

# **Sumitomo Corporation Green Finance Framework**

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# Green Finance Framework

## **1. Introduction**

Sumitomo Corporation Group has grown into an integrated trading company over the past 100 years since it was originally founded as the Osaka North Harbor Company Limited in 1919. The history of Sumitomo, which formed the basis of Sumitomo's Business Philosophy, can be traced back to some 430 years ago when its business focused on copper refining which later advanced to copper mining.

All employees of Sumitomo Corporation learn the history of the Besshi Copper Mines. Through its modern business management, the Besshi Copper Mines contributed in leading industrial development in Japan, however, there were negative impacts on local communities including deforestation of nearby forests and damage to agricultural crops from sulfur dioxide emitted by smelters. Management at that time took measures including reforestation of the Besshi Copper Mines and relocation of the smelting plant to an uninhabited island off the coast.

“Benefit for self and others, private and public interests are one and the same”, which is one of the credos of Sumitomo’s Business Philosophy, and the actions taken by our predecessors to prioritize the sustainability of natural environment and the local community over short-term profit, are deeply rooted in heart of every employee at Sumitomo Corporation. We are confident that our business serves the public interest.

Today, after 100 years since the Osaka North Harbor Company Limited has established, we have 70,000 employees working at more than 900 group companies in 81 countries and regions and we do our business by engaging with multiple stakeholders including customers, local communities, business partners and employees. Our business as well as our relationship with the stakeholders have expanded to a global scale and we believe that our mission is to protect the planet and pursuing development for the world and better lives for our stakeholders.

### **1.1 Sumitomo’s Business Philosophy**

Sumitomo’s Business Philosophy has been refined through many generations based on the Founder’s Precepts “Monjuin Shiigaki,” which Masatomo Sumitomo (1585-1652), the founder of the Sumitomo family, wrote and handed on to describe how a merchant should conduct business. The basic points of Sumitomo’s

Business Philosophy have been passed on in the form of the two articles of the Business Principles. Article 1 emphasizes the utmost importance of integrity, while Article 2 advocates the importance of having an enterprising spirit to generate profits quickly and faithfully while adapting to a changing society, and renovating business operations while avoiding the pursuit of easy gains or acting carelessly. Sumitomo's Business Philosophy, which has been passed on since the Founder's Precepts was written, still serves as the timeless principles Sumitomo Group companies follow in their activities.

There are also several other credos that are contained in Sumitomo's Business Philosophy. One example is: "Benefit for self and others, private and public interests are one and the same." To put it another way, Sumitomo's business, while benefiting Sumitomo, must also benefit the nation and benefit society. This represents the corporate vision that the Sumitomo Corporation Group as a whole must pursue at all times.

The second credo is "Grand Design." This derives from copper mine management, Sumitomo's core business in its early days, which required long-term vision and continuous effort. This attitude of viewing business from a broad and long-term perspective and working for the benefit of the entire nation and society based on foresight of the future has been inherited from preceding Company operators. The third credo is "People are our most important asset." The cultivation and development of human resources has always been our most important concern regardless of the times.

Sumitomo's Business Philosophy thus stresses the need for an enterprising spirit to stay a step ahead in dealing with change, while ascribing importance to maintaining integrity and sound management, avoiding easy gains, and working for the public interest, without being misled by short-term immediate changes. This philosophy has continuously formed the basis of Sumitomo Corporation Group's business for more than 430 years.

## **1.2 Corporate Mission Statement**

Sumitomo Corporation Group's Management Principles are a contemporary translation of Sumitomo's Business Philosophy, which was devised 430 years ago, using simplified language and a clear structure, and rewritten from a more global perspective. The Activity Guidelines provide guidance on how each company as well as their executives and employees should behave as they conduct daily business activities to realize the Management Principles.

As declared in the Management Principles, our corporate mission is to support our shareholders, clients, local communities, employees, and everyone else around the world in their endeavors to achieve economic and spiritual prosperity and realize their dreams through our sound business activities. We also maintain—throughout our business practices—a unique management style that respects the personality of each Individual and places prime importance on integrity and sound management, which represent the essence of Sumitomo’s Business Philosophy, while cherishing a corporate culture that allows each employee to take the initiative and demonstrate creativity that is conducive to continuous reform and innovation.

By sharing the values presented in the Management Principles and the Activity Guidelines across the Group to materialize them in specific business activities, we aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

**SUMITOMO CORPORATION GROUP’S  
CORPORATE MISSION STATEMENT**

Corporate Vision  
**We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.**

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Management Principles

Corporate Mission  
**To achieve prosperity and realize dreams through sound business activities**

Management Style  
**To place prime importance on integrity and sound management with utmost respect for the individual**

Corporate Culture  
**To foster a corporate culture full of vitality and conducive to innovation**

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Activity Guidelines

**To act with honesty and sincerity on the basis of Sumitomo’s business philosophy and in keeping with the Management Principles**

**To comply with laws and regulations while maintaining the highest ethical standards**

**To set high value on transparency and openness**

**To attach great importance to protecting the global environment**

**To contribute to society as a good corporate citizen**

**To achieve teamwork and integrated corporate strength through active communication**

**To set clear objectives and achieve them with enthusiasm**

### **1.3 Sumitomo Corporation Groups Material Issues**

In April 2017, Sumitomo Corporation Group identified its material issues that illustrate the relationships between its business activities and society. We have defined the Six Material Issues to achieve Sustainable Growth with Society as an important factor in developing business strategies and in the decision-making process for individual businesses. Going forward, we will pursue sustainable growth by resolving these issues through our business activities.

Please refer to [Here](#) for details.

Figure: Material Issues for the Sumitomo Corporation Group



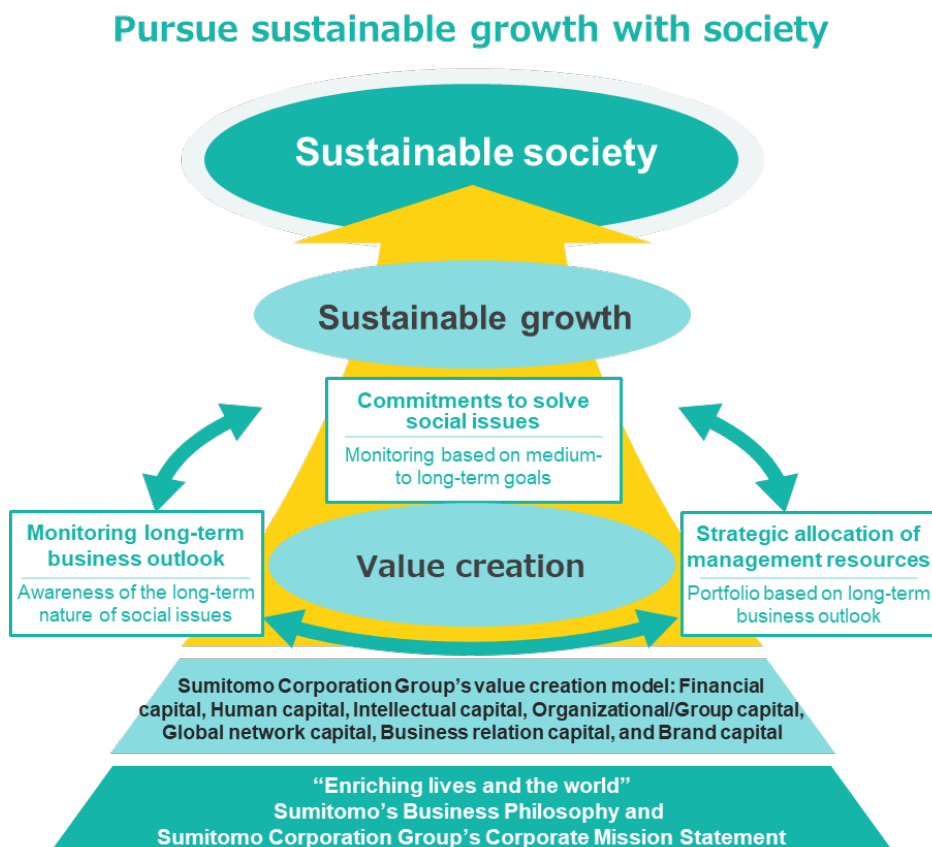
### **1.4 Enhancing sustainability management**

Enhancing sustainability management at Sumitomo Corporation goes beyond identifying issues and setting goals.

In addition to clear commitment to the role we play in achieving a sustainable society, it is necessary that we focus on the optimal status of companies and their business that will be needed in a sustainable society, such as carbon neutrality, circular economy and zero violation of human rights. We need to recognize the paths to achieve them and the challenges to be overcome and consider the strategies and allocation of management resources that we should implement from a long-term perspective.

We believe that capturing and pursuing the ideal state of society will bring more business opportunities. The Sumitomo Corporation Group's sustainability management is about perfectly aligning the vision of a sustainable society with the Group's value creation and sustainable growth, and we continue to work on establishing a management framework to achieve the vision.

Figure: Overview of “Enhancing Sustainability Management”



### **1.5 Key social issues and long-term goals for Sumitomo Corporation Group**

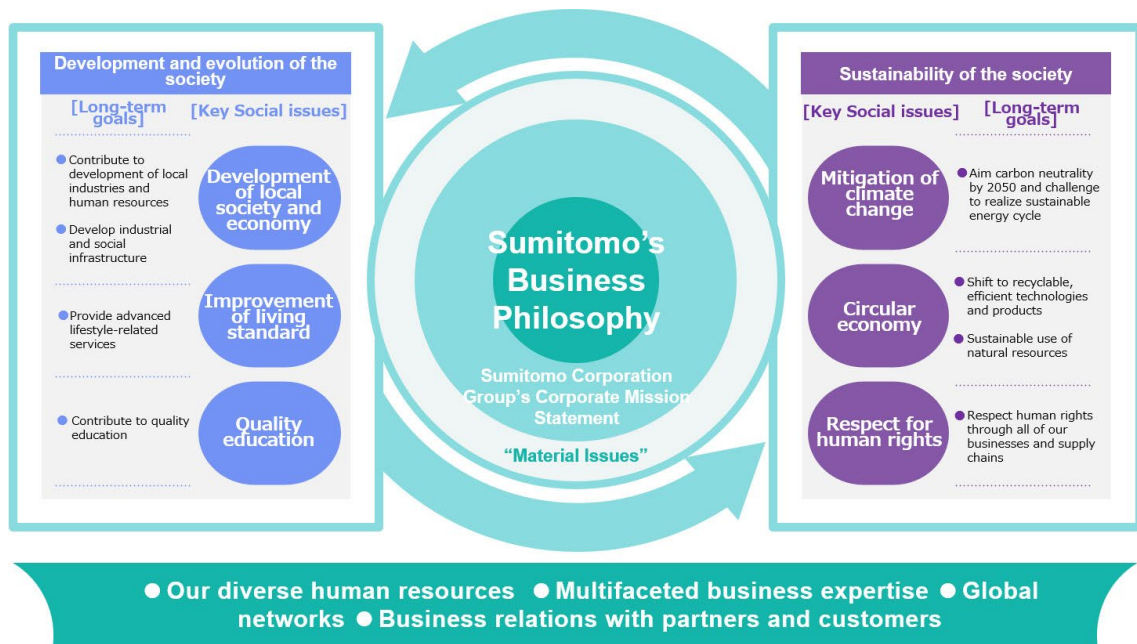
As Sumitomo Corporation works to enhance its sustainability management, we have identified six key social issues related to our business that we address through our business and corporate activities. The six key social issues are: “Mitigation of climate change”, “Circular economy”, “Respect for human rights”, “Development of local society and economy”, “Improvement of living standard” and “Quality education”.

As we pursue these lofty goals, it will be necessary for us to demonstrate our strengths as an integrated trading company. The Group will make use of its human resources, business expertise as well as networks and business relationships. The six social issues will demonstrate our role in the society and become our guideline to the Group’s entire business operations. The six social issues have two themes: the sustainability of society and development and advancement of society.

The sustainability of society is a globally shared goal as well as a major premise of the Group’s business. On the other hand, the solutions for pursuing the sustainability of society will be generated from further social and economic development and therefore, we believe that these two themes are mutually complementary.

Also, we will pursue to achieve these goals through business activities, however, we will contribute to providing quality education through our philanthropy as well as human resources development initiatives.

Figure: Key social issues and long-term goals for Sumitomo Corporation Group





## **Sustainability of the Society**

- **Mitigation of climate change**

Preventing global warming and mitigating climate change are urgent issues that are indispensable for realizing a sustainable society. The Sumitomo Corporation Group seeks to become carbon neutral in its business by 2050 and develop sustainable energy cycles and create new business.

- **Circular economy**

The circular economy through recycling, reuse, reproduction, resource-saving product development, and sharing is an important element for maintaining social sustainability. The Group will contribute to achieve circular economy by recycling, switching to resource-saving technologies and products, and working on sustainable procurement of natural resources.

- **Respect for human rights**

Respect for human rights is a universal issue that must be achieved in any place and at any time. The Group operates business while engaging with multiple stakeholders including customers, local communities and employees, and we will strive to respect human rights throughout the Group's business and supply chains.

## **Development and evolution of the society**

- **Development of local society and economy**

The Group's business is expanding to countries and regions around the world. Helping to develop the communities where we do business is a common challenge to all our business operations. The Group will contribute to industrial development as well as human resource development in the local communities and will endeavor to provide industrial and social infrastructure.

- **Improvement of living standard**

The world's population continues to grow, and many areas are facing problems such as aging and urbanization. The Group will make effort to provide advanced life-related services that contribute to a better life for all people.

- **Quality education**

Quality education plays an important role in the development of local

communities and economies, which enriches people's lives and leads to creation of a sustainable society. The Group will promote various activities, including philanthropy, to contribute to quality education.

To achieve these long-term goals, we established medium-term goals by indicating specific action plans for the six key social issues in May 2021. The progress of achievement of long-term and medium-term goals for each issue and initiatives will be disclosed in the [ESG Communication Book](#), as well as in the [Integrated Report](#) which are revised annually.

Sumitomo Corporation will take a step forward in its sustainability management to sustainably grow together with society by strategically allocating management resources that capture trends in long-term social issues, and by providing value that is always required in a sustainable society.

Figure: Sumitomo Corporation Group's Key Social Issues and Medium/Long-term Goals

| Key social issues         | Long-term goals              | Medium-term goals (newly set)   |
|---------------------------|------------------------------|---|
| Sustainability of society | Mitigation of climate change | <ul style="list-style-type: none"> <li>■ <b>Reduce the Group's CO<sub>2</sub> emissions 50% or more by 2035 (compared to 2019)</b> <ul style="list-style-type: none"> <li>- Reduce CO<sub>2</sub> emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired and 30% renewables (*1) in terms of net ownership generation capacity.</li> <li>- Reduce indirect CO<sub>2</sub> emissions (*2) associated with the fossil fuel upstream business by 90% or more by 2035.</li> <li>- Reduce CO<sub>2</sub> emissions in all other businesses (*3).</li> </ul> </li> <li>■ <b>Establish businesses that will form the foundation for a sustainable energy cycle in society</b> <ul style="list-style-type: none"> <li>- Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (3GW or more by 2030)(*4), and expand new power and energy services.</li> <li>- Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation.</li> <li>- Capture, store and utilize CO<sub>2</sub> via carbon recycling, forestry business, CCS, and emissions credit trading, etc.</li> </ul> </li> </ul>  |
|                           | Circular economy             | <ul style="list-style-type: none"> <li>■ <b>Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage</b> <ul style="list-style-type: none"> <li>- Expand use of raw materials derived from recycled or renewable resources.</li> <li>- Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.).</li> </ul> </li> </ul>   |
|                           | Respect for human rights     | <ul style="list-style-type: none"> <li>■ <b>Reinforce the sustainable procurement system for major natural resources used by the Group</b> <ul style="list-style-type: none"> <li>- Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system.</li> </ul> </li> <li>■ <b>Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy</b> <ul style="list-style-type: none"> <li>- By 2023, achieve 100% participation rate in human rights education based on the Guiding Principles, and 100% implementation rate in regional organizations and subsidiaries.</li> <li>- Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism(*5) based on assessment results.</li> </ul> </li> <li>■ <b>Ensure a safe workplace environment</b> <ul style="list-style-type: none"> <li>- Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction.</li> </ul> </li> <li>■ <b>Achieve a diverse organization grounded in mutual respect</b> <ul style="list-style-type: none"> <li>- Provide a safe working environment that is free from discrimination and harassment.</li> <li>- Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.</li> </ul> </li> </ul> |

| Key social issues                    | Long-term goals  | Medium-term goals (newly set)   |
|--------------------------------------|--|---|
| Development and evolution of society | Development of local society and economy   | <ul style="list-style-type: none"> <li>■ <b>Contribute to development of local industries and human resources</b></li> <li>■ <b>Develop industrial and social infrastructure</b></li> </ul>   |
|                                      | Improvement of living standard   | <ul style="list-style-type: none"> <li>■ <b>Develop local industries, create jobs, and develop human resources through the Group's global business operations</b> <ul style="list-style-type: none"> <li>- Promote sustainable, highly productive and value-added industries, and coexist with local communities through business.</li> <li>- Create employment and develop management and highly skilled human resources at the Group's business sites.</li> </ul> </li> <li>■ <b>Establish industrial and social infrastructure that contributes to the sustainable development of society</b> <ul style="list-style-type: none"> <li>- Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.</li> </ul> </li> </ul> |
|                                      | Quality education  | <ul style="list-style-type: none"> <li>■ <b>Provide advanced lifestyle-related services</b></li> </ul>  |
|                                      |  | <ul style="list-style-type: none"> <li>■ <b>Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations</b> <ul style="list-style-type: none"> <li>- Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and smart city development, based on new technologies and concepts.</li> </ul> </li> </ul>  |
|                                      | <ul style="list-style-type: none"> <li>■ <b>Contribute to quality education</b></li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Provide quality and equal learning opportunities through 100SEED(*) activities</b> <ul style="list-style-type: none"> <li>- Quantitatively expand the scope of learning opportunities.</li> <li>- 100% satisfaction of beneficiaries.</li> <li>- Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations and Group companies).</li> </ul> </li> </ul>   |

## 1.6 Policies on Climate Change Issues

The issue of climate change is an important issue that must be overcome to bring about a sustainable society. Global efforts towards the faster realization of a carbon-neutral society are accelerating. We value the global consensus of the Paris Agreement, and in order to play a more active role in achieving the carbon-neutralization goals of society set forth in the agreement, we reviewed our “Policies on Climate Change Issues” in May 2021. We have set medium-term goals that show a clearer action plan for “Climate Change Mitigation” and its long-term goals, one of our six important social issues. See [Policies on Climate Change Issues](#) here.

## **2. Green Finance Framework**

Sumitomo Corporation's Green Finance Framework (the "Framework") provides policies for the following four elements based on Green Bond Principles 2021 by the International Capital Market Association (ICMA), Green Loan Principles 2021 by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications & Trading Association (LSTA).

1. Use of Proceeds
2. Process for project evaluation and selection
3. Management of Proceeds
4. Reporting

### **2.1 Use of Proceeds**

The proceeds raised under the Framework will be used to finance or refinance new or existing projects that meet the following "Eligibility Criteria" (Eligible Projects). In cases where the proceeds are to be used for existing projects, the projects must have been financed within 36 months prior to the issuance of the Green Bond or the procurement of the Green Loan.

#### **[Eligibility Criteria]**

| Eligible Project Category | Eligibility Criteria  | SC's Materiality   |
|---------------------------|---|--|
| Renewable Energy          | <p>Funds for investment, development, construction, operation, and maintenance of the following renewable energy projects.</p> <ul style="list-style-type: none"> <li>• Wind power generation</li> <li>• Solar power generation</li> <li>• Geothermal power generation (Direct emissions less than 100g-CO2/kWh)</li> </ul> <p>In the case of investments in corporations, only corporations that specialize in the renewable energy/clean energy business or have at least 90% of their sales related to renewable energy/clean energy are eligible.</p> | <p>Achieving harmony with the global environment</p> <p>Contributing to the development of local communities and industries</p> <p>Establishing a foundation for</p> |

|   |  |  |
|---|--|--|
|   |  | comfortable and enriching lifestyles   |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | <p>Acquisition of forests that have obtained the following certifications</p> <ul style="list-style-type: none"> <li>• FSC (Forest Stewardship Council®) certification</li> </ul>  | Achieving harmony with the global environment  |
| Clean Transportation  | <p>Funds required for the following railway-related projects</p> <ul style="list-style-type: none"> <li>• Operation and maintenance of urban passenger railway projects</li> </ul>   | <p>Providing Diverse “Accessibility”</p> <p>Contributing to the development of local communities and industries</p> <p>Achieving harmony with the global environment</p> |
| Energy Efficiency   | <p>Funds required for investment in base station construction and operation necessary for providing base station sharing services centered on 5G to mobile operators</p> <p>※It is expected to have the effect of reducing environmental load through equipment sharing. In addition, compared</p> | <p>Establishing a foundation for comfortable and enriching lifestyles</p> <p>Contributing to the development</p>   |

|  |   |  |
|--|---|--|
|  | to 4G, 5G communication technology is said to be more energy efficient, using less energy per traffic unit. | of local communities and industries<br><br>Providing Diverse "Accessibility" |
|--|---|--|

## **2.2 Process for Project Evaluation and Selection**

The Finance Department, with the support of the Corporate Sustainability Department, selects projects that meet the Eligibility Criteria to be funded by Green Finance. The final decision is made by the Chief Financial Officer.

### Framework for Social and Environmental Risk Management

The Sumitomo Corporation Group has put in place a companywide framework to apply when starting new businesses, including review and periodic monitoring, in order to appropriately manage the social and environmental impacts from the overall activities of the Group with its wide-ranging business portfolio. When implementing due diligence on a new investment, based on the nature of the business, we carry out an environmental assessment through an environmental consultant, and an assessment of human rights and labor issues through a law firm or similar. By taking these steps, we ensure that the business is operating on a sound basis and that business activities are not seriously impacting the global environment or local communities, employees, and other stakeholders. In April 2020, in order to enhance the effectiveness of risk management for each business, taking into account the nature of the business and the characteristics of the region where it operates, we established a system that considers social and environmental impacts when making a decision on a new investment, by utilizing an assessment sheet for social and environmental risks and by having the Corporate Sustainability Department, a specialized organization for social and environmental issues, participate in deliberations according to the risk. After the investment, we confirm the status of social and environmental risk management through processes such as periodical monitoring through dialogue with group companies and internal audits, and if any issues arise, we work

toward improvements according to the characteristics of the business. When issues concerning the impact of the Sumitomo Corporation Group's business activities are pointed out by local residents, nongovernmental organizations (NGOs), or other stakeholders, we ascertain the facts and respond by planning and implementing corresponding improvements through dialogue and discussion with them. In addition, following the review and monitoring of new investments outlined above, the response to any significant social or environmental issues for individual cases is referred for further discussion and reported to the Management Council and the Board of Directors through the related committees. Under the oversight of the Board of Directors, we work to address social and environmental risks and strengthen our risk management system.

### **2.3 Management of Proceeds**

Sumitomo Corporation's Finance Department will allocate and manage the proceeds of Green Finance to projects that meet the Eligibility Criteria in the general account. The Finance Department will also track and monitor that the same amount of Green Finance procured under this Framework is allocated to any of the Eligible Projects and periodically adjusted to match allocations to eligible projects/categories.

The proceeds will be allocated to the projects that meet the Eligibility Criteria, generally within three years. Any unallocated funds generated from the sale of assets will be reallocated to other projects that meet the Eligibility Criteria. Sumitomo Corporation intends to maintain an amount equal to the unallocated funds in cash or cash equivalents until allocation is determined.

If there is any significant change in allocation status even after the full amount of the procured funds has been allocated, we will disclose it on our website as necessary.

### **2.4 Reporting**

Sumitomo Corporation plans to disclose on its website on an annual basis the status of allocation of the funds procured and the details of the environment improvement impact specified by the Company until the full allocation is completed.

① Allocation Reporting

Sumitomo Corporation plans to report on the status of the allocation of funds, including the following:

- Amount and status of allocation in the following business categories
  1. Renewable energy
  2. Forestry business
  3. Railway-related projects
  4. 5G related business
- If there are any unallocated funds, the amount, planned timing of allocation, and investment method until the full allocation is completed.

② Impact Reporting

To the extent reasonably practicable and subject to data availability, Sumitomo Corporation plans to disclose the following impact reporting annually on its website regarding the effects of environmental improvements.

| Business Categories      |   |
|--------------------------|---|
| Renewable energy         | <ul style="list-style-type: none"><li>• Environmental impact such as achieved reduction in CO2 emissions (t-CO2)</li><li>• Power generation capacity (MW)</li></ul> |
| Forestry business        | <ul style="list-style-type: none"><li>• Forest area acquired (ha)</li></ul>   |
| Railway-related projects | <ul style="list-style-type: none"><li>• Number of stations</li><li>• Route distance (Km)</li></ul>  |
| 5G related business      | <ul style="list-style-type: none"><li>• Case study introduction on 5G base station installation facility</li></ul>  |

END