

Sustainability Management Initiatives

Basic Approach to Sustainability Management of the Bank

Intensifying climate change as well as the ongoing loss and degradation of nature are affecting economic activities and even people's lives. The Bank, as a financial institution which is based on the AFF industries while conducting investment and loan activities globally, is committed to responding to the relevant risks and business opportunities in the aim to create positive impacts on the environment, society, and economy through the business activities.

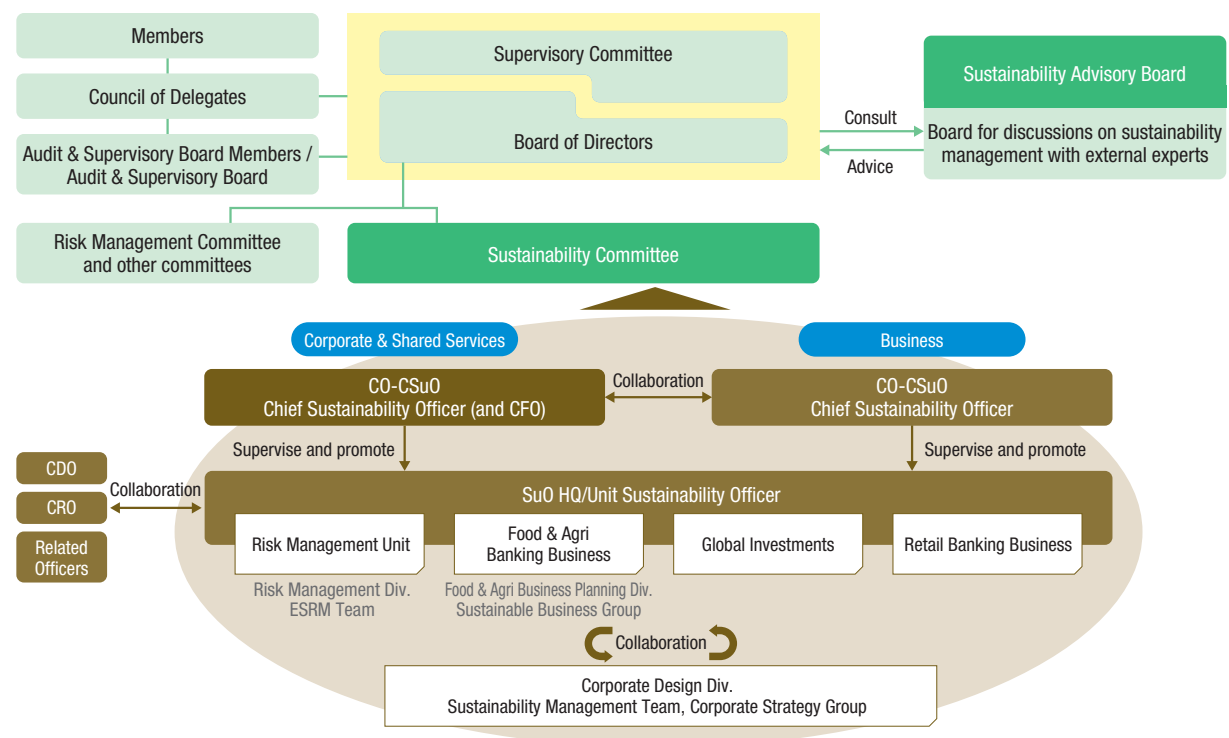
Sustainability Promotion Structure

The Sustainability Committee was established under the Board of Directors to discuss mainly general policies and management issues related to sustainability management. The content discussed at these committees is proposed or reported to and discussed by the Board of Directors and/or the Supervisory Committee, as required.

As an advisory body to the Board of Directors, the Sustainability Advisory Board was also established to consult with external experts and reflect their opinions in the advancement of our sustainability management.

The Bank assigned two Chief Sustainability Officers (Co-CSuOs) as the responsible persons for supervising and promoting sustainability management. To achieve strengthened sustainability management throughout the Bank in a unified manner, we have assigned HQ/Unit Sustainability Officers (SuOs). The SuOs are responsible for promoting the initiatives of the respective headquarters/units based on the organizational policies as well as for strengthening collaboration among the headquarters/units.

Sustainability Promotion Structure



Sustainability Talent Development

Trends in various themes related to sustainability, such as climate change, natural capital and biodiversity, human rights, and human capital are rapidly changing. The Bank holds the Sustainability Round Table, to which outside lecturers are invited and Chief Sustainability Officers and other relevant officers and employees are assembled, having held 10 meetings in total in FY2023. In a meeting, the participants can obtain business opportunities related to sustainability and learn and exchange opinions about how to address the relevant risks.

In addition, we are engaged in capacity building for officers and employees, through internal dissemination of sustainability issues such as climate change and biodiversity by conducting hierarchical sustainability training for employees and distributing information via an internal portal.

Important Issues to Achieve Our Purpose

We organized “Important Issues to Achieve Our Purpose” while considering the importance for the Bank (i.e., risks and opportunities) and expectations of stakeholders. (Refer to pages 9 to 10.) The Bank continues to work on resolving these issues through the business activities.

Identification Process

■ Define business models

Conduct interviews within each division of the Bank

■ Identify stakeholders

Identify important stakeholders (members, local communities, employees, customers, others)

■ Create a list of issues

Formulate a sustainability issue universe (based on ISO26000/GRI/SDGs)

■ Select Important Issues from all issues listed

Interview stakeholders

Organizations subject to interview: Affiliated national-level federations (in the AFF industries), clients (agricultural-related companies, business corporations), NGOs, government, young farmers, etc.

Conduct in-house interviews

Identify Important Issues for stakeholders

Identify Important Issues for the Bank

Create an issue map

Materiality from the perspective of our stakeholders

Materiality from the perspective of the Bank

Identify Important Issues for both the Bank and our stakeholders

Determined by the Board of Directors and the Supervisory Committee, after discussion at the Sustainability Committee and the Sustainability Advisory Board

Important Issues to Achieve Our Purpose

Realizing a carbon-neutral society

Realizing a society living in harmony with nature

Strengthening the “earning power” of the AFF industries

Realizing a resilient food system

Achieving well-being at both local and international level

Participation in Major Initiatives

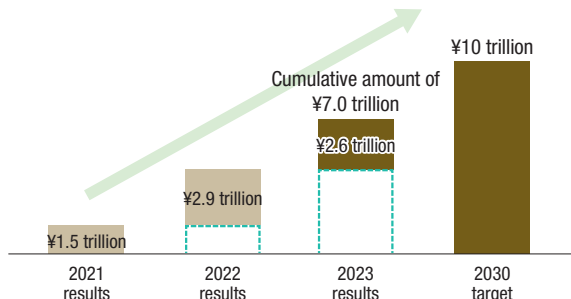
We recognize that as it is impossible to fulfill the response to environmental/social issues only by ourselves, what is important is to participate in discussions and form practice together in partnership with a wide range of stakeholders. To advance those efforts, the Bank participates in various initiatives in Japan and overseas.



Sustainable Finance Initiatives

The Bank established a target of ¥10 trillion in new sustainable finance (cumulative for FY2021-2030) as our response to the environmental/social issues under “Important Issues to Achieve Our Purpose.”

Execution of New Sustainable Finance



Breakdown of newly executed cumulative amount of ¥7.0 trillion (Approx.)

Investments and loans	Market investment assets, etc. ESG equity funds (domestic and foreign), international agency bonds, IG funds, etc.	¥4.3 trillion (Approx.)
	Project finance Finance for renewable energy projects and water treatment/schools/hospitals and other social projects, etc.	¥1.5 trillion (Approx.)
	ESG loans Green loans, sustainability-linked loans, transition loans, etc.	¥1.0 trillion (Approx.)
Funding	Green bonds, Green deposits	¥0.3 trillion (Approx.)

Initiatives for Impact Creation

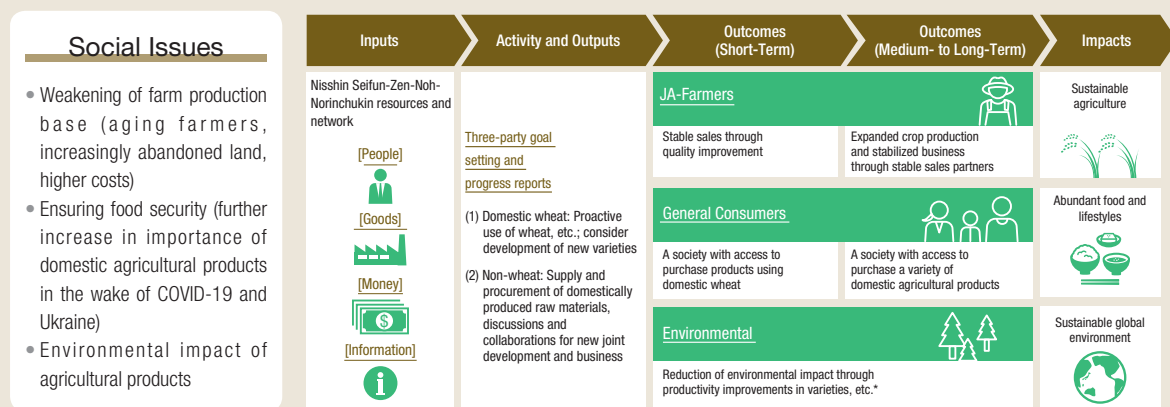
The Bank implements Impact Measurement and Management. This enables visualization and quantitative management of the impact of our investment and loan activities on environmental and social issues.

Creating Impact Through Investments in Food and Agriculture Companies

National Federation of Agricultural Cooperative Associations (Zen-Noh) and the Norinchukin Bank entered into a capital alliance with Nisshin Seifun Group Inc. holding company (Nisshin Seifun), acquiring common stock equivalent to approximately 1% of the Nisshin Seifun outstanding total (published November 17, 2020).

Japan's agriculture sector is dealing with environmental and social issues that include such a shortage of farmers. Japan has a particularly low self-sufficiency rate for wheat, and the government is pushing a shift in cultivation to wheat from rice, increasing the cultivated area and production volume. A further issue is how to grow demand in line with this increase in production. Recognizing these issues, Zen-Noh and the Bank invested in Nisshin Seifun, which is the industry leader at 40% of the domestic flour market. The objective of this investment is to encourage production and expand demand for domestically produced wheat. The three parties discussed and established common goals related to this investment. We receive regular progress reports and have confirmed that efforts are having a gradual effect on encouraging domestic wheat product and increasing demand. According to Nisshin Seifun, the company has entered into joint development to secure a stable supply of domestic wheat and other domestic agricultural and livestock products, while extending its product lineup. Zen-Noh indicated that the organization is developing production and variety development based on demand with input from Nisshin Seifun. The Bank will continue to provide support for funds and smooth communications, encouraging the three-way efforts to resolve issues throughout the value chain.

Logic Model for Creating Environmental and Social Impact



*Increased domestic wheat productivity also means a decrease in the amount of pesticides and fertilizers used per unit of production. Therefore, higher wheat productivity leads to expected reductions in environmental impact.

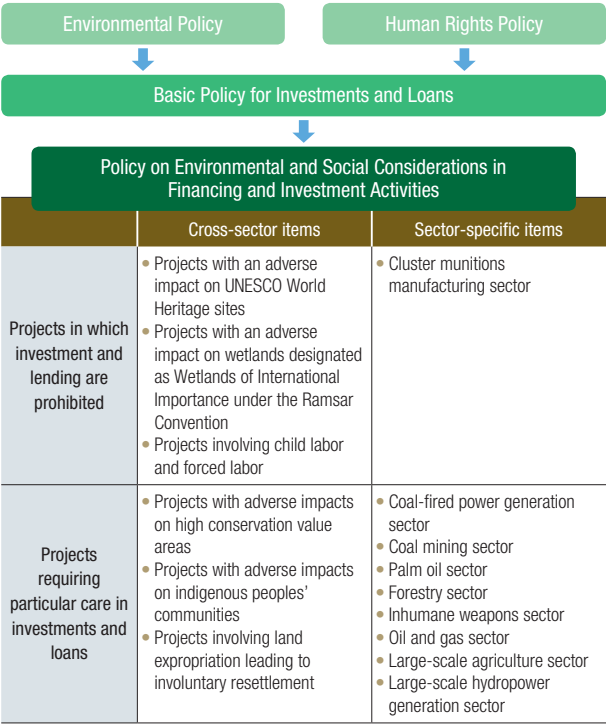
Upgrade of the Environmental and Social Risk Management Framework

To implement appropriate company-wide risk management, the Board of Directors of the Bank has formulated the Basic Policies for Risk Management, committed to upgrading its risk management framework constantly. These policies identify the types of risks to be managed and the basic framework for risk management, including organizational structure and methodology. Major risks that the Bank manages according to the policies include credit risks, market risks, liquidity risks, model risks, and operational risks. Under each of these risk categories, environmental and social risks also shall be managed/controlled depending on the individual risk profiles and characteristics.

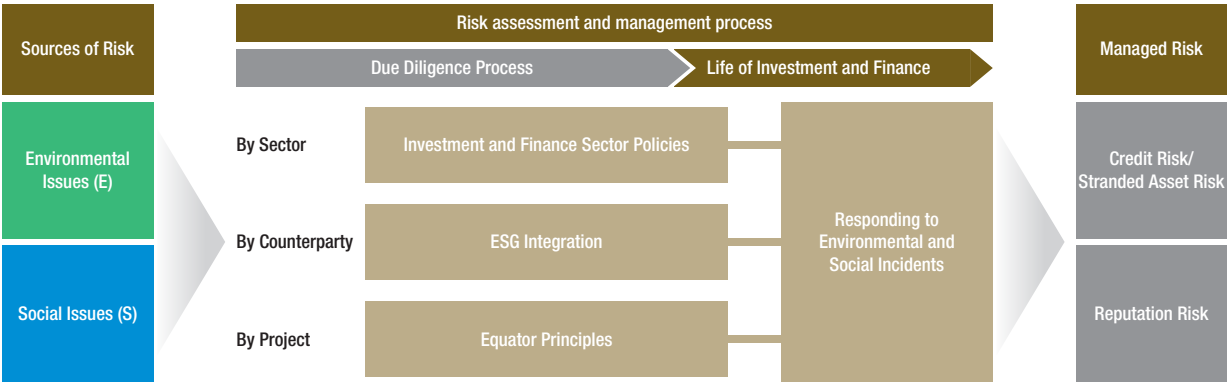
Under the Environmental and Social Risk Management (ESRM) framework, the Bank has built a framework for escalation in case risk control or checking function at the risk management department or decision-making by management is required, in addition to the assessment and judgment of environmental and social risks at the front-office sections. We will work on advancing the sophistication of our ESRM framework in a phased manner, aiming to incorporate the framework into integrated risk management.

In addition, the Bank has established the Environmental Policy and the Human Rights Policy, which are basic policies for solving environmental and social problems. The Bank has also stipulated a policy to address environmental and social considerations in lending and investing activities for the sectors where significant negative effects on the environment and society are suspected, and conducts appropriate risk management according to the priority.

Furthermore, the Bank has adopted the Equator Principles, which the Bank applies to large-scale development project finance by monitoring whether appropriate consideration is given in such projects to the natural environment and the local communities concerned.



The ESRM Framework



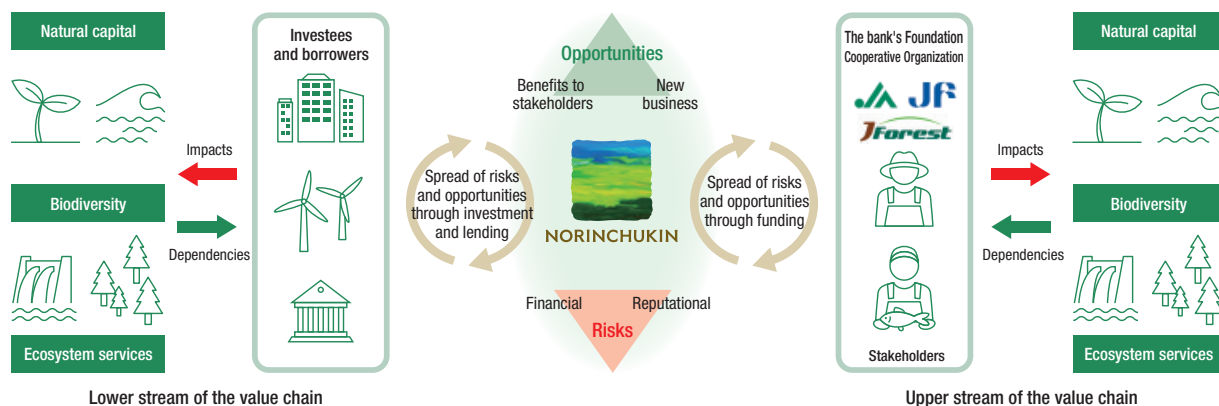
► ESG Integration in Risk Management

We work to integrate credit risk management into the internal rating system, which evaluates the credibility of credit clients. To do so, we rate environmental and social risk factors as qualitative evaluation factors using tools such as the ES Risk Check sheet, which is a tool for assessing the status of response to such risk factors depending on their sectors, within the system for clients in certain sectors, mainly high transition risk sectors regarding climate change. In addition, we will take external factors into account and consider reviewing and expanding targeted sectors of this initiative.

Initiatives for Climate Change and Natural Capital/Biodiversity

The Bank's funds are derived from deposits of people in the AFF industries and local communities to JA and JF. These financial resources are then not only lent to members, farmers, fishermen, and foresters, and companies related to the AFF industries, etc., but also used for various investments and loans in Japan and overseas. Therefore, the Bank has a close relationship with nature both in the upper and lower stream of the value chain, and we recognize that initiatives for managing climate- and nature-related risks and capturing opportunities are directly linked to sustainability of our business operations and organizational base.

Relationship Between the Bank and Nature



While considering climate has a correlation with nature and initiatives for risks and opportunities associated with climate and nature cannot be separated, we are making integral disclosure of climate and nature components based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations.

Climate & Nature Report 2024

For detailed information about the Bank's initiatives related to climate and nature, please see the Climate & Nature Report 2024.

https://www.nochubank.or.jp/en/sustainability/backnumber/pdf/2024/climate_nature.pdf



Core Principles Toward Solving Environmental Issues

Climate Nature

The Board of Directors of the Bank formulated an Environmental Policy. Under this policy, we commit to contributing to the solution of environmental issues such as climate change and biodiversity through our business activities and to reducing the environmental burden of our business activities.

In addition, our action against climate change and natural capital/biodiversity is set forth in the Important Issues to Achieve Our Purpose and the Medium-Term Vision (Vision for 2030). We will promote initiatives to contribute as a financial institute to the simultaneous solution of such environmental issues in order to make the AFF industries and people's lives sustainable.

Environmental Policy: Key Points

- 1 Reflecting on our basic mission, we declare that we will contribute to the creation of a sustainable society through partnership and collaboration with cooperative members.
- 2 We declare our support for and participation in international standards and initiatives to address environmental issues.
- 3 We declare that we will implement concrete initiatives based on the Environmental Policy through our core financing and lending business.
- 4 We declare that, as a financial institution founded on the AFF industries, climate change and biodiversity* are particularly important environmental issues, and that we will respond to these issues through our business activities.
- 5 We declare that we shall strive to respond to environmental issues as an element tied closely to our ability to foster a sound corporate culture, the backbone of our operations.

* Mentioning that we will support/adopt the TCFD recommendations and the TNFD recommendations and drive initiatives based on them

Climate- and Nature-Related Risks and Opportunities

Climate Nature

Climate-related risks can be divided into transition risks and physical risks. Transition risks are risks that occur in the transition process for decarbonization, such as increased credit costs due to changing policies, markets, etc., while physical risks are classified into acute risks, such as increased flooding or other extreme weather events, and chronic risks, such as the agricultural/fishery impact of prolonged high temperatures.

Nature-related risks, in contrast, refer to potential economic and financial impacts from changes in the natural environment, such as biodiversity loss and climate change. Changes in the natural environment also have an impact on financial systems in interacting with the causes and effects of climate change, through degradation of ecosystem services, including climate change and changes in policy and consumption behavior.

Climate- and nature-related issues are to be managed in the short to medium/long term. At the same time, we can find business opportunities in solving those risks. We are striving to secure business opportunities as a financial institution by continuing to support the transition toward a carbon-free society and a natural symbiotic society with the use of finance and other solutions.

The Entire Picture of Initiatives to Net Zero

Climate

The Bank Group aims to reduce greenhouse gas (GHG) emissions to Net Zero by 2050 as our response to escalating climate change. As part of this effort, the Bank joined the Net-Zero Banking Alliance (NZBA)*, under which it promotes various initiatives, including target setting and engagement for reducing financed emissions. A series of relevant initiatives are organized and systematized in the Transition Plan for Achieving Net Zero Emissions by 2050.

* An international initiative among banks that aims to achieve net-zero GHG emissions through an investment and loan portfolio by 2050, under the Glasgow Financial Alliance for Net Zero (GFANZ).

Transition Plan for Achieving Net Zero Emissions by 2050

Basis	Our Purpose		
	Environmental Policy	Important Issues to Achieve Our Purpose	Commitment to Achieving Net Zero by 2050
	Vision for 2030: Harnessing the power of cooperatives and finance, we aspire to continue to create positive impact toward sustainable environment, society and economy.		
Implementation strategies	Promote sustainable business		Strengthen the risk management framework
	<ul style="list-style-type: none"> Provide decarbonization solutions to investees and borrowers Collaborate with members and support the maintenance/creation of environmental value in the AFF industries through initiatives for reducing the environmental burden of production activities, creation of carbon credits, etc. 		<ul style="list-style-type: none"> Respond to environmental and social risks based on the integrated risk management framework Expand scenario analysis
Engagement strategies	Engagement with investees and borrowers		Collaborate with various stakeholders
	<ul style="list-style-type: none"> Drive initiatives based on the transition plan and response status of borrowers Engagement based on the characteristics of the asset class Improve the effectiveness and gain knowledge by participating in collaborative engagement 		<ul style="list-style-type: none"> Collaborate with members for solving the sustainability issues in local communities Collaborate with industry, government, and academia Participate in major initiatives
Metrics & Targets	Metrics and targets for implementation of the strategies		
	<ul style="list-style-type: none"> Reduce financed GHG emissions: FY2030 Interim target toward Net Zero GHG emissions by 2050 (vs. FY2019 as the base year) <ul style="list-style-type: none"> Lending: <Power generation> 138-165 gCO₂e/kWh <Oil and Gas> [Scope 1 and 2] 3.1 gCO₂e/MJ, [Scope 3] -27.3% <Coal> Qualitative policy <Iron and steel> 1.54-1.73 tCO₂e/t <Other sectors> Targets to be set sequentially Investment: emissions per unit of investment basis: -49% Secure the amount of the forest carbon sink together with JForest members: 9 million tCO₂/year, as of FY2030 Reduce GHG emissions by the Bank itself: Net Zero by FY2030 Execute new sustainable finance: ¥10 trillion by FY2030 Investments and loans for coal-fired power generation: Zero by FY2040 		
Governance	Governance structure on the transition plan		
	<ul style="list-style-type: none"> Determined by the Board of Directors after discussion at the Sustainability Committee, and the progress monitored by the Board of Directors and the Supervisory Committee (major initiatives reflected in compensation for officers and employees through business activities) Supervised and promoted by Chief Sustainability Officers, and collaboration within the organization led by HQ/Unit Sustainability Officers Content and progress of transition plans reviewed regularly and then reported to external stakeholders Sustainability Talent Development (internally disseminating and awareness-raising) 		

Roadmap Toward Net Zero 2050

	FY2019	FY2020	FY2021	FY2022	FY2023	-FY2025	FY2030	FY2040	FY2050
Reduce financed GHG emissions	Lending								
	<Power generation>	213 gCO ₂ e/kWh	217 gCO ₂ e/kWh	209 gCO ₂ e/kWh			138-165 gCO ₂ e/kWh		
	<Oil and Gas>	8.9 gCO ₂ e/MJ	10.7 gCO ₂ e/MJ	14.5 gCO ₂ e/MJ			3.1 gCO ₂ e/MJ		
	Financed Scope 1 and 2								
	Financed Scope 3	0.51 Mt CO ₂ e	0.54 Mt CO ₂ e	0.20 Mt CO ₂ e			Compared to FY 2019 -27.3%		
	<Coal>	Response and engagement based on investment and loan sector policies							
	<Iron and steel>	1.99 tCO ₂ e/t	2.02 tCO ₂ e/t	2.06 tCO ₂ e/t			1.54-1.73 tCO ₂ e/t		
	<Other sectors>	Targets to be set sequentially							
	Investment	0.66 tCO ₂ e/million yen	0.55 tCO ₂ e/million yen	0.54 tCO ₂ e/million yen			Compared to FY 2019 -49%		
	<Stocks and bonds>		-17%	-18%					
Reduce GHG emissions at the Bank Group facilities		21,330 tCO ₂	20,487 tCO ₂	17,052 tCO ₂			Net Zero		
Secure the amount of forest carbon sink together with JForest members		5.8 million tCO ₂	6.12 million tCO ₂	6.42 million tCO ₂			9 million tCO ₂		
Sustainable Finance Target					¥7.0 trillion (Cumulative for FY2021 to FY2023)		¥10 trillion		
Upgrade environmental and social risk management systems									
<Investment and loan balance for coal-fired power generation>					¥39.0 billion* on a fund usage basis		Zero Balance		

* Balance based on exchange rates as of March 31, 2024

Reduce financed GHG emissions

The Bank is sequentially setting emissions reduction targets in lending portfolio for the nine carbon-intensive sectors (power generation, oil and gas, iron and steel, coal, agriculture, commercial and residential real estate, transport, cement, and aluminum) the NZBA identified. We have also set emissions reduction targets in our investment portfolio by considering the importance of the proportion of investment assets in the Bank's investment and loan portfolio. In setting these targets, we referenced the Net Zero initiative framework for institutional investors, etc. as well.

Lending portfolio

The Bank has set targets for the power generation sector at the same time as joining the NZBA in March 2023, followed by an additional announcement on targets for the oil and gas, coal, and iron and steel sectors in March 2024. (Refer to the roadmap above.)

We are driving engagement with our borrowers toward achieving the targets. We engage in dialogue with borrowers about their current conditions, issues, and response, by reflecting an understanding of their awareness related to the risks associated with climate change. Based on these dialogues, we develop and provide solutions according to their needs.

We continue to consider our target setting and approach in terms of the balances of loans, GHG emissions, and other factors in the portfolio. Above all, we continue to identify areas of target setting, etc. for the agriculture sector, our business base, by seeing from a higher perspective the value chain of raw materials to production, processing, and distribution associated with agriculture and food.

Investment portfolio

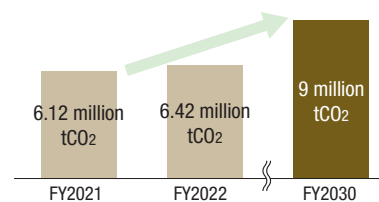
Emissions reduction targets in our investment portfolio have been set and cover stocks and bonds. (Refer to the roadmap above.) Given our investment portfolio consists largely of indirect investments through funds, we are working to engage mainly with investment management companies. Going forward, the Bank will continue to expand the investment asset classes covered by these targets in light of developments in GHG measurement practices at the Bank.

Secure the amount of the forest carbon sink together with JForest members

We set a target for the amount of the forest carbon sink of 9 million tCO₂/year, as of FY2030, based on a forecast of projected areas of operations* in line with targets set by forestry cooperatives nationwide (JForest).

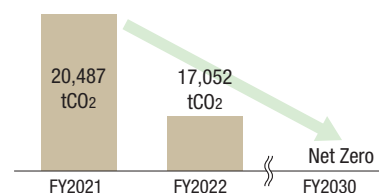
Forests play an important role in absorbing CO₂ and conserving biodiversity while facing numerous challenges. These challenges include low prices for standing timber, costs associated with reforestation, and finding workers who are willing to lead in the forestry sector. To ensure CO₂ absorption, the Bank supports sustainable forest operations across forestry cooperatives.

* Forest management including new planting (reforestation), undercutting, clearing, thinning, and main cutting



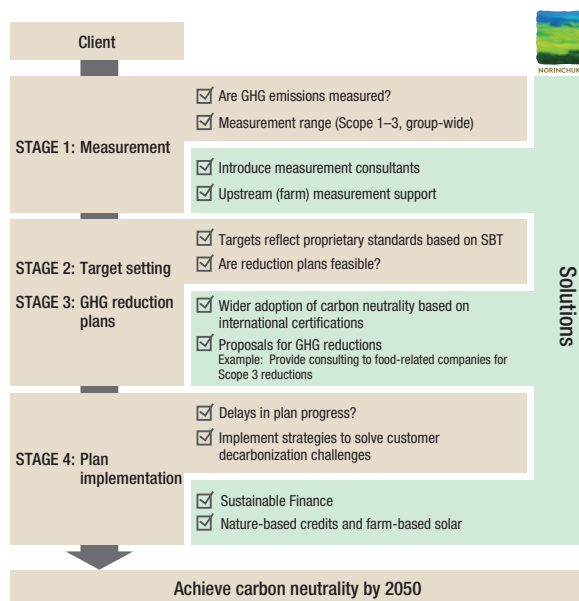
Reduce GHG emissions by the Norinchukin Group itself

We aim to achieve net-zero GHG emissions from Norinchukin Group's sites by FY2030. To achieve the target, we are engaged in introducing renewable energy, etc., and promoting energy conservation in our occupied buildings.



Overview of Engagement with Borrowers

Provide solutions depending on the situation and issues of borrowers



Climate-Related Risk Assessment and Scenario Analysis

Climate

We conduct scenario analyses to understand the impact of the risks associated with climate change on our credit portfolio, etc., based on risk assessment by sector.

Climate Change-Related Risk Assessment by Sector

Low Risk High

Transition Risk Assessment*

Sector	2030			2040			2050		
	Japan	EU	US	Japan	EU	US	Japan	EU	US
Electric utilities									
Oil-gas-coal									
Chemical									
Metal and mining									
Food and agriculture									
Beverages									
Railroad									
Land transport									
Marine transport									

Physical Risk Assessment*

Sector	2030			2040			2050		
	Japan	EU	US	Japan	EU	US	Japan	EU	US
Chemical									
Real estate management and development									
Real estate-related finance									
Insurance									
Paper and forest products									
Food and agriculture									
Beverages									
Metal and mining									
Electric utilities									
Oil-gas-coal									
Railroad									

* Transition risks are assessed based on a 2°C scenario in which additional policy measures mitigate climate change, while physical risks are assessed based on a 4°C scenario in which global warming advances.

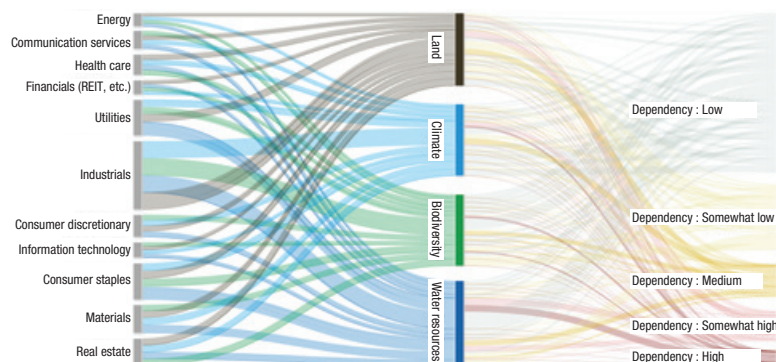
Scenario Analysis Overview

	Transition risk	Physical risk	
		Acute risk	Chronic risk
Target sector, analysis scope, etc.	• Electric utilities, Oil-Gas-Coal, Food and Agriculture, Beverages, Chemicals	• Critical sites of borrowers in Japan and overseas • Real estate collateral pledged to the Bank • The Norinchukin Group's sites	• Agriculture: rice cultivation, livestock production (milk and beef cattle) • Fishery (bonito)
Scenario	• NGFS: Current Policies, Delayed Transition, NetZero 2050 • Scenarios published by the IEA or the FAO, etc.	• IPCC RCP2.6 and RCP8.5	• IPCC RCP2.6 and RCP8.5
Analysis details	• Conduct analysis for the above sectors, evaluating changes through 2050 in credit costs caused by the progress of decarbonization	• Analyze the impact of flood damage on the above sites, etc.	• Analyze the impact of climate change, including rising air and sea-surface temperatures on the income of producers/fishermen, etc.
Results	• Credit cost increase of approximately ¥3 billion to ¥22 billion per fiscal year until 2050. (The effects on the credit portfolio would be limited.)	• Credit cost increase and asset damage of approximately cumulative ¥23 billion through 2100. (The effects would be limited.)	• Although the impact of climate change leads to a decrease in income, such decrease can be controlled by introducing adaptation measures

To identify nature-related risks and opportunities, the Bank has analyzed the dependence and impact of the overall investment and loan portfolio for business companies and implemented experimental scenario analysis.

As a result, we found the dependence and impact of some sectors relatively high, such as the consumer staples sector (the food-related sector, etc.), which is deeply linked to the AFF industries of our foundation, and the utilities sector (the power generation sector, etc.) with which the Bank has a relatively large exposure.

Image of Analysis (Dependence on Nature by Sector)



Note: The size of the bar on the left axis is proportional to the size of exposure to the sector, while the size of the bar on the right axis is proportional to the size of exposure corresponding to each level of dependence.

Source: Compiled by the Bank

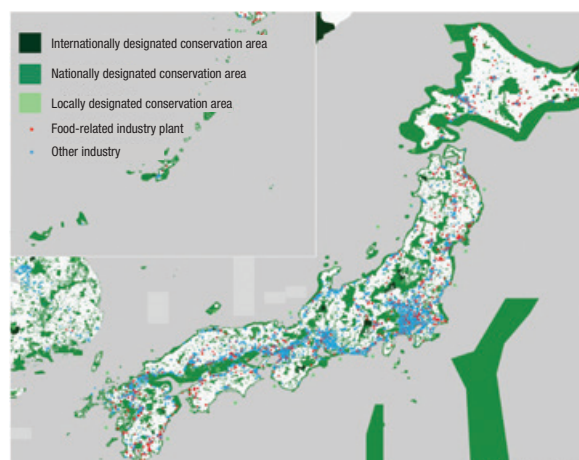
Analysis That Takes Into Account Value Chains of Investees and Borrowers

We have conducted analysis reflecting the supply chain of our investees and borrowers, to evaluate the impact on nature with consideration of the value chains. For the food-related sector, whose dependence and impact on nature was identified as high, through analysis for direct operations, we analyzed the cumulative environmental impact of up to the upper stream of the value chain (e.g., GHG emissions and amount of water consumption/pollution from meat sector upstream to livestock production and feed production/manufacturing, etc.).

Risk Analysis That Takes Locations Into Account

We have analyzed nature-related risks by utilizing location data on critical sites of our borrowers (plants, etc.) which were used in the analysis of physical risks (acute risks, flood risks) associated with climate change. Putting our borrowers' critical sites as well as conservation areas onto a map to indicate the relationship between them visualized which sites are located within conservation areas.

Through the analysis, we revealed that management of the impact on water and forest resources and local ecosystems in those sites was being implemented. (The nature-related risks caused by the exposure were assessed as limited.)



Source: Compiled by the Bank using ArcGIS

Nature-related Scenario Analysis

We have implemented experimentally qualitative analysis of nature-related scenarios by utilizing FPS + Nature, which is an integrated nature and climate scenario for use by investors. After organizing the transition risks anticipated by the scenarios, we evaluated by region and in the medium and long term the degree of the physical risks anticipated by the transition scenario under FPS + Nature, in terms of parameters related to water shortage and pollination, which are deeply linked to the food and agriculture sector. This analysis, as a result, enabled us to discover the possibility, particularly in North America, of additional costs for freshwater utilization and shutdown risks due to water withdrawal restrictions.

		2030	2050
Region	State of nature	Risk	Risk
Japan/Korea	Water shortage	Low	Low
	Pollination	Low	Medium
North America	Water shortage	Medium	High
	Pollination	Low	Low
EU	Water shortage	Low	Low
	Pollination	Low	Low

Source: Compiled by the Bank, with reference to IPR FPS + Nature

Initiatives to Integrally Understand Climate- and Nature-Related Risks

Climate

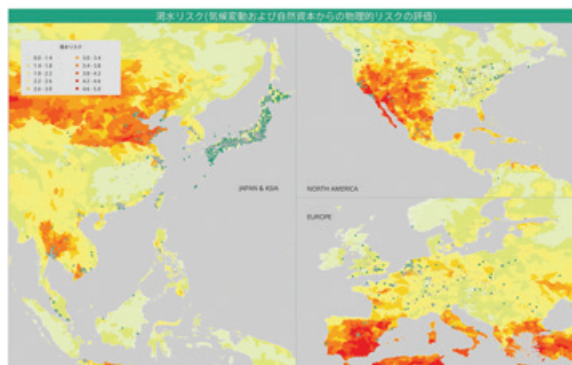
Nature

Analysis of The Relationship Between Climate Change and Nature-related Physical Risks

We have conducted analysis with consideration of natural capital and biodiversity, based on the results of scenario analysis of physical risks (acute risks) associated with climate change. The analysis showed that sectors with high levels of dependence on water resources were more likely to own their critical sites such as plants near rivers or in coastal areas, leading to high physical risks.

Climate change can not only cause disaster events, including flood, but also pose nature-related physical risks (acute risks and chronic risks) such as depletion of underground water, changes in surface water, and water quality degradation. We will leverage our understanding of climate- and nature-related risks that our investees and borrowers face to provide better dialogue and solutions going forward.

Image of Analysis (Heat Map of Drought Risks)



Source: Compiled by the Bank using ArcGIS

Notes: 1. The green represents critical sites of food sectors, and the grey represents those of other sectors

2. n = 283,287 (critical sites such as plants)

Analysis of The Impact of Climate Change on Biodiversity

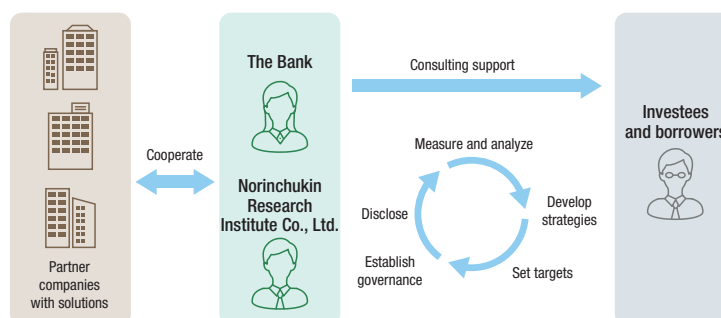
The Bank has analyzed nature-related risks based on data about GHG emissions of its investment and loan portfolio (i.e., financed emissions), working on the biodiversity footprint through collaboration with external parties. In order to understand the impact of climate change on biodiversity, we have estimated a footprint indicator (EINES indicator, which is an indicator measuring biological extinction risk) using Life Cycle Assessment (LCA) measures.

Initiatives to Capture Nature-Related Opportunities

Nature

Nature-related Engagement

We engage in dialogue with borrowers about their current conditions, issues, and other aspects by reflecting an understanding of the importance of natural capital/biodiversity and their awareness related to the risks associated with future changes, etc. Based on these dialogues, we plan and propose solutions according to their priority issues. As part of this effort, Norinchukin Research Institute Co., Ltd. under the Norinchukin Group provides solutions such as TNFD disclosure support and assistance in developing nature-related risk management strategies.



Partnership With other Financial Institutions

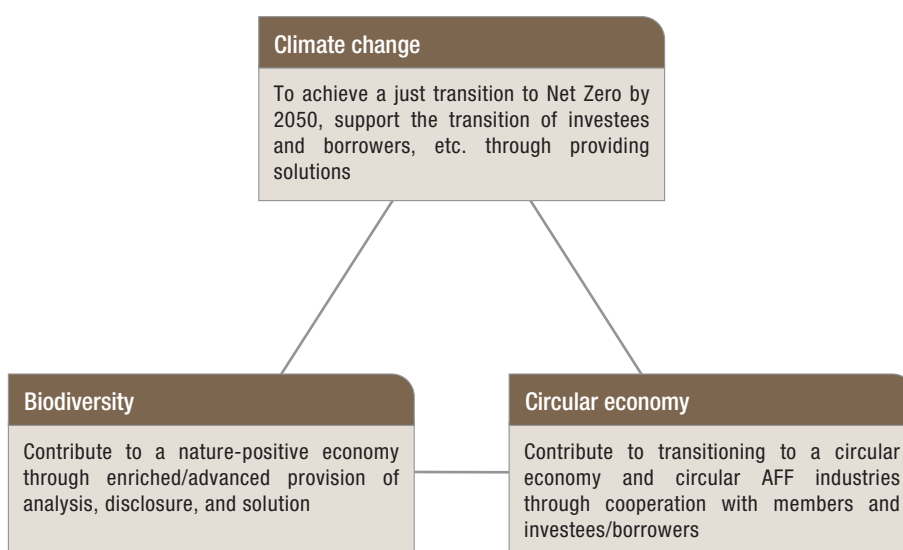
Sumitomo Mitsui Financial Group, Inc., MS&AD Insurance Group Holdings, Inc., Development Bank of Japan Inc. and the Bank established the Finance Alliance for Nature Positive Solutions (FANPS) in February 2023. We launched a simple diagnostic tool to view the TNFD compliance status and published a solution catalogue which contributes to nature positive in March 2024. We will progressively develop quadripartite collaborative initiatives in terms of helping companies shift to nature positive.

Toward realizing the 1.5°C target by achieving Net Zero by 2050 and realizing a nature-positive society, the Bank continues to capture and steadily address issues on climate change and natural capital/biodiversity in an integrated manner.

As for climate change, we will not only be committed to expanding the GHG reduction targets, but also promote the implementation of the transition plan through upgrading scenario analysis and risk management and target-based deep engagement activities with our investees and borrowers, etc.

We will, as for natural capital/biodiversity, continue to work on risk management and opportunity capture. To this end, we intend to further expand analysis evaluating the dependence and impact on nature in the investment and loan portfolio as well as analysis of the value chains, locations, and scenarios. In addition to making use of those analysis results, in collaboration with our partner companies we will help our investees and borrowers, etc., with their initiatives toward nature positive, through dialogues.

In promoting those initiatives, we will also consider a perspective of a circular economy, which is integral for the whole society to realize net zero and nature positive, and will keep exploring approaches to solving both climate and nature-related issues simultaneously.



Contribution to a circular economy through effective use of local resources

In considering solutions toward net zero and nature positive, it is crucial to explore from the perspective of a circular economy. The Bank promotes the initiatives that contribute to a circular economy in collaboration with its clients.

Ogawa & Co., Ltd., (the “Company”) is engaged in efforts to contribute to the effective utilization of agricultural products produced in Okayama Prefecture and efforts to revitalize the local community. The Bank has entered into a business collaboration agreement between the Company and the Okayama Headquarters of JA Zen-Noh.

This is aimed to appropriately connect the Company to producers who have unutilized resources of AFF products (fruit peels to be discarded, etc.) through the use of the JA Group network, and for the Company to develop ingredients for fragrances using such unutilized resources. Specifically, through the use of peach blossoms harvested during the peach production process, the Company created a fragrance using “Okayama Peach Blossoms,” leveraging this renowned local product from Okayama Prefecture. In addition, a fragrance using “Okayama White Peaches” has been created using peach skins discarded during the processing of peach products. We also expect that using this renowned local product as ingredients for fragrances can improve the brand awareness and value.

