

Sumitomo Mitsui Financial Group, Inc / Sumitomo Mitsui Banking Corporation's **Green Bond Framework**

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1. INTRODUCTION

1.1 Company Overview

Sumitomo Mitsui Financial Group, Inc. (SMFG) is the holding company of SMBC Group, which is one of the three largest banking groups in Japan and Sumitomo Mitsui Banking Corporation (SMBC) is the main operating bank. SMFG is designated a “global systemically important bank (G-SIB)” in recognition of its broad range of financial services in both domestic and overseas markets. 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 (1) customers, (2) shareholders and the market, (3) the environment and society, and (4) employees.

1.2 Sustainability at SMBC Group

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”, and is committed to drive forward its efforts to make sustainability a reality. SMBC Group sets “Environment”, “Community” and “Next Generation” as priority issues (materiality) to have particular focus on its activities upon sustainability. In particular, the environment is an irreplaceable asset shared between generations, and is the foundation of social sustainability. SMBC Group supports the spirit of the Paris Agreement and is striving to contribute to resolving environmental issues.

In 2020, SMBC Group established the Sustainability Statement as the basic principle upon which SMBC Group’s efforts to realize a sustainable society will be based. Here, SMBC Group declares to engage and act together with customers and other stakeholders to contribute to the global transformation into a better society. Based upon the statement, SMBC Group has established “SMBC Group GREENxGLOBE 2030”, a ten-year plan that extends to 2030. This plan specifies initiatives that will be addressed by SMBC Group as a whole, including promotion of Green Finance, providing financial literacy education and so on. Moreover, in 2021, SMBC Group established a long-term action plan to contribute to a carbon neutral society by 2050 as the Roadmap Addressing Climate Change, while also establishing detailed short term and medium term initiatives as the Action Plan to reinforce its efforts against climate change.

In order to promote its environmental initiative, SMBC Group continuously issues its green bonds. SMBC Group is a major issuer of green bonds both domestically and in international markets since its first Green Bond issuance in 2015. SMBC Group strives to further contribute to the sustainability and improvement of the global environment through green bonds issuance. The criteria for the Eligible Green Projects are outlined in the Framework Overview section below.

2. Framework Overview

This Green Bond Framework (“Framework”) aligns with the four core components and key recommendations of the International Capital Markets Association (ICMA) Green Bond Principles (2021) (“the Principles”). SMFG and/or SMBC will issue its green bonds based on this Framework. SMBC Group may from time to time update, or amend the Framework including items such as Eligible Green Project categories. In such an event, SMBC Group will seek a new Second Party Opinion.

The development of this Framework, with the intention of issuing Green Bonds under it, is consistent with SMBC Group’s goal of contributing to the achievement of the UN’s Sustainable Development Goals (SDGs), part of the UN’s 2030 Agenda for Sustainable Development. The UN SDGs are a collection of 17 goals designed to address the most pressing social, economic and environmental sustainability issues facing society today.

2.1 Use of Proceeds

In cases where SMFG acts as the Issuer of a Green Bond, SMFG will extend an amount equal to the net proceeds from the any sale of Green Bonds to SMBC as an inter-group loan. As a recipient of Green Bond proceeds from SMFG or in cases where SMBC is the Issuer of a Green Bond, SMBC will allocate an amount equal to the net proceeds to finance, in whole or in part, existing and future qualifying environmentally-related projects (“Eligible Green Projects”) as defined by the internal investment criteria as specified below.

“Eligible Green Project” will meet BOTH of the two conditions i) and ii) below.

i. A project is in one or more of the Project Categories (a) to (e) below

a Renewable Energy



The development, construction and operation of facilities that generate renewable energy, including

solar energy



wind energy

geothermal energy (restricted to those with direct CO₂ emissions of less than 100g CO₂/kWh)

biomass energy power generation fueled by waste-derived materials or non-waste materials

- waste materials will be limited to residues from forestry and agriculture, residues of fishery resources (restricted to those from fishery and aquaculture companies that have obtained MSC (Marine Stewardship Council) or ASC (Aquaculture Stewardship Council) certification), waste from palm oil operations (limited to waste from palm oil suppliers that are certified by RSPO (Roundtable on Sustainable Palm Oil) or RSB (The Roundtable on Sustainable Biomaterials)), wastewater and sewage sludge (excluding those derived from fossil fuel mining and processing processes).

		<ul style="list-style-type: none"> Non-waste materials are restricted to sustainable feedstock not competing with food production with lifecycle GHG emissions of less than 100g CO₂e/kWh. For the projects that use wood and wood pellets, the feedstock will be limited to those provided by wood suppliers or power generators certified by the Forest Stewardship Council (FSC) or PEFC (Programme for the Endorsement of Forest Certification). Non-waste materials exclude palm oil, peat, uncertified materials, or materials sourced from unknown suppliers.
	<p>small run-of-river hydro facilities (generation capacity of 25 megawatts or less). In a new development/construction project, SMBC Group will confirm that there is no significant negative impact on the environment and society by conduction environmental and social impact assessments.</p>	

<p>b Energy Efficiency</p> <div data-bbox="248 1682 379 1809"> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  </div> <div data-bbox="248 1821 379 1948"> <p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p>  </div>	<p>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. Projects that meet category (c) below are excluded from this category (b) in order to avoid double counting.</p>
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c Green Buildings



New building acquisition, development, and construction or existing building retrofits which meet regional, national or internationally recognized third-party verified green building certifications, such as “LEED” (Leadership in Energy and Environmental Design), “BREEAM” (Building Research Establishment Environmental Assessment Methodology) or “CASBEE” (Comprehensive Assessment System for Built Environment Efficiency) to a level of at least “LEED Gold”, at least “BREEAM Excellent” or at least “CASBEE A Level”. In terms of refurbishment/retrofit of existing buildings, the proceeds will be allocated to assets/projects that aim to achieve a 20% improvement in energy efficiency and/or 20% reduction in GHG emissions.

d Clean Transportation



Expenditure that supports the shift to clean energy vehicles (development, manufacture, or purchase of non-fossil fuel based vehicles, including electric vehicles, fuel cell vehicles, and acquisition, development, operation, and maintenance of supporting infrastructure) and the development, operation and upgrade of public transportation facilities (including improvement to rail transport, bicycles and other non-motorised transport). Railway vehicles are limited to ones that use electricity as its power sources or that meet the threshold for direct CO₂ emissions (less than 50g CO₂/km per passenger or less than 25g CO₂/km per ton of cargo). The development, operation and upgrade of rail transport infrastructure is restricted to railways that meet the eligibility criteria above.

e Pollution Prevention & Control



Projects related to development, construction and operation of waste recycling and waste to energy. Waste recycle excludes chemical recycling of plastic. In the case of electronic waste recycling, the projects are limited to implement robust waste management processes to mitigate associated environmental and social risks, in accordance with local laws and regulations of a country where projects are located. For Waste to energy project, SMBC Group ensures the segregation of waste, separating majority of recyclables such as plastic and metal from other materials in the process of waste recycling as well as in the production of feedstock for waste to energy.

- ii. An existing or new project which SMBC has agreed to lend (a) during the 24 months prior to the relevant issue date of a Green Bond or (b) after the issue date of a Green Bond but before the relevant maturity date of such Bond.

Exclusion Criteria

For clarification purposes, the following sectors and activity types are excluded from the Green Bond Framework: fossil fuel based assets, fossil fuel based transportation / infrastructure and transportation with the main objective of transporting fossil fuel, defense and security, palm oil, wood pulp, nuclear power generation, coal-fired power generation as well as all mining and tobacco sectors.

2.2 Project Evaluation and Selection

Selection of eligible projects

Projects financed and/or refinanced through this Green Bond Framework are evaluated and selected based on compliance with the eligibility criteria set above. SMBC's Structured Finance Department selects the projects which meet the criteria of eligible green projects. SMFG's IR Department and SMBC's Treasury Department decide the eligible project for the green bond. The final decision will be made by the General Manager of Corporate Planning Department of SMFG. Net proceeds of the green bond are to be allocated to selected eligible projects. When identifying eligible projects and their non-financial impacts SMFG (or, SMBC) may rely on external consultants such as Japan Research Institute (JRI) and their data sources.

SMFG's IR Department, Corporate Sustainability Department, SMBC's Treasury Department and SMBC's Structured Finance Department will at least on an annual basis, i) review and validate the pool of Eligible Green Projects, ii) update the allocation to each green bonds as necessary, iii) validate the annual allocation report and impact report for investors, and iv) monitor any on-going evolution related to Green Bond market practices.

SMBC strictly comply with environment-related laws and regulations. These eligibility criteria and minimum requirements and ESG related matters are continuously developed and renewed in its policy frameworks. SMBC Group's environmental and social policies can be found on <https://www.smfg.co.jp/english/sustainability/esg/environment/>

Process to mitigate environmental and social risk

SMBC Group, as a financial institution, with its financial intermediary and credit creation function, plays an important role in social and financial activities and we believe we have a public mission, which is greater than other corporates do. In SMBC's Credit Policy, which contains our overall financing policy, guidelines and rules, we declare "not to extend any credit which may have a negative impact on the environment, aiming at the contribution to global environmental protection."

We aim to formulate our environmental and social risk assessment system by establishing the procedure of environmental and social risk evaluation.

Any projects which SMBC's Environmental and Social Risk Analysis Department (ESAD) judges may potentially exert a major impact on the environment and society are subject to Environmental Screening. The project finance transactions undergo Environmental Review and/or Environmental Monitoring, thereafter, in case SMBC determines as necessary.

The details of SMBC's Environmental Screening, Environmental Review, and Environmental Monitoring can be found on

<https://www.smfg.co.jp/english/sustainability/materiality/environment/risk/equator/>

2.3 Management of Proceeds

SMBC Group has established and implemented systems designed to monitor on an annual basis until the maturity of green bond and ensure the allocation of net proceeds from its Green Bonds will be transferred to SMBC via an inter-group loan and further allocated to Eligible Green Projects as defined above.

In cases where SMFG acts as the Issuer of a Green Bond, SMFG's IR Department manages the process of lending the net proceeds to SMBC in a form of an inter-group loan. SMBC Group intends to complete the allocation of proceeds to the Eligible Green Projects within 36 months after the issuance of the green bond. Any of Green Bond proceeds allocated to projects that have been sold, prepaid, amortised or have otherwise become ineligible will be reallocated to other Eligible Green Projects as soon as practically possible.

Records will show an amount equal to the net proceeds from Green Bonds are allocated to assets that meet SMFG/SMBC's criteria of Eligible Green Projects. Pending allocation to Eligible Green Projects, the net proceeds will be invested in overnight or other short-term financial instruments.

Also, payment of the principal and interest on SMFG/SMBC's Green Bonds will be made from SMFG or SMBC's general funds and will not be directly linked to the performance of any of the Eligible Green Projects.

2.4 Reporting

During the term of any relevant Green Bond, SMFG and SMBC will provide and keep readily available, on a dedicated website, information on the allocation of the net proceeds of the Green Bonds. This information will be updated at least annually until full allocation and as necessary thereafter in the event of new developments. This information shall include:

- i. the allocation of Green Bond proceeds to Eligible Green Projects, detailing the Eligible Green Projects funded, current funded amounts, initial funding dates and unallocated amount, and
- ii. assertions by management that the net proceeds of the Green Bond are invested either in qualifying Eligible Green Projects or in overnight or other short-term financial instruments.

In addition, SMFG and SMBC will annually publish on a dedicated website information and assessments relating to the environmental impacts of financed Eligible Green Projects. The environmental impacts of financed Eligible Green Projects, where reported, may be calculated on a collective basis. These estimated environmental impacts will be calculated in conjunction with support from JRI. In the case of the Renewable Energies Eligible Sector, SMFG and SMBC have considered the following indicators: annual production capacity and tons of CO₂ emissions equivalent avoided. For the other Eligible Sectors where the adequate impact measurement is not the tCO₂ emission equivalent avoided, an appropriate indicator will be proposed in line with market best practices and the recommendation of the external third party mandated for the assessment of the Green Bond.

2.5 External Review

SMFG and SMBC have obtained an independent Second Party Opinion on its Green Bond Framework. Sustainalytics' second party opinion is published on SMFG's website, found through <https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/> SMFG and SMBC will obtain a report from Sustainalytics, or any successor appointed by it, with respect to its compliance with intended allocation of the net proceeds.

Disclaimer

The information and opinions contained in this Green Bond Framework (the “Framework”) are provided as at the date of the Framework and are subject to change without notice. None of SMBC Group assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. The Framework represents current SMFG and SMBC’s policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. The Framework is intended to provide non-exhaustive, general information. The Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by SMFG or SMBC and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by SMFG or SMBC as to the fairness, accuracy, reasonableness or completeness of such information. The Framework may contain statements about future events and expectations that are forward-looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such bonds regarding the use of proceeds and its purchase of bonds should be based upon such investigation as it deems necessary. SMFG and SMBC have set out our respective intended policy and actions in the Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with any applicable bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds if SMFG or SMBC fails to adhere to this Framework, whether by failing to fund or complete Eligible Green Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in the Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on allocation of bond proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Green Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Green Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the

expected benefits of these initiatives, including the funding and completion of Eligible Green Projects. Each environmentally focused potential investor should be aware that Eligible Green Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. The Framework does not constitute a recommendation regarding any securities of any of SMBC Group. The Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by any of SMBC Group. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any bonds should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.