

Medium-Term Management Plan and Sustainability Management

Dialogue with Experts



To reach higher levels of sustainability-oriented management, the Norinchukin Bank engages in dialogue with experts.

In March 2020, three experts joined with our president and CEO and other directors for a dialogue. They engaged in multifaceted discussions, including perspectives such as domestic and overseas sustainability trends and expectations of the Norinchukin Bank. We will utilize the knowledge gained from this dialogue in steadily advancing our sustainability management.

Participants

Sustainability Experts

Mr. Takejiro Sueyoshi
Special Advisor to UNEP FI (United Nations Environment Programme Finance Initiative)

Ms. Maiko Kubo
Director, Environment Policy Office, Ministry of Agriculture, Forestry and Fisheries

Mr. Kenji Fuma
CEO, Neural Inc.

Norinchukin Bank Participants

Kazuto Oku
President and Chief Executive Officer

Tetsuya Kanamaru
Senior managing director (Representative Director)

Shozo Goto
Senior managing director (Representative Director)

Keito Shimbu
Senior managing director (Representative Director)

Kazuhiko Otake
Senior managing director (Representative Director)

Hikaru Yoshida
Managing Director

Kei Fujisaki
Managing Director

Kiyotsugu Akimoto
Audit & Supervisory Board

Shigeo Miyachi
Audit & Supervisory Board

Yasuyuki Matsumoto
Managing Executive Officer

Satoshi Iwaso
Managing Executive Officer

Seiki Todaka
Managing Executive Officer

Ryo Akiyoshi
Managing Executive Officer

Shin Kawamoto
Managing Executive Officer

Hiroshi Yuda
Managing Executive Officer

Masakazu Kita
Managing Executive Officer

Masanobu Yagi
Managing Executive Officer

Satoshi Matsunaga
Managing Executive Officer

Akiko Ito
Executive Officer and General Manager
Internal Audit Division

Yoshio Kimura
Executive Officer and General Manager
JF Marine Bank Management Division

Koki Ogino
Executive Officer and General Manager
Digital Innovation Division

Yoshihiro Ito
Executive Officer and General Manager
Financial Planning and Control Division

Kenji Kawashima
General Manager
Corporate Planning Division
(Moderator)

Expert Lecture #1

Mr. Takejiro Sueyoshi

After graduating from the University of Tokyo, Mr. Sueyoshi joined Mitsubishi Bank. Having served as vice president at Nikko Asset Management, Sueyoshi was appointed as a special advisor to UNEP FI. Today, he serves as vice chair of the Executive Board of the Japan Renewable Energy Foundation, Chairman of CDP Japan, Chairman of WWF Japan, and Representative of the Japan Climate Initiative.



The State of Global Sustainability

Today, I want to emphasize that the world stage has changed. In particular, the issue of climate change has come to be regarded as a crisis, and the resulting sense of urgency has raised the level of global action. The world has come together to seek carbon-free, net-zero societies through a low-carbon mindset, reducing greenhouse gases. Failing to recognize this shift in gears will result in being left behind by the world. As an example, business leaders around the world who have emphasized profits in the past are now under pressure from their stakeholders to devise policies in consideration of sustainability. In the financial world, leading actors on Wall Street are also pivoting to ESG investments. That world is entering a new era where the structure and flow of financing is changing fundamentally. Another emerging trend is the rise of young people who have begun to act under a new set of values. It will be important to build political, social, and economic environments that meet their demands. We can see these new values on the world's dinner tables, where meat substitutes derived from green peas are being served. In this way, the world is undergoing change, ready and determined to achieve a sustainable society. This will be a major crossroads for those who can or cannot evolve with these trends. I hope to see the Norinchukin Bank set goals for the long term, drawing up a roadmap and pursuing targets for five and ten years in the future.

Dialogue with Experts

Expert Lecture #2

Ms. Maiko Kubo

After graduating from the University of Tokyo, Ms. Kubo joined the Ministry of Agriculture, Forestry and Fisheries (MAFF). She was named to her current position in April 2019 after serving as Deputy Director of the Environment and Biomass Policy Division, Director of JETRO Paris, Deputy Director of the Export Promotion Division of the Food Industry Affairs Bureau, Deputy Director of the Japan Pavilion at Milan Expo, and Planning Officer of the Minister's Secretariat Policy Division.



Sustainability in the Agriculture, Fishery and Forestry Industries and Initiatives of the Ministry of Agriculture, Forestry and Fisheries

Our primary mission is to leave behind an environment with safe food and a secure environment for future generations. The agriculture, fishery, forestry, and food industries are wholly dependent on natural capital and are interdependent on each other. Therefore, industry sustainability cannot be guaranteed without sustainability of natural capital. One-quarter of the world's greenhouse gas emissions stem from agriculture, forestry, and similar land use. The full-scale implementation of the Paris Agreement requires innovation in the fields of agriculture, fishery, and forestry. The Ministry of Agriculture, Forestry and Fisheries (MAFF) announced in January 2019 that the ministry aims to decarbonize Japan by 2050 through four key pillars: fully utilizing renewable energy, reducing greenhouse gas emissions, sequestering and storing carbon, and making international contributions. CO₂ absorption through forestation and environmentally friendly agriculture is drawing greater attention worldwide. Therefore, we will continue to promote initiatives in preparation.

Achieving the SDGs requires sustainable production and consumption of both food and agricultural products. MAFF established the Study Group on Sustainable Production and Consumption Forms in November 2019. In the future, we will pursue awareness-raising activities for sustainable consumption.

The Norinchukin Bank is influential in the agriculture, fishery and forestry industries, as well as in the greater industrial world. I would like to see the bank use this influence to support initiatives out in the field. I expect that the Norinchukin Bank will offer a wide variety of support, including incorporating ESG perspectives into financing terms and acceptance standards. I expect the bank to also use its nationwide network to connect the needs of investors with those working on the front lines.

Expert Lecture #3

Mr. Kenji Fuma

Master of Liberal Arts, Sustainability (Harvard University); MBA (Thunderbird School of Global Management); BLA, International Relations (University of Tokyo). Mr. Fuma founded Neural, an advisory company in sustainability management and ESG investment, in 2013, where he currently serves as CEO. Editor-in-chief of the Sustainable Japan news website.



Sustainability Initiatives Within Companies and Financial Institutions

Though the Davos conference features a presentation on global risks every January, climate change has already been the topic of the world's focus since 2011. For Japan, 2011 is synonymous with the Great East Japan Earthquake. In Europe, it was the time of a major debt crisis. However, the year 2011 was also when we came to recognize climate change as a risk. Despite uncertainty in the current economic outlook, I believe that efforts to tackle climate change will continue in Europe. In Japan, labor shortages are a major issue. We cannot sustain agriculture without relying on foreign workers. The "S" of ESG includes human resources, and dealing with a labor shortages is a major issue. Around 2008, the world's leading companies began to establish sustainability divisions, and though Japan has been behind in this trend, it is catching up. There are various trends among Japanese companies, including a commitment to go carbon-neutral by 2050; such initiatives will likely continue into the future.

In response to these corporate trends, financial institutions are accelerating action to support efforts through sustainable finance. With the launch of the Principles for Responsible Banking (PRB) in 2019, financial institutions are likely to make greater commitments in this area. In the future, there will be a greater demand for collaboration between companies and financial institutions toward the achievement of a sustainable world, including addressing climate change risks. Looking at agriculture today, we see that sustainability requires not only capital investment, but also technological development. My expectation is that Norinchukin Bank investment and lending for sustainability in the agriculture, fishery and forestry industries will have a significant meaning for the economy and society.

Dialogue with Experts

Q&A

Q I understand that changes in shareholder views influence changes in the awareness of business leaders around the world. What are your thoughts on the perspective of shareholders in sustainability management?

Mr. Sueyoshi: We have seen changes in the "shareholder first" corporate culture that has been the historical attitude among managers. Since the 2000s, financial institutions and companies have started holding dialogues with NGOs, reflecting this feedback in corporate activities. In August 2019, the Business Roundtable, consisting of major US companies, declared a shift from shareholder primacy to stakeholder capitalism.

I think these are changes in the axis of valuation that shows contributing to society is the more rewarding path for shareholders. Should we not move forward believing that the voice of the shareholder represents the voice of society?

Q The Norinchukin Bank is a financial institution with a mission to support the agriculture, fishery, and forestry industries, and seeks to contribute through the agriculture, fishery, and forestry industries. As I listen to opinions from those in the field, I worry about what we should be doing. Is there any advice you can give us?

Mr. Fuma: Around the world, there is a movement to envision an ideal future for the year 2050 based on the opinions of stakeholders. As a result, we are seeing more distinct gaps between the actual and the ideal. We see clearer roles for each player and clearer financing needs. As a result, companies, governments, and financial institutions are able to work in unison. Considering the various challenges facing Japan's agriculture, fishery, and forestry industries, I think having a vision for the ideal future in 2050 will help us think about what we should do now.

Mr. Sueyoshi: After the war, Japan enjoyed great economic growth and an age of plenty, with less societal attention paid to the agriculture, fishery, and forestry industries. But the agriculture, fishery, and forestry industries are the ones most harmed by global warming. I think it is necessary to share a sense of urgency in spreading information so the public can understand the situation. This may be the time to discuss how we make sustainable industries that adapt to the world's structural changes, different consumer preferences, and new value systems.

Q We are 30 years away from 2050. Looking back on the past 30 years, I think we can see obstacles in the path to sustainability. What can you tell us that will inform our considerations going forward?

Ms. Kubo: Thirty years ago, the three Rio Conventions (the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, and the United Nations Convention to Combat Desertification) were established. This was the era when sustainability began. In agriculture, the focus was on raising yields, and the core belief was that the environment was in conflict with

the economy.

However, our understanding of the environment has changed significantly through the SDGs. Generations are being born who will learn environmental issues at school, and I believe the foundation for understanding the need for sustainability in the growth of industry has been put in place.

Mr. Fuma: Thirty years ago, investing in society and the environment was considered to be a moral, yet unprofitable, investment. PRI was founded 15 years later, and societal trends changed as ESG investment perspectives were incorporated. Sustainable finance has changed in the sense that it is now a profitable activity. Stakeholders have a deeper understanding, these obstacles have been curtailed, and the bar has been lowered.

Q I believe that timelines are important when considering goals from a long-term perspective. What do we need in order to incorporate the voices of the youth, our future stakeholders, and bridge the gap between producers and consumers?

Ms. Kubo: In Japan, we are aiming for zero emissions in the agriculture, fishery, and forestry industries by 2050. We will be formulating a roadmap to achieve this goal. I believe one must first envision a desired future state, and then to constantly review this state as one presses forward.

Mr. Fuma: As an example, although it is difficult to make concrete plans for 2050, setting goals is significant in and of itself. Communicating your vision of an ideal future engages stakeholders, drives you closer to your goals, and attracts allies. In this sense, it is very significant to start by announcing long-term goals.

Mr. Sueyoshi: Today, the world is aiming for a common goal of zero emissions. If we do not share this goal, we cannot win the world's trust, nor can we stand on the same stage together. On the other hand, I think no one feels assured that 2050 goals will be achieved completely. For example, even among the world's leading corporations, it is said that 70% of goals are likely to be realized, while the other 30% are simply *que sera, sera* (what will be, will be). It would probably be best to start by sharing goals.

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General Manager Comments



Tetsuya Kanamaru
Representative Director
(Head of Food & Agri Banking Business)

From the perspective of sustainability, we are thinking about what we should do, as well as what we can do. You've advised us to share our organization's goals and act with certain aims. We will continue our efforts going forward in consideration of the mission of the Norinchukin Bank.



Keito Shimbu
Representative Director
(Head of Global Investments)

As you mentioned, society will change, business will change, and finance will change as well. We would like to consider how we can contribute to sustainability through socially significant investments, working toward this in a manner fitting for the Norinchukin Bank.



Shozo Goto
Representative Director
(Head of Retail Banking Business)

I have always believed the question of what the Norinchukin Bank should do as a cooperative organization has been an issue. This has reaffirmed to me the importance of setting goals for the future. I hope we proceed with a shared sense of urgency, engaging in ongoing dialogues with the community and creating a vision for the ideal futures for both urban and rural areas.



Kazuhiko Otake
Representative Director
(Head of Corporate & Shared Services)

Considering future generations has once again made me aware of our very heavy responsibility and the important management issue of sustainability. Keeping today's discussions and advice in mind, I want to engage firmly in moving forward, allowing that we will encounter frustrations.

Summary of Dialogue: Kazuto Oku

President and Chief Executive Officer



Thank you all for today's very thoughtful discussions.

As a financial institution, we at the Norinchukin Bank believe that we can pursue sustainability from an investor standpoint. Further, as a cooperative organization, I have recognized that it is necessary to continue studying how to reflect the spirit of mutual assistance represented by financial inclusion in sustainability.

Based on today's dialogue, I want to list five resolutions for the future.

- 1) I want to set targets and challenge ourselves in terms of finance, in terms as a cooperative, and in terms of an organization built on a base of the agriculture, fishery, and forestry industries.
- 2) I want to proceed with efforts from the dual perspectives of global efficiency and local resiliency and sustainability.
- 3) Although agriculture is said to be an environmentally burdensome industry, I want to aim for an approach that achieves carbon offsets and negatives through initiatives in the forestry and fishery industries.
I also want to consider the possibility that Japanese agricultural technology can contribute to reducing the environmental load of overseas agriculture, fishery, and forestry industries.
- 4) I want to consider uniquely Norinchukin methods of communicating information to stimulate people to think seriously about the environment and the Earth through food.
- 5) I want our directors and employees to think about the ideal future of both agriculture and ourselves through backcasting. *Dedicated to Sustaining All Life*. I hope we can work to link this corporate brand statement to broadly include the life of the Earth as well.

I have also reconfirmed that the Norinchukin Bank must create businesses that contribute to Carbon Zero by providing financing in the agricultural technology field. We will reflect today's discussions in our future initiatives.