

# Sumitomo Corporation

**Type of Engagement:** Annual Review

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## Introduction

In September 2023 and May 2022, Sumitomo Corporation issued two green bonds (the “Green Bonds”)<sup>1</sup> to finance or refinance projects related to Renewable Energy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation and Energy Efficiency. In 2024, Sumitomo Corporation engaged Sustainalytics to review the projects financed with proceeds from the Green Bonds (the “Nominated Projects”) and provide an assessment as to whether the Nominated Projects met the use of proceeds criteria and the reporting commitments outlined in the Sumitomo Corporation’s Green Finance Framework (the “Framework”).<sup>2</sup> Sustainalytics provided a Second-Party Opinion on the Framework in February 2022.<sup>3</sup> This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in February 2023.<sup>4</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPIs) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Impact Indicators
<b>Renewable Energy</b>	<p>Funds for investment, development, construction, operation, and maintenance of the following renewable energy projects.</p> <ol style="list-style-type: none"> <li>i. Wind power generation</li> <li>ii. Solar power generation</li> <li>iii. Geothermal power generation (Direct emissions less than 100g-CO<sub>2</sub>/kWh)</li> </ol> <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>	<ol style="list-style-type: none"> <li>i. Environmental impact such as achieved reduction in CO<sub>2</sub> emissions (t-CO<sub>2</sub>)</li> <li>ii. Power generation capacity (MW)</li> </ol>
<b>Environmentally Sustainable Management of Living Natural</b>	<p>Acquisition of forests that have obtained the following certifications.</p>	<ol style="list-style-type: none"> <li>i. Forest area acquired (ha)</li> </ol>

<sup>1</sup> Sumitomo Corporation issued two green bonds i) First in May 2022, Sumitomo Corporation’s 60<sup>th</sup> unsecured bond and raised JPY 20 billion. ii) Second in September 2023, Sumitomo Corporation’s 64<sup>th</sup> unsecured bond raising JPY 10 billion.

<sup>2</sup> Sumitomo Corporation, “Green Finance Framework”, at: <https://www.sumitomocorp.com/jp/-/media/Files/hq/sustainability/greenfinance/framework.pdf?la=en>

<sup>3</sup> Sustainalytics, “Second-Party Opinion, Sumitomo Corporation”, (2022), at: [https://www.sustainalytics.com/docs/default-source/backend/sumitomo-corporation-green-finance-framework-second-party-opinion-\(2022\)\\_revised-in-july-2023.pdf?sfvrsn=415a8c5c\\_1](https://www.sustainalytics.com/docs/default-source/backend/sumitomo-corporation-green-finance-framework-second-party-opinion-(2022)_revised-in-july-2023.pdf?sfvrsn=415a8c5c_1)

<sup>4</sup> Sustainalytics, “Green Bond Annual Review, Sumitomo Corporation”, (2023), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-corporation-green-bond-2022-annual-review-\(2023\).pdf?sfvrsn=fc5d895\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-corporation-green-bond-2022-annual-review-(2023).pdf?sfvrsn=fc5d895_1)

<b>Resources and Land Use</b>	i. FSC (Forest Stewardship Council) certification	
<b>Clean Transportation</b>	Funds required for the following railway related projects. i. Operation and maintenance of urban passenger railway projects powered by electricity or with direct CO <sub>2</sub> emission less than 50g CO <sub>2</sub> /per passenger-km	i. Number of stations ii. Route distance (Km)
<b>Energy Efficiency</b>	Funds required for investment in upgrading mobile network to 5G from existing 4G or earlier generation, base station construction and operation necessary for providing base station sharing services centered on 5G to mobile operators. i. It is expected to have the effect of reducing environmental load through equipment sharing. In addition, compared to 4G, 5G communication technology is said to be more energy efficient, using less energy per traffic unit.	i. Case study introduction on 5G base station installation facility

## Issuer's Responsibility

Sumitomo Corporation is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the Green Bonds. The work undertaken as part of this engagement included collection of documentation from Sumitomo Corporation and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Sumitomo Corporation. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Sumitomo Corporation.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>5</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Sumitomo Corporation has disclosed to Sustainalytics that the proceeds from the Green Bonds were fully allocated as of December 2023.

<sup>5</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects funded with proceeds from the Green Bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects funded with proceeds from the Green Bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendix

Sumitomo Corporation issued two green bonds in May 2022 and September 2023 and raised JPY 20 billion and JPY 10 billion respectively. As of December 2023, 100% of the proceeds were allocated to finance or refinance the following projects.

**Table 3: Allocation of proceeds from the Green Bonds.**

Use of Proceeds Category	Overview of the Projects	Net Proceeds Allocation From 2022 Green Bond (JPY billions)	Net Proceeds Allocation From 2023 Green Bond (JPY billions)	Total Net Proceeds Allocation (JPY billions)
<b>Renewable Energy</b>	i. Offshore wind power generation in Europe.	5.2	7.9	13.1
	ii. Onshore wind power generation in Japan.			
	iii. Geothermal power generation in Southeast Asia.			
	iv. Solar power generation in Southeast Asia.			
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	Acquisition of forests with Forest Stewardship Council® certification through wholly owned subsidiary Summit Forests New Zealand Ltd.	5.1	2.1	7.2
<b>Clean Transportation</b>	Operation and maintenance of urban passenger railway project in southeast Asia.	8.2	0	8.2
<b>Energy Efficiency</b>	Investment in Sharing Design Inc., which provides base station sharing services centered on 5G to mobile operators.	1.5	0	1.5
<b>Total Net Proceeds Allocation</b>		<b>20</b>	<b>10</b>	<b>30</b>

**Table 4: Reported Impact from Green Bonds**

Use of Proceeds Category	Reported Impact
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>i. Environmental impact such as achieved reduction in CO<sub>2</sub> emissions (t-CO<sub>2</sub>): 514,425 tonnes.</li> <li>ii. Power generation capacity: 516 MW</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>i. Forest area acquired: 8,405 ha</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>i. Number of stations: 20</li> <li>ii. Route distance: Approximately 20 km</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>i. Case Study: Provided 5G base station sharing services to mobile carriers. Already launched in areas like Shibuya, Shimbashi, Shinjuku, Fukuoka and Aichi prefectures and aims for nationwide expansion.</li> </ul>

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