

Sumitomo Mitsui Banking Corporation (Green Deposit)

Type of Engagement: Annual Review

Date: May 24, 2023

Engagement Team:

Shigeru Ogawa, shigeru.ogawa@sustainalytics.com, (+81) 3 4520 2193

Yukie Osari, yukie.osari@sustainalytics.com, (+81) 3 4520 2192

Introduction

In April 2021, Sumitomo Mitsui Banking Corporation (“SMBC” or the “Bank”) launched green deposit products (the “Green Deposits”) for its corporate clients. The Green Deposits required the Bank to hold the equivalent amount of proceeds raised from the Green Deposits to effectively finance eligible loans that are expected to create positive environmental impact (the “Eligible Loans”). In May 2023, SMBC engaged Sustainalytics to review a portfolio of the Eligible Loans funded through the proceeds raised from the Green Deposits (the “Eligible Portfolio”) and assess whether the Eligible Portfolio met the eligibility criteria outlined in the Sumitomo Mitsui Banking Corporation Green Deposit Framework, June 2022 (the “Framework”). The eligibility criteria, as a standalone document, were reviewed by Sustainalytics in May 2022 to verify the alignment with market practice.¹ This is Sustainalytics’ second annual review of SMBC’s Green Deposits following the previous review in May 2022.²

Evaluation Criteria

Sustainalytics evaluated the Eligible Portfolio funded with proceeds as of 31 March 2023 based on whether the Eligible Loans:

1. Met the eligibility criteria outlined in the Framework.

Table 1 lists the Categories, and Eligible Activities to which the proceeds were allocated.

Table 1: Categories, and Eligible Activities

Categories	Eligible Activities
Renewable Energy	<p>Acquisition, development, construction, operation, or maintenance of projects/assets generating electricity from:</p> <ul style="list-style-type: none"> i) Solar and wind (on and offshore), ii) Geothermal (subject to direct emissions threshold less than 100gCO₂/kwh) iii) Hydropower with an environmental and social impact assessment that ensures no significant controversy surrounding the project, and that meets one of the following criteria: <ul style="list-style-type: none"> - Run-of-river without artificial reservoir or low storage capacity - Facilities that became operational before 2019 with lifecycle emissions threshold 100gCO₂/kwh) - Facilities that became operational after 2020 with lifecycle emissions threshold 50gCO₂/kwh iv) Waste/Non-waste biomass (restricted to sustainable feedstock not competing with food production and/or waste materials and subject to exclusions listed in Section 2.2)

¹ The Sumitomo Mitsui Banking Corporation Green Deposit Framework is available at: https://www.smbc.co.jp/global/greendeposit/resources/pdf/index_pdf_01.pdf

² Sustainalytics’ previous annual review of SMBC’s Green Deposits is available at:

Annual Review (May 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-deposit-annual-review-\(2022\).pdf?sfvrsn=bc93f746_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-banking-corporation-green-deposit-annual-review-(2022).pdf?sfvrsn=bc93f746_1)

Sumitomo Mitsui Banking Corporation

Issuing Entity's Responsibility

SMBC is responsible for providing accurate information and documentation relating to the details of the Eligible Loans, including description of projects and amounts allocated.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the alignment of the Eligible Portfolio with the eligibility criteria defined in the Framework. 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 Eligible Loans. 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,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed Eligible Portfolio, funded through proceeds of SMBC's Green Deposits, is not in conformance with the eligibility criteria outlined in the Sumitomo Mitsui Banking Corporation Green Deposit Framework, June 2022. SMBC has disclosed to Sustainalytics that the proceeds of the Green Deposits were fully allocated as of 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 Eligible Portfolio funded by the Green Deposits as of 31 March 2023 to determine if the Eligible Loans aligned with the eligibility criteria outlined in the Framework and above in Table 1.	All Eligible Loans reviewed complied with the eligibility criteria defined in the Framework.	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 amounts allocated 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 of Green Deposit Proceeds (by Category)⁴

Category	Sub-Category	Net Proceeds Allocation (%)
Renewable Energy	Wind Energy	80
	Solar Energy	16
	Solar/Wind Energy	4
Total		100

⁴ SMBC provided a confidential summary of deposits and allocations to Sustainalytics, and Sustainalytics confirmed that all deposits were allocated to the Eligible Loans.

Disclaimer

Copyright ©2023 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1,500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

