

Focus Area 2

# Promoting Responsible Finance

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 AFF 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 AFF industries.

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

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 29 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. Financial institutions that have adopted the Equator Principles are required to incorporate these into their internal policies and procedures and to construct appropriate management and administrative systems. Furthermore, they may not invest in projects that are not compliant with the Equator Principles. Based on the increasing public awareness of environmental and social issues and society's expectations of financial institutions, the Bank adopted the Equator Principles in May 2017 for realizing a higher level of consideration toward the sustainable environment.

Specifically, under the Basic policy on Finance, the Bank has 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 Climate Change ETFs

In response to environmental and social issues associated with climate change, the Norinchukin Bank and the National Mutual Insurance Federation of Agricultural Cooperatives (JA Kyosairen ), have each invested 10 billion yen (total of 20 billion yen) into the NZAM ETF S&P/JPX Carbon Efficient Index managed by Group company Norinchukin Zenkyoren Asset Management Co., Ltd. (NZAM). This is linked to the S&P/JPX Carbon Efficient Index and aims for investment efficiency. This ETF focuses on the carbon efficiency (carbon emissions per unit of revenues ) and the environmental information disclosure status of companies. It is expected to improve carbon efficiency by approximately 20% compared to products that are linked to the TSE stock index (The Norinchukin Bank comparison). These have an element of engagement by investors — their widespread use also encourages improvements in industries and businesses that are still behind in carbon efficiency and information disclosure, thus contributing to achieving a low-carbon society. Investment in this ETF will energize the stock market, as well as improving companies' carbon efficiency and supporting disclosure of environmental-related information.

## Contributing to Sustainable Energy Utilization

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

For details on the Bank's efforts related to renewable energy, please refer to project finance examples and JA Bank initiatives (page 28).

## 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: ¥126.5 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: ¥117.3 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: ¥526.8 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, 2021

## Realizing Financing for Everybody

### Improving financial access in each and every location throughout Japan using a variety of channels

The Bank aims to realize financing for everybody in order to promote responsible finance. By leveraging the strength of its comprehensive business, JA branches provide a variety of services. It is developing different channels to provide financial services to our members and users, even those in depopulated mountainous areas.

#### Opening of Yoriso Plaza

We are introducing the Yoriso Plaza, at which customers can easily use JA Bank services even when there is no branch with a financial counter nearby. These provide financial services with remote consultation booths and ATMs at branches that lack financial counters. We also expect that this will function as a community venue for exchange.

#### Introduction of mobile branches

JA Bank is promoting the implementation of mobile branches equipped with financial booths and ATM services for all JAs nationwide (as of the end of FY2020, 105 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.



#### 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, as well as contract information (maturity date, interest rate, etc.) of term deposits. 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.

