

Sustainable Finance Framework

1. Use of proceeds

(Based on “green” eligibility criteria)

Proceeds will be used for new or existing expenditures as well as finance that meet one of the following eligibility criteria. Meanwhile, loans to subsidiary SMFL MIRAI Partners Co., Ltd. shall fall within the scope of eligibility when that company is involved.

• Renewable energy

Business expenditures and finance related to solar power generation, wind power generation, biomass power generation (subject to the following requirements: Projects that use fuels that do not compete with food, Projects that use fuels that meet FIT/FIP system standards for life cycle GHG emissions, and in the case of imported biomass, Projects that use fuels that are derived from wood and wood products that are certified as sustainable (comply with statutory requirements) by the FSC, etc., geothermal power generation, and small hydropower generation (limited to projects that can be undertaken without large-scale development). However, eligible projects must be limited to those that are (i) launched or acquired within 36 months prior to the date of sustainable finance execution, and (ii) scheduled to commence on or after the date of sustainable finance execution.

• Green building

Expenditures and finance related to the purchase of assets, including land acquisition costs as well as planning, development, and construction costs, etc. that have acquired or are expected to acquire one of the following environmental certifications. However, eligible projects must be limited to (i) properties completed within 36 months prior to the date of sustainable finance execution, or properties that have obtained or renewed environmental certification, and (ii) those that are scheduled to acquire environmental certification after the date of the sustainable finance execution.

(a) LEED Platinum or Gold (v4 or later in the case LEED BD+C)

(b) CASBEE: CASBEE for Buildings: S rank/CASBEE for Real Estate: A or B+ rank

(c) DBJ Green Building Certification: 5, 4, or 3 stars

(d) BELS: (1) FY2016 standards: 5 or 4 stars (2) FY 2024 standards:

- Non-residential buildings: Level 6 to Level 4*1
- Residential buildings equipped with renewable energy systems: Level 6 to Level 3*2
- Residential buildings without renewable energy systems: Level 4 to Level 3*2

(*1) Properties with a building energy index (BEI) value higher than 0.75 for plants, etc. (including logistics warehouses).

(*2) New acquisitions of existing buildings built prior to 2016 are eligible for a Level 2 rating or above, whether equipped with renewable energy systems or not.

(e) BREEAM: Outstanding, Excellent, or Very Good (v6 or later in the case of BREEAM New Construction)

(Based on “social” eligibility criteria)

Proceeds will be used for new or existing expenditures as well as finance that meet one of the following eligibility criteria. Meanwhile, loans to subsidiaries SMFL LCI Helicopters Limited and SMFL MIRAI Partners Co., Ltd. shall fall within the scope of eligibility when those companies are involved.

• Access to essential services

Expenditures and finance related to the purchase of helicopters for the helicopter leasing business used mainly for emergency medical transportation as well as search and rescue, etc. However, eligible projects must be limited to (i) transactions initiated or equipment acquired within 36 months prior to the date of sustainable finance execution, and (ii) transactions scheduled to commence on or after the date of sustainable finance execution.

• Socio-economic improvement and empowerment

Expenditures and finance related to the leasing of business facilities and purchase of equipment in connection with efforts to promote a corporate membership satellite office service, ZXY, under a business development partnership agreement with XYMAX Corporation.

However, eligible projects must be limited to those that are (i) launched or acquired within 36 months prior to the date of sustainable finance execution, and (ii) scheduled to commence on or after the date of sustainable finance execution.

2. Process for project evaluation and selection

- The Treasury Department and specified department responsible for the project will make a selection after evaluating compliance with the eligibility criteria. The specified department responsible for the project will also serve in an advisory capacity throughout the evaluation and selection process.
- Final approval for the execution of sustainable finance is given by the executive responsible for the Treasury Department.

3. Management of proceeds

- The proceeds are allocated and managed by the Treasury Department. The allocation of the proceeds is tracked and managed quarterly using an internal file.
- If the balance of eligible projects falls below the outstanding amount of sustainable finance, other projects that meet the eligibility criteria are new selected and proceeds allocated.
- Pending full allocation, the unallocated proceeds will be held in cash or cash equivalents.

4. Reporting

- SMFL will disclose details of the appropriation of proceeds procured through sustainable finance on its website once a year for as long as the proceeds remain. Information will be disclosed in as detailed a manner as possible, taking into consideration confidentiality concerns.
- As far as funded projects are concerned, SMFL will issue reports on the following items annually within the scope of disclosure.
 - (a) Renewable energy
 - The amount of power generated and CO₂ emissions reduced
 - (b) Green building
 - The type and level of green building certification
 - (c) Access to essential services
 - Output: Overview and number of helicopters newly acquired
 - Outcome: Number of flight hours of helicopters held
 - (d) Socio-economic improvement and empowerment
 - Output: Overview and number of satellite offices operated by ZXY
 - Outcome: Number of satellite office corporate members and seats to which proceeds have been allocated
 - Impact: Contribution to the establishment of sustainable communities through the development and maintenance of essential local infrastructure, etc.