

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 refinancing renewable energy and pollution prevention and control 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 Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation’s Green Bond Framework (the “Green Bond Framework”).¹ This is Sustainalytics’ second 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 the Key Performance Indicator (KPI) 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
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.
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).

Table 2: Key Performance Indicator

Key performance indicator	
Impact Reporting	<ul style="list-style-type: none"> • Tons of CO₂ emission equivalent

¹ The Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation’s Green Bond Framework (2018) overview available at: https://www.sustainalytics.com/wp-content/uploads/2018/11/SMFG_SMBC_Green-Bond-Framework-Overview_SPO_Final.pdf

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 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,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 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

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	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
Reporting Criteria	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 KPI 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 the KPI outlined in the reporting 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, 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	Energy Sources
1	Renewable Energy	Solar Energy	2	Category B: 2 projects	Within last 24 months: 2 projects	NA
2	Renewable Energy	Wind Energy	7	Category B: 7 projects	Within last 24 months: 7 projects	NA
3	Renewable Energy	Biomass Energy	2	Category B: 2 projects	Within last 24 months: 2 projects	Confirmed that the sources were restricted to sustainable feedstock and waste materials
4	Pollution Prevention & Control	Waste to Energy	1	Category B: 1 project	Within last 24 months: 1 project	NA

Appendix 2: List of Project Impact³

#	Area of Project Category	Project Category	Number of Projects	Green Impact [total CO ₂ emissions Reduced (t-CO ₂ /y)]	Green Impact SMBC share (t-CO ₂ /y) ⁴	Capacity (MW)
1	Renewable Energy	Solar Energy	2	158,409	37,790	158.44
2	Renewable Energy	Wind Energy	7	3,914,217	1,030,689	3,472.3
3	Renewable Energy	Biomass Energy	2	1,419,886	313,713	274.95
4	Pollution Prevention & Control	Waste to Energy	1	147,488	32,985	36.00

³ Estimated Annual Green Impact (CO₂ 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.

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

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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. 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.

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The
Green Bond
Principles