

Sumitomo Corporation (2022 Green Bond)

Type of Engagement: Annual Review

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Introduction

In May 2022, Sumitomo Corporation issued a green bond aimed at financing projects related to Renewable Energy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, and Energy Efficiency (JPY 20 billion 10-Year Green Bond, hereinafter the “2022 Green Bond”). As of December 31, 2022, the proceeds were allocated to multiple projects related to Renewable Energy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, and Energy Efficiency. In January 2023, Sumitomo Corporation engaged Sustainalytics to review the project funded through the 2022 Green Bond and assess whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Sumitomo Corporation Green Finance Framework (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from May 2022 to December 2022 based on whether the project:

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>Funds for investment, development, construction, operation, and maintenance of the following renewable energy projects.</p> <ul style="list-style-type: none"> ▪ Wind power generation ▪ Solar power generation ▪ Geothermal power generation (Direct emissions less than 100g-CO₂/kWh) <p>In the case of investments in corporations, only corporations that specialize in the renewable energy/clean energy business or have at least 90% of their sales related to renewable energy/clean energy are eligible.</p>	<ul style="list-style-type: none"> ▪ Environmental impact such as achieved reduction in CO₂ emissions (t-CO₂) ▪ Power generation capacity (MW)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Acquisition of forests that have obtained the following certification</p> <ul style="list-style-type: none"> ▪ FSC (Forest Stewardship Council®) certification 	<ul style="list-style-type: none"> ▪ Forest area acquired (ha)
Clean Transportation	<p>Funds required for the following railway-related projects</p>	<ul style="list-style-type: none"> ▪ Number of stations ▪ Route distance (km)

¹ Sumitomo Corporation Green Finance Framework is available at: <https://www.sumitomocorp.com/jp/-/media/Files/hq/sustainability/greenfinance/framework.pdf?la=en>

	<ul style="list-style-type: none"> ▪ Operation and maintenance of urban passenger railway projects 	
Energy Efficiency	<p>Funds required for investment in base station construction and operation necessary for providing base station sharing services centered on 5G to mobile Operators</p> <p>* It is expected to have the effect of reducing environmental load through equipment sharing. In addition, compared to 4G, 5G communication technology is said to be more energy efficient, using less energy per traffic unit.</p>	<ul style="list-style-type: none"> ▪ Case study introduction on 5G base station installation facility

Issuing Entity's Responsibility

Sumitomo Corporation 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 Sumitomo Corporation's 2022 Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Sumitomo Corporation employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by Sumitomo Corporation 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 Sumitomo Corporation.

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 Sumitomo Corporation's 2022 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sumitomo Corporation Green Finance Framework. Sumitomo Corporation has disclosed to Sustainalytics that the proceeds of the 2022 Green Bond were fully allocated as at December 31, 2022.

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.

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 Bond from May 2022 to December 2022 to determine if the projects were aligned with the Use of Proceeds Criteria outlined in the Sumitomo Corporation Green Finance 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 Bond from May 2022 to December 2022 to determine if the impact of the projects was reported in line with the impact indicators outlined in the Sumitomo Corporation Green Finance Framework and above in Table 1.	All projects reviewed reported on impact indicators per Use of Proceeds criteria.	None

Appendix

Appendix 1: Allocation of Green Bond Proceeds

Use of Proceeds Category	Overview of Project	Net Bond Proceeds Allocation (Billion JPY)
Renewable Energy	<ul style="list-style-type: none"> Offshore wind power generation in Europe Onshore wind power generation in Japan Geothermal power generation in Southeast Asia 	5.2
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> Acquisition of FSC (Forest Stewardship Council®) certified forests through Summit Forests New Zealand Ltd, the wholly-owned subsidiary of Sumitomo Corporation 	5.1
Clean Transportation	<ul style="list-style-type: none"> Operation and maintenance of urban passenger railway in Southeast Asia 	8.2
Energy Efficiency	<ul style="list-style-type: none"> Investment in Sharing Design Inc., which provides base station sharing services centred on 5G to mobile operators 	1.5
Total Net Bond Proceeds Allocated:		20
Total Net Bond Proceeds Unallocated:		0
Total Net Bond Proceeds from Green Bond issuance:		20

Appendix 2: List of impact indicators³

Use of Proceeds Category	Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> Environmental impact such as achieved reduction in CO2 emissions (t-CO₂): 427,744 t-CO₂ Power generation capacity (MW): 475 MW
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> Forest area acquired (ha): 8,405 ha
Clean Transportation	<ul style="list-style-type: none"> Number of stations: 20 Route distance (km): Approximately 20 km
Energy Efficiency	<ul style="list-style-type: none"> Case study: Provided base station sharing services, mainly 5G, to mobile carriers. (Has already launched services in several areas in Japan including the Shibuya area, Shimbashi, Shinjuku, etc.)

³ Impact Reporting by Sumitomo Corporation is available at: <https://www.sumitomocorp.com/en/jp/sustainability/greenfinance>

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