

Framework Overview and Second-Party Opinion Sumitomo Mitsui Financial Group, Inc./ Sumitomo Mitsui Banking Corporation’s Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Sumitomo Mitsui Financial Group, Inc. (SMFG) and/or Sumitomo Mitsui Banking Corporation’s (SMBC) Green Bond is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Renewable Energy, Clean Transportation, Energy Efficiency, Green Buildings, and Pollution Prevention and Control are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals 3, 7, 9 and 11.



PROJECT EVALUATION / SELECTION PROCESS Eligible projects are reviewed and selected by SMBC’s Structured Finance Department based on eligibility criteria, and the decision will be made by SMFG’s Corporate Treasury Department and SMBC’s Planning Department Treasury Unit. This is in line with market standard



MANAGEMENT OF PROCEEDS The proceeds of the green bond will be monitored by internal systems that ensures an amount equal to the net proceeds from Green Bonds to be allocated to assets that meet SMFG/SMBC’s criteria of Eligible Green Projects. This is in line with market standard.



REPORTING SMFG/SMBC intend to report allocation proceeds on its website on an annual basis and receive assertions by management to confirm that the proceeds are invested in eligible projects or in financial instruments. Sustainalytics considers receiving management’s assertion is in line with market best practice. With respect to impact reporting, SMFG/SMBC are committed to reporting environmental impact indicators such as the tons of CO₂ emission equivalent, amount of energy saved (kwh), or amount of waste recycled (tons), which is in line with market standard..

Evaluation date	November 21, 2018
Issuer Location	Tokyo, Japan

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For inquires, contact the Sustainable Finance Solutions project team:

Wakako Mizuta (Tokyo)
Project Manager
wakako.mizuta@sustainalytics.com
(+81) 3 4510 7979

Trisha Taneja (Toronto)
Product Manager
trisha.taneja@sustainalytics.com
(+1) 647 317 3695

Alignment with Japan’s Green Bond Guidelines 2017

Sustainalytics is of the opinion that the SMFG/SMBC’s Green Bond Framework are in line with the ICMA Green Bond Principles. In addition, the Japanese Green Bond Guidelines communicate what an issuer should do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between SMFG/SMBC’s Green Bond Framework and the requirements of items outlined in the Japan’s Green Bond Guidelines.

Introduction

Sumitomo Mitsui Financial Group, Inc. (SMFG) and Sumitomo Mitsui Banking Corporation's (SMBC), its wholly owned subsidiary, have developed a Green Bond Framework that allows both SMFG and SMBC respectively issue Green Bonds. Proceeds of the Green Bonds issued would be used to finance and refinance expenditures related to renewable energy, energy efficiency, green buildings, clean transportation, and pollution prevention and control.

SMFG/SMBC engaged Sustainalytics to review its Green Bond Framework and provide a second-party opinion on the alignment of the green bond with the Green Bond Principles 2018 (the "GBP"), as administered by the International Capital Market Association (the "ICMA"),¹ and the framework's environmental credentials.

As part of this engagement, Sustainalytics held conversations with various members of SMFG and SMBC's corporate sustainability team and treasury team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of their green bonds. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains two sections: Framework Overview – summary of SMFG/SMBC's Green Bond Framework; and Sustainalytics' Opinion – an opinion on the Green Bond framework.

Overview of Issuer

SMFG is the holding company of SMBC Group, which is one of the three largest banking groups in Japan and SMBC is the main operating bank. SMFG is designated a "global systemically important bank (G-SIB)" in recognition of its broad range of financial services in both domestic and overseas markets. In the conduct of its business activities, SMBC Group aims to contribute to the sustainable development of our society by offering higher added value to (1) customers, (2) shareholders and the market, (3) the environment and society, and (4) employees.

SMBC Group identifies Corporate Social Responsibility (CSR) as the foundation of the group's business strategies, with a particular focus on "Environment", "Next Generation" and "Community" as core components of its CSR activities. Environmental activity of the Group is typically categorised into three pillars: i) promoting environmental business, ii) managing environmental risk, and iii) reducing environmental impact.

With regards to the environment initiatives i) and ii) above, SMBC adopted the Equator Principles in 2005 and has since set its internal procedures to assess the social and environmental risks arising from large-scale project finance. Based on this environmental and social risk management framework, SMBC extends environmental business loans and project finance loans, including loans for renewable energy projects which are diversified in terms of types and area. SMBC was named the Sustainable Bank of the Year Asia 2013; making SMBC the first Japanese bank to receive this prestigious award.

In order to accelerate the Group's environmental initiatives, SMBC issued its debut Green Bond in October 2015 – the USD-denominated Green Bond which marked the first offering by a Japanese private financial institution. Subsequently, SMFG issued its inaugural Green Bond – the first Green Bond offering in accordance with Green Bond Guidelines 2017 established by the Ministry of the Environment, Japan. The Group's commitment to its environmentally friendly investments is reflected in the Group's plan to continue Green Bond issuance in years to come. The criteria for the Eligible Green Projects are outlined in the Framework Overview section below.

Framework Overview

¹ ICMA's Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

Sumitomo Mitsui Financial Group, Inc. Green Bond

For the purpose of issuing multiple green bonds, SMFG and SMBC have developed the following framework which addresses the four key components of the Green Bond Principles (GBP): use of proceeds, project evaluation and selection process, management of proceeds, and reporting. The framework belongs to SMFG and SMBC, and a summary overview has been provided below.

Use of Proceeds

The proceeds of the green bond will be allocated towards financing and refinancing projects that meet the following eligibility criteria.

Eligibility Criteria

In cases where SMFG acts as the Issuer of a Green Bond, SMFG will extend an amount equal to the net proceeds from the sale of Green Bonds to SMBC as an inter-group loan. As a recipient of Green Bond proceeds from SMFG or in cases where SMBC is the Issuer of a Green Bond, SMBC will allocate an amount equal to the net proceeds to finance, in whole or in part, existing and future qualifying environmentally-related projects ("Eligible Green Projects") as defined by the internal investment criteria specified below.

"Eligible Green Project" will meet all of the three conditions i), ii) and iii) below.

i) A project is in one or more of the Project Categories (a) to (e) below

a. **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 (generation capacity of 25 megawatts or less).

b. **ENERGY EFFICIENCY**

Energy-conservation equipment, including, but not limited to, LED lighting, efficient HVAC (heating, ventilating, and air conditioning), building insulation and energy demand control systems which improve energy efficiency. Projects that meet category (c) below are excluded from this category (b) in order to avoid double counting.

c. **GREEN BUILDINGS**

New building construction or existing building retrofits which meet regional, national or internationally recognized third-party verified green building certifications, such as "LEED" (Leadership in Energy and Environmental Design), "BREEAM" (Building Research Establishment Environmental Assessment Methodology) or "CASBEE" (Comprehensive Assessment System for Built Environment Efficiency) to a levels of at least "LEED Gold", "BREEAM Excellent", or "CASBEE A Level".

d. **CLEAN TRANSPORTATION**

Expenditure that supports the shift to clean energy vehicles (including electric vehicles and supporting infrastructure) and the development, operation and upgrade of public transportation facilities (including improvement to rail transport, bicycles and other non-motorised transport).

e. **POLLUTION PREVENTION & CONTROL**

Waste recycling: Development, construction and/or operation of recycling facilities for municipal and industrial waste.

Waste to energy: Development, construction and/or operation of waste to energy power plants.

ii) A project is categorized as Category B or Category C under the Equator Principles as published by the Equator Principles Association, and

iii) An existing or new project which SMFG (or, SMBC, as the case may be) has agreed to lend (a) during the 24 months prior to the relevant issue date of a Green Bond or (b) after the issue date of a Green Bond but before the relevant maturity date of such Bond.

Exclusionary Criteria

For clarification purposes, the following are excluded from SMFG/SMBC's Green Bond Framework: 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 Process

Application of Eligibility and Exclusionary Criteria in Project Selection

SMFG's Corporate Treasury Department and SMBC's Planning Department, Treasury Unit worked together with SMFG's Corporate Sustainability Department to establish the criteria for Eligible Green Projects, including Project Categories (a) to (e) above, in conjunction with the support provided by The Japan Research Institute (JRI), the think tank subsidiary of the group with extensive experience and knowledge in environmental fields. In cases where SMFG acts as the Issuer of a Green Bond, SMFG's Corporate Treasury Department manages the process of lending the net proceeds to SMBC in a form of an inter-group loan. SMBC's Structured Finance Department selects the projects which meet the criteria. SMFG's Corporate Treasury Department and SMBC's Planning Department, Treasury Unit decide the eligible project for the green bond. Net proceeds of the green bond are to be allocated to selected eligible projects.

Environmental Objectives

SMBC Group is committed to incorporating CSR initiatives into its business strategy,² and identifies three key CSR initiatives that are important to the company:³ Environment, Next Generation, and Community. With respect to the environmental initiatives, the group wide environmental policy⁴ is aimed at contributing to sustainable society with a focus on the preservation of the global environment. Its environmental policy has laid out its commitment within eight pillars: 1) promoting environmental themed products, information and services, 2) reducing environmental risks, 3) saving resources and energy and reducing waste, 4) complying with environmental laws and regulations, 5) disclosing environmental relevant information, 6) engaging with employees, 7) setting out objectives and goals each financial year, and 8) disclosing the environmental policy on its corporate website. To support its environmental policy, the group also identifies the priority environmental initiatives including the promotion of environmental businesses. The SMFG/SMBC's Green Bond Framework contributes to pillar 1 of its environmental policy.

Process to Mitigate Environmental and Social Risks

Each project finance transaction undergoes a credit evaluation by SMBC's Structured Finance Departments. SMBC's Structured Finance Departments also initiate the environmental screening process by completing the "Environment Screening Form" which is in turn further examined by SMBC's Environment Analysis Department. This department assesses social and environmental risk of the relevant projects and categorize projects into categories in accordance to the Equator Principles.

The Environment Analysis Department's review of each Project Finance transaction constitutes an important component of the decision-making process. Based on the review, covenants in the financing agreement will include environmental and social considerations and compliance will be monitored during the life of the loan. Should a project fail to meet the required standard on environmental and social metrics, then SMBC would request for an improvement as (a syndicate of) financing banks.

Management of Proceeds

² CSR at SMBC Group <http://www.smfg.co.jp/english/responsibility/smfgcscr/>

³ Key Priority Issues for SMBC Group <http://www.smfg.co.jp/english/responsibility/issue/>

⁴ Promoting Environmental Management Integrated with Business <http://www.smfg.co.jp/english/responsibility/environment/management/>

Sumitomo Mitsui Financial Group, Inc. Green Bond

SMBC Group has established and implemented systems designed to monitor and ensure the allocation of net proceeds from its Green Bonds will be allocated to Eligible Green Projects as defined above.

Records will show an amount equal to the net proceeds from Green Bonds are allocated to assets that meet SMFG/SMBC's criteria of Eligible Green Projects. Pending allocation to Eligible Green Projects, the net proceeds will be invested in overnight or other short-term financial instruments. Any of Green Bond proceeds allocated to projects that have been sold, prepaid, amortised or have otherwise become ineligible will be reallocated to other Eligible Green Projects.

Also, payment of the principal and interest on the Green Bonds will be made from SMFG/SMBC's general funds and will not be directly linked to the performance of any of the Eligible Green Projects.

Reporting

Allocation Reporting

During the term of any relevant Green Bond, SMFG/SMBC will provide and keep readily available, on a dedicated website, information on the allocation of the net proceeds of the Green Bonds. This information will be updated at least annually until full allocation and as necessary thereafter in the event of new developments. This information shall include:

- the allocation of Green Bond proceeds to Eligible Green Projects, detailing the Eligible Green Projects funded, current funded amounts and initial funding dates, and
- assertions by management that the net proceeds of the Green Bond are invested either in qualifying Eligible Green Projects or in overnight or other short-term financial instruments.

Impact Reporting

In addition, SMFG/SMBC will annually publish on a dedicated website information and assessments relating to the environmental impacts of financed Eligible Green Projects. SMFG/SMBC intend to report on the tons of CO₂ emission equivalent, amount of energy saved (kwh), or amount of waste recycled (tons) depending on project categories. The environmental impacts of financed Eligible Green Projects, where reported, may be calculated on a collective basis. These estimated environmental impacts will be calculated in conjunction with support from JRI.

Compliance Review

Before the first anniversary of the green bond issuance, SMFG/SMBC will engage Sustainalytics to review the lending financed by the green bonds in order to assess the compliance of the lending with its Green Bond Framework. This review will be conducted annually until full allocation of the net proceeds from the Issuer's green bond. Sustainalytics will provide a report of the review, which SMFG/SMBC will publish on its website. In an unlikely event that the annual review identifies allocations made to activities that do not comply with the SMFG/SMBC's Green Bond Framework, SMFG/SMBC will allocate the corresponding amounts to different lending activities that are compliant with its Green Bond Framework.

Sustainalytics' Opinion

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

Summary

Sustainalytics is of the opinion that SMFG/SMBC's Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of the green bond framework:

- Use of Proceeds:
 - Renewable Energy, Clean Transportation, Energy Efficiency, Green Buildings, and Pollution Prevention and Control are recognized by the Green Bond Principles as project categories with clear environmental benefits;
 - SMFG/SMBC intend to allocate the proceeds in hydropower projects by limiting to small run-of-river facilities generation capacity of 25 megawatts or less and for biomass energy projects by limiting to sustainable feedstock and waste sources. Sustainalytics views this as strengthening the framework.
 - Under energy efficiency projects, Sustainalytics recognizes that market standard is to set the minimum threshold for energy efficiency improvements and as such Sustainalytics recommends SMFG/SMBC to set specific energy efficiency improvement targets to further strengthen the framework.
 - The Green Buildings eligibility criterion for new buildings or retrofitted existing buildings is based on the third-party certification standard LEED, BREEAM and CASBEE, with a focus on the second highest level of certifications (Please see Appendix 1 for our assessment). Sustainalytics considers a focus on the top two levels of certification for LEED, BREEAM and CASBEE to be in line with market best practice.
- Project Selection Process:
 - Eligible projects are reviewed and selected by SMBC's Structured Finance Department based on eligibility criteria, and the decision will be made by SMFG's Corporate Treasury Department and SMBC's Planning Department. This is in line with market standard.
- Management of Proceeds:
 - The proceeds of the green bond will be monitored by an internal system that ensures an amount equal to the net proceeds from Green Bonds to be allocated to assets that meet SMFG/SMBC's criteria of Eligible Green Projects. This is in line with market standard.
- Reporting:
 - SMFG/SMBC are committed to reporting on information including the allocation of the proceeds, details of the projects funded, current funded amounts, initial funding dates and contractual maturity dates, annually on its website. In addition, SMFG/SMBC intend to receive assertions by management to confirm that the proceeds are invested in eligible projects or in financial instruments. Sustainalytics considers receiving management's assertion is in line with market best practice.
 - Impact reporting will include environmental impact indicators such as the tons of CO2 emission equivalent, amount of energy saved (kwh), or amount of waste recycled (tons), which is in line with market standard.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Issuer's green bond aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Sumitomo Mitsui Financial Group, Inc. Green Bond

Alignment with Japan's Green Bond Guidelines 2017

Sustainalytics is of the opinion that the SMFG/SMBC's Green Bond Framework are in line with the ICMA Green Bond Principles. In addition, the Japanese Green Bond Guidelines communicate what an issuer should do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between SMFG/SMBC's Green Bond Framework and the requirements of items outlined in the Japan's Green Bond Guidelines.

ICMA Green Bond Principles and Japan's Green Bond Guidelines, 2017 ⁵	Alignment with GBP and with Japan's Green Bond Guidelines?	Sustainalytics' comments on alignment with Japan's Green Bond Guidelines. ⁶
1. Use of Proceeds	Yes	Eligible project categories (Renewable Energy, Energy Efficiency, Green (Energy Efficient) Buildings, Clean Transportation, and Pollution Prevention and Control) in the SMFG/SMBC's Green Bond Framework are outlined with clear details and are recognized by Japan's Green Bond Guidelines as providing clear environmental benefit. SMFG/SMBC also identify social and environmental risk (any potential negative impact) associated with the eligible projects, and explains how they manage the risk through the application of the Equator Principles.
2. Process for Project Evaluation and Selection	Yes	SMFG/SMBC's Green Bond Framework well describes information, required by Japan's Green Bond Guidelines, on 1) "Environmental sustainability objectives" (In this report: Environmental Objectives), 2) "Criteria" for evaluating and selecting specific green projects (in this report: "Eligibility and Exclusionary Criteria" and "Application of Eligibility Criteria in Project Selection"), and 3) "Process" to evaluate and select Eligible Green Projects (In this report: "Process to Mitigate Environmental and Social Risks" and "Application of Eligibility Criteria in Project Selection").
3. Management of Proceeds	Yes	SMFG/SMBC's Green Bond Framework clarifies that SMFG/SMBC manages proceeds by 1) keeping the list of all Eligible Green Project loans based on SMFG's internal system, 2) recoding the amount of the allocated and unallocated proceeds (which will be invested in short term financial instruments) to match to the total proceeds allocated by the green bond, and 3) making sure that the proceeds are tracked and managed, which are all followed by Japan's Green

⁵ Green Bond Guidelines, 2017, Summary, Ministry of the Environment, Japan: <https://www.env.go.jp/en/policy/economy/gb/summary2017.pdf>

⁶ For detailed comments on alignment with ICMA GBP, please see [Appendix](#).

		Bond Guidelines. SMFG/SMBC explains this to green bond investors.
4. Reporting	Yes	SMFG/SMBC’s Green Bond Framework clearly commits to disclose the five items annually, which are required by Japan’s Green Bond Guidelines: List of projects that have been allocated, brief description of projects, amount allocated, environmental benefits, and information on unallocated proceeds.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer’s sustainability

SMBC Group (that includes SMFG and SMBC) states that its CSR is the foundation for its business strategies.⁷ SMBC Group manages its CSR strategy based on its CSR policy and three material issues: “Environment”, “Next Generation” and “Community.” In addition, the group sets out an environmental vision and policy, as well as key environmental initiatives which aim to preserve and improve the global environment through its core business activities.⁸ As described in the SMFG/SMBC’s Green Bond Framework, the group’s environmental policy has eight pillars.

SMBC Group’s policy is also integrated in its business activities as it states that it promotes environment themed products and services. For example, SMBC, as one of main group company, has provided environment-themed financial products and services such as environmental assessment loans, and project finance for renewable energy businesses. Sustainalytics is of the opinion that the integration of the group’s environmental policy in SMFG/SMBC’s business activities could be strengthened by adding quantitative and timebound targets with respect to promoting environmentally impactful products and financing environmentally impactful projects.

Overall, Sustainalytics is of the opinion that SMFG/SMBC have a strong environmental policy that is integrated in its business activities, and the SMFG/SMBC’s Green Bond Framework contributes to pillar 1 of the environmental policy, “promoting environmental themed products, information and services.”

Well positioned to address common environmental and social risks associated with the projects

Overall, Sustainalytics is of the opinion that SMFG/SMBC are well positioned to manage key environmental and social risks associated with the SMFG Green Bond projects. Some key environmental and social risks associated with projects are utilization of viable forest or food products as biomass, and worker safety and pollution control in construction and development projects. The strength of SMFG/SMBC’s risk management is based on the following:

- SMFG/SMBC have stated to Sustainalytics its commitment to restrict to sustainable feedstock and waste sources as biomass for energy production, which mitigates the risks of deforestation and competition with food sources described above.
- The Equator Principles (EP), which apply to four financial products including project finance, project related corporate loans, are commonly widely accepted as credible standard and widely used by worldwide financial institutions. SMFG is committed to assessing social and environmental risk of relevant projects based on EP, which demonstrates its robust system to contribute to environment and social risk mitigation.
- The Environment Analysis Department assesses social and environmental risk of relevant projects, and categorize projects in accordance to the Equator Principles. Covenants in the financing agreement will include environmental and social considerations as a result of review, and compliance to the EPs will be monitored during the life of the loan.

⁷ CSR at SMFG, Sumitomo Mitsui Financial Group <http://www.smfg.co.jp/english/responsibility/smfgcsr/>

⁸ Promoting Environmental Businesses, Sumitomo Mitsui Financial Group <http://www.smfg.co.jp/english/responsibility/environment/business/>

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are recognized as impactful by GBP. Sustainalytics has focused on two below where the impact is specifically relevant in local context.

Impact of renewable energy, energy efficiency and clean transportation in Japan

The energy self-sufficiency ratio of Japan is low especially compared to OECD countries,⁹ in which Japan imports about 84% of energy.¹⁰ The energy source that Japan heavily depended on before the Great East Japan Earthquake in 2011 was nuclear power which Japan had set as a national strategic priority since 1973.¹¹ However, it became necessary for Japan to revise its energy mix and strategic plan after the country experienced an accident at Fukushima Daiichi Nuclear Plant and subsequent shutdown of nuclear plants across Japan due to residents' concerns. In the new strategic plan, the target of renewable energy including wind, solar, geothermal, biomass and hydro is set at 22-24% by 2030 – a significant increase from 10% before the earthquake. Given the Japan's small ratio of energy self-sufficiency and national strategic plan to tackle the global warming through the promotion of renewable energy, it is clear that the demand in renewable energy will increase and there will be growing needs to finance the construction and operation renewable energy facilities in Japan. As well the strategic plan indicates that improvement of energy efficiency by approx. 50.3 billion liters (crude oil equivalent) in 2030 is essential in order to achieve the energy mix.¹²

Moreover, the transport sector accounts for 18.8% of Japan's CO₂ emissions, according to 2016 data.¹³ While the country reduced its GHG emissions from the sector by 3.8% between 2016 and 2013,¹⁴ further investments in clean transportation projects are needed to support Japan's transition towards a low-carbon economy and achieve its GHG reduction targets.

Importance of green building in climate change mitigating in Japan

According to Japan's Ministry of Land Infrastructure, Transport and Tourism,¹⁵ meeting the energy demand has become increasingly challenging since the Great East Japan earthquake. In addition, the energy consumption from building sector has been significantly increasing, and the building sector itself consists of one third of whole energy use in Japan.¹⁶ Because of the growing demand and consumption of energy from the building industry, the government places an emphasis on the building energy efficiency while reestablishing the new Building Energy Efficiency Act in 2017, in which the construction of certain size of buildings are required to meet the energy efficiency standards or notify the administrative agency with jurisdiction if the requirement cannot be met.¹⁷ In addition, as part of the Japan's plan to achieve its commitments on CO₂ targets for Paris Agreement, the government promotes the conformity with the energy efficiency standards set by the Act along with other initiatives including the growth of green building certification system such as CASBEE.¹⁸ Given the above context, there is a clear need in Japan for buildings to be energy efficiency, reflected in the significant consumptions and priority set by a national strategy.

⁹ Japan's Energy, Ministry of Economy, Trade and Industry Agency for Natural Resources and Energy, Japan http://www.enecho.meti.go.jp/en/category/brochures/pdf/japan_energy_2016.pdf

¹⁰ Nuclear Power in Japan, World Nuclear Association <http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

¹¹ Nuclear Power in Japan, World Nuclear Association <http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

¹² Directions in New Energy Efficiency Policy, Ministry of Economy, Trade and Industry http://www.meti.go.jp/shingikai/enecho/shoene/shinene/sho_energy/pdf/017_02_00.pdf

¹³ Japan's National Greenhouse Gas Emissions in Fiscal Year 2016 (Preliminary Figures) <https://www.env.go.jp/press/files/en/750.pdf>

¹⁴ Global Greenhouse Gas Emissions Data <https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data>

¹⁵ Overview of the Act on the improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act), Ministry of Land Infrastructure, Transport and Tourism, Japan <https://www.mlit.go.jp/common/001134876.pdf>

¹⁶ Overview of the Building Energy Efficiency Act, Ministry of Land Infrastructure, Transport and Tourism, Japan <http://www.mlit.go.jp/common/001178846.pdf>

¹⁷ Overview of the Act on the improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act), Ministry of Land Infrastructure, Transport and Tourism, Japan <https://www.mlit.go.jp/common/001134876.pdf>

¹⁸ Plan for Global Warming Countermeasures (Japanese), Ministry of Environment, Japan <https://www.env.go.jp/press/files/jp/102816.pdf>

Sumitomo Mitsui Financial Group, Inc. Green Bond

Importance of Pollution Prevention and Control

Japan has an advanced waste management system, which has evolved out of several regulatory changes because of waste problems from industrialization and population growth.¹⁹ Total amounts of waste have decreased by 21% from 2000 to 2016.²⁰ While incineration is the main waste treatment method in Japan,²¹ the country's recycling rate was at 20.3% in 2016.²²

Therefore, Sustainalytics is of the opinion that SMFG/SMBC's green bond's contribution in meeting the need to finance renewable energy, energy efficiency, clean transportation, green building, and pollution prevention and control projects in Japan, will result in positive environmental outcomes.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

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	3. Ensure healthy lives and promote well-being for all at all ages	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

Conclusion

The SMFG/SMBC's Green Bond Framework is transparent and provides clarity regarding the use of proceeds and the expected outcomes of the green bond investments. Renewable energy, Energy Efficiency, Green Buildings, Clean Transportation, and Pollution Prevention and Control are included in the GBP and Japan's Green Bond Guidelines 2017 as Eligible Green Project categories that offer clear environmental benefits. Additionally, SMFG's project selection process is based on external standards such as the Equator Principles. This ensures that projects funded through bond proceeds have minimal or limited adverse environmental or social impacts. Sustainalytics is of the opinion that the SMFG Green Bond aligns with the four pillars of the GBP 2018, and Japan's Green Bond Guidelines 2017.

¹⁹ Ministry of the Environment, History and Current State of Waste Management in Japan, February 2014

<https://www.env.go.jp/en/recycle/smcs/attach/hcswm.pdf>

²⁰ Waste treatment of Japan 2016(Japanese), Ministry of Environment, Japan http://www.env.go.jp/recycle/waste_tech/ippan/h28/data/disposal.pdf

²¹ Waste treatment of Japan 2016(Japanese), Ministry of Environment, Japan http://www.env.go.jp/recycle/waste_tech/ippan/h28/data/disposal.pdf

²² Waste treatment of Japan 2016(Japanese), Ministry of Environment, Japan http://www.env.go.jp/recycle/waste_tech/ippan/h28/data/disposal.pdf

Appendices



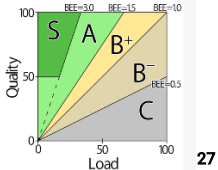
Appendix 1: Overview and Comparison of Green Building Certification Schemes

	LEED ²³	BREEAM ²⁴	CASBEE Certification Rank ²⁵
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	CASBEE (Comprehensive Assessment System for Built Environment Efficiency) represents a green building management system from Japan, evaluating and rating the environmental performance of buildings and the built environment. CASBEE is formed of four assessment tools tailored to different scales: housing, building, district and city.
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent)
Areas of Assessment: Environmental Project Management		Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	CASBEE assesses two main factors: inside and outside the building site, which translate into Q (Built Environment Quality) and, respectively, L (Built Environment Load).
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing Innovation 	<ul style="list-style-type: none"> • Energy Efficiency • Resource efficiency • Local environment • Indoor environment
Requirements	Prerequisites (independent of level of certification) + Credits with associated points. These points are then added together to obtain	Prerequisites depending on the levels of certification + Credits with associated points	Score-based performance level CASBEE uses the BEE (Built Environment Efficiency) as its assessment indicator,

²³ More information on the LEED certification scheme at: <https://new.usgbc.org/leed>

²⁴ More information on the BREEAM certification scheme at: <https://www.breeam.com/>

²⁵ CASBEE, BASBEE; <http://www.ibec.or.jp/CASBEE/english/>

	<p>the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>This number of points is then weighted by item²⁶ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>which is calculated from Q (Built Environment Quality) as the numerator and L (Built Environment Load) as the denominator. Q and L are obtained through the classification and rearrangement of the four areas of assessment.</p> <p>Buildings may receive ranks ranging from C (poor) to S (excellent), in order of increasing BEE value.</p> <p>For authorization, a building must receive a report from the CASBEE Certification system, which is afterwards assessed by the local government.</p>
<p>Performance Display</p>			
<p>Qualitative considerations</p>	<p>Worldwide recognition and application</p>	<p>Worldwide recognition and application</p>	<p>In Japan, many local governments have made CASBEE assessment results mandatory for building permits compared to similar tools available.</p>

²⁶ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

²⁷ Built Environment Efficiency, CASBEE; <http://www.ibec.or.jp/CASBEE/english/beeE.htm>

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Appendix 2: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	Sumitomo Mitsui Financial Group, Inc. (SMFG) Sumitomo Mitsui Banking Corporation (SMBC)
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 21, 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	November 22, 2018

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 GBPs:

- | | |
|--|--|
| <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 Green Bond Framework and Second Opinion Document 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, pollution prevention and control, are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that clean energy projects will create positive environmental impacts and advance the UN Sustainable Development Goals.

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 GBPs | <input type="checkbox"/> Other <i>(please specify)</i> . |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

SMFG's Corporate Treasury Department and SMBC's Planning Department, Treasury Unit worked together with SMFG's Corporate Sustainability Department to establish the criteria for Eligible Green Projects, including Project Categories (a) to (e) above, in conjunction with the support provided by The Japan Research Institute (JRI), the think tank subsidiary of the group with extensive experience and knowledge in environmental fields. In cases where SMFG acts as the Issuer of a Green Bond, SMFG's Corporate Treasury Department manages the process of lending the net proceeds to SMBC in a form of an inter-group loan. SMBC's Structured Finance Department selects the projects which meet the criteria. SMFG's Corporate Treasury Department and SMBC's Planning Department, Treasury Unit decide the eligible project for the green bond. Net proceeds of the green bond are to be allocated to selected eligible projects.

Sustainalytics is of the opinion that that this is in line with market practice.

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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 type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

SMBC Group has established and implemented systems designed to monitor and ensure the allocation of net proceeds from its Green Bonds will be transferred to SMBC via an inter-group loan and further allocated to Eligible Green Projects as defined above.

Records will show an amount equal to the net proceeds from Green Bonds are allocated to assets that meet SMFG/SMBC's criteria of Eligible Green Projects. Pending allocation to Eligible Green Projects, the net proceeds will be invested in overnight or other short-term financial instruments. Any of Green Bond proceeds allocated to projects that have been sold, prepaid, amortised or have otherwise become ineligible will be reallocated to other Eligible Green Projects.

Also, payment of the principal and interest on the Green Bonds will be made from SMBC Group's general funds and will not be directly linked to the performance of any of the Eligible Green Projects.

Sustainalytics is of the opinion that this is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

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- | | |
|--|---|
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

Allocation Reporting
 During the term of any relevant Green Bond, SMFG and SMBC will provide and keep readily available, on a dedicated website, information on the allocation of the net proceeds of the Green Bonds. This information will be updated at least annually until full allocation and as necessary thereafter in the event of new developments. This information shall include:

- i. the allocation of Green Bond proceeds to Eligible Green Projects, detailing the Eligible Green Projects funded, current funded amounts, initial funding dates and contractual maturity dates, and
- ii. assertions by management that the net proceeds of the Green Bond are invested either in qualifying Eligible Green Projects or in overnight or other short-term financial instruments.

Impact Reporting
 In addition, SMFG/SMBC will annually publish on a dedicated website information and assessments relating to the environmental impacts of financed Eligible Green Projects. SMFG/SMBC intend to report on the tons of CO2 emission equivalent, amount of energy saved (kwh), or amount of waste recycled (tons) depending on project categories. The environmental impacts of financed Eligible Green Projects, where reported, may be calculated on a collective basis. These estimated environmental impacts will be calculated in conjunction with support from JRI.
 Sustainalytics is of the opinion that receiving assertions by management as part of the allocation reporting is line with market. With respect to impact reporting, SMFG/SMBC are committed to reporting environmental impact indicators such as the tons of CO2 emission equivalent, amount of energy saved (kwh), or amount of waste recycled (tons), which is in line with market standard.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

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- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Amount of energy saved (kwh), Amount of waste recycled (tons), |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): website |
| <input type="checkbox"/> 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.)

<http://www.smfg.co.jp/english/>
<https://www.env.go.jp/en/policy/economy/gb/summary2017.pdf>

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 (please specify): | |

Review provider(s):

Date of publication:

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

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer’s Green Bond framework. “Second Party Opinions” may fall into this category.
- ii. Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.

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- iv. **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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