

Sumitomo Mitsui Banking Corporation (2023 Green Bonds)

Type of Engagement: Annual Review

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Introduction

In 2023, 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 507 million 3-Year Green Bond, and AUD 60 million 3-Year Green Bond, hereinafter the “2023 Green Bonds”). As of 31 December 2023, the proceeds were allocated to renewable energy projects. In 2024, SMBC engaged Sustainalytics to review the projects funded through the 2023 Green Bonds and assess whether the projects (the “Nominated 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 (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in October 2022.²

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	<p>The development, construction and operation of facilities that generate renewable energy, including:</p> <ol style="list-style-type: none"> i. Solar Energy ii. Wind Energy iii. Geothermal energy (restricted to those with direct CO₂ emissions of less than 100g CO₂/kWh) iv. Biomass energy power generation fueled by waste-derived materials or non-waste materials <ol style="list-style-type: none"> a. 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 	<ol style="list-style-type: none"> i. Annual production capacity (MW) ii. Tonnes of CO₂ emissions equivalent avoided

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

² Sustainalytics, “Sumitomo Mitsui Financial Group, Inc./Sumitomo Mitsui Banking Corporation’s Green Finance Framework SPO”, (2022), at: https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/pdf/framework_opinion_2022.pdf

	<p>RSB (The Roundtable on Sustainable Biomaterials)), wastewater and sewage sludge (excluding those derived from fossil fuel operations).</p> <p>b. 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> <p>i. 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.</p> <p>ii. Land with a high amount of carbon has not been converted for feedstock production.</p> <p>Non-waste materials exclude palm oil, peat, uncertified materials, or materials sourced from unknown suppliers.</p> <p>v. 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 conducting environmental and social impact assessments.</p>	
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Issuer's Responsibility

SMBC is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2023 Green bonds. The work undertaken as part of this engagement included collection of documentation from SMBC and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by SMBC. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 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 projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. SMBC has disclosed to Sustainalytics that the proceeds from the green bonds were fully allocated as of 31 December 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	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: Allocation and Reported Impact

Project Category	Sub-category	Number of Projects	Reported Impact		Loan Balance (USD million) ⁴
			CO ₂ emission reduction amount (t-CO ₂ e) ⁵	CO ₂ emission reduction amount (SMBC's contribution) (t-CO ₂ e) ⁶	
Renewable Energy	Wind Energy	8	2,327,412	172,848	
Renewable Energy	Solar Energy	3	86,744	40,088	
Total		11	2,414,156	212,936	558
Total Net Proceeds from the Green Bonds Issuance					548
Total Net Proceeds Unallocated					0

⁴ The loan balance is rounded to the nearest million. Converted to USD with the FX rate of 29 December 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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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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