

Solving Environmental and Social Issues Through Sustainable Finance

The Norinchukin Bank Sustainable Finance Goals

As a member of cooperative organizations supporting the industries, The Norinchukin Bank understands that our businesses are part of the life and natural environment sustained through these industries. We pursue sustainability management, including support for the SDGs, to solve environmental and social issues, pursuing sustainability in society (including the

AFF industries) and our business activities.

Our main contribution to this goal is through finance. We approach sustainable finance through the dual aspects of securing business opportunities and engaging in risk management.

In addition to credit decisions based on traditional finance risk, the Norinchukin Bank has adopted the ESG Integration framework. We use this framework not only for internal controls but also as a tool to engage in dialogue with our business partners.

Secure Business Opportunities

Sustainable Finance [→ P.35](#)

We conduct investment and financing activities to generate profit and to contribute to the development of a sustainable environment and society and to the growth of the AFF industries.

FY2021 new finance Approximately **¥1.5 trillion** 2030 medium/long-term goal New finance **¥10 trillion**

Our sustainable finance refers to the following:

- **Investment and finance**
 - sustainability linked loans, green loans, social loans, sustainability loans, transition loans
 - Investment and lending to companies with ESG-related certification, and authorized investment and lending
 - Other investment and lending for the resolution of environmental and social issues
- **Funding**
 - Sustainability-related funding

Breakdown

■ Investments and finance	Approximately ¥1.4 trillion
Market investment assets	Approximately ¥0.9 trillion
Project finance	Approximately ¥0.4 trillion
ESG loans	Approximately ¥0.1 trillion
■ Funding	Approximately ¥0.1 trillion

ESG Integration [→ P.35](#)

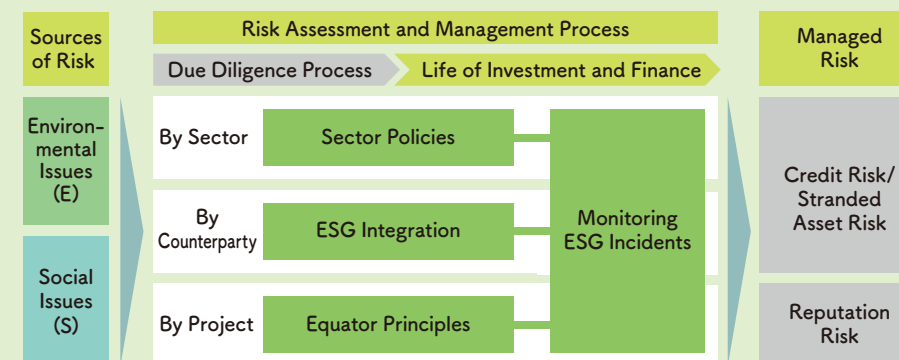
We are striving to build a decision-making process for investment and finance decisions that integrates a recognition of environmental and social risk into credit decisions based on the traditional financial risk evaluation process. This framework is a tool not only for internal controls but also for engaging in dialogue with customers based on non-financial information.

Risk Management

Environmental and Social Risk Management (ESRM) [→ P.38](#)

We have built an ESRM framework to assess and manage environmental risks and social risks prior to making investment and financing decisions for individual customers and projects.

■ The ESRM Framework



Sustainable Finance

At The Norinchukin Bank, we have set a Medium/Long-Term Goal the amount of ¥10 trillion in new finance provided by 2030. To date, of our approximately ¥59.6 trillion in market assets, we have allocated ¥3.6 trillion to sustainable investment and financing (as of March–end 2022).

2030
Sustainable Finance Transaction Target
¥10 trillion

ESG Integration

We incorporate ESG integration into our investment and finance projects assessment as part of our environmental and social risk management (P.38). 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.

Impact Investment Creates Positive Effects on the Environment and Society

“Impact Investment,” which creates positive effects on the environment and society while gaining appropriate economic returns, is drawing increasing attention as it contributes to solving environmental and social issues directly through investment.

In fiscal 2022, the Bank initiated an investment program that enables investing in impact private equity funds*¹ amounting up to ¥15 billion.

In April 2022, part of the program was used to invest in an impact private equity fund formed by an affiliate of Apollo Global Management Inc.*², aiming to create positive effects on not only climate change but also educational opportunities, healthcare, welfare and others.

*1 Private equity funds aimed at creating impacts on the environment and society as well as economic returns are collectively called impact private equity funds.

*2 Apollo Global Management, Inc., is a leading private equity investment company established in 1990.

From the
Front Lines



Markets Division
**SAKAMOTO
Daisuke**

The Bank developed its own due diligence checklist to evaluate impact funds by the degree of contribution to the environment and society. The Bank ensures high-quality impact investment by comparing more than one impact fund using this checklist. The due diligence checklist has not yet been standardized and requires continued review, but we believe it is important to create positive effects on the environment and society through impact investments.

If we continue to accumulate measurement know-how through impact investments and become able to measure the impacts our investees and borrowers have on the environment and society, that could further enhance our sustainable finance.



Norinchukin Zenkyoren
Asset Management
Co., Ltd.
Investment Division
Alternative Group
OKUMURA Aya

We provide advice on impact investments mainly from the perspective of financial returns. Due to the short history of impact investment, analysis of the probability of producing returns is more difficult than that for conventional investments. However, by effectively using the knowledge and methods The Norinchukin Bank has accumulated through its private equity fund investments and ensuring close collaboration among the group companies, we have overcome the difficulty faster than expected.

Many global investors are highly aware of how their investments contribute to society and the environment, and that tendency, I believe, will be further accelerated. As an asset manager, I will continue to contribute to encouraging the growth of impact investments.

Creation of Sustainability Linked Loans and Other ESG Loan Products

The Bank handles ESG loan products with an aim to support our customers to advance their initiatives for solving environmental and social issues from a strategic approach. At the same time, we support the medium- and long-term corporate value of our customers. Sustainability linked loans involve Sustainability Performance Targets (SPTs) based on customer business strategy. Linking loan conditions with progress toward achieving SPTs motivates customers to achieve their goals.

We also 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). In addition, we started transition loans to supply funds according to companies’ engagement in the transition efforts for decarbonization.

Through these loan products, we support our customers to promote their initiatives for solving environmental and social issues.

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
Transition Loans	Limited/Not limited Climate Change Initiatives	

Topics

Contribution to Reducing the Environmental Load in the Food Business

MEGMILK SNOW BRAND Co., Ltd. (the “company”), engages in such efforts as energy conservation of its factory equipment, use of environment-friendly materials and waste reduction with an aim to achieve coexistence of the food business with the global environment.

The Bank concluded a contract in March 2022 to provide sustainability linked loans with the company to support the company’s initiatives to reduce its environmental load.

For this loan product, we set a Sustainability Performance Target to reduce CO₂ emissions by 50% by FY2030 compared with FY2013.

From the Front Lines



Corporate Business Division, IV

FUTAMI Tomoyuki

Because sustainability linked loans have many benefits, including incentives regarding interest rates, appeal to investors in Japan and abroad, and motivation to achieve the SPTs, they can support operators in various industries to contribute to reducing the environmental load and achieving the SDGs.

Before concluding the contract with MEGMILK SNOW BRAND Co., Ltd., we discussed our impact on various social issues and the future of the dairy and beverage industries. These discussions led to the conclusion of the contract, sharing an aim to contribute to the realization of a carbon-free society by using sustainability linked loans.

Through daily communications with customers, I feel the growing need for ESG loans. By making full use of the Bank’s resources, I will continue to make active proposals that could contribute to the sustainability of customers and society.

Contributing to the stable supply of food and the conservation of marine resources through the onshore farming business

Fish Farm Mirai LLC (the “company”) meets the challenge of environmental issues such as the prevention of marine pollution and the preservation of biodiversity, as well as social issues such as the sustainable provision of foods and revitalization of local industries, through the promotion of the onshore farming business of rainbow trout (often called “Trout Sermon” in Japan).

The Bank entered into a sustainability loan agreement with the company in March 2022 to provide financial support for this initiative that could help resolve diverse environmental and social issues. The Bank currently offers widespread backing for this business including financing.

This business obtained the highest rating of “SU1 (F)” by Japan Credit Rating Agency, Ltd., which highly evaluated the social benefits and environmental improvement effect of the business.

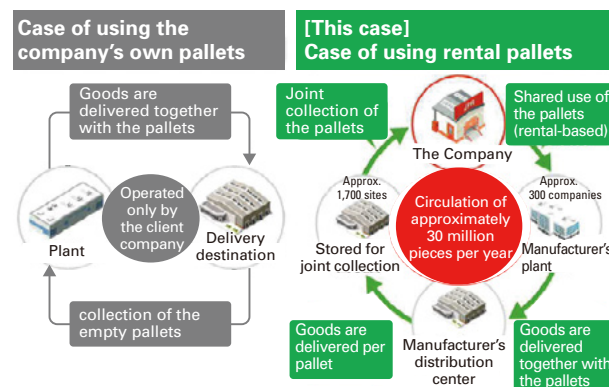


Preserve under a demonstration experiment

Contributing to a recycling society via clean transportation

Japan Pallet Rental Corporation (the “company”) has structured a shared-use framework for rental-based pallets, with the aim of pursuing a recycling society by reducing the quantity of pallets. In addition, the company is taking the initiative to promote distribution efficiency and environmental improvement with measures including the reduction of CO₂ emissions via enhanced transportation efficiency (78% reduction overall) and the development of a regular flight-matching service for companies by utilizing the logistics data it maintains and AI technology.

The Bank has determined that the company’s conversion to clean transportation via the improvement of distribution systems contributes to reducing the environmental burden and creating a recycling society. Accordingly, in July 2021, the Bank entered into a green loan agreement on a fund to purchase pallets with the company.



Contributing to climate change-related issues

Mitsubishi Estate Logistics REIT Investment Corporation (the “company”) has addressed several environmental issues through its investment activity, such as employing energy-saving and resource-saving initiatives at distribution sites and creating renewable energy.

The Bank launched a sustainability-linked loan with the company in February 2022 to provide financial support for the company’s investments in facilities that boast excellent energy efficiency while considering the environmental burden.

The loan set a “100% rate of Green Building Certification obtained” and other Sustainability Performance Targets (SPTs) as sustainability targets for fiscal 2030.



A solar power generation system in a logistics facility owned by the company