

Sumitomo Mitsui Finance and Leasing Company, Limited (Green Bond 2020)

Type of Engagement: Annual Review

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Introduction

In March 2020, Sumitomo Mitsui Finance and Leasing (“SMFL”) issued a green bond aimed at financing and/or refinancing projects related to renewable energy and green buildings (the “Green Bond”). In February 2021, SMFL 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 Finance and Leasing’s Green Bond Framework (the “Green Bond Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of 31 December 2020 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 Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

| Use of Proceeds | Eligibility Criteria | Key performance indicators (KPIs) |
|-------------------------|---|---|
| Renewable Energy | <p>Expenditures and finance related to purchasing, developing, constructing, or operating power generation facilities, as well as investment and lending relating to any of the following renewable energy power generation projects from (a) to (e): However, eligible projects must (i) be launched within 24 months prior to the date of green bond issuance, or (2) expected to be launched after the date of green bond issuance.</p> <p>(a) Solar power generation (b) Wind power generation (c) Biomass power generation (Limited to projects that use sustainable feedstock or waste biomass resources) (d) Geothermal power generation (e) Small hydropower generation (Limited to projects with a capacity of 25 MW or less)</p> | <p>Amount of power generated (kWh: theoretical value based on output standard), and CO₂ emissions (t-CO₂: theoretical value based on output standard) reduced</p> |
| Green Building | <p>Expenditures and finance related to land acquisition costs, planning and development costs, construction costs, renovation costs, and others for assets that have acquired or are expected to acquire at least one of the following green building certifications (a) to (e): However, eligible projects must (i) have acquired environmental certification within 24 months prior to the date of green bond issuance, or (ii) expected to acquire environmental certification after the date of green bond issuance.</p> | <p>The type and level of green building certification</p> |

¹ Overview of Sumitomo Mitsui Finance and Leasing Green Bond Framework (2020) available at: <https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2020/02/Sumitomo-Mitsui-Finance-and-Leasing-Green-Bond-Second-Party-Opinion.pdf>

| | | |
|--|---|--|
| | <ul style="list-style-type: none"> (a) LEED Platinum or Gold (b) CASBEE (CASBEE for Buildings / CASBEE for Real Estate) S or A (c) DBJ Green building certification 5 or 4 stars (d) BELS 5 or 4 stars (e) BREEAM Outstanding or Excellent | |
|--|---|--|

Issuing Entity's Responsibility

SMFL 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 SMFL's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from SMFL 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 SMFL 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 SMFL.

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 SMFL's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework.

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.

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 Green Bond as of 31 December 2020 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 December 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table1. For a list of KPIs reported please refer to Appendix 2. | All projects reviewed reported on KPIs outlined in the reporting criteria. | None |

Appendices

Appendix 1: List of Project Categories Reviewed

| # | Project Category | Sub-category | Number of Projects | Look-back period for refinanced projects |
|---|------------------|--------------|--------------------|--|
| 1 | Renewable Energy | Solar Energy | 1 | Expected to be launched after the date of green bond issuance ³ |
| 2 | Renewable Energy | Wind Energy | 1 | Launched within 24 months prior to the date of green bond issuance |

Appendix 2: List of Project Impact

| # | Project Category | Sub-category | Number of Projects | Amount of power generated (kwh) ⁴ | Amount of CO ₂ emissions reduced (t-CO ₂) ⁵ |
|---|------------------|--------------|--------------------|--|---|
| 1 | Renewable Energy | Solar Energy | 1 | 0 | 0 |
| 2 | Renewable Energy | Wind Energy | 1 | 47,391,437 | 22,274 |

³ This project is scheduled to start operations in April 2021 or later.

⁴ Calculated based on the number of days between the start of operation and the reference date (31 December 2020) and theoretical value based on output standard. For the project related to solar power generation, the amount of power generation is 0 kwh as the operation is expected to start in April 2021 or later.

⁵ Calculated based on the number of days between the start of operation and the reference date (31 December 2020) and theoretical value based on output standard. For the project related to solar power generation, the amount of CO₂ emission reduction is 0 t-CO₂ as the operation is expected to start in April 2021 or later.

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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