

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

Type of Engagement: Annual Review

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Introduction

In March 2020, Sumitomo Mitsui Finance and Leasing Company, Limited ("SMFL") issued a green bond (the "Green Bond") aimed at financing and/or refinancing projects related to Renewable Energy and Green Buildings. As of December 31, 2021, the proceeds have been allocated to two projects related to Renewable Energy and Green Buildings. In February 2022, SMFL engaged Sustainalytics to review the projects funded through the Green Bond and assess 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 "Framework").¹ This is Sustainalytics' second annual review of the SMFL's Green Bond following the previous review in February 2021.²

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from March 2020 to December 2021 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 Green Bond 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	<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 (ii) 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>

¹ The Sumitomo Mitsui Finance and Leasing Green Bond Framework (Japanese only) is available at:

<https://www.smfl.co.jp/future/environment/greenbond/>

² Sustainalytics' previous annual review of the Green Bond is available at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sumitomo-mitsui-finance-and-leasing-company-limited-green-bond-annual-review.pdf?sfvrsn=f0cca5f7_3

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):</p> <p>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>(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</p>	The type and level of green building certification
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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 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,³ 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 Framework. SMFL has disclosed to Sustainalytics that the proceeds of the Green Bond were fully allocated as of December 31, 2021.

³ 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.

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 from March 2020 to December 2021 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 Green Bond from March 2020 to December 2021 to determine if impact of projects was reported in line with the impact indicators outlined in the Framework and above in Table1. 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

Appendix

Appendix 1: Impact Reporting and Allocation of Green Bond Proceeds

Project Category	Sub-category	Number of Projects	Impact Indicators Reported		Net Bond Proceeds Allocation (Million JPY) ⁴
			Amount of annual power generated (kwh) ⁵	Amount of annual CO ₂ emissions reduced (t-CO ₂) ⁶	
Renewable Energy	Solar Energy	1	71,522,492	32,400	10,931
Renewable Energy	Wind Energy	1	56,714,342	25,692	3,992
Allocated Proceeds:					14,923
Unallocated Proceeds:					0
Total Proceeds from Green Bond issuance:					14,923

⁴ The amount of net bond proceeds allocated to each category is rounded down to the nearest million JPY

⁵ Theoretical value based on output standard. The solar power generation project started operation in May 2021, and the actual operation period until the reference date (December 31, 2021) is less than one year.

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