

# Transition Plan for Achieving Net Zero Emissions by 2050

## 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 138~165gCO<sub>2</sub> 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

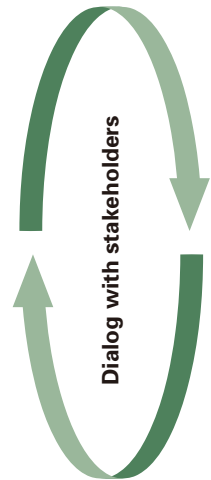
- **Execute new sustainable financing** – 10 trillion yen by FY2030
- **Develop and provide decarbonization solution functions for customers**

### 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

# Relationship Between the Bank's Existing Medium/Long-term Goals and the New Announcement

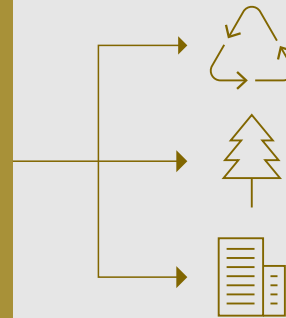
## Changes made to existing goals

- ① **Announcement of a goal of achieving Net Zero GHG emissions by 2050**, in line with global standards and the views of the Bank's investees and borrowers, both within and outside Japan
- ② **Joining the Net Zero Banking Alliance (NZBA), and setting interim targets for FY2030** for both the Bank's loan portfolio and its investment portfolio
- ③ **Collaborating with JForest Group members to set carbon sink goals for FY2030** based on forest management area targets for each prefecture within Japan
- ④ **Accelerate the Bank's reduction of its own GHG emissions to achieve Net Zero early by FY 2030**

## Current goals (announced in May 2021)



Reduce GHG emissions  
50% by FY2030 vs. FY2013



**Reduce GHG emissions of the Bank's investees and borrowers**  
by FY2030 vs. FY2013

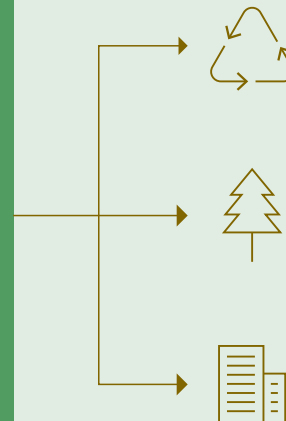
**Increase the absorption of CO<sub>2</sub> via forests, together with JForest members**

**Reduce CO<sub>2</sub> emissions by the Bank itself by 50%**  
by FY2030 vs. FY2013

## Adjusted goals (announced in March 2023)



Reduce GHG emissions  
Net Zero by 2050



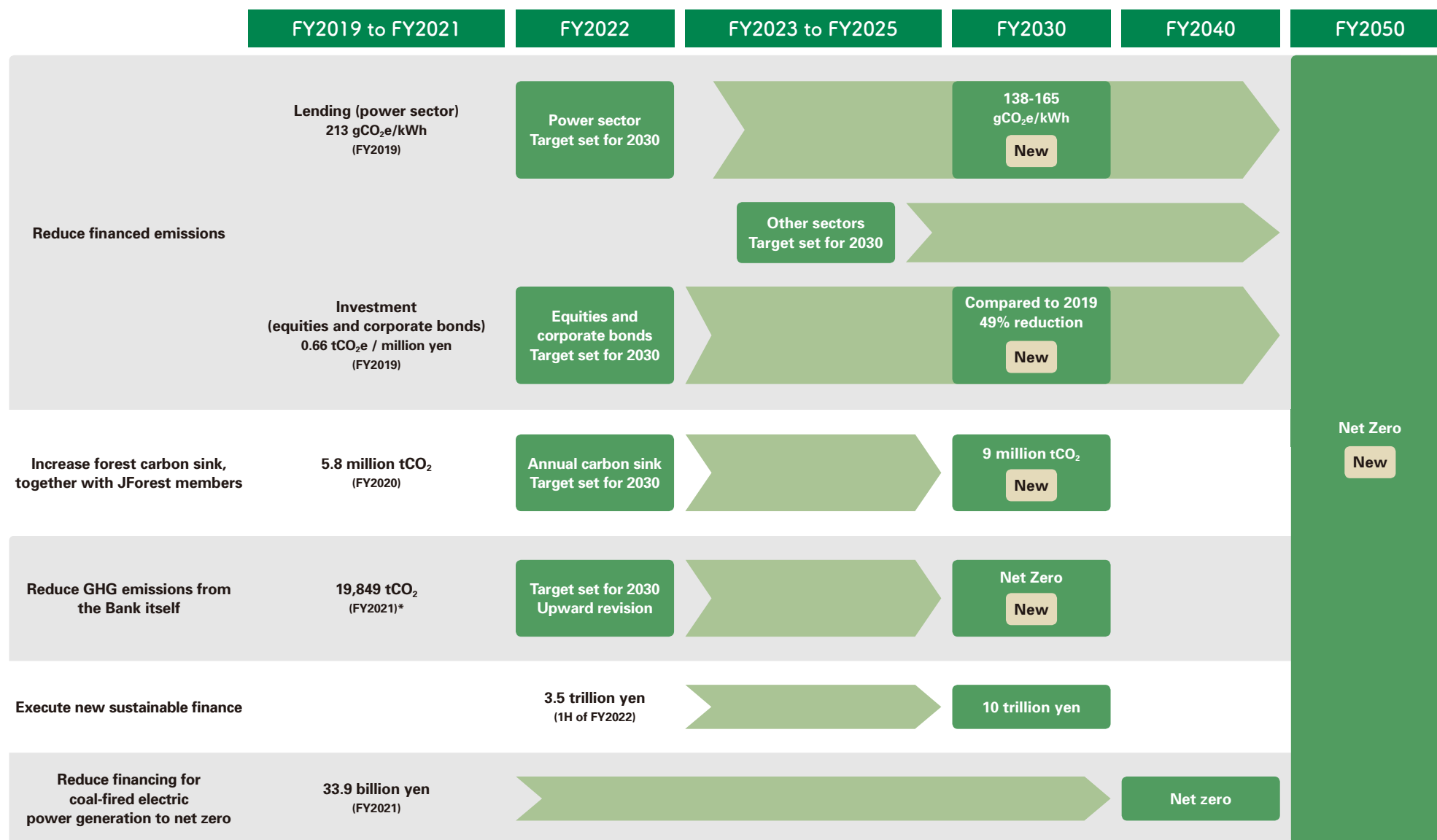
**Reduce financed emissions**

Interim target for FY2030 toward Net Zero by 2050 ( vs. FY 2019)  
Lending: Power sector 138 ~ 165gCO<sub>2</sub> 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

# Roadmap for Achieving Net Zero by 2050



\* Emissions from the Bank itself within and outside Japan (including emissions of Group companies that share facilities with the Bank). Adjusted emissions coefficients were used for estimating GHG emissions associated with electric power usage.

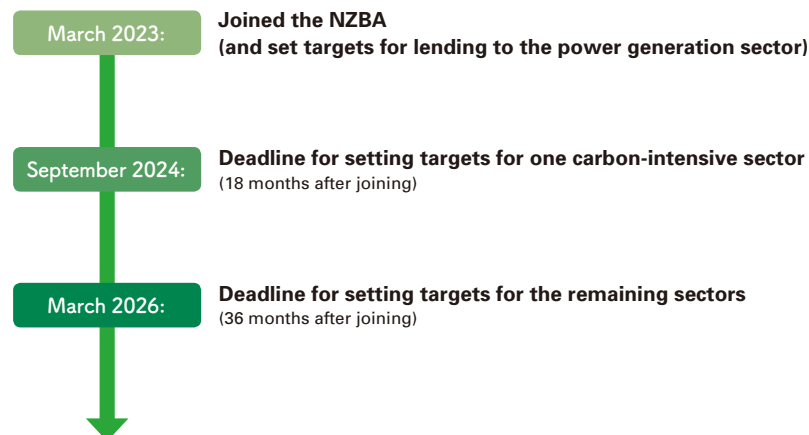
# Overview of the NZBA

## Profile of the Net Zero Banking Alliance (NZBA)

Date of establishment:	<ul style="list-style-type: none"> <li>● April 2021</li> </ul>
Secretariat:	<ul style="list-style-type: none"> <li>● United Nations Environment Programme - Finance Initiative (UNEP FI)</li> </ul>
Overview:	<ul style="list-style-type: none"> <li>● The Net Zero Banking Alliance (NZBA) is a banking initiative led by the UNEP FI which aims to use banks' investment and lending portfolios to help realize Net Zero GHG emissions by 2050.</li> <li>● With the aim of realizing Net Zero by 2050, banks that join the NZBA are expected to set interim targets for 2030 at the latest in relation to 9 sectors with particularly high emissions, and to continue implementing periodic disclosure after that date.</li> </ul>

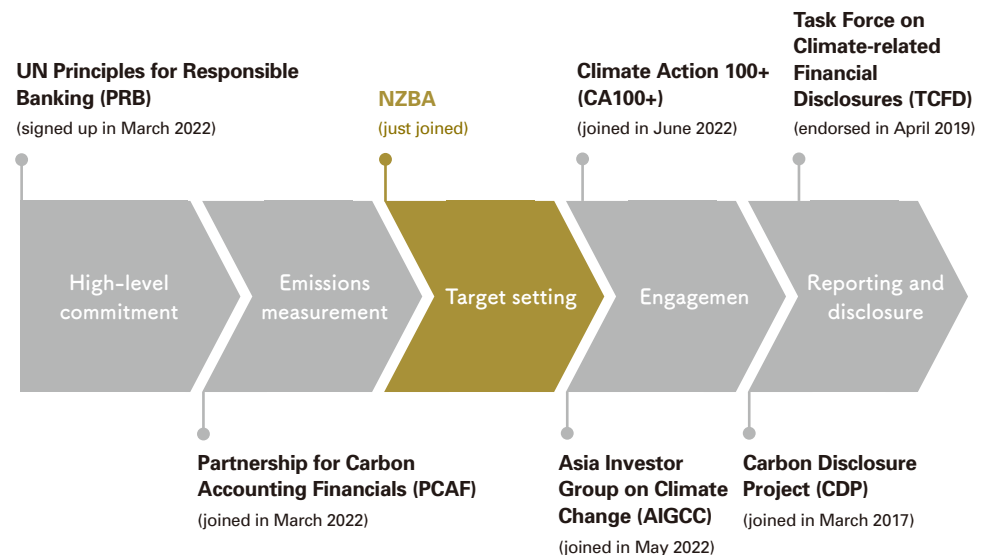
## Timeline after joining the NZBA

Within 18 months of joining the NZBA, a bank is expected to set targets for one sector out of nine carbon-intensive sectors (agriculture, aluminum, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation, and transport), and the bank must then set targets for the remaining sectors within 36 months of joining; in this way, the bank can implement a step-by-step response while setting a priority order in line with the relative importance of particular sectors within its portfolio.



## Relationship with other initiatives that The Norinchukin Bank participates in

The Bank has already joined several initiatives relating to GHG emissions, based on its assessment of their objectives. By joining the NZBA, where the main focus is on setting concrete targets, the Bank is aiming to help further these other initiatives.



# Financed GHG Emissions

## – The Norinchukin Bank’s Approach to Setting Medium-term Goals

### Basic approach

- By signing up to the Net Zero Banking Alliance (NZBA), The Norinchukin Bank is committing itself to reducing the GHG emissions of the Bank’s investees and borrowers to Net Zero by 2050.
- The Bank has set an interim target for FY2030 in relation to the power sector component of its lending portfolio, in line with the NZBA framework. Going forward, the Bank will sequentially set targets for all nine of the carbon-intensive sectors specified in the NZBA framework (agriculture, aluminum, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation, and transport).
- In addition, the Bank has set interim targets for 2030 for its investment portfolio (focusing initially on equities and corporate bonds), reflecting the important share of the Bank’s investment and lending portfolio that is held by investment assets, and having referenced the frameworks specified by Net Zero initiatives targeting institutional investors, etc. In the future, the Bank aims to expand the range of investment asset classes for which targets are set, based on the progress made by the Bank in terms of practical GHG measurement.

	Lending portfolio	Investment portfolio
1 Target	Loans to the power sector, and project financing (*This sector was chosen because, as its share of GHG emissions within the Bank’s lending portfolio was relatively high, and as demand for electric power is expected to rise because of global economic growth and electrification in various industries, it was deemed that the power sector was of high priority in terms of realizing the Net Zero society.)	Equities and corporate bonds (*This asset class was chosen because, of the various asset classes in the Bank’s investment portfolio, the PCAF has already developed GHG measurement methods for this asset class, and the Bank has already completed the process of measuring GHG emissions for this asset class.)
2 Target for 2030	138 to 165 gCO <sub>2</sub> e/kWh (*baseline year emissions were 213 gCO <sub>2</sub> e/kWh)	49% reduction compared to baseline year (*baseline year emissions were 0.66 tCO <sub>2</sub> e / million yen, on a per unit of investment basis)
3 Baseline year	FY2019 (year ended March 31, 2020) (*This year was chosen because subsequent years were affected by the temporary reduction in GHG emissions due to the COVID-19 pandemic)	
4 Scenario used	IEA World Energy Outlook 2021 and 2022, Net Zero Emissions by 2050 Scenario (NZE) (*The upper end of the target range was taken from the NZE scenario in the 2022 report, and the lower end was taken from the NZA scenario in the 2021 report)	Reduction target ranges used by Net Zero alliances for institutional investors, etc.
5 Measurement method	$\sum \left( \frac{\text{Amount of investment or loans provided by The Norinchukin Bank for each company or project}}{\text{Shareholders' equity and liabilities of each company or project}} \times \text{GHG emissions of each company or project} \right)$ (*The measurement method advocated by the PCAF was adopted)	
6 Data sources	Data disclosed by customers, the CDP, etc. (*Going forward, data sources will be updated as appropriate in line with developments in data availability)	



# Initiative to increase forest carbon sink, together with JForest members

## Basic approach

- Based on the forecasted area of operations (new planting (reforestation), undercutting, clearing, thinning, and main cutting) based on targets at Jforest members nationwide. The Norinchukin Bank has set the goal of realizing forest carbon sink of 9 million tCO<sub>2</sub> per year by 2030.
- Forests play an important role in sequestering carbon dioxide and safeguarding biodiversity. However, the forestry sector in Japan is affected by various problems, including the low price of standing timber, the high cost of reforestation, and a shortage of forestry workers. Working together with the JForest Group, which is a member of the Bank, The Norinchukin Bank is implementing measures aimed at addressing the problems affecting upstream, mid-stream and downstream segments of the forestry sector to support sustainable forestry operations by Jforest members to increase forest carbon sink.

It should be noted that performance management and disclosure in relation to the performance achieved with respect to this target will be implemented separately from the targets for reduction of GHG emissions associated with the Bank's investment and lending portfolio and emissions generated by the Bank itself.

## The Norinchukin Bank/JForest Association Initiatives

<p>Upstream Issues</p> <p>Management intensification, integration and expansion of raw wood production</p> 	<p>Nochu Potential Forest Productivity Fund</p>	<p>This fund was established in 2005 (the former fund until 2013) and subsidized 115 projects nationwide over a total of 18,400 hectares valued at ¥2.31 billion as of the end of fiscal 2021.</p> <p>This fund contributes to the regeneration of degraded privately owned forests by subsidizing projects that aim to maintain the public benefits and the sustainable multiple functions of forests.</p>
	<p>Forestry Labor Safety Improvement Measures</p>	<p>The annual death/injury rate per 1,000 workers in the forest industry is at a level about nine times the average of all industries. It is urgent to improve labor safety in the forest industry.</p> <p>This project subsidizes the purchase of forestry work safety equipment, etc., which is offered to Japan Forest Owners' Cooperatives, private businesses contracted by cooperatives and students of forestry colleges, etc. (3,185 cases/¥500 million from FY2015 to FY2021).</p>
	<p>Low-Cost Forest Replanting Measures</p>	<p>To promote a lower-cost planting promotion, in fiscal 2020 we created a new initiative called the Low-cost Forest Replanting Project in partnership with JForest Zenmoriren (National Federation of Forestry Owners' Cooperative Association). This focuses on halving the costs of growing forests, shortening the cutting cycle and finding new distribution channels.</p>
<p>Midstream Issues</p> <p>Productivity improvement of processing and marketing</p>	<p>Export Support</p>	<p>Wood exports from Japan are on the rise (¥47.5 billion in fiscal 2021), mainly due to a growing demand for wood overseas. We support exports through timber intensification in cooperation with a network of forest owners' cooperatives, and we are exploring new demand for Japanese timber overseas.</p>
	<p>Wood Solution Network (WSN)</p>	<p>We established the Wood Solution Network to expand the utilization of wood, focusing on Japanese wood. We have created a platform by which various companies and organizations (from upstream forest owners' cooperatives to midstream lumber, processing and distribution companies, and finally to the nearest downstream end users) come together to solve issues.</p>
<p>Downstream Issues</p> <p>Wood demand expansion and wood utilization expansion</p> 	<p>Spreading Wood Use Education and Expanding the Utilization of Wood Products Nationwide</p>	<p>As part of the efforts to expand the utilization of Japanese wood, we cooperate with a network of forest owners' cooperatives nationwide to promote education by using wood products in events sponsored by government, schools, etc., nationwide. We also participate in activities to donate wood products.</p>

# Initiatives Aimed at Safeguarding Natural Capital and Biodiversity (Part 1 of 5)

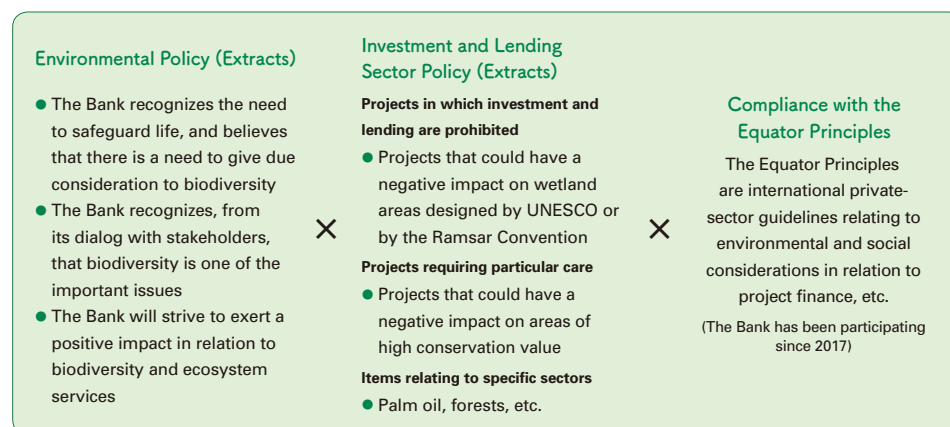
## 1 The Norinchukin Bank's Awareness of Natural Capital and Biodiversity, and Measures Implemented to Date

The Norinchukin Bank has set its purpose as: 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. Natural capital and biodiversity are vital for realizing bountiful food and a rich natural environment, and so the Bank has positioned them as important issues that are directly linked to human life.

The Bank's Environmental Policy\*<sup>1</sup> emphasizes that loss of biodiversity amounts to destroying the wellspring of life; given that the agriculture, forestry and fisheries sector is the foundation for the Bank's operations, there is a clear requirement for the Bank to help protect this wellspring of life, and the Bank needs to give due consideration to safeguarding biodiversity in its business activities. As a risk management measure to realize this goal, besides stipulating in the Bank's Policy on Measures Relating to Concern for the Environment and Society in Regard to Investment and Financing that investment in or financing of projects over which there is concern from the perspective of safeguarding biodiversity in protected areas, forests or other specified sectors is prohibited or restricted, the Bank is also working to avoid negative impacts from its investment and lending activities through measures such as identifying and evaluating environmental and social risk in compliance with the Equator Principles\*<sup>2</sup>. (See Fig. 1)

Over the past few years, the "nature positive" movement, which seeks to stem the loss of natural capital and biodiversity and bring about a recovery, has been growing steadily more prominent on a global scale. In March 2022, the Taskforce on Nature-related Financial Disclosures (TNFD) announced the Beta v0.1 release of the TNFD Nature-related Risk & Opportunity Management and Disclosure Framework, reflecting

Fig. 1 The Bank's Policy and Initiatives in Relation to Natural Capital and Biodiversity



\*1 For more details, see The Norinchukin Bank website: [https://www.nochubank.or.jp/en/sustainability/management/policy/pdf/environmental\\_policy.pdf](https://www.nochubank.or.jp/en/sustainability/management/policy/pdf/environmental_policy.pdf)

\*2 For more details, see the official Equator Principles website (in English): <https://equator-principles.com>

an awareness of how vital information disclosure is for the transition to directing capital flows in a nature positive manner.

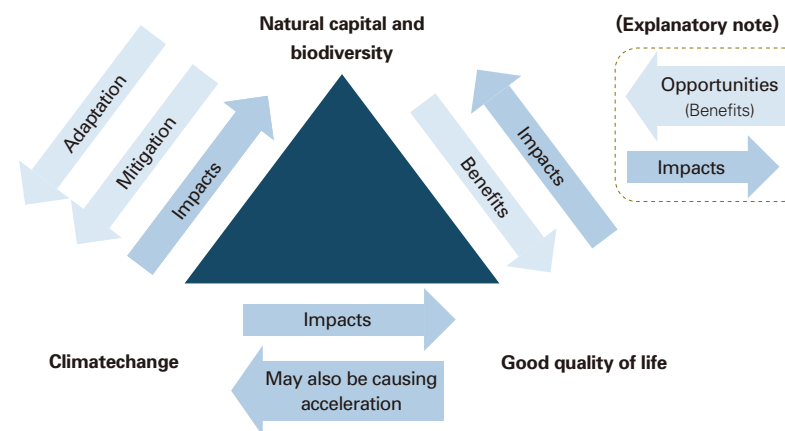
In December 2022, the United Nations Biodiversity Conference (COP15) was held in Montreal, Canada, and agreement was reached on a new set of global targets: the Kunming-Montreal Global Biodiversity Framework (GBF). Target 15 of the GBF encourages financial institutions and other large enterprises to disclose the risks, dependencies and impacts of their businesses in relation to natural capital and biodiversity.

The IPBES-IPCC Co-Sponsored Workshop Report on Biodiversity and Climate Change notes the need to aim for a simultaneous resolution of both the problem of climate change and the issue of safeguarding biodiversity; the report points out that this is important for realizing good quality of life and wellbeing for people, and outlines the risks associated with addressing these two issues separately (Fig. 2).

Related matters were discussed throughout FY2022 by the Bank's Sustainability Committee, which reports directly to the Board of Directors, and five discussions on the topic of natural capital and biodiversity issues were also held by the Sustainability Advisory Board, which functions as an advisory body to the Board of Directors, with membership comprised of external experts. The Bank has thus been fostering an understanding of the issues, and engaging in discussion of related initiatives and policies, at senior management level.

Besides responding to climate change issues through its commitment to realize Net Zero emissions, going forward the Bank will also be working to expand its measures addressing the twin issues of climate change and biodiversity through nature positive initiatives.

Fig. 2 Relationships Between Natural Capital and Biodiversity, Climate Change, and Good Quality of Life



Source: IGES 2021: IPBES-IPCC CO-SPONSORED WORKSHOP REPORT ON BIODIVERSITY AND CLIMATE CHANGE: Translation and Commentary by IGES. Takahashi, Y., Tsutaka, M., Tanabe, K., Hashimoto, Z., Moribu, N., Takeuchi, K., Ohashi, Y., Miwa, K., Yamanoshita, M., Takahashi, K., Watanabe, A., Watabe, A., Nakamura, E., Matsuo, A., Mori, H., Ito, N., Kitamura, E., Aoki, M. ( Translation and Editing). Institute for Global Environmental Strategies (IGES), Hayama, 32p.

# Initiatives Aimed at Safeguarding Natural Capital and Biodiversity (Part 2 of 5)

## 2 The Bank's Experimental Approach to Addressing the Issues of Natural Capital and Biodiversity

When analyzing the risks and opportunities relating to natural capital and biodiversity, the Bank has taken as the foundation the understanding and analysis of the relationship whereby the dependencies that investees and borrowers have in relation to natural capital and biodiversity and the impacts that they exert can, through investment and borrowing, spread to the Bank itself (Fig. 3).

Based on this relationship, and referencing the LEAP (Locate, Evaluate, Assess, Prepare) approach to risk and opportunity assessment that is advocated in the Beta v0.1 release of the TNFD Nature-related Risk & Opportunity Management and Disclosure Framework, the Bank has implemented experimental analysis of its portfolio. The LEAP approach begins with an examination of the types of business and entry points applicable to a financial institution, and of the types of analysis that should be performed. Through a series of flow stages – Locate the interface with nature, Evaluate the dependencies and impacts, Assess the material risks and opportunities, Prepare to respond and report – the LEAP approach enables the organization to identify, internally, its risks and opportunities in relation to natural capital (see Fig. 4 on next page).

To narrow down the areas which should be prioritized when analyzing its portfolio, the Bank has made use of ENCORE<sup>\*3</sup> etc. to implement sector-specific analysis of dependences and impacts.

<sup>\*3</sup>: ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) is a risk management and analysis tool for nature-related risks, provided by the Natural Capital Finance Alliance (NCFA).

## 3 Insights Obtained from the Bank's Portfolio Analysis Using ENCORE

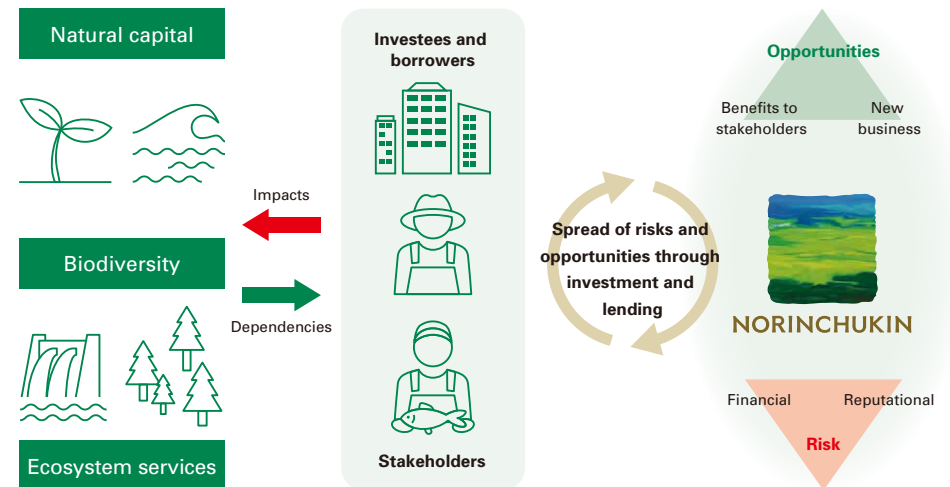
### Portfolio Dependency Trends (Fig. 5)

The analysis showed that there were significant dependencies in relation to water resources across a broad range of sectors. Not only are the food and beverage (consumer staples), electric power and gas, and water supply (public utilities) sectors dependent on water for manufacturing, stable operation and service provision, other sectors which at first glance might not seem to be closely related to nature are also dependent on water because they benefit from ecosystem services, such as flood and storm preparedness, maintenance of water quality, etc.

### Portfolio impact trends (Fig. 6)

The results of analysis referencing the impact drivers (factors that can exert an impact on nature) noted by IPBES<sup>\*4</sup>, which include changes in land use, resource usage, climate change, pollution and "other" (impact of invasive species, etc.), showed that four sectors – construction and machinery, food and beverages, chemicals and materials, and electric power, gas and water supply – had particularly pronounced impacts on natural capital and biodiversity through water use, GHG emissions, etc.

Fig. 2 Relationship Between Natural Capital, Biodiversity and The Norinchukin Bank (conceptual image)



Source: Compiled by the Bank, with reference to the Natural Capital Protocol, etc.

### Measures based on the insights obtained through analysis

Based on the portfolio analysis, the Bank has been focusing on the above-mentioned four sectors that have a particularly pronounced impact on natural capital and biodiversity, and has made the examination of water resource and climate dependencies, which it has been confirmed are significant dependencies for the Bank's entire portfolio, the main axis for analysis in the near term.

The Bank has become even more keenly aware of the need, in order to further enhance the precision of the analysis, to undertake analysis of dependences and impacts at the level of individual sub-sectors and individual business activities, and to identify the type of investment or lending (direct, indirect, etc.) and the location of the exposure (i.e., the country or region, and the location of the business activity, project or production facilities, etc.).

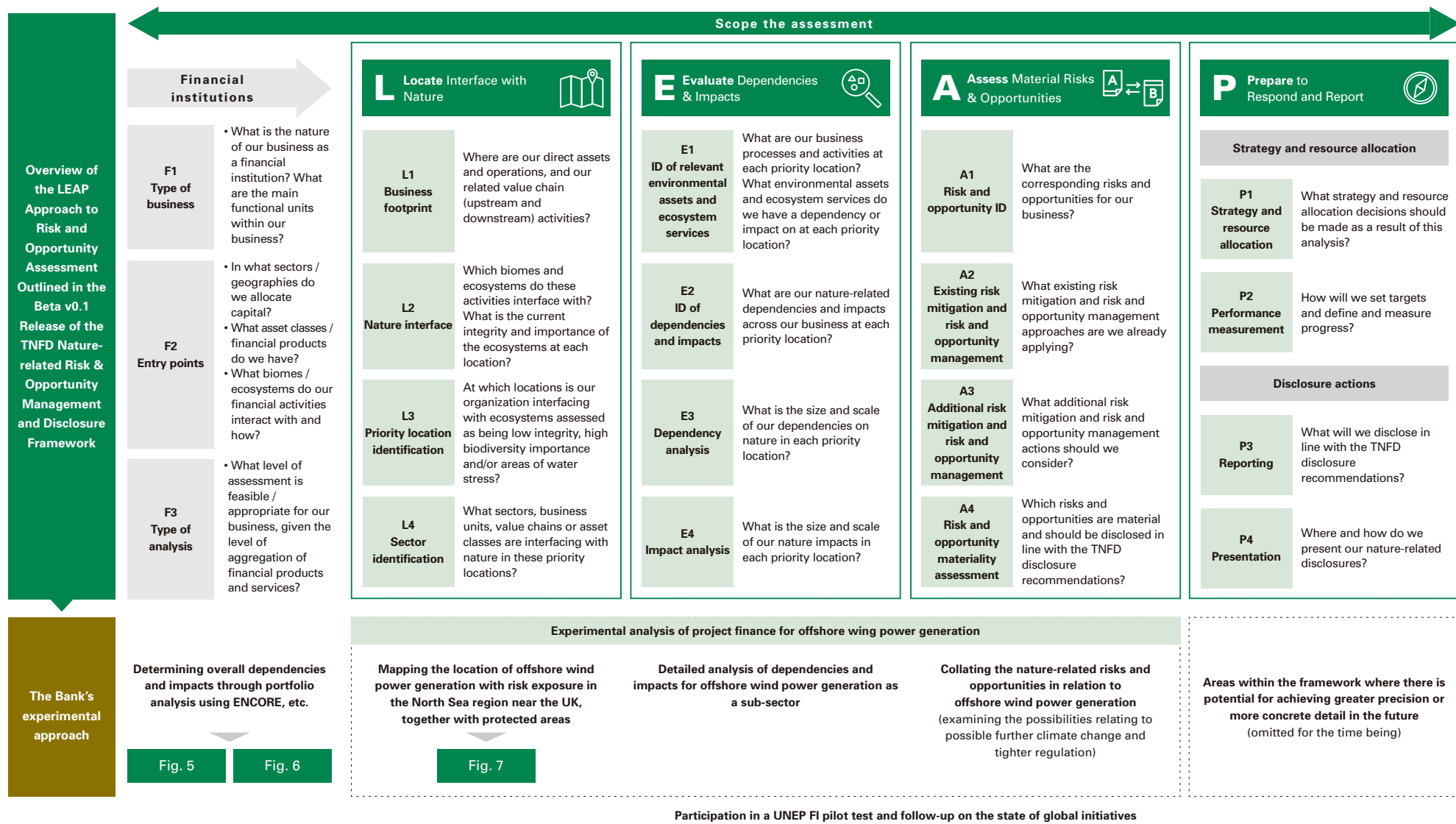
Taking location data constraints into account, the Bank has focused on water resources, which are a form of natural capital for which the Bank's portfolio has particularly high dependencies, and on the electric power, gas and water supply sector, where there has significant impacts, and has undertaken experimental analysis, using the LEAP approach, of project finance for offshore wind power generation.

<sup>\*4</sup> IPBES: Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services



# Initiatives Aimed at Safeguarding Natural Capital and Biodiversity (Part 3 of 5)

Fig. 4 Overview of the LEAP Approach to Risk and Opportunity Assessment Outlined in the Beta v0.1 release of the TNFD Nature-related Risk & Opportunity Management and Disclosure Framework, and The Norinchukin Bank's Experimental Approach



Source: Compiled by the Bank with reference to P.12-13 of the Japanese-language translation of the TNFD Nature-related Risk & Opportunity Management and Disclosure Framework: Beta v0.3 Release Executive Summary.

# Initiatives Aimed at Safeguarding Natural Capital and Biodiversity (Part 4 of 5)

Fig. 5 Natural Capital and Ecosystem Services of the Bank's Portfolio (conceptual image)

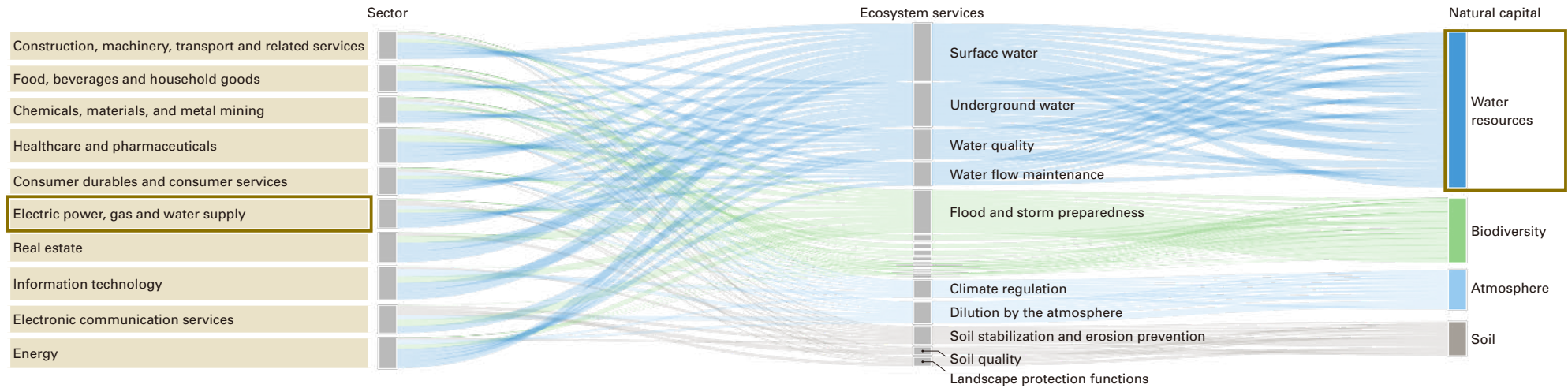
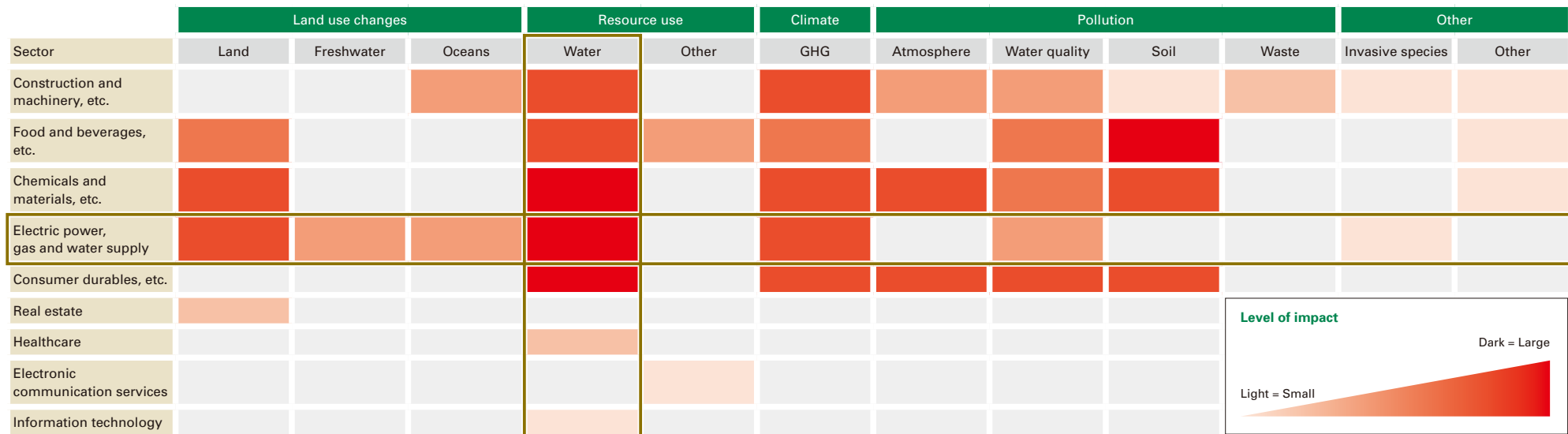


Fig. 6 Impacts on Natural Capital of the Bank's Portfolio (conceptual image)



Source and notes: Compiled by the Bank using ENCORE, etc. Scope covers loans, equities, corporate bonds, etc.; sovereign debt and investments in or loans to government agencies, etc., are excluded. The reference date is March 31, 2021. Weighting was assigned according to the degree of exposure for each sector in the portfolio as at the reference date.

# Initiatives Aimed at Safeguarding Natural Capital and Biodiversity (Part 5 of 5)

## 4 Experimental Utilization of the LEAP Approach. Taking Offshore Wind Power Generation as an Example

F

Based on the analysis of dependencies and impacts undertaken for portfolio analysis, the scope was set as offshore wind power generation projects, which belong to a high-priority sector, and for which locational data can be obtained.

L

### Locate – Location identification

The interface between the investees and borrowers and nature was confirmed by mapping location data for offshore wind power projects for which there is actual exposure against the location of nature conservation zones in the North Sea region (Fig. 7).

E

### Evaluate – Identification of dependencies and impacts

The special characteristics of this sub-sector were identified. For example, offshore wind power generation is affected by wind conditions, and is thus dependent on the atmosphere and on climate. In addition, because the foundations for offshore wind power facilities rest on the seabed, and because the power is generated by the turning of turbine blades on the sea, offshore wind power generation may have an impact on marine ecosystems.

A

### Assess – Identification of risks and opportunities

Based on the identification of dependencies and impacts, the risks were reexamined with a focus on exposure to projects located in conservation zones. The Bank's assessment was that its investment was undertaken in line with the Bank's own Investment and Lending Policy and with the Equator Principles, in projects for which environmental assessments had been properly performed, and that both physical risks and reputational risks had been properly controlled. Having made concrete assumptions regarding possible future changes in wind conditions and possible future tightening of regulations on marine life protection, the Bank implemented preliminary examination of future risks and opportunities.

P

### Prepare – Strategies and Disclosure

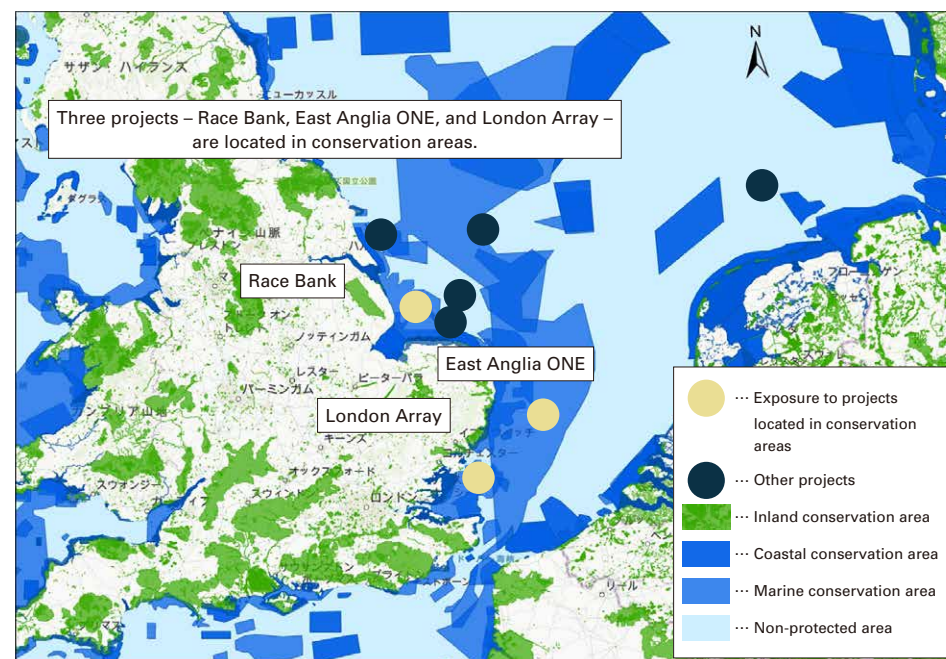
It is anticipated that this will be addressed through future initiatives

## 5 The Bank's Strategic Direction for Future Initiatives

In November 2022, Hiroataka Hideshima, an Executive Advisor to the Bank, was appointed as a TNFD Taskforce Member\*<sup>5</sup>, in which he is contributing to the development of a global disclosure framework. In addition, the Bank is a co-convenor of the TNFD Consultation Group of Japan, and is engaged in efforts to disseminate and promote understanding of the TNFD Nature-related Risk & Opportunity Management and Disclosure Framework: Beta v0.3 Release within Japan.

With the aim of promoting and supporting, in its role as a financial institution, a transition to a nature positive approach in the business activities of its investees and borrowers, in February 2023 The Norinchukin Bank launched the Finance Alliance for Nature Positive Solutions (FANPS) together with

Fig. 7 Mapping of Exposure to Offshore Wind Power Generation in the North Sea Against Conservation Areas



Source: Compiled by the Bank, with reference to ArcGIS, UNEP WCMC (<https://resources.unepwcmc.org/search?theme=nature-conserved>)

Sumitomo Mitsui Financial Group, MS&AD Insurance Group Holdings, Inc., and Development Bank of Japan (DBJ).

Going forward, besides expanding these initiatives, the Bank will also be implementing measures aimed at realizing a nature positive approach and fulfilling the Bank's purpose by following the development of the TNFD disclosure framework and monitoring trends in public sector and private sector discussion of natural capital and biodiversity, and by further strengthening its identification and analysis of risks and opportunities.

\*5 A total of 40 TNFD Taskforce Members have been chosen from various countries and regions to discuss the TNFD framework.

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

(The Policy will be applicable on April 1, 2023)

- The following have been newly established as “Sector-specific items” in “Transactions for which the Bank restricts financing and investment”
  - Items relating to the large-scale agriculture sector
  - Items relating to the large-scale hydropower generation sector
  - Requests for our clients to announce their respect for FPIC (Free, Prior and Informed Consent) and commitment to NDPE (No Deforestation, No Peat, and No Exploitation), in the items relating to the palm oil and forestry sectors

The Norinchukin Bank (hereinafter referred to as “the Bank”) will make efforts to realize a sustainable economy and society in light of world’s growing awareness of environmental and social issues and broader expectations of society for financial institutions.

### **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 consideration for and response to 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 in land 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 new construction of coal-fired power plants or the expansion of existing facilities 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). Furthermore, we will request clients in this sector to announce their respect of Free, Prior and Informed Consent (FPIC) to indigenous people and their commitments to No Deforestation, No Peat and No Exploitation (NDPE). If the client has yet to be eligible for RSPO certification or has yet to announce its respect for FPIC or commitment to NDPE, we will examine its action plans to do so and achieve 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). Furthermore, we will request clients in this sector to announce their respect of Free, Prior and Informed Consent (FPIC) to indigenous people and their commitments to No Deforestation, No Peat and No Exploitation (NDPE). If the client has yet to be eligible for FSC or PEFC certification or has yet to announce its respect for FPIC or commitment to NDPE, we will examine its action plans to do so and achieve 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 and gas

Oil and gas drilling and pipeline installation could pose the risk of adversely impacting the environment and society, through the pollution of the seas and rivers as a result of oil and gas spill accidents as well as the infringement of the rights of the 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, during the development and production of oil sands, there is a risk of water pollution and the use of large amounts 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 the 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.

#### (G) Large-scale agriculture

We recognized that the development and the operation of large-scale agriculture projects<sup>1</sup> may cause various environmental issues such as deforestation and damage to biodiversity due to cutting down and the controlled burnout of natural forests; and human rights issues such as the infringement of the rights of indigenous people and child labor. Based on such recognition, when considering whether to provide financing or investment to plantation 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. Furthermore, we will request clients in this sector to announce their respect of Free, Prior and Informed Consent (FPIC) to indigenous people and their commitments to No Deforestation, No Peat and No Exploitation (NDPE). If they have yet to announce their respect for FPIC and their commitment to NDPE, we will examine their action plans to do so.

#### (H) Large-scale hydropower generation

Large dams<sup>2</sup> contribute to the social infrastructure by strengthening resilience (flood control) toward natural disasters caused by climate change and through food production based on the use of agricultural water (water utilization), as well as supplying clean energy as sustainable energy. On the other hand, we recognize that dam construction may entail risks including adverse impact on biodiversity along the river basin and infringements of the rights of indigenous peoples and communities, due to making the people relocate.

Based on such recognition, when considering whether to provide financing or investment to large-scale hydropower generation 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. Furthermore, we will recommend our clients undergo environmental and social assessments based on the Hydropower Sustainability Assessment Protocol.

## 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

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<sup>1</sup> Agricultural projects covering 10,000 hectares or larger for raising grains such as soybeans or fruit such as cacao and coffee, as well as using the land as grazing land.

<sup>2</sup> The construction of new hydropower generation dams with dam walls of over 15 meters tall and output of 30MW or greater.



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.
- Based on these continuous dialogues with stakeholders, we will promote the Policy on Environment and Social Considerations in Financing and Investment Activities and make efforts to provide and support solutions to address the issues that our clients face.