

Sumitomo Mitsui Banking Corporation

Type of Engagement: Annual Review

Date: 30 May 2019

Engagement Leaders:

Wakako Mizuta, wakako.mizuta@sustainalytics.com, (+81) 3 4571 2343

Marie Toyama, marie.toyama@sustainalytics.com, (+81) 3 4571 2343

Introduction

In December 2018, Sumitomo Mitsui Banking Corporation (SMBC) issued a green bond aimed at financing and refinancing expenditures related to renewable energy, energy efficiency, green buildings, clean transportation, and pollution prevention and control (the “Green Bond”). In May 2019, SMBC engaged Sustainalytics to review the projects funded through the Green Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation’s Green Bond Framework 2018 (the “Green Bond Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2018 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 list the associated KPIs.

Table 1: Use of Proceeds and Eligibility Criteria

SMBC is committed to allocate green bond proceeds to finance, in whole (or in part), existing and future qualifying environment-related projects (“Eligible Green Projects”). Eligible Green Projects may include projects in one or more of the categories in the table below.

Use of Proceeds	Eligibility Criteria
(A) Renewable Energy	The development, construction and operation of facilities that generate or transmit renewable energy, including: solar energy, wind energy, geothermal energy, biomass energy (restricted to sustainable feedstock and / or waste materials) and small run-of-river hydro facilities with generation capacity of 25 megawatts or less.
(B) Energy Efficiency	Energy-conservation equipment, including, but not limited to, LED lighting, efficient HVAC (heating, ventilating, and air conditioning), building insulation and energy demand control systems which improve energy efficiency. Projects that meet category (C) below are excluded from category (B) in order to avoid double counting.
(C) Green Buildings	New building construction or existing building retrofits which meet regional, national or internationally recognized third-party verified green building certifications, such as “LEED” (Leadership in Energy and Environmental Design), “BREEAM” (Building Research Establishment Environmental Assessment Methodology) or “CASBEE” (Comprehensive Assessment System for Built Environment Efficiency) to a levels of at least “LEED Gold”, “BREEAM Excellent” or “CASBEE A Level”.

¹ The Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation’s Green Bond Framework (2018): https://www.sustainalytics.com/wp-content/uploads/2018/11/SMFG_SMBC_Green-Bond-Framework-Overview_SPO_Final.pdf.

(D) Clean Transportation	Expenditure that supports the shift to clean energy vehicles (including electric vehicles and supporting infrastructure) and the development, operation and upgrade of public transportation facilities (including improvement to rail transport, bicycles and other non-motorised transport).
(E) Pollution Prevention & Control	Projects related to waste recycling (development, construction and/or operation of recycling facilities for municipal and industrial waste) and waste to energy (development, construction and/or operation of waste to energy power plants).

Table 2: Key Performance Indicators

Key performance indicators	
Impact Reporting	SMBC will annually publish on a dedicated website information and assessments relating to the environmental impacts of financed Eligible Green Projects outlined in the Use of Proceeds. The environmental impacts of financed Eligible Green Projects, where reported, may be calculated on a collective basis. Depending on project categories, SMBC is committed to reporting on the following metrics: • Tons of CO2 emission equivalent, • Amount of energy saved (kwh), or • Amount of waste recycled (tons)

Issuing Entity's Responsibility

SMBC is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of the projects, estimated and realized costs of the projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of SMBC's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from SMBC employees and review of documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by SMBC with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by SMBC.

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 over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted², nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects, funded through proceeds of SMBC's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. SMBC has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of 29 March 2019.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Green Bond in 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds Criteria.	None
Reporting Criteria	Verification of the projects funded by the Green Bond in 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on relevant KPIs per Reporting criteria.	None

Appendix 1: List of Project Categories Reviewed

#	Area of Project Category	Project Category	Number of Projects	Equator Principles Category	Agreement Date	Energy Sources	All projects in category meet Use of Proceeds Criteria
1	Renewable Energy	Solar Energy	5	Category B: 5 projects	Within last 24 months: 5 projects	NA	Yes
2	Renewable Energy	Wind Energy	4	Category B: 4 projects	Within last 24 months: 4 projects	NA	Yes
3	Renewable Energy	Biomass Energy	1	Category B: 1 project	Within last 24 months: 1 project	Confirmed that it was restricted to sustainable feedstock and / or waste materials	Yes

Appendix 2: List of Project Impact ³

#	Area of Project Category	Project Category	Number of Projects	Green Impact [total CO2 emissions Reduced (t-CO2/y)]	Green Impact SMBC share (t-CO2/y) ⁴	Capacity (MW)	KPIs for all projects in category meet Reporting Criteria
1	Renewable Energy	Solar Energy	5	98,910	48,871	148.26	Yes
2	Renewable Energy	Wind Energy	4	620,596	109,106	567.60	Yes
3	Renewable Energy	Biomass Energy	1	310,945	118,669	75.00	Yes

³ Estimated Annual Green Impact (CO2 emissions reduced) is calculated by the Japan Research Institute, using Sumitomo Mitsui Banking Corporation (SMBC) inputs and data from the International Energy Agency (IEA) and the Agency for Natural Resources and Energy.

⁴ The amount is calculated based on relevant financing proportion by SMBC to each project.

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Green Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider." The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

