

# Sumitomo Mitsui Financial Group, Inc. (2022 Green Bond)

**Type of Engagement:** Annual Review

**Date:** May 25, 2023

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## Introduction

In January 2022, 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 7-Year Green Bond, hereinafter the "2022 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 2022 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, December 2021 (the "Framework").<sup>1</sup> This is Sustainalytics' second annual review of SMFG's 2022 Green Bond following the previous review in December 2022.<sup>2</sup>

## 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                                                                                                                             |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Renewable Energy</b> | <p>The development, construction and operation of facilities that generate renewable energy, including:</p> <ul style="list-style-type: none"> <li>• Solar energy</li> <li>• Wind energy</li> <li>• Geothermal energy (restricted to those with direct CO<sub>2</sub> emissions of less than 100g CO<sub>2</sub>/kWh)</li> <li>• Biomass energy power generation fueled by waste-derived materials or non-waste materials               <ul style="list-style-type: none"> <li>○ Waste materials will be limited to residues from forestry and agriculture, residues of fishery resources (restricted to those from fishery and aquaculture companies that have obtained MSC (Marine Stewardship Council) or ASC (Aquaculture Stewardship Council) certification), waste from palm oil operations (limited to waste from palm oil suppliers that are certified by RSPO)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Annual production capacity</li> <li>• Tons of CO<sub>2</sub> emissions equivalent avoided</li> </ul> |

<sup>1</sup> Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation's Green Bond Framework (December 2021) is available at: [https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/pdf/green\\_bond\\_framework.pdf](https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/pdf/green_bond_framework.pdf)

<sup>2</sup> Sustainalytics' previous annual review of SMFG's 2022 Green Bond is available at:

Annual Review (December 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2022-annual-review-\(2022\).pdf?sfvrsn=452ae281\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-financial-group-green-bond-2022-annual-review-(2022).pdf?sfvrsn=452ae281_1)

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | <p>(Roundtable on Sustainable Palm Oil) or RSB (The Roundtable on Sustainable Biomaterials)), wastewater and sewage sludge (excluding those derived from fossil fuel mining and processing processes)</p> <ul style="list-style-type: none"> <li>○ Non-waste materials are restricted to sustainable feedstock not competing with food production with lifecycle GHG emissions of less than 100g CO<sub>2</sub>e/kWh. For the projects that use wood and wood pellets, the feedstock will be limited to those provided by wood suppliers or power generators certified by the Forest Stewardship Council (FSC) or PEFC (Programme for the Endorsement of Forest Certification). Non-waste materials exclude palm oil, peat, uncertified materials, or materials sourced from unknown suppliers.</li> <li>• Small run-of-river hydro facilities (generation capacity of 25 megawatts or less). In a new development/construction project, SMBC Group will confirm that there is no significant negative impact on the environment and society by conduction environmental and social impact assessments.</li> </ul> |  |
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## 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 2022 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.

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,<sup>3</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 2022 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, December 2021. 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 2022 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**

| <b>Evaluation 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 2022 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                                  |
| <b>Reporting Criteria</b>       | Verification of the projects funded by the 2022 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                                  |

<sup>3</sup> 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<sup>4</sup> and Allocation of Green Bond Proceeds

| Project Category                                  | Sub-category   | Number of Projects | Impact Indicators |                                                                               |                                                                                                     | Loan Balance (USD-million) <sup>5</sup> |
|---------------------------------------------------|----------------|--------------------|-------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------|
|                                                   |                |                    | Capacity (MW)     | CO <sub>2</sub> emission reduction amount (t-CO <sub>2</sub> /y) <sup>6</sup> | CO <sub>2</sub> emission reduction amount (SMFG's contribution) (t-CO <sub>2</sub> /y) <sup>7</sup> |                                         |
| Renewable Energy                                  | Solar Energy   | 4                  | 3,920             | 3,184,955                                                                     | 1,487,955                                                                                           |                                         |
| Renewable Energy                                  | Wind Energy    | 5                  | 4,872             | 4,700,879                                                                     | 636,146                                                                                             |                                         |
| Renewable Energy                                  | Wind and Solar | 1                  | 1,690             | 1,628,822                                                                     | 180,978                                                                                             |                                         |
| Total                                             |                | 10                 | 10,482            | 9,514,655                                                                     | 2,305,080                                                                                           | 587                                     |
| Total Net Bond Proceeds from Green Bond issuance: |                |                    |                   |                                                                               |                                                                                                     | 500                                     |
| Total Net Bond Proceeds Unallocated:              |                |                    |                   |                                                                               |                                                                                                     | 0                                       |

<sup>4</sup> Impact Reporting by SMFG is available at: <https://www.smfg.co.jp/english/sustainability/materiality/environment/procurement/>

<sup>5</sup> The amount of loan balance is rounded to the nearest million. Converted to USD with the FX rate of 31 March 2023.

<sup>6</sup> Estimated Annual Green Impact (CO<sub>2</sub> emissions reduced) is calculated by the Japan Research Institute, using inputs from various public data sources.

<sup>7</sup> The amount is calculated based on relevant financing proportion by Sumitomo Mitsui Banking Corporation (SMBC) to each project.

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