

# Sumitomo Mitsui Financial Group, Inc. (2017 Green Bond)

**Type of Engagement:** Annual Review

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## Introduction

In October 2017, Sumitomo Mitsui Financial Group, Inc. (SMFG) issued a green bond aimed at financing and refinancing renewable energy projects (the “Green Bond”). In April 2021, SMFG engaged Sustainalytics to review the projects funded through the issued Green Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the SMFG Green Bond Framework (the “Green Bond Framework”).<sup>1</sup> This is Sustainalytics’ fourth annual review of SMFG’s Green Bond following the previous review in July 2020.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of 31 March 2021 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on Key Performance Indicators (KPIs) for the Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 lists the associated KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
<b>Renewable Energy</b>	The development, construction and operation of facilities that generate or transmit renewable energy, including: solar energy, wind energy, geothermal energy, biomass energy and small run-of-river hydro facilities with generation capacity of 25 megawatts or less.

**Table 2: Key Performance Indicators**

Key performance indicators	
<b>Impact Reporting</b>	<ul style="list-style-type: none"> <li>• Tons of CO<sub>2</sub> equivalent reduced</li> <li>• Metrics chosen upon category of financed Eligible Green Projects</li> </ul>

## 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 Green Bond Use of Proceeds. The work undertaken as part of this

<sup>1</sup> SMFG Green Bond Framework (2017) overview available at: [https://www.sustainalytics.com/wp-content/uploads/2017/09/SMFG\\_Green-Bond-Framework-and-Opinion\\_final.pdf](https://www.sustainalytics.com/wp-content/uploads/2017/09/SMFG_Green-Bond-Framework-and-Opinion_final.pdf)

engagement included collection of documentation from SMFG employees and review of documentation to confirm the conformance with the Green Bond 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,<sup>2</sup> 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 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. While SMFG disclosed to Sustainalytics its full allocation in July 2020, Sustainalytics conducted another review in May 2021 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 renewable energy projects in line with eligibility criteria under the Green Bond Framework and the reallocation was fully completed as of 31 March 2021.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the Green Bond as of 31 March 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the Green Bond as of 31 March 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on KPIs outlined in the reporting criteria.	None

<sup>2</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, 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.

## Appendices

### Appendix 1: List of Project Categories Reviewed

#	Area of Project Category	Project Category	Number of Projects	Equator Principles Category	Agreement Date
1	Renewable Energy	Solar Energy	7	Category B: 6 projects  Category C: 1 project	Within last 24 months: 6 projects  After the issuance: 1 project
2	Renewable Energy	Wind Energy	9	Category B: 8 projects  Category C: 1 project	Within last 24 months: 3 projects  After the issuance: 6 projects

### Appendix 2: List of Project Impact<sup>3</sup>

#	Area of Project Category	Project Category	Number of Projects	Green Impact [total CO <sub>2</sub> emissions Reduced (t-CO <sub>2</sub> /y)]	Green Impact SMBC share (t-CO <sub>2</sub> /y) <sup>4</sup>	Capacity (MW)
1	Renewable Energy	Solar Energy	7	1,025,720	184,793	1,027.90
2	Renewable Energy	Wind Energy	9	2,492,094	250,630	2,929.90

<sup>3</sup> Estimated Annual Green Impact (CO<sub>2</sub> emissions reduced) is calculated by the Japan Research Institute, using SMFG's inputs and data from the International Energy Agency (IEA) and the Agency for Natural Resources and Energy.

<sup>4</sup> The amount is calculated based on relevant financing proportion by Sumitomo Mitsui Banking Corporation (SMBC) to each project.

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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. The firm 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. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

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