

# The Norinchukin Bank (“Nochu”)

## Green Bond Framework



September 2021

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## 1. Introduction

### Main Business

As the national-level financial institution for agricultural, fishery and forestry (“AFF”) cooperatives in Japan, the mission of The Norinchukin Bank (“the Bank”) is to contribute to the development of AFF industries and to national economic prosperity based on the Norinchukin Bank Act through three business areas (“food and agriculture business”, “retail business”, and “investment business”).

Through “food and agriculture business”, the Bank engages in and enhances the food and agriculture value chain that connects producers, industries and consumers by offering comprehensive solutions, including financial services, aiming to become the leading food and agriculture bank in Asia.

Through its “retail business”, the Bank offers a wide range of retail financial services to cooperative members and other users.

The Bank also engages in “investment business”, which is currently the main source of the Bank’s overall net income, trying to reinforce its portfolio’s resilience to economic cycles and aiming to enhance basic profitability with a well-balanced and globally diversified portfolio.

### Roles in AFF Cooperatives

The Bank is one of the components of the cooperative system, which is composed of national-level organizations, prefectural-level organizations, municipal-level organizations and individual members such as farmers, fishermen and forest owners. The Bank is positioned at the national level above JA Shinnoren (Prefectural Banking Federations of Agricultural Cooperatives) and JA Shingyoren (Prefectural Banking Federations of Fishery Cooperatives). The Bank’s capital is provided by organizations such as Japan Agricultural Cooperatives (JA), Japan Fisheries Cooperatives (JF), Japan Forest Owners’ Cooperatives (JForest) at the municipal level, as well as a stable funding base through customer deposits at JA Bank (consisting of JA, JA Shinnoren, and the Bank), JF Marine Bank (consisting of JF, JF Shingyoren, and the Bank) and the Bank itself, with its mission to lend funds to its members, AFF workers, and companies related to AFF industries. The Bank also conducts various lending and investment activities in Japan and abroad, by efficiently managing funds, and stably returning profits to its members. The Bank has also developed priority strategies for each of its three businesses in the Mid-Term Management Plan and aims to contribute to sustainable management.

### Purpose, Vision, and Mission<sup>1</sup>

The Bank defines its corporate identity and business philosophy as follows:

**Purpose:** The Bank’s reason of existence (*raison d’être*), “Dedicated to sustaining all

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<sup>1</sup> The Norinchukin Bank Sustainability Report 2021  
<https://www.norinchukin.or.jp/en/sustainability/disclosure/report/>

life”

- Work together with its stakeholders to foster AFF industries and to create a prosperous future for food and lifestyles, and thereby contribute to a sustainable global environment.

**Vision:** To become the leading bank that supports AFF industries, food production and consumption, and daily lives of local communities, and thereby contribute to the progress of AFF industries and a carbon-free society.

**Mission:** Fundamentals of business activities aimed at fulfilling its vision and philosophy. Medium/Long-Term goals (see Appendix for the details) are established, and its management plan is set, executed, and reviewed annually to achieve these goals.

## 2. Commitment to Sustainability

The Bank aims to improve the sustainability of the Bank’s business management as well as that of the environment and society by addressing related issues, which are important not only for the Bank but also to all of the Bank’s stakeholders based on its “Code of Ethics<sup>2</sup>”.

In Japan, AFF industries are contributing to the environment through the progress in environment-friendly agricultural operations, the development of resource-managed fisheries and the outcomes of the multifaceted functioning of forests through measures such as thinning and reforestation. On the other hand, these industries are the most exposed to the environment, and are susceptible to issues such as climate change as well as the fact that the industries themselves burden the environment through greenhouse gas emissions and other factors. The Bank recognizes these situations and that these sustainability issues go to the very foundation of its business, and is determined to take on GHG emissions and other global-level issues through its business activities.

The Bank has established its “Sustainability Topics” (five focus areas and 14 topics – see appendix for further detail) aiming for the Bank’s business operations to be sustainable by providing solutions to environmental and social issues. By formulating medium-term sustainability goals as the ideal vision for each topic, the Bank intends to promote sustainability management to realize each topic.

In addition, in the Medium-Term Management Plan (FY2019-FY2023), the Bank has established major initiatives for “Sustainable Development Goals (SDGs)” in each of its three business areas of “food and agriculture business”, “retail business” and “investment business”. This has also been established in the corporate functions that support each of the Bank’s businesses. The Bank aims to contribute to achieving SDGs through business activities toward a sustainable environment and society, which is the foundation of the Bank’s businesses.

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<sup>2</sup> <https://www.nochubank.or.jp/en/about/ethics.html>

The Bank has also established a “Sustainability Committee” to discuss measures to address environmental and social issues at the management level and “CFT (Cross Functional Team)”, consisting of members from various divisions, to discuss specific plans and establish a framework for sustainability.

Further, the Bank has recognized that not only environmental issues but also other topics such as human rights etc. are key to supporting a sustainable economy and therefore established an “Environmental Policy<sup>3</sup>” and a “Human Rights Policy<sup>4</sup>” in October 2019

### 3. Promoting Responsible Finance

Promoting “Responsible Finance” is one of the five focus areas of “Sustainability Topics” of the Bank. Since FY2019, the Bank started its “Sustainable Finance” initiative as a part of the focus, which has been enhanced from the Bank’s traditional effort to promote sustainability of society and environment including AFF industries through its financing activities. Under the “Sustainable Finance” initiative, the Bank established a framework of integrating environmental/social risk assessment and traditional financial risk/return analysis into overall investment judgement, which enables the Bank to coordinate its business activities into the requirements of ESGs, and to work on a wide range of financial products, such as sustainability-linked loans and ESG-themed lending and investment to get more new business opportunities

The implementation of these loans and investments is in line with the Medium-Term Management Plan (FY2019-FY2023). The Bank established a Medium/Long-Term goal of reducing the GHG emissions of its investees and financial customers by 50% by the end of FY2030 as compared to FY2013. The Bank also aims to execute JPY 10 trillion of new Sustainable Finance loans and investments by the end of FY2030.

Under the initiative, the Bank has also introduced an Environmental and Social Risk Management (“ESRM”) framework to enhance its procedures to assess and manage environmental and social risks prior to making investment and financial decisions.

#### **Sector Policies for Investment and Loan**

The Bank has established the policy to restrict and/or prohibit transactions in sectors that have strong potential for significant negative impact on the environment and society.

#### **ESG Integration in risk management**

ESG Integration is the framework for investment decisions based on a comprehensive evaluation integrating financial analysis and non-financial ESG assessment. The ESG-related information obtained through the process is also utilized in engaging dialogue with customers. The risk management department evaluates environmental and social

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<sup>3</sup> [https://www.nochubank.or.jp/en/about/sustainability/pdf/Environmental\\_Policy\\_e.pdf](https://www.nochubank.or.jp/en/about/sustainability/pdf/Environmental_Policy_e.pdf)

<sup>4</sup> [https://www.nochubank.or.jp/en/about/sustainability/pdf/Human\\_Rights\\_Policy\\_e.pdf](https://www.nochubank.or.jp/en/about/sustainability/pdf/Human_Rights_Policy_e.pdf)

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

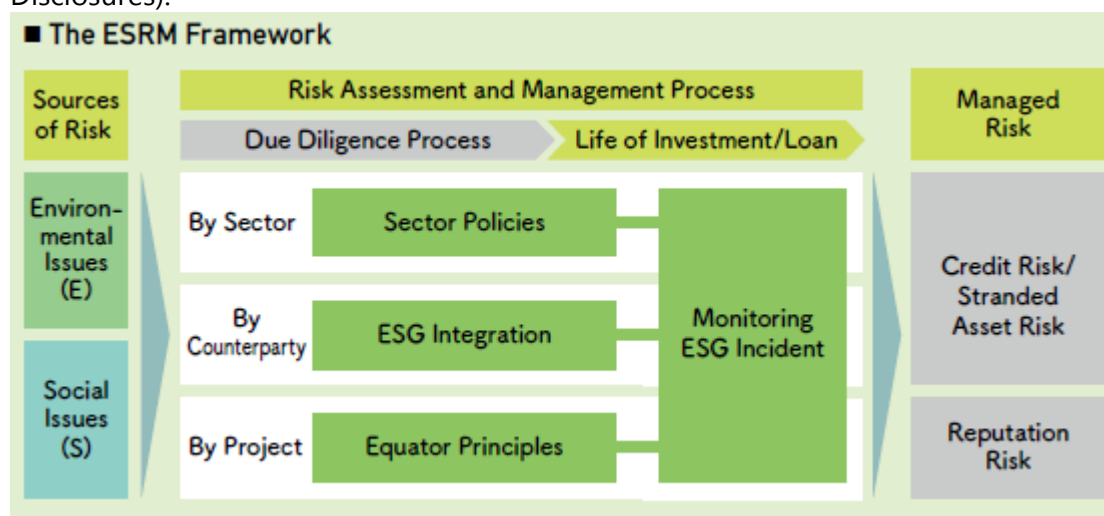
The Bank has established the policy and procedures to confirm compliance with the Equator Principles and monitor compliance with the covenants since adopting the Principles in May 2017. In the Credit Risk Management Division, the Bank has also deployed staff dedicated to verifying the eligibility of applying projects according to the Equator Principles.

### Responding to environmental and social incidents

The Bank has established a framework to respond to environmental and social incidents to avoid reputational risk and credit risk, by regularly monitoring the environmental and social risks of investments and borrowers. The escalation process of decision-making is set in place to ensure sound and responsible judgement.

### Participation in initiatives

Furthermore, in addition to the Equator Principles, the Bank has participated in other major initiatives, such as United Nations Global Compact, CDP, Principles for Financial Action for the 21st Century, and TCFD (Task Force on Climate-related Financial Disclosures).



## 4. Rationale for Issuance

Through the issuance of Green Bonds, the Bank aims to finance the transition to a low carbon economy as well as to contribute to a sustainable society and environment by engaging in Sustainable Finance as a responsible issuer.

## 5. Alignment with the Green Bond Principles 2021

The Bank has established the Green Bond Framework in alignment with the 2021 Green Bond Principles (the “GBP”), as administered by the International Capital Market Association (“ICMA”). The GBP are guidelines for best practices when issuing Green Bonds, and Nochu Green Bond Framework is aligned with the four core components of the GBP.

### 5.1 Use of Proceeds

The Bank intends to use an amount equal to the net proceeds of the Green Bonds to finance or refinance, in whole or in part, existing or future projects, which include investments made by the Bank or by its subsidiaries that meet the following “Eligibility Criteria”.

#### Eligibility Criteria

Eligible Green Projects will meet ALL of the conditions below:

- (i) A project meets one or more of the eligible project categories below,
- (ii) A project has been financed by the Bank within 24 months as of the issue date of a relevant Green Bond, or will be newly financed on or after the issue date.

The Bank aims to support the achievement of the United Nations Sustainable Development Goals (“SDGs”) by issuing Green Bonds, as illustrated below.

GBP Eligible Project Category	Eligibility Criteria and Example Projects	Environmental Objective	SDGs Alignment
Renewable Energy	<p>Funds to finance or refinance renewable energy projects (including power generation / transmission) with the emission threshold of 100g of CO<sub>2</sub> per kwh or less:</p> <ul style="list-style-type: none"> <li>a. Construction, maintenance and/or operation of solar, solar thermal, wind (onshore and offshore), geothermal power assets</li> </ul>	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>	7. Affordable and Clean Energy

	<ul style="list-style-type: none"> <li>b. Construction, maintenance and/or operation of biomass power plant using virgin wood (chips and pellets) from the forestry with a suitable certification on resource conservation and management.</li> </ul>		
Clean transportation	<p>Funds to finance or refinance exclusively use for clean transportation projects with emission threshold of 50g of CO<sub>2</sub> per passenger-km or less:</p> <ul style="list-style-type: none"> <li>a. Construction, maintenance and/or operation of light rail lines and/or high speed rail line projects</li> <li>b. Construction, maintenance and/or operation of tunnels for clean transports such as electric trains</li> <li>c. Manufacture of electric trains, including spares and related parts for sale or lease</li> </ul>	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>	11. Sustainable Cities and Communities
Green Buildings	<p>Funds to finance or refinance real-estate properties (including those owned by Japanese Real Estate Investment Trusts (J-REITs)) which have earned or is expected to earn one of the following:</p> <ul style="list-style-type: none"> <li>a. Gold or Platinum rating under LEED</li> <li>b. Excellent or Outstanding rating under BREEAM</li> <li>c. A or S rating under CASBEE</li> <li>d. 4 or 5 stars under DBJ</li> </ul>	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>	9. Industry, Innovation and Infrastructure



	Green Building Certification		
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## Exclusionary Criteria

The Bank has developed a list of exclusionary criteria to be applied to the allocation of the net proceeds from the issuance of Green Bonds. In this regard, the Bank commits to not knowingly allocating such proceeds to projects and businesses of sector that meet any of the following exclusionary criteria.

- a. Cluster bombs/munitions
- b. Projects with an adverse impact on UNESCO World Heritage sites
- c. Projects with an adverse impact on wetlands designated as Wetlands of International Importance under Ramsar Convention
- d. Projects involving in child labor and forced labor
- e. Coal-fired power generation
- f. Coal mining
- g. Palm oil
- h. Deforestation
- i. Inhumane weapons
- j. Projects with an adverse impact on high conservation value areas (IUCN Category I-IV)
- k. Projects with an adverse impact on indigenous peoples' communities
- l. Projects involving land expropriation leading to involuntary resettlement

## 5.2 Process for Project Evaluation and Selection

### Application of Eligibility Criteria in Project Selection

ESG risk assessment and management are governed by the policy and procedures based on the ESRM framework. After being qualified through the basic ESRM framework, the Eligible Green Projects are identified to align with the Eligibility Criteria described above via the following process:

The Bank's Project Finance Division and Real-estate Investment and Solution Division, both of which deal with project assets directly as Front Business Units, draft the list of projects that are suited to any of the Project Categories mentioned above (i), and that meet condition (ii) above in Eligibility Criteria. Front Business Units submit their lists to the Bank's Treasury and Forex Division.

The Treasury and Forex Division, which oversees the Green Bond implementation of the allocation and selection process, combines the candidate lists into one Eligible Green Projects List and double-checks them against the framework criteria.

Finally, the Bank's Corporate Planning Division (Sustainability Management Department), which is responsible for the Bank's business planning including sustainability management, jointly authorizes the Eligible Green Projects List together with all the divisions mentioned above.

### **Monitoring Projects**

All Eligible Green Projects, as with all other investment assets of the Bank, shall be under periodical monitoring by the front business units during the entire lifecycle of the assets until they are redeemed on maturity or sold to the market. Upon the unlikely event where those projects are to be found no longer eligible, they will be immediately disqualified as a green project and deleted from the list of Eligible Green Projects.

## **5.3 Management of Proceeds**

The Bank has established an internal tracking system to monitor and account for the proceeds. Until full allocation of an amount equal to the net proceeds, proceeds will be held temporarily in cash, cash equivalents, or in a bank account or invested in current funds. In the case of divestment or if a project no longer meets the Eligibility Criteria, the funds will be reallocated to other Eligible Green Projects. Payment of principal and interest will be made from the Bank's general account and will not be linked to the performance of eligible projects.

## **5.4 Reporting**

The Bank will publish a Green Bond Report on its website (<https://www.nochubank.or.jp/en/>) annually, or on a timely basis in case of material developments, until full allocation of the net proceeds, or an amount equal thereto, from the Bank's Green Bond issuance. After the full allocation, the Bank shall report if and when there are material changes in the allocation. Each Green Bond Report is expected to contain an Allocation Report and an Impact Report.

### **Allocation Report**

- (i) The amount of net proceeds allocated to Eligible Green Projects
- (ii) The outstanding amount of net proceeds yet to be allocated to projects at the end of the reporting period

## Impact Report

The list of Eligible Green Projects including the information listed in the box below with brief descriptions and expected impact metrics such as GHGs emissions avoided in tonnes of CO2 equivalent, where feasible

<b>Type of Eligible Project Category</b>	<b>Additional information to be reported</b>
Renewable Energy	<ul style="list-style-type: none"> <li>■ Distribution by sub-sector and location</li> <li>■ Power generation capacity of plant</li> <li>■ Subject to confidentiality and clients' prior consent, high-level description of select projects</li> <li>■ Where feasible, quantitative assessment of expected positive environmental impacts on an aggregate basis (Example KPI: estimated CO2 emission avoidance and the proportion of the loans)</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>■ Distribution by sub-sector and location</li> <li>■ Subject to confidentiality and clients' prior consent, high-level description of select projects</li> <li>■ Where feasible, quantitative assessment of expected positive environmental impacts on an aggregate basis (Example KPI: estimated CO2 emission avoidance)</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>■ Certification vintage</li> <li>■ Subject to confidentiality and clients' prior consent, two or three case studies of underlying REITs and real estate properties funded with the relevant Green Bond</li> <li>■ Example KPI: estimated CO2 emission avoidance</li> </ul>

## **6. External Review**

### **6.1 Second Party Opinion**

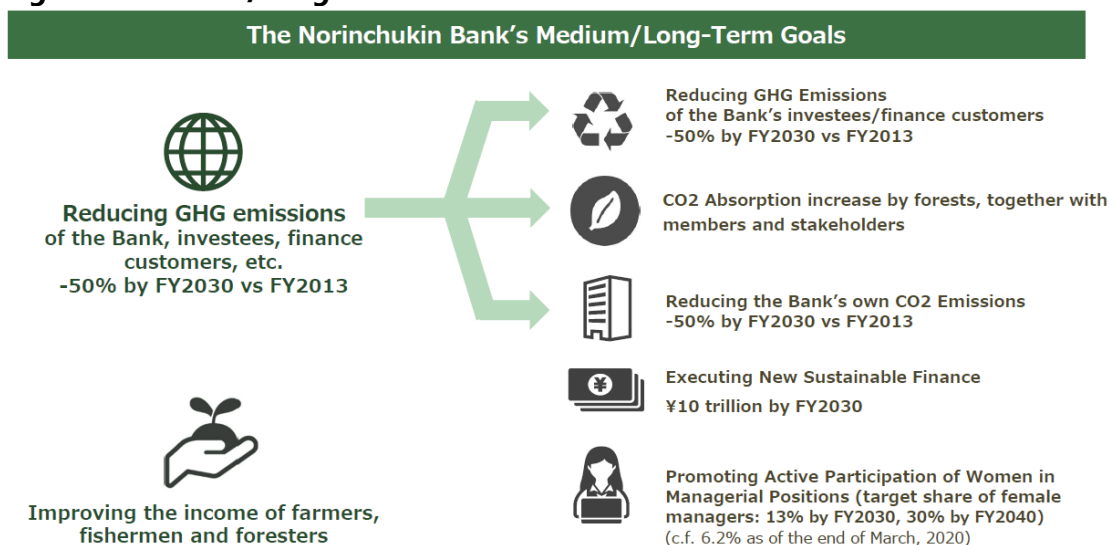
The Bank has retained Sustainalytics, an independent provider of ESG research and ratings, to provide a Second Party Opinion ("SPO") assessing alignment of Nochu Green Bond Framework with the GBP. The SPO will be available on the SPO's provider's website.

### **6.2 Compliance Review**

Until full allocation of the net proceeds of Green Bond issuance, to eligible projects, the Bank will appoint Sustainalytics (or any other party appointed by the Bank as a successor for Sustainalytics) to conduct an external review on an annual basis of the allocation of the proceeds of such Green Bond to eligible projects, to provide assurance that the proceeds have been allocated in compliance with all material respects of the criteria set forth in this Green Bond Framework in all material respects.

## Appendix

**Figure 1: Medium/Long Term Goals**



**Figure2: The Bank's Sustainability Topics (Five Focus Areas and 14 Topics)<sup>5</sup>**

Five Focus Areas	14 Topics
(Focus Area 1) Creating positive impact on the agriculture, fishery and forestry industries, food and local communities	> (Topic 1-1) Contributing to sustainable agriculture, fishery and forestry industries
	> (Topic 1-2) Contributing to safe and secure food supply
	> (Topic 1-3) Contributing to sustainable local communities
	> (Topic 1-4) Conserving the natural environment as a foundation of the agriculture, fishery and forestry industries
	> (Topic 1-5) Creating business innovation
(Focus Area 2) Promoting responsible finance	> (Topic 2-1) Promoting sustainable finance
	> (Topic 2-2) Contributing to sustainable energy utilization
	> (Topic 2-3) Realizing financing for everybody
(Focus Area 3) Promoting sustainability management	> (Topic 3-1) Ensuring a transparent organizational governing structure
	> (Topic 3-2) Reinforcing the management of environmental and social risks
	> (Topic 3-3) Reinforcing stakeholder engagement
(Focus Area 4) Securing highly capable human resources	> (Topic 4-1) Improving diversity and equal opportunities
	> (Topic 4-2) Enhancing human resources development
(Focus Area 5) Maintaining customer trust as a financial institution	> (Topic 5-1) Further reinforcing the compliance framework

<sup>5</sup> The Norinchukin Bank Sustainability Report 2021

<https://www.nochubank.or.jp/en/sustainability/disclosure/report/>

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The information and opinions contained in this Nochu Green Bond Framework (the "Framework") are provided as at the date of the Framework and are subject to change without notice. None of the Bank or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. The Framework represents current the Bank's policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. The Framework is intended to provide non-exhaustive, general information. The Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Bank and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Bank as to the fairness, accuracy, reasonableness or completeness of such information. The Framework may contain statements about future events and expectations that are forward-looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such bonds regarding the use of proceeds and its purchase of bonds should be based upon such investigation as it deems necessary. The Bank has set out its intended policy and actions in the Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Bank's Green Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds if the Bank fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in the Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. The Framework does not constitute a recommendation regarding any securities of the Bank or any member of the Bank. The Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by the Bank or any member of the Bank. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any bonds should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.