

# Sumitomo Mitsui Financial Group, Inc. (2021 Green Bond)

**Type of Engagement:** Annual Review

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## Introduction

In 2021, 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 (USD 500 million 3-Year Green Bond, hereinafter the “2021 Green Bond”). As of 31 December 2023, the proceeds were fully allocated to renewable energy projects. In 2024, SMFG engaged Sustainalytics to review the projects funded through the 2021 Green Bond 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 Bond Framework (the “Framework”). Sustainalytics provided a Second-Party Opinion on the Framework in November 2018.<sup>1</sup> This is Sustainalytics’ fourth annual review of SMFG’s 2021 Green Bond following the previous reviews in May 2021<sup>2</sup>, June 2022<sup>3</sup>, and May 2023<sup>4</sup>.

## 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 impact indicators**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>Renewable Energy</b>	<p>The development, construction and operation of facilities that generate or transmit renewable energy, including:</p> <ul style="list-style-type: none"> <li>i. Solar Energy</li> <li>ii. Wind Energy</li> <li>iii. Geothermal energy</li> <li>iv. Biomass energy (restricted to sustainable feedstock and / or waste materials)</li> <li>v. Small run-of-river hydro facilities (generation capacity of 25 megawatts or less).</li> </ul>	<ul style="list-style-type: none"> <li>i. Tonnes of CO<sub>2</sub> emission equivalent</li> </ul>

<sup>1</sup> Sustainalytics, “Sumitomo Mitsui Financial Group, Inc./Sumitomo Mitsui Banking Corporation Green Bond Framework SPO”, (2018), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/smfg\\_smbc\\_green-bond-framework-overview\\_spo\\_final.pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/smfg_smbc_green-bond-framework-overview_spo_final.pdf)

<sup>2</sup> Sustainalytics, “Annual Review”, (2021), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-\(2021\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-(2021).pdf)

<sup>3</sup> Sustainalytics, “Annual Review”, (2021), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-\(2022\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-(2022).pdf)

<sup>4</sup> Sustainalytics, “Annual Review”, (2023), at: [https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/pdf/202303\\_SustainalyticsReview\\_SMFG\\_2021e.pdf](https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/pdf/202303_SustainalyticsReview_SMFG_2021e.pdf)

## Issuer’s Responsibility

SMFG 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 2021 Green bond. The work undertaken as part of this engagement included collection of documentation from SMFG and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by SMFG. 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 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 of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>5</sup> 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. SMFG has disclosed to Sustainalytics that the proceeds from the green bond were fully allocated as of 31 December 2023.

## Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	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
<b>Reporting Criteria</b>	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

<sup>5</sup> Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. 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) <sup>6</sup>
			CO <sub>2</sub> emission reduction amount (t-CO <sub>2</sub> e) <sup>7</sup>	CO <sub>2</sub> emission reduction amount (SMFG's contribution) (t-CO <sub>2</sub> e) <sup>8</sup>	
Renewable Energy	Solar Energy	2	27,478	10,882	
Renewable Energy	Wind Energy	7	4,032,018	475,478	
Renewable Energy	Biomass Energy <sup>9</sup>	1	272,208	37,071	
<b>Total</b>		<b>10</b>	<b>4,331,704</b>	<b>523,430</b>	<b>539</b>
<b>Total Net Proceeds from the Green Bond Issuance</b>					<b>500</b>
<b>Total Net Proceeds Unallocated</b>					<b>0</b>

<sup>6</sup> The loan balance is rounded to the nearest million. Converted to USD with the FX rate of December 29 2023.

<sup>7</sup> Estimated Annual Green Impact (CO<sub>2</sub> emissions reduced) is calculated by the Japan Research Institute, using inputs from various public data sources.

<sup>8</sup> The amount is calculated based on relevant financing proportion by Sumitomo Mitsui Banking Corporation (SMBC) to each project.

<sup>9</sup> SMFG has confirmed that the sources of the biomass energy project were restricted to sustainable feedstock and/or waste materials.

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