balance of outstanding loans of coal-fired thermal power generation by FY2040 (applicable to project finance and corporate finance tied to facilities1; Mid-term target for project finance is to halve our loan balance by FY2030 compared to FY2020)

1 Excluding projects contributing to the transition to a decarbonized society
In addition, SMBC Group promotes its business activities based on international principles such as the UN Global Compact and the Equator principles.

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 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.

1.5 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.

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

<table>
<thead>
<tr>
<th>Categories</th>
<th>Eligible Green Projects</th>
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<tbody>
<tr>
<td>Renewable Energy</td>
<td>Acquisition, development, construction, operation, or maintenance of projects/assets generating electricity from:</td>
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<td></td>
<td>i) Solar and wind (on and offshore),</td>
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<td></td>
<td>ii) Geothermal (subject to direct emissions threshold less than 100gCO2/kwh)</td>
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<td>iii) Hydropower with an environmental and social impact assessment that ensures no significant controversy surrounding the project, and that meets one of the following criteria:</td>
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<td>- Run-of-river without artificial reservoir or low storage capacity</td>
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<tr>
<td>Category</td>
<td>Description</td>
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<td>----------------------------------------------</td>
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</table>
| **Energy Efficiency**                        | i) Development, manufacture, installation, maintenance of or upgrades to: - End-user energy efficient technologies, products or equipment that are non-motorized or powered by electricity, - Technologies, products, or hardware systems  
   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**| i) Development, construction and/or operation of recycling facilities for municipal and industrial waste.  
   ii) Development, construction and/or operation of waste to energy power plants (subject to exclusions listed in Section 2.2).                                                                                                                                                     |
| **Clean Transportation**                     | i) Development, manufacture, or purchase of passenger vehicles such as: - Electric vehicles  
   - Non-motorized transport  
   ii) Development, manufacture, purchase, or upgrades of public land transport such as: - 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**                          | i) Acquisition, development, construction, or retrofit of: - Green building that receives regional, national, or internationally recognized third-party verified green building recognized certifications, which are Leadership in Energy and Environmental 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

ii) Refurbishment/retrofit of building to achieve a 30% improvement in energy efficiency and/or 30% reduction in GHG emissions

2.2 Exclusionary Criteria
The followings are excluded from the Eligible Green Projects:
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) nonwasted biomass energy facilities with life-cycle GHG emission intensity above 100gCO2e/kWh, viii) nonwasted 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 pools, 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, xv) tobacco sectors and xvi) chemical recycling of plastic.

3. Alignment with/contribution to SDGs

<table>
<thead>
<tr>
<th>Use of Proceeds Category</th>
<th>SDG</th>
<th>SDG target</th>
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<tbody>
<tr>
<td>Renewable Energy</td>
<td>7. Affordable and Clean Energy</td>
<td>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</td>
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<td>Green Buildings</td>
<td>9. Industry, innovation and infrastructure</td>
<td>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...</td>
</tr>
</tbody>
</table>

2 i), ii), iii), iv), v), xi), 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, and xiv) is applied to waste recycling 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.
industrial processes, with all countries taking action in accordance with their respective capabilities

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<th>Clean Transportation</th>
<th>11. Sustainable Cities and Communities</th>
<th>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</th>
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<tr>
<td>Pollution Prevention and Control</td>
<td>3. Ensure healthy lives and promote well-being for all at all ages</td>
<td>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</td>
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