

Sumitomo Mitsui Banking Corporation (2018 Green Bonds)

Type of Engagement: Annual Review

Date: May 25, 2023

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Introduction

In December 2018, Sumitomo Mitsui Banking Corporation ("SMBC") issued two green bonds aimed at financing projects related to Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and/or Pollution Prevention & Control (USD 227.8 million 4.5-Year Green Bond, and AUD 83.2 million 4.5-Year Green Bond, hereinafter the "2018 Green Bonds"). As of 31 March 2023, the proceeds were allocated to 10 renewable energy projects. In May 2023, SMBC engaged Sustainalytics to review the projects funded through the 2018 Green Bonds and assess whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Sumitomo Mitsui Financial Group/ Sumitomo Mitsui Banking Corporation's Green Bond Framework 2018 (the "Framework"). This is Sustainalytics' fifth annual review of SMBC's 2018 Green Bonds following the previous review in June 2022.¹

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds as of 31 March 2023 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on the impact indicators for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Eligibility Criteria, and associated impact indicators for the Use of Proceeds category to which the proceeds were allocated.

Table 1: Use of Proceeds, Eligibility Criteria, and associated impact indicators

Use of Proceeds	Eligibility Criteria	Impact indicators
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.	• Tons of CO₂ equivalent reduced

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, amounts allocated, and project impact.

¹ Sustainalytics' previous annual review of SMBC's 2018 Green Bonds is available at:

Annual Review (June 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-bond-2018-annual-review-\(2022\).pdf?sfvrsn=82f9b80_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-bond-2018-annual-review-(2022).pdf?sfvrsn=82f9b80_1)

Annual Review (May 2021): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-bond-2018-annual-review-\(2021\).pdf?sfvrsn=66250ada_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-bond-2018-annual-review-(2021).pdf?sfvrsn=66250ada_1)

Annual Review (July 2020): https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-bond-2018-annual-review.pdf?sfvrsn=b4d21b6a_3

Annual Review (May 2019): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-bond-2018-annual-review-\(2019\).pdf?sfvrsn=4d7839e8_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-bond-2018-annual-review-(2019).pdf?sfvrsn=4d7839e8_1)

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of SMBC's 2018 Green Bonds 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 Framework.

Sustainalytics has relied on the information and the facts presented by SMBC with respect to the projects in the eligible category. 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 2018 Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sumitomo Mitsui Financial Group/ Sumitomo Mitsui Banking Corporation's Green Bond Framework 2018. While SMBC disclosed to Sustainalytics its full allocation as at 31 March 2022, Sustainalytics conducted another round of review in May 2023 as there have been developments in the allocation of proceeds. SMBC has confirmed to Sustainalytics that the proceeds of the 2018 Green Bonds were reallocated to renewable energy projects in line with eligibility criteria under the Framework and the reallocation was fully completed as at 31 March 2023.

Detailed Findings

Table 2: Detailed Findings

Evaluation Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2018 Green Bonds as of 31 March 2023 to determine if projects were aligned with the Use of Proceeds Criteria outlined in the 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 2018 Green Bonds as of 31 March 2023 to determine if the impact of projects was reported in line with the impact indicators outlined in the Framework and above in Table 1.	All projects reviewed reported on impact indicators per Use of Proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description 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.

Appendix

Appendix 1: Impact Reporting³ and Allocation of Green Bond Proceeds

Project Category	Sub-category	Number of Projects	Impact Indicators		Loan Balance (USD-million) ⁴
			CO ₂ emission reduction amount (t-CO ₂ /y) ⁵	CO ₂ emission reduction amount (SMBC's contribution) (t-CO ₂ /y) ⁶	
Renewable Energy	Solar Energy	5	591,233	199,790	
Renewable Energy	Wind Energy	4	264,195	65,323	
Renewable Energy	Biomass Energy ⁷	1	76,699	29,271	
Total		10	932,127	294,384	292
Total Net Bond Proceeds from Green Bond issuance:					284
Total Net Bond Proceeds Unallocated:					0

³ Impact Reporting by SMBC is available at: <https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/>

⁴ The amount of loan balance is rounded to the nearest million. Converted to USD with the FX rate of 31 March 2023.

⁵ Estimated Annual Green Impact (CO₂ emissions reduced) is calculated by the Japan Research Institute, using inputs from various public data sources.

⁶ The amount is calculated based on relevant financing proportion by Sumitomo Mitsui Banking Corporation (SMBC) to each project.

⁷ SMBC has confirmed that the sources of the biomass energy project were restricted to sustainable feedstock and waste materials.

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