

Sumitomo Mitsui Banking Corporation (2022 Green Bonds)

Type of Engagement: Annual Review

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Introduction

In December 2022, 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 150 million 5-Year Green Bond, and AUD 52 million 5-Year Green Bond, hereinafter the “2022 Green Bonds”). As of 31 March 2023, the proceeds were allocated to two renewable energy projects. In May 2023, SMBC engaged Sustainalytics to review the projects funded through the 2022 Green Bonds and assess 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 Finance Framework, October 2022 (the “Framework”).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	<p>The development, construction and operation of facilities that generate renewable energy, including:</p> <ul style="list-style-type: none"> - Solar energy - Wind energy - Geothermal energy (restricted to those with direct CO₂ emissions of less than 100g CO₂/kWh) - Biomass energy power generation fueled by waste-derived materials or non-waste materials described below <ol style="list-style-type: none"> 1. Waste materials will be limited to residues from forestry and agriculture, residues of fishery resources (restricted to those from fishery and aquaculture companies that have obtained MSC (Marine Stewardship Council) or ASC (Aquaculture Stewardship Council) certification), waste from palm oil operations (limited to waste from palm oil suppliers that are certified by RSPO (Roundtable on Sustainable Palm Oil) or RSB (The Roundtable on Sustainable Biomaterials)), wastewater and sewage 	<ul style="list-style-type: none"> • Annual production capacity • Tons of CO₂ emissions equivalent avoided

¹ Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation’s Green Finance Framework (October 2022) is available at: https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/pdf/green_finance_framework_2022.pdf

	<p>sludge (excluding those derived from fossil fuel operations)</p> <p>2. Non-waste materials are restricted to sustainable feedstock not competing with food production and having less than 100g CO₂e/kWh of lifecycle GHG emissions. For projects that use wood and wood pellets, the feedstock will be limited to those provided by wood suppliers or power generators certified by the Forest Stewardship Council (FSC) or PEFC (Programme for the Endorsement of Forest Certification). For projects that use non-wood crops, the feedstock meets the following requirements.</p> <ul style="list-style-type: none"> • The production of feedstock does not take place on land with high biodiversity that has been converted to produce feedstock in the last 10-15 years. • Land with a high amount of carbon has not been converted for feedstock production. <p>Non-waste materials exclude palm oil, peat, uncertified materials, or materials sourced from unknown suppliers.</p> <p>- Small run-of-river hydro facilities (generation capacity of 25 megawatts or less). In a new development/construction project, SMBC Group will confirm that there is no significant negative impact on the environment and society by conduction environmental and social impact assessments.</p>	
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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.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of SMBC's 2022 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 2022 Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework, October 2022. SMBC has disclosed to Sustainalytics that the proceeds of the 2022 Green Bonds 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 2022 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 2022 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
			Capacity (MW)	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	Wind Energy	2	2,143	2,138,969	347,793	
Total		2	2,143	2,138,969	347,793	195
Total Net Bond Proceeds from Green Bond issuance:						185
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.

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