

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

Type of Engagement: Annual Review

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Introduction

In January 2021, Sumitomo Mitsui Financial Group, Inc. ("SMFG") issued a green bond aimed at financing projects related to Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, and/or Pollution Prevention & Control (USD 500 million 3-Year Green Bond, hereinafter the "2021 Green Bond"). As of 31 March 2023, the proceeds were allocated to 10 renewable energy projects. In May 2023, 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' third annual review of SMFG's 2021 Green Bond following the previous review in June 2022.¹

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds as of 31 March 2023 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 engagement included collection of documentation from SMFG employees and review of documentation to confirm the conformance with the Framework.

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

Annual Review (June 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-\(2022\).pdf?sfvrsn=b6987b4a_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2021-annual-review-(2022).pdf?sfvrsn=b6987b4a_1)

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)

Sustainalytics has relied on the information and the facts presented by SMFG with respect to the projects in the eligible category. 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 Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Bond Framework 2018. While SMFG disclosed to Sustainalytics its full allocation as at 31 March 2022, Sustainalytics conducted another round of review in May 2023 as there have been developments in the allocation of proceeds. SMFG has confirmed to Sustainalytics that the proceeds of the 2021 Green Bond were reallocated to renewable energy projects in line with eligibility criteria under the Framework and the reallocation was fully completed as at 31 March 2023.

Detailed Findings

Table 2: Detailed Findings

Evaluation 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 2023 to determine if projects were 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 2023 to determine if the impact of projects was reported in line with the impact indicators outlined in the Framework and above in Table 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 Reporting³ and Allocation of Green Bond Proceeds

Project Category	Sub-category	Number of Projects	Impact Indicators		Loan Balance (USD-million) ⁴
			CO ₂ emission reduction amount (t-CO ₂ /y) ⁵	CO ₂ emission reduction amount (SMFG's contribution) (t-CO ₂ /y) ⁶	
Renewable Energy	Solar Energy	3	534,490	137,387	
Renewable Energy	Wind Energy	6	2,438,878	378,624	
Renewable Energy	Biomass Energy ⁷	1	275,916	37,576	
Total		10	3,249,285	553,586	531
Total Net Bond Proceeds from Green Bond issuance:					500
Total Net Bond Proceeds Unallocated:					0

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 31 March 2023.

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.

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