

Climate Change (Based on TCFD Recommendations) - Highlights -

Governance

- The Norinchukin Bank holds regular meetings of our Sustainability Committee (under the Board of Directors) to discuss each initiative on environmental and social issues, which includes climate change. In addition, the Risk Management Committee (also under the Board of Directors) discusses items related to environmental and social risk management. The outcomes of the meetings are reported to the Board of Directors and the Supervisory Committee as required.
- The Bank appoints a Chief Sustainability Officer (CO-CSuO) as the responsible person for managing sustainability to further our initiatives in resolving environmental and social issues including climate change. Furthermore, the Bank also established the Sustainability Advisory Board as an advisory body to the Board of Directors, incorporating external perspectives into our sustainable management.
- As a sound incentive toward sustainable growth, the variable compensation for directors is determined based on the achievement of targets, etc., set forth in the management plan to enhance sustainability management, contribute to agriculture, fishery, forestry industries and local communities, reinforce the managerial foundation of members and contribute to employee engagement.

Strategy

- In March 2023, the Norinchukin Bank announced its commitment to achieving Net Zero by 2050. As part of this commitment, the Bank joined the Net-Zero Banking Alliance (NZBA), an international initiative among banks that aims to achieve net-zero greenhouse gas emissions through its investment and loan portfolio by 2050. The Bank set its 2030 interim targets in the *Transition Plan for Achieving Net Zero Emissions*.
- The Bank recognizes that while climate change presents future risks, it also presents business opportunities through the mitigation and adaptation. As such, we conduct dialogues with our stakeholders and offer solutions for decarbonization.

The Norinchukin Bank's Purpose

Dedicated to sustaining all life.

Work together with our stakeholders to foster the agriculture, forestry and fisheries (AFF) industries and to create a prosperous future for food and lifestyles, and thereby contribute to a sustainable global environment.

A commitment to achieving Net Zero by 2050

The Norinchukin Bank will be working together with its stakeholders to achieve Net Zero greenhouse gas (GHG) emissions by 2050.

Transition Plan for Achieving Net Zero Emissions by 2050

Reducing GHG emissions

- **Reduce financed emissions** Interim target for FY2030 toward Net Zero by 2050(vs. FY 2019)
 - Lending:** Power sector 138~165gCO₂ e/kWh(Other sectors TBC)
 - Investment:** 49% reduction based on economic intensity
- **Increase the forest carbon sink, together with JForest members** 9 million tons per year as of FY 2030
- **Reduce GHG emissions by the Bank itself** Net Zero by FY2030

Promote sustainable business

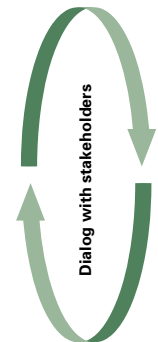
- **Execute new sustainable financing** – 10 trillion yen by FY2030
- **Develop and provide decarbonization solution functions for customers**

Strengthen the Bank's risk management stance

- **Enhance the Bank's risk management stance, strengthen scenario analysis and make effective use of this analysis in risk control**
- **Reduce financing for coal-fired electric power generation to zero by FY2040**

Strengthen the Bank's sustainability promotion stance

- **Strengthen the Bank's stance in relation to realizing Net Zero emissions, and strengthen participation in related initiatives and coordination with stakeholders**



Code of Ethics, Environmental Policy and Basic Policy for Investment and Loans

- Under our integrated risk management framework, we assess risks associated with climate change and operate their appropriate management through scenario analysis and other methods.
 - Transition risks: Credit risks and stranded asset risks for investees and borrowers affected by changes in policies, legal regulations, technologies, markets, and other factors associated with progress in climate change mitigation and adaptation initiatives
 - Physical risks: Risks resulting from increased financial loss through physical damage to the assets of the Bank and its investees and borrowers incurred from natural disasters and extreme weather associated with climate change

Climate Change Risks Recognized by the Bank

Risk	Classification	Major Risks	Time Frame
Transition Risk	Policy and Legal Risk Technology Risk Market Risk	<ul style="list-style-type: none"> ● An increase in credit costs due to the impact of regulatory measures aimed at achieving the 2°C target in the business models and performance of investees and borrowers ● An increase in credit costs due to changes in corporate performance and supply-demand relationship for goods and services as markets become more decarbonized-oriented 	Medium- to long-term
	Policy	<ul style="list-style-type: none"> ● Changes in regulations in response to growing international concern regarding climate change 	Short-term
	Reputation	<ul style="list-style-type: none"> ● Risk of inadequate climate change efforts and information disclosure 	Short-term
Physical Risk	Acute Risk Chronic Risk	<ul style="list-style-type: none"> ● Downturn resulting from stagnating investee'st and borrower's businesses due to natural disasters such as typhoons and torrential rains, as well as increasing credit costs resulting from damage to collateral value of real estate and other assets ● Risk that climate change will affect land use, productivity of primary industries, etc. ● Impact on business continuity due to damage to the Bank's assets caused by extreme weather 	Short-, Medium-, and Long-Term

Transition Risk Analysis

- The Bank analyzes scenarios for the electricity, oil-gas-coal, and chemical sectors, which were identified as high risk based on risk assessment by sector and region, in addition to scenarios for the food and agriculture and beverage sectors, which form the food and agricultural value chains. We then analyze medium- to long-term changes in credit costs resulting from advances in decarbonization. This analysis targets domestic and foreign borrowers, as well as bond's investees.
- The Bank uses scenarios published by the representative International Energy Agency (IEA) and the Food and Agriculture Organization of the United Nations (FAO), in addition to scenarios such as the Net Zero2050 scenario published by the Network for Greening the Financial System (NGFS).
- According to the results of the analysis, we assess any impacts to our credit portfolio would be limited.

Physical Risk Analysis

- Based on the risk assessment by sector and region, we analyzed scenarios for acute and chronic physical risks for Japan, which we determined to be a high-risk region.
- The Bank analyzed acute risks such as flood damage, which caused significant damage in recent years. We looked into the impact on real estate pledged as collateral to the Bank, in addition to the impact on the key locations of our domestic borrowers. According to the results of the analysis, we assess impacts on our credit portfolio would be limited.
- We also analyzed the impact of chronic risks to the agricultural sector, which is important to the Bank, as we are founded on the agriculture, fishery, and forestry industries. The analysis targeted rice cultivation and animal husbandry (milk and beef cattle) and assessed the impacts of climate change, including rising temperatures, on producer income and adaptation measures. The Bank recognizes that further study is needed to build an analytical model for analyzing how the impacts on producers' income affect our finances. As these impact pathways are diverse and complex, it is necessary to create a way to identify the most probable pathways.

Risk Management

- The Bank incorporated a risk management framework for environmental and social risks, including climate change. The Environmental Policy and Human Rights Policy are our basic policies for solving environmental and social issues. Under these policies, we have formulated policies that take the environment and society into account in investments and loans within sectors where negative impacts to these areas, including climate change, are concerned. In addition, we conduct risk management on large-scale development projects based on the Equator Principles.
- The Bank uses our Risk Appetite Framework (a framework for business administration leading to disciplined risk taking and optimizing the balance between risk and return) to select top risks (risks that require special future attention) with regard to business environments and then analyzes possible future scenarios.
- The Bank selected *addressing climate change, biodiversity and other sustainability-related issues* as a top risk. We recognize that transitioning to a decarbonized economy, caused by climate change, is a significant risk that could have a tremendous impact on the sustainability of the Bank and the agriculture, forestry, and fishery industries and regions, which is our foundation. These risks include stranded assets in our portfolio, wind and flood damage, and the loss of natural resources and biodiversity. By selecting top risks, the Bank will align perspectives within organizations on such risks and encourage the advancement of our risk management system.

Indicators and Targets

Classification	Indicators	Latest Results	Targets
Reduce GHG emissions	Reduce financedemissions		FY2030 interim targets toward Net Zero by 2050
	[Finance] Power Sector Base year: FY2019 results 213gCO ₂ e/kWh	FY2020* 217gCO ₂ e/kWh	138 to 165gCO ₂ e/kWh
	[Investment] Emissions per unit of investment basis (stocks and bonds) Base year: FY2019 results 0.66tCO ₂ e/million yen	FY2020 0.55tCO ₂ e/million yen -17% compared to FY2019	-49% compared to FY2019
	Secure the amount of the forest carbon sink, together with JForest members	FY2021 6.12 million tCO ₂	9 million tCO ₂ /year, as of FY2030
	GHG Emissions by the Bank Itself	FY2021 19,849tCO ₂	Net zero by FY2030
Encourage sustainable business	New sustainable finance	FY2021 to FY2022 (Total) ¥4.4 trillion	¥10 trillion by FY2030
Strengthening the risk management system	Reduction of outstanding investments and loans for coal fired power generation	FYE2022 ¥36.6 billion	Zero by 2040

*The increase compared to FY2019 is due to an increase in the number of clients classified in the electricity sector. This increase in clients resulted from system registration maintenance, in addition to increased exposure from the spread of COVID-19.