



Sumitomo Mitsui Banking Corporation, Positive Impact Finance, 2nd Periodic Assessment report



SECOND PARTY OPINION

SUMITOMO MITSUI BANKING CORPORATION POSITIVE IMPACT FINANCE 2ND PERIODIC ASSESSMENT REPORT

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Revision history

Revision Number	Issue Date	Remarks
0	31 Mar 2023	Initial

Disclaimer

Our assessment relies on the premise that the data and information provided by Issuer to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.DNV.com)

Executive Summary

DNV Business Assurance Japan K.K. (hereinafter, "DNV") has been commissioned by Sumitomo Mitsui Banking Corporation (hereinafter, "SMBC") to assess (2nd assessment of the management and operational status for the period between April 2022 and March 2023) SMBC's financial instruments that are defined by SMBC, in accordance with "the Principles for Positive Impact Finance" (hereinafter, "PIF Principles") and "Model Framework: Financial Products for Corporate with unspecified use of funds" (hereinafter, "Model Framework") developed by the United Nations Environment Programme and Finance Initiative. The following is an overview of DNV's periodic assessment results of four elements indicated in the PIF Principles:

Principle 1. Definition:

SMBC operates "ESG/SDGs assessment loan/private placement bond and syndicated loan", "ESG/SDGs assessment syndicated loan", "SDGs promotion loan/private placement bond", and "SDGs promotion syndicated loan" as financial instruments that incorporate the PIF Principles-based funding approach. Under this mechanism, the impact (positive and negative) of a borrower's business activities is comprehensively and quantitatively analysed and evaluated before financing, thereby helping to increase positive impact and reduce negative impact, from the perspective of the three pillars of sustainable development (economic, environmental, and social). Therefore, the financial instruments are consistent with Principle 1.

Principle 2. Frameworks:

The comprehensive positive impact finance framework defined by SMBC establishes eligibility criteria and evaluation tools for identifying, analysing, and evaluating positive impacts on the business activities of borrower, as well as organizational structures for making decisions, and their complementary documentation systems and record keeping. During the life-time of the financial instruments, the achievement of intended impacts is monitored, and progress management processes are implemented. Therefore, the financial instruments are consistent with Principle 2.

Principle 3. Transparency:

SMBC's positive impact financing is based on the premise that the intended positive impact, priority action items, and the relevant performance indicators are disclosed by the borrower. The information is disclosed through its CSR report, sustainability report, website, etc. In addition, SMBC conducts regular interviews with borrowers and monitors them appropriately. Therefore, the financial instruments are consistent with Principle 3.

Principle 4. Assessment:

SMBC's PIF requires that, at the time of financing, borrowers set impact indicators that considers positive impact as set forth in Principle 4, in terms of variety, magnitude, efficiency, leverage, and additionality. The PIF also stipulates that the degree to which the intended



impact is realized is to be monitored annually after the execution of financing. It is confirmed that this has been done in practice, and therefore, the financial instruments are consistent with PIF Principle 4.

I . Introduction

i. About the Principles for Positive Impact Finance

The Positive Impact Financial Principles (hereinafter, "PIF Principles") were formulated by the United Nations Environment Programme - Financial Initiative (hereinafter, "UNEP FI") in January 2017 with 19 of the world's leading financial institutions as a principle for financial institutions to actively conduct investments and loans to achieve the Sustainable Development Goals. The PIF Principles set out how to provide funds to all financial institutions and investors to mitigate negative impacts and contribute positive impact in a realistic and reliable way. The PIF Principle consists of four principles: Definition, Frameworks, Transparency, and Assessment.

ii. About the financial institution

Sumitomo Mitsui Bank Corporation (hereinafter, "SMBC") is a major commercial bank and financial services company under the Sumitomo Mitsui Financial Group with its head office located in Marunouchi, Chiyoda-ku, Tokyo, Japan. SMBC is one of Japanese largest megabanks and a global financial institution in terms of asset size and market capitalization (as of March 2023). SMBC Group is also known as a signature organization of UNEP FI.

In April 2020, SMBC Group has included "contributing to the realization of a sustainable society through the resolution of social issues" in its management philosophy, to clarify its commitment to contributing to a sustainable development of society. In addition, SMBC Group has announced the "SMBC Group Statement on Sustainability" and has created "SMBC Group GREEN x GLOBE 2030" for a 10-year sustainability plan.

iii. Financial instruments based on the PIF Principles

SMBC has provided financial instruments in line with the PIF Principles as part of the SMBC Group's commitment to sustainability. In these financial instruments, SMBC assesses companies' "ESG initiatives," "accountability of the related information disclosure" and "contribution to the SDGs," etc., and provides advice and IR disclosure support to the companies evaluated for their further initiatives. This ESG/SDGs evaluation is based on SMBC's original ESG/SDGs assessment standards established by the Japan Research Institute (hereinafter referred to as "JRI"), and a system has been established whereby JRI experts conduct the evaluation of individual companies, to provide the companies with support for strengthening them, as business partners, through financing. As an addendum, the ESG/SDGs assessment is set up as a separate evaluation system from the credit risk evaluation in the existing credit decision process and is treated the same as for ordinary financial instruments in terms of credit taking.



The administrative procedures for financial instruments in line with the PIF Principles have been established as internal procedures at SMBC and were revised in April 2022 from the perspective of improving practical operations. DNV, through the periodic review (2nd), has confirmed that there were no major changes in terms of assessing alignment with the PIF Principles.

II. Scope and Objective

SMBC has commissioned DNV to conduct a periodic assessment based on the PIF Principles. The purpose of this periodic assessment is to follow up on assessment based on the PIF Principles, which was conducted by DNV in September 2020, for the related financial instruments of SMBC. This report is the 2nd periodic review. DNV's objective of this periodic assessment is to implement an assessment and provides a second party opinion on the consistency of the PIF Principles and the Model Framework with SMBC's ESG/SDGs assessment-related financial instruments (loan/private placement bond and syndicated loan) and SDGs promotion-related financial instruments (loan/private placement bond and syndicated loan). DNV, as an independent external reviewer, provides a second party opinion on the consistency of the PIF Principles and the Model Framework. DNV has identified no real or perceived conflict of interest associated with the delivery of this second-party opinion for SMBC, in performing the scope of work for this periodic assessment as set forth in the agreement with SMBC. In this report, no assurance is provided regarding the financial performance of the financial instruments, the value of any investments or loan, or the long-term environmental benefits of the transaction.

(1) Scope of external review

- Definition
- Frameworks
- Transparency
- Assessment

(2) Review type

- Second opinion
- Certification
- Verification
- Rating
- Others:

(3) Standards/Guidelines applied

No.	Standards/Guidelines	Published by	Level*1*2
1.	THE PRINCIPLES FOR POSITIVE IMPACT FINANCE (Published in 2017)	United Nations Environment Programme - Finance Initiative	Applied
2.	MODEL FRAMEWORK: FINANCIAL PRODUCTS FOR CORPORATE WITH UNSPECIFIED USE OF FUNDS (Published in Nov 2018)	United Nations Environment Programme - Finance Initiative	Referred

*1 Applied: All the common elements of the Standards/Guidelines are considered.

*2 Referred: The relevant elements of the Standards/Guidelines are partially considered.

(4) Assessment history

No.	Assessment report	Issue date
1.	Positive Impact Finance Assessment report	07 Sep 2020
2.	Positive Impact Finance 1 st Periodic Assessment report	28 Mar 2022
3.	Positive Impact Finance 2 nd Periodic Assessment report	31 Mar 2023



III. Responsibilities of SMBC and DNV

SMBC has provided the information and data used by DNV during the delivery of this assessment. DNV's statement represents an independent opinion and is intended to inform SMBC and other interested stakeholders in the financial instruments as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by SMBC. DNV is not responsible for any aspect of the candidate projects and assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by SMBC and used as a basis for this assessment were not correct or complete.

IV. Basis of DNV's Opinion

DNV has applied the recommendations of PIF principles and Model Framework to create a PIF-principle-based Assessment Protocol (hereinafter, "Assessment Protocol") that is specific and more flexible for assessment. The Protocol includes a set of criteria that contribute to the basis for DNV's statement of opinion. The overarching principle and guidelines behind the criteria are that "to bridge the gap between sustainable development and the achievement of the SDGs, a new impact-based approach is needed based on comprehensive consideration of the three aspects of sustainable development."

V. Work Undertaken

DNV's assessment work consists of a comprehensive review of the available information, based on the understanding that this information was provided to us by SMBC in good faith. DNV has not performed any audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of the financial institution specific DNV's Assessment Protocol;
- Assessment of evidential documents provided by SMBC, and supplemental assessment with desk review;
- Interview with key personnel of SMBC and;
- Reporting of findings against each element of the criteria

VI. Observations

DNV's observations and opinions are as follows:

Principle One: Definition

Positive Impact Finance is that which serves to finance Positive Impact Business. It is that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the Sustainable Development Goals (SDGs).

- SMBC has independently defined and documented a mechanism based on the Positive Impact Financial Principles in its ESG/SDGs assessment-related financial instruments and SDGs promotion-related financial instruments. For the assessment of borrowers, the "ESG/SDGs Assessment Manual" has been formulated by experts at the Japan Research Institute (JRI), and quantitative evaluation is conducted from the perspective of the three aspects of sustainable development (environment, society, and governance).
- SMBC has also defined and documented a mechanism based on the Positive Impact Financing Principles in its SDG promotion-related financial instruments. Similarly, for the evaluation of borrowers, an "SDGs Diagnostic Manual" has been developed by JRI experts, defining the relevance of the SDGs and a logic model analysis. In the actual evaluation, JRI's experts evaluate both the positive and negative impacts of the borrower.
- In each loan decision process, SMBC obtains the information necessary to make a loan decision through a survey in which the potential borrower's ESG/SDG activities and initiatives are entered. After that, JRI experts conduct an evaluation, which in principle covers almost all industries in the production, procurement, and sales regions, considering global perspectives in its assessment and judgment. A comprehensive evaluation is considered, considering the interconnectedness of sustainability issues on positive and negative impacts.
- SMBC does not intentionally evaluate only limited areas for individual deals. However, for the purpose of proper operation of the PIF, specific exclusions have been established to avoid the use of this financial instrument for the intention of negative corporate image washing. This is considered appropriate from a reputational risk perspective.

Principle Two: Frameworks

To promote the delivery of Positive Impact Finance, entities (financial or non financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects, programmes, and/or entities to be financed or in vested in.

- SMBC has developed a mechanism to implement a clear process, criteria, and methodology for identifying positive impacts in both ESG/SDGs assessment-related financial instruments and SDGs promotion-related financial instruments, and the procedures are documented. During the loan implementation period, SMBC's personnel in charge of the borrower conducts regular interviews with the recipient using a defined monitoring sheet, and the Sustainable Solution Department Solution Group confirms the monitoring progress. These confirmation and evaluation activities are reported and record-kept in accordance with SMBC's governance.
- DNV, through the assessment of the periodic review (2nd), has confirmed that the identified positive impact monitoring indicators are in some cases difficult to disclose that the positives intended by the borrower's business are directly progressing, due to competitive considerations and confidentiality. However, even in such cases, DBV has also confirmed that SMBC's responsible department has obtained a qualitative or quantitative understanding of the progress of the originally intended positive impact through discussions with the borrower, and has supported the contribution to ESG/SDGs by the relevant business activities of the borrower (related to Principle 3).
- In determining eligibility for positive impact, SMBC substantially applies a series of risk management processes related to ESG risks, namely, identification, analysis, evaluation, and response. ESG risk assessment and management in the PIF and credit risk assessment in credit decisions are separate evaluation systems. The term of validity of loans is also determined in accordance with the same procedures as for regular loans, regardless of the results of the PIF evaluation.

Principle Three: Transparency

Entities (financial or non financial) providing Positive Impact Finance should provide transparency and disclosure on:

- The activities, projects, programs, and/or entities financed considered Positive Impact, the intended positive impacts thereof (as per Principle 1);
- The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2);
- The impacts achieved by the activities, projects, programs, and/or entities financed (as per Principle 4).

- From the perspective of ensuring transparency, SMBC issues a press release each time a PIF-based borrower is selected, disclosing information on the fact that it is a positive impact financing initiative, the intended positive impact, and its key targets and indicators. DNV, through the assessment, has confirmed that the disclosure of information for the three cases implemented during the subject period (April 2022 - March 2023) was properly performed.
- For both ESG/SDGs assessment-related financial instruments and SDGs promotion-related financial instruments, SMBC requires each individual borrower to prepare a Sustainability Priority Action Plan, in which it defines appropriate impact measurement indicators that consider the five elements set forth in PIF Principle Four: (1) variety of positive impacts, (2) magnitude of impacts, (3) efficiency, (4) leverage, and (5) additionality.
- The borrowers disclose information on the identified positive impacts in its CSR report, sustainability report, website, etc. SMBC has established an internal process, in which SMBC's personnel in charge of borrowers confirms disclosed information and conducts periodic direct interviews with them and reports the borrower's activity status towards the latest key issues internally.
- DNV, through the assessment, has confirmed the monitoring status of impacts from the PIF implemented in the past through the sampling of multiple cases. As a result, the Sustainable Solution Department Solution Group, which is the supervising department for the assessment of the achievement status of the originally planned positive impact, has been confirming the progress of monitoring and evaluating the results. However, the Group is expected to support the solid progress of ESG/SDGs initiatives through the PIF by consulting more closely with the borrowers and their responsible persons (related to Principle 4).

Principle Four: Assessment

The assessment of Positive Impact Finance delivered by entities (financial or non-financial), should be based on the actual impacts achieved.

- SMBC has a policy of monitoring at least annually from loan origination to ensure that the intended impact has been realized. In conducting this monitoring, the personnel in charge of the borrowers conduct periodic direct interviews with the borrowers on the status of implementation of its Sustainability Priority Action Plan. The content of these interviews is reported in accordance with the internal approval system, and the Sustainable Business Promotion Office evaluates the progress and monitoring content.
- From a perspective of transparency, SMBC has commissioned DNV to review the PIF's overall framework, as well as individual assessments of borrowers as necessary based on the discussions with borrowers, and DNV's assessment results are made public as opinion statements as appropriate.

VII. Assessment Conclusion

Based on the information provided by SMBC and the work undertaken in the Assessment Protocol performed by DNV, it is DNV's opinion that SMBC's "ESG/SDGs assessment loan/private placement bond and syndicated loan", "ESG/SDGs assessment syndicated loan", "SDGs promotion loan/private placement bond", and "SDGs promotion syndicated loan" have been consistent with the PIF Principles and Model Framework including that their definition, purpose, and recommendations.

DNV Business Assurance Japan K.K.

31 March 2023



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About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV: The management of Issuer has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete.



Schedule: Positive Impact Finance Principles Eligibility Assessment Protocol

The checklist below is DNV's Positive Impact Financial Principles Eligibility Assessment Procedure and DNV's findings, which was developed based on various criteria of the Positive Impact Financial Principles. The "confirmed documents" in the Work Undertaken include public or private documents (materials inside the issuer), etc., and are provided by SMBC as evidence of eligibility judgment for DNV.

DNV's findings include both assessment work (confirmation work) that the PIF principles are continuously met against the eligibility assessment protocol, and assessment work of the management and operational status through periodic review (2nd).

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Three pillars of sustainable development (economic, environmental and social)	<p>Positive Impact Finance (PIF) establishes a mechanism to assess positive and negative economic, environmental, and social impacts.</p> <ul style="list-style-type: none"> Potential negative impacts are mitigated when identified. Ensure that the project will result in a positive contribution in one or more of the following: economy, environment, and society. 	<ul style="list-style-type: none"> Confirmed documents /01//02//03//04//05//06//07//08//09//10//11//12//13//14//15//16//23/ Interviews with stakeholders 	<p>Through assessment work, DNV confirmed that the mechanism based on the Positive Impact Financial Principles in ESG/SDGs assessment-related financial instruments is outlined in the text and annex of the Administrative Instructions. The evaluation methodology is defined as a mechanism for JRI to quantitatively evaluate three aspects of sustainable development (environment, society, and governance) of its borrowers based on the criteria defined in the "ESG/SDGs Assessment Manual" developed by JRI.</p> <p>Through assessment work, DNV also confirmed that the mechanism based on the Positive Impact Financial Principles in SDGs promotion-related financial instruments is outlined in the text and annex of the administrative instructions. The assessment method is defined in the "SDGs Diagnostic Manual" also developed by JRI, which defines the relevance to the SDGs and the logic model analysis method. For the actual evaluation, a system is in place for JRI to evaluate the positive and negative impacts of the borrower.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	Scope	<p>The Principles are intended to be applicable across all categories of financial instruments and the business activities that underpin them, including but not limited to:</p> <ul style="list-style-type: none"> • Loans (corporate, retail, municipal, sovereign, inter-bank, project-related) • Bonds • Equity • Mezzanine • Notes and credit-linked-notes / obligations 	<ul style="list-style-type: none"> • Confirmed documents /01//02//03//04//05//06//07//08//09//10//11//12//13//14//15//16//23/ • Interviews with stakeholders 	<p>Through assessment work, DNV confirmed that both ESG/SDGs assessment-related financial instruments and SDGs promotion-related financial instruments are covered by loans (both relative and syndicated) and private placement bonds, as stated in the respective administrative instructions.</p>
1c	Sustainable Development Goals (SDGs)	<p>PIF contributes to solving financial challenges in the SDGs.</p>	<ul style="list-style-type: none"> • Confirmed documents /01//02//03//04//05//06//07//08//09//10//11//12//13//14//15//16//23/ • Interviews with stakeholders 	<p>Through assessment work, DNV confirmed that the relevance of the evaluation targets to the SDGs was confirmed by the evaluation conducted by JRI using the ESG/SDG Assessment Manual and the logic model analysis conducted using the SDG Diagnostic Manual.</p>
1d	Interrelatedness, regional, and cross-sectoral evaluation	<p>The principles for PIF are not sector based. It has a global evaluation mechanism that is cross-sectoral and holistic, taking into account interrelatedness and regional characteristics.</p>	<ul style="list-style-type: none"> • Confirmed documents /01//02//03//04//05//06//07//08//09//10//23/ • Interviews with stakeholders 	<p>Through assessment work, DNV has confirmed that SMBC considers interrelated, cross-sectoral, and comprehensive evaluations in its PIF structure. First, SMBC obtains the necessary information for its loan decision process through a survey form in which the potential borrower's ESG/SDGs-related activities and initiatives are entered. Then, SMBC requests JRI to conduct an evaluation, which in principle covers almost all industries in the production, procurement, and sales regions, taking into account a global perspective in its evaluation and decision-making process.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Through assessment work, DNV also confirmed that SMBC does not intend to evaluate only a limited number of areas for a single deal, and that the following mechanisms have been put in place for the purpose of its proper operation.</p> <ul style="list-style-type: none"> • The ESG evaluation method by JRI is based on pre-set point allocation weights for evaluation across industries. • From the viewpoint of financial instrument operation of the evaluation loan, an exclusion provision is made for a certain industry. For example, from the perspective of reputational risk, some industries are excluded, in order to avoid the use of this financial instrument for the purpose of washing out negative corporate images. Such exclusions are not publicized externally.
2a	Processes, Criteria, and Methods	<p>Where applicable, there is a mechanism to implement a specific process, criteria, and methodologies for identifying positive impacts.</p> <p>The analysis considers activities, projects, programmes, underlying companies, etc. being financed.</p>	<ul style="list-style-type: none"> • Confirmed documents /01//02//03//04//05//06//07//08//09//10//11//12//13//14//15//16//23/ • Interviews with stakeholders 	<p>Through assessment work, DNV confirmed that SMBC has established a mechanism to implement clear processes, criteria, and methodologies to identify positive impacts of a borrower’s initiatives, where applicable. Regarding subsidiaries of a borrower, SMBC has established a mechanism whereby all consolidated subsidiaries are subject to the assessment.</p> <p>DNV, through the assessment of the periodic review (2nd), has confirmed that the identified positive impact monitoring indicators are in some cases difficult to disclose that the positives intended by the borrower’s business are directly progressing, due to competitive considerations and confidentiality. However, even in such cases, DBV has also confirmed that SMBC’s responsible department has obtained a qualitative or quantitative understanding of the progress of the originally intended positive impact through discussions with the borrower, and has supported the contribution to ESG/SDGs by</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				the relevant business activities of the borrower (related to Principle 3).
2b	Risk management	Where applicable, apply risk management (identification, analysis, evaluation, and response) for ESG risks in determining eligibility for positive impacts.	<ul style="list-style-type: none"> Confirmed documents /01//02//03//04//05//06//07//08//09//10//11//12//13//14//15//16//23/ Interviews with stakeholders 	Through assessment work, DNV confirmed that SMBC substantially applies risk management (identification, analysis, evaluation, and response) for ESG risks in determining eligibility for positive impacts, where applicable. In addition, we confirmed that ESG risk management in the PIF is a separate evaluation system from credit risk assessment in credit decisions.
2c	Life-time of the financial instruments	Where applicable, there is a mechanism to properly determine the effective life time of a financial instrument. There is also a mechanism to implement clear processes, standards, and methodologies to monitor the achievement of intended effects over the entire effective period of the financial instrument.	<ul style="list-style-type: none"> Confirmed documents /01//02//03//04//05//06//07//08//09//10//11//12//13//14//15//16//23/ Interviews with stakeholders 	Through assessment work, DNV confirmed that the validity period of the loan was determined according to the same procedures as for a regular loan, regardless of the results of the PIF evaluation. In addition, for both ESG/SDGs assessment-related financial instruments and SDGs promotion-related financial instruments, DNV confirmed that, during a loan implementation period, SMBC's personnel in charge of a borrower conducts regular interviews with the borrower using a defined monitoring sheet, and that the Sustainable Business Promotion Office confirms the progress of the loan through monitoring.
3a	Transparency and Disclosure-1	The PIF has a mechanism for disclosing information on the intended positive impact of the activities, projects, programs, and operating entities it finances and invests in.	<ul style="list-style-type: none"> Confirmed documents /16//17//18//19//20//21//22//23/ Interviews with stakeholders 	<p>Through assessment work, DNV confirmed that SMBC issues a press release each time a project is taken up and discloses the following information.</p> <p>DNV, through the assessment, has confirmed that the disclosure of information for the three cases implemented during the subject period (April 2022 - March 2023) was properly performed.</p> <ul style="list-style-type: none"> A Positive Impact Financing initiative of a project

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • A positive impact intended by a project • Priority targets and key performance indicators <p>*Basically, it is assumed that the use of funds/proceeds may not be limited.</p>
3b	Transparency and Disclosure-2	The PIF has a mechanism for disclosing information on the processes established to determine eligibility and to monitor and check impacts.	<ul style="list-style-type: none"> • Confirmed documents /16//17//18//19//20//21//22//23/ • Interviews with stakeholders 	<p>Through assessment work, DNV confirmed that SMBC has established the following processes to ensure transparency:</p> <ul style="list-style-type: none"> • For ESG/SDG assessment-rated financial instruments, in the first year of such financing, the borrower establishes indicators to measure impact, considering the five elements set forth in PIF Principle 4: (1) variety of positive impacts, (2) magnitude of impacts, (3) efficiency, (4) leverage, and (5) additionality. • In SDGs promotion-related financial instruments, SMBC conducts an analysis that considers the five elements of PIF Principle 4 through analysing SDG via logic models and set indicators by which borrowers can measure their impact. Based on the measurement, SMBC recommends that analysis be conducted on the main business in the core business and that the borrower set impact indicators based on the results of the analysis. • In both ESG/SDGs assessment-related financial instruments and SDGs promotion-related financial instruments, the borrower should prepare a sustainability priority action plan and define appropriate assessment indicators in the plan. If assessment indicators for measuring impact have already been disclosed in a CSR report, sustainability report, website, etc., they can be used. • The plan stipulates that SMBC monitors whether the intended impact has been realized from the next fiscal year onward (sales branches check it using a monitoring sheet, and the Sustainable Business Promotion Office confirm the progress).

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				DNV, through the assessment of the periodic review (2 nd), has confirmed the monitoring status of impacts from the PIF implemented in the past through the sampling of multiple cases. As a result, the Sustainable Solution Department Solution Group, which is the supervising department for the assessment of the achievement status of the originally planned positive impact, has been confirming the progress of monitoring and evaluating the results. However, the Group is expected to support the solid progress of ESG/SDGs initiatives through the PIF by consulting more closely with the borrowers and their responsible persons (related to Principle 4).
3c	Transparency and Disclosure-3	The PIF has a mechanism for disclosing information on the impact achieved by its objects (activities, projects, programs, and/or entities in which it invests).	<ul style="list-style-type: none"> Confirmed documents /16//17//18//19//20//21//22//23/ Interviews with stakeholders 	Through assessment process, DNV confirmed that a borrower disclosed information on the matters identified as positive impact in its CSR report, sustainability report, and website. Specifically, SMBC personnel conducts regular interviews with a borrower and reports internally, and the Sustainable Business Promotion Office confirms the progress and acts when necessary.
4a	Assessing the level of impact realization	The PIF has evaluation criteria and evaluation mechanisms to assess the realized impact (impact).	<ul style="list-style-type: none"> Confirmed documents /16//17//18//19//20//21//22//23/ Interviews with stakeholders 	Through assessment process, DNV confirmed that SMBC has stipulated that the intended impact by financing is monitored every year after the finance is executed, and that SMBC's personnel regularly and appropriately monitors the borrower's initiatives in line with the internal approval system, and the Sustainable Business Promotion Office confirms, evaluates, and reports the progress.
4b	external assessment	The process of identifying, evaluating, and managing positive impacts is also	<ul style="list-style-type: none"> Confirmed documents /16//17//18//19//20//21//22//23/ 	From a perspective of transparency, SMBC has commissioned DNV to review the PIF's overall framework, as well as individual assessments of borrowers as necessary based on the



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		subject to external assessment by qualified third parties.	<ul style="list-style-type: none">• Interviews with stakeholders	discussions with borrowers, and DNV's assessment results are made public as opinion statements as appropriate.

List of references

- /01/ Administrative Instructions for ESG/SDGs assessment loan/private placement bond (Revised October 2021)
- /02/ Administrative Instructions for ESG/SDGs assessment syndicated loan (Revised December 2022)
- /03/ Survey form for ESG/SDG assessment-related financial instruments (The Japan Research Institute, Limited.)
- /04/ Key points for completing survey for ESG/SDG assessment-related financial instruments
- /05/ Assessment item standard criteria (environmental) (social) (governance) for ESG/SDGs assessment-related financial instruments
- /06/ Application flow and criteria for ESG/SDGs assessment syndicated loan
- /07/ Administrative instructions for SDGs promotion loan/private placement bond (*Integrated with No.1)
- /08/ Administration instructions for SDGs promotion syndicated loan (*Integrated with No.2) (Revised December 2022)
- /09/ Survey form for SDGs promotion-related financial instruments
- /010/ SDGs promotion-related financial instruments: Concepts and Key Points of Logic Model Analysis
- /011/ List of the PIF projects (as of March 2023)
- /012/ SDGs financing entry sheet (including decision flow chart)
- /013/ SDGs financing application flow and criteria
- /014/ Sustainability priority action plan form
- /015/ Sustainability management plan monitoring sheet form
- /016/ Approval documents and action plans (Company E & F)
- /017/ Disclosure material (Company C & D's Sustainability Report)
- /018/ SMBC ESG/SDGs financing interview record (Company E)
- /019/ Survey for ESG/SDGs assessment-related financial instruments (Company E)
- /020/ Missing number
- /021/ Sustainability priority action plan (Company E)
- /022/ Sustainability priority action plan (Company F)
- /023/ Evaluation-based Financing Administrative Procedure (Established December 2021, revised April 2022)
- /024/ PIF loan-related information of SMBC and borrowers (website)

*Only the latest versions of documents are shown, when there are any updates from the past version.