

# JBA SDGs REPORT 2019-2020



## Contents

Introduction	3
The JBA's SDGs Promotion Framework and Key Initiatives	5
Status of Activities of the JBA in FY 2019	9
1 Assessing Progress of Initiatives Implemented by Member Banks; Providing Support Measures for Investment and Lending Policies	9
2 Promoting and Expanding Financial Literacy Education	13
3 Improving Customer Convenience and Security Through Advanced Payment Systems and Fintech, etc.	18
4 Researching on and Responding to the TCFD Recommendations and Other Issues towards Realization of a De-carbon Society	22
5 Implementing Measures to Prevent Financial Crime and Money Laundering, and Actions to Meet FATF Recommendations	27
6 Promoting Human Rights Including Gender Equality	29
7 Implementing Activities for Regional Economic Revitalization and Local Invigoration	33
8 Promoting Wider Access to Finance and Financial Services for the Elderly and Other Users	34
Efforts of Member Banks	36
1 Financial and Economic Education Initiatives	37
2 Environmental Initiatives	38
3 Diversity Promotion Initiatives	41
4 Initiatives Regarding People with Disabilities	42
5 Senior Citizens Support Initiatives	44
6 Initiatives to Reduce Poverty	46
7 Regional Structural Initiatives	49
8 Initiatives for the Internal Diffusion of SDGs	51
Expert Column	52



# I n t r o d u c t i o n

Today, with Japan and the world in the grip of the new coronavirus pandemic, the banking community is facing imminent challenges with a duty to continue providing its steadfast support to customers and society through its core business, that is, financial services.

While overcoming the threat posed by the new coronavirus is a top priority, today we are also facing various global environmental and social issues, such as climate change, economic disparities, and human rights violations. In addition, attended by an uncertain outlook for the global economy, the progressing digitization, declining birthrate, and advancing demographic aging in Japan are causing paradigm shifts in various industries. Also, in the banking industry we are facing a major turning point in industry structures, exemplified by the globalization of financial services and the expansion of the financial frontiers associated with financial unbundling.

In September 2015, the “United Nations Sustainable Development Summit” adopted 17 Sustainable Development Goals (“SDGs”) for realizing a sustainable society, to be achieved by 2030. Governments and private companies around the world have since been making efforts to achieve these goals.

However, at the SDG Summit held at the United Nations in September 2019, it was pointed out that for many of the goals the progress toward achievement was lagging, resulting in the adoption of a political declaration for “Gearing up for a decade of action and delivery for sustainable development” (a strengthened approach with 10 years of action and effort for achieving sustainable development), calling on all stakeholders to accelerate the pace of activity.

With mounting expectations for vigorous action being leveled at all stakeholders, we in the banking community too must step up our efforts at problem resolution toward the sustainable development of society.

In March 2018 the Japanese Bankers Association (JBA) revised its Code of Conduct, clarified the roles expected of banks’ employees and corporate officers in realizing a sustainable society and solving social issues. At the same time, to further strengthen the banking community’s efforts over the medium and long terms, the JBA established a framework for the promotion of SDGs and key initiatives for SDGs, and has been engaging in specific action.

With the beginning of Japan’s new Reiwa era, the JBA has designated FY2019 as “a year of contributing to the solution of economic and social issues in a new epoch.” To this end, based on the changes in the environment of the banking community, the JBA has reviewed its SDGs key initiatives, and continues to pursue and intensify its activities. These activities and results, etc., have been compiled as the “JBA SDGs Report 2019-2020.”

The economic and social issues facing us are broad and varied, which no one can ignore or avoid their consequences. Many of these issues are in complex ways intertwined across national and industry borders. Hence, the role expected of the banking industry is gaining in importance as its financial intermediary function in contact with numerous industries. If the advancement of a sustainable society and the enhancement of enterprise value are to be reconciled, the banking community must not allow itself to be held back by the conventional, but must push forward with eyes set on the vanguard of this time and age.

The JBA intends to continue to do its utmost to support the efforts of its member banks. This report has been published in hopes that it will spur motivation and appreciation, etc., for the SDGs initiatives of the banking community.

June 2020

**Japanese Bankers Association**

## SUSTAINABLE DEVELOPMENT GOALS



# The JBA's SDGs Promotion Framework and Key Initiatives

## 1 Background

The SDGs were adopted in September 2015 at the United Nations Sustainable Development Summit, together with a declaration for all United Nations member states to act towards achieving in the interim from 2016 to 2030 their goals for sustainable development. The Japanese government followed suit with measures that included in May 2016 the establishment of the "SDGs Promotion Headquarters" headed by the Prime Minister, followed in June 2019 by the decision to adopt the "Expanded SDGs Action Plan 2019," among other initiatives.

The financial industry has been seeing a widening discussion surrounding ESG (short for Environment, Social, and Governance) finance, i.e., finance with consideration of ESG, and information disclosure based on the TCFD recommendations, etc.

Japan's banking industry as a provider of customer services and as a cornerstone of social infrastructure has traditionally been engaged in various kinds of efforts including the development of financial infrastructure and social contribution activities. Additionally, in order to strengthen medium- and long-term efforts surrounding the issues set out in the SDGs, in March 2018 the JBA decided to establish an SDGs promotion framework and determine key initiatives related to the 17 SDGs, and has been promoting specific measures attended by reviews as the need arises.

## 2 The SDGs Promotion Framework

The challenges posed by the SDGs are very diverse and need to be addressed over the medium and long terms. In order for all working committees of the JBA to laterally participate and to enable a well-grounded approach, the JBA set up the "Working Committee on SDGs/ESG" in 2018 under the auspices of its Planning Committee and established a framework for comprehensive measures regarding SDGs in ongoing coordination with relevant individual working committees. In light of the continuously shifting parameters in society and in the environment of the banking community, the JBA determined that SDGs are to be addressed over the medium- and long-term. Specifically, with reference to the PDCA cycle application, centered on the Working Committee on the SDGs/ESG, the framework provides for the drafting (P) of measures, the handling of general matters while enabling the delegation (D) of tasks to the project-relevant working committees, with periodic progress checks and necessary revisions (C / A).

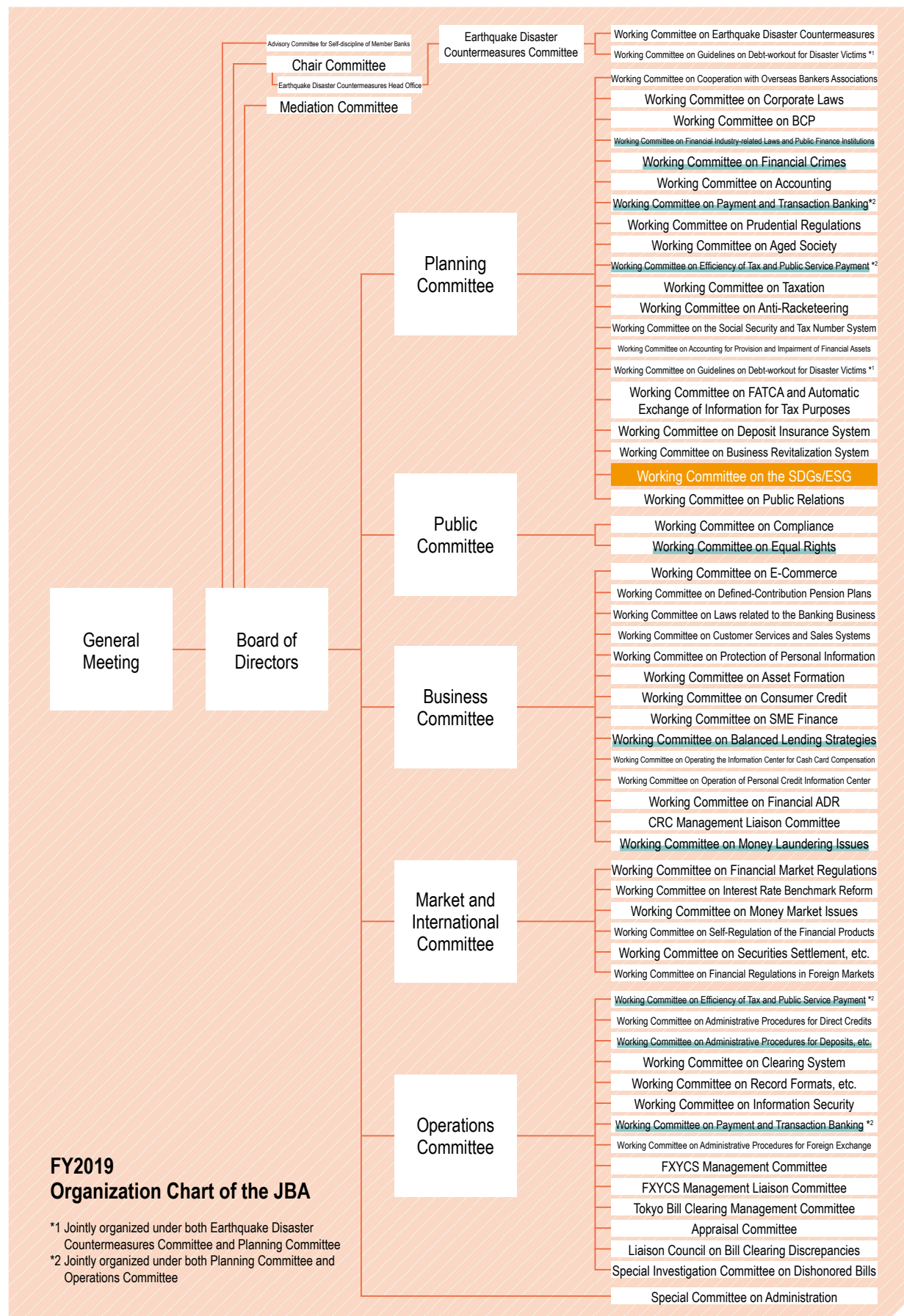
The FY2019 promotion framework is shown on page 6.

## 3 Key initiatives of the JBA






The JBA decided on key initiatives at its Board of Directors meeting in March 2018 and carried out specific efforts attended by reviews as necessary. The key initiatives for FY2019 are shown on pages 7 and 8.






## The JBA's FY 2019 SDGs Promotion Framework

\* Underlining indicates the relevant working committees



## Key Initiatives for FY2019

Issues (main items)	Issues (sub-items)	Specific initiatives in FY2019
<b>1. Assessing the progress of initiatives implemented by member banks and providing various types of support measures for devising investment and lending policies (Common to all Goals)</b> Responsible body: Working Committee on SDGs/ESG	(1) Ascertain and assess JBA's initiatives (e.g., Surveys on SDGs/ESG)  (2) Reviews and research on investment and lending policy formulation	<ul style="list-style-type: none"> <li>Assess the progress of member banks' initiatives by conducting surveys on SDGs/ESG considerations.</li> <li>Prepare and publish a JBA SDGs Report 2019-2020.</li> <li>Conduct research and surveys of domestic and overseas examples of investment and lending policy formulation relating to the environment and human rights, etc.</li> </ul>
 <b>2. Promoting and expanding financial literacy education (Goal 4)</b> Responsible body: Working Committee on SDGs/ESG	Promote and expand financial literacy education	<ul style="list-style-type: none"> <li>Ascertain and publicize updates on the progress of member banks' initiatives by conducting surveys on financial literacy education.</li> <li>Strengthen activities geared at young people by using mobile apps and websites (conduct mass advertisement).</li> <li>Continue with the implementation of lecturer dispatch on a nationwide basis.</li> <li>Share current practices of member banks that may contribute to solving children's poverty problems, consider model practices of financial literacy education, and hold a study session.</li> </ul>
 <b>3. Improving customer convenience and security through advanced payment systems and Fintech, etc. (Goal 9)</b> Responsible body: Working Committee on Payment and Transaction Banking, Working Committee on Efficiency of Tax and Public Service Payment	(1) Transition to XML message format  (2) 24/365 Operation of the Zengin System  (3) Open APIs Promotion  (4) Promotion of the Digitization of Bills and Checks Functions  (5) Deliberation on efficiency improvements in the collection and payment of taxes and public dues	<ul style="list-style-type: none"> <li>Implement activities to increase the awareness of the Zengin EDI System, and to promote the use of financial EDI.</li> <li>Implement an activity to promote the use of "Moretime System."</li> <li>Consider updating the outcome of the "Study Group for the promotion of Open APIs."</li> <li>Ascertain the actual initiatives for implementing Open APIs at financial institutions and provide information to member banks.</li> <li>Implement monitoring activities of the progress of digitization of bills and checks.</li> <li>Conduct dissemination and public relations activities related to the digitization of bills and checks.</li> <li>Conduct dissemination and public relations activities for improving the efficiency of collection and payment of taxes and public dues.</li> </ul>
   <b>4. Researching on and responding to the TCFD (Task Force on Climate-related Financial Disclosures) Recommendations and other environmental issues towards realization of a de-carbon society (Goals 12, 13 and 14)</b> Responsible body: Working Committee on SDGs/ESG	(1) Conduct a research on efforts relating to TCFD recommendations, etc.  (2) Implement efforts related to environmental issues such as climate changes	<ul style="list-style-type: none"> <li>Provide information to member banks in light of developments related to TCFD recommendations, etc. undertaken by the Japanese and overseas banking sectors.</li> <li>Continue to conduct follow-up surveys on the "Commitment to a Low Carbon Society" and the "Voluntary Action Plan for Establishing a Sound Material-Cycle Society" (electricity consumption units, recycled paper and eco-friendly paper purchase rate, and paper recycling rate).</li> <li>Ascertain the progress of member banks' initiatives related to long-term global warming countermeasures and support their initiatives.</li> <li>Ascertain the progress of member banks' initiatives related to the goal for plastic waste.</li> <li>Continue holding contests on eco-wall newspapers.</li> </ul>

Issues (main items)	Issues (sub-items)	Specific initiatives in FY2019
 <b>5. Implementing measures to prevent financial crimes and money laundering, and actions to meet FATF recommendations (Goal 16)</b> Responsible body: Working Committee on Financial Crimes, Working Committee on Money Laundering Issues	(1) Efforts to prevent financial crimes  (2) Measures to accommodate the FATF 4th round of mutual evaluations	<ul style="list-style-type: none"> <li>Continue to conduct "Surveys on Internet Banking Security Measures."</li> <li>Continue educational activities for the eradication of bank transfer scams.</li> <li>Actions to respond to the FATF 4th round mutual evaluations.</li> <li>Support member banks to establish a framework through the AML/CFT Measure Support Division.</li> <li>Enhance public and private sector collaboration through the "Public and Private Sectors Liaison Meeting on Advanced Measures against Money Laundering."</li> <li>Implement public relations activities for customers on starting new customer due diligence measures.</li> </ul>
  <b>6. Promoting human rights including gender equality (Goals 5 and 10)</b> Responsible body: Working Committee on Equal Rights and Working Committee on SDGs/ESG	Human rights measures including the promotion of gender equality	<ul style="list-style-type: none"> <li>Hold lectures on human rights, contests and awards of human rights maxims.</li> <li>Prepare training materials related to human rights, and disseminate information related to human rights to member banks.</li> <li>Continue to conduct surveys on member banks' initiatives for promoting the workforce participation of persons with disabilities and publish the results of these surveys.</li> <li>Share information on best practices and efforts undertaken by individual member banks.</li> </ul>
 <b>7. Implementing activities for regional economic revitalization and local invigoration (Goal 8)</b> Responsible body: Working Committee on Balanced Lending Strategies	Promotion of efforts at local invigoration	<ul style="list-style-type: none"> <li>Conduct surveys on best practices and efforts undertaken by individual member banks and release related information.</li> <li>Collect information and provide necessary information to member banks through the public and private collaboration platform on the local community revitalization SDGs.</li> </ul>
 <b>8. Promoting wider access to finance and financial services for the elderly and other users (Goal 8)</b> Responsible body: Working Committee on SDGs/ESG, Working Committee on Financial Industry-related Laws and Public Finance Institutions, Working Committee on Equal Rights and Working Committee on Administrative Procedures for Deposits, etc.	Promotion of efforts for wider access to finance and financial access services for the elderly and other users	<ul style="list-style-type: none"> <li>Implement dementia supporter training courses.</li> <li>Hold lectures on related themes, etc.</li> <li>Prepare financial literacy educational materials for the elderly related to the extension of asset life expectancy and the adult guardianship system, etc., and implement dissemination activities.</li> <li>Communicate opinions from banking industry on the future of financial services in the aging society made by relevant ministries and agencies such as the Financial System Council (Working Group on Financial Markets) and provide information to member banks.</li> <li>Add new versions of different languages of the communication board.</li> </ul>



# Status of Activities of the JBA in FY 2019

In FY2019, the JBA promoted efforts based on eight key initiatives relevant to the 17 SDGs. This report summarizes individual efforts and presents the results achieved in FY2019.

1

## Assessing Progress of Initiatives Implemented by Member Banks; Providing Support Measures for Investment and Lending Policies



As a common approach of the banking community in order to achieve the 17 SDGs and aiming to promote awareness and appreciation on the part of member banks, the JBA monitors the status of member banks' efforts, conducts various surveys on SDGs, sponsors lectures, and introduces case examples of member banks' endeavors.

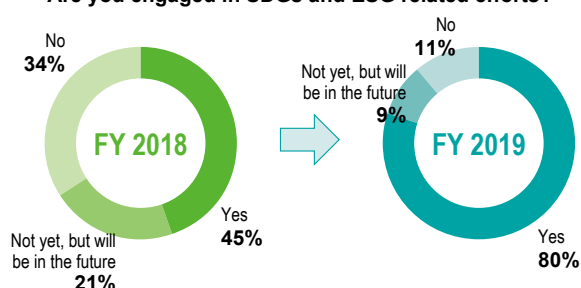
### 1 Surveys on SDGs and ESG

In order to understand the status of member banks' efforts and aiming to further promote their efforts, among its member banks the JBA conducts surveys of individual banks' efforts regarding SDGs and ESG and feedbacks the aggregated results. The FY2019 survey drew responses from 118 banks. The ratio of member banks engaged in efforts relating to SDGs and ESG increased significantly to 80% (from 45% in FY2018). The JBA will continue to conduct questionnaire surveys to further support the efforts of member banks.

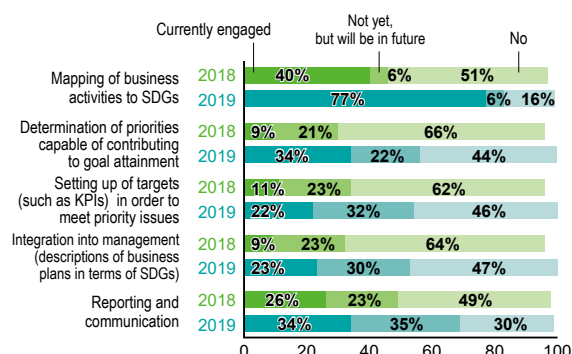
#### FY2019 Questionnaire Survey Results (Summary)

- Out of the 118 banks that responded, 94 (80%) were engaged in SDGs and ESG related efforts, and 11 (9%) said they had plans to do so.

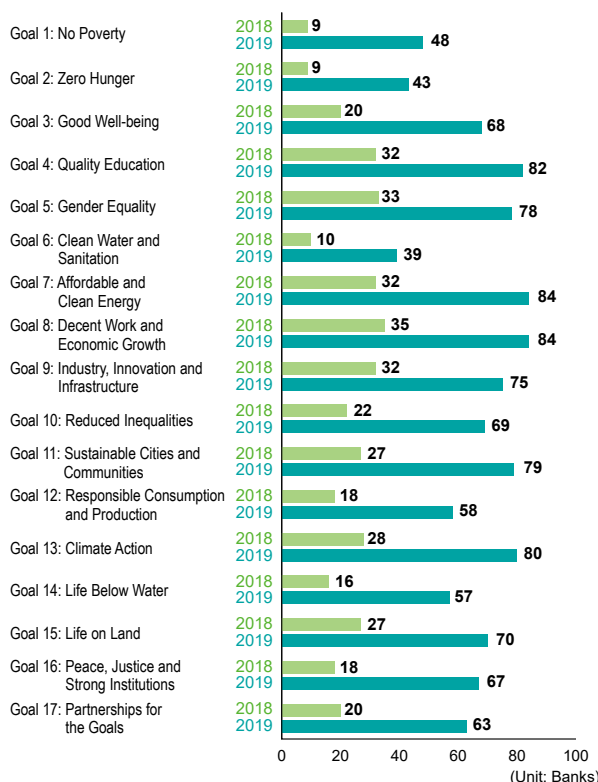
#### Are you engaged in SDGs and ESG related efforts?



- Status of member banks' SDGs and ESG related efforts



- Goals that member banks are working on among the 17 SDGs (Multiple responses)



## ② Issuance of the JBA SDGs Report

The “JBA SDGs Report” has been published since FY2018 in order to strengthen the external presentation of the banking community's efforts surrounding SDGs/ESG, enhance member banks' understanding of issues from the perspective of SDGs/ESG, and further support member banks' voluntary efforts. Moreover, in order to widely publicize the efforts of the Japanese banking community among global audiences, the JBA prepares and publishes an English version of the “JBA SDGs Report.”

In this report, in addition to the status of the main activities of the JBA in FY2019, included are the examples of member banks' activities related to SDGs and commentary from experts on SDGs.

## ③ Review and Research on the Formulation of Investing and Lending Policies

Expectations from the society has been steadily rising toward the roles and responsibilities of the banking community to help solve social issues, which has prompted a widening movement to formulate and implement policies for responsible investment and financing to specific industries and sectors. In this regard, in FY2018, the JBA surveyed and compiled a report on domestic and overseas case examples of banks' policies for investment and loans.

In FY2019, the JBA followed up on the progress made by financial institutions in Japan and overseas as a reference for member banks in formulating their policies for responsible investment and financing, and compiled a “Survey on Efforts and Lending and Investment Policy Formulation in Response to the TCFD recommendation.”

### Case Examples of Investing and Lending Policies at Domestic Financial Institutions (From the Websites, etc., of the Individual Banks)

#### (1) Mizuho Financial Group, Inc.

Target sectors	Contents
Primary examples of prohibited transactions	
	<ul style="list-style-type: none"> <li>Providing investment, financing, or other such services to organizations, individuals, or other entities related to or affiliated with organized crime groups, or engaging in business deals benefiting or in any way involving organized crime</li> <li>Extending credit to organizations, individuals, or other entities whose business operations violate laws or regulations, or who engage in illegal activity or activity which seeks to circumvent the law</li> <li>Extending credit to organizations, individuals, or other entities whose business operations defy public morals, are ethically problematic, or otherwise contravene social norms, or who have high potential to be the subject of public criticism due to the nature of their business operations</li> <li>Providing investment, financing, or other such services to manufacturers of cluster munitions</li> </ul>
Primary examples of transactions which require additional due diligence	
Weapons	<ul style="list-style-type: none"> <li>We avoid providing investment, financing, or other such services which will be used for the manufacture of weapons designed to kill or inflict structural damage during wars or armed conflicts.</li> </ul>
Coal-fired power generation	<ul style="list-style-type: none"> <li>Climate change is closely tied to various economic and social issues, and we recognize that addressing climate change is an important issue in the medium to long term. As a financial services group, we are dedicated to holding dialogue with customers and other stakeholders and fulfilling our consulting role, and will proactively address climate change and support the shift to a low-carbon society. These initiatives will also be promoted for the purpose of securing stable energy supplies in countries around the world.</li> <li>Also, compared to other forms of power generation, coal-fired power generation produces more greenhouse gases, in addition to producing harmful substances such as sulfur oxide and nitrogen oxide. Therefore, it presents a higher risk of contributing to climate change, air pollution, and other environmental impacts.</li> <li>With these points in mind, we will only provide financing or investment that will be used for the construction of new coal-fired power generation facilities in the case that the project meets international guidelines (e.g. OECD officially supported export credits guidelines), the energy policy and climate change measures of the target country, as well as the energy policy, laws, and regulations of Japan. Even if such conditions are met, financing/investment is in principle limited to technology that is at least as high-efficiency as state-of-the-art ultra-supercritical generators. (However, this excludes business to which Mizuho is already committed as of the start of this policy.)</li> </ul>
Palm oil and lumber	<ul style="list-style-type: none"> <li>While we recognize that palm oil, wood, and other forest products are essential commodities for maintaining our lifestyles and infrastructure, we are also aware of the potential human rights abuses within the production process such as the violation of indigenous people's rights or the use of child labor, in addition to environmental issues such as deforestation (including forest burning) and damage to biodiversity. In order to avoid becoming involved in such projects which may inflict human rights abuses or environmental destruction, our business decisions involve a thorough examination of whether there are any potential conflicts involving indigenous people or local communities and we take into consideration whether the client/project has received certification for the production of sustainable palm oil or whether they have been certified for responsible forest management.</li> </ul>

Mizuho FG Responsible Investment and Financing <https://www.mizuho-fg.com/csr/business/investment/index.html>

#### (2) Mitsubishi UFJ Financial Group, Inc.

Target sectors	Contents
Prohibited transactions	
	<ul style="list-style-type: none"> <li>Illegal transactions and transactions for illegal purposes</li> <li>Transactions which violate public order and good morals</li> <li>Transactions that negatively impact wetlands designated under the Ramsar Convention</li> <li>Transactions that negatively impact UNESCO designated World Heritage Sites</li> <li>Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)</li> <li>Transactions involving the use of child labor or forced labor</li> </ul>
Restricted transactions	
Cross-sectoral items	<ul style="list-style-type: none"> <li>Impact on Indigenous Peoples Communities</li> <li>Land expropriation leading to involuntary resettlement</li> <li>Impact on High Conservation Value areas</li> </ul>
Coal fired power generation sector	<ul style="list-style-type: none"> <li>Protection of the environment, in particular actions which contribute towards combatting climate change and supporting development of more sustainable sources of power, is one of the most important issues for MUFG in fulfilling its social mission.</li> <li>We support international initiatives that are aiming to reach the objectives set by the Paris Agreement and actively provide financing to renewable energy businesses, such as solar and wind power generation, to promote sustainable growth and support the transition to a low-carbon future through our business activities.</li> <li>MUFG will not provide financing to new coal fired power generation projects.</li> <li>Exceptions may be considered where we will take into consideration the energy policies and circumstances of the host countries, international standards such as the OECD Arrangement on Officially Supported Export Credits, and the use of other available technologies when deciding whether to provide financing.</li> <li>We also support the adoption of advanced technologies for high efficiency power generation and Carbon Dioxide Capture and Storage (CCS) technologies which contribute to a reduction in the emission of greenhouse gases.</li> </ul>
Cluster munitions manufacturing sector	<ul style="list-style-type: none"> <li>Civilian populations have been greatly affected by cluster munitions as they release many bomblets over a wide area and because of their indiscriminate effect. As a result, their use has generated significant humanitarian concerns internationally.</li> <li>In light of the inhumane nature of cluster munitions, Core Subsidiaries (MUFG Bank, Mitsubishi UFJ Trust and Banking, and Mitsubishi UFJ Securities Holdings) prohibit the provision of financing to any company that manufactures cluster munitions.</li> </ul>

Forestry sector	<ul style="list-style-type: none"> <li>Forests provide habitats for various wildlife species. Therefore, they have significant value for biodiversity conservation and protection, as well as serving as important sources of timber for paper, pulp, and other products that support regional economies. Forests additionally play a significant role in mitigating climate change by absorbing and storing carbon dioxide. MUFG recognizes that uncontrolled, large-scale deforestation has severe and negative impacts on the global environment.</li> <li>When we consider implementing financing for logging businesses, including the development and management of forest plantations, we assess the status of such client's consideration for environmental and social impacts.</li> <li>We request our clients to certify the relevant operations according to internationally recognized certification organizations such as Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification Schemes ("PEFC"), when providing finance to the subject business activities mentioned above, in countries other than High Income OECD countries. We will request our clients to submit action plans to achieve certification when relevant operations are not certified.</li> </ul>
Palm oil sector	<ul style="list-style-type: none"> <li>Palm oil is used to make products which are essential for everyday life, such as cooking oils, detergents, paints, etc. Increases in palm oil consumption have facilitated economic growth in many countries. On the other hand, development of palm oil plantations may entail deforestation of natural forests and slash-and-burn agriculture, which could lead to habitat degradation and conflicts with local communities.</li> <li>As a result, MUFG recognizes that the palm oil plantation business can have severe and negative impacts on the global environment if not managed responsibly.</li> <li>When considering transactions which fund business activities developing and managing palm oil plantations, we assess the status of such client's consideration for environmental and social impacts.</li> <li>We encourage clients to become members of the Roundtable on Sustainable Palm Oil ("RSPO"), and request them to certify relevant operations according to recognized certification organizations such as RSPO, when providing finance to the subject business activities mentioned above. We will request clients to submit action plans to achieve certification when relevant operations are not certified.</li> </ul>
Mining sector (coal)	<ul style="list-style-type: none"> <li>MUFG recognizes that coal mining operations, if not managed responsibly, can have negative social and environmental impacts, including death and injuries from mine collapse, human rights abuse, and impacts on local biodiversity from toxic mine waste. Moreover, coal burning in power generation emits relatively large amounts of greenhouse gases compared to other energy sources. We recognize that the development of new coal mines to supply thermal coal for power generation projects could result in an increase in greenhouse gas emissions in the future.</li> <li>When considering whether to provide finance to the development of new coal mines, we assess the status of such client's consideration for environmental and social impacts. The assessment includes how the client addresses the impacts of the development on local ecosystems, relationships with local residents, and occupational safety and health issues.</li> <li>We will not provide any financing to coal mining projects using the mountaintop removal (MTR) method which has severe and negative impacts on the natural environment.</li> </ul>

MUFG Policies and Guidelines <https://www.mufig.jp/english/csr/policy/index.html>

### (3) Sumitomo Mitsui Financial Group, Inc.

Target sectors	Contents
Defense manufacturing, cluster munitions, and other armament	<ul style="list-style-type: none"> <li>In light of the massive loss of life caused by cluster bombs, we prohibit financial support for manufacturers of cluster munitions. For other slaughter weapons, we confirm that the respective loans are not being utilized for the purpose of those manufacturing.</li> </ul>
Palm oil plantation developments	<ul style="list-style-type: none"> <li>As part of our efforts towards conservation of forest resources and biodiversity as well as prevention of human rights violations, we will not provide financial support to palm oil plantation companies that are involved in illegal logging and/or human rights violations such as child labor. We will check that internationally accepted external certifications such as RSPO, or other equivalent standards are obtained or expected to be obtained to support sustainable palm oil development. For clients who are not certified yet, we will recommend and support their effort in obtaining such certification.</li> </ul>
Deforestation	<ul style="list-style-type: none"> <li>We will not provide financial support to projects which are involved in illegal logging and/or land clearing activities that do not safeguard environmental protection or which are against local laws and regulations. For large-scale development projects, we will continue to review and evaluate the environmental risks, including if they entail clearing of primary forests and/or the destruction of local ecosystems in accordance with the Equator Principles.</li> </ul>
Coal-fired power plants	<ul style="list-style-type: none"> <li>As part of our efforts to combat climate change, we have established a policy for financing coal-fired power plant projects. According to IEA's report, in some Asian countries, new constructions of coal-fired power plants are still recognized, since in such regions, coal is still positioned as an important energy source to their economy for reliable electricity access. However, in advanced countries, the transition to no carbon society is progressing and the Japanese government has announced the 80% reduction of greenhouse gas (GHG) emission target by 2050.</li> <li>To ensure a smooth transition to a low carbon society, our policy for new financing will be limiting financial support to only coal-fired power plants that use USC* or more advanced technologies which are considered highly efficient.</li> <li>For projects which we have already committed support; from the perspective of energy shortage solution in emerging countries, or when the Japanese government or Multilateral Development Banks support are confirmed will be considered prudently as exceptions.</li> <li>*Ultra-supercritical (i.e., with a steam pressure &gt; 240 bar and ≥ 593°C steam temperature) or Emissions &lt; 750 g CO<sub>2</sub>/kWh</li> <li>Simultaneously, we will continue supporting our client's improvement of existing facilities and introduction of advanced clean technologies such as generation plants equipped with CCS (Carbon Capture and Storage), etc., as part of our efforts toward the reduction of GHG emission. We will continue to pay attention to government policies and efforts toward climate change, and review our policy on a regular basis.</li> </ul>
Soil contamination and asbestos	<ul style="list-style-type: none"> <li>To mitigate the risk of soil contamination at real estate collateral, we require soil contamination risk assessment to be performed on real estate collateral that meets certain conditions. For collateral for which the risk is determined to be high, an amount equivalent to the level of risk is deducted from the valuation. The same approach is used for asbestos risk. For concerns about asbestos risk at collateral properties, an amount equivalent to the risk is deducted from the valuation based on conditions stipulated by SMBC, and we recommend our clients to conduct an investigation. We perform investigations related to asbestos risk for our own branch properties, and once asbestos is found, appropriate removal work is conducted.</li> </ul>

SMBC Management of Environmental Risks <https://www.smfg.co.jp/english/sustainability/materiality/environment/risk/>

### (4) Sumitomo Mitsui Trust Holdings, Inc.

Target sectors	Contents
Coal-fired power generation	<ul style="list-style-type: none"> <li>SuMi TRUST Bank, in principle, does not engage in new projects for the construction of coal-fired power plants. However, in cases where exemptions are considered, lending decisions will be made carefully, with a comprehensive consideration of backgrounds and characteristics undertaken on a case-by-case basis, under strict standards that address the environmental impact, such as the OECD Guidelines and the energy efficiency of the specific projects.</li> </ul>
Weapons manufacturing	<ul style="list-style-type: none"> <li>SuMi TRUST Bank will avoid lending and other activities where funds will be used for manufacturing weapons of mass destruction such as nuclear weapons, chemical weapons, biological weapons, or for manufacturing inhumane weapons such as antipersonnel landmines.</li> </ul>
Forests	<ul style="list-style-type: none"> <li>SuMi TRUST Bank will engage with timber manufacturers and manufacturers using raw materials from these industries only after careful consideration such as checking their international forest certification status** as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.</li> <li>*1 FMC (Forest Management Certification) issued by the FSC (Forest Stewardship Council) for forestry management and forestry business operations; CoC (Chain of Custody Certification) for processing and distribution management of certified forest products, and others.</li> </ul>
Palm oil	<ul style="list-style-type: none"> <li>SuMi TRUST Bank will engage with producers of palm oil and manufacturers using palm oil as a raw material only after careful consideration such as checking their international/local sustainable palm oil certification status** as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.</li> <li>*2 RSPO and others that aim to observe NDPE (No-deforestation, No-peat and No-exploitation) and the preservation of HSC (High Carbon Stock) forests</li> </ul>

SMTH Reviewing of Our Policies and an Outline of Our Views on Environmental/Social Considerations for Loans  
<https://www.smth.jp/en/news/2020/E200330.pdf>

## (5) Resona Holdings, Inc.

	Contents
Basic stance on lending (specific actions)	<ul style="list-style-type: none"> <li>• In our capacity as a financial institution, we will actively support the initiatives of borrowers to resolve social issues.</li> <li>• We will use engagement to lobby customers who have not yet fully committed initiatives for resolving social and environmental issues.</li> <li>• We will not lend to companies recognized as involved directly or indirectly in the particularly serious social issues of "complicity in human rights violations such as human trafficking" and "child or forced labor."</li> <li>• We will not lend to prospective clients involved in the development, manufacture, or possession of weapons of mass destruction, such as nuclear weapons, chemical weapons and biological weapons, and/or inhumane weapons such as landmines and cluster bombs. Furthermore, we will not lend to prospective clients subject to, or likely to become the subject of, regulations or sanctions either domestically or abroad.</li> <li>• We recognize that financial institutions have an important responsibility to actively support customers' environmental conservation activities through the development and provision of products and services that are mindful of the environment. Consequently, through lending we will actively support customers' environmental initiatives, while not lending to development projects that could have serious impacts on the environment.</li> <li>• We will not engage in project finance for new coal-fired thermal power generation projects except where there are compelling reasons, such as to realize restoration following a disaster.</li> </ul>

Resona HD Initiatives for Socially Responsible Investing and Lending

<https://www.resona-gr.co.jp/holdings/english/sustainability/management/sri/>

## (6) Kyushu Financial Group

	Contents
(1) Actively supported businesses	<ul style="list-style-type: none"> <li>• Businesses that contribute to mitigating climate change, such as reducing carbon dioxide emissions with a view to a decarbonized society</li> <li>• Businesses that contribute to conservation of biodiversity, such as protecting water resources, forest resources, and endangered species</li> <li>• Businesses that contribute to promoting regional key industries such as agriculture, forestry and fisheries, and tourism</li> <li>• Businesses that contribute to preserving the World Heritage Sites and other tangible and intangible cultural assets</li> <li>• Businesses that contribute to disaster prevention and mitigation</li> <li>• Other businesses that contribute to the creation of a sustainable society</li> </ul>
(2) Businesses barred from investing and lending	<ul style="list-style-type: none"> <li>• Businesses involved in human rights violations such as human trafficking and forced labor</li> <li>• Businesses involved in the development and manufacture of inhumane weapons such as cluster bombs, and businesses subject to restrictions and sanctions</li> </ul>

Kyushu Financial Group Guideline for Investments and Loans <https://www.kyushu-fg.co.jp/csr/sdgs.html>

## 2

## Promoting and Expanding Financial Literacy Education



The JBA has, from the past, been a proactive proponent of educational activities in the area of personal finance with the objective of promoting financial literacy, such as by furthering the appreciation of the roles and functions of banks and by improving the awareness and knowledge of financial transactions.

The meaning and purpose of the financial literacy education relate to “enable each Japanese national to achieve financial independency and lead a better life; and to contribute to the realization of a fair and sustainable society by encouraging financial institutions to offer good quality financial products, and by the effective use of household financial assets, through the improvement of financial literacy” (Study Group advocated by Financial Services Agency on Financial Education Report, April 2013). Meeting these objectives will help attain Goal No. 4, “Quality Education” of the SDGs, which targets to “ensure that all learners acquire the knowledge and skills needed to promote sustainable development.”

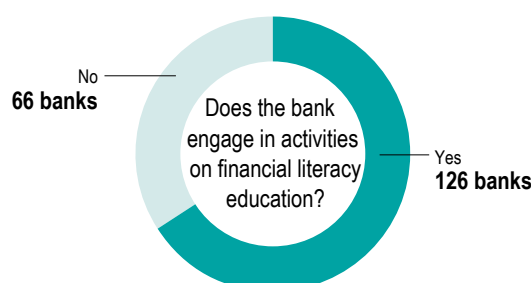
To this end, financial literacy education activities have been included in the list of key initiatives related to SDGs, which will be promoted and widened over the medium- and long-term.

### 1 Member Bank Survey Concerning Financial Literacy Education

The JBA conducted a questionnaire survey directed at all members in order to understand the status of member banks' efforts at financial literacy education activities and to support member banks' efforts by communicating to them the aggregated survey results and case examples from the 192 respondents. The results of the questionnaire survey are shown in the table below.

#### FY2019 Questionnaire Survey Results

- Regarding the implementation status of financial literacy education, out of the 192 respondents 126 (66%) (out of the 118 full members, 112 banks (95%)) said that financial and economic education was being conducted.
- The breakdown of educational activities implemented in FY2018 is shown below (number of implementing banks, total number of sessions, total number of participants), resulting in activities held for around 244 thousand participants.



	Lecturer dispatch	Guided tours of banking premises	Donation-funded lectures	Seminars	Events	Internships	Total
Number of implementing banks	75	99	42	67	73	96	—
Total number of activities	1,364	2,011	175	7,867	595	961	12,973
Total number of participants	48,728	27,084	9,610	91,753	37,772	28,858	243,805

- Responses from member banks included the following examples of financial literacy education activities (excerpts).
  - Lecture and bank facility tours for high school students to explain the mechanism and role of banks and new financial services such as internet banking and smartphone apps.
  - “Mystery solving game” events for consumers (intended as an opportunity for reflecting on money and life plan matters) co-produced with an amusement facility planning company.
  - Plans exist for a lecture on “Financial and Economic Education” for foster parents in collaboration with the child guidance center.
  - Financial classes with hands-on experiences such as account-openings procedures for students in a school for special needs education desiring to live as independent adults. The classes are becoming increasingly well known, reflecting in a growing number of invitations from interested schools and prefectural awards in FY2018.

## ② Activities to Promote Financial Literacy Education

Associated with the growing importance of personal asset management to fund ever-longer life spans in light of Japan's demographic aging to very high age brackets, schemes such as the iDeCo (the individual-type defined contribution pension plan) and asset-formation type NISA (individual savings account) have been established to promote widespread steady asset formation by individual citizens. The JBA has identified efforts to encourage the transition from saving to asset formation as an important issue and has been emphasizing activities themed on the necessity of asset formation.

These activities are specifically targeted at university students and the young working-age population, with PCs, smartphones, and tablets, etc., as the principal points of access. Consequently, a variety of media including websites and smartphones comes into play, along with advertising strategies involving celebrities with broad public appeal.

In FY2019, an advertising campaign advocating the importance of asset formation ran from early December 2019 until early March 2020. The campaign centered on a special website featuring Rena Matsui who is well known among a wide range of age brackets including young people and is popular also on SNS.



The JBA website



## ③ Lecturer Dispatch on a Nationwide Basis

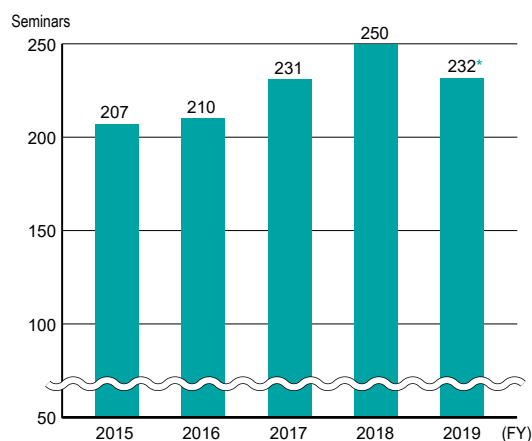
Since 2003, the JBA has been operating lecture dispatch service where lecturers including staff of the JBA travel nationwide in response to request from schools for classroom lectures or from event organizers of consumer seminars or instructor training sessions. The number of dispatch has been increasing year after year, with mounting interest in financial literacy education coming from teachers and schools in light of lowering of the age of adulthood and of the new curriculum guideline by the government. Although part of the lectures in FY2019 was postponed due to the spread of the new coronavirus, 232 lectures were held by dispatched lecturers.

Seminar topics are determined in accordance with requests, including the following main topics.

### Type of Audience and Main Topics

Junior high school and high school students	Banks' functions
	Life plan and financial planning games
	Mechanism of finance and its relation to society
High school students and university students	Loans, credit, and the use of money
	Money considerations for young adults
University students	Trends in the banking industry
General consumers, etc.	Points to consider when choosing financial products for the first time
	Schemes of financial crimes and self-protection
Instructors, etc.	Implementation of financial literacy education

### Number of Seminars Held in the Last Five Years



\* In FY2019 some seminars were postponed due to the spread of the new coronavirus.



#### ④ Seminar on the Issue of Child Poverty

About one in seven children in Japan is said to be living in relative poverty. Child poverty is a problem that as a result of educational disparity not only diminishes the possibilities of children but also causes great social loss. The JBA, in an endeavor to also help solve child poverty, collaborated in FY2018 with child support groups, compiled model cases for financial literacy education classes for children, and shared this information with member banks.

In FY2019 on October 21, the JBA held a "Seminar on the Issue of Child Poverty" for member banks with the main purpose of mobilizing further interest in the banking community.

On this occasion, the Cabinet Office presented a lecture on the current status of child poverty and relevant countermeasures, and the NPO "Learning for All" gave a lecture on the current situation of children living in adverse circumstances, as well as information on the NPO's activities. Additionally, The Aomori Bank, Ltd., Citibank, N.A., Tokyo Branch, and The Tokyo Star Bank, Limited presented case examples of their respective efforts (see pages 46-48).



At the seminar

#### ⑤ Designated Schools for Financial Literacy Education Research - Bank Transfer Fraud Prevention Educational Activities by High School Students

Designated schools for financial literacy education research are selected from junior high schools and high schools that take a proactive approach to financial literacy education. This system started in FY2010, and constitutes an effort to support the implementation of financial literacy education at those schools through the provision of tools such as teaching materials and the dispatch of lecturers, etc. In order to induce more active involvement of local board of education, the JBA has worked together with local boards of education to select schools to designate for financial literacy education since FY2012.

The lecture is open to nearby schools with the aim to geographically spread financial literacy education by regional units. Lecture examples are posted on the JBA website with the expectation to disseminate teaching materials for wider classroom usage.

In FY2019, in cooperation with the Boards of Education in Ibaraki Prefecture, Saitama City, and Hiroshima City, Ibaraki Prefectural Ryugasaki Daiichi High School, Saitama Municipal Urawa Junior and High Schools, and Hiroshima City Kabe Junior High School were designated as research specified schools, and classes were implemented on topics such as life plan, loans and credit, cashless payments, and excessive borrowing, etc.



At a class of a designated school

## Schools Designated for Financial Literacy Education Research - Implementation Data

Fiscal year	Board of Education	Designated schools
2010	—	Kanagawa Prefectural Sagami High School, Senior High School at Sakado, University of Tsukuba, Ichigao Junior High School, Toyoharu Junior High School, Oshukan Secondary School
2011	—	Osaka Prefectural Hiraoka Shofu High School, Hamamatsu Shonai Junior High School, Kasuga City Kasuga Kita Junior High School
2012	Kagawa Prefecture Kobe City Kawasaki City	Kagawa Prefectural Takamatsu Commercial High School, Kanonji Chuo High School Harada Junior High School, Kobe Minatoshonan Junior High School Kawasaki City Commercial High School, Kawasaki City Sugao Junior High School
2013	Chiba Prefecture Nagoya City	Sakura Higashi High School, Chiba Prefectural Awa High School Nagoya City Nagoya Commercial High School, Shiroyama Junior High School
2014	Saitama Prefecture Sagamihara City	Saitama Prefectural Hanyu Business High School, Saitama Prefectural Tokorozawa Commercial High School Kamimizo Junior High School, Asahi Junior High School
2015	Kyoto Prefecture Okayama Prefecture Kyoto City	Kyoto Prefectural Rakusui High School, Kyoto Prefectural Toryo High School Katsuyama Senior High School Kyoto City Ritsuryo Junior High School
2016	Chiba City Hamamatsu City Fukuoka City	Chiba City Saiwaicho First Junior High School, Chiba City Soga Junior High School Hamamatsu Takadai Junior High School Yusen Junior High School
2017	Kanagawa Prefecture Shizuoka Prefecture Hiroshima Prefecture	Kanagawa Prefectural Shinjo High School, Shonandai High School Shizuoka Commercial High School, Shizuoka Prefectural Yaizu Chuo High School Onomichi Commercial High School, Hiroshima Prefectural Hiro High School
2018	Hyogo Prefecture	Hojo Senior High School, Hyogo Prefectural Himeji Commercial High School
2019	Ibaraki Prefecture Saitama City Hiroshima City	Ibaraki Prefectural Ryugasaki Daiichi High School Saitama Municipal Urawa Junior and High Schools Hiroshima City Kabe Junior High School



Educational Activities by High School Students for Bank Transfer Fraud Prevention

“Educational Activities by High School Students for Bank Transfer Fraud Prevention” is an effort to support students’ social contribution activities, with an expectation that such activities becomes self-sustaining at the regional level through high school students. It is expected that students become aware that bank transfer fraud is a societal issue in their everyday environment, better understand preventive measures, and implement activities to prevent bank transfer fraud planned by students themselves. This initiative was launched in FY2016, and it makes practical use of frameworks such as schools’ home economics clubs, which is included in the curriculum guidelines designated as content to be acquired in high school home economics. The JBA provides actual support such as advice and information materials for activities, in addition to support for fund.

Ibaraki Prefectural Tsuchiura Kohoku High School was the designated school in FY2019, and the students implemented campaigns such as the preparation and distribution of items designed to raise awareness in cooperation with local police. These activities were awarded a letter of appreciation from the local police.



## 6 Educational Materials

As part of its PR activities, the JBA has been creating brochures and videos as introductions to banking operations for distribution to users such as consumer centers, schools, and individuals. Societal requirements for improved financial literacy education are growing as we receive feedback on the publication of the "Financial Literacy Map,"\* concerns over the lowered age of adulthood, new educational curriculum guidelines, and necessity for asset formation and management aligned with hundred years of life expectancy etc. The JBA organizes contents suitable for each user constituency (junior high school students, high school students, university students, working age population, the elderly, etc.) for educational and information activities and creates teaching materials such as booklets and videos according to their needs.

\* Financial Literacy Map

The Financial Literacy Map presents by age bracket the specific minimum requirements of financial literacy described in the "Study Group on Financial Education Report" (Released by the Financial Services Agency, April 2013). The Financial Literacy Map was compiled by the Committee for the Promotion of Financial Education and released in June 2014 (and partly revised in June 2015).

In FY2019, the JBA distributed the following teaching materials (main target audiences are shown in parentheses).

- Talking about Money for the First Time (Junior high school students)
- From the Perspective of Your Favorite Artist - Banks and You (Junior high school students and older)
- Life Plan and Money Plan Game (Junior high school students and older)
- Teaching Materials Series - Money Basics (High school students and older)
- Introduction to Financial Knowledge Series (University students and older)
- Learning with Animals - About Bills and Checks (Working age population)
- Banks' Financial Products and Services (Working age population)
- Financial Crime Safety Check List (Working age population and the elderly)
- For Your Peace of Mind - Information on Financial Products (Elderly)



In addition, in FY2019, the JBA newly produced a booklet called "Financial Preparedness for a 100-Year Lifespan" for the elderly, which was distributed to bookstores and consumer centers, etc. nationwide (see page 35).



## 3

Improving Customer Convenience and  
Security Through Advanced Payment Systems  
and Fintech, etc.

Banks provide financial settlement services such as remittances, bills, and checks, in order to settle claims and obligations between companies, individuals, and government agencies, etc., when settlements are difficult in cash. The infrastructure underpinning these financial settlement services consists of inter-bank settlement systems. In the settlement systems of Japan, while the final settlement is conducted at the platform of the current account of Bank of Japan ("BOJ-NET"), the JBA and its affiliate, the Japanese Banks' Payment Clearing Network ("Zengin-Net"), also play an important role by managing three systems, namely, the Domestic Funds Transfer System (Zengin System) for transfers and remittances, the Foreign Exchange Yen Clearing System (FXYCS) for yen settlements, and the system of clearing houses for the settlement of bills and checks.

Pursuing the convenience of financial services for all users and promoting the advancement of settlement systems and cashless payment systems will contribute to the attainment of the No. 9 Goal of the SDGs, which concerns "Industry, Innovation and Infrastructure." Given the importance of this objective, the JBA will continue to strengthen its efforts in this regard.

## ① Transition to XML Message Format

In December 2015, the Financial System Council of the FSA recommended "that the current fixed-length message method (used for domestic remittance orders) should be abolished by 2020 and transitioned to the XML message method, which is superior in terms of information volume and information compatibility" in its "Report by the Working Group on Payments and Transaction Banking". Based on this recommendation, "Review Committee on XML Messaging Transition" comprised of members from finance, industry, IT vendors, and the FSA was set up and started discussions on detailed specifications in February 2016. As a result, the JBA and the Zengin-Net decided in December 2016 to build the "Zengin EDI System (ZEDI)" as a new payment infrastructure to be provided by the banking community. ZEDI started its service as planned in December 2018.

ZEDI is a platform that uses the XML message format, which enables setting information items more flexibly than with conventional formats, and allows to supplement data with attachments of commercial transaction information, such as the invoice number and the payment notification issue date. This enables to better match up transactions with payments and to better understand the content of payment amounts. On the part of the receiving company, this allows to streamline the collection of accounts receivable (clearing process) and on the payer side to reduce the workload in answering inquiries.

Following the launch of the ZEDI services in December 2018, in FY2019 the JBA engaged in activities to promote the use of ZEDI by employing three propagation models comprised of (1) an industry group model, (2) a supply chain model, and (3) a regional model.

(1) Under the industry group model, the JBA encouraged industry groups that had established commercial EDI standards to establish financial EDI information standards. As a result, four financial EDI information standards were registered as of the end of March 2020.

(2) Under the supply chain model, the JBA conducted inquiries to large companies' on their needs for using financial EDI and identified issues for expanding the use of ZEDI.

(3) Under the regional model, starting in November 2019 the JBA hosted "Seminars on Work Style Reform and Productivity Improvement through Advanced Payment Settlement" in five cities nationwide (Sapporo, Tokyo, Takamatsu, Hiroshima, Fukuoka) as an effort to enhance awareness of financial EDI.

Furthermore, in addition to creating and publicizing information tools (leaflets and videos) about ZEDI, in October 2019 the JBA established a "Portal Site for Advanced Payment Systems" which comprehensively introduces the transition to the XML message format, the digitization of bills and checks functions, and the streamlining of collection and payment of taxes and public dues.

The JBA will continue in its efforts to promote the transition to the XML message format and to expand the use of ZEDI.



ZEDI Information Video



Portal Site for Advanced Payment Systems

## 2 Implementation of Activities to Promote the Use of “Moretime System”

The Zengin System is an online system for transmitting messages of inter-bank domestic fund transfer among member financial institutions (1,220 member financial institutions as of the end of March 2020). It also calculates settlement amounts of members that arises from such transactions daily. In this way, the system fulfills a critically important role as one of the core settlement systems in Japan.

One of the characteristics of the Zengin System is safety and reliability that the system has never had downtime ever since its start of operation in 1973. Another characteristic is convenience of nation-wide network that covers almost all financial institutions located in Japan. In addition, it is the global pioneer that has achieved instant payment as early as its start on weekdays between 8:30 and 15:30.

Moreover, with the development of information technology and the diversification of economic activities, there is a growing demand from companies and individuals to make an instant payment to banks not only during daytime on weekdays but also at night, on weekends, and on holidays. In light of these needs, in addition to the pre-existing Zengin System for weekday daytime operation (Core Time System), Zengin-Net, an affiliate of the JBA, launched on October 9, 2018 the “Moretime System,” which operates weekday nights and on weekends and holidays, realizing a 24 hours/365 days operation for bank transfers in Japan.

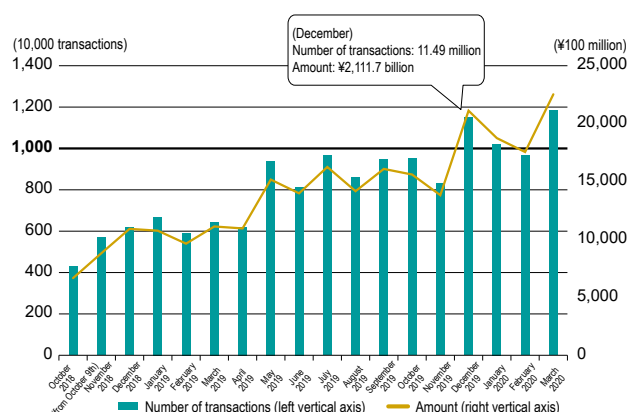
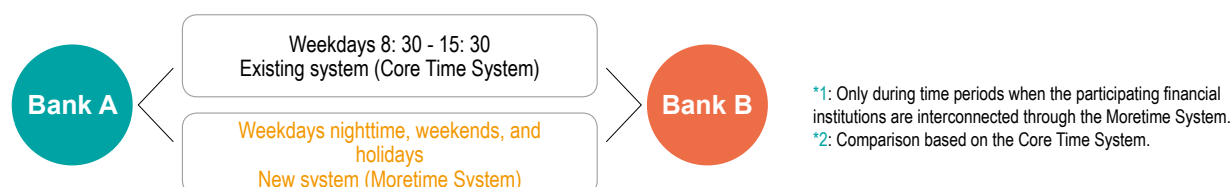
As of the end of March 2020, the number of financial institutions participating in the Moretime System had increased to 1,191, exceeding 95% of member banks, thus enabling instant payments on a 24 hours/365 days basis at almost all financial institutions in Japan<sup>\*1</sup>. The number of transactions has continued to increase since the start of operations, exceeding 10 million transactions per month for the first time in December 2019.

Since its launch, the Zengin System is updated approximately every eight years to meet with increasing transaction volumes and connection nodes and to keep pace with technological innovation. The 7th Generation Zengin System (Core Time System/Moretime System) went live on November 4, 2019.

The 7th Generation Zengin System inherits the functions and configurations of the 6th Generation Zengin System, with further improved security and reliability and with data holding and processing capacities increased by 20%<sup>\*2</sup>. Additionally, cyber security measures were reinforced and power consumption reduced by 35%<sup>\*2</sup>.

Zengin-Net will continue to promote the use of the Moretime System and in consideration of customer needs will work to further advance the features of the Zengin System in collaboration with the JBA.

**Zengin System Chart**



Monthly transaction numbers and amounts processed by the Moretime System (settlement date basis)



7th Generation Zengin System - Opening ceremony

## 3 Open API Promotion

Application Programming Interface (API) generally refers to “connectivity specifications, etc., used for calling up the functions and data managed on a given application from a different application.” Among them, those that are accessible from other companies are referred to as open APIs. Efforts surrounding open APIs have also been making advances in Japan’s banking community.

This development resulted in the establishment of the Review Committee on Open APIs in 2016, with the JBA as secretariat and with members from the banking community, IT vendors, Fintech companies, academic specialists and practitioners, lawyers, and related authorities, etc.

In July 2017, the Open API Review Committee published its activity report of its collaborative initiative between the public and private sectors to promote the practical application of open APIs. In December 2018, the Committee also issued the “Sample Clauses for API Use Agreements pursuant to the Banking Act (First Edition)” comprised of contract provision examples for API connections between a bank and an electronic payment service provider.

In July 2019, a “Seminar on Promoting Cooperation and Collaboration between Banks and Electronic Payment Service Providers” was held to encourage communication and collaboration between banks and electronic payment service providers.

Furthermore, in December 2019, a “Seminar on Contracts with Electronic Payment Service Providers” took place with the aim of strengthening banks’ ability to deal with issues related to contracts with electronic payment service providers.

## 4 Promotion of the Digitization of Bills and Checks Functions

Between December 2017 and December 2018, the “Study Group on the Promotion of the Digitization of Bills and Checks” held multiple discussions, with the JBA as secretariat, regarding nationwide transition to electronic bills and checks set out in the government’s “Future Investment Strategy 2017”, with an aim to enhance Japan’s productivity, to reduce social costs, and to deal with labor shortages. The Study Group published a report proposing to set up a medium-term target for the transition to the digitization of about 60% of the total number of bills cleared in Japan (the aggregate total of bills, checks and other securities) within five years, so as to further promote toward total digitization of domestic transaction of bills and checks.

In response, in order to support the efforts at promoting digitization at member banks, in FY2019 the JBA created and distributed a leaflet to guide companies toward switching from checks to internet banking. The JBA also conducted a questionnaire survey to check on the progress made in digitization at member banks.

In addition, densai.net Co., Ltd. (“densai.net”), which is an affiliated company of the JBA, together with participating financial institutions, works to promote the transition from bills to electronically recorded monetary claims (“densai”) and engages in activities to promote among corporations the usage of densai. Specifically, the densai net implemented public relations measures such as holding seminars for companies, creating and distributing leaflets that encourage transition from bill to densai, and supporting companies to start using densai by creating a checklist for each usage step. Furthermore, the densai-net set up the month of November as “densai Promotion Month” and engaged in efforts to stimulate demand for this technology by distributing large quantities of the above-mentioned leaflet to companies.

In March 2020, the JBA published a “Research Report on the Digitization Status of Bill and Check Functions” that summarizes the status of these digitization efforts at member banks, the JBA, and the densai.net.



Leaflet



## ⑤ Efficiency Improvements in the Collection and Payment of Taxes and Public Dues

Currently, when paying national or local taxes, etc., it is widespread practice to take printed forms to a bank counter and make payments in cash. However, the handling of forms and cash require significant amounts of time and labor. The streamlining of the collection and payment of taxes and public dues refers to initiatives, by way of digitization of this string of procedures, to eliminate the time and labor weighing on taxpayers, administrative agencies, and financial institutions.

As the government's "Future Investment Strategy 2017" proclaims government-wide exhaustive cost reduction of administrative procedures, in March 2017, the "Study Group on Efficiency Improvements in the Collection and Payment of Taxes and Public Dues" was established with the JBA as secretariat, with an objective of enabling discussions between the public and private sectors. The Study Group – mindful of the overall picture of the current situation – engaged in deliberations on whether the current frameworks offered potential for short-term action from the status quo and what measures were desirable over the medium term (up to about ten years) with reference to new technologies and case examples from other countries, in order to streamline the collection and payment of taxes and public dues. In March 2019, the Study Group compiled its "Research Report of the Study Group on Efficiency Improvements in the Collection and Payment of Taxes and Public Dues."

These medium- and long-term efforts compiled in the Research Report were carried on to the two thematic working groups established in June 2019 ("Working Group on Efficiency Enhancement" and "Working Group on Digitization"). As an outcome of the deliberations held at the working groups in FY2019, in March 2020 a research report was published by the "Study Group on Efficiency Improvements in the Collection and Payment of Taxes and Public Dues."



## 4

## Researching on and Responding to the TCFD Recommendations and Other Issues towards Realization of a De-carbon Society



To date, the JBA has promoted and supported the environment related efforts of member banks, by (i) participating in and setting targets under “The Commitment to a Low Carbon Society” and the “Voluntary Action Plan for Establishing a Sound Material-Cycle Society” of the Keidanren, (ii) stating the importance of contributing through banks’ main business operations to the resolution of environmental issues in its “Code of Conduct” for corporate officers and employees of member banks, (iii) releasing policy proposal reports concerning member banks’ environment project activities and expected role of banks, and holding symposiums and seminars for members on sustainable finance and environmental issues, (iv) preparing the “JBA eco map” which aggregates and publicizes member banks’ environment related efforts, and (v) holding events such as the “Eco Wall Newspaper Contest” for elementary school students.

Of late, climate change issues has been going through a dramatic shift, as exemplified by the recent series of disasters caused by extreme weather and effectuation of the Paris Agreement, and the publication of the final report of the TCFD\*. Additionally, environmental pollution caused by marine plastic waste has become a global issue. In light of these developments, in addition to the continuation of ongoing efforts, the JBA will promote and support member banks’ new measures to address changes in order to contribute to the achievement of SDGs Goal No. 12 “Responsible Consumption and Production,” Goal No. 13 “Climate Action,” and Goal No. 14 “Life Below Water.”

\* TCFD: Task Force on Climate-related Financial Disclosures

In response to a request from the G20 finance ministers and central bank governors, in December 2015, the Financial Stability Board (FSB) established the private sector-led Task Force on Climate-related Financial Disclosures (TCFD) and initiated deliberations on the approach that the financial sector should take with regard to the problem of climate change. In June 2017, the TCFD published its final report aimed at assessing and disclosing the financial consequences of the risks and opportunities that climate change might cause.

### ① Research on Efforts Relating to TCFD Recommendations

In recent years, climate change has evolved into a risk factor that banks’ risk management cannot afford to overlook, in the same way as economic fluctuations, market fluctuations, or cyber-attacks.

In FY2018, the JBA prepared and communicated a report to member banks on the background of disclosure requirements based on TCFD recommendations and the recent trends of regulatory authorities, etc.

In FY2019, two years after the publication of the TCFD recommendations, the JBA compiled a report entitled “Survey on Efforts and Lending and Investment Policy Formulation in Response to the TCFD Recommendations.” The report covered the basics of the TCFD recommendations and presented points of considerations relevant to actual banking practices to contribute to specific deliberations by member banks.

Additionally, in May 2019, the “TCFD Consortium” was established, with the Chairman of the JBA as one of the founders. The Consortium holds discussions concerning effective information disclosure by companies and effective use of the disclosed information for investment decision-making by banks and investors. As a participating member, the JBA follows the discussion and provides its member banks with relevant information.

Moreover, the JBA submitted its opinions to the public comment of the European taxonomy regulation on sustainable finance, and participated the “ESG Finance High Level Panel” of the Ministry of the Environment. At the Panel, Makoto Takashima, Chairman of the JBA at the time and CEO of SMBC, made presentations on efforts by the JBA and SMBC.

## Case Examples of TCFD-Related Disclosures of Domestic Financial Institutions (From the FY2019 Integrated Report, etc.)

### (1) Mizuho Financial Group, Inc.

Item	Contents
Governance	<ul style="list-style-type: none"> <li>We have identified key sustainability areas, including responses to climate change, and incorporated them into our 5-Year Business Plan, based on deliberation by our Executive Management Committee and Board of Directors. These will enable us to advance our sustainability initiatives in line with our strategy.</li> <li>We have also developed an action plan for staged implementation of initiatives matching the Recommendations of the TCFD. The Executive Management Committee has deliberated on the action plan, and it has been presented to the Board of Directors and Audit Committee.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>When designing our new business plan, we identified climate-related risks and opportunities for each in-house company, unit, and group.</li> <li>Mizuho recognizes the following risks, opportunities, and impacts on business activities related to climate change, and based on this will actively promote financial products and services that help mitigate climate change or facilitate adaptation to it in order to support the transition to a carbon-free society. At the same time, we will conduct appropriate risk management based on international concerns, trends, and other factors.</li> </ul> <p><b>[Opportunities]</b></p> <ul style="list-style-type: none"> <li>Increased business opportunities, including provision of solutions that support customers in transitioning to a carbon-free society, such as financing for renewable energy projects.</li> <li>Improvement of capital markets and social reputation through appropriate initiatives and disclosure.</li> </ul> <p><b>[Risk]</b></p> <ul style="list-style-type: none"> <li>In terms of climate-related risks, we are taking into account both physical risks and transition risks.</li> <li>Our physical risks include operational risk and credit risk related to the possibility of extreme weather causing damage to Mizuho's assets (such as data centers) and to customer assets (such as committed real estate collateral).</li> <li>Our transition risks include increased credit risk related to investments in and loans to clients who are impacted by their own transition risks in the form of more stringent carbon taxes, fuel efficiency regulations, or other policies.</li> </ul> <p><b>[Impacts]</b></p> <ul style="list-style-type: none"> <li>Using the definitions from the Recommendations of the TCFD, our energy sector and utility sector<sup>1</sup> credit exposure comes to approximately 7.2% of our total credit exposure<sup>2</sup>.</li> <li><sup>1</sup> Excluding water utilities, nuclear power, and renewable energy.</li> <li><sup>2</sup> Total of Mizuho Bank and Mizuho Trust &amp; Banking's loans, foreign exchange assets, acceptances and guarantees, and committed lines of credit as of March 31, 2019.</li> </ul> <p><b>[Scenario analysis]</b></p> <ul style="list-style-type: none"> <li>We continue to look into methods for climate-related scenario analysis of physical risks and transition risks.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>We recognize the physical and transition risks associated with climate change and have constructed a system for addressing these risks through a comprehensive risk management framework that includes credit risk management and operational risk management.</li> <li>We are also applying the Equator Principles and acting in line with our Policies on Specific Industrial Sectors. As part of this, we are engaging in dialogue with some of our clients in the energy sector and utility sector.</li> <li>As a financial institution, we are working to reduce climate-related risk for our clients and ourselves by supporting our clients' transition to a carbon-free society.</li> </ul>
Indicators and targets	<p><b>[Targets]</b></p> <ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions basic unit: CO<sub>2</sub> emissions/total floor area (electricity usage at Japanese facilities of Mizuho Financial Group and core group companies)</li> <li>Long-term target: Reduce by 19.0% from FY2009 levels by the end of FY2030</li> <li>Medium-term target: Reduce by 10.5% from FY2009 levels by the end of FY2020</li> </ul> <p><b>[Monitoring indicators]</b></p> <ul style="list-style-type: none"> <li>Green finance/sustainable finance amounts</li> <li>Scope 1 (direct) and Scope 2 (indirect) CO<sub>2</sub> emissions and energy usage</li> <li>Scope 3 environmental impact of new large-scale power projects (CO<sub>2</sub> emissions) and environmental conservation (CO<sub>2</sub> emission reductions)</li> <li>We are continuing to look into setting science-based targets.</li> </ul>

Integrated Report 2019 [https://www.mizuho-fg.com/investors/financial/annual/data1903/pdf/data1903\\_all.pdf](https://www.mizuho-fg.com/investors/financial/annual/data1903/pdf/data1903_all.pdf)

### (2) Mitsubishi UFJ Financial Group, Inc.

Item	Contents
Governance	<ul style="list-style-type: none"> <li>The Corporate Social Responsibility Committee operating under the Executive Committee regularly engages in the deliberation of the Company's policies on and the status of initiatives to manage opportunities and risks arising from environmental and social issues, including climate change. Furthermore, the Risk Management, Loan and Investment and Credit committees also discuss specific themes associated with climate change. Conclusions reached by these committees are reported to the Executive Committee and, on an as necessary basis, to the Board of Directors.</li> <li>In FY2018, the Board of Directors received reports on the revisions to the MUFG Environmental and Social Policy Framework and the status of environmental financing initiatives.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>Recognizing climate change countermeasures and other environmental initiatives as important management issues, we established the MUFG Environmental Policy Statement, which includes MUFG's policies on climate change. Moreover, we have positioned global warming and climate change among our environmental and social priorities. We are thus endeavoring to address these issues while giving due consideration to both opportunities and the risks arising from them.</li> </ul> <p><b>[Opportunities]</b></p> <ul style="list-style-type: none"> <li>We serve as a finance arranger and lender for renewable energy projects while actively providing consulting services aimed at assisting clients in their climate change countermeasures as well as assistance in the issuance of Green Bonds, and in so doing support the transition to a low-carbon society from the aspect of finance.</li> </ul> <p><b>[Risks]</b></p> <ul style="list-style-type: none"> <li>Clients to whom MUFG has provided credits may be exposed to risks arising in the course of the transition to a low-carbon society, such as stricter regulation and the introduction of low-carbon technologies (transition risks), and risks arising from physical damage due to the growing occurrences of climate change-induced natural disasters and abnormal weather (physical risks). If these risks were to impact the clients' businesses or financial conditions, MUFG's credit portfolio would also be exposed to substantial risks.</li> <li>To quantitatively assess climate change-related risks and to assess carbon-related assets associated with its lending portfolio based on TCFD recommendations, we formulated the MUFG Environmental and Social Policy Framework to accurately evaluate and manage environmental and social risks arising from our business operations.</li> <li>Status of carbon-related assets (proportion in overall portfolio value) is as follows (as of March 31, 2019)*.</li> </ul> <p>Energy sector : 3.0% Utility sector : 3.6% Total : 6.6% (Total value of lending amounts to 96.5 trillion yen.)</p> <p>*Based on the TCFD recommendations, MUFG has categorized the value of lending for the energy and utility sectors other than lending for renewable energy projects as constituting carbon-related assets.</p> <p><b>[Scenario analysis]</b></p> <ul style="list-style-type: none"> <li>MUFG has started scenario analysis with the objective of assessing the impact of climate change-related risks on its credit portfolio.</li> <li>Based on the New Policies Scenario and the Sustainable Development Scenario (2°C Scenario) published by the International Energy Agency (IEA), we are working to quantitatively assess the financial impacts of transition risks. The scenario analysis methods used reference those applied in a pilot project led by the UNEP Finance Initiative in which 16 member banks participated with the aim of discussing and developing methods for climate change-related financial information disclosure for the banking industry.</li> <li>In addition, MUFG is a participant in Phase II of a pilot project launched in 2019 by the UNEP Finance Initiative.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>We implemented MUFG Environmental and Social Policy Framework to manage environmental and social risks associated with our financing.</li> <li>In May 2019, we revised this policy framework to live up to the growing call for climate change countermeasures from the international community. Specifically, we strengthened the policy on financing for the coal-fired power generation sector while adding forestry, palm oil and mining (coal) sectors as restricted transactions. From July 2019, we will not provide financing for new coal-fired power generation projects. As a result, we expect our credit balance associated with coal-fired power generation projects to decrease over the medium to long term.</li> </ul>
Metrics and targets	<ul style="list-style-type: none"> <li>We have committed to extending a total of 20 trillion yen for sustainable finance by the end of FY2030 (of this, 8 trillion yen will be used for environmental finance).</li> <li>To reduce the environmental burden attributable to our business activities, we are working to assess and reduce the environmental footprints of our operations, such as GHG emissions. In addition, the Bank has succeeded in reducing CO<sub>2</sub> emissions beyond its reduction target (reduction energy intensity index in FY2017 to 26.0% below the FY2009 level).</li> </ul>

MUFG Report 2019 (Integrated Report) [https://www.mufr.jp/dam/ir/report/annual\\_report/pdf/ir2019\\_all\\_en.pdf](https://www.mufr.jp/dam/ir/report/annual_report/pdf/ir2019_all_en.pdf)

### (3) Sumitomo Mitsui Financial Group, Inc.

Item	Contents
Governance	<ul style="list-style-type: none"> <li>We have established Group environmental policies to continuously implement measures to make our corporate activities conducive to preserving the global environment and curbing pollution.</li> <li>The Basic Policy on Climate Change is reflected in SMBC Group's business strategy based on the discussions of the Corporate Sustainability Committee and decisions of the Executive Committee, and the details of our initiatives are reported regularly to the Board of Directors.</li> </ul>

Strategy	<p><b>[Physical risks]</b></p> <ul style="list-style-type: none"> <li>In light of the recent emergence of natural disasters linked to climate change, SMBC has performed climate change scenario analyses of the physical risks related to water disasters in Japan, thereby calculating, on a preliminary basis, that the impact could equate to an aggregate increase in credit costs of between 30.0 billion yen and 40.0 billion yen by FY2050. When viewed as a per-year average value, it is an additional credit cost of approximately 1 billion yen and thus the impact of water damage caused by climate change on current SMBC's single-year finances is considered to be limited.</li> </ul> <p><b>[Transition risks]</b></p> <ul style="list-style-type: none"> <li>In the process of transitioning to a low-carbon society, there is a risk that the value of the affected assets will decline (Stranded asset risk).</li> <li>Carbon-related assets (electricity, energy, etc.) currently account for 7.8% of all loans by SMBC. Based on this situation, we will keep evaluating the potential impact of stranded assets.</li> </ul> <p><b>[Opportunities]</b></p> <ul style="list-style-type: none"> <li>The market for climate-change-related businesses is expected to grow going forward. Against this backdrop, we are promoting environmental businesses and reducing environmental impacts in Japan and overseas. Measures to this end include conducting a total of 520.0 billion yen in financing of renewable energy projects in FY2018 and issuing green bonds based on the guidelines of the International Capital Market Association and the Ministry of the Environment.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>SMBC has adopted the Equator Principles, which are guidelines developed by private financial institutions for managing environmental and social risks related to financing large-scale development projects to identify and assess risks to both the environment and society.</li> <li>In addition, SMBC Group companies established lending policies for specific sectors, including coal-fired power plants.</li> </ul>
Metrics and targets	<ul style="list-style-type: none"> <li>SMBC Group is working to reduce greenhouse gas emissions, cutting CO<sub>2</sub> emissions to 104.21 tons per 1,000 m<sup>2</sup> of floor space in FY2018, reflecting a reduction of 15.16 tons compared with FY2017.</li> </ul>

SMBC Group Annual Report 2019 [https://www.smbg.co.jp/english/investor/library/annual/fy2018e\\_f01\\_pdf/fy2018e\\_f01\\_00.pdf](https://www.smbg.co.jp/english/investor/library/annual/fy2018e_f01_pdf/fy2018e_f01_00.pdf)

#### (4) Sumitomo Mitsui Trust Holdings, Inc.

Item	Contents
Governance	<ul style="list-style-type: none"> <li>The Group's climate change-related materiality issues comprise the following points. <ul style="list-style-type: none"> <li>Consideration of environmental and social impact of investment and financing targets</li> <li>Pursuit of business opportunities surrounding environmental and social topics</li> <li>Climate change</li> <li>Risk management and resilience</li> </ul> </li> </ul>
Strategy	<p><b>[Risks related to climate change]</b></p> <p>&lt; Transition risks &gt;</p> <ul style="list-style-type: none"> <li>Risk that stricter regulation and technological advances affect industries and companies, and lead to value impairment in the Group's loan and equity portfolios</li> <li>Risk that business models and corporate strategies may be affected by the regulatory response to reach the goal of staying below 2°C Etc.</li> </ul> <p>&lt; Physical risks &gt;</p> <ul style="list-style-type: none"> <li>Risk that natural disasters damage the Group's assets and social infrastructure and puts business continuity at risk</li> <li>Risks that natural disasters damage the assets of investee and borrower companies Etc.</li> </ul> <p><b>[Business opportunities related to climate change]</b></p> <ul style="list-style-type: none"> <li>There may be more opportunities to offer advisory services and finance to projects and companies that are helping to slow or mitigate climate change</li> <li>Switch in social infrastructure, such as spreading renewable energy, may open up profitable opportunities over the medium- to long-term Etc.</li> </ul> <p><b>[Status of SuMi TRUST Bank's carbon-related assets]</b></p> <ul style="list-style-type: none"> <li>In light of the possibility that the borrowers may be affected by climate-related transition risks, our carbon-related asset exposure* as measured by the TCFD definition represents 5.6% of loans (as of the end of March 2019).</li> </ul> <p>*Covers the sectors "Energy" and "Utilities" in the GICS (Global Industry Classification Standard). Excludes water utilities, independent power producers, and renewable energy power producers.</p> <p>Total comprises SuMi TRUST Bank, Limited and Sumitomo Mitsui Trust Bank (Thai) Public Company Limited.</p> <ul style="list-style-type: none"> <li>To understand the impact of climate change risks, including physical risks, on our credit portfolio, we have initiated a climate change scenario analysis.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>As climate change risk management relating to portfolio investments, we participate in Climate Action 100+ and actively take climate change into account in climate change-related engagements and investment processes.</li> <li>As climate change risk management relating to financing (project finance), we incorporate the Equator Principles into our decision-making processes.</li> <li>To score climate change risks in supply chains, we offer environmental rating loans with evaluation of natural capital preservation.</li> </ul>
Metrics and goals	<ul style="list-style-type: none"> <li>SuMi TRUST Bank is committed to reducing CO<sub>2</sub> emissions by reducing power consumption. We have significantly reduced our power consumption through business efficiency and work style reforms. We plan to establish long-term targets for ourselves for 2030 and beyond.</li> <li>SuMi TRUST Bank discloses its medium-to long-term environmental targets (to reduce power usage intensity (power consumption/total floor area) in FY2020 by 10.5% compared to FY2009) and the achievement of its medium-to long-term environmental targets.</li> </ul>

ESG Report 2019/2020 <https://www.smth.jp/en/csr/report/2019/E-all.pdf>

#### (5) Resona Holdings, Inc.

Item	Contents
Governance	<ul style="list-style-type: none"> <li>The Board of Directors receives periodic (at least once a year) reporting on the status of Group initiatives to counter climate change, with the aim of ensuring that these initiatives receive robust supervision.</li> <li>To address climate change issues, the Board of Directors, including outside directors who account for majority, engages in multifaceted discussion and reflects its conclusions in the Group's management strategy and risk management.</li> <li>Also, the Group SDGs Promotion Committee chaired by the president of Resona Holdings meets on a quarterly basis to exercise consolidated supervision of important matters concerning the identification, evaluation, and management of climate-related opportunities and risks. Members of this committee include presidents of subsidiary banks and the heads of the corporate administration division and risk management divisions as well as officers in charge of corporate and retail banking sales and Kansai Mirai Financial Group's heads of departments charged with promoting SDGs.</li> <li>This committee strives to identify and assess climate change-related opportunities and risks while discussing policies on and targets for the Group's measures to reduce risks and increase opportunities. Conclusions reached by this committee are reflected in the Group's management strategy and risk management.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>To measure the impact of climate change, which is highly unpredictable, we have undertaken the qualitative evaluation of opportunities and risks based on two different scenarios involving, respectively, a 2°C and a 4°C rise in global temperatures.</li> <li>The purpose of this evaluation includes the assessment of estimated impact in the short-, medium-, and long-terms, which are defined as approximately 5-, 15-, and 35-year periods, respectively.</li> <li>The Resona Group anticipates that climate change is highly likely to have a financial impact on its loan assets, the largest asset category in the Group's possession. Accordingly, the Group recognizes that the opportunities and risks facing its customer will directly affect the Group through these loans.</li> <li>The majority of the Group's loan assets are accounted for by loans furnished to individual and SME customers, suggesting that lending risks are dispersed. However, the Group is also aware of the importance of communicating the significance of climate change response to this vast number of customers.</li> <li>Practicing the threefold "Omni Strategy" under the current medium-term management plan, the Group is therefore striving to work in tandem with its customers to reduce risks and increase opportunities arising from climate change.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>Based on its own risk categories, such as credit risk, operational risk, and reputational risk, the Group has positioned climate change related risks as a factor contributing to growth in future uncertainty and maintains a firm grip on such risks accordingly.</li> <li>Specifically, the Group is stepping up the management of credit risk, a risk category requiring vigilance against the possibility of a major financial impact, with the aim of directing financing streams to initiatives aimed at helping realize a low-carbon, recycling-oriented society through such financial activities as socially responsible financing and investment.</li> </ul>
Metrics and targets	<ul style="list-style-type: none"> <li>In line with the Resona Sustainability Challenge 2030 action plans, the Resona Group has formulated metrics and targets in terms of its efforts aimed at helping as many customers as possible understand the significance of climate change response and supporting their initiatives. These action plans consist of annual action plans to secure a PDCA framework for annually evaluating the outcomes of the aforementioned efforts.</li> <li>In conjunction with the announcement of the Resona Sustainability Challenge 2030, the Resona Group has renewed its medium-term reduction target for CO<sub>2</sub> emissions from the entire Group in FY2019, with consideration given to the inclusion of Kansai Mirai Financial Group (calling to reduce CO<sub>2</sub> emissions by 26% from the FY2013 level by the end of FY2030).</li> </ul>

Integrated Report 2019 [https://www.resona-gr.co.jp/holdings/english/investors/financial/integrated/pdf/18/ir19\\_all.pdf](https://www.resona-gr.co.jp/holdings/english/investors/financial/integrated/pdf/18/ir19_all.pdf)

#### (6) Shiga Bank, Ltd.

Item	Contents
Governance	<ul style="list-style-type: none"> <li>The Shiga Bank established a CSR Committee chaired by the President, which meets three times a year with Management Meeting members, General Managers of each department and office, and presidents of associated companies as Committee members. The Committee deliberates and decides on priority issues related to CSR of the Group, and conducts investigations and research on climate change and other environment-related issues.</li> <li>Specific activities of the Committee include determination of the Shigagin SDGs Declaration and its Materiality, formulation of the Sustainability Vision under the 7th Medium-term Business Plan, and discussion on how to respond to the TCFD.</li> <li>Looking ahead, as a response to climate change, the Bank will consider regular reporting on measures and response concerning climate change to the Management Meeting and the Board of Directors.</li> </ul>



Strategy	<ul style="list-style-type: none"> <li>While designating priority issues to be tackled by the Bank (Materiality), we formulated the Sustainability Vision (long-term vision) aiming for a sustainable society. Based on the Sustainability Vision, the 7th Medium-term Business Plan that started in April 2019 set forth "Sustainability Design Company" as our new vision and "Define a future and realize a dream" as our main theme. We uphold evolving into a problem-solution type financial information services provider that turns SDGs into business and transforms society through its businesses.</li> <li>Specifically, through promoting environmental finance and establishing a regionally recycling-oriented society (circular economy), the Bank strives for realization of a low carbon society with low greenhouse gas emissions, and ultimately a transition to a decarbonized society. In addition, we will support businesses that contribute to mitigating climate change such as renewable energy and green projects, corporate investments toward enhancing energy efficiency and infrastructure development, as well as creation of climate change-resilient regions and establishment of sustainable lifestyles.</li> <li>Going forward, we will also analyze multiple scenarios concerning risks and opportunities in climate change.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>The Bank recognizes that physical risks and transition risks stemming from climate change will deeply affect the Bank's operation, strategy, and financial planning. We will therefore establish systems for managing such risks in a framework of comprehensive risk management.</li> </ul>
Indicators and targets	<ul style="list-style-type: none"> <li>The Bank has stipulated environmental impact reduction goals as follows (Scope 1 and Scope 2 standards). <ul style="list-style-type: none"> <li>Long-term indicator (by March 31, 2030): Reduce CO<sub>2</sub> emissions by at least 30% (compared to FY2013)</li> <li>Medium-term indicator (by March 31, 2024): Reduce CO<sub>2</sub> emissions by 25% (compared to FY2013)</li> </ul> </li> </ul>

Integrated Report/Annual Report 2019 [https://www.shigagin.com/pdf/investor\\_anual\\_ar2019\\_all.pdf](https://www.shigagin.com/pdf/investor_anual_ar2019_all.pdf)

## (7) Kyushu Financial Group

Item	Contents
Governance	<ul style="list-style-type: none"> <li>In March 2019, deliberations on the "Guideline for Investments and Loans" were made at the Group Management Council to promote investments and loans that would solve environmental and social issues including climate change, with a report made to the Board of Directors.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>Identify environmental and social issues to be addressed with priority (identify material issues for the entire sustainability framework).</li> <li>Support for decarbonization initiatives (reduction of CO<sub>2</sub>) under the "Guideline for Investments and Loans."</li> <li>Initiatives for promotion of renewable energy.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>Establish a comprehensive risk management system including credit risk management and operational risk management.</li> </ul>
Goal and numerical targets	<ul style="list-style-type: none"> <li>Calculate greenhouse gas emissions for Higo Bank and Kagoshima Bank.</li> </ul>

Annual Report 2019 [https://www.kyushu-fg.co.jp/ir/pdf/2019\\_annual\\_report.pdf](https://www.kyushu-fg.co.jp/ir/pdf/2019_annual_report.pdf)

## ② Determination of Targets Under "The Commitment to a Low Carbon Society" and other Keidanren initiatives, and Implementation of Follow-up Surveys

The JBA participated in the "Action Plan on the Environment" of the Keidanren in FY2001, set targets under the "Section on Global Warming Measures" with the goal of reducing carbon dioxide emissions, and the "Section on the Formation of a Recycling Society" with the goal of forming a recycling society, and conducted follow-up research on full members in order to understand the status of their efforts at environmental problems.

Subsequently, the Action Plan was split into two initiative, namely, "The Commitment to a Low Carbon Society," and "Voluntary Action Plan for Establishing a Sound Material-Cycle Society". With respect to the former, the JBA set targets comprised of (i) a Phase I target to reduce power consumption units (power consumption/total floor area) in FY2020 by 10.5% compared with FY2009, and (ii) a Phase II target calling for a reduction of 19.0% in FY2030 compared with FY2009. With respect to the latter, the JBA set targets comprising of (iii) a paper recycling rate of 90% or more in FY2020, and (iv) an increase in the purchase rate of recycled paper and eco-friendly paper to at least 75% in FY2020.

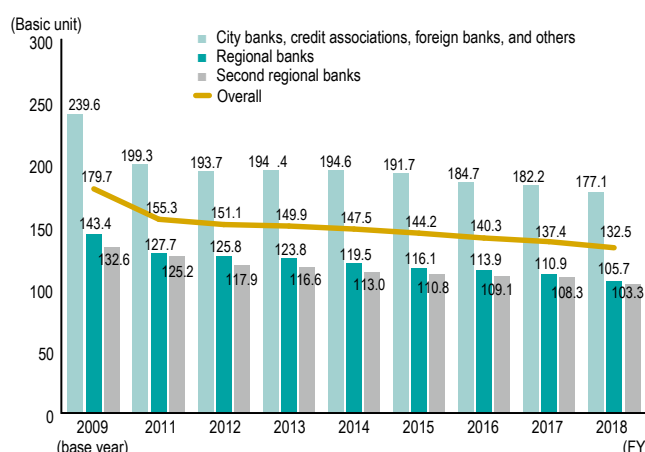
In the FY2019 follow-up survey (on FY2018 result), the results were as follows:

- The power consumption of full members totaled 2,170,109,813kWh.
- With a total building floor area of 16,379,056 m<sup>2</sup>, power consumption unit resulted in 132.5.
- The result amounted to 26.3% reduction compared to FY2009, and 2.6% reduction in comparison with the previous FY2018 result.

The results show that the achieved power consumption unit reductions exceeded the targets for both Phase I and Phase II. The recycling rate for paper was 89.5%, and the purchase rate for recycled paper and eco-friendly paper was 78.1%.

Regarding case examples such as upgrades to highly efficient air conditioning systems (air-cooled aggregates) at computer centers, etc., and LED lighting at sales offices, responses received by the JBA from member banks indicated that measures ongoing from the previous year continued to be effective. Additionally, the survey found that many banks were using renewable energy sources, that is, photovoltaic and wind power. With respect to action regarding global environmental issues, the majority of banks responded that they consider these issues in their lending decision. The JBA will continue to conduct follow-up surveys and monitor and promote the efforts of member banks.

### Power Consumption Units (By Type of Business, Overall)



### 3 Determination of Long-Term Goals to Mitigate Global Warming and Goals Related to Reduction of Plastic Wastes, and Implementation of Surveys on the Status of Member Banks' Efforts

To promote the banking community's efforts relating to environmental issues, the JBA sets various goals described below and conducts follow-up surveys on the efforts of member banks to achieve these goals. In the FY2019 survey, regarding the goal calling for "100% of member banks to separate their used PET bottles from other garbage by FY2030," 92.4% of member banks responded "Yes" to PET bottle garbage separation.

Moreover, in January 2020, the JBA endorsed the "Declaration of Biodiversity by Keidanren and Action Policy," deciding to promote a wide range of environmental protection activities including those with regard to biodiversity. The JBA will continue to follow up and support member banks' efforts.

#### <Long-term goals to mitigate global warming>

- To promote initiatives for mitigation of global warming consistent with national goals throughout the banking community, in order to contribute to the realization of a sustainable society.

#### <Goals related to reduction of plastic wastes>

- To attain by FY2030, a 100% ratio of member banks practicing garbage separation of used PET bottles.
- To attain by FY2030, a 100% ratio of member banks implementing measures to reduce marine plastic waste, such as cleaning activities.
- To practice efficient use of resources and to reduce waste throughout the banking community.
- To actively support, throughout the banking community, companies that engage in activities to reduce plastic wastes that are in line with the government policy.

### 4 The Eco Wall Newspaper Contest

The Eco Wall Newspaper Contest invites submissions of wall newspapers from 1st to 6th graders nationwide with the goal of promoting environmental education and raising environmental awareness. Elementary school students prepare and submit their hand-made wall newspapers based on their research of global, regional or day-to-day issues on the environment and ecology. Their works are evaluated by judges with awards conferred on the best works (previous award-winning works are posted at the JBA website). Launched in FY2008, this contest has been held 12 times as of FY2019. The number of participants and entries have been steadily increasing during this period regardless of the decreasing nationwide population of elementary school students, marking a total of 10,383 entries in 2019, the highest number on record. The total number of participants up to the 12th contest was 112,946 (partly estimated).

This fiscal year, the contest continued to use the subtitle of "Let's learn about ecology and the SDGs goals for a better world" same as last year to create yet greater awareness of the SDGs. Award-winning entries were announced in March 2020.



12th Eco Wall Newspaper Contest

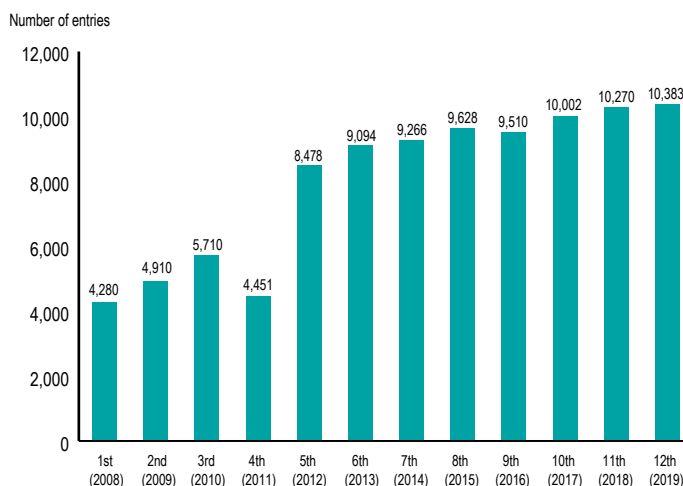


12th JBA Award Winning Entries

The JBA website

"Announcement of the 12th Eco Wall Newspaper Contest Winners"  
<https://www.zenginkyo.or.jp/abstract/eco/kabeshinbun/winning2019/>

#### Number of Entries by Fiscal Year



## 5

## Implementing Measures to Prevent Financial Crime and Money Laundering, and Actions to Meet FATF Recommendations



In order to enable all users of banks to conduct their banking business in confidence, the JBA has been proactively engaged in efforts to curb criminal activities, such as financial crime prevention information activities concerning special types of fraud including phone scams involving calls from pretended relatives in distress and measures against money laundering as the principal source of funds of organized crime.

These activities are considered to contribute to the promotion of a peaceful and inclusive society, the No. 16 Goal of the SDGs "Peace, Justice and Strong Institutions." In view of its importance, the JBA has identified this goal as one of its key initiatives in relation to the SDGs and promotes relevant activities over the medium and long terms.

### ① Promoting Security Measures on Internet Banking

The JBA is aware that the risk of fraudulent deposit withdrawals through internet banking poses a serious threat to bank deposit security and may undermine customers' trust in the banking industry. The JBA has therefore since FY2011 conducted questionnaire surveys among full members, a number of associate members, and special members. The aim of the survey is to understand the status of internet banking security measures at member banks to encourage member banks' efforts by communicating the survey results.

In FY 2019, the JBA received responses from 129 banks, and the aggregated results and examples were communicated to the member banks.

Given its importance, the JBA intends to continue this survey in the future. While the results of this survey are not publicly disclosed due to their nature, the main survey topics in FY2019 were as follows.

- Usage of internet banking
- Losses due to fraudulent money transfers using internet banking
- Status of monitoring for the prevention of losses due to fraud

Moreover, in response to the rapid increase in damages from fraudulent money transfers using internet banking believed to be due to phishing since September 2019, the JBA conducted awareness-raising activities on phishing and its attack techniques through special websites and banner advertisements.

### ② Financial Crime Prevention Activities Concerning Special Types of Fraud

The JBA has been actively involved in the activities to promote the eradication of special types of fraud such as impersonation scams (involving calls from pretended relatives in distress) by setting a campaign period each fiscal year and sponsoring relevant activities since FY2008. However, losses from special types of fraud continue to stay at a high level according to news releases issued by police authorities. In light of this situation, there are expectations for the JBA to engage in further information activities to raise awareness and to prevent loss before it happens. In FY2019, the JBA designated the period from October 15 to November 14 as promotion month for the implementation of information activities. In cooperation with the Japanese Singers Association, the JBA implemented information activities during the period for the elderly, the demographic most vulnerable to special types of fraud, and used key visuals themed on the relationship between the elderly and their grandchildren.

In particular, at the "Song Festival" sponsored by the Japanese Singers Association held on November 13, 2019, at the Nakano Sunplaza Hall, the JBA designated famous kids actors Yume Suzuki and Tano Suzuki as official supporters and issued an appeal to the approximately 2,000 elderly to be vigilant against special types of fraud using popular songs altered and re-purposed for reminder of fraud prevention. On the occasions of other concerts in various places of the country, the JBA distributed information flyers and pocket tissues to visitors at song concert venues to raise vigilance against special types of fraud. Similarly, the JBA implemented information activities for visitors of sumo tournaments and local tours, and supplied member banks with information materials for distribution to bank customers.

Moreover, in light of the rising number of arrests of young people hired to assist as "carriers" in special types of fraud, the JBA conducted information activities which involved engaging Rinne Yoshida, an artist and rap musician popular with young people, the installation of a special website featuring her music video specifically produced for this initiative, and information dissemination through SNS.



Distribution of flyers at the venue of the Popular Song Concert



At the song festival



Flyer



Pocket tissue

### ③ Measures to Accommodate the FATF 4th Round of Mutual Evaluations

Measures to prevent money laundering and terrorist financing at financial institutions ("Anti-Money Laundering/Countering the Financing of Terrorism" or, for short, "AML/CFT") are urgent issues of growing importance which the international community must address in the face of threats predominantly from terrorism.

The Financial Action Task Force (FATF)\* is the originator of the FATF recommendations, established as international standards against money laundering and terrorist financing, whose implementation status is subject to mutual examinations by the FATF participant countries. Japan underwent the FATF 4th round of mutual evaluations in October and November 2019. The evaluation results will be announced around the summer of 2020.

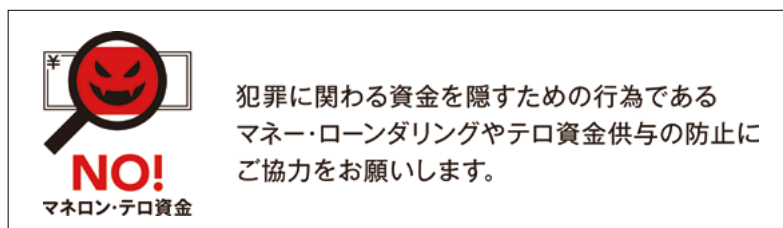
The JBA in order to promote the collaboration between the public and private sectors established in April 2018 the "Public and Private Sectors Liaison Meeting on Advanced Measures against Money Laundering" where information is exchanged at regular intervals. In November 2018, the "AML/CFT Measure Support Division" was established within the JBA to support and promote member banks' efforts through aggregation and sharing of know-hows and best practices among member banks concerning the AML/CFT measures.

Moreover, based on the FSA's "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" (published in February 2018), banks are required to take extra verification steps in addition to those required by the "Act on Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007)" and other laws, depending on the content and status of transactions with the customers. With a purpose to make such additional verification requirements known to customers, the JBA created a pictograph visualizing money laundering and terrorism financing countermeasures with a catch phrase and since FY2018 has been implementing awareness activities.

In FY2019, again utilizing this pictograph, the JBA carried out various public relations activities, such as TV commercials, newspaper advertisements, and web advertisements in an effort to inform bank customers.

\* FATF: Financial Action Task Force

A multilateral framework for promoting the international coordination of money laundering countermeasures established based on the 1989 Grande Arche G7 Summit Economic Declaration. Measures against terrorism financing were added in the wake of the 2001 terrorist attacks on the United States. Members of the FATF comprise 37 countries and regions, including the G7, and two international organizations.



Pictograph and catch phrase advocating for measures against money laundering and terrorism financing



TV commercial





## 6

## Promoting Human Rights Including Gender Equality



With a view to member banks' human rights education activities, the JBA has from the past been engaged in sponsoring lectures and formulating human rights maxims. These activities are seen to contribute to the attainment of Goal No. 5 of the SDGs "Gender Equality" and Goal No. 10 "Reduced Inequalities." In light of the importance of these goals, the JBA treats these gender equality and human rights-related efforts as one of its key initiatives, which will be promoted over the medium and long terms.

### ① Lectures on Human Rights and the Issues of Discrimination against Social Minorities Based on Descent

For the purposes of member banks' human rights education activities, since 1981 the JBA has sponsored lectures held twice annually by specialists on human rights and the issues of discrimination against social minorities based on descent, establishing opportunities for a keener awareness of human rights issues and for the provision of information on questions surrounding human rights. To date, 47 lectures have been held on topics such as the issues of discrimination against social minorities based on descent and human rights issues in industry and banking, as well as newly emerging issues including harassment, LGBT, and discrimination of persons with disabilities.

For the lecture held on September 26, 2019, the JBA invited the following four lecturers to talk about the overarching topic of "Respect for Diversity and Minorities" ahead of international events such as the Tokyo Olympic and Paralympic Games (2020) and the Osaka World Exposition (2025), based on the need to further promote efforts at creating a society where everyone can lead a life free of discrimination, including persons with disabilities and foreign nationals. Additionally, in order to strengthen empathy for persons with disabilities, guests had the opportunity to see and touch assistance dogs in action.

#### [Lecturers]

(1) Mr. Makoto Oogoda, Lawyer, Oogoda Law Office

"Dialogue is the Key to Opening a Symbiotic Society - Three Years since the Enactment of the Act for Eliminating Discrimination against Persons with Disabilities"

(2) Mr. Masamitsu Ichihashi, Director and Secretary General, Association for the Promotion of Large Print

"On Issues Experienced at Financial Institutions by the Elderly and Persons with Disabilities; Assistance for Reading and Writing"

(3) Ms. Yoshiko Park, Representative Director, Guide Dog & Service Dog & Hearing Dog Association of Japan

"Learning with Assistance Dogs: 'The Barrier-Free Mind'"

(4) Mr. Takeshi Shimotaya, Executive Director of the Global Alliance for Sustainable Supply Chain

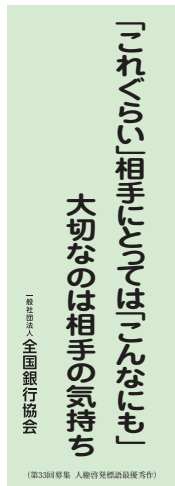
"Issues concerning Foreign Nationals' Human Rights and Corporate Responses"



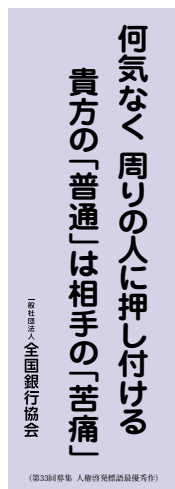
At the lecture



Hearing dog in action



Mizuho Financial Group, Inc.  
Ms. Kotomi Kogure



Sumitomo Mitsui Banking  
Corporation  
Ms. Azusa Matsumoto

## ② Human Rights Maxims Contest

In order to raise the human rights awareness of member banks' employees, since 1987 the JBA has been inviting member banks' employees to submit maxims relating to human rights. This year, the contest reached to 33 times with close to 10,000 submissions each year.

In FY2019, the 33rd round of solicitation for human rights maxims brought 98,301 proposals. Out of this number, 39 entries were selected for awards (two grand prizes, eight awards of excellence, and 29 high-quality awards).

## ③ Issuance of the "Human Rights News"

The "Human Rights News" has been published periodically since FY2018 to provide information on human rights on a regular basis and to support member banks' human rights education activities. In FY2019, the second and third issues were published in June and in February with the following content.

	Contents
Issue No. 2 (June issue)	<ul style="list-style-type: none"> <li>Winning entries and award ceremony of the 32nd round of human rights maxims contest</li> <li>Introduction of member banks' efforts (Resona Bank, "We Give To Consider" Human rights awareness training initiative – The importance of awakening by yourself)</li> <li>Human rights topics (Prof. Noriko Miyamoto (clinical psychologist, certified psychologist) "Communication with the Elderly - From the Perspective of Geriatric Psychology")</li> <li>Is this harassment? Q &amp; A</li> <li>Human rights-related laws and regulations</li> </ul>
Issue No. 3 (February issue)	<ul style="list-style-type: none"> <li>32nd Lecture on Human Rights and the Issues of Discrimination against Social Minorities Based on Descent</li> <li>Winning entries of the 33rd round of solicitation for human rights maxims</li> <li>Is this harassment? Q &amp; A</li> <li>Human rights-related laws and regulations</li> </ul>



Human Rights News

#### 4 Publication of Human Rights Training Booklet

For the proactive advancement of human rights training and information activities for new hires of member banks, the JBA has since 2003 each year revised and issued a publication entitled "For the Protection of Everyone's Human Rights" with an editorial supervision by Center for Human Rights Education and Training, as a material to be used for training. The booklet takes up a wide range of newly emerging topics and issues related to corporate activity and human rights.

The editorial content comprises articles such as "The significance of companies' engagement in human rights – The relationship between companies and human rights," "Human rights issues surrounding companies - Banking and human rights"(concerning human rights of foreign nationals, persons with disabilities, and the elderly, etc.), and "Human rights and respect for individuality at the workplace"(concerning harassment, discrimination against women, and LGBT issues, etc.).

In FY2019, the December 2019 edition was released with the following revisions, which take into account that the human rights movement has become more active internationally.

- Added description of the Principles for Responsible Banking<sup>\*1</sup> further to the newly adopted 4th edition of the Equator Principles<sup>\*2</sup>
- Added descriptions related to "Specified Skilled Worker" and policies related to "Efforts for Acceptance of Foreign Nationals and Harmonious Coexistence," based on the revision of the "Act for Partial Amendment of the Immigration Control and Refugee Recognition Act and the Act for Establishment of the Ministry of Justice." (April 2019)
- Added explanation on dealing with harassment based on the "Act for Partial Amendment of the Act on Promotion of Women's Participation and Advancement in the Workplace" (June 2019)
- Added explanation on the realization of a society of coexistence taking into account the enforcement of the "Universal Design 2020 Action Plan"
- Added explanation on financial education for the elderly, product development in accordance with customer needs, and prevention of fraud and abuse, as set out by the G20 in the "G20 Fukuoka Policy Priorities on Aging and Financial Inclusion"

<sup>\*1</sup>: Principles for Responsible Banking

Established in September 2019, advocated by the United Nations Environment Programme Finance Initiative (UNEP FI). The Principles form a business strategy consisting of six items, including matching the needs and social goals raised by the SDGs and the Paris Agreement.

<sup>\*2</sup>: The Equator Principles

Principles adopted by the financial institutions to assess and manage environmental and social impacts and risks in the financing of development projects.



Human rights education booklet

## 5 Questionnaire Surveys on Efforts to Accommodate Persons with Disabilities

In order to understand the status of member banks' universal services, the JBA has been conducting questionnaire surveys on full members every year since FY2004 regarding their efforts to accommodate persons with disabilities.

In FY2019, the JBA conducted a questionnaire survey on full members (118 banks) about the status of their efforts as of the end of March 2019.

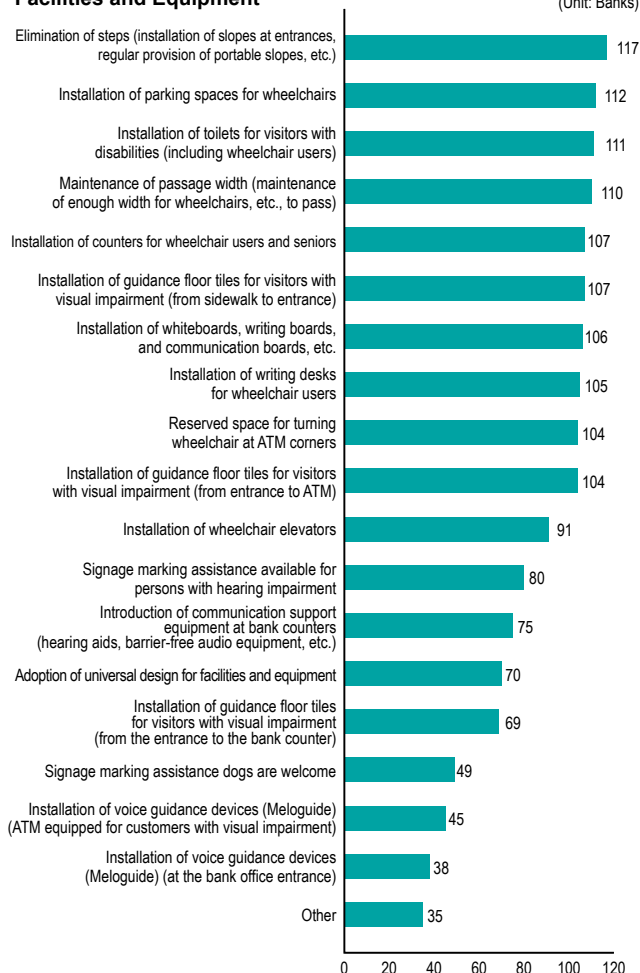
Since the survey started in FY2004, member banks' efforts have steadily progressed. For example, the number of installed ATMs equipped for customers with visual impairment has reached 93.5% of the total, reflecting an increase of 77.3 points compared with FY2004. In addition, the number of banking premises with ATMs equipped for customers with visual impairment has risen to 92.3% of the total, marking a gain of 29.5 points from FY2010.

The JBA will continue to conduct questionnaire surveys to support further efforts of member banks.

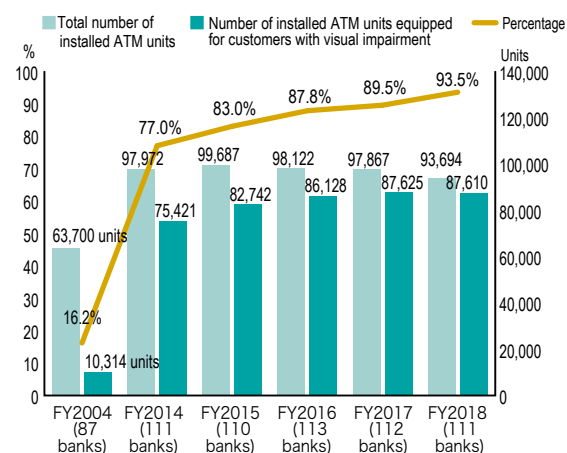
In other activities, on June 12, 2019, the JBA attended a discussion meeting between representative organizations of people with disabilities and financial institutions hosted by the FSA, with a presentation of case examples of member banks' efforts towards barrier-free banking facilities and a discussion surrounding requests from organizations of people with disabilities. After the discussion meeting, these requests were communicated to member banks. The JBA also participated in a working group on small-scale banking premises under the "Review Committee on the Revision of Building Design Standards to Facilitate the Mobility of the Elderly and Persons with Disabilities" established in January 2020 by the Ministry of Land, Infrastructure, Transport and Tourism, where the JBA gave a presentation of banking community's efforts.

### Status of Efforts Towards Barrier-Free Facilities and Equipment

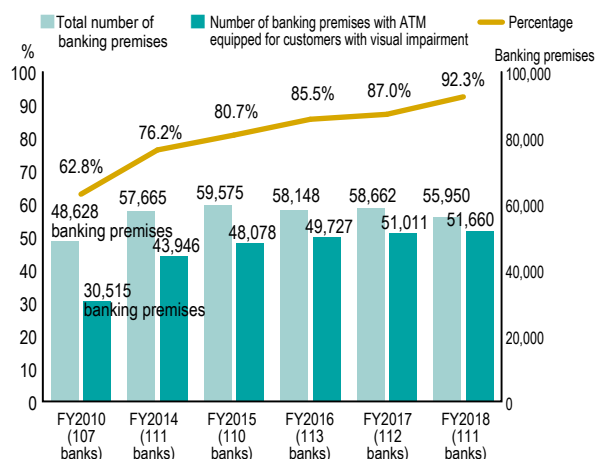
(As of the end of March 2019)  
(Unit: Banks)



### Number of ATM Equipped for Customers with Visual Impairment (Totals by Fiscal Year)



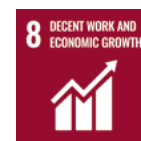
### Number of Banking Premises with ATM Equipped for Customers with Visual Impairment (Including Unmanned Premises)





## 7

## Implementing Activities for Regional Economic Revitalization and Local Invigoration



Efforts at local invigoration are considered to contribute to the achievement of Goal No. 8 of the SDGs “Decent Work and Economic Growth.” The JBA has designated local invigoration as one of its key initiatives with regard to the SDGs and will over the medium and long terms engage in measures to promote member banks' proactive efforts at regional revitalization.

Continuing from FY2018, as part of these endeavors, the JBA conducted also in FY2019 a questionnaire survey on case examples of member banks' efforts at local invigoration. The results were communicated to member banks and published on the JBA website.

Case examples of local invigoration by member banks are also presented in this report so that member banks can further promote these efforts.

The JBA website

“Efforts at local invigoration” <https://www.zenginkyo.or.jp/abstract/efforts/contribution/sousei/>

### Case examples by member banks (Results of the FY2019 questionnaire survey)

- Creating new stream of people moving toward rural areas  
MUFG Bank - Establishment and promotion of the “MUFG Regional Revitalization Fund” -  
Mizuho Bank - Sustainable local municipal revitalization and town development project led by financial institutions -
- Creating modern regions, protecting secure lifestyles, and promoting inter-regional collaboration  
Resona Bank - Workshop for studying the use of a vacant lot associated with the integration of Shiraki Elementary School -  
Saitama Resona Bank - Utilizing the Bank's functions and network to support public-private partnerships in Saitama Prefecture development projects and public facility development, etc. -
- Other  
Sumitomo Mitsui Banking - Initiative to promote SDGs in collaboration with Kanagawa Prefecture -, - Initiative to achieve SDGs in collaboration with Yokohama City -  
Sumitomo Mitsui Trust Bank - Initiative for a regional revitalization exhibition with Iwate Prefecture (tentative name) -

\* Case examples from regional banks and second regional banks are available on the following websites of the Regional Banks Association of Japan and The Second Association of Regional Banks.

The Regional Banks Association of Japan website

“Efforts at local invigoration” <https://www.chiginkyo.or.jp/>

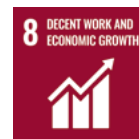
The Second Association of Regional Banks website

“Regional revitalization” [https://www.dainichiginkyo.or.jp/membership/region\\_activate.html](https://www.dainichiginkyo.or.jp/membership/region_activate.html)

Additionally, the JBA participates in the “SDGs Public and Private Sectors Partnership Platform for Local Invigoration” established in August 2018 by the Cabinet Office, Office for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan, and provides information to member banks received through this platform .

## 8

## Promoting Wider Access to Finance and Financial Services for the Elderly and Other Users



In light of the fact that more people live to a very high age, promoting wider access to finance and financial services for the elderly and other users is seen to contribute to the attainment of Goal No. 8 of the SDGs “Decent Work and Economic Growth,” which targets the expansion of financial services, etc.

In October 2018, the JBA identified “Wider access to finance and financial services for the elderly and other users” as one of its key initiatives in relation to the SDGs. The JBA will continue to promote and expand these activities as the importance of this goal will keep growing in the future.

### ① Establishment of Working Committee on Aged Society

Given the increasing importance also for the financial industry to accommodate Japan's aged society, a new “Working Committee on Aged Society” was established on October 15, 2019, under the JBA Planning Committee in order for the banking industry to advance deliberations on accommodating Japan's aged society in a unified and inclusive manner.

This working committee is mainly focusing on the examination of the customer service of banks in Japan's aged society.

### ② Implementation of Training Classes for Support Staff for Customers Suffering Dementia

With the aim of increasing the number of dementia supporters in the banking community, the JBA has been sponsoring dementia supporter training classes for member banks, etc., each year since FY2007 with the cooperation of the National Caravan-Mate Coordinating Committee. “Dementia supporters” refers to persons with a correct understanding of dementia and with empathy for dementia sufferers and their families.

At the “6th Liaison Conference of Ministries Engaged in Community Development to Accommodate the Needs of Dementia Sufferers and High-Age Seniors,” held in July 2017 under the overall strategy for the promotion of relief measures for dementia sufferers (so-called “New Orange Plan”), the target for the number of dementia supporters was revised up to 12 million to be reached by the end of FY2020. With this background, aided by the increased information available about dementia supporters, efforts to raise their number have proliferated across the financial industry, to the effect that dementia supporter training classes are sponsored not only by the JBA but also by individual member banks.

In FY2019, at the dementia supporter training class held on December 12, participants were able to deepen their understanding of dementia through lectures and group discussions about how to approach dementia sufferers visiting bank premises.



At a lecture

### ③ Lectures on Related Topics

A lecture on “Human rights and the issues of discrimination against social minorities based on descent” was held on September 26, 2019, over three years after the enactment of the “Act for Eliminating Discrimination against Persons with Disabilities” in April 2016. While progress is being made in banks' efforts at a more rational approach to persons with disabilities, current issues are also being pointed out. At the lecture, the JBA invited various lecturers including lawyer Makoto Oogoda of Oogoda Law Office presenting on “Respect for Diversity and Minorities” (see page 29).

## ④ Production and Distribution of Financial Literacy Teaching Materials for Seniors

In light of the fact that more people live to a very high age, the JBA has been implementing financial literacy measures for the elderly, with the aim of preventing damage from financial crime and grievances arising in connection with financial product sales, and in order to inform the elderly on appropriate asset management and investment.

In FY2019, the JBA created financial literacy teaching material targeting the elderly. This teaching material is designed to be easy to read for the elderly (certified by the UCDA; Universal Communication Design Association) and explains methods for managing and investing personal assets in anticipation of a 100-year lifespan.

In addition, continuing from FY2018, the JBA also distributed educational materials on the topics of financial crime prevention and an explanation of the types, characteristics and risks of financial products and services.

- Introduction to Financial Knowledge Series (An Introduction to Inheritance - A Guidebook)
- Financial Crime Safety Check
- For Your Peace of Mind - Information on Financial Products



## ⑤ Participation in the Financial System Council (Working Group on Financial Markets)

The Working Group on Financial Markets (the WG) was established in April 2016 in response to a request from the Minister for Finance regarding "Considerations on various issues of markets and exchanges."

From September 2018 to June 2019, discussions were held on private households' stable asset formation, including principles for financial services in Japan's aged society. Since October 2019, the discussions have focused on the principles of customer-oriented business management. With the JBA participating as an observer, at the 25th session of the WG held on October 23, 2018, the Chairman of the Planning Committee of the JBA Kotaro Hagiwara (at the time General Manager of Sumitomo Mitsui Banking) gave a presentation on the efforts of Sumitomo Mitsui Banking regarding customer-oriented business operations.

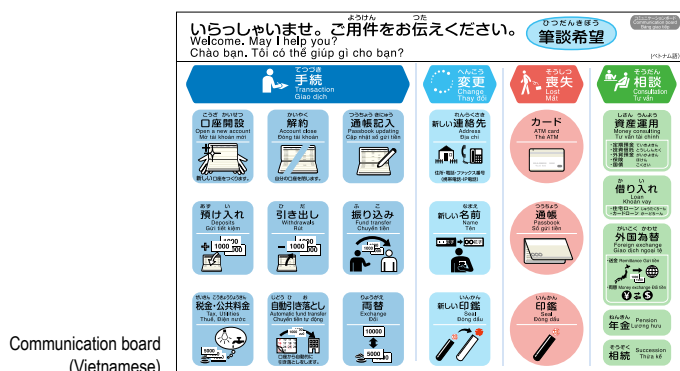
The JBA will continue to follow the discussions at the WG and provide member banks with information.

## ⑥ Efforts at a Multi-Lingualized Environment for Foreign Nationals

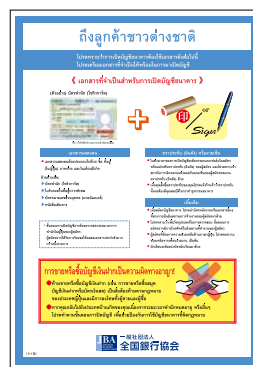
In line with the enforcement on April 1, 2019 of the "Act for Partial Amendment of the Immigration Control and Refugee Recognition Act and the Act for Establishment of the Ministry of Justice" (Revised Immigration Control Act), which expands the window of acceptance of foreign workers, the JBA implemented for the banking community in April 2019 the following measures in order to facilitate communication with the growing number of resident foreign customers at banking counters.

- To help foreign nationals with diverse backgrounds to open bank accounts without problems, the JBA created and provided to member banks leaflets in 14 languages (including Japanese)\* which explain the documents required for opening a bank account.
- To facilitate foreign customers to communicate with bank staff the transactions and procedures they wish to carry out, the JBA created and provided to member banks communication boards in 14 languages (including Japanese), which show typical transactions and procedures in pictogram.

\* The 14 languages comprise Japanese, English, Chinese, Korean, Portuguese, Spanish, Vietnamese, Thai, Khmer (Cambodia), Tagalog (The Philippines), Nepali, Mongolian, Indonesian, and Burmese (Myanmar).



Communication board  
(Vietnamese)



Flyer for procedures such as  
account opening (Thai)

# Efforts of Member Banks

## 1 Financial and Economic Education Initiatives



### Resona Group

(Resona Bank, Limited, Saitama Resona Bank, Limited, Kansai Mirai Bank, Limited, Minato Bank, Ltd.)



### Resona Group

## Resona Kids' Money Academy, Mirai Kids' Money Academy

### Summary of the Initiative

Resona Kids' Money Academy, which started in 2005, is a finance and economics class for children held by young employees as instructors, where children can enjoy learning about the flow of money, the role of money, and the importance of working.

Additionally, we cooperate with local companies and local governments to provide children with experiences that we cannot provide on our own.

The Kansai Mirai Financial Group (Kansai Mirai Bank/Minato Bank) too launched a similar program starting on a full scale in 2019, and hosts the Mirai Kids' Money Academy. In 2019, Resona and Mirai held 222 events nationwide, of which 65 were collaborative programs. Number of children participated in 2019 reached 3,988 and over 40,000 children finished the program over the course of 15 years since its inception.

### Background of this Initiative

This initiative started from an employee proposal at the return to profitability in fiscal year 2004 after the public fund injection in 2003. The proposal was, considering our situation as a banking group supported by the public, to communicate basic financial and economic knowledge to children in the region, thereby contributing to the society in return.

The first curriculum was created after multiple discussions among groups of employees from both headquarter and sales offices volunteering across the organization. To make sure that learning would be entertaining, employees devised original quizzes, games, and handcrafting, thus laying the foundation that continues today. Currently separate lesson curricula are in use for lower and higher grades, along with six types of game kits. By preparing manuals accommodating the programs' wide and varied contents, environments were created allowing for classes to be held in over 200 venues nationwide.

### Results of the Initiative

Today, 15 years later, awareness of the program has been spreading, and this year we received 5,708 applications, approximately 1.3 times the 4,419 seats available.

In a questionnaire survey, participating children returned positive feedback such as "I now understand the importance of money and the difficulty of managing it" and "I hope to make use of this experience in the future." Parents too applauded the effort with comments such as "Our child has learned the value of money," "It's hard to educate kids about money, so we are glad it happens in an entertaining way," and "Our kid has even started keeping an allowance notebook."

This initiative, prepared and delivered each year by young front-office employees between their job duties, is a representative example of the Resona Group's bottom-up approach, where each employee is inspired by a keen sense of reform and improvement, to be realized through individual awareness and effort.

### Issues and Objectives for the Future

In addition to the Kids' Money Academy targeting to elementary school students, we will also focus on our activities surrounding the Teens' Money Academy held for junior high school students which started in 2018.

In the future, we look forward to implementing programs made for each school grade, taking into account changes in the social environment.

### For further information

<https://www.resona-gr.co.jp/holdings/english/sustainability/sdgs/aging/index.html>





## 2 Environmental Initiatives



### Sumitomo Mitsui Banking Corporation



SUMITOMO MITSUI  
BANKING CORPORATION

## Climate Change Scenario Analysis in Response to TCFD Recommendations

### Summary of the Initiative

Sumitomo Mitsui Banking Corporation ("SMBC") conducted the climate change scenario analyses recommended in the TCFD recommendations and carried out risk quantifications. For the first time as a global financial institution located in Japan, SMBC has disclosed specific figures for the financial impact expected for the future.

### Background of this Initiative

SMBC's pioneering disclosure has two main purposes.

The first is to ensure transparency for investors. By enhancing non-financial information disclosure including climate-related data, SMBC intends to promote investors' appreciation of the Bank, which will lead to an increase in enterprise value over the medium to long term.

The second concerns providing knowledge to the banking industry. By sharing SMBC's approach to TCFD including scenario analysis, and by enriching the discussion surrounding the analysis and management of climate change risks in the entire banking industry, SMBC aims to enhance future risk management.

### Results of the Initiative

Among the disclosure items recommended by the TCFD recommendations, the most important is the "Climate change scenario analysis," which SMBC implemented with respect to "physical risks" (risks of natural disaster, etc., caused by climate change) and "transition risks" (risks arising from climate change policies and regulations and technological innovation, etc., associated with the transition to a low-carbon society).

Regarding physical risks, we identified flood disaster as a risk event and analyzed its impact using RCP scenarios (used for research by the Intergovernmental Panel on Climate Change (IPCC)). The result was an expected aggregate loss increase of around 30-40 billion yen toward 2050 based on trial calculations.

Regarding transition risks, using the International Energy Agency (IEA) scenario and analyzing the impact on the energy and power sectors resulting from changes in resource prices and power generation costs expected in the future, trial calculations put the estimated loss increase at around 2-10 billion yen each fiscal year until 2050.

When these results were disclosed, this effort of SMBC was highly praised by domestic and foreign investors as "a leading-edge undertaking by a Japanese corporation even in global comparison" and as "a desirable role model for Japanese corporations."

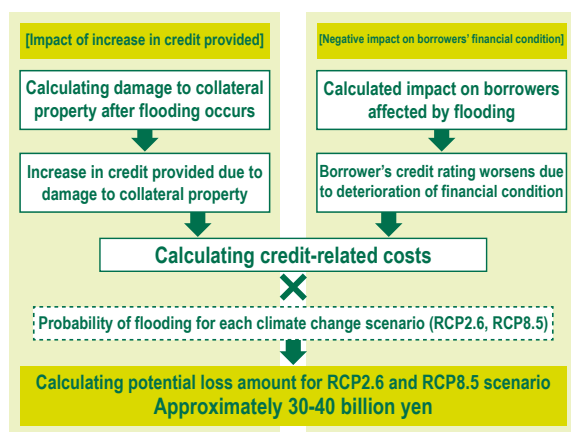
### Issues and Objectives for the Future

In the future, in order to practice disclosure even more in line with the TCFD recommendations, SMBC will expand the scope of scenario analyses, review processes of risk management and governance as needed, and promote further refinements taking into account the impact of climate change. In addition, through participation in the TCFD Consortium launched in May 2019, SMBC will aim to enhance its disclosure of climate-related information while sharing methodologies regarding TCFD initiatives among companies.

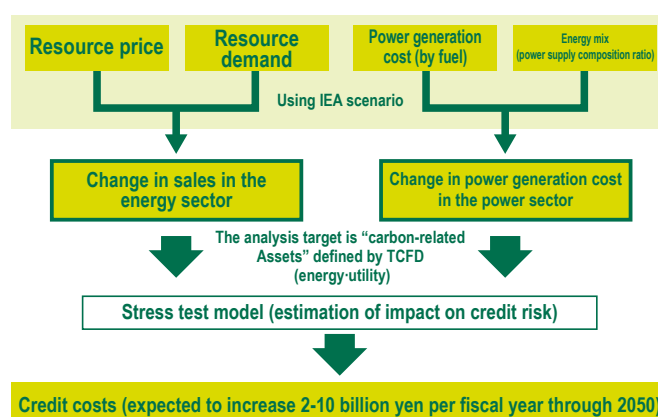
### For further information

<https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/>

### Process of Analyzing Physical Risks



### Process of Analyzing Transition Risks





# The Chugoku Bank, Ltd.



THE CHUGOKU BANK, LTD.

## Initiatives for Regional Revitalization – Financing for Small Hydroelectric Power Generation

### Summary of the Initiative

In April 2019, The Chugoku Bank decided to finance a small hydroelectric power generation project ("Project") planned by Nishiawakura Village\*. For this Project, with local Nishiawakura Village municipality as the main sponsor, The Awakura Hydropower Co., Ltd. (SPC) was established. In order to utilize the abundant water resources of the Yoshino River that runs through the village, a new private-sector small-scale hydroelectric power generation project was launched in the upstream area of a pre-existing small-scale hydropower station. The loan for this project was the first such initiative of The Chugoku Bank. The Chugoku Bank will continue to support initiatives to promote regional revitalization.

This Project uses dividend income as its source of revenue, which is allocated to regional revitalization projects and contributes to resolving regional issues. The Chugoku Bank has been very much in favor of extending its support, and in cooperation with the Green Finance Organisation\*, which participates in this Project, and based on project reviews, decided to provide the loan.

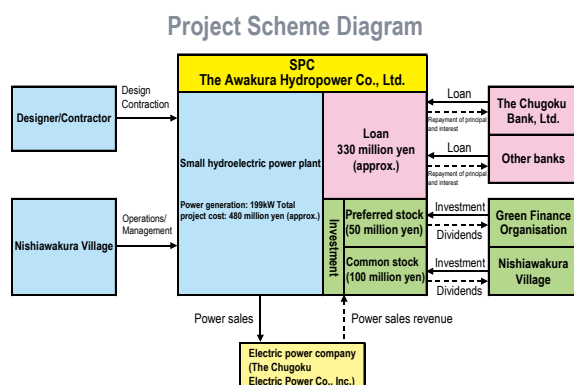
\* Green Finance Organisation was established in May 2013 with the aim of promoting financing for guiding a low-carbon society, biodiversity preservation, and a recycling-based society, thereby contributing to the formation of a sustainable society. The agency has been selected as the corporation designated to establish the fund for the "Regional Low-Carbon Investment Promotion Fund Project" managed by the Ministry of the Environment, and operates a nationwide investment business (Green Fund) for low-carbon projects.

### Results of the Initiative

This Project is scheduled to start operating in May 2020. While its effectiveness has yet to be verified, The Chugoku Bank has been engaged in PR activities to discover similar projects contributing to regional revitalization.

### Issues and Objectives for the Future

The Chugoku Bank will continue through its main business to support initiatives that contribute to regional revitalization.



\* The Project site is a local village called "Nishiawakura", located at the northeastern tip of Okayama Prefecture with a declining and aging population of about 1,500. Nishiawakura Village has been selected by the government as one of the "Eco-Model Cities" leading in the realization of a regional model that maximizes the use of local resources while achieving both a low-carbon footprint and sustainable development, of which this Project constitutes a part. According to calculations, more than 40% of the total power consumption of Nishiawakura Village can be covered by the realization of this project together with the existing village hydropower plant.

### Background of this Initiative

Focusing on the utilization and conservation of the forest resources which occupy 93% of the village area, Nishiawakura Village is proactively working to ensure local sustainability for regional revitalization projects such as forestry regeneration and fostering local venture businesses by I-turners, i. e., people moving from the city to rural communities. In this setting, Chugoku Bank was consulted in connection with the financing for this Project.



\* The photo above shows the first small hydroelectric power plant in Nishiawakura Village. The Project financed by The Chugoku Bank is the initiative for the second plant scheduled to start operating upon completion around May 2020.

### For further information

<https://www.chugin.co.jp/news/328.html?y=2019&c=201>



## Sumitomo Mitsui Trust Bank, Limited



### Signing of the Principles for Responsible Banking and Positive Impact Finance

#### Summary of the Initiative

In September 2019, the Bank became a signatory of the Principles for Responsible Banking (hereinafter "PRB") advocated by the United Nations Environment Programme Finance Initiative (UNEP FI). PRB calls for the financing decision-making of financial institutions to focus on the impacts on the environment, society, and economy — the three dimensions of SDGs — and to increase the positive impacts and reduce the negative impacts. The Bank started to provide impact focused, positive impact finance\* already before the launch of PRB. In March 2019, the bank executed the world's first Positive Impact Finance (with unspecified use of the funds) loan agreement.

\* Positive Impact Finance refers to financing with the objective of providing continuous support to the corporate activities based on the comprehensive analysis and evaluation of the impacts (both positive and negative) of corporate activities on the environment, society, and economy. Positive Impact Finance is implemented based on procedures in accordance with UNEP FI's Principles for Positive Impact Finance and the Guidelines. The most distinctive feature is that the extent to which a company contributes to the achievement of the SDGs is specifically and clearly disclosed using evaluation indicators.



PRINCIPLES FOR  
RESPONSIBLE  
BANKING

#### Background of this Initiative

The first and foremost policy stated in the Sustainability Basic Philosophy of Sumitomo Mitsui Trust Holdings, Inc. is to enhance the Group's enterprise value by developing and selling products and services that contribute to solving environmental and social issues.

We believe creating common value with stakeholders means that our customers maximize the positive impact on the environment, society, and economy by utilizing the functions of trust banks. We will continue to focus on both direct and indirect impacts that our operations have on society.

Through Positive Impact Finance, we will continue supporting

our customers' business activities that contribute to the achievement of the SDGs, steadily aiming to contribute to the enhancement of our customers' medium- and long-term enterprise value.

#### Results of the Initiative

We have started to incorporate into our decision-making process the concept of "impact assessment", which evaluates how much the activities, products, and services of companies and businesses specifically impact the achievement of the goals of the SDGs and the Paris Agreement. This enables measuring the direct effects that a borrower has with respect to environmental and social considerations and the indirect effects of our financial support.

#### Issues and Objectives for the Future

Aiming to accumulate knowledge on measuring the impact of bank lending on the environment, society, and economy, the Bank participates in the working group of UNEP FI Impact Assessment and engages in research with advanced financial institutions and third-party assessment organizations in other countries.

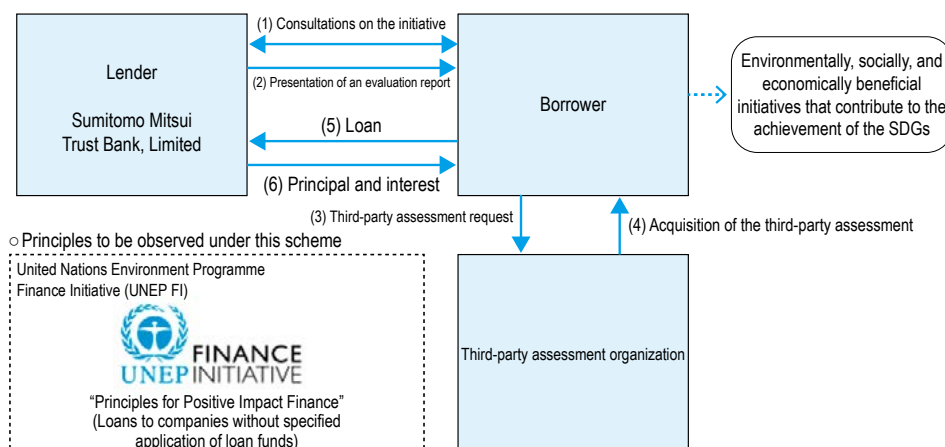
The challenge is how to disclose those "impact assessments" in disclosures such as integrated reports, and how to appeal to stakeholders in an easy-to-understand manner, from the perspectives of both enterprise value and social value enhancement.

Just as the evolving Principles for Responsible Investment incorporate ESG elements into investment decisions, we aim to spread and increase financing that incorporates contributions to the SDGs into the decision-making.

#### For further information

<https://www.smth.jp/en/news/2019/E190925.pdf>  
<https://www.smth.jp/en/news/2019/E190328.pdf>

#### Scheme Outline



### 3 Diversity Promotion Initiatives



# The Chiba Bank, Ltd.



## Initiative for Promoting Diversity

### Summary of the Initiative

Diversity promotion is positioned as an important management strategy and a top-down approach is being taken to advance its implementation.

Chiba Bank has set itself a goal of increasing the percentage of women in management positions to 20% and the percentage of women in leader positions to 30% or more respectively by fiscal year 2020.

Female executive officers were appointed for the first time in June 2017 (two female executive officers are incumbent as of the end of January 2020).

### Background of this Initiative

To respond to the changing needs of customers and to ensure the availability of leaders in diversified operations such as the sale of investment-type financial products, Chiba Bank is strongly promoting the development and deployment of human resources with various capabilities.

### Results of the Initiative

As of July 2019, the ratio of women in management positions was 15.1%, and the ratio of women in leader positions was 30.7%, with the latter attaining its target ahead of the deadline.

The increase in female directors and management positions has strengthened the presence of women in decision-making. At the same time, women play an active role in a growing number of fields, such as in public relations and planning role at the headquarters. This has noticeably fostered an organizational culture enabling the pursuit of careers regardless of gender.

To support balancing work and childcare, three in-house nursery facilities have been set up in the prefecture (two of which are company-led nursery facilities).

In addition, marks of recognition awarded by external organizations, such as the "Eruboshi (awarded to a company that encourages women at work)" and "Platinum Kurumin

(awarded to a company that is supportive of employees' child-raising)" designations, etc., are helping to increase enterprise value and employee motivation. In March 2020, we became the first financial institution to be awarded as the winner of the Diversity Selection 100 Prime in FY 2019 selected by the Ministry of Economy, Trade and Industry.

In addition, efforts are being made to create an environment where people of all ages can demonstrate their abilities to maximum extent and engage in active roles. Moreover, in order to further expand the opportunities for older employees to remain active, a system has been introduced to allow employees to work up to age 70.

Furthermore, regarding the employment of persons with disabilities, group company Chibagin Heartful Co., Ltd. became the first wholly owned subsidiary of a regional bank to be certified as a "Special Subsidiary Company" under the "Act on Employment Promotion etc. of Persons with Disabilities." Chibagin Heartful has also been certified by Chiba Prefecture as a Chiba Prefecture Disabled Persons Employer of Excellence called "Friendly office with a lot of smiles."

### Issues and Objectives for the Future

We at Chiba Bank are pleased to have achieved the first two stages of our program, namely, enhancement of HR system and continued employment of persons with limitation in working conditions. Going forward, in an environment of great change amid advancing digitalization and market entries from non-financial industries, we will further promote initiatives that focus on raising awareness and improving the working environment in order to attain the final stage of our program which is "active work participation for all."

### For further information

<https://www.chibabank.co.jp/company/info/diversity/>



Poster of "Diversity Declaration of Conduct"



In-house nursery facility Himawari Nursery School



## 4 Initiatives Regarding People with Disabilities



# MUFG Bank, Ltd.

**MUFG**  
Mitsubishi UFJ Financial Group

## Initiative for Sign Language Interpreting Service at the Bank Counter

### Summary of the Initiative

MUFG Bank has been working to introduce universal design for both equipment and operations. This includes customer service (hospitality) with consideration of customers' special needs and safe and secure premises (facilities) which all customers can use with peace of mind.

In January 2019, in order to accommodate customers with hearing and speech disabilities, MUFG Bank introduced a "Sign Language Interpretation Service" at all branches as a service enabling customers with hearing and speech disabilities to interact with bank staff at the counter in sign language using a tablet connected with a sign language operator or in writing.

### Background of this Initiative

MUFG Bank used to be without a service counter window for inquiries from customers with hearing and speech disabilities, which we sought to resolve in order that such customers can use the Bank more conveniently and comfortably. Occasioned by the Act for Eliminating Discrimination Against People with Disabilities that came into force in April 2016, specifically the provision calling for reasonable accommodation, MUFG Bank started planning for introducing a sign language interpreter relay service, and in November 2017 conducted trial operations at a call center.

As a next step, in January 2019 MUFG Bank introduced for bank customers with hearing and speech disabilities a sign language interpreter app installed on tablet devices available at all branches.

### Results of the Initiative

Traditionally, customers with hearing and speech disabilities had to rely on communication in writing or use the communication board at the Bank's counter, which took considerable amounts of time. With the introduction of this new service, real-time communication through a sign language interpreter has become possible for customers, who have enthusiastically welcomed the shortened processing time.

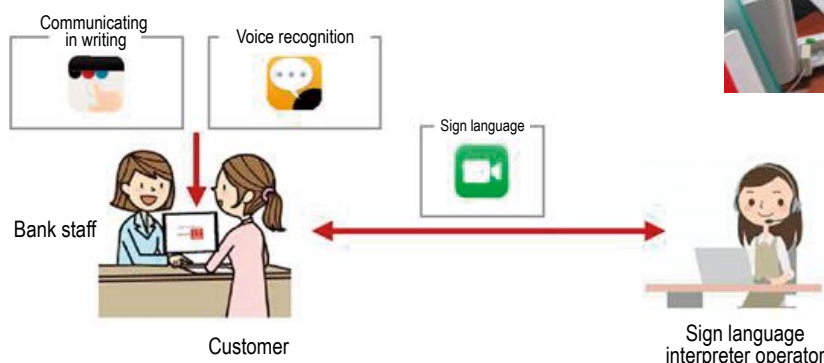
Communication in writing used to set limits to the exchange of complicated information in consultations for investment products and mortgage loans other than general banking services. Sign language, however, enabled smooth communication and provision of easily understandable information on products and services.

Best of all, we at MUFG Bank are happy to see customers leave with a smile on their face showing their gratitude after having completed their transactions.

### Issues and Objectives for the Future

Going forward, MUFG Bank will work to expand its varied range of services for all customers to use with yet greater convenience and confidence, and will continue with its activities to improve staff members' communication skills and knowledge.

### Scheme diagram



The sign language interpreter service in actual use at a bank counter





# Seven Bank, Ltd.



## Initiative for Enhancing Recognition of ATM Voice Guidance Service for People with Visual Disabilities

### Summary of the Initiative

Seven Bank provides a voice guidance service on ATM that enables people with visual disabilities to operate with peace of mind by simply pressing buttons while listening to the voice guidance.

Currently more than 25,000 Seven Bank ATMs nationwide including those at 7-Eleven stores are equipped for transactions (withdrawals, deposits, and balance inquiries) supported by the voice guidance services of about 540 affiliated financial institutions (as of the end of November 2019).

We are taking various measures to make this service widely known and encourage its use.

In November 2019, a voice guidance service trial session was held at the Japan Braille Library Open Office\*. The goal was to remove the hurdle to ATM usage by providing people with visual disabilities with the experience of interacting with ATMs while listening to the voice guidance.

In addition, every year from December of that year to January of the following year, in cooperation with a radio program called "Radio Charity Musichon," Seven Bank conducts the "Learn! Spread! ATM Voice Guidance Service Campaign" to inform listeners about this voice guidance service and to promote the use of it. Seven Bank makes donations to the "Radio Charity Musichon" campaign to raise fund for people with visual disabilities, in accordance with the number of voice guidance service usages. The donations are allocated to purchases of audible traffic signals.

\* A public event for people with visual disabilities held at the Japan Braille Library

### Background of this Initiative

Seven Bank started voice guidance-supported ATM operations in 2007 amid high expectations from people with visual disabilities since the initiation of this ATM project, and increasing demand from the society such as receiving specific requests from advocacy organizations for people with visual disabilities. This function was developed through repeated evaluations of monitors by people with visual disabilities.

Vital points in the development of this function are:

- (1) Unassisted use (ATMs can be operated with no assistance even by someone using it for the first time.)
- (2) Security (To prevent tampering, inputs via touch screen and keypad are disabled while a voice guidance supported transaction is underway.)
- (3) Privacy (The screen display gives no indication to bystanders that a transaction is being carried out by a person with visual disabilities. Amounts of deposits, withdrawals, and balances are not displayed on-screen.)

- (4) Functions unique to Seven Bank, which operates the ATM business (Standardized operating procedures, voice support for bank names and banking fees)

### Results of the Initiative

The voice guidance service trial session attracted 70 groups as participants. Some said they use ATMs regularly, previously with the help of others, but now unassisted. For others, it was the first time they had interacted with an ATM, and many had not been aware that this kind of service existed. We recognized the need for creating yet greater awareness if voice-guidance supported ATMs are to become a fixture in the daily life of the visually disabled.

To date, the "Learn! Spread! ATM Voice Guidance Service Campaign" has been held ten times. Thanks to our ongoing efforts, the number of voice guidance service users has been growing at a gentle pace (104.4 percent compared to the previous year).

### Issues and Objectives for the Future

Aiming to become "Creation of a society where everyone can be active", one of Seven Bank's Materiality, we will work to cooperate with related venues to make the service more widely known and continue striving to provide universal-design services.

### For further information

<https://www.sevenbank.co.jp/english/csr/materiality/03.html>



At an ATM Voice Guidance Trial Session



ATM Voice Guidance Information Flyer

## 5 Senior Citizens Support Initiatives



## Mizuho Financial Group, Inc.

MIZUHO

## Expansion of Services that Respond to a Society with a Declining Birthrate and Aging Population

## Summary of the Initiative

Amid a declining birthrate and aging population, Mizuho is providing customers with goals-based consulting regarding assets, offering appropriate advice from the perspective of customers. Familiar with customers' joys and concerns, Mizuho proposes to be a life-design partner in the age of the centenarian, sharing in customers' life design through queries about future life perspectives and goals.

## Background of this Initiative

The combination of a declining birthrate and aging population is the biggest challenge facing Japan. At present, the number of elderly people aged 100 years or older exceeds 70,000, while the number of elderly people with dementia is increasing year by year, estimated to reach about 7 million (about 20% of the population aged 65 and over) by 2025.

Against this background, there are growing needs for long-term asset formation, for receiving and using accumulated assets safely, appropriately, and systematically consistent with long retirement lives, and for arrangements ensuring financial inclusion for the elderly to obtain ongoing services.

In addition, future concerns of the elderly are not limited to financial needs, but extend also to widely ranging non-financial needs related to health and daily living. We believe that this is a field where Mizuho can demonstrate its strengths in meeting customers' needs, face-to-face through personal dialogue. We are actively engaged in meeting customers' various concerns through face-to-face exchanges.

## Results of the Initiative

The "Multifunctional Safety Trust" has been well received since the product's inception because it combines non-financial services such as nursing care and eldercare homes with financial services such as asset management. It can be used in accordance with the individual life stage.

In September 2019, Mizuho inceptioned the "Dementia Support Trust" in order to provide a mechanism enabling continued access to services and support also in case a customer becomes a dementia patient.

Mizuho Trust & Banking has been highly rated for these efforts and has been ranked number one in the overall customer satisfaction in Nikkei Financial Institutions Ranking for two consecutive years in 2018 and 2019.

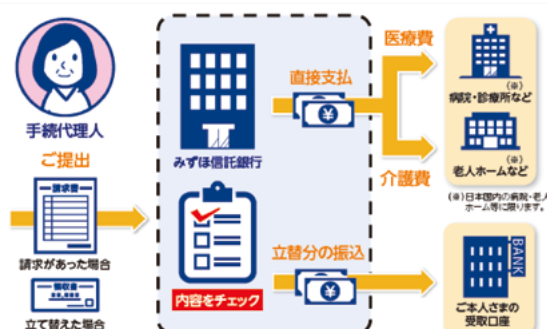
## Issues and Objectives for the Future

Going forward, predicated on the trust Mizuho enjoys as a financial institution, we will further expand our services including non-financial aspects across the Group with offerings tailored to the needs of our customers.

## For further information

<https://www.mizuho-fg.co.jp/csr/business/structure/aging/index.html>

## Multifunctional Safety Trust

Dementia Support Trust  
Payment verification service mechanism



# The Bank of Kyoto, Ltd. Bank of Kyoto

## Regional Approach to Super-Aged Society

### Summary of the Initiative

In order to achieve community development so the elderly can live with their peace of mind undisturbed, the Bank of Kyoto has been working with Kyoto Prefecture and local companies to reduce through monitoring activities the isolation and anxiety of the elderly. In addition, the Bank of Kyoto has been holding discussions combining specialized knowledge in areas such as medical care, welfare, and legal matters, aiming to formulate a declaration of cross-industry collaboration to design dementia patient-friendly services and to use it as a guideline.

### Background of this Initiative

It is estimated that by 2025 one in five elderly people develop dementia. Particularly problematic is money management in everyday life if cognitive function declines. As a financial institution based in the local community, it has become an important mission for us to support daily life of residents, such as money management, as well as to cooperate with local governments in watching out for unusual changes in residents' actions to avoid social isolation.

### Results of the Initiative

#### (1) Training for dealing with dementia patients

Almost all employees of the Bank of Kyoto take dementia supporter training courses. In addition, specialists (doctors, social workers, etc.) are invited to hold practical courses on "how to deal with people with dementia," among other efforts at gaining a better understanding of dementia. Equipped with this knowledge, our employees practice day-to-day customer service tailored to customers' needs.

#### (2) Cooperation with the regional comprehensive support centers

Since 2016, the Bank of Kyoto has been strengthening the cooperation with regional comprehensive support centers, facilities set up by local governments to provide social welfare services, through steps such as study sessions at all bank branches. For example, as actually happened, when an elderly dementia patient was unable to find the way home after visiting a Bank of Kyoto branch, we contacted the nearest regional comprehensive support center after obtaining the customer consent, then we could support the patient to be safely passed into the care of their family. As a regional financial institution, we are committed to playing an active role in creating a community where elderly community members can live with peace of mind.

#### (3) Participation in the Cross-Industry Cooperation Council

The Bank of Kyoto participates in the Cross-Industry Cooperation Council composed of Kyoto Prefecture and local companies, etc., and discusses dementia-related issues while exchanging information with other companies. At present, companies providing services frequently used by the elderly and dementia patients are cooperating across multi-industry to develop "dementia-friendly" products and services.

### Issues and Objectives for the Future

In order to realize a society where the dignity of individuals is respected regardless of dementia and where dementia patients can continue to live with peace of mind, we will go on developing products and services to enable uninterrupted support at all levels from full health to dementia, and work with the local community for the provision of financial services for all customers to use with confidence.



Seminars on "how to deal with people with dementia"



Cross-Industry Cooperation Council



## 6 Initiatives to Reduce Poverty



# The Aomori Bank, Ltd. Aomori Bank

Initiative to address the issue of child poverty  
using the donation option of an SDGs private placement bond and crowdfunding

### Summary of the Initiative

Aomori Bank donated toward the operating expenses of “Kodomo-Shokudo” (cafeterias for needy children) using the donation option of an SDGs private placement bond “Creation of the Future.”

Additionally, utilizing the crowdfunding platform CAMPFIRE, Aomori Bank also supported the establishment of an “Inclusive Cafe” combined with a counseling center for young people who have left foster homes.

### Background of this Initiative

In Aomori Prefecture, more than 30% of households with children have difficulty financing living expenses. In families living in poverty, parents and children alike have little ambition to enter higher education, and their health status and self-esteem are low according to research results. Perpetuating poverty across the generations of a household affects human dignity and causes loss to the local economy.

In order to respond to the local community’s call to help solve the problem of child poverty, we determined to act as a financial intermediary which banks are equipped with.

### Results of the Initiative

In Aomori Prefecture, Kodomo-Shokudo cafeterias are not widespread nor the efforts to support young people after leaving foster homes.

Although ours support is modest, Aomori Bank’s local communication capabilities has contributed to media coverage by newspapers and others, which we believe could lead to generate sympathy and understandings for Kodomo-Shokudo cafeterias and Inclusive Cafe.

### Issues and Objectives for the Future

One of the difficulties in solving child poverty is the weak link between welfare and education institutions and the business community.

As a regional financial institution based in Aomori Prefecture, we believe it is important to cooperate with a range of various organizations, including administrative agencies. We would like to serve as a go-between in the effort at realizing a world where no one is left behind.



Inclusive Cafe



Volunteers at the Kodomo-Shokudo cafeteria



Kodomo-Shokudo cafeteria Meeting Place



# Citibank, N.A., Tokyo Branch



## Life Skills and Money Management for Young Parents

### Summary of the Initiative

Citigroup has been holding the program in Okinawa Prefecture since 2016 to break the chain of poverty across generations. To this end, under the title of “Life Skills and Money Management for Young Parents” for single-parent households and young parents struggling to make ends meet, Citigroup provides sessions to acquire information, knowledge, and skills necessary for coping with issues such as improving household finances. The aim is not only to stabilize daily food expenses, etc., but also to help families secure fund for education by improving their household finances. This program is co-hosted by Citi Foundation, Citigroup's charitable foundation, and Okinawa Single Parents and Children's Welfare Association.

The distinctive feature of this program is that in order to accommodate the various needs of young parents, it offers series of sessions, such as continuous night-time sessions for small groups, lectures by well-known instructors, and individual consultations, etc. On each occasion, a free childcare service is provided to encourage participation. Participants learn not only how to keep a household account book, but also various entertaining ways of going about it, ensuring practice and continuity. In addition, during long holidays family workshops targeting both parents and children are offered to learn about household income and expenditure through job and shopping role plays. In addition to raising awareness and improving the management of household finances, these sessions attempt to give children a broader and more objective perspective on money and work in order to help break the poverty chain across generations.

### Background of this Initiative

Under the slogan “Beyond Philanthropy,” Citi Foundation has made it its mission to promote economic development in low-income communities and help improve the living standards of the people who live there. In Okinawa Prefecture, not only is the annual income of individuals significantly lower than the national average, but also the general birthrate, the teenage birthrate, and the rate of single-parent households are the highest in Japan, while the high school enrollment rate is the lowest in the country. Behind this situation is the fact that parents' education levels and financial difficulties tend to get passed down to generations. The program aims to help single-parent families and young parents, who are often financially challenged, to improve household income and expenditures and to build their asset including fund for education.

### Results of the Initiative

These sessions, which started in 2016 with the provision of a few lectures per year, have been held more than 20 times in 2019. There were some sessions where around 100 people participated, and more than 90% of them said they expected their household finances to improve. Follow-up studies also showed improvements in the household finances of single-parent families.

### Issues and Objectives for the Future

The program has been well received by local families with children, and the number of participants with steady attendance have increased. We will continue to work to provide useful program by exploring new approach and contents.



At a seminar







# The Tokyo Star Bank, Limited TOKYO STAR BANK

## Initiative for Resolving Child Poverty – Tokyo Star Child and Youth Support Program –

### Summary of the Initiative

In fiscal year 2019, under the name of “Tokyo Star Child and Youth Support Program,” Tokyo Star Bank launched three measures to help solve the problem of child poverty.

#### (1) Scholarships for children from foster homes, etc. (Tokyo Star Bank Scholarship)

This scholarship program supports seven children from foster homes, etc., with 500,000 yen per year per child, which can continue up to four years for a total of 2 million yen. In order to provide support psychologically as well as financially, a mentor system has been set up for regular interviews, with volunteering bank employees watching over the children as mentors.

#### (2) Job support for single mothers

For single mothers – one-half or more are said to be living in poverty – we provide career improvement courses, such as business manners and PC courses. The Tokyo Star Bank plans to offer recruitment opportunities after the end of a program and support through direct employment.

#### (3) Support for Kodomo-Shokudo cafeterias

Tokyo Star Bank made donations of up to 500,000 yen to 13 Kodomo-Shokudo cafeterias operated by 11 associations. In addition to contributing to operating expenses, employees from nearby branches of Tokyo Star Bank participate on a volunteer basis in operating the cafeterias.

### Background of this Initiative

Since around 2014, Tokyo Star Bank has been working to solve social problems such as poverty and abuse to help children who are living in difficult situations. Interaction with cooperating NPOs made us realize the importance of addressing the issue of child poverty, and as the interest of employees at Tokyo Star Bank grew, we decided to implement the “Tokyo Star Child and Youth Support Program” in 2019.

### Results of the Initiative

By raising interest in the issue of child poverty, and by providing opportunities for employees to participate as volunteers in all three activities of the Program, Tokyo Star Bank is creating an opportunity to contribute to society. Additionally, media coverage also helped raise awareness in society overall about the importance of corporate engagement in solving the issue of child poverty.

### Issues and Objectives for the Future

For realizing the SDGs slogan “No One Left Behind,” the scope of support that a single company can provide is limited, making combined efforts of multiple companies all the more important. Conceivably, there are designs, processes, and documentations of the Tokyo Star Bank’s measures that can be shared. We are looking forward to hearing from companies that are interested.

#### For further information

<http://www.tokyostarbank.co.jp/profile/about/csr/development/project.html>



Scholarship application guidelines



Job support for single mothers

## 7 Regional Structural Initiatives



### San ju San Financial Group, Inc. (The Mie Bank, Ltd., The Daisan Bank, Ltd.)



## Initiative for Regional Revitalization through “ONSEN & Gastronomy Walking”

### Summary of the Initiative

“ONSEN & Gastronomy Walking” is a new type of tourism where travelers can experience local landscape, nature, and other attractions while enjoying food and drink along a walking course around a hot spring area and feeling refreshed soaking in a spa.

ONSEN & Gastronomy Walking events have been hosted in locations all over Japan since 2017 by the ONSEN & Gastronomy Tourism Association (Secretariat: ANA Strategic Research Institute Co., Ltd.). The aim of these events is to achieve regional revitalization centered on hot spring resorts by increasing the locations' visibility and promoting the local cuisine.

### Background of this Initiative

The Mie Bank and the Daisan Bank are promoting initiatives that contribute to regional revitalization. Centered especially on Mie Prefecture, the local business area of both banks, we focus our efforts on tourism by revitalizing the region by finding and utilizing local resources. We thought that a new channel was indispensable in order to achieve through this initiative further advancement beyond regional borders, which led us to conclude, on November 29, 2017, Japan's first-ever cooperative agreement of financial institutions with five parties as signatories; agreement among Mie Bank, Daisan Bank, San ju San Institute of Research (at the time of agreement conclusion: Miegin Institute of Research), ONSEN & Gastronomy Tourism Association, and ANA Strategic Research Institute. Since then, the Group has introduced the contents and effects of the ONSEN & Gastronomy Walking events to local governments and has, in cooperation with those local governments wishing to host an event, engaged in event planning such as the selection of the walking courses and the local culinary specialties to be offered.

### Results of the Initiative

As of the end of February 2020, the following two events were held in Mie Prefecture.

- (1) September 24, 2018: ONSEN & Gastronomy Walking event in the Yunoyama Onsen area (Komono-cho, Mie-gun) with 311 participants
- (2) November 23, 2019: The 2nd ONSEN & Gastronomy Walking event in the Yunoyama Onsen area (Komono-cho, Mie-gun) with 386 participants

The results of questionnaire surveys among event participants showed that event satisfaction was 95% and intention to participate in the next event was 94%, indicating that participants were very satisfied. For events (1) and (2) combined, 9% of participants used hotel accommodation.

### Issues and Objectives for the Future

Future challenges will be to further strengthen the cooperation among the five parties by expanding event plans with hotel accommodation, redeveloping local resources, and enhancing promotional features for attracting foreign tourists, and to enlarge the economic ripple effects for the region.

### ONSEN & Gastronomy Tourism Association

<https://onsen-gastronomy.com/en>



Event course map



Scenic view of the day



# The Tottori Bank, Ltd.



## Initiative to Support the Commercialization of Gibier from Tottori Prefecture

### Summary of the Initiative

In order to promote initiatives for the branding of gibier (wild meat) produced in Tottori Prefecture, Tottori Bank, utilizing its network as a regional financial institution, has established a cooperative system with MUFG Bank, Tottori Prefecture, Wakasa-cho, Yazu-cho, local hunting associations, industry groups, wholesalers, and restaurants.

The working group examined issues and solutions related to the capture, meat processing, and sale and distribution of deer and wild boar, with particular emphasis on improving processing facilities to produce sanitary and safe meat for human consumption. Furthermore, the working group supported the "Wakasa 29 Kobo" processing facility in Wakasa-cho in acquiring the Tottori Prefecture HACCP\* certification, supported the establishment of a new processing facility, and the development of a sales channel for "Tottori Gibier" through business matching and business meetings.

\* HACCP refers to hygiene methods that aim to ensure product safety based on food business operators' own awareness of hazards such as food poisoning bacteria contamination and foreign matter contamination, by managing particularly important processes for eliminating or reducing those hazards throughout the entire process from the receipt of raw materials to the shipment of products.

### Background of this Initiative

As one of the collaborative projects based on the "Comprehensive Cooperation Agreement on Regional Revitalization," Tottori Bank and MUFG Bank have established the objective of new business creation by utilizing the wildlife responsible for crop damage for the production of gibier. As a result of a survey conducted on the use of gibier in Tottori Prefecture, identified issues concern hunter education and training, ensuring the safety of processed meat, and expanding sales channels to urban areas.

Addressing these issues and establishing the Tottori Prefecture gibier brand for safe and delicious meat are seen to connect to the creation of new industries that utilize local resources.

### Results of the Initiative

In 2016, the processing facility "Wakasa 29 Kobo" acquired the Tottori Prefecture HACCP certification. In addition, in 2019, "Wakasa 29 Kobo" acquired the "Domestic Gibier Certification" of the Ministry of Agriculture, Forestry and Fisheries, making it one of eight certified domestic gibier facilities nationwide (as of October 2019). The deer meat produced at the facility was selected as a theme ingredient in the international French cuisine contest called "Bocuse d'Or 2019 Japan Championship" and has been highly rated for its quality.

As a KPI for this initiative, an increased target of 1,600 was set for the annual number of deer processed in Tottori Prefecture for fiscal year 2018, with the final number of 2,300 actually exceeding this target by a wide margin.

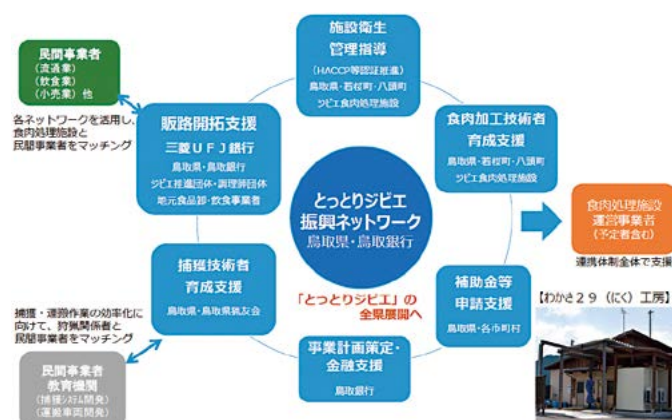
In addition, thanks to staff training at "Wakasa 29 Kobo," a new meat processing facility opened, contributing to an increase in the number of meat processing businesses.

### Issues and Objectives for the Future

This initiative started in 2016 and is now in its third year. Gibier from Tottori Prefecture is currently being sold to more than 100 stores, mainly in urban areas. In addition, gibier consumption has been spreading in the prefecture through sales at local supermarkets and usage in school lunch menus, etc.

Going forward, Tottori Bank will continue to work with the public and private sectors to address the challenges posed by expanding local consumption of local production and developing sales channels in urban areas.

Since wildlife damage to crops is a common issue in various regions in Japan, Tottori Bank intends to develop this initiative into a successful example of gibier industrialization and expand it into other regions.



Overview of efforts at the Tottori Gibier working group





## 8 Initiatives for the Internal Diffusion of SDGs



# The Awa Bank, Ltd.



## Participation of All Awa Bank Employees in Ethical Consumption Activities

### Summary of the Initiative

Awa Bank is implementing various initiatives to develop the local economy and realize a sustainable local community as measures under the Bank's "Awagin SDGs Initiative Policy." "Participation of All Awa Bank Employees in Ethical Consumption Activities" is one of them.

- (1) Practice of local production for local consumption  
⇒ Employees make conscious efforts to proactively purchase locally produced food for family use.
- (2) Use your own shopping bag  
⇒ Reusable shopping bags are distributed to all corporate officers and employees. All make conscious efforts to avoid using one-use plastic bags wherever possible.
- (3) Participation in the toothbrush collection program  
⇒ Employees participate in the "Used Toothbrush Collection Program" for recycling used toothbrushes (organized by Lion Corporation and Terracycle Japan). Collection boxes have been set up at headquarters and all branches so that local residents, not just the Bank's employees, can also participate, with the aim of promoting a recycling-oriented society.

### Background of this Initiative

(1) Practice of local production for local consumption  
Although Japan has a rich cuisine, there are also problematic aspects such as changes in food culture, low food self-sufficiency, and high food mileage. Food mileage refers to the quantification of the amount of fuel and carbon dioxide emission required for transportation, based on the distance and weight of foodstuffs being transported from the place of production to the table. Japan, which relies on imports, has a high food mileage with a large burden on the environment. By practicing local production for local consumption, consumers tend to feel secured and closer to producers as they can see their faces and more attached to local products. Practicing local production also supports local industries, which increases producers' motivation to produce and can help prevent the decline of local farmers.

#### (2) Use your own shopping bag

The movement to reduce plastic waste, including one-use bags, is spreading around the world. Plastic garbage is degraded and broken down by ultraviolet rays, etc., turning into "microplastic" that has negative effects on the marine ecosystem. It is our responsibility to "re-use."

#### (3) Participation in the used toothbrush collection program

By recycling used toothbrushes, which to date have been routinely discarded, we aim to realize a recycling-oriented society. The collected toothbrushes can be transformed into new products, such as flowerpots. Also, with the points earned commensurate with the weight of the collected toothbrushes,

one can donate the points to a charity of their choice.



### Results of the Initiative

Keeping good habits with daily life is a first step toward achieving the SDGs. Suggesting specific examples of actions to achieve results steadily took hold among employees, as result we have implemented a toothbrush collection program that involves the whole community and have also received requests for SDGs seminars, etc.



### Issues and Objectives for the Future

In order to achieve SDGs, continuous action is at most essential. Awa Bank aims to be an ethical leading company that creates a prosperous future for its hometown and customers by further strengthening its efforts through the cooperation between employees, local residents, industry, academia, and government.

#### For further information

<http://www.awabank.co.jp/kojin/sdgs/>



# Global Trends and the Banking Community's Actions Surrounding SDGs in 2019

The Japan Research Institute, Limited  
Counselor

Eiichiro Adachi



Eiichiro Adachi  
Graduated Hitotsubashi University, Faculty of Economics in 1986. Joined the Japan Research Institute in 1990. Appointed counselor after positions in the Corporate Strategy Research Department and the Technology Research Department. Engaged in industrial surveys and corporate evaluations mainly from the perspective of corporate social responsibility. Deputy Chairman of the national committee for ISO TC322.



## SDG Achievements under Threat

On September 24, 2019, the "SDG Summit" was held at the United Nations Headquarters in New York, USA. In the light of the lack of progress towards achieving its goals during four years after the adoption of "the 2030 Agenda for Sustainable Development," UN Secretary-General António Guterres strongly urged member states to keep their promises and called on all parts of society to mobilize to implement the 2030 Agenda, emphasizing "We must step up our efforts. Now is the time for bold leadership, both individual and collective."

On July 9, 2019, two months before the SDG Summit, SDG Progress Report 2019 was published. The report points out that, climate change and widening inequality both internationally and domestically, can undermine the progress of the sustainable development agenda, and they could even reverse the advancements that have improved people's lives over the past decade.

It should be noted that progress has been made in some areas, such as reduction of extreme poverty, propagation of immunization, lower child mortality, and increased access to electricity. On the other hand, the delay in moving forward is particularly noticeable with regard to environmental goals such as measures concerning climate change and biodiversity. We have to face the unprecedented threats to biodiversity and the urgency of keeping the global temperature rise below 1.5°C compared with before the Industrial Revolution. Specifically, the natural environment is deteriorating at an unprecedented rate, sea levels are rising, ocean acidification is accelerating, the last four years since 2015 have been the warmest years on record, one million species of animals and plants are facing extinction, and land degradation is being neglected too.

The impact of environmental destruction is also affecting people's daily lives. The rise and intensification of extreme weather and natural disasters as well as the disruption of ecosystems have deteriorated food security, compromised people's safety and health, and forced many people into poverty, evacuation, and increased inequality.

## Issues Remaining for Japan to Address

In Japan, national, local, and corporate leaders wearing the SDG label pin with 17 colors have become an increasingly common sight. According to the SDGs awareness survey conducted by a major newspaper targeting about 3,000 people living in Tokyo and Kanagawa, the percentage of those who answered "Yes" to the question "Have you heard the word SDGs?" has been steadily rising, marking 27 % in the latest survey (5th in August 2019) starting from 12% (1st time in July 2017), 12% (2nd in February 2018), 14% (3rd in July 2018), and 19% (4th in February 2019). In the latest fifth survey, by age group "15- to 29-year-olds" and by professional group "Management positions" showed high percentages of 31% and 44%, respectively.

However, it is important to note that growing recognition of SDGs and advances in efforts at achieving SDGs are two



different things.

Each year, the Sustainable Development Solutions Network scores SDG achievements by country based on statistics from international organizations and government and non-governmental organizations, and publishes their rankings. In the 2019 report, Japan was ranked 15th in the world, the same as in 2018. However, Japan was found to have fully attained only two of the 17 “goals,” namely “Goal 4: Quality Education” and “Goal 9: Industry, Innovation and Infrastructure.” Four goals with considerable issues left to be addressed are “Goal 5: Gender Equality,” “Goal 12: Responsible Consumption and Production,” “Goal 13: Climate Action,” and “Goal 17: Partnerships to achieve the Goal.” A clear gender wage gap continues to exist also in Japan, and although in recent years Japanese companies have been publicizing positive actions to promote equality in the workplace, reality is trailing behind. Regarding climate change countermeasures, the results reflect the low reduction level of carbon dioxide (CO<sub>2</sub>) emissions and the low proportion of renewable energy as issues to be addressed. In addition, one item that has lost ground compared with the previous year is “Goal 10: Reduced Inequality,” which clearly reflects the fact that inequality in Japan has been further widening.

From Japan, Prime Minister Abe attended the “SDG Summit” held at the United Nations on September 24, 2019. He declared that “By December we will revise the implementation guiding principles, which are Japan’s medium- to long-term strategies for promoting the SDGs, and present the evolved Japanese SDGs model,” professing to the strengthening of initiatives by Japan’s government.

### Climate Change as a Financial Risk

2019 was also a year in which the occurrence of extreme weather and natural disasters increased in number and intensity in Japan. From May to September, the number of cases for heatstroke patients taken by ambulance reached 71,317, of which 126 lost their lives. On November 25, the Ministry of Agriculture, Forestry and Fisheries announced that Typhoon No. 19 in October and subsequent heavy rains and other damages related to agriculture, forestry, and fisheries exceeded 300 billion yen. When combined with Typhoon No. 15 in September, the damage amount is even larger. In the non-life insurance industry, the amount of insurance paid for Typhoon No. 21 mainly in the Kansai region in 2018 exceeded 1 trillion yen for the first time, and it is regarded as certain that the total amount of insurance paid for natural disasters such as typhoons in fiscal year 2019 will exceed 1 trillion yen for the three major non-life insurance companies alone.

On November 28, Bank of Japan Governor Kuroda mentioned, for the first time, the risk from climate change as an example of a new issue concerning financial stability in a lecture in Tokyo. He noted that “there has been an increase in Japan in recent years in severe natural disasters, such as typhoons. It may not be easy to establish a causal relationship, but some

have pointed to global warming as a cause of the increase in catastrophic natural disasters. While it is human lives that are ultimately at stake, the impact of such disasters may also lead to a decrease in asset value and collateral value, and the associated risk may come to be a significant challenge for financial institutions.”

On the same day, the Bank of Japan announced that it had become a member of the Network for Greening the Financial System (NGFS). NGFS was founded in December 2017 as a network of central banks and financial supervisory authorities to share and discuss members’ experiences in connection with addressing climate change risk. First establishing member countries comprise Germany, Mexico, the United Kingdom, France, the Netherlands, Sweden, Singapore, and China, with Japan’s Financial Services Agency joining as a participant in June 2018. Within its organization it installed (1) the Financial Supervisors and Microprudential Subcommittee (It establishes a prudential supervision system for individual financial institutions and monitors their disclosure of environmental and climate information. It also investigates the impact of the difference between green assets and brown assets (coal-fired thermal power plants, etc.) held by financial institutions.); (2) the Macrofinancial Subcommittee (It evaluates and analyzes the extent to which physical and transition risks associated with climate change will impact financial systems and the macro economy.); and (3) the Green Finance Scale-up Subcommittee (It considers how monetary authorities handle ESG criteria in an integrated manner in supervisory administration functions and the role, etc., of authorities in supporting green finance).

On April 17, 2019, the NGFS published its first comprehensive report (A call for action Climate change as a source of financial risk). The report mentioned a shared perception that there is “a strong risk that climate-related financial risks are not fully reflected in asset valuations,” stressing the need for coordinated action as financial supervisory authorities. In addition, in order to understand climate change risks to the financial system, the report called for quantitative analysis of climate risk based on the climate change scenario analysis recommended in the Task Force on Climate-related Financial Disclosures (TCFD). Furthermore, the report calls on policymakers to work with appropriate stakeholders and experts for the development of a taxonomy (meaning business classifications defining economic activities that contribute to sustainability) in order to increase the transparency of economic activities that will contribute to a green and low-carbon economy.

In addition, while calling to integrate climate change risks into financial institutions’ prudential supervision, and calling for consideration of “enhancing market discipline through the promotion of information disclosure,” for financial institutions having assets with high CO<sub>2</sub> emissions or failing to meet the expectations of the authorities, the report broaches “banks’ consideration of the capital amount necessary for their business and the authorities’ verification of such considerations” as well as “minimum capital requirement regulations.”

Another area that has shown steady progress in 2019 was the European Commission (EC) and regulation concerning "Sustainable Finance" based on the "Action Plan: Financing Sustainable Growth" (March 2018) adopted by the EC. The EU Taxonomy final report, published by the Technical Expert Group in June, 2019, has laid open taxonomy proposals for 67 economic activities in seven fields. Taxonomy regulation is two-layered, consisting of the "Regulation on the establishment of a framework to facilitate sustainable investment" as a regulation that outlines the legal status of the taxonomy itself, and multiple "Delegated Acts" stipulating taxonomy contents for individual areas such as "Climate change mitigation" and "Climate change adaptation." For the former, an agreement was reached between the European Council and the European Parliament on December 17, 2019. For the latter no draft has been announced yet (as of December 18, 2019). However, a new EC headed by President von der Leyen issued a communication document entitled "The European Green Deal" on December 11, 2019, calling for stronger comprehensive environmental policies. According to the document, the European strategy for sustainable finance will be renewed in the third quarter of 2020. It will be necessary to keep an eye on developments in Europe as the starting point of the global financial tide.

### Japan's Moves in Response to TCFD Recommendations

Returning to the scene in Japan, as requested by the G20 finance ministers and central bank governors, in response to a proposal by the TCFD established in June 2017 by the Financial Stability Board (FSB), a "TCFD Consortium" was launched in May 2019 to hold discussions concerning effective information disclosure by companies and usage of such disclosure by financial institutions, etc., for appropriate investment decision making. Additionally, on October 8, the Ministry of Economy, Trade and Industry held the "TCFD Summit," a gathering of leaders from the world's businesses and financial institutions at the forefront of efforts regarding TCFD recommendations. As of December 2, worldwide there were 909 organizations that supported the TCFD, of which 207 were Japanese, placing Japan at the top in the number of supporting institutions. Concerning information disclosure in response to TCFD recommendations, typical of Japan are opinions such as the following: "In order for funds to flow to companies that are proactive in responding to climate change, rather than withdrawing funds from industries with high risk of climate change (divestment), engagement is important to increase enterprise value and to let the results flow back to investment returns", and "With regard to investment and finance related to climate change, traditionally the focus has been on addressing climate change risks, but in order to supply risk money to breakthrough innovation, it is important to focus on the positive side such as evaluation for business opportunities."

On the other hand, in April 2019, a case example emerged where a Japanese bank had conducted a climate change scenario analysis targeting physical risks and evaluated and

published the effects up to 2050. The bank assumed water damage from floods or other calamities to constitute the main cause of natural disasters caused by climate change. Identifying risk events as flood disaster events and using the RCP2.6 scenario (2°C scenario) and the RCP8.5 scenario (4°C scenario), which are the basis of research of the Intergovernmental Panel on Climate Change (IPCC), the bank calculated that the estimated increase in credit-related costs would total an 30-40 billion yen in the aggregate by 2050, taking into an account the impact on collateral, on borrower's financial condition, and the probability of flooding. Estimations of this kind are leading-edge initiatives to be held in high regard.

### Initiatives of the Financial Services Agency (FSA) of Japan

According to the "Financial Services Policy: Assessments and Strategic Priorities 2019" released on August 28, 2019, "SDGs aim to increase public welfare through the sustainable growth of companies and the economy and through stable asset, which is also in line with the financial administration's objectives. For SDGs to be realized in a manner connecting to medium- and long-term investment returns and increases in enterprise value, the FSA will promote the SDGs in cooperation with relevant ministries and private companies, and proactively work for the advancement of SDGs in accordance with the basic direction indicated in 'Financial Administration and SDGs' published last December, where progress is being seen in various areas. On a global scale, Japan has the highest number of companies that support TCFD and the use of TCFD is spreading. Going forward, by contributing to discussions at the TCFD Consortium, the FSA will support companies that voluntarily seek to enhance disclosure in line with TCFD recommendations. Moreover, from the perspective of building a financial system that is resilient to climate-related risks, concerning issues related to climate-related risk management, the FSA will through the dialogue with relevant ministries and financial institutions deepen public and private awareness, accumulate and share best practices, and contribute to international discussions on principles of financial supervision and monitoring."

Meanwhile, on December 11, 2019, at a meeting of "the Council of Experts on the Stewardship Code" installed at the FSA, the Council released proposed amendments of "the Principles for Responsible Institutional Investors (Stewardship Code)". The Code includes the declarations such as "In accordance with investment strategies, constructive 'purposeful dialogue' (engagement) should be promoted based on consideration of medium- and long-term sustainability including ESG factors" and "In accordance with investment strategies, it should be made clear whether sustainability issues should be considered and, if so, in what way." If applied starting in March 2020, it will be the first revision in about three years since May 2017. Although the Code is not enforceable, these developments in direct finance should have some impact also on the behavior of financial institutions in indirect finance.

## Overview of Perceptions in the Japanese Banking Community

In the "SDGs/ESG Questionnaire Survey" posed by the Japanese Bankers Association to its member banks in 2019, among total respondents (118 banks), 80% said they are involved in SDGs/ESG related initiatives. This is a significant increase from the 45% in last year's survey, reflecting a change in the perception of the Japanese banking community over the past year.

However, when asked about specific activities, only 21 banks (23%) answered that they were practicing "Integration into management (descriptions of business plans in terms of SDGs)." As a personal opinion, it appears that in many cases, the Japanese banking community still focuses on linking its existing businesses and CSR initiatives ex-post to the 17 goals of the SDGs. Specifically with regard to climate change, few cases are found where new initiatives arise in mainstream banking business such as new product development or new business processes, making most cases come from conventional social contribution activities. In this regard, issues remain that need to be overcome.

## Suggestions from the Principles for Responsible Banking and Conclusion

Following the precursors, the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI), the Principles for Responsible Banking (PRB) were launched on September 22, 2019, with the support of 132 signatories. The PRB is a guidance document whose purpose is for banks to clarify their responsibilities as financial intermediaries. These responsibilities consist of banks making substantial contributions also to the environment, society, and economy as they create value, in recognition that the lasting development of the banking community depends heavily on the long-term prosperity of a sustainable society as shown in targets such as the Paris Agreement and the SDGs.

Specifically, the PRB are composed of the following six items.

Principle 1: Alignment – We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Principle 2: Impact and target setting – We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Principle 3: Clients and customers – We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Principle 4: Stakeholders – We will proactively and responsibly consult, engage and partner with relevant stakeholders to

achieve society's goals.

Principle 5: Governance and culture – We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Principle 6: Transparency and accountability – We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

The breakdown of the 132 signatories provides interesting insights. By total assets, entities between US \$10 billion and US \$50 billion make up the largest number of signatories, showing signatories are by no means all globally active major banks. It is also worth noting that at the same time many drafting members of the Principles are banks based in emerging and developing countries such as Brazil, Ecuador, Mexico, Egypt, Nigeria, Kenya, South Africa, China, India, Turkey, Malaysia, Thailand and Mongolia.

Many banks in the world are shifting their management emphasis to sustainability, in order to differentiate themselves from other banks, to gain the trust and support of customers, and to enhance their banking brand. In Japan, a majority opinion prevails which holds that for corporate and individual customers sustainability aspect plays no part in selecting a bank, but no one can say with certainty that in the global trend Japan's exceptionalism can continue forever.

