

Sumitomo Corporation

Sustainable Finance Framework

February 2024

Table of Contents

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**



Introduction







Sumitomo Corporation’s Sustainable Finance Framework (the “Framework”) provides policies for four components of Sustainable Finance (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting) as set out in *Green Bond Principles 2021*, *Social Bond Principles 2023* and *Sustainability Bond Guidelines 2021* by the International Capital Market Association (ICMA) and *Green Loan Principles 2023* and *Social Loan Principles 2023* by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications & Trading Association (LSTA). The Framework constitutes a revision of the *Green Finance Framework* published in February 2022. The proceeds raised under the Green Finance Framework, namely, those of the 1st Green Bond (May 2022) and 2nd Green Bond (September 2023), meet the required eligibility criteria of this Framework and will be managed under it.






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 have been financed within three years prior to the issuance of the Sustainable Bond or the procurement of the Sustainable Loan. In cases where the projects have been financed more than three years prior to the fundraising, Sumitomo Corporation will confirm, monitor and explain the social and environmental impact of the projects.


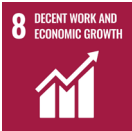


[Green Eligibility Criteria]

Eligible Project Category	Eligibility Criteria	SDGs
Renewable energy	Funds to be used for the following renewable energy projects: (In the case of investments in corporations, only corporations that specialize in the renewable energy/clean energy business or whose sales related to renewable energy/clean energy are at least 90% of their total are eligible.)	 

	<ul style="list-style-type: none"> • Wind power generation • Solar power generation • Geothermal power generation (Direct emissions less than 100g-CO₂/kWh) • Battery storage business with grid stability 	
Environmentally sustainable management of living natural resources and land use	Funds to be used for acquisition, utilization and maintenance of forests based on the Sumitomo Corporation Group Forest Management Policy	 
Clean transportation	<p>Funds to be used for the following railway-related projects:</p> <ul style="list-style-type: none"> • Operation and maintenance of urban passenger railway projects 	 
Energy efficiency	<p>Funds to be used for the following types of energy efficiency-related business:</p> <ul style="list-style-type: none"> • Investment in base station construction and operation necessary for providing base station sharing services centered on 5G to mobile network operators (*) • Development, construction, renovation, acquisition, etc. of properties which have received or are expected to receive BELS 5 stars. <p>* This is expected to have the effect of reducing environmental load through equipment sharing.</p>	 

<p>Sustainable water and wastewater management</p>	<p>Funds to be used for water-related business:</p> <ul style="list-style-type: none"> • Water supply • Sewerage management • Related equipment and pipes 	  
<p>Green buildings</p>	<p>Funds to be used for properties which have received or are expected to receive at least one of the following building certifications:</p> <ul style="list-style-type: none"> • LEED: "Platinum" or "Gold" • BREEAM: "Outstanding" or "Excellent" • CASBEE for Buildings (New Construction, Existing Buildings and Renovation) or CASBEE for Real Estate: "S" or "A" • DBJ Green Building Certification: "5" or "4" • BCA Green Mark Certification: "Platinum" or "Gold Plus" • HQE: "Exceptional" or "Excellent" • DGNB: "Platinum" or "Gold" • Green Star: "6-star" or "5-star" 	 

[Social Eligibility Criteria]

Eligible Project Category	Eligibility Criteria	SDGs
Access to essential services	<p>Funds required for the following businesses in geographically and socio-economically disadvantaged areas (developing countries in Asia, Africa, etc.)</p> <ul style="list-style-type: none"> • Telecommunications business with solution of digital divide • Financial services to enhance financial resilience/stability 	   

2. Process for Project Evaluation and Selection

The Finance Department, with the cooperation of the Corporate Sustainability Department, selects candidate projects meeting the Eligibility Criteria to receive funding under the Sustainable Finance Framework. The final decision is made by the Chief Financial Officer.

The projects must align with the Sumitomo Corporation Group’s Management Principles, which are based on Sumitomo’s Business Philosophy. Sumitomo’s Business Philosophy contains the words: “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 society.

Framework for Social and Environmental Risk Management

The Sumitomo Corporation Group has established a companywide framework perform appropriate monitoring of the social and environmental impact of the Group’s entire business activities. We have prepared a self-assessment sheet on relevant social and environmental risks to be used at the time of investment application to identify anticipated risks and opportunities in terms of the nature and regional characteristics of each business. Decision-making is then carried

out considering impacts on society and the environment. This includes having the Corporate Sustainability Department participate in discussions as a specialist organization that addresses social issues depending on the risk. We also engage outside experts to check that the business is soundly managed and does not have serious impacts on stakeholders by using environmental assessment by an environmental consultant and assessment of human rights and labor issues by a law firm, considering the specifics of each business. As follow-up to the investment, the responsible business department and related corporate departments work together through dialogue with group companies to carry out regular monitoring from the viewpoint of the environment, human rights, labor management, the supply chain, and other aspects. If an issue arises, remedial action is taken in line with the specifics of the case. Internal audits that take into account special characteristics of the business are used to confirm that management operations are legally compliant and meet international standards on social and environmental issues. When a case relating to the impact of the Sumitomo Corporation Group's business activities are referred to by a local community, a non-governmental organization (NGO), or another stakeholder, we ascertain the facts and engage in dialogue and discussion toward improvement. If, as a result of this process of review and monitoring of investments, an important social or environmental risk is confirmed, the individual response is reported or referred for further discussion to the Management Council and the Board of Directors through the relevant internal committees.

3. Management of Proceeds

Sumitomo Corporation's Finance Department will manage the proceeds of funds raised under the Sustainable Finance Framework and allocate them to projects that meet the Eligibility Criteria. The Finance Department will also ensure through monitoring that funding procured under the Framework is correctly allocated to each of the Eligible Projects and that the amount is periodically adjusted to match determined allocations for Eligible Projects/categories.

The proceeds will be allocated to 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.

4. Reporting

Sumitomo Corporation plans to disclose the status of allocation of the funds procured and the details of the environment improvement impact specified by the Company on its website within one year after providing the funding.

① Allocation Reporting

Sumitomo Corporation plans to report on the status of the allocation of funds as follows, provided such information is disclosable in light of confidentiality and non-disclosure obligations.

- Amount and status of allocation in the following business categories:
 1. Renewable energy
 2. Forestry business
 3. Railway-related projects
 4. 5G-related business
 5. Properties with BELS certification
 6. Water-related projects
 7. Green buildings
 8. Telecommunications business
 9. Financial services

- For any unallocated funds: the amount, planned timing of allocation and investment method on an annual basis until the full allocation is completed.

② Impact Reporting

Sumitomo Corporation plans to disclose the following impact reporting annually on its website regarding the effects of environmental improvements, provided such information is disclosable in light of confidentiality and non-disclosure obligations.

[Green Eligibility Criteria]

Business Categories	Reporting Items
Renewable energy	<ul style="list-style-type: none"> • Environmental impact such as achieved reduction in CO₂ emissions (t-CO₂) • Power generation capacity (MW)
Forestry business	<ul style="list-style-type: none"> • Forest area acquired (ha)
Railway-related projects	<ul style="list-style-type: none"> • Number of stations • Route distance (km)
5G-related business	<ul style="list-style-type: none"> • Case study introduction on 5G base station installation facility
Properties with BELS certification	<ul style="list-style-type: none"> • Level of BELS rating
Water-related projects	<ul style="list-style-type: none"> • Water management capacity (m³)
Green buildings	<ul style="list-style-type: none"> • Type and level of certification

[Social Eligibility Criteria]

Business Categories	Output	Outcome (sample)	Impact
Telecommunications business	Business overview	<ul style="list-style-type: none"> • Population coverage • Number of base stations • Number of subscribers 	<ul style="list-style-type: none"> • Economic growth and social progress with solution of digital divide
Financial services	Business overview	<ul style="list-style-type: none"> • Number of customers, service coverage ratio • Amount of financial service (credit amount) 	<ul style="list-style-type: none"> • Enhanced financial resilience/stability • Expansion of financial accessibility for low-income population

The above outcomes are indicated as an example of the type of selected information that will be disclosed.

END