

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.

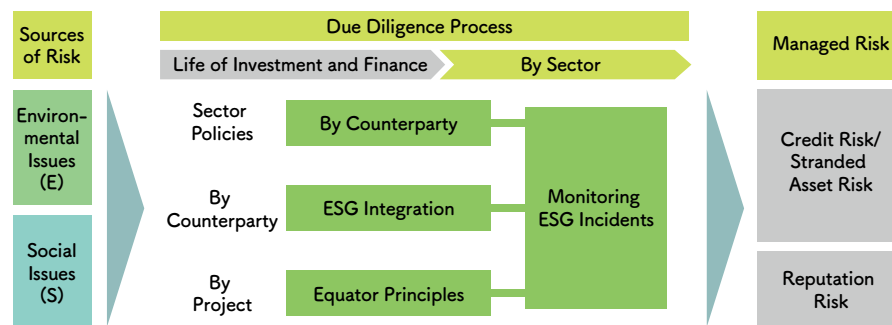
Specific ESRM Initiatives

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.

Environmental and Social Risk Management (ESRM)

We adopt an ESRM framework to evaluate and consider environmental and social risks when assessing transactions with individual investees, borrowers, and related projects.

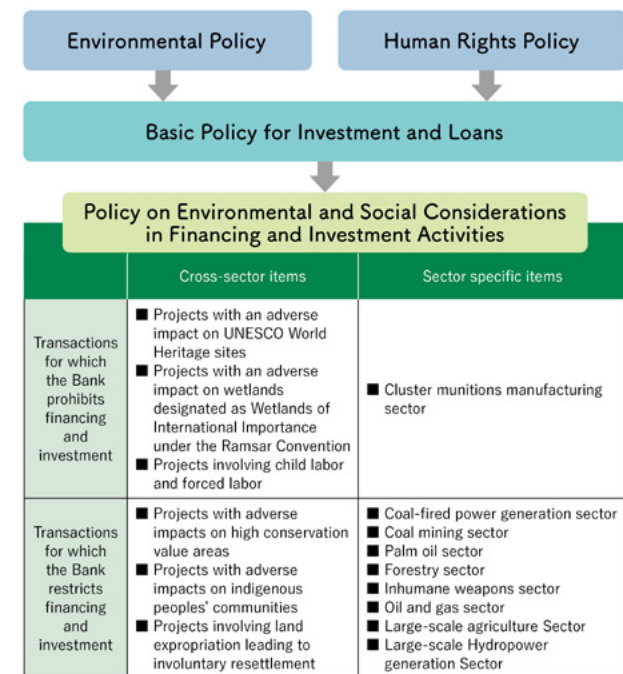
The ESRM Framework



Sector Policies

The Norinchukin Bank has formulated policies for taking into account environmental and social consciousness when providing investment and lending to businesses that may have a significant adverse impact on the environment. We will continue to revise this policy as needed in accordance with domestic and international trends regarding social and environmental issues, as well as the expectations and points of view of stakeholders.

Policy on Environmental and Social Considerations in Financing and Investment Activities



Policy on Environmental and Social Considerations in Financing and Investment Activities (PDF : 250KB)

https://www.nochubank.or.jp/en/sustainability/management/esmr/pdf/Policy_for_Environmental_and_Social_Considerations.pdf

ESG Integration in Risk Management

The risk management department evaluates environmental and social risks for investment and finance clients and serves as a second line of support for ESG integration conducted by the front-line departments. The department works to integrate credit risk management into the internal rating system, which evaluates the credibility of credit clients. To do so, we rate environmental and social risk factors as qualitative evaluation factors within the system for clients in certain sectors. In addition, we will take external factors into account and consider reviewing and expanding targeted sectors of this initiative.

Initiatives for the Equator Principles

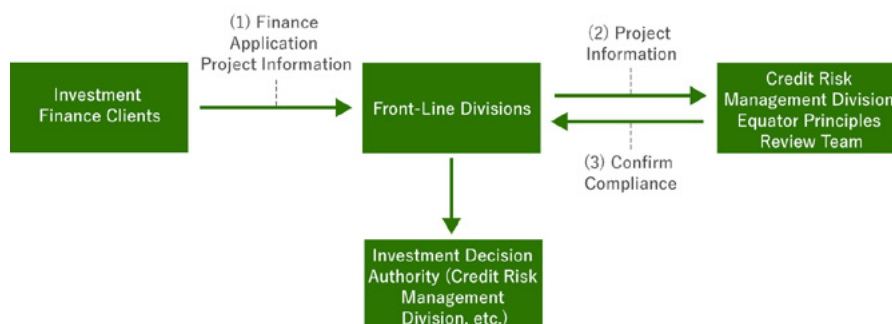
The Equator Principles is an assessment framework used by private financial institutions when financing large-scale development projects. This framework is used to assess whether the development project pays the appropriate attention to the natural environment and local communities. It is widely used 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 2017 from the viewpoint of realizing a higher level of consideration toward the upkeep of a sustainable environment.

Specifically, based on 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. dedicated employees have 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.

Flow of Equator Principles Conformity Check



Project Category Definition

Category	Definition
A	Projects with potential significant adverse environmental and social risks 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 to no negative environmental or social risks or impacts

Financed transactions in accordance with Equator Principles in FY 2022 (From 1 April 2022 to 31 March 2023)

<Project Finance>

Sector	A	B	C
Mining	0	0	0
Infrastructure	1	1	2
Oil and Gas	0	0	0
Electricity	0	3	0
Other	1	3	0
Total	2	7	2

Region	A	B	C
The Americas	1	1	2
Europe, the Middle East, and Africa	1	4	0
Asia and Oceania	0	2	0
Total	2	7	2

Designated and Non-Designated Countries	A	B	C
Designated Countries	0	5	2
Non-Designated Countries	2	2	0
Total	2	7	2

Independent Expert Review	A	B	C
Reviewed	2	6	2
Not Reviewed	0	1	0
Total	2	7	2

<Project-Related Corporate Loans>

Sector	A	B	C
Mining	0	0	0
Infrastructure	0	0	0
Oil and Gas	0	0	0
Electricity	0	1	0
Other	0	0	0
Total	0	1	0

Region	A	B	C
The Americas	0	0	0
Europe, the Middle East, and Africa	0	0	0
Asia and Oceania	0	1	0
Total	0	1	0

Designated and Non-Designated Countries	A	B	C
Designated Countries	0	1	0
Non-Designated Countries	0	0	0
Total	0	1	0

Independent Expert Review	A	B	C
Reviewed	0	0	0
Not Reviewed	0	1	0
Total	0	1	0

<Project Finance Advisory Services and Bridge Loans>

No data available

<Project-Related Loan Refinancing and Project-Related Acquisition Financing>

No data available

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.

