

Initiatives to Manage Environmental and Social Risks

Aiming to Improve Risk Governance

The extent and importance of environmental and social challenges to be addressed is increasing in practicing sustainable finance. We must assess and manage environmental and social risks when assess transactions with investment and finance customers and related projects. In addition to the evaluation and judgment of environmental and social risks on investment and financing front, we are building an environmental and social risk management (ESRM) framework to escalate decisions when necessary in response to checks by the risk management department or judgments by management. We will work on sophisticating of our ESRM framework in stages, aiming to incorporate the framework into integrated risk management.

From the Front Lines

Risk Management Division
Senior Manager

Hirokazu Masuoka

We launched the new ESRM system in collaboration with many other related departments. I think this system will play an important role when we respond to changes surrounding environmental and social challenges. At the same time, in response to the TCFD recommendations, we began conducting scenario analyses related to transition risk associated with climate change. Through the expansion and advancement of these initiatives, we want to provide information that serves as a compass for management to lead the bank. Addressing sustainability is about solving issues necessary to meet our needs without placing a burden on future generations. Through my work, I hope to contribute to the sustainable development of the world, the communities of Japan, and the agriculture, fishery and forestry industries.



Specific ESRM Initiatives of the Norinchukin Bank

The Norinchukin Bank established our Environmental Policy and Human Rights Policy in November 2019 as basic policies to solve environmental and social challenges. We engage in appropriate risk management according to priority and based on these policies for topics and sectors recognized as having a strong potential for significant negative impact on the environment and society.

Investment and financing sector policy

We prohibit and restrict transactions in sectors that have the strong potential for significant negative impact on the environment and society. We confirm the response to and consideration for environmental and social issues when we consider an investment and financing project in these restricted sectors. We then determine whether to provide financing to the client after discussions at management level. At present, we have set a policy for investment and financing in the following sectors, and we will work on extending the list of restricted sectors.

Restricted sectors under control of the investment and financing policy

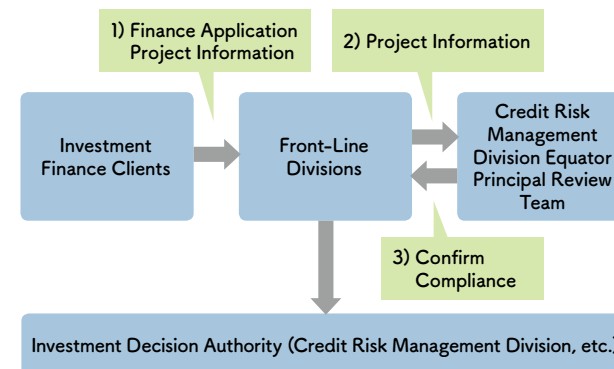
- Cluster munitions
- Coal-fired thermal power plant
- Palm oil plantation/oil extraction
- Deforestation

ESG integration in risk management

The risk management department evaluates environmental and social risks for investment and finance clients and serves as a second line of support for ESG integration conducted by the front-line departments.

Equator Principles

We confirm compliance with the Equator Principles and monitor compliance with the covenants.



Responding to environmental and social incidents

By monitoring environmental and social incident information*1 of our clients, we can take action to avoid the reputation risk or credit risk caused by environmental and social risks. We perform regular monitoring of investment and finance clients covered by the investment and financing sector policy.

*1 Information on corporate and business activities and related events that may have serious impact on the environment or society

