Evolving our company for a better future.

Planet. People. Prosperity.

Evolving our company for a better future.
“It is not the strongest species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.”

CHARLES DARWIN, 1809—1882
Aviation is a major contributor to global society and our economies, by building social connectivity, through the creation of millions of jobs and through the facilitation of trade and tourism. There is a growing sense of urgency that aviation needs to play its part in reducing global emissions. Though challenging, change is needed for protection of people and our planet. As facilitators of air travel, we are accountable and hold ourselves to the highest standards of ESG, not just for our business but for our customers, staff, our investors and our shareholders. Our initiatives align with the UN Sustainable Development Goals and we are prepared to measure our progress and be measured.

Aircraft leasing will have an increasingly influential role in the future of the industry. We must lead by example on all aspects of ESG and in particular on the critical issue of sustainability. The transition to a more sustainable aviation industry is going to move at a rate far in excess of anything seen before. Leadership will be a source of competitive advantage and we are committing resources to ensure that this is embedded into our business and core product offering.

We are in regular dialogue with our shareholders and customers to understand their needs on this issue, as we believe that working together to achieve our ambitious targets will reap the greatest reward. It is clear that the aviation industry has a duty to explore all avenues of ESG.

We have put strong structures in place, creating the highest standards in corporate governance. On the social side, we have forged long lasting links with our charity partners and have created a strong people and EDI programme. In relation to the environment, we recognise that we need to create similar frameworks and processes so that we can adhere to equally high standards.

SMBC Aviation Capital is committed to being part of the solution, helping airlines reduce their emissions through the leasing and financing of the most technologically advanced and fuel-efficient aircraft on the market and we will explore all options to help our sector reduce its environmental impact. The solution will not be any single action, but an all industry response. Our approach is outlined in this report. We must try everything and work together to ensure that aviation continues to play a positive and sustainable role in global society.

PETER BARRETT
CHIEF EXECUTIVE, SMBC AVIATION CAPITAL
During 2021, we undertook an independent stakeholder review to understand and prioritise our ESG issues. This was completed through online surveys and importantly through one to one interviews with members of staff and external stakeholders including customers, financial institutions, industry specialists, OEMs and suppliers. We are grateful to the time these people gave to our research and were encouraged by the commitment shown by our whole value chain to developing action plans in this space.

In total, 31 ESG areas of potential focus were identified by our stakeholders in relation to our industry and our business.

Based on the feedback received, these 31 items were plotted on a materiality matrix showing the relative importance to all stakeholders inside and outside our organisation. The findings of this materiality assessment have been foundational in the creation of our ESG strategy.
Materiality Assessment

More important to external stakeholders:
- Climate risk – technology
- Climate risk – market
- Climate risk – litigation
- Fleet-related materials and waste
- Local air quality
- Noise pollution
- Climate risk – physical
- Offsets – airlines
- Employment incentives and risk taking
- Strategic alignment to lobbying

High priority to all:
- Climate risk – policy
- Climate-related opportunities
- Whistle-blowing protection
- Climate risk – reputation
- Human rights
- Board composition
- Skills for the future
- Risk management
- Anti-corruption
- Equality, Diversity and Inclusion
- Employee health and well-being
- Decarbonisation of own operations
- Decarbonisation of fleet
- Community Engagement
- Data stewardship
- Corporate transparency
- Supply chain management
- Resource efficiency – own operations
- Green Procurement – own operations
- Offsets – own operations

Less important for all:
- Offsets – airlines
- Offsets – own operations

Importance to SMBC Aviation Capital:
- Environmental
- Social
- Governance
In 2019, the aviation industry created about 2.5% of the world's CO2 emissions, which is equivalent to the emissions of one of the ten largest countries in the world. Furthermore, as much of these emissions occur in the higher atmosphere, there is evidence to support these emissions having a disproportionate impact on the environment compared to what the simple numerical figure would imply. This percentage is set to rise over the coming years as other industries decarbonise at a faster rate and the aviation industry grows.

However, aviation is currently one of the hardest to abate sectors. There is no alternative emission free aviation technology available to replace the current generation of commercial jets and there is insufficient quantities of net zero sustainable aviation fuel (SAF) to replace standard aviation fuel.

With IATA predicting passenger growth of up to 3.8% per annum to 2040 (from 2019 levels) and airlines committing to reductions in emissions or net zero, it is clear something is going to have to happen to achieve both outcomes. In that context, we welcome ICAO’s carbon offsetting and reduction scheme for international aviation, CORSIA. This is a carbon offset scheme designed to cap net emissions (emissions less offsets) for international flights at 2019 levels. Although we believe CORSIA is to be welcomed, more concerted and immediate action is needed.

These actions come in the form of:

- Expanding of CORSIA to cover domestic flights
- Developing a technological solution for current emitting aircraft
- Creating suitable low carbon fuels to replace traditional jet fuel
- Contributing to meaningful actions and fundamental changes by all companies in the aviation industry

We recognise that aviation is a necessity for so many economies and for connecting people across the globe. While carbon offsets have a role, the longer term future of aviation is contingent on producing SAF because of its compatibility with existing aircraft technologies and in parallel, the development of new technologies, including hydrogen and electric aircraft. We accept that substantial investment, resources and commitment is required to develop meaningful solutions and our role as one of the world's largest aircraft leasing companies is to be at the forefront of this effort.

Ref Overview of ICAO’s Environment Work, ICAO 2015
SMBC Aviation Capital is launching a company-wide ESG strategy, to manage our own carbon footprint, help customers decarbonise across the aviation industry and to promote industry collaboration on climate issues. On the social side, we want to continue to have a positive social impact in the communities in which we work and to forge ahead with our plans around Equality, Diversity and Inclusion. We also want to ensure that our approach to corporate governance continues in line with best practice and ESG is incorporated into the framework.

This is the first key milestone in a strategy which will continue to evolve over the coming months and years. The next three years is crucial and that is why we are dedicating time and specialised resources to the delivery of this.

This will involve managing our carbon impacts by setting science based targets, and making disclosures in line with best practice TCFD (Taskforce on Climate-Related Financial Disclosures) reporting – demonstrating how we are prepared to measure and be measured on our progress. We are also aligning all of our initiatives with the UNSDGs.

We are well positioned to be part of an industry wide move to greener technology and lower emissions with our young, new technology aircraft and access to capital - which airlines require in order to migrate away from old technology.

Our current fleet consists of over 730 owned, managed and committed aircraft, of which 61% are the latest technology, fuel efficient aircraft types.

We have a target of making this total of up to 80% by end of fiscal 2024.

Today we are also committing to scope 3 net zero emissions by 2050, meaning that our portfolio will be made up of aircraft powered by SAF, electric propulsion and/or hydrogen fuel. Our intention is to be one of the first to invest in electric and/or hydrogen powered commercial passenger aircraft, which we hope will be possible in the next 15 years.

Our operations are already carbon neutral as we offset all of our own operational carbon emissions however, we will also continue to reduce our own operational footprint.

We will work with our customers on their decarbonisation journeys. We are providers of finance and can develop creative ways to help the industry to progress to SAF and zero emissions aircraft.

This is a collaborative effort and means working with OEMs, customers, our shareholders and representative bodies to deliver meaningful change.
THE THREE PILLARS OF OUR ESG STRATEGY

**ENVIRONMENTAL**
Playing our part in accelerating decarbonisation

- Reduce our carbon impact
- Manage our exposure to climate risk
- Accelerate our customers’ decarbonisation journey
- Collaborate to achieve a sustainable aviation future

**SOCIAL**
Investing in our people and championing inclusion

- Attract build and grow our people and instill a strong ESG culture
- Deliver our Future of Work programme
- Champion equality, diversity and inclusion
- Create a lasting legacy for people and communities

**GOVERNANCE**
Acting with integrity and committed to the strongest corporate governance

- Full compliance with legal and regulatory requirements
- Transparent and timely financial reporting
- Strong data protection and information security controls
- Robust governance, risk management and reporting framework, including ESG
“We must try everything and work together to ensure that aviation continues to play a positive and sustainable role in global society.”

PETER BARRETT, CEO
The world is changing. As we face the challenge of climate change, corporates must lead by example. Alongside governments, we have in our gift, the opportunity to create long term sustainability strategies that will change the way we operate for the good of the planet. At SMBC Aviation Capital, we are embracing all aspects of ESG by embedding it into our corporate strategy and into everything that we do.
FOUR ELEMENTS OF OUR ENVIRONMENTAL STRATEGY

REDUCE
our carbon impact

MANAGE
our exposure to climate risk

ACCELERATE
our customers’ decarbonisation journey

COLLABORATE
to achieve a sustainable aviation future
**PROGRESS AND PRIORITY ACTIONS**

01 — PROGRESS
We undertake an annual carbon audit and have taken action to reduce our emissions while offsetting all unabated emissions in 2019 and 2020. Our chosen offset provider is Vita (www.vita.ie), which specialises in environmental cookstove and clean water projects in Ethiopia and Eritrea.

02 — PROGRESS
We have spent time interviewing our customers to better understand how we can support them on their decarbonisation journey.

03 — PROGRESS
Our internal Sustainability Group commenced an education programme for employees and is building its knowledge in SAF and low carbon aircraft technologies.

01 — ACTION
We are investigating investment opportunities in measures to assist our customers on their decarbonisation journeys.

02 — ACTION
Our current portfolio is made up of 61% new technology aircraft, reducing carbon emissions by up to 20%. We are targeting up to 80% new technology aircraft by 2025*. We will commence TCFD reporting to provide investors with high quality climate risk information related to our business and industry.

03 — ACTION
We will set Science Based Targets to meet the goals of the Paris Agreement to reduce our average carbon intensity.

04 — ACTION
We will set Science Based Targets to meet the goals of the Paris Agreement to reduce our average carbon intensity.

* By net book value
### ENVIRONMENTAL ROADMAP TO 2050

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<th>2022-23</th>
<th>2024-25</th>
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<tr>
<td>Publicly report ESG performance in line with TCFD</td>
<td>Achieve up to 80% new technology fleet</td>
<td>Purchase and lease our first electric / hydrogen aircraft</td>
<td>Target 100% of fleet SAF-fueled or electric / hydrogen</td>
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<td>Actively assist customers on their decarbonisation journey</td>
<td>Create sustainable global offices</td>
<td>Target 50% of fleet SAF-fueled or electric / hydrogen</td>
<td>SMBC Aviation Capital to have net carbon zero value chain</td>
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<td>Set Science Based Targets</td>
<td>Report on Science Based Targets</td>
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<td>Introduce sustainable criteria in procurement procedures</td>
<td>Issue our first green financing / lease</td>
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<td>Support SAF off-take at scale</td>
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<td>Explore Carbon Capture and Storage</td>
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<td>Build links to next generation technology research for future opportunities</td>
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“Climate change is a fundamental problem that we must solve and not merely pass on to the generations to come... We can’t let our children and grandchildren look back on this critical period in time and say that we failed them.”

MARY ROBINSON, JUNE 2015
FOUR ELEMENTS OF OUR SOCIAL STRATEGY

ATTRACT
build and grow our people and instill a strong ESG culture

DELIVER
our Future of Work programme

CHAMPION
Equality, Diversity and Inclusion

CREATE
a lasting legacy for people and communities
PROGRESS AND PRIORITY ACTIONS

01 — ACTION
Investment will be made in additional programmes which raise awareness around unconscious bias and privilege.

02 — ACTION
We will set gender based objectives, including committing to industry related measurement programmes.

03 — ACTION
We have a strong community programme in place which has resulted in a €2m commitment since 2014 and 3,000 voluntary hours given by our people in 2019.

04 — ACTION
Additional resources will be channeled to our main charity partner BYC both financially and through a scholarship programme.

02 — PROGRESS
Our employee wellbeing programme, Elevate, has been in place since 2019 and focuses on mental and physical health and development for every stage of an employee’s career.

03 — PROGRESS
The company’s Equality, Diversity and Inclusion strategy has seen the development of new agile work practices where employees can opt to work from home up to three days per week.

04 — PROGRESS
Our sponsorship of the Your Gallery at School Programme with the National Gallery of Ireland enables more schools to gain access to the Gallery’s education programmes.

01 — PROGRESS
We have a strong community programme in place which has resulted in a €2m commitment since 2014 and 3,000 voluntary hours given by our people in 2019.

03 — PROGRESS
We will target 50% gender balance in our early career programmes.
Our people strategy is aligned with our business strategy and consists of three pillars –

**ATTRACT**
To be the best, we need to hire the best

- We actively strive for diversity in recruitment whether executed internally or externally.
- Our tri-annual surveys let us listen to our employees and respond quickly in areas that need focus or support.
- Our wellbeing programme, Elevate, provides employees with resources to support a healthy lifestyle.
- Our CSR and Sport & Social initiatives create a real community within and outside the company.

**BUILD**
Create a work environment that we are proud of

**GROW**
When our people grow, our business grows
“Mosaic” is our Equality Diversity and Inclusion (EDI) committee. It aims to create a workplace and wider industry that is representative of the world we live in, rich with all forms of diversity.

Our three pillars of embracing individuality, applying a global lens and awareness building ensure that we are ambitious in all of our initiatives.

We have recently established an agile working policy to allow our staff to work the best way that makes sense for them and our business.

In 2021, we celebrated Pride for the first time, setting up two weeks of events and initiatives and working with our LGBTQi colleagues to raise awareness of their challenges in the workplace.

We have also developed unconscious bias training for all our staff. We are committed to meaningful change. Measuring our impact is the only way this can be achieved and we have robust measurement in place to ensure that we are achieving desirable outcomes.
SOCIAL IMPACT

- We have invested over €2 million in community initiatives in the past 7 years, both in Ireland and overseas.
- Our staff of 200 dedicated almost 3,000 hours of their time in 2019 to worthy causes. Our key focus is providing educational supports and otherwise helping vulnerable children.
- We support BYC, a community led initiative to give under-privileged children in Dublin’s inner city education support outside of school hours.
- We also partner with Open Arms Malawi, Trinity Centre for intellectual disabilities and the Suas reading initiative for disadvantaged children.
- We also want to provide support at times of most need. During Covid-19, we pledged over $60K to charity partners that were most vulnerable as a result of the pandemic. This year we are part of the Aviation Coalition that has jointly donated $400K to support Covid-19 vaccination in 92 countries.
“We continue to work closely with SMBC Aviation Capital in partnership with communities in East Africa to provide access to life’s basic necessities.”

CIARA FEEHELY
HEAD OF FUNDRAISING AND COMMUNICATIONS, VITA
FOUR ELEMENTS OF OUR GOVERNANCE STRATEGY

**COMPLY**
fully with legal and regulatory requirements

**PROVIDE**
financial information in a timely and transparent manner

**PROTECT**
our data with strong security controls

**ENSURE**
robust governance and risk management reporting
PROGRESS AND PRIORITY ACTIONS

01 — PROGRESS
Since 2020, ESG has been an agenda item at our twice annual Executive Board meetings with regular updates to our shareholders on progress.

01 — ACTION
We will embed ESG into our corporate governance framework.

02 — ACTION
We will appoint dedicated resources to ensure that ESG is prioritised in the company.

03 — ACTION
We will introduce metrics to encourage strong performance in ESG across the organisation.
GOVERNANCE

- We have a compliance framework covering a range of areas including anti-money laundering, counter-terrorist financing, sanctions compliance, anti-fraud, anti-bribery, personal account dealing, data protection, competition law compliance, and whistleblowing.
- Timely financial information is provided to applicable authorities and our investor base is fully transparent.
- We engage in regular company-wide training in compliance and information security matters, with clear reporting lines.
- Our internal governance structures are robust, open and transparent. We conduct regular meetings of our boards and committees to consider transaction proposals.
- Our compliance, information security and other internal policies are regularly updated.
- Rigorous due diligence of customers and other counterparties is undertaken to ensure appropriate legal and ethical standards.
“One of our core behaviours is that we do the right thing in all business interactions.”

CATHARINE ENNIS
CHIEF LEGAL OFFICER, SMBC AVIATION CAPITAL
We are already well positioned to drive forward our ESG strategy as part of our overall corporate strategy. It is an investment in the future success of our business. Commitment to its delivery comes not just from our senior management and shareholders, but from all of our employees across each area of our business.

We need to challenge ourselves to drive change, enlisting the support of our stakeholders to deliver real and authentic outcomes. As we start on the journey, the path will become clear.
Our ESG Strategy is aligned with several of the UN Sustainable Development Goals, through our actions to date and our plans in the short term. Further work lies ahead - we must embed the SDGs in how we measure and report on ESG, and continually assess how our activities can further support these goals.
GLOSSARY OF TERMS

Carbon Offset/Carbon Credit
A reduction in emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere. One carbon offset can be used to account for one tonne of CO2e.

CCS
Carbon Capture & Storage.

CORSIA
Carbon Offsetting and Reduction Scheme for International Aviation developed by ICAO.

IATA
The International Air Transport Association.

ICAO
International Civil Aviation Organization.

Materiality Assessment
Materiality assessment is the process of identifying, refining, and assessing numerous potential environmental, social and governance issues that can affect business.

Net Zero
Refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere.

OEM
Original Equipment Manufacturer.

SAF
Sustainable Aviation Fuel.

SBTi
Science Based Targets initiative (SBTi) drives climate action in the private sector by enabling companies to set science-based emissions reduction targets.

SDG
United Nations Sustainable Development Goal (of which there are 17) which recognize that ending poverty and other social deprivations work in tandem with protecting the planet.