

Sumitomo Mitsui Banking Corporation (2018 Green Bonds)

Type of Engagement: Annual Review

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Introduction

In December 2018, Sumitomo Mitsui Banking Corporation (SMBC) issued two green bonds aimed at financing and/or refinancing projects related to Renewable Energy (USD 227.8mn 4.5-Year Green Bond, and AUD 83.2mn 4.5-Year Green Bond, hereinafter the “2018 Green Bonds”). As of March 31, 2022, the proceeds have been allocated to 11 projects related to Renewable Energy. In May 2022, 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’ fourth annual review of SMBC’s 2018 Green Bonds following the previous review in May 2021.¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of 31 March 2022 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. | <ul style="list-style-type: none"> • Tons of CO₂ emission equivalent |

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 reviews of the 2018 Green Bonds are available at:
 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 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 2018 Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. While SMBC disclosed to Sustainalytics its full allocation in May 2021, Sustainalytics conducted another round of review in May 2022 as there have been developments in the allocation of proceeds. SMBC has confirmed to Sustainalytics that the proceeds of the Green Bonds were reallocated to renewable energy projects in line with eligibility criteria under the Framework and the reallocation was fully completed as of 31 March 2022.

Detailed Findings

Table 2: Detailed Findings

| Eligibility 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 2022 to determine if projects 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 2022 to determine if the impact of projects was reported in line with the impact indicators outlined in the Framework and above in Table 1. For a list of impact indicators reported please refer to Appendix 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 Reporting and Allocation of Green Bond Proceeds

| Project Category | Sub-category | Number of Projects | Impact Indicators ³ | | Loan Balance (USD-mn) ⁴ |
|------------------|-----------------------------|--------------------|---|--|------------------------------------|
| | | | Total CO ₂ emissions Reduced (t-CO ₂ /y) ⁵ | SMBC share (t-CO ₂ /y) ⁶ | |
| Renewable Energy | Solar Energy | 5 | 234,127 | 65,029 | |
| Renewable Energy | Wind Energy | 5 | 955,928 | 200,165 | |
| Renewable Energy | Biomass Energy ⁷ | 1 | 280,977 | 107,232 | |
| Total | | 11 | 1,471,032 | 372,427 | 350 |

| | |
|--|-----|
| Total Net Bond Proceeds Unallocated: | 0 |
| Total Net Bond Proceeds from Green Bond issuance:⁸ | 290 |

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 March 31, 2022.

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.

⁸ Total net bond proceeds from the two green bonds, USD 227.8mn and AUD 83.2mn (converted to USD).

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