Sumitomo Mitsui Banking Corporation (2018 Green Bond)

Type of Engagement: Annual Review
Date: July 22, 2020
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Introduction

In December 2018, Sumitomo Mitsui Banking Corporation (SMBC) issued a green bond aimed at financing and refinancing renewable energy, energy efficiency, green buildings, clean transportation, and/or pollution prevention and control projects (the "Green Bond"). In May 2020, SMBC engaged Sustainalytics to review the projects funded through the issued 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] This is Sustainalytics' second annual review of SMBC's Green Bond following the previous review in May 2019.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of 31 March 2020 based on whether the projects:

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 SMFG Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 lists 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) overview available at: 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 CO_2 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 projects, estimated and realized costs of 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 conducted,[2] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond 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. While SMBC disclosed to Sustainalytics its full allocation in March 2019, in May

[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.

2020 SMBC has confirmed to Sustainalytics that the proceeds of the green bond were reallocated to renewable energy projects in line with eligibility criteria under its Green Bond Framework and the allocation was completed as of 31 March 2020.

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 as of 31 March 2020 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 as of 31 March 2020 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 Use of Proceeds 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	4	Category B: 4 projects	Within last 24 months: 4 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 the sources were restricted to sustainable feedstock and waste materials	**Yes**

Appendix 2: List of Project Impact [3]

#	Area of Project Category	Project Category	Number of Projects	Green Impact [total CO_2 emissions Reduced (t-CO_2/y)]	Green Impact SMBC share (t-CO_2/y) [4]	Capacity (MW)	KPIs for all projects in category meet Reporting Criteria
1	Renewable Energy	Solar Energy	4	72,696	34,370	113.56	**Yes**
2	Renewable Energy	Wind Energy	4	570,928	100,917	515.60	**Yes**
3	Renewable Energy	Biomass Energy	1	298,370	113,870	75.00	**Yes**

[3] Estimated Annual Green Impact (CO_2 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.

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