

Focus Area 2

# Promoting Responsible Finance food and local communities

In this focus area, the bank provides sustainability-conscious, responsible investments and loans and strives to develop and maintain financial services nationwide that are fundamental to the agriculture, fishery, and forestry industries.

In addition, we conduct business activities aiming for sustainable energy utilization.

Topics		Medium-Term Goals
Topic 2-1	Promote sustainable finance	<b>We contribute to realizing a sustainable society through responsible investments and loans that provide consideration for environmental, social, and governance aspects.</b>
Topic 2-2	Contribute to sustainable energy utilization	<b>We contribute to promoting sustainable energy utilization.</b>
Topic 2-3	Realize financing for everybody	<b>We contribute to realizing a society where everyone, including residents in Japan’s underpopulated areas and the economically vulnerable, have wide access to financial services.</b>

## Major Initiatives

- Practice responsible investment and lending for the resolution of environmental and social issues
- Provide financial services assuming the expansion of demand for renewable energy
- Improve financial access in each and every location throughout Japan using a variety of channels, including mobile branch vehicles and internet banking

## Related SDGs



## Promoting Sustainable Finance

### Basic Policy on Finance

In addition to the fundamental mission stated in Article 1 of the Norinchukin Bank Act, the bank has another mission: to contribute to the prosperity of the agriculture, fishery, forestry, and related industries, as well as to the revitalization of local communities as a dedicated financial institution for the agriculture, fishery and forestry industries.

As the basic principles for fulfilling these missions, we have formulated the Basic policy on Finance. Basic Policy for Investment and Loans.

With strong recognition of our public nature and social responsibility as an important part of Japan's financial system, we have formulated this fundamental policy from the perspective of compliance, and based on our Code of Ethics, Basic Policies for Risk Management, and the Environmental Policy and Human Rights Policy, which serve as guidelines for realizing sustainability management.

The Norinchukin Bank recognizes that it has an important social responsibility to conduct business operations adhering to the Basic policy on Finance.

### Development of Sound Investments and Loans

The Norinchukin Bank conducts sincere and fair investments and loans in compliance with social codes, fully understanding its fundamental mission and role. To this end, the bank is dedicated to conducting sound business operation with a focus on accountability, not only at the time of investments and loans, but also thereafter. In addition, the Compliance Manual clarifies, as the code of conduct for directors and employees, that they must always keep in mind the soundness of operations even amidst their enthusiastic execution of business and should not set excessive plans and performance goals for investments, loans, and other businesses.

### Investment and Financing Sector Policy

See page 21 for details.

### Initiatives for the Equator Principles

The Equator Principles is an assessment framework used by private financial institutions when financing large-scale development projects. This framework is used to assess whether the development project pays the appropriate attention to the natural environment and local communities. It is widely used in the project finance field as a method to identify, evaluate, and manage environmental and social risks.

Based on the increasing public awareness of environmental and social issues and society's expectations of financial institutions, we adopted the Equator Principles in May 2017 from the viewpoint of realizing a higher level of consideration toward the upkeep of a sustainable environment. Specifically, based on the Basic policy on Finance, we have formulated both the Basic Policy Regarding the Equator Principles and the Administration Guidelines for the Equator Principles. A dedicated staff member has been assigned to determine conformity with these principles, and we continue to request that customers address environmental and social considerations at the required level according to their project category.



### Project Category Definition

Category	Definition
A	Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible, or unprecedented
B	Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures
C	Projects with minimal or no adverse environmental and social risks and/or impacts

## Investment in the World Bank's Sustainable Development Bonds

The Norinchukin Bank is in agreement with the World Bank's (official name: International Bank for Reconstruction and Development, or IBRD) efforts to promote measures against the global issue of food loss, and we have invested US\$1.15 billion in Sustainable Development Bonds issued by the World Bank. This investment not only solves a variety of issues, such as food loss in developing countries, but also contributes to taking action against climate change by reducing greenhouse gas emissions. In addition, we believe that it will contribute to securing stable profits through internationally diversified investment, and that it will be in line with our philosophy of Sustainability Management.

## Development of and Investment in ESG-themed J-REIT Investment Vehicles

The Norinchukin Bank and Norinchukin Zenkyoren Asset Management Co., Ltd. (hereafter NZAM) have jointly developed investment vehicles specialized in J-REITs<sup>\*1</sup> and leveraging the GRESB<sup>\*2</sup> real estate benchmark in its stock selection process. We invested ¥10 billion into these vehicles. These vehicles not only carry strong evaluations of J-REITs that proactively work in consideration of the environment, health, comfort, and other items, but also contribute to the spread of green buildings and, in turn, contribute to action against climate change through reducing greenhouse gas emissions. In the future, we are considering increasing this investment depending on market conditions. Also, through NZAM, we will strive to increase penetration of institutional and individual investors.

<sup>\*1</sup> GRESB: Formerly the Global Real Estate Sustainability Benchmark, this global-standard annual benchmark evaluation measures environmental, social, and governance (ESG) consideration in the real estate sector. Founded in 2009 in Europe with a focus on major European pension funds, it currently has participants from primarily European and American, but also global, institutional investors. NZAM was the third Japanese investor member company to join.  
<sup>\*2</sup> J-REIT: Short for Japan Real Estate Investment Trust, a J-REIT is a financial instrument taking funds collected from investors and purchasing office buildings, commercial facilities, condominiums, logistics facilities, and other real estate, and distributing leasing income and sale profit to investors.  
 A real estate investment trust may be bought and sold like ordinary equity and other financial instruments.

## Contributing to Sustainable Energy Utilization

### Providing Financial Services Assuming the Expansion of Demand for Renewable Energy

For details on our efforts related to renewable energy, please refer to project finance examples and JA Bank initiatives (page 20).

### Worldwide Action in Project Finance

In our investment business, we are fully engaged in project finance. Unlike corporate finance, which provides loans according to the creditworthiness of the corporation receiving the loan, project finance targets a specific business/project and then evaluates its profitability before making a loan.

## Project Finance Examples

### Domestic Renewable Energy Projects

#### Financing solar projects **Total lending: ¥128.1 billion**

We are continuing to provide financing for solar power station projects in Japan.



### Water-Related Projects

#### Financing desalination and sewage treatment projects **Total lending: ¥110.7 billion**

We provide financing for water treatment projects (e.g. power generation, seawater desalination, sewage treatment) in Australia and the Middle East.



### Overseas Renewable Energy Projects

#### Financing offshore wind and other projects **Total lending: ¥408.0 billion**

We provide financing for offshore wind and undersea power transmission lines in the United Kingdom and Continental Europe, as well as renewable energy projects in the United States and the Middle East.



Lending amounts are as of March 31, 2020

## Realizing Financing for Everybody

### Improving Financial Access in Each and Every Location Throughout Japan Using a Variety of Channels

The Norinchukin Bank aims to realize financing for everybody in order to promote responsible finance.

#### Promoting the implementation of mobile branches

Maintaining financial services has become an issue in mountainous regions facing ongoing depopulation. JA Bank is promoting the implementation of mobile branches equipped with financial and ATM services for all JAs nationwide (as of the end of fiscal 2019, 92 units have been deployed).

Mobile branches allow users to deposit and withdraw ordinary savings and update passbook entries. In addition to bank transfers and payment of taxes and utility bills, users can also use consulting services about public pension benefit receipt, mutual insurance, and more. These mobile branches are gaining greater recognition as the nearest financial institution in regions without a nearby consultation branch or ATM. These nationally-deployed mobile branches normally serve as a lifeline for rural and depopulated areas, and can also be utilized in times of disaster, offering financial services to affected areas.



## Topics

### Mobile branches offer consultation functions in areas hit by typhoons in 2019

JA Miyagi Sennan took flood damage during Typhoon No. 19 of 2019; mobile branches owned by JAs in neighboring prefectures were dispatched to assist. In the Marumori area, which was severely damaged by flooding, even terminal equipment was unusable from water damage. Further, in order to support members who had lost the ability to travel long distances due to losing cars to flood waters and other issues, JA Miyagi Sennan was able to set up a daily rotating schedule of temporary financial consultation windows at nine locations within former JA facilities. This was thanks to support from JA Yamagata and JA Shin-Iwate, which dispatched mobile branches to the site. The local JA was able to provide the necessary daily financial services to its members, like quick deposits and withdrawals, payment of taxes, and more. In the cooperative organizational spirit of mutual assistance, JA Group colleagues worked together to aid in reconstruction of disaster areas and support of users in those locations.



Mobile branch sent from JA Yamagata to JA Miyagi Sennan

### The JA Bank App

JA Bank offers the JA Bank App application service to individual customers. The JA Bank App allows users to check their JA Bank account balances and deposit/withdrawal history on their smartphones. Customers with JA Bank cash cards can immediately use this service without visiting a branch thanks to an easy first-time registration process.

This app gives users convenient access to JA Bank services even when they are too busy or otherwise cannot visit a branch.

