

Sumitomo Mitsui Finance and Leasing Company, Limited (2020 Green Bond)

Type of Engagement: Annual Review

Date: May 12, 2023

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Introduction

In March 2020, Sumitomo Mitsui Finance and Leasing Company, Limited ("SMFL") issued a green bond aimed at financing projects related to Renewable Energy and Green Buildings, (JPY 15 Billion 5-Year Green Bond, hereinafter the "2020 Green Bond"). As of 31 March 2023, the proceeds were allocated to two renewable energy projects. In May 2023, SMFL engaged Sustainalytics to review the projects funded through the 2020 Green Bond and assess whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Sumitomo Mitsui Finance and Leasing's Green Bond Framework (the "Framework").¹ This is Sustainalytics' third annual review of SMFL's 2020 Green Bond following the previous review in February 2022.²

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	Expenditures and finance related to purchasing, developing, constructing, or operating power generation facilities, as well as investment and lending relating to any of the following renewable energy power generation projects from (a) to (e): However, eligible projects must (i) be launched within 24 months prior to the date of green bond issuance, or (ii) expected to be launched after the date of green bond issuance. (a) Solar power generation (b) Wind power generation (c) Biomass power generation (Limited to projects that use sustainable feedstock or waste biomass resources) (d) Geothermal power generation (e) Small hydropower generation (Limited to projects with a capacity of 25 MW or less)	Amount of power generated (kWh: theoretical value based on output standard), and CO₂ emissions (t-CO₂: theoretical value based on output standard) reduced

¹ The Sumitomo Mitsui Finance and Leasing Green Bond Framework (Japanese only) is available at: <https://www.smfl.co.jp/future/environment/greenbond/>

² Sustainalytics' previous annual review of SMFL's 2020 Green Bond is available at:

Annual Review (February 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-finance-and-leasing-green-bond-2020-annual-review-\(2022\).pdf?sfvrsn=d3b95883_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-finance-and-leasing-green-bond-2020-annual-review-(2022).pdf?sfvrsn=d3b95883_1)

Annual Review (March 2021): https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-finance-and-leasing-company-limited-green-bond-annual-review.pdf?sfvrsn=f0cca5f7_3

Issuing Entity's Responsibility

SMFL 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.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of SMFL's 2020 Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from SMFL employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by SMFL with respect to the projects in the eligible categories. 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 SMFL.

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,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of SMFL's 2020 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sumitomo Mitsui Finance and Leasing's Green Bond Framework. SMFL has disclosed to Sustainalytics that the proceeds of the 2020 Green Bond were fully allocated 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 2020 Green Bond 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 2020 Green Bond 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

³ 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 Reporting⁴ and Allocation of Green Bond Proceeds

Project Category	Sub-category	Number of Projects	Impact Indicators		Net Bond Proceeds Allocation (JPY-million) ⁵
			Amount of annual power generated (kwh) ⁶	Amount of annual CO ₂ emissions reduced (t-CO ₂) ⁷	
Renewable Energy	Solar Energy	1	73,601,634	32,458	11,487
Renewable Energy	Wind Energy	1	59,372,827	26,183	3,436
Total		2	132,974,461	58,642	14,923
Total Net Bond Proceeds from Green Bond issuance ⁸ :					14,923
Total Net Bond Proceeds Unallocated:					0

⁴ Impact Reporting by SMFL is available at: <https://www.smfl.co.jp/future/environment/greenbond/>

⁵ The amount of net bond proceeds allocated to each category is rounded down to the nearest million JPY.

⁶ The figure is calculated by theoretical value based on output standard.

⁷ Ibid.

⁸ Green bond issuance amount of 15,000 million JPY less issuance expenses.

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

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