March 29, 2023
The Norinchukin Bank

The Norinchukin Bank's Initiatives to Strengthen Sustainability Management

With the aim of enhancing its sustainability management, The Norinchukin Bank (hereinafter referred to as "the Bank") (President and CEO: Kazuto Oku) has been working to strengthen its response to the increasingly serious issue of climate change and its measures in relation to safeguarding natural capital and biodiversity, and has revised its Policy on Environmental and Social Considerations in Financing and Investment Activities, as part of its efforts to strengthen risk management.

The Bank has defined its Purpose as "Dedicated to sustaining all life – Work together with our stakeholders to foster the agriculture, forestry and fisheries (AFF) industries and to create a prosperous future for food and lifestyles, and thereby contribute to a sustainable global environment." To realize this Purpose, the Bank will be working to address environmental and social issues through its core business.

1. Strengthening the Bank's response to climate change

Responding to the increasingly severe problem posed by climate change, the Bank has revised its Medium/Long-term Goal of reducing financed greenhouse gas (GHG) emissions by 50% by 2030 (compared to 2013) which it announced in May 2021, with the announcement of a new commitment to achieve net-zero emissions by 2050.

Commitment to realizing Net Zero emissions by 2050

The Norinchukin Bank will be working together with stakeholders to realize a Net Zero society by 2050.

As part of this commitment, the Bank has joined the Net-Zero Banking Alliance (NZBA)[*1], a global alliance of banks whose members have committed to achieve net-zero emissions across their respective lending and investing activities by 2050, in alignment with the Paris Agreement.

In addition, the Bank's Transition Plan for Achieving Net Zero Emissions by 2050 (Attachment 1), which was formulated in line with the commitment, includes the following initiatives, including an interim target for 2030, which was developed in line with the 1.5℃

ambition of the Paris Agreement on Climate Change (the targets will be adjusted as of April 1, 2023).

*1 Net-Zero Banking Alliance (NZBA): The NZBA is a global alliance of banks whose members have committed to achieve net-zero emissions across their respective lending and investing activities by 2050, in alignment with the Paris Agreement. As of February 2023, a total of 125 banks throughout the world had joined the NZBA. The NZBA has identified nine carbon-intensive sectors (agriculture, aluminum, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation, and transport), and each bank is expected to set targets for at least one of these sectors within 18 months of joining the NZBA, and for the remaining sectors within 36 months of joining (Attachment 2).

(1) Reducing the greenhouse gas emissions

a. Reduce financed emissions

The Bank aims to reduce financed emissions (i.e., the GHG emissions of investees and borrowers) to Net Zero by FY2050. To realize this goal, the Bank has set interim targets for FY2030 for the electric power sector component of its portfolio, in line with the NZBA framework. Going forward, the Bank will also be steadily setting targets for the other carbon-intensive sectors specified by the NZBA framework. In addition, the Bank has set interim targets for 2030 for its investment portfolio (focusing initially on equities and bonds), reflecting the important share of the Bank's investment and lending portfolio that is held by investment assets, and having referenced the frameworks specified by Net Zero initiatives targeting institutional investors, etc. (Attachment 3).

Interim targets for FY2030 (vs. FY2019)

Lending: Setting interim emissions reduction targets for FY2030 for each carbon-intensive sector

Power sector: 138-165 gCO_2e/kWh

Investment: Setting emissions reduction targets for the Bank's investment portfolio

49% reduction on a per unit of investment basis

b. Increase the forest carbon sink, together with JForest members

In collaboration with JForest Group members, the Bank has set a target of achieving annual carbon sequestration of 9 million t-CO_2 by FY2030, based on forest management area targets for each prefecture within Japan.

Forests play an important role in sequestering carbon dioxide and safeguarding biodiversity. However, the forestry sector in Japan is affected by various problems, including the low price of standing timber, the high cost of reforestation, and a shortage of forestry workers.

Working together with the JForest Group, which is a member of the Bank, The Norinchukin Bank is implementing measures aimed at addressing the problems affecting upstream, mid-stream and downstream segments of the forestry sector (Attachment 4).

c. Reduce GHG emissions by the Bank itself

The Bank aims to reduce GHG emissions from its own facilities to Net Zero by FY2030. Actual emissions in FY2021 were 19,849 t-CO_2. Going forward, the Bank will be proceeding with efforts to switch over to utilizing electric power generated using renewable energy, with a particular focus on rented properties.

(2) Promoting sustainable business

To realize Net Zero emissions by 2050, the Bank will be undertaking engagement (constructive dialog) with customers. By sharing our awareness of the issues relating to climate change and by developing and providing solutions aimed at furthering decarbonization, the Bank will be supporting the transition to a post-carbon society.

As a medium/long-term goal aimed at realizing a sustainable environment and sustainable society, the Bank has set itself the target of executing new sustainable finance amounting to 10 trillion yen by FY2030. Actual performance between April 2021 and September 30, 2022 amounted to approximately 3.5 trillion yen.

The Bank has also undertaken scenario analysis of the potential impact of climate change risk on its lending portfolio and finances. Based on the results of this scenario analysis, we will be proceeding with measures to both secure new business opportunities and implement effective risk management, through effective utilization of dialog with customers. We will be disclosing the analysis methods and results on a regular basis in our Sustainability Report, etc.

2. Initiatives aimed at restoring natural capital and biodiversity

The Bank recognizes natural capital and biodiversity as important sustainability issues, and has been working to bring about positive impacts to nature, and to avoid or reduce negative impacts on nature in its investment and lending activities in accordance with its Environmental Policy and its Policy on Environmental and Social Considerations in Financing and

Investment Activities.

In addition to our recognition of these issues, in light of the growing global discussions in this area, such as the beta release of the Task Force on Nature-related Financial Disclosures (TNFD) and the agreement on a new global goal, the Kunming-Montreal Convention on Biological Diversity (GBF), at the 15th Conference of the Parties (COP15) to the Convention on Biological Diversity (CBD) .In light of this, we have discussed at the management level of Sustainability Committee and conducted an analysis of the dependence and impact of our portfolio on nature.

The results of this initial analysis confirmed that the Bank's portfolio has particularly high dependencies on water resources, and that the food and beverage sector and the electric power, gas and water supply sector have significant impacts on natural capital and biodiversity. And we undertook an experimental case study of the project finance for offshore wind power generation business and analyzed the dependencies and impacts using the LEAP*2 approach to risk and opportunity assessment that is advocated by the TNFD （Attachment 5）.

*2 The Taskforce on Nature-related Financial Disclosures (TNFD) is an international initiative aiming to develop and provide a framework for the disclosure of nature-related financial reporting which was formally launched in June 2021.

*3 LEAP is an approach to the assessment of risks and opportunities that is advocated by the TNFD. The LEAP approach begins with an examination of the types of business and entry points applicable to a financial institution, and of the types of analysis that should be performed. Through a series of flow stages – Locate the interface with nature, Evaluate the dependencies and impacts, Assess the material risks and opportunities, Prepare to respond and report – the LEAP approach enables the organization to identify, internally, its risks and opportunities in relation to natural capital.

3. Strengthening the Bank's stance in relation to management of environmental and social risk

Based on its Environmental Policy and Human Rights Policy, the Bank has formulated the Policy on Environmental and Social Considerations in Financing and Investment Activities, with the aim of realizing appropriate risk management for those topics and sectors where there is determined to be a strong possibility of exerting a pronounced negative impact on the environment or on society.

Today, rapid progress is being made throughout the world in terms of initiatives to address environmental and social problems, including climate change and the loss of biodiversity, and this policy has been revised to reflect the international community's expectations of financial institutions and the views that stakeholders have been expressing to the Bank (Attachment

In line with this policy, the Bank aims to reduce investment in and lending for coal-fired electric power generation to zero by 2040[*4].

*4 In accordance with the Bank's Policy on Measures Relating to Concern for the Environment and Society in Regard to Investment and Financing, this does not include financing provided in response to emergencies such as natural disasters.

Going forward, the Bank will continue working with stakeholders to promote sustainability management, while striving to strengthen internal and external communication and maintaining transparency.