

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

Type of Engagement: Annual Review

Date: May 25, 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 May 2019, Sumitomo Mitsui Financial Group, Inc. (“SMFG”) issued a green bond aimed at financing projects related to Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and/or Pollution Prevention & Control (EUR 500 million 5-Year Green Bond, hereinafter the “2019 Green Bond”). As of 31 March 2023, the proceeds were allocated to nine renewable energy projects and one pollution prevention and control project. In May 2023, 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’ fourth annual review of SMFG’s 2019 Green Bond following the previous review in June 2022.¹

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	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.	• Tons of CO ₂ 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).	

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.

¹ Sustainalytics’ previous annual review of SMFG’s 2019 Green Bond is available at:

Annual Review (June 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2019-annual-review-\(2022\).pdf?sfvrsn=bd910543_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2019-annual-review-(2022).pdf?sfvrsn=bd910543_1)

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

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 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 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 Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Bond Framework 2018. While SMFG disclosed to Sustainalytics its full allocation as at 31 March 2022, Sustainalytics conducted another round of review in May 2023 as there have been developments in the allocation of proceeds. SMFG has confirmed to Sustainalytics that the proceeds of the 2019 Green Bond were reallocated to renewable energy projects and a pollution prevention and control project in line with eligibility criteria under the Framework and the reallocation was fully completed 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 2019 Green Bond 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 2019 Green Bond 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 (EUR-million) ⁴
			CO ₂ emission reduction amount (t-CO ₂ /y) ⁵	CO ₂ emission reduction amount (SMFG's contribution) (t-CO ₂ /y) ⁶	
Renewable Energy	Solar Energy	2	116,462	28,148	
Renewable Energy	Wind Energy	4	2,376,123	507,914	
Renewable Energy	Wind and Solar	1	808,793	105,066	
Renewable Energy	Biomass Energy ⁷	2	556,906	139,379	
Pollution Prevention & Control	Waste to Energy	1	204,700	45,781	
Total		10	4,062,985	826,287	500
Total Net Bond Proceeds from Green Bond issuance:					500
Total Net Bond Proceeds Unallocated:					0

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 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.

⁷ SMFG has confirmed that the sources of biomass energy projects were restricted to sustainable feedstock and waste materials.

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

