

Sumitomo Mitsui Banking Corporation Green Deposit Framework

24 May 2023

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 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 the “Environment”, “DE&I / Human Rights”, “Poverty & Inequality”, “Declining Birthrate & Aging Population” and “Japan’ Regrowth” as its materiality issues.

1.3 SMBC Group’s Environmental Policies

Based on the SMBC Group Statement on Sustainability and the Group Environmental Policy, 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 systematized series of goals and actions to achieve net zero emissions as the “Net Zero Transition Plan”. 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 50 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 2040 (applicable to project finance and corporate finance tied to facilities*; Mid-term target for project finance is to halve our loan balance by FY2030 compared to FY2020)

v) Achieve zero balance of outstanding loans of the thermal coal mining sector by 2030 in OECD nations, and by 2040 in non-OECD nations.

* Excluding projects contributing to the transition to a decarbonized society and the transformation from fossil fuel businesses.

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

Categories	Eligible Green Projects	Exclusion Criteria
Renewable Energy	Acquisition, development, construction, operation, or maintenance of projects/assets generating electricity from:	
	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 gCO ₂ /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 	<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

	<ul style="list-style-type: none"> - 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) 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>	<ul style="list-style-type: none"> - Plastics, rubber, tire-derived fuel (TDF) to energy, or fuel conversion from waste materials
	<p>vii) Non-waste biomass energy with life cycle GHG</p>	<ul style="list-style-type: none"> - Feedstock that: <ul style="list-style-type: none"> a. is produced on land with

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/>

	<p>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>high biodiversity within the last 10-15 years,</p> <p>b. is produced on land with a high amount of carbon has been converted for feedstock production, or</p> <p>c. competes with food production</p> <ul style="list-style-type: none"> - 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
<p>Energy Efficiency</p>	<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 	<ul style="list-style-type: none"> - energy-efficient technologies / processes that are inherently carbon-intensive and/or primarily driven / powered by fossil fuels

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

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

	<p>electricity</p> <p>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</p>	
Resource Efficiency & Pollution Prevention and Control	<p>i) Development, construction and/or operation of recycling facilities for municipal and industrial waste</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
	<p>ii) Development, construction and/or operation of mixed residual waste to energy power plants</p>	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Fossil fuel-based transportation or infrastructure and transportation with the main objective of transporting fossil fuels
	<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>	
<p>Green buildings</p>	<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 Establishment Environmental Assessment Methodology (BREEAM): Excellent or above, or - Comprehensive Assessment System for 	<ul style="list-style-type: none"> - Industrial facilities - Facilities/buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels

	<p>Built Environment Efficiency (CASBEE): A or above, or</p> <ul style="list-style-type: none">- DBJ Green Building Certification: 4 Stars or above, or- Building-Housing Energy-efficiency Labeling system (BELS): 4 Stars or above	
	<p>ii) Refurbishment/retrofit of building to achieve a 30% improvement in energy efficiency and/or 30% reduction in GHG emissions</p>	

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

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
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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