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Sumitomo Mitsui Finance and Leasing Company, Limited

**SMBC Aviation Capital invests in carbon credits  
to support airlines' net zero emissions targets**

SMBC Aviation Capital Limited (CEO: Peter Barrett, henceforth referred to as "SMBC Aviation Capital"), a subsidiary of Sumitomo Mitsui Finance and Leasing Company, Limited (President: Masaki Tachibana, henceforth referred to as "SMFL"), has initiated an investment in carbon offset projects to start providing carbon credits<sup>\*1</sup> to airlines. Airlines can acquire carbon credits from SMBC Aviation Capital either as part of a lease contract or independently. This initiative will support airlines over the short to medium term to achieve their net zero objectives. SMBC Aviation Capital is the first major aircraft leasing company to provide carbon credits to airlines.

In the aviation industry, the International Civil Aviation Organization (henceforth referred to as "ICAO"), a specialized agency of the United Nations, has set global CO<sub>2</sub> reduction targets according to "CNG2020<sup>\*2</sup>", which includes no increase in CO<sub>2</sub> emissions after 2019 and 2% annual average improvement of fuel efficiency. ICAO advocates "Carbon Offsetting and Reduction Scheme for International Civil Aviation" (hereinafter referred to as "CORSIA") as one of the measures to achieve these aforementioned targets. In order to realize net zero emissions, CORSIA is seen as a short to medium term measure. After the initiation of CORSIA in 2021, international airlines are obliged to purchase carbon credits in case CO<sub>2</sub> emissions exceed 2019 levels. Currently, this applies only on routes between countries that have voluntarily participated, but after 2027 this will be mandatory for all ICAO member states (except for some exempted countries).

SMBC Aviation Capital will invest in 53.3 million dollars in voluntary credits, which will be certified by Verified Carbon Standard and The Gold Standard and produced through improved energy efficient Cookstove Projects<sup>\*3</sup> in Africa, Southeast Asia and the Americas. SMBC Aviation Capital will provide these credits to support airlines to achieve their net zero objectives.

The projects that SMBC Aviation Capital is investing in will provide energy-efficient, low environmental and low health risk energy efficient cookstoves to households in regions which rely on traditional cooking methods. This installation of energy efficient cookstoves will contribute to improved health, reduced deforestation, reduced labor hours to gather firewood, thus resulting in increased incomes in impoverished communities, and empowerment of women, which align with

10 SDGs including “3:GOOD HEALTH AND WELL-BEING”, “5:GENDER EQUALITY”, and “13:CLIMATE ACTION”.

SMBC Aviation Capital has developed its own framework to achieve net zero emissions in its own operations by 2050. For example, the company plans to have 80% of the latest aircraft types (A320NEO, B737MAX) in its fleet by 2024, to take action to support the widespread use of sustainable aviation fuel (SAF<sup>\*4</sup>), and to add hydrogen and electric aircraft to its lease product in the future. Through these actions, the company will support the net zero emission journey of the entire aviation industry and contribute to the realization of a sustainable industry.

SMFL has established the "SMFL Way," which outlines its management philosophy, policies, values, and principles. In the “SMFL Way”, SMFL works on SDGs management as a companywide activity by setting four key issues such as "environment", "next generation", "community", and "job satisfaction" according to SMFL’s vision/aspiration to be "the company that will continue to be chosen in the future for its commitment to SDGs". In SDGs management, SMFL will tackle social issues head-on, commit to the sustainable development of society for the future, and aim to be the company of choice for the next generation.

< Overview of Carbon Credits >

Contract type	Purchase by forward transaction, Project investment
Supplier	C-Quest Capital, CO2logic
Target Projects	energy efficient Cookstove Project
Project rea	Sub-Saharan Africa, Latin America, Southeast Asia
Certification	Verified Carbon Standard, The Gold Standard
Contract amount	\$53.3million

\*1 Carbon Credit

The amount of greenhouse gas emissions reduced or absorbed through the introduction of renewable energy, energy-saving equipment, afforestation, and other initiatives is issued as credits and made tradable.

\*2 CNG2020

Stands for "Carbon Neutral Growth 2020" and is a measure which aims to grow with reducing CO<sub>2</sub> emissions of aircraft after 2020.

\*3 energy efficient Cookstove Project

It is said that there are about 3 billion people in the world who use an open fire to cook and heat rooms in developing countries and there are related health problems arising from this cooking method. In addition, open fire causes environmental problems due to excessive consumption of wood as it consumes large amounts of firewood and also causes secondary problems which impose time and economic burden on families especially women and children who collect firewood. This project will support the installation of new energy efficient cookstoves to help mitigate these critical problems.

\*4 SAF

Stands for "Sustainable Aviation Fuel" made from sustainable sources including plants and waste oil. Compared to fossil fuels made from conventional crude oil, it is said that carbon dioxide emissions can be reduced by around 80% over the life cycle.

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