

Revision of the Policy on Environmental and Social Considerations in Financing and Investment
Activities

Along with the fundamental mission stated in Article 1 of the Norinchukin Bank Law, the basic principle of financing and investment activities of the Norinchukin Bank (Kazuto Oku, President and Chief Executive Officer; hereinafter “we,” “our,” “us” or “the Bank”) is to ensure soundness and transparency of the activities, in which people’s rights and dignity are respected based on the equality, fully aware of broad public and social responsibility including consideration for the upkeep of a sustainable environment, under the Environmental Policy and the Human Rights Policy, which clarify our fundamental position on resolving environmental and social issues.

As a financial institution founded to serve the agriculture, fishery, and forestry industries, we have recognized that climate change is particularly one of the most important environmental issues. Upon taking into account the nature of climate change and the significance of its impact on the environment and society, we have established sector-specific, financing and investment policies by which we will confirm the client’s consideration for and response to for environmental and social issues when considering whether to provide financing or investment.

As recent efforts in both public and private sectors to address climate changes and other environmental and social issues are rapidly progressing globally, we will revise the Policy on Environmental and Social Considerations in Financing and Investment Activities (hereinafter, the “Policy”) as follows in consideration of the expectations toward financial institutions from the international community and our stakeholders. The Policy will be applicable on April 1, 2022.

- Items relating to the oil and gas sector have been newly established as “Sector specific items” in “Transactions for which the Bank restricts financing and investment.”

We will make efforts to realize a sustainable economy and society in light of world’s growing awareness of environmental and social issues and broader expectations of society for financial institutions.

1. Positioning of the Policy

- The Policy has been formulated to set out the Bank’s policy on environmental and social considerations in financing and investment activities based on the Environmental Policy and the Human Rights Policy, which clarify our fundamental approach to resolving environmental issues and

respecting human rights.

2. Transactions Subject to the Policy

- The Policy applies to all financing and investment activities that we will provide for our clients.

3. Details of the Policy

- Taking into consideration severity and nature of impacts on the environment and society, we have established the “Transactions for which the Bank prohibits financing and investment” and “Transactions for which the Bank restricts financing and investment” as follows. Each of the transaction categories is further classified into “Cross-sector items” and “Sector specific items” to organize the contents of the Policy. We will not provide financing or investment to any transactions listed in the “Transactions for which the Bank prohibits financing and investment.” When considering whether to provide financing or investment to any transactions listed in the “Transactions for which the Bank restricts financing and investment,” we will confirm the client’s consideration for and response to environmental and social issues, and then make cautious decisions on whether to provide financing or investment after discussion at the management level as necessary.

(1) Transactions for which the Bank prohibits financing and investment

A. Cross-sector items

In recognition of the serious risks to have significant adverse impacts on the environment and society, we refuse to engage in transactions related to the following types of projects:

- Projects with an adverse impact on UNESCO World Heritage sites
- Projects with an adverse impact on wetlands designated as Wetlands of International Importance under the Ramsar Convention
- Projects involving in child labor and forced labor

B. Sector specific items

(A) Cluster munitions manufacturing

Civilian populations have been greatly affected by cluster munitions and are recognized by the international community as inhumane weapons. Based on such recognition, we will not provide financing or investment to any cluster munition manufacturers.

(2) Transactions for which the Bank restricts financing and investment

A. Cross-sector items

In recognition of the potential to have significant adverse impacts on the environment and society in relation to the following types of projects, we will confirm the client’s consideration for and response to environmental and social issues, and then make cautious decisions on whether to provide

financing or investment:

- Projects with adverse impacts on high conservation value areas (IUCN Category I-IV)
- Projects with adverse impacts on indigenous peoples' communities
- Projects involving in land expropriation leading to involuntary resettlement

B. Sector specific items

(A) Coal-fired power generation

Coal-fired power generation has a risk of adverse impacts on the environment and society primarily due to the emission of more greenhouse gases compared to other types of power generation.

Based on such recognition, we will not provide financing or investment to any new coal-fired power plants unless it is required to respond to disasters and other emergencies. Meanwhile, we continue to support technologies and initiatives that support the transition to a decarbonized society, such as Carbon Dioxide Capture and Storage technology (CCS), which will contribute to reduction in the emission of greenhouse gases.

(B) Coal mining

With regard to coal mining, we assume a risk of coal becoming stranded assets due to the transition to a low-carbon society. In addition, improper management of coal mining operation may pose a risk of adverse impacts on the environment and society, such as the occurrence of occupational injuries caused by coal mining accidents, pollution of water systems (rivers and oceans) caused by mining waste, and destruction of ecosystems. We are also aware of the importance of consideration for human rights issues such as infringement of the rights of indigenous peoples and communities, health problems, and forced and child labor. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients when considering whether to provide financing or investment to clients who operate the coal mining business.

We will not provide financing or investment to coal mining projects in the U.S. Appalachian areas using the mountaintop removal (MTR) method (a type of surface mining), which has severe impacts on the natural environment.

We will not provide financing or investment to thermal coal mining projects.

(C) Palm oil

Palm oil is used in a variety of consumer products, such as chocolate, margarine, snacks and soaps, making it an important ingredient indispensable for people's lives. On the other hand, we recognize that the development of palm plantations may cause conflicts over indigenous land rights; various environmental issues such as forests fires and smoke pollution (haze) caused by the development of peatlands, deforestation of tropical rain forests and slash and burn agriculture, and

damage to biodiversity; and human rights issues such as child labor and low wage labor. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients when considering whether to provide financing or investment to clients who operate the plantation and oil extraction business for palm oil production. In addition, when we provide financing or investment to the palm oil business described above, we will verify whether the client complies with the Bank's policy regarding its intended use of funds and has certified relevant operations according to RSPO (Roundtable on Sustainable Palm Oil). We will examine its action plans to achieve certification when relevant operations are yet to be eligible for the certification.

(D) Forestry

Forests play a significant role in mitigating global warming by absorbing and storing carbon dioxide and are valuable resources that contribute to biodiversity conservation. Deforestation has severe impacts on the global environment. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients and aim to contribute to environmental conservation. In addition, when we provide financing or investment to clients who are engaged in logging business in emerging countries, we will verify whether the client complies with the Bank's policy regarding its intended use of funds and has certified relevant operations according to internationally recognized certification organizations: Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). We will examine its action plans to achieve certification when relevant operations are yet to be eligible for the certification.

(E) Inhumane weapons

Nuclear weapons, biological and chemical weapons, and anti-personnel mines, which have indiscriminate and serious effects on civilians, are internationally accorded to have entailed risks that cannot be ignored for humanitarian concerns, along with cluster munitions. Based on such recognition, we will not provide financing or investment for the manufacturing of nuclear weapons, biological and chemical weapons, or anti-personnel mines.

(F) Oil and gas

Oil and gas drilling and pipeline installation could pose the risk of adversely impacting the environment and society, through the pollution of the seas and rivers as a result of oil and gas spill accidents as well as the infringement of the rights of the indigenous people and communities. Arctic petroleum and gas drilling projects (in the region north of 66° 33' north), in particular, not only raise concerns over the potential destruction of the ecosystem and marine pollution through oil and gas spill accidents but also require the protection of rare species and the consideration for the livelihood of the indigenous people. Furthermore, the production of oil sands uses massive volumes of hot water and steam, which leads to the generation of greenhouse gases, while shale oil and gas

development causes groundwater quality contamination and other forms of pollution due to the massive volumes of water used and the injection of chemical substances in the hydraulic fracturing process.

We recognize the immensity of the environmental burden posed by these developments and the potential infringement of the rights of the indigenous people and communities resulting from these developments. Based on such recognition, when considering whether to provide financing or investment to oil and gas drilling and pipeline installation projects, we will assess the implementation status of the environment and social considerations by our clients and thereupon make an appropriate decision on the financing or investment to avert any significant adverse impact.

4. Review of the Policy

- Considering the results of implementation of the Policy and trends in Japan and overseas regarding initiatives to address environmental and social issues, we will regularly review the appropriateness and sufficiency of the Policy at the management level, and then revise the Policy and enhance its implementation as necessary.

5. Education and Training

- In order to enhance officers' and employees' knowledge on environmental and social issues, and deepen their understanding of the Environmental Policy and the Human Rights Policy, as well as the Policy, the Bank continuously conducts education and training for all officers and employees. We also ensure that officers and employees will fully comply with the rules and procedures related to the Policy.

6. Stakeholder Communication

- We continuously engage in dialogue with stakeholders on a variety of sustainability-related topics, including environmental and social issues handled in the Policy. We believe that those initiatives will be helpful to properly and timely identify environmental and social issues which we must address through the revisions of the Policy to further increase its effectiveness.