

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

Type of Engagement: Annual Review

Date: June 10, 2022

Engagement Team:

Kosuke Kanematsu, kosuke.kanematsu@sustainalytics.com, (+81) 3 4571 2277

Marie Toyama, marie.toyama@sustainalytics.com, (+81) 3 4510 7394

Introduction

In January 2021, Sumitomo Mitsui Financial Group, Inc. (SMFG) issued a green bond aimed at financing and/or refinancing projects related to Renewable Energy (USD 500mn 3-Year Green Bond, hereinafter the "2021 Green Bond"). As of March 31, 2022, the proceeds have been allocated to 9 projects related to Renewable Energy. In May 2022, SMFG engaged Sustainalytics to review the projects funded through the 2021 Green Bond and assess 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 2018 (the "Framework"). This is Sustainalytics' second annual review of SMFG's 2021 Green Bond following the previous review in May 2021.¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of 31 March 2022 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on the impact indicators for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Eligibility Criteria, and associated impact indicators for the Use of Proceeds category to which the proceeds were allocated.

Table 1: Use of Proceeds, Eligibility Criteria, and associated impact indicators

Use of Proceeds	Eligibility Criteria	Impact indicators
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.	• Tons of CO₂ emission equivalent

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 2021 Green Bond Use of Proceeds. The work undertaken as part of this

¹ Sustainalytics' previous annual review of the 2021 Green Bond is available at:

Annual Review (May 2021) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-\(2021\).pdf?sfvrsn=b42071ea_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-(2021).pdf?sfvrsn=b42071ea_1)

engagement included collection of documentation from SMFG employees and review of documentation to confirm the conformance with the 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 2021 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. While SMFG disclosed to Sustainalytics its full allocation in May 2021, Sustainalytics conducted another round of review in May 2022 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 Framework and the reallocation was fully completed as of 31 March 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2021 Green Bond as of 31 March 2022 to determine if projects aligned with the Use of Proceeds Criteria outlined in the 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 2021 Green Bond as of 31 March 2022 to determine if the impact of projects was reported in line with the impact indicators outlined in the Framework and above in Table 1. For a list of impact indicators reported please refer to Appendix 1.	All projects reviewed reported on impact indicators per Use of Proceeds 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, 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.

Appendix

Appendix 1: Impact Reporting and Allocation of Green Bond Proceeds

Project Category	Sub-category	Number of Projects	Impact Indicators ³		Loan Balance (USD-mn) ⁴
			Total CO ₂ emissions Reduced (t-CO ₂ /y) ⁵	SMBC share (t-CO ₂ /y) ⁶	
Renewable Energy	Solar Energy	2	438,864	121,685	
Renewable Energy	Wind Energy	6	2,399,834	409,377	
Renewable Energy	Biomass Energy ⁷	1	281,120	38,284	
Total		9	3,119,818	569,347	537

Total Net Bond Proceeds Unallocated:	0
Total Net Bond Proceeds from Green Bond issuance:	500

³ Impact Reporting by SMFG is available at: <https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/>

⁴ The amount of loan balance is rounded to the nearest million. Converted to USD with the FX rate of March 31, 2022.

⁵ Estimated Annual Green Impact (CO₂ emissions reduced) is calculated by the Japan Research Institute, using inputs from various public data sources.

⁶ The amount is calculated based on relevant financing proportion by Sumitomo Mitsui Banking Corporation (SMBC) to each project.

⁷ SMFG has confirmed that the sources of the biomass energy project were restricted to sustainable feedstock and waste materials.

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

