

Sumitomo Mitsui Financial Group, Inc. (2019 Green Bond)

Type of Engagement: Annual Review

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Introduction

In May 2019, Sumitomo Mitsui Financial Group, Inc. (SMFG) issued a green bond aimed at financing and/or refinancing projects related to Renewable Energy and Pollution Prevention and Control (EUR 500mn 5-Year Green Bond, hereinafter the “2019 Green Bond”). As of March 31, 2022, the proceeds have been allocated to 12 projects related to Renewable Energy and Pollution Prevention and Control. In May 2022, SMFG engaged Sustainalytics to review the projects funded through the 2019 Green Bond 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 Bond Framework 2018 (the “Framework”). This is Sustainalytics’ third annual review of SMFG’s 2019 Green Bond 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
Pollution Prevention & Control	Projects related to waste recycling (development, construction and/or operation of recycling facilities for municipal and industrial waste) and waste to energy (development, construction and/or operation of waste to energy power plants).	

¹ Sustainalytics’ previous annual reviews of the 2018 Green Bond are available at:

Annual Review (May 2021) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2019-annual-review-\(2021\).pdf?sfvrsn=5a5b7aa9_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2019-annual-review-(2021).pdf?sfvrsn=5a5b7aa9_1)

Annual Review (July 2020) https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2019-annual-review.pdf?sfvrsn=cc432742_3

Issuing Entity's Responsibility

SMFG 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 SMFG's 2019 Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from SMFG employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by SMFG 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 SMFG.

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 SMFG's 2019 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. While SMFG 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. SMFG has confirmed to Sustainalytics that the proceeds of the Green Bond were reallocated to projects related to Renewable Energy and Pollution Prevention and Control 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 2019 Green Bond 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 2019 Green Bond 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 (EUR-mn) ⁴
			Total CO ₂ emissions Reduced (t-CO ₂ /y) ⁵	SMBC share (t-CO ₂ /y) ⁶	
Renewable Energy	Solar Energy	2	147,992	35,113	
Renewable Energy	Wind Energy	7	4,680,422	1,524,785	
Renewable Energy	Biomass Energy ⁷	2	1,444,324	320,988	
Pollution Prevention & Control	Waste to Energy	1	242,827	54,308	
Total		12	6,515,565	1,935,194	628

Total Net Bond Proceeds Unallocated:	0
Total Net Bond Proceeds from Green Bond issuance:	500

³ Impact Reporting by SMFG 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 EUR 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 SMFG has confirmed that the sources of biomass energy projects were restricted to sustainable feedstock and waste materials.

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