

Initiatives to Manage Environmental and Social Risks

Aiming to Improve Risk Governance

The extent and importance of environmental and social challenges to be addressed is increasing in practicing sustainable finance. It is essential for us to evaluate and consider environmental and social risks when considering whether to provide financing or investment to clients or projects. Under our Environmental and Social Risk Management (ESRM) framework, the front-line department assesses environmental and social risks, and the risk management department exercises the monitoring and checking function. In addition, an internal escalation process for decision-making at the management level on an as needed basis is established. We will work on advancing the sophistication of our ESRM framework in a phased manner, aiming to incorporate the framework into integrated risk management.

From the Front Lines

Risk Management Division.

OMORI Keisuke



The Environmental and Social Risk Management (ESRM) framework promotes the sustainable finance of the Bank through such initiatives as investment and financing sector policies, the Equator Principles and ESG integration. At the same time, we think the framework has an influence on the entire business activities of the Bank, including the grasp of investment and business opportunities and financing.

As the world circumstances have been changing in recent years, expanding environmental and social issues, I feel projects that require careful consideration in that respect are increasing. To address that, we are making systematic responses by appropriately adding and reviewing the investment and financing sector policies and utilizing the escalation framework introduced in 2021. Moreover, we will promote advancement of the ESRM by incorporating environmental and social risk factors into existing credit risk management through ESG integration, etc.

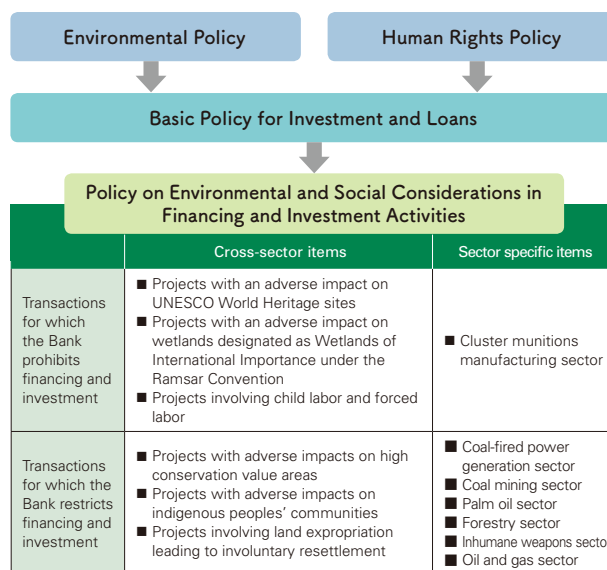
Specific ESRM Initiatives of the Norinchukin Bank

The Norinchukin Bank established our Environmental Policy and Human Rights Policy in 2019 as basic policies to resolve environmental and social issues. Based on these policies, we engage in appropriate risk management according to priority for topics and sectors recognized as having strong potential for significant adverse impacts on the environment and society.

Sector Policies

The Norinchukin Bank has formulated policies on environmental and social considerations in providing financing or investment for businesses that could have significant adverse impacts on the environment and society. We will continue to revise these policies as needed, considering domestic and international trends regarding initiatives to address social and environmental issues, as well as the

Policy on Environmental and Social Considerations in Financing and Investment Activities



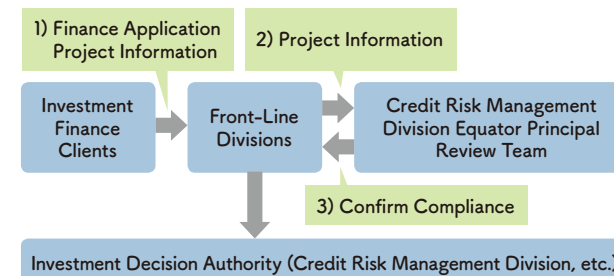
expectations from our stakeholders and points of view of them (see page 39 for details).

ESG Integration in Risk Management

The Risk Management Department evaluates environmental and social risks for financing and investment and serves as a second line to support ESG integration conducted by the front-line department.

Equator Principles

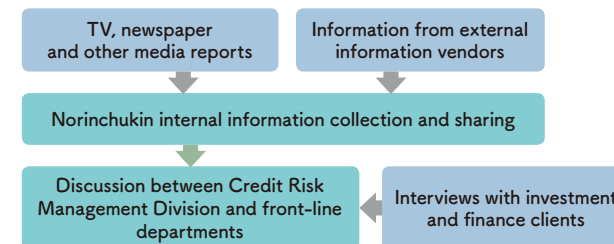
We confirm compliance with the Equator Principles and monitor compliance with the covenants.



Responding to Environmental and Social Incidents

By periodically monitoring the environmental and social incident information* of our clients, we can take action to avoid the reputation risk or credit risk caused by environmental and social risks.

* Information on corporate and business activities and related events that could have serious impact on the environment or society.



Revision of the Policy on Environmental and Social Considerations in Financing and Investment Activities

1. Positioning of the Policy

The Policy has been formulated to set out the Bank's policy on environmental and social considerations in financing and investment activities based on the Environmental Policy and the Human Rights Policy, which clarify our fundamental approach to resolving environmental issues and respecting human rights.

2. Transactions Subject to the Policy

The Policy applies to all financing and investment activities that we will provide for our clients.

3. Details of the Policy

Taking into consideration severity and nature of impacts on the environment and society, we have established the "Transactions for which the Bank prohibits financing and investment" and "Transactions for which the Bank restricts financing and investment" as follows. Each of the transaction categories is further classified into "Cross-sector items" and "Sector specific items" to organize the contents of the Policy. We will not provide financing or investment to any transactions listed in the "Transactions for which the Bank prohibits financing and investment." When considering whether to provide financing or investment to any transactions listed in the "Transactions for which the Bank restricts financing and investment," we will confirm the client's response to and consideration for environmental and social issues, and then make cautious decisions on whether to provide financing or investment after discussion at the management level as necessary.

① Transactions for which the Bank prohibits financing and investment

A. Cross-sector items

In recognition of the serious risks to have significant adverse impacts on the environment and society, we refuse to engage in transactions related to the following types of projects:

- Projects with an adverse impact on UNESCO World Heritage sites
- Projects with an adverse impact on wetlands designated as Wetlands of International Importance under the Ramsar Convention
- Projects involving in child labor and forced labor

B. Sector specific items

(A) Cluster munitions manufacturing

Civilian populations have been greatly affected by cluster munitions and are recognized by the international community as inhumane weapons. Based on such recognition, we will not provide financing or investment to any cluster munition manufacturers.

② Transactions for which the Bank restricts financing and investment

A. Cross-sector items

In recognition of the potential to have significant adverse impacts on the environment and society in relation to the following types of projects, we will confirm the client's consideration for and response to environmental and social issues, and then make cautious decisions on whether to provide financing or investment:

- Projects with adverse impacts on high conservation value areas (IUCN Category I-IV)
- Projects with adverse impacts on indigenous peoples' communities
- Projects involving inland expropriation leading to involuntary resettlement

B. Sector specific items

(A) Coal-fired power generation

Coal-fired power generation has a risk of adverse impacts on the environment and society primarily due to the emission of more greenhouse gases compared to other types of power generation.

Based on such recognition, we will not provide financing or investment to any new coal-fired power plants unless it is required to respond to disasters and other emergencies. Meanwhile, we continue to support technologies and initiatives that support the transition to a decarbonized society, such as Carbon Dioxide Capture and Storage technology (CCS), which will contribute to reduction in the emission of greenhouse gases.

(B) Coal mining

With regard to coal mining, we assume a risk of coal becoming stranded assets due to the transition to a low-carbon society. In addition, improper management of coal mining operation may pose a risk of adverse impacts on the environment and society, such as the occurrence of occupational injuries caused by coal mining accidents, pollution of water systems (rivers and oceans) caused by mining waste, and destruction of ecosystems. We are also aware of the importance of consideration for human rights issues such as infringement of the rights of indigenous peoples and communities, health problems, and forced and child labor. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients when considering whether to provide financing or investment to clients who operate the coal mining business.

We will not provide financing or investment to coal mining projects in the U.S. Appalachian areas using the mountaintop removal (MTR) method (a type of surface mining), which has severe impacts on the natural environment.

We will not provide financing or investment to thermal coal mining projects.

(C) Palm oil

Palm oil is used in a variety of consumer products, such as chocolate, margarine, snacks and soaps, making it an important ingredient indispensable for people's lives. On the other hand, we recognize that the development of palm plantations may cause conflicts over indigenous land rights; various environmental issues such as forests fires and smoke pollution (haze) caused by the development of peatlands, deforestation of tropical rain forests and slash and burn agriculture, and damage to biodiversity; and human rights issues such as child labor and low wage labor. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients when considering whether to provide financing or investment to clients who operate the plantation and oil extraction business for palm oil production. In addition, when we provide financing or investment to the palm oil business described above, we will verify whether the client complies with the Bank's policy regarding its intended use of funds and has certified relevant operations according to RSPO (Roundtable on Sustainable Palm Oil). We will examine its action plans to achieve certification when relevant operations are yet to be eligible for the certification.

(D) Forestry

Forests play a significant role in mitigating global warming by absorbing and storing carbon dioxide and are valuable resources that contribute to biodiversity conservation. Deforestation has severe impacts on the global environment. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients and aim to contribute to environmental conservation. In addition, when we provide financing or investment to clients who are engaged in logging business in emerging countries, we will verify whether the client complies with the Bank's policy regarding its intended use of funds and has certified relevant operations according to internationally recognized certification organizations: Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). We will examine its action plans to achieve certification when relevant operations are yet to be eligible for the certification.

(E) Inhumane weapons

Nuclear weapons, biological and chemical weapons, and anti-personnel mines, which have indiscriminate and serious effects on civilians, are internationally accorded to have entailed risks that cannot be ignored for humanitarian concerns, along with cluster munitions. Based on such recognition, we will not provide financing or investment for the manufacturing of nuclear weapons, biological and chemical weapons, or anti-personnel mines.

(F) Oil/Gas

Oil and gas drilling and pipeline installation could pose the risk of adversely affecting the environment and society, through the pollution of the seas and rivers because of oil and gas spills, as well as the infringement of the rights of indigenous people and communities. Arctic petroleum and gas drilling projects (in the region north of 66°33' north), in particular, not only raise concerns over the potential destruction of the ecosystem and marine pollution through oil and gas spill accidents but also require the protection of rare species and the consideration for the livelihood of the indigenous people. Furthermore, the production of oil sands uses massive volumes of hot water and steam, which leads to the generation of greenhouse gases, while shale oil and gas development causes groundwater quality contamination and other forms of pollution due to the massive volumes of water used and the injection of chemical substances in the hydraulic fracturing process. We recognize the immensity of the environmental burden posed by these developments and the potential infringement of the rights of indigenous people and communities resulting from these developments. Based on such recognition, when considering whether to provide financing or investment to oil and gas drilling and pipeline installation projects, we will assess the implementation status of the environment and social considerations by our clients and thereupon make an appropriate decision on the financing or investment to avert any significant adverse impact.

4. Review of the Policy

Considering the results of implementation of the Policy and trends in Japan and overseas regarding initiatives to address environmental and social issues, we will regularly review the appropriateness and sufficiency of the Policy at the management level, and then revise the Policy and enhance its implementation as necessary.

5. Education and Training

In order to enhance officers' and employees' knowledge on environmental and social issues, and deepen their understanding of the Environmental Policy and the Human Rights Policy, as well as the Policy, the Bank continuously conducts education and training for all officers and employees. We also ensure that officers and employees will fully comply with the rules and procedures related to the Policy.

6. Stakeholder Communication

We continuously engage in dialogue with stakeholders on a variety of sustainability-related topics, including environmental and social issues handled in the Policy. We believe that those initiatives will be helpful to properly and timely identify environmental and social issues which we must address through the revisions of the Policy to further increase its effectiveness.