

Second-Party Opinion

Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles 2021 and the Green Loan Principles 2021. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11, and 12.



PROJECT EVALUATION / SELECTION Sumitomo Mitsui Financial Group, Inc.'s IR Department and Sumitomo Mitsui Banking Corporation's Treasury Department decide the eligible projects for the green finance based on the Framework's eligibility criteria. The final decision will be made by the General Manager of Corporate Planning Department of Sumitomo Mitsui Financial Group, Inc. Sumitomo Mitsui Banking Corporation has in place environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Sumitomo Mitsui Financial Group, Inc.'s IR Department will monitor and manage the allocation of green finance proceeds once a year using an internal system. The net proceeds will be extended to Sumitomo Mitsui Banking Corporation in a form of an inter-group loan. Pending allocation, unallocated proceeds will be invested in overnight or other short-term financial instruments. This is in line with market practice.



REPORTING Until the full allocation of proceeds, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation will report on the allocation of proceeds and positive environmental impacts annually on its website. Allocation reporting will include the amount of allocated and unallocated proceeds, details of the projects funded, current funded amounts, and initial funding dates. Impact reporting will provide, to the extent practicable, quantitative and qualitative indicators on a project according to eligible categories. This is in line with market practice.

Evaluation date October 26, 2022¹

Issuer Location Tokyo, Japan

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Alignment with Japan's Green Bond Guidelines 2022 and Green Loans Guidelines 2022

Sustainalytics is of the opinion that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework is in line with the Expected Elements of Green Bonds section under the Green Bond and Sustainability Linked Bond Guidelines 2022 as well as the Expected Elements of Green Loans section under the Green Loan and Sustainability Linked Loan Guidelines 2022 (elements described with the word "should") developed by the Ministry of the Environment of Japan.

¹ This document is an update of the second-party opinion on Sumitomo Mitsui Financial Group, Inc./Sumitomo Mitsui Banking Corporation's Green Bond Framework published on December 20, 2021.

Introduction

Sumitomo Mitsui Financial Group, Inc. (SMFG) is the holding company of SMBC Group, and Sumitomo Mitsui Banking Corporation (SMBC) is the group's main operating bank. SMBC engages in the provision of financial services centered on banking. It operates through the following business segments: Wholesale, Retail, International, Market Sales, and Headquarters Management. The Bank was founded in April 2001. It is headquartered in Tokyo, Japan, with 473 branches (domestic and overseas) and over 27,000 employees (as of March 31, 2022).

SMFG and SMBC (hereinafter "SMFG/SMBC" or the "Group") have developed the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework (the "Framework") in October 2022. Under the Framework, SMFG/SMBC intend to issue green bonds and loans and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that generate environmental benefits. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Pollution Prevention and Control

SMFG/SMBC engaged Sustainalytics to review the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework, dated October 2022, and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)², the Green Loan Principles 2021 (GLP)³ and Japan's Green Bond Guidelines 2022 and Green Loan Guidelines 2022.⁴ This Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the GBP as administered by ICMA, the GLP as administered by LMA, APLMA and LSTA, and Japan's Green Bond Guidelines 2022 and Green Loan Guidelines 2022;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of SMFG/SMBC to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. SMFG/SMBC representatives have confirmed (1) they understand it is the sole responsibility of SMFG/SMBC to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁴ Ministry of the Environment, Japan, "Green Bond and Sustainability Linked Bond Guidelines 2022 + Green Loan and Sustainability Linked Loan Guidelines 2022" (Japanese only), at: <https://www.env.go.jp/content/000062495.pdf>

⁵ The Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework is available on SMFG's website at: <https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SMFG/SMBC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, SMFG/SMBC are encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that SMFG/SMBC have made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework

Sustainalytics is of the opinion that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework is credible and impactful, and aligns to the four core components of the GBP and GLP. Sustainalytics highlights the following elements of SMFG/SMBC's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and Pollution Prevention and Control – are aligned with those recognized by the GBP and GLP. Please see Section 3 for Sustainalytics' assessment of the impact of the use of proceeds.
 - SMFG/SMBC intend to allocate the proceeds to the financing of new projects as well as refinancing of existing projects. For refinancing, SMFG/SMBC have established a 24 months look-back period, which Sustainalytics views to be in line with market practice.
 - In the Renewable Energy category, SMFG/SMBC have defined that the green finance proceeds will be used to finance the development, construction and operation of facilities that generate renewable energy, including solar energy, wind energy, geothermal energy, biomass energy, and hydropower. In this category, Sustainalytics views positively the following points as being aligned with market practice:
 - Financing of solar and wind energy projects.
 - Regarding geothermal power projects, the proceeds will be allocated only to projects with direct CO₂ emissions of less than 100gCO₂/kWh.
 - With regard to the biomass power generation projects, the proceeds will be allocated to those fueled by waste-derived materials, or specific non-waste materials such as wood/wood pellets.
 - Waste-derived materials will be limited to residues from forestry and agriculture, residues of fishery resources, waste from palm oil operations, wastewater and sewage sludge. Fuels derived from fishery resources will be

restricted to those from fishery and aquaculture companies that have obtained the Marine Stewardship Council (MSC)⁷ or the Aquaculture Stewardship Council (ASC)⁸ certification, and waste derived from palm oil operations will be limited to waste from palm oil suppliers that are certified by the Roundtable on Sustainable Palm Oil (RSPO)⁹ or the Roundtable on Sustainable Biomaterials (RSB)¹⁰. The Group has also committed to excluding wastewater and sewage sludge which are derived from fossil fuel operations.

- In terms of non-waste materials, SMFG/SMBC will limit the allocation of proceeds to projects that use feedstock not competing with food production and having less than 100g CO₂e/kWh of lifecycle GHG emissions. For projects that use wood and wood pellets, the feedstock will be limited to those provided by wood suppliers or power generators certified by the Forest Stewardship Council (FSC)¹¹ or the Programme for the Endorsement of Forest Certification (PEFC)¹². For projects that use non-wood crops, SMFG/SMBC have confirmed to Sustainalytics that the feedstock meets the following requirements:
 - The production of feedstock does not take place on land with high biodiversity that has been converted to produce feedstock in the last 10-15 years.
 - Land with a high amount of carbon has not been converted for feedstock production.

SMFG/SMBC will also exclude palm oil, peat, uncertified materials, or materials sourced from unknown suppliers. Sustainalytics notes that it is market expectation to specify all certification schemes and encourages the Group to report on any certification schemes it intends to include in its eligibility criteria.

- For the hydropower generation projects, the proceeds will be allocated only to run-of-river power facilities without artificial reservoir or low storage capacity. The Group has made a commitment that, in case of new development/construction projects, environmental and social impact assessments by a credible body will be conducted to confirm that there is no significant controversy associated with the projects as well as negative impact on the environment and society. Refer to Section 2 for additional details on SMBC's risk mitigation process.
- In the Energy Efficiency category, SMFG/SMBC intend to allocate the proceeds to energy-conservation equipment, including, but not limited to, LED lighting, efficient Heating, Ventilating, and Air Conditioning (HVAC), building insulation and energy demand control systems which improve energy efficiency. Sustainalytics encourages SMFG/SMBC to report on estimated or achieved energy efficiency gains, where feasible.
- In the Green Buildings category, SMFG/SMBC will allocate the proceeds to:
 - The acquisition, development, and construction of residential and commercial properties and logistics facilities certified by a third party. Certification schemes eligible for the allocation of proceeds include LEED (Gold or above),¹³ BREEAM (Excellent or above),¹⁴ and CASBEE (A Rank or above).¹⁵ Sustainalytics considers that the establishment of eligibility criteria that limit the use of proceeds to properties with the levels of the aforementioned certification schemes is in line with market practice, as it will ensure the allocation of proceeds to green buildings that generate positive environmental impacts.
 - In terms of refurbishment/retrofit of existing buildings, SMFG/SMBC will allocate the proceeds to assets/projects that aim to achieve a 30% improvement in energy

⁷ Marine Stewardship Council, The MSC Fisheries Standards, at: <https://www.msc.org/>

⁸ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/>

⁹ The Roundtable on Sustainable Palm Oil, at: <https://rspo.org/>

¹⁰ The Roundtable on Sustainable Biomaterials, at: <https://rsb.org/?msclid=e8ed6e87c6cc11ec88b92ee2d6d3952a>

¹¹ Forest Stewardship Council, at: <https://ca.fsc.org/en-ca>

¹² Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>

¹³ Leadership in Energy and Environmental Design (LEED), at: www.usgbc.org/LEED

¹⁴ Building Research Establishment Environmental Assessment Methodology (BREEAM), at: <https://bregroup.com/products/breeam/>

¹⁵ Comprehensive Assessment System for Built Environment Efficiency (CASBEE), at: <https://www.ibec.or.jp/CASBEE/english/>

- efficiency and/or 30% reduction in GHG emissions compared to pre-refurbishment/retrofit performance. This is aligned with market practice.
- In the Clean Transportation category, SMFG/SMBC intend to allocate the proceeds to low-carbon vehicles as well as public transportation facilities.
 - In terms of low-carbon vehicles, SMFG/SMBC may allocate the proceeds to the development, manufacture, or purchase of zero emissions, non-fossil fuel-based vehicles such as electric vehicles (EVs) and fuel cell vehicles (FCVs). The Group may also allocate the proceeds to the acquisition, development, operation, and maintenance of charging infrastructure for EVs as well as hydrogen fueling infrastructure for FCVs. Sustainalytics considers that this is aligned with market practice.
 - Regarding the development, operation and upgrade of public transportation facilities, SMFG/SMBC may finance improvement to rail transport, bicycles and other non-motorised transport. Railway vehicles are limited to ones that use electricity as its power sources or that meet the threshold for direct CO₂ emissions (less than 50g CO₂/km per passenger or less than 25g CO₂/km per ton of cargo). Sustainalytics considers that this is in line with market practice. In addition, for the development, operation and upgrade of rail transport infrastructure, SMFG/SMBC have committed to limiting allocation of proceeds to facilities related exclusively to railways that meet the eligibility criteria. Sustainalytics considers such restrictions to be in line with market practice.
 - In the Pollution Prevention and Control category, SMFG/SMBC intend to allocate the proceeds to the development, construction and operation of waste recycling and waste-to-energy facilities.
 - Regarding waste recycling, SMFG/SMBC have committed to excluding chemical recycling of plastic. In the case of electronic waste recycling, the Group also has committed to implementing robust waste management processes to mitigate associated environmental and social risks, in accordance with local laws and regulations of a country where projects are located.
 - In terms of waste-to-energy, the Group has committed to ensuring the segregation of waste, separating majority of recyclables such as plastic and metal from other materials in the process of waste recycling as well as in the production of feedstock for waste-to-energy. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of zero-waste circular economy, i.e. waste prevention and recycling. Additionally, in order to have low emissions intensity of such projects, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that, due to current constraints of recycling in many parts of the world, energy from waste can offer better residual waste management option than landfills in many cases. Sustainalytics recommends SMFG/SMBC to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Within the Framework, SMFG/SMBC have established exclusionary criteria and have committed that, from the use of proceeds, it will exclude sectors, projects, and assets associated with: fossil fuel-based assets, fossil fuel based transportation / infrastructure and transportation with the main objective of transporting fossil fuel, defense and security, palm oil, wood pulp, nuclear power generation, coal-fired power generation as well as all mining and tobacco sectors.
 - Project Evaluation and Selection:
 - SMBC's Structured Finance Department selects the candidate projects that meet the criteria of Eligible Green Projects. From the list of the candidate projects, SMFG's IR Department and SMBC's Treasury Department decide the eligible projects for the green finance based on the Framework's eligibility criteria. Through this evaluation and selection process, SMFG/SMBC may consult with external consultants such as Japan Research Institute (JRI), a Group company, and rely on their data sources. The final decision will be made by the General Manager of Corporate Planning Department of SMFG.
 - SMBC has in place environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers these processes to be adequate. Refer to Section 2 for additional details.
 - Sustainalytics considers the Group's project evaluation and selection process to be aligned with market practice.

- Management of Proceeds:
 - SMFG's IR Department will monitor and manage the allocation of proceeds once a year using an internal system.
 - The net proceeds from the green finance will be extended to SMBC in a form of an inter-group loan. The Group intends to complete the allocation of proceeds to the Eligible Green Projects within 36 months after the issuance of the green bond. Pending allocation, unallocated proceeds will be invested in overnight or other short-term financial instruments.
 - SMFG/SMBC commit to allocating any of their green finance proceeds to projects that have been sold, prepaid, amortised or have otherwise become ineligible will be reallocated to other Eligible Green Projects as soon as practically possible.
 - Sustainalytics considers the Group's process for the management of proceeds to be in line with market practice.
- Reporting:
 - SMFG/SMBC will report on the allocation of proceeds and positive environmental impacts annually on its website until the full allocation of proceeds and as necessary thereafter in the event of new developments.
 - Allocation reporting will include the amount of proceeds allocated to Eligible Green Projects, details of the projects funded, current funded amounts, initial funding dates, and unallocated amount. In addition, SMFG/SMBC intend to receive assertions by management to confirm that the proceeds are invested in Eligible Green Projects or in overnight or other short-term financial instruments.
 - Impact reporting will provide, to the extent practicable, quantitative and qualitative indicators on a project portfolio basis. In the Renewable Energy category, the Group intends to report on production capacity (MW) and tons of CO₂ emissions equivalent avoided. In other Use of Proceeds categories where the adequate impact measurement is not the tons of CO₂ emissions equivalent avoided, some other appropriate indicators will be used in line with market best practices.
 - Based on the allocation and impact reporting on an annual basis, Sustainalytics considers the Group's reporting to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2022 and Green Loan Guidelines 2022

Sustainalytics is of the opinion that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework is in line with the Expected Elements of Green Bonds section under the Green Bond and Sustainability Linked Bond Guidelines 2022 as well as the Expected Elements of Green Loans section under the Green Loan and Sustainability Linked Loan Guidelines 2022 developed by the Ministry of the Environment of Japan. The guidelines communicate what an issuer should do to issue a credible green bond or loan. Sustainalytics assessed the alignment between the Framework and the elements described with the word "should" outlined in the respective Guidelines. For detailed information please refer to Appendix 1: Alignment with the Expected Elements of Green Bonds section under the Green Bond and Sustainability Linked Bond Guidelines 2022 as well as the Expected Elements of Green Loans section under the Green Loan and Sustainability Linked Loan Guidelines 2022.

Section 2: Sustainability Strategy of Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation

Contribution of Framework to SMFG/SMBC's sustainability strategy

SMFG/SMBC articulate its commitment to sustainability through its Sustainability Statement,¹⁶ with a focus on the following areas: (i) Environment, (ii) Community, and (iii) Next Generation.¹⁷ In line with the Statement,

¹⁶ Sumitomo Mitsui Financial Group, Inc., "SMBC Group Statement on Sustainability", at: https://www.smfg.co.jp/english/sustainability/group_sustainability/pdf/smbc_statement_on_sustainability_en.pdf

¹⁷ Sumitomo Mitsui Financial Group, Inc., "Priority Issues (Materiality)", at: <https://www.smfg.co.jp/english/sustainability/materiality/>

the Group announced the "SMBC Group GREEN x GLOBE 2030"¹⁸ in April 2020, which sets out 10-year KPIs for implementing environmental and social considerations in its business activities. In order to strengthen its measures against climate change, the Group formulated the "Roadmap Addressing Climate Change" to achieve a carbon-neutral society by 2050 and the "Action Plan STEP1" which sets out detailed initiatives for the period up to fiscal 2023.¹⁹ In August 2022, the Group announced an update of the Roadmap to the "Net Zero Transition Plan" and consolidate the Action Plan to further systematize a series of goals and actions for SMBC Group to achieve net zero emissions.²⁰ Within the Transition Plan, SMBC reveals the following targets related to climate change.

- Execute JPY 30 trillion of sustainable finance, including financing to support clients' transition toward net-zero emissions and projects targeting social impact, between the Fiscal Year 2020 (FY2020) to FY 2029. Of the target amount, JPY 20 trillion is planned to be directed toward green finance.
- Measure GHG emissions of SMBC Group's loan and investment portfolio (Scope 3) and set targets for emissions reduction toward 2030 and 2050 by FY2023.
- Achieve net zero in its group-wide operations (Scope 1 and 2) by 2030 and in its investment and loan portfolio (Scope 3) by 2050.
- To achieve carbon neutrality, phase out the project and corporate finance tied to coal-fired power generations by 2040 and support the transitions in the power and energy sector based on the mid-term (2030) financed emissions reduction targets which are aligned with the well-below 2°C scenario and 1.5°C scenario.

Through the Group Environmental Policy, SMBC Group is committed to providing financial products, information and solutions that support its client's efforts to address environmental problems. For example, SMBC has provided project finance for renewable energy projects in Japan and other countries, including solar, wind, biomass, geothermal, and hydroelectric power generation.²¹

In addition, SMBC Group is a signatory to various local and international sustainability initiatives such as the UN Global Compact, UNEP Finance Initiative (UNEP FI), Responsible Investment Principles (PRI), Principle of Responsible Banks (PRB), Glasgow Financial Alliance for Net-Zero (GFANZ), and Net-Zero Banking Alliance (NZBA).²²

Based on the above, Sustainalytics is of the opinion that the Framework is aligned with the Group's overall sustainability strategy and targets and will further SMFG/SMBC's efforts on its key sustainability priorities.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes, which may damage SMFG/SMBC's reputation as a lender to projects. Some key environmental and social risks associated with the eligible projects, could include risks related to biodiversity and land use change, water, land and air pollution, occupational health and safety, and community relations due to large-scale infrastructure and construction projects.

To assess and manage environmental and social risks associated with its investments and loans, the Group has in place a Credit Policy,²³ which includes the following policies and procedures for due diligence and monitoring:

- SMBC Group established restrictions and exclusionary criteria for businesses and sectors that are likely to have a significant impact on the environment and society. Through the policy, SMBC Group has committed to ensuring that there is no illegal deforestation, burning, or labor in accordance with local

¹⁸ Sumitomo Mitsui Financial Group, Inc., "SMBC Group GREEN x GLOBE 2030", at:

https://www.smfg.co.jp/english/sustainability/group_sustainability/globe2030/

¹⁹ Sumitomo Mitsui Financial Group, Inc., "Net Zero Transition Plan", at:

<https://www.smfg.co.jp/english/sustainability/materiality/environment/roadmap/>

²⁰ Sumitomo Mitsui Financial Group, Inc., "Response to climate change (Working on TCFD Recommendations)", at:

<https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/>

²¹ Sumitomo Mitsui Financial Group, Inc., "Promotion of Environmental Businesses", at:

<https://www.smfg.co.jp/english/sustainability/materiality/environment/business/>

²² Sumitomo Mitsui Financial Group, Inc., "Participation in Initiatives and Reference Guidelines", at:

https://www.smfg.co.jp/english/sustainability/group_sustainability/structure/

²³ Sumitomo Mitsui Financial Group, Inc., "Management of Environmental Risks", at:

<https://www.smfg.co.jp/english/sustainability/materiality/environment/risk/>

laws and regulations for businesses involving deforestation. Also, for large-scale farm development projects, SMBC will require project operators to publicly declare their compliance with NDPE (No Deforestation, No Peat, No Exploitation).²⁴ Moreover, SMBC has committed to restricting financing to new projects that are perceived to have a significant negative impact on wetlands specified in the Ramsar Convention and UNESCO-designated World Natural Heritage sites.²⁵

- The Procedures for Environmental and Social Risk Assessment sets out SMBC's policies and due diligence procedures in compliance with the Equator Principles (EP), a globally recognized framework to manage environmental and social risks associated with financing large-scale development projects. For loans that fall under the scope of EP, the Environmental and Social Risk Analysis Department (ESAD) confirms that requirements set by the EP are met and conducts site visits where necessary. For projects that meet certain conditions, the ESAD conducts an additional review based on SMBC's sector checklists. The results of the environmental and social risk assessments will be taken into consideration in the credit approval process. In terms of the Environmental Monitoring process, covenants in the financing agreement will include environmental and social considerations as a result of the review. The compliance with the EPs will be monitored during the life of the loan.²⁶
- Furthermore, SMBC Group sets out its Statement on Human Rights,²⁷ which commits to respecting human rights in accordance with international standards, including the Universal Declaration of Human Rights (UDHR) and the Guiding Principles on Business and Human Rights (UNGPR) by the United Nations. Regarding development projects, SMBC Group requires project operators to obtain Free, Prior and Informed Consent (FPIC) from indigenous peoples impacted by the project and give due consideration to the working conditions of the project.²⁸

Based on these policies, standards and assessments, Sustainalytics is of the opinion that SMFG/SMBC have implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local and global context.

Importance of renewable energy

In 2020, the amount of CO₂ emissions from the global electricity sector was 13.5 Gigatonne (Gt), which accounted for 40% of energy-related CO₂ emissions.²⁹ According to the International Energy Agency (IEA)'s Net Zero Emissions by 2050 Scenario (NZE),³⁰ a scenario in line with 1.5°C commitment under the Paris Agreement, the power sector needs to reduce CO₂ emissions by 7.6% annually on average by 2030.³¹ In 2020, however, the sector reduced CO₂ emissions only by 2.9%, significantly lower than the level suggested by the NZE.³² The NZE also requires the sector to dramatically increase the proportion of renewable energy in power generation from 29% in 2020 to more than 60% by 2030.³³

In Japan, renewable energy accounted for 19.8% of total electricity generation, while thermal power from fossil fuels accounted for 76.3% in the fiscal year (FY) 2020.³⁴ In April 2021, the Japanese government has committed to reducing greenhouse gas (GHG) emissions by 46% by FY2030 compared to FY2013.³⁵ The government aims to raise the share of renewable energy to 36-38% by FY2030, as part of its energy mix

²⁴ European Palm Oil Alliance, "No Deforestation, Peat, and Exploitation", at: <https://palmoilalliance.eu/ndpe-commitment/>

²⁵ Sumitomo Mitsui Financial Group, Inc., "Management of Environmental Risks", at: <https://www.smfg.co.jp/english/sustainability/materiality/environment/risk/>

²⁶ Sumitomo Mitsui Financial Group, Inc., "Working with the Equator Principles", at: <https://www.smfg.co.jp/english/sustainability/materiality/environment/risk/equator/>

²⁷ Sumitomo Mitsui Financial Group, Inc., "Respect for Human Rights", at: https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/

²⁸ Sumitomo Mitsui Financial Group, Inc., "Respect for Human Rights", at: https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/

²⁹ International Energy Agency (IEA), "Tracking Power 2021", at: <https://www.iea.org/reports/tracking-power-2021>

³⁰ International Energy Agency (IEA), "Net Zero Emissions by 2050 Scenario (NZE)", at: <https://www.iea.org/reports/world-energy-model/net-zero-emissions-by-2050-scenario-nze>

³¹ International Energy Agency (IEA), "Tracking Power 2021", at: <https://www.iea.org/reports/tracking-power-2021>

³² International Energy Agency (IEA), "Tracking Power 2021", at: <https://www.iea.org/reports/tracking-power-2021>

³³ International Energy Agency (IEA), "Renewable Power", at: <https://www.iea.org/reports/renewable-power>

³⁴ "Agency for Natural Resources and Energy, "FY2020 Energy Supply and Demand Report (Final Figures) (Japanese only)", at: <https://www.meti.go.jp/press/2022/04/20220415003/20220415003-1.pdf>

³⁵ Ministry of the Environment, "Japan's Nationally Determined Contribution (NDC)", at: https://www.env.go.jp/earth/ndc/JAPAN_NDC.pdf

consistent with its FY2030 GHG reduction target.³⁶ Furthermore, the government pledged to achieve net-zero GHG emissions by 2050 and has formulated the "Green Growth Strategy"³⁷ which describes the policy directions and action plans toward achieving carbon neutrality in 2050. In the strategy, the government states that it will promote the renewable energy installation, with the reference goal of achieving 50-60% renewable energy in the country's energy mix.

Under the Renewable Energy category, SMFG/SMBC intend to allocate green finance proceeds to projects related to solar energy, wind energy, geothermal energy, biomass energy, and hydropower. Considering the above, Sustainalytics is of the opinion that SMFG/SMBC's use of proceeds will contribute to reducing CO₂ emissions in the power sector globally and to the achievement of Japan's medium- to long-term climate goals.

Contribution to CO₂ reduction by promoting clean transportation

In 2021, the amount of CO₂ emissions from the global transportation sector was approximately 7.7 Gt, which accounted for around 37% of CO₂ emissions from end-use sectors.³⁸ According to the International Transport Forum (ITF), even if existing commitments by countries to decarbonizing transport are completely fulfilled, CO₂ emissions from the transportation sector are expected to increase by 16% by 2050 from the 2015 level due to an increase in transport demand.³⁹ The ITF requires that, in order to limit the global average temperature rise to 1.5°C, CO₂ emissions from the transportation sector be reduced by 70% from the 2015 level by 2050.⁴⁰ In addition, the IEA's "Net Zero by 2050—A Roadmap for the Global Energy Sector" states that to achieve the goal of net-zero emissions by 2050 on a global level, the market share of zero-emission vehicles, including EVs and FCVs, must be increased from 5% in 2020 to 64% by 2030 and 100% by 2050.⁴¹ It also states that railway transportation has the lowest energy consumption and CO₂ emission consumption among all motorized means of passenger transportation. Therefore, its share should be increased to 20% of all passenger transportation by 2050 toward achieving net zero emissions by 2050.⁴²

In FY2020, Japan's transportation sector emitted 185 Megatonne (Mt) of CO₂, accounting for 18% of the country's total emissions.⁴³ In conjunction with its latest National Determined Contribution (NDC) submitted to the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) in 2021, Japan set a goal to reduce the CO₂ emissions in the transportation sector by 35% by FY2030 compared to the FY2013 levels.⁴⁴ For the vehicles, within the Green Growth Strategy, the government has announced to replace all new cars in the market with electrified models, such as EVs, Hybrid Vehicles (HVs), Plug-in Hybrid Vehicles (PHVs), or FCVs by 2035, and apply the electrification policy to commercial vehicles in a phased manner. However, the new car sales' share in 2019 was 0.5% for EVs, 34.2% for HVs, 0.5% for PHVs, and 0.02% for FCVs, well below the 2035 target.⁴⁵ To accelerate the popularity of EVs the government is providing subsidies for the purchase of EVs and FCVs and the installation of charging infrastructure as well as by introducing tax breaks.⁴⁶ With regard to rail transportation, as railways emit less CO₂ than other transportation means, the Japanese government plans to achieve the sector's FY2030 reduction target by curbing automobile use through a modal shift to railways as well as improving the energy efficiency of railways. In terms of the CO₂ emission intensity, the CO₂ emissions per passenger of railways are about 87% less compared to automobiles

³⁶ Ministry of Economy, Trade and Industry, "Outline of the Basic Energy Plan (Draft)", at: https://www.enecho.meti.go.jp/committee/council/basic_policy_subcommittee/2021/046/046_004.pdf

³⁷ Ministry of Economy, Trade and Industry, "Green Growth Strategy through Achieving Carbon Neutrality in 2050 (Japanese only)", at: <https://www.meti.go.jp/press/2021/06/20210618005/20210618005-3.pdf>

³⁸ International Energy Agency (IEA), "Transport", at: <https://www.iea.org/topics/transport>

³⁹ International Transport Forum, "Executive Summary ITF Transport Outlook 2021" at: <https://www.itf-oecd.org/sites/default/files/transport-outlook-executive-summary-2021-english.pdf>

⁴⁰ International Transport Forum, "Executive Summary ITF Transport Outlook 2021" at: <https://www.itf-oecd.org/sites/default/files/transport-outlook-executive-summary-2021-english.pdf>

⁴¹ International Energy Agency (IEA), "Net Zero by 2050 A Roadmap for the Global Energy Sector", at: https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

⁴² International Energy Agency (IEA), "Net Zero by 2050 A Roadmap for the Global Energy Sector", at: https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

⁴³ Greenhouse Gas Emissions in Fiscal Year 2020 (Final Figures) (Japanese only), at: [https://www.nies.go.jp/whatsnew/GHG2020_Final_Main\(J\).pdf](https://www.nies.go.jp/whatsnew/GHG2020_Final_Main(J).pdf)

⁴⁴ "United Nations, "NDC Registry", at: [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/JAPAN_FIRST%20NDC%20\(UPDATED%20SUBMISSION\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/JAPAN_FIRST%20NDC%20(UPDATED%20SUBMISSION).pdf)

⁴⁵ Next Generation Vehicle Promotion Center, "Japanese Government's Long-Term Goals and Next-Generation Vehicle Penetration Targets"(Japanese only), at: http://www.cev-pc.or.jp/event/pdf/J_all_panel.pdf

⁴⁶ Ministry of Economy, Trade and Industry, "Subsidy for the promotion of introduction of clean energy vehicles and infrastructure" in the supplementary budget for FY2021 and "Subsidy for the promotion of introduction of clean energy vehicles" in the budget for FY2022."(Japanese only), at: https://www.meti.go.jp/policy/mono_info_service/mono/automobile/cev/cevr3/cevinfrastructure.html

and about 81.3% less than airplanes, and CO₂ emissions per ton of freight of railways are about 91% less than freight cars and about 43.6% less than vessels.⁴⁷

In the Clean Transportation category, SMFG/SMBC will allocate the green finance proceeds to projects related to zero-emission vehicles, railways, and other low-carbon transport. Based on the above, Sustainalytics is of the opinion that SMFG/SMBC's use of proceeds is expected to support the penetration of low-carbon means of transportation and contribute to the emission reduction in the global transportation sector.

Importance of green buildings

The building sector was responsible for approximately 36% of global energy use and 40% of global energy-related CO₂ emissions in 2020, according to the UN Environment Programme.⁴⁸ In Japan, the building sector was responsible for 30% of CO₂ emissions in 2020 with final energy consumption by buildings having increased by 15% from 1990 to 2020.^{49,50} In its NDC submitted in 2021, Japan committed to increasing its GHG emissions reduction target from 26% to 46% of the 2013 level and to achieving net zero emissions by 2050, including a target for reducing CO₂ emissions from residential, commercial and other buildings by 60% by 2030.⁵¹

Given the significant contribution of buildings in the country's total CO₂ emissions, the Japanese government has been working to strengthen energy-saving measures in buildings. Japan's Building Energy Efficiency Act of 2015 sets mandatory energy efficiency standards for large-scale non-residential buildings (2,000 m² or more).⁵² In 2019, the Act was amended also mandating compliance with the energy efficiency standards for medium-size non-residential buildings (300 m² or more).⁵³ The 2022 amendment of the Act mandates new construction of both non-residential and residential, irrespective of size, after 2025 to reach the zero-energy building or zero-energy house level.⁵⁴ These measures are expected to reduce building energy consumption by 8.89 million kL (kilolitres of fuel oil equivalent), which means approximately 100 terawatt-hours (TWh) by 2030 from 2013 levels.⁵⁵ Green buildings are significant contributors to energy saving with Japan having multiple certification programs promoting green buildings, such as, the BELS Certification Program, the CASBEE Certification Program and DBJ Green Building Certification Program. These programs assess energy-saving performance, resource conservation including a reduction in water use and waste, use of recycled resources, as well as consideration for the surrounding ecosystem.^{56,57,58}

Given the above, Sustainalytics is of the opinion that SMFG/SMBC's intended use of proceeds in the Green Building category is expected to reduce the environmental impact of the buildings in Japan as well as in the world and support the achievement of Japan's climate target through the reduction of energy consumption and CO₂ emissions derived from buildings.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework advances the following SDGs and targets:

³⁵ Ministry of Land, Infrastructure, Transport and Tourism, "Carbon dioxide emissions in the transport sector", at: https://www.mlit.go.jp/sogoseisaku/environment/sosei_environment_tk_000007.html

⁴⁸ Global Alliance for Buildings and Construction, "Global status report for buildings and construction", (2021) at: https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf

⁴⁹ Ministry of the Environment, "Greenhouse Gas Emissions in Fiscal Year 2020 (Final Figures) (Japanese only)", at: <https://www.env.go.jp/content/900518858.pdf>

⁵⁰ Ministry of Economy, Trade and Industry, "FY2020 Energy Supply and Demand Report (Revised Report)", at: https://www.meti.go.jp/english/press/2022/0415_001.html

⁵¹ "Japan's Nationally Determined Contribution (NDC)", (2021), at: [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/JAPAN_FIRST%20NDC%20\(UPDATED%20SUBMISSION\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/JAPAN_FIRST%20NDC%20(UPDATED%20SUBMISSION).pdf)

⁵² Ministry of Land, Infrastructure, Transport and Tourism, "Overview of the Act on the Improvement of Energy Consumption Performance of Buildings", (2016), at: <http://www.mlit.go.jp/common/001134876.pdf>

⁵³ IEA, "Japan's Roadmap to Carbon Neutrality in the Building and Housing Sectors", (2021), at: <https://iea.blob.core.windows.net/assets/993f67a2-054e-41ba-9adb-f782358a4e73/3.JapansRoadmaptoCarbonNeutralityintheBuildingandHousingSectors.pdf>

⁵⁴ Rethink Tokyo, 'Energy conservation architecture to be mandatory for Japan real estate from 2025', at: <https://www.rethinktokyo.com/news/2022/04/25/energy-conservation-architecture-be-mandatory-japan-real-estate-2025/1650839788>

⁵⁵ Ibid.

⁵⁶ CASBEE: <https://www.ibec.or.jp/CASBEE/english/>

⁵⁷ BELS (Japanese only): <https://www.hyoukakyukai.or.jp/bels/bels.html>

⁵⁸ DBJ: https://www.dbj.jp/en/service/program/g_building/

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation have developed the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework under which it may issue green bonds and loans and use the proceeds to finance and/or refinance projects related to Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and Pollution Prevention and Control. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide positive environmental impact.

The Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework is aligned with the overall sustainability strategy of the Group and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11, and 12. Additionally, Sustainalytics is of the opinion that SMFG/SMBC have adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation are well-positioned to issue green bonds and loans, and that the Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021, Green Loan Principles 2021 and Japan's Green Bond Guidelines 2022 and Green Loan Guidelines 2022.

Appendices

Appendix 1: Alignment with the Expected Elements of Green Bonds section under the Green Bond and Sustainability Linked Bond Guidelines 2022 as well as the Expected Elements of Green Loans section under the Green Loan and Sustainability Linked Loan Guidelines 2022

Four elements	Alignment	Sustainalytics' comments
1. Use of Proceeds	Yes	Eligible project categories (Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and Pollution Prevention and Control) described in the Framework are recognized by Japan's Green Bond Guidelines 2022 and Green Loan Guidelines 2022 as project categories with clear environmental benefits. In the Framework, SMFG/SMBC also provide details of the use of proceeds, along with their measures to manage and mitigate environmental risks associated with the eligible projects, allowing investors to access in advance. Furthermore, SMFG/SMBC have confirmed to Sustainalytics that in the event of refinancing assets that require long-term maintenance through multiple issuances of green bonds or execution of green loans, they will disclose the assets' age, remaining useful life, and the amount to be refinanced, evaluate the long-term sustainability of environmental benefits, and obtain, if necessary, a third-party evaluation. Moreover, the Group has committed that, if part of a multiple tranche of a loan is a green loan, the green tranche will be clearly designated and tracked in an appropriate manner.
2. Process for Project Evaluation and Selection	Yes	In the Framework, SMFG/SMBC explain environmental goals that they aim to achieve through the issuance of green bonds and the execution of green loans. They also describe, in the Framework, the eligibility and exclusionary criteria as well as the process for assessing and selecting eligible projects.
3. Management of Proceeds	Yes	In the Framework, SMFG/SMBC explain that, until the maturity of green finance, SMFG's IR Department will monitor and manage the allocation of proceeds once a year using an internal system. The Group intends to complete the allocation of proceeds to the Eligible Green Projects within 36 months after the issuance of green bonds and the execution of green loans. Pending allocation, unallocated proceeds will be invested in overnight or other short-term financial instruments.
4. Reporting	Yes	In the Framework, SMFG/SMBC describe that they will report on the allocation of proceeds and positive environmental impacts annually on its website, until the full allocation of proceeds, and on a timely basis in case of material developments thereafter. Allocation reporting will include the amount of proceeds allocated to Eligible Green Projects, details of the projects funded, unallocated amount, expected timing of allocation, and management method of unallocated proceeds to the extent practicable. Impact reporting will provide, to the extent practicable, quantitative and qualitative indicators. In the Renewable Energy category, the Group intends to report on production capacity (MW) and tons of CO ₂ emissions equivalent avoided. In other Use of Proceeds categories, appropriate indicators will be reported in line with market best practices.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 26, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles 2021 and the Green Loan Principles 2021. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11, and 12.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Sumitomo Mitsui Financial Group, Inc.'s IR Department and Sumitomo Mitsui Banking Corporation's Treasury Department decide the eligible projects for the green finance based on the Framework's eligibility criteria. The final decision will be made by the General Manager of Corporate Planning Department of Sumitomo Mitsui Financial Group, Inc. Sumitomo Mitsui Banking Corporation has in place environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Sumitomo Mitsui Financial Group, Inc.'s IR Department will monitor and manage the allocation of green finance proceeds once a year using an internal system. The net proceeds will be extended to Sumitomo Mitsui Banking Corporation in a form of an inter-group loan. Pending allocation, unallocated proceeds will be invested in overnight or other short-term financial instruments. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

Until the full allocation of proceeds, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation will report on the allocation of proceeds and positive environmental impacts annually on its website. Allocation reporting will include the amount of allocated and unallocated proceeds, details of the projects funded, current funded amounts, and initial funding dates. Impact reporting will provide, to the extent practicable, quantitative and qualitative indicators on a project according to eligible categories. This is in line with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify): details of the projects funded, current funded amounts, initial funding dates, and unallocated amount. In addition, management's assertions to confirm that the proceeds are invested in Eligible Green Projects or in overnight or other short-term financial instruments

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): annual production capacity of renewable energy projects

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): SMFG's website

- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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