

# Initiatives to Turn Solutions for Environmental and Social Issues Into Business Opportunities

## Sustainable Finance

At the Norinchukin Bank, we have set as Medium/Long-Term Goals the amount of ¥10 trillion in new finance provided by 2030.

To date, of our approximately ¥60.7 trillion in market assets, we have allocated ¥2.4 trillion to sustainable investment and financing. (as of end March 2021)

2030  
Sustainable Finance Transaction Target  
**¥10 trillion**

## ESG Integration

We incorporate ESG integration into our investment and finance projects assessment as part of environmental and social risk management (→P.29). Our investment decisions are based on a comprehensive evaluation integrating financial analysis and ESG assessment related to the customer. By engaging in dialogue with our customer throughout this process, we learn of their concerns and issues. In so doing, we support our customer's sustainability initiatives and create new business opportunities.

### Topics

#### Investing in Sustainable Development Bonds

In FY2020, we invested around ¥200 billion in sustainable development bonds issued by the World Bank (officially known as the International Bank for Reconstruction and Development) for a total of around ¥500 billion.

Investment in these bonds is a tailored initiative that started from FY2019 in partnership with the World Bank, with the aim to solve food loss issues (thus reduce climate change) and the sustainable development of AFF industries.

We have been discussing with the World Bank the current status of SDG-related issues, and ways in which environmental and social impact can be measured.

Additionally, in October 2020, at the "Dai Maru Yu SDGs ACT5" workshop themed around ESG financing × food losses, an event was held that introduced in a dialog format the role of financing in achieving SDGs, as well as component initiatives which both parties were cooperating on.



Dialog with Yoshiyuki Arima, Japan Representative, World Bank Treasury; Keito Shimbu, Representative Director, the Norinchukin Bank (present President & Chief Executive Officer at JA Mitsui Leasing Ltd.)

From the  
Front Lines



Vice President

**SAKURAGI  
Takamichi**

With the common language of sustainability, we as investors, as well as investees and governments starting to head in the same direction. Through the practice of ESG investment and finance, we are now able to pay more attention to partners with whom it was formerly difficult to imagine collaborating, and to areas without coverage. This has led to not only increased our investment opportunities, but also heightened potential for us to contribute to sustainability.

Investing in the World Bank's sustainable development bonds has provided an opportunity for the bank to be recognized as an ESG investor, and the Bank's track record in ESG investing has also increased understanding within the Bank. Even after investing, we have continued to communicate with the World Bank, and exchanged information regarding how these funds are utilized and their quantitative impact, thus improving our own understanding.

Currently, the Global Investments Division holds weekly "sustainability brainstorming sessions" in order that we can all work towards the same goal when it comes to sustainable finance. I feel that having employees hold discussions on a wide range of themes while not constrained by job titles or responsibilities means that they are all on the same path, and that they can proactively face up to challenges in new fields.

## Creation of Sustainability Linked Loans and Other ESG Loan Products

We began handling sustainability linked loans in May 2020. Here, our objective is to support our customers to advance their initiatives for solving the environmental and social issues from a strategic approach. At the same time, we support medium- and long-term corporate value of our customers. This product involves Sustainability Performance Targets (SPTs) reflecting sustainability goals based on customer business strategy. Linking loan conditions with progress toward achieving SPTs motivates customers to achieve their goals. Furthermore, in April 2021, we launched loan products with restrictions on how funds are used and compliant with Green Loan Principles — green loans (for environmentally friendly businesses), social loans (for socially friendly businesses), and sustainability loans (for environmentally and socially friendly businesses). Use of these ESG loan products aims to support the sustainable business activities and growth of our customers in terms of the environment and society in accordance with customers' financing and IR strategies.

Product name	Fund usage	
Sustainability Linked Loans	No restrictions (set SPTs)	
Green Loans	Restricted	Environmentally friendly businesses
Social Loans		Socially friendly businesses
Sustainability Loans		Environmentally and socially friendly businesses

### Topics

#### Structure of Sustainability Linked Loans

In January 2021, the Norinchukin Bank launched a sustainability-linked loan with the Japan Real Estate Investment Corporation. This is the Bank's second such sustainability linked loan after that made to MITSUBISHI ESTATE Co., Ltd. in May 2020. This loan is based upon the targets as set in the Japan Real Estate Investment Corporation's "Sustainability Policy," with CO<sub>2</sub> emissions (2030 target: 35% reduction compared to 2013, per-unit basis) and number of ZEB\* certified buildings owned (2030 target: 5) as SPTs. Furthermore, in concluding the loan agreement, we sought a third-party opinion from Japan Credit Rating Agency, Ltd. regarding compliance with the principles of SLL and the rationale behind the SPTs involved. These SPTs were evaluated as to their compliance with the principles of SLL in terms of their ambition and significance. This initiative was selected as a model case by the Ministry of the Environment's "Public Offering for Model Cases in the Model Creation Projects on Sustainability Linked Loans 2020," and we expect this to lead to the spread and acceleration of CO<sub>2</sub> reduction initiatives within the industry, including the move to ZEBs.

\*Abbreviation for Net Zero Energy Building



#### From the Front Lines

Corporate Business  
DIV. II  
Manager

**HARA Yosuke**

(Photo, at right)

**HATTORI Erina**

(Photo, at left)



When compared to general loans, sustainability linked loans have not only the incentive on a interest rate, but are also expected to both appeal to investors and to promote ESG awareness and initiatives within customer's organizations. Because the needs of companies receiving investment and finance are in line with sustainability, I hope we can use financing for support customer's effort. As well as increasing awareness of ZEB certification, we consider this as a foothold in making an positive impact on the real estate industry through measures such as increasing the number of tenants sensitive to ESG, improving property values, and furthering incentives for new ZEB development. Increased social awareness of ESGs will lead to the creation of new business opportunities, and new needs for collaborations with business partners and suppliers. We have participated in Dai Maru Yu SDGs ACT5, an organization promoting activities that beyond individual company in the Otemachi, Marunouchi, and Yurakucho districts of Tokyo, and these activities led to our first deal. Taking advantage of our experience in these initiatives, it is our hope that we can support the creation of new partnerships between companies, and work together in a positive manner to make sustainability a reality.

## JA Bank Efforts Toward Renewable Energy Demand

The ratio of renewable energy in Japan's power supply compositions is roughly 18% (as of FY 2019), lower than other developed economies.

At the same time, Japan's Fifth Basic Energy Plan calls for a renewable energy mix of between 22% and 24% by 2030. Therefore, we can expect future government policies and public-private initiatives to support the spread of renewable energy.

JA Bank handles products compatible with solar power generation facilities to encourage members of JA and JF to adopt renewable energy.

Further, we launched a partnership with four renewable energy power construction and sales companies in 2019. Our goal here is to adopt agricultural solar sharing and encourage the effective use of idle land, contributing to higher incomes among members of JA and JF and greater regional revitalization.



### Topics

#### Support for the introduction of agricultural solar sharing

By partnering with renewable energy power generation equipment manufacturers and distributors, we are encouraging members of JA to introduce solar sharing. Our Utsunomiya branch, together with our partners West Energy Solution Inc (West) held an explanatory meeting for JA in Tochigi Prefecture about solar sharing.

JA Shimotsuke also in Tochigi held a promotion session for its members conducted by an agricultural economics liaison officer and a sales representative from West, and JA Ashikaga promoted the spread of solar sharing through explanatory meetings for its local community members. The number of contracts in the prefecture has thus increased to 73 as of April 2021.

While leveraging the strengths of JA Bank such as providing loan products that can support the introduction of solar sharing, we will contribute to the spread of renewable energy.

#### From the Front Lines

Loans Promotion Team, Utsunomiya Branch

**OIDE Yuta**



The agricultural output of Tochigi Prefecture is the 9th highest in Japan, and is rich in nature with around 55% of its land being forested and around 20% as farmland, but the ratio of farmland is seeing a downward trend. Farming is very important in protecting the natural environment, therefore we believe that stabilizing and improving incomes and maintaining farmland by providing farmers with investment and finance as well as solutions is one way in which the Bank can contribute to achieving sustainability.

Introducing solar sharing will help farmland provide a stable income, and help with the utilization of unused farmland.

As well as cooperating with JA and our business partner West in providing support for the initial capital investment as well as a full 20-year guarantee scheme for selling electricity, we are also holding explanatory sessions providing farmers with accurate information about both the upsides and downsides of solar sharing, thus encouraging them to take up this opportunity.

The first solar sharing project started operation in Nikko City in December 2020, and we are seeing a steady uptake in adoption. Looking forward, we would like to take on the challenges of creating production areas for crops produced by solar sharing, and of promoting agricultural production.