

# JBA SDGs REPORT 2020-2021



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

Looking back at 2020, the COVID-19 pandemic had an unprecedented and hugely transformative impact across the globe. The economic activities of households and companies were restricted considerably as countries around the world adopted strict public health measures to contain the spread of the virus.

The Japanese Bankers Association (the JBA) has placed tackling COVID-19 at the top of its agenda. The JBA has composed guidelines and encouraged banks to take measures to prevent the spread of COVID-19 at their branches while to continue providing the financial services that are indispensable to people's lives, and also has worked on to deliver COVID-19 aid payments including special cash payments swiftly and accurately and to provide financial support to customers who are facing financial difficulties.

The world, including Japan, are still facing tough times from the COVID-19 outbreak. To overcome this, the banking industry will continue to provide solid support for our customers, business partners and society through our financial services.

At the same time, recognizing the significance of initiatives to shape the future of the Japanese economy even in times of such crisis, the JBA has regarded fiscal 2020 as "a year in which to engage in innovation and contribute to sustainable growth and solving social issues," and conducted related activities throughout the year.

These activities and results, etc., have been compiled as the "JBA SDGs Report 2020-2021."

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.

The COVID-19 and unusual climate triggered further interests to a global level and societal issue, i.e. the issue of climate change, which includes advocacy of green recovery and Japan's declaration of carbon neutrality. Thus, banks would further contribute and act as a responsible fund supplier.

In the rapid changes happening in global circumstances and business environment, e.g. COVID-19, digital transformation (DX), and carbon neutral, in order to achieve the advancement of a sustainable society and the enhancement of enterprise value, 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.

2030, SDGs goal year, is just around the corner, less than 10 years from now.

The JBA intends to adequately capture the needs of society, and 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 2021

**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 December 2020 by the decision to adopt the "SDGs Action Plan 2021," 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 a 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.

### \* 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.

## 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 (Plan/Do/Check/Action) 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).

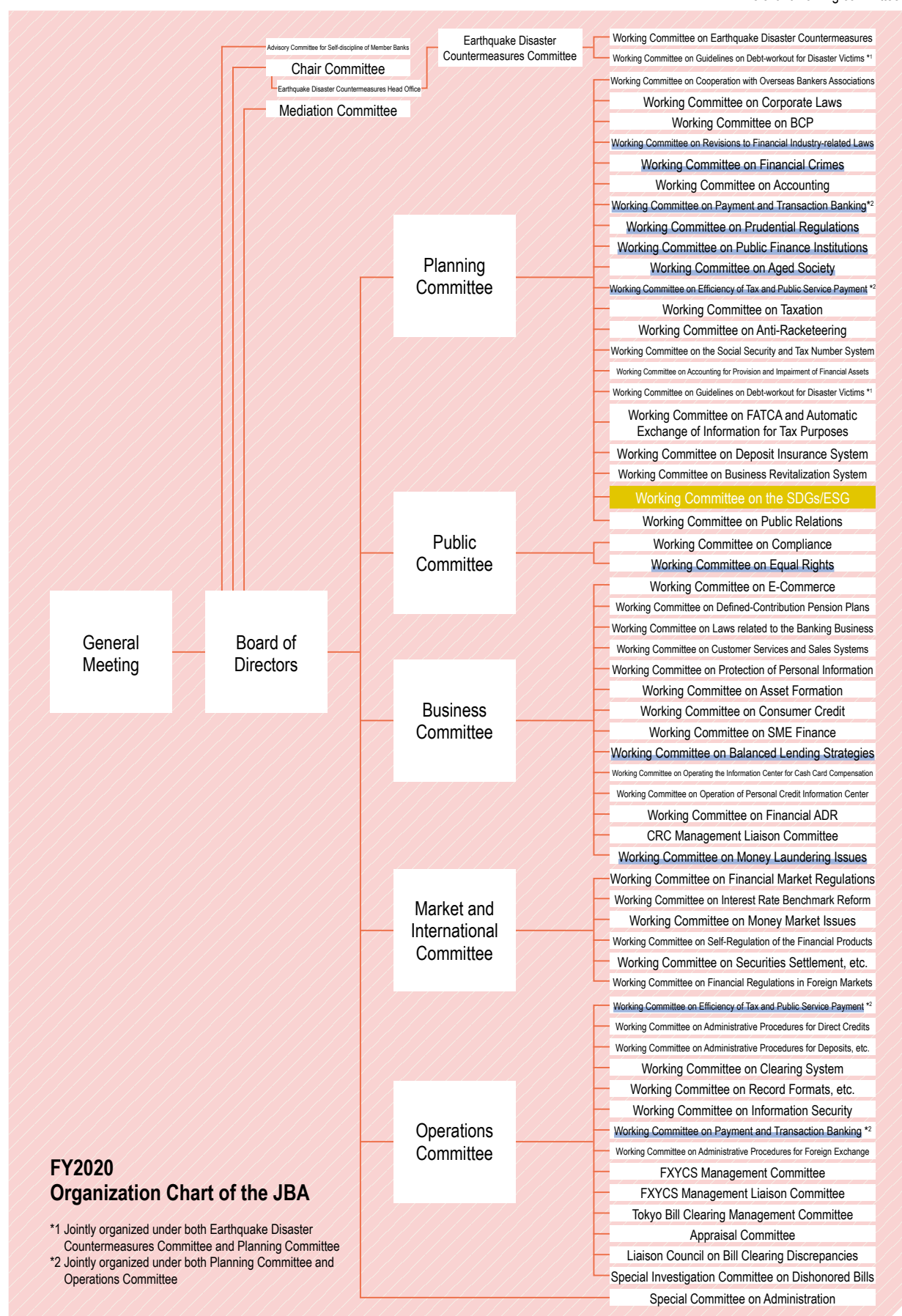
The FY2020 promotion framework is shown on page 7.

## 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 FY2020 are shown on pages 8 and 9.




## The JBA's FY 2020 SDGs Promotion Framework

\* Underlining indicates the relevant working committees



## Key Initiatives for FY2020

Issues (main items)	Issues (sub-items)	FY2020 specific initiatives
<b>1. Assessing the progress of SDGs/ESG initiatives implemented by member banks and implementing initiatives to raise awareness (Common to all Goals)</b> Responsible body: Working Committee on SDGs/ESG, Working Committee on Prudential Regulations	(1) Ascertain and assess JBA's initiatives  (2) Review and research on investment and lending policy formulation  (3) Respond to domestic and international discussions on SDGs/ESG	<ul style="list-style-type: none"> <li>Assess, share and publicize the progress of member banks' initiatives by conducting surveys on SDGs/ESG considerations.</li> <li>Prepare and publish the JBA SDGs Report 2020-2021.</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> <li>Follow-up, and express views on, overseas discussions regarding sustainable finance and provide relevant information to member banks.</li> <li>Follow-up, and express views on, domestic discussions regarding ESG finance, etc. and provide relevant information to member banks.</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, share 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 with the aim of promoting stable asset formation (conduct mass advertisement).</li> <li>Continue with the implementation of lecturer dispatch on a nationwide basis.</li> <li>Provide training sessions and educational materials to member banks to expand member banks' initiatives, consider initiatives that may contribute to solving child poverty.</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 and implementation of initiatives for improving convenience of bank transfers  (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 promote the use of financial EDI.</li> <li>Discuss ideas and concepts for a next-generation Zengin System.</li> <li>Implement initiatives for improving convenience of bank transfers.</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, review the progress of implementing measures for promoting digitization, and prepare and publicize a report on the progress of digitization of bills and checks functions.</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 decarbonized society (Goals 7, 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>Conduct research, express opinions and provide information to member banks in light of developments related to TCFD recommendations, etc. undertaken by the Japanese and overseas financial sectors.</li> <li>Continue to conduct, and share the results of, follow-up surveys on the banking sector's environmental initiatives in order to evaluate the progress of member banks' achievement towards the goals thereof, such as 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, paper recycling rate, long-term global warming countermeasures, goals for plastic waste reduction and conservation of biodiversity).</li> <li>Continue holding contests on eco-wall newspapers.</li> </ul>

Issues (main items)	Issues (sub-items)	FY2020 specific initiatives
 <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 relating to FATF	<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 special scams.</li> <li>Consider actions to respond to the result of 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 banks' measures to be taken for new customer due diligence.</li> </ul>
  <b>6. Promoting human rights including gender equality (Goals 5 and 10)</b> Responsible body: Working Committee on Equal Rights, 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>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 Aged Society, Working Committee on SDGs/ESG, Working Committee on Revisions to Financial Industry-related Laws	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>Continue to provide 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>Conduct research on and share the result of the banking sector's initiatives taken in light of the result of discussions on the future of financial services in the aging society made by relevant ministries and agencies, and provide information to member banks.</li> <li>Continue conducting, and publish the results of, surveys on initiatives relating to people with disabilities, etc.</li> <li>Follow-up, express opinions on, and disseminate to member banks discussions on barrier-free initiatives by relevant ministries and agencies.</li> </ul>

# Status of Activities of the JBA in FY 2020

In FY2020, 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 FY2020.

1

## Assessing the Progress of SDGs/ESG Initiatives Implemented by Member Banks and Implementing Initiatives to Raise Awareness



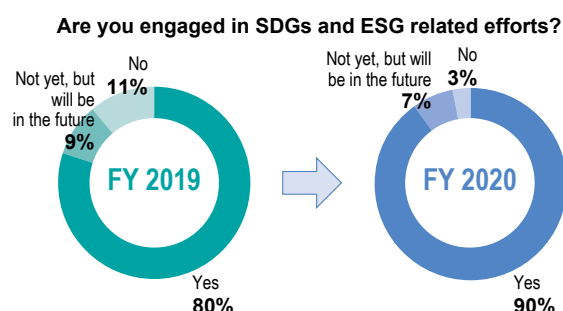
As a common approach of the banking community in order to achieve the 17 SDGs and aiming to promote awareness and appreciation on the part of member banks, the JBA monitors the status of member banks' efforts, conducts various surveys on SDGs, sponsors lectures, and introduces case examples of member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

### ① Surveys on SDGs and ESG

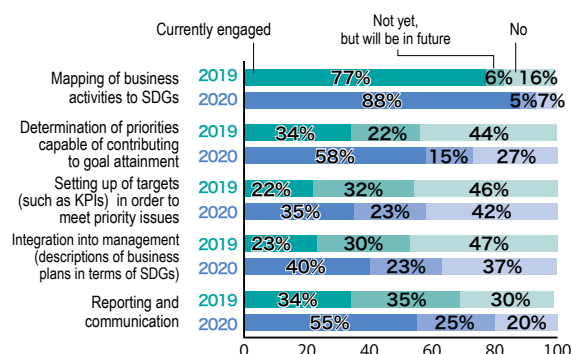
In order to understand the status of member banks' efforts and aiming to further promote their efforts, among its member banks the JBA conducts surveys of individual banks' efforts regarding SDGs and ESG and feedbacks the aggregated results. The FY2020 survey (as of end June 2020) drew responses from 117 banks. The ratio of member banks engaged in efforts relating to SDGs and ESG increased significantly to 90% (from 80% in FY2019). The JBA will continue to conduct questionnaire surveys to further support the efforts of member banks.

#### FY2020 Questionnaire Survey Results (Summary)\*As of June 2020

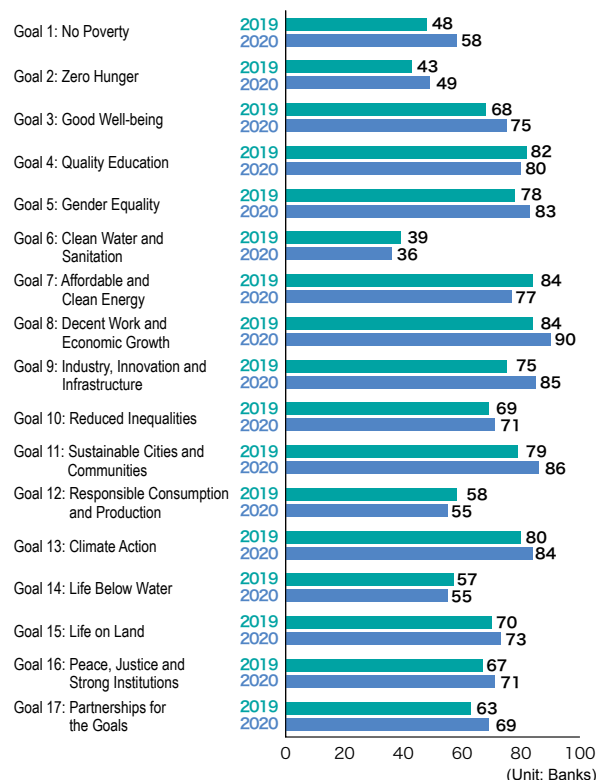
- Out of the 117 banks that responded, 105 (90%) were engaged in SDGs and ESG related efforts, and 8 (7%) said they had plans to do so.



- 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 publishes an English version of the “JBA SDGs Report.”

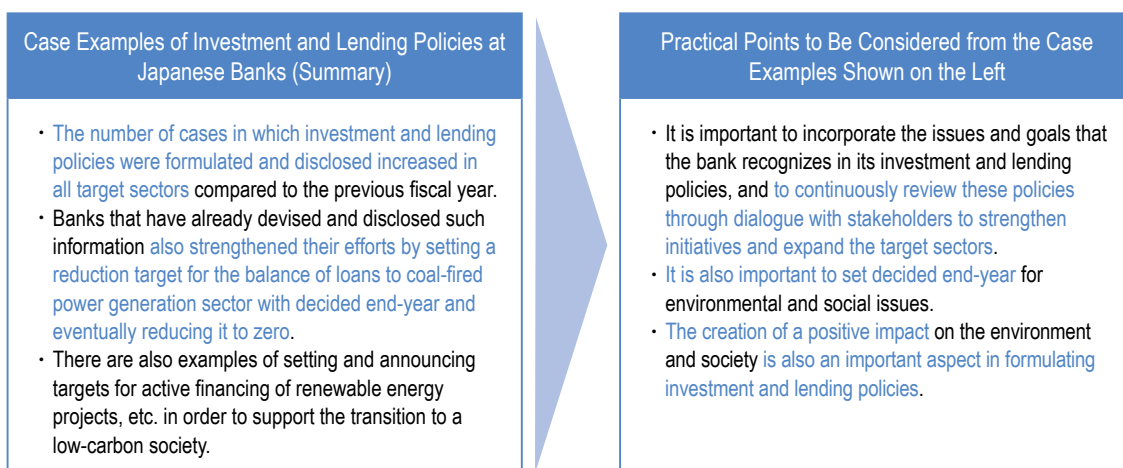
In this report, in addition to the status of the main activities of the JBA in FY2020, included are the examples of member banks' activities related to SDGs and commentary from experts on SDGs.

## 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, since FY2018, the JBA surveyed and compiled an annual report on domestic and overseas case examples of banks' policies for investment and loans.

In FY2020, 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 Investment and Lending Policy Formulation in Response to the TCFD recommendations.”

### [Summary of Survey on Investment and Lending Policy Formulation (FY2020)]



## ④ Responding to Domestic and Global Discussions Related to SDGs/ESG

As part of its efforts to raise member banks' awareness of the SDGs/ESG, the JBA has been following the discussion on sustainable finance\* in Japan and overseas, which has been attracting more and more interest in recent years, and advocating on these issues.

In particular, the recent large-scale natural disasters, the Japanese government's declaration of carbon neutrality by 2050, and the advocacy of green recovery in countries around the world with an eye on the post-COVID-19 society have made dealing with the global social issue of climate change an important issue for the banking industry as well.

Against this backdrop, domestic and global financial sector have begun discussing on transition finance which goes beyond the mere categorization of whether something is a green finance or not, and takes into account the scope of improvement in greenhouse gas emission reductions. In order to make further contributions as a banking community, we follow such discussion and provide our opinions in a timely and appropriate manner.

In addition, as sustainable finance in Japan and overseas is becoming an issue that cannot be separated from bank management, regulation, and supervision, the JBA supports member banks in raising their awareness and initiatives by holding top management seminars (seminars for executives) and briefing sessions for member banks on climate change issues, as described later (page 21).

\*Sustainable finance:

Refers to financial services that contribute to the realization of a sustainable society and the achievement of the SDGs. Some Japanese banks have set specific numerical targets and are working to implement them.

### ● Follow-up on discussions and advocacy activities on sustainable finance overseas, etc.

The JBA has submitted its opinion to the public consultation on the Action Plan on Sustainable Finance and the EU Taxonomy, which are being discussed by the European authorities and could have a long-term impact on the global-level strategies of Japanese banks.

In addition, in response to public consultation on the establishment of the Sustainability Standards Board at the IFRS Foundation, the JBA participated as an observer in discussions at IFRS Council of Japan\* and were involved in the compilation of the Council's opinions. JBA also submitted its opinions that welcome the establishment of the new Board.

Furthermore, the JBA submitted its opinions in response to the public consultation from TCFD, and conducted a number of active advocacy activities.

\*The IFRS Council of Japan:

The IFRS Council of Japan is a conference body for the purpose of gathering and exchange the opinions of Japanese market participants related to International Financial Reporting Standards (IFRS) and comprises nine organizations (Japan Business Federation (JBF), Japanese Institute of Certified Public Accountants (JICPA), Japan Exchange Group/ Tokyo Stock Exchange, Inc. (JPX/TSE), Securities Analysts Association of Japan (SAAJ), Accounting Standards Board of Japan (ASBJ), Financial Accounting Standards Foundation (FASF), Financial Services Agency (FSA), Ministry of Economy, Trade and Industry (METI), and Ministry of Justice (MOJ)).

### ● Follow-up on discussions and advocacy on ESG finance, etc.

The JBA's representative attended the ESG Finance High-Level Panel held by the Ministry of the Environment, and expressed its commitment to contribute to ESG finance in Japan and overseas as a key player in indirect finance. The JBA was also actively involved in the discussions of the "TCFD Consortium," established in 2015 as the then Chairman of the JBA being one of the founders. JBA worked on the development of guidance for banks, which is part of the contents of the "TCFD Guidance 2.0" as the project of the consortium. In addition, the Ministry of Economy, Trade and Industry and the Financial Services Agency lead and established the "Study Group on Environmental Improvement for Effective Transition Finance" and the "Expert Panel on Sustainable Finance," respectively, and the JBA participated in both of these meetings and actively expressed its opinions.



## 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.”

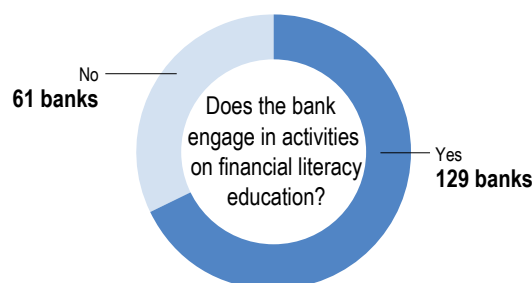
To this end, financial literacy education activities have been included in the list of key initiatives related to SDGs, which will be promoted and widened over the medium- and long-term.

### 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 190 respondents. The results of the questionnaire survey (statistics during FY2019) are shown in the table below.

#### FY2020 Questionnaire Survey Results \*on FY2019 result

- Regarding the implementation status of financial literacy education, out of the 190 respondents 129 (68%) (out of the 117 full members, 115 banks (98%)) said that financial and economic education was being conducted.
- The breakdown of educational activities implemented in FY2019 is shown below (number of implementing banks, total number of sessions, total number of participants), resulting in activities held for around 325 thousand participants.



	Lecturer dispatch	Guided tours of banking premises	Donation-funded lectures	Seminars	Events	Internships	Total
Number of implementing banks	81	99	43	67	80	96	-
Total number of activities	3,155	1,926	558	9,910	645	1,367	17,561
Total number of participants	83,003	22,986	46,285	103,697	27,507	41,399	324,877

- The following responses (excerpts) were received as examples of financial literacy education activities of the member banks.
  - Money education courses for foster families raising children who cannot live with their parents (incorporated as part of the training provided by child guidance centers in cases where foster children have issues with using money)
  - Summer vacation learning class “Let’s design your future!” (each group made a life plan chart with university students, including their dreams for the future and the money needed to achieve them, and presented it)
- In addition, the following responses were received as new initiatives and future issues due to the spread of COVID-19.
  - [New initiatives]
    - Video distribution, utilization and dissemination of existing content, online lectures, etc.
  - [Future issues]
    - How to provide non-face-to-face financial literacy education, expansion of web content, strengthening of channels such as online lectures, etc.

## 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. Also considering the rapid development around digitalization, a variety of media including websites and smartphones comes into play, along with advertising strategies involving celebrities with broad public appeal.

In FY2020, in response to the deterioration of household finances due to factors including the spread of COVID-19 that have brought into sharp focus the importance of well-planned household budget management, from January to the end of March 2021, the JBA conducted a public relations campaign through a special website and video clips, featuring voice actors Mr. Takahiro Sakurai and Ms. Inori Minase, with the aim to promote the importance of asset formation based on household budget management.



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.

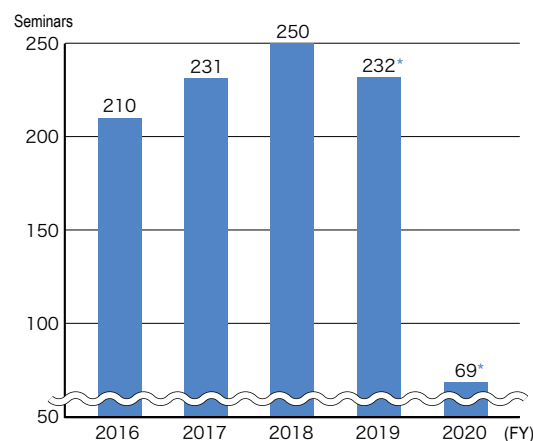
In FY2020, lectures were postponed until the end of May 2020 due to the declaration of a state of emergency caused by the spread of COVID-19. After the declaration of a state of emergency was lifted from June, lectures were conducted through non-face-to-face means (such as online) in principle (69 lectures were conducted in FY2020).

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 & 2020 some seminars were postponed due to the spread of the COVID-19.

#### ④ Designated Schools for Financial Literacy Education Research and Educational Activities by High School Students to Prevent Special Types of Fraud

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 FY2020, in cooperation with the Boards of Education in Gumma Prefecture and Osaka City, Gumma Prefectural Isesaki High School, Gumma Prefectural Ota Girls' High School, Osaka City Higashi Senior High School were designated as research specified schools, and classes were implemented on topics such as household management, life plan, loans and credit, 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 Sagami High School	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 Toroyo 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
2020	Gumma Prefecture Osaka City	Gumma Prefectural Isesaki High School, Ota Girls' High School Osaka City Higashi Senior High School

Distribution of novelty goods during campaign



Presentation Ceremony of Appreciation

"Educational Activities by High School Students to Prevent Special Types of Fraud" is an effort to support students' social contribution activities, with an expectation that such activities become self-sustaining at the regional level through high school students. It is expected that students become aware that special types of fraud is a societal issue in their everyday environment, better understand preventive measures, and implement activities to prevent special types of 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.

Gumma Prefectural Tatebayashi Girls' High School was the designated school in FY2020. While taking measurement to prevent the spread of COVID-19, the students, in cooperation with local police, conducted patrolling activities as well as implemented campaigns such as the preparation and distribution of items designed to raise awareness. These activities were awarded a letter of appreciation from the local police.

## ⑤ 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 such as 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 FY2020, 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)
- Financial Preparedness for a 100-Year Lifespan (Elderly)
- For Your Peace of Mind - Information on Financial Products (Elderly)



In addition, for "Life Plan and Money Plan Game," which has been well received by school educators, the JBA has created a new lecture video aiming at teachers.



## 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 the Bank of Japan ("BOJ-NET"), the JBA and its affiliate, the Japanese Banks' Payment Clearing Network ("Zengin-Net") which 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.

In FY2020, in light of the spread of COVID-19, the JBA conducted online public awareness campaigns centered around the portal site for advanced payment systems ("the Site") (<https://www.zenginkyo.or.jp/kessai/>).

Specifically, in July 2020, the JBA updated some of the contents of the Site to promote the fact that the digitalization of accounting operations is an effective countermeasure against COVID-19. In addition, in November 2020 and February 2021, the JBA held a total of eight online seminars jointly with densai.net Co., Ltd. ("densai.net"), on "Initiatives for Digitalization of Settlement and Accounting Operations" (supported by the FSA the Ministry of Economy, Trade and Industry, the Small and Medium Enterprise Agency, and the Japan Chamber of Commerce and Industry).

In addition, February 2021 was designated as the "Month for Strengthening Digital Settlement and Accounting Operations," and in conjunction with the "Month for Promotion of densai" for densai.net, information dissemination to companies was enhanced by intensively promoting ZEDI and other banking services.

In conjunction with the JBA's "Month for Strengthening Digital Settlement and Accounting Operations," Zengin-Net, with the cooperation of the Tsunagu IT Consortium, which is in charge of common EDI for SMEs, placed magazine advertisements promoting the consistent digitalization of everything from order placement to settlement (Weekly Toyo Keizai: February 15, 2021 issue; PRESIDENT: March 5, 2021 issue).

The JBA continues its efforts to migrate to the XML message format and to expand the use of ZEDI.



Magazine advertisements

## ② Implementation of Activities to Advance the Zengin System and to Enhance Convenience of Bank Transfer

The Zengin System is an online system for transmitting messages of inter-bank domestic fund transfer among member financial institutions (1,190 member financial institutions as of the end of March 2021). 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 "More Time System," which operates weekday nights and on weekends and holidays, realizing a 24 hours/365 days operation for bank transfers in Japan.

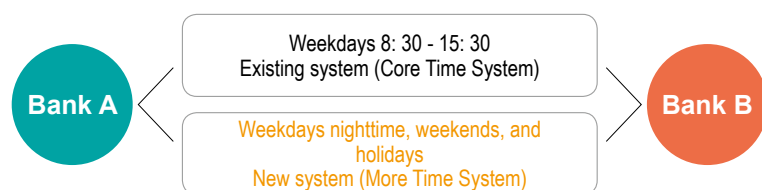
As of the end of March 2021, the number of financial institutions participating in the More Time System had increased to 1,164, exceeding 97% of member banks, thus enabling instant payments on a 24 hours/365 days basis at almost all financial institutions in Japan\*. The number of transactions has continued to increase since the start of operations, exceeding 10 million transactions per month for the first time in December 2019. In order to promote the use of the "More Time System," etc., Zengin-Net also created an introductory video to deepen the understanding of the Zengin System among the general public, and released it in December 2020.

In addition, against the backdrop of major changes in the environment surrounding Japan's payment and remittance systems, including government-wide efforts for cashless society and the development of new services centered on small-amount settlements, expectations are rising more and more for banks and Fintech to ensure interoperability of payment services through the Zengin System and to realize highly convenient remittance services between individuals.

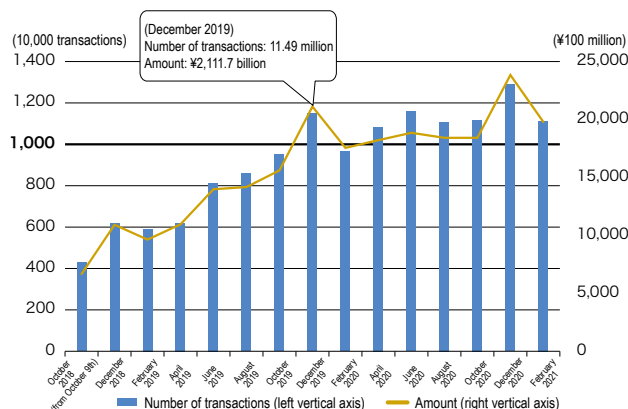
In light of this situation, in May 2020, Zengin-Net established the "Task Force for Next-Generation Payment Systems," ("the Task Force") whose members include not only banks and authorities, but also academics, payment-related organizations, and system-related business operators. The Task Force has deeply studied the future approach of the Zengin System in order to improve the sophistication and efficiency of Japan's payment systems, and published a report summarizing the results of its study in January 2021.

Zengin-Net, in consideration of customer needs, will continue to work to further advance the features of the Zengin System and to enhance convenience of bank transfers, in collaboration with the JBA.

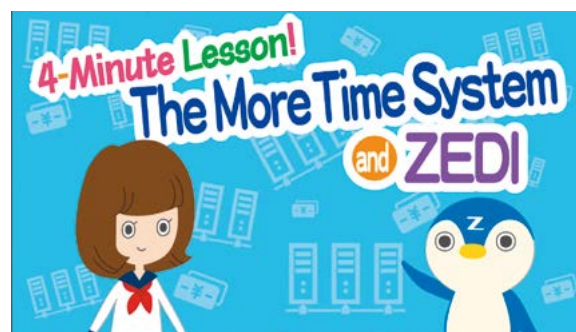
### Zengin System Chart



\* Only during time periods when the participating financial institutions are interconnected through the More Time System.



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



Introductory Video on Zengin System, More Time System and ZEDI

### 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 was held with the aim of promoting cooperation and collaboration between banks and electronic payment service providers, and in December 2019, a seminar was held with the aim of strengthening the ability of banks to respond to issues related to concluding contracts with electronic payment service providers. The deadline for the conclusion of contracts was extended from the end of May 2020 to the end of September 2020 due to the impact of the subsequent outbreak of COVID-19.

In addition, in July 2020, the JBA participated in the Bank API Joint Exchange Meeting organized by the Japan Association for Financial APIs and exchanged information with the authorities on the open API initiatives of banks and electronic payment service providers. At the same time, through follow-ups on the status of member banks, the JBA continues to gain an understanding on the actual situation regarding the introduction of open APIs and continues to provide information to member banks, as necessary.

### 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 (i.e. from 2019 to 2023), so as to further promote toward total digitization of domestic transaction of bills and checks.

In FY2020, in light of the spread of COVID-19, the JBA was actively involved in the discussions of the Financial Services Agency's “Study Group for Review of Written Documents, Seals, and Face-to-Face Procedures in the Financial Industry” and the Small and Medium Enterprise Agency's “Study Group for Improving Promissory Notes and Other Payment Terms.” In addition, in July 2020, the JBA updated some of the contents of the portal site for advanced payment systems, and in November 2020 and February 2021, the JBA jointly held online seminars a total of eight times with densai.net on “Initiatives for Digital Settlement and Accounting Operations” (supported by the Financial Services Agency, the Ministry of Economy, Trade and Industry, the Small and Medium Enterprise Agency, and the Japan Chamber of Commerce and Industry).

In addition, 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, in July 2020, densai.net held an online seminar for densai users and produced a “Densai Seminar Video” (containing explanations given at seminars hosted by densai-net), which was posted on densai-net's website and YouTube channel. In addition, February 2021 has been designated as “Month for Promotion of densai,” and in conjunction with the JBA's “Month for Strengthening Digital Settlement and Accounting Operations,” the JBA has conducted public relations activities such as sending out direct mails to promote digital settlement to companies.

In March 2021, the JBA published a “Research Report on the Digitization Status of Bill and Check Functions” that summarizes the status of efforts to digitize the bill and check functions at member banks, the JBA, and 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."

In FY2020, the JBA consulted with stakeholders on matters compiled in the FY2019 research report, and promoted studies to improve the efficiency and digitization of the collection of taxes and public dues.

In addition, with the outbreak of COVID-19 in 2020, it has become even more important to review current payment methods, which involves face-to-face exchange of paper and cash, and to digitize these methods in order to prevent the spread of the disease, so the JBA continues our efforts to improve the efficiency and digitalization of the collection of taxes and public dues as soon as possible.



## 4

## Researching on and Responding to the TCFD Recommendations and Other Environmental Issues towards Realization of a Decarbonized 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, and (iv) preparing the “JBA eco map” which aggregates and publicizes member banks’ environment-related efforts.

Recently, climate change issues have 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 TCFD final report and declaration of 2050 carbon neutral society by Japan’s Prime Minister. 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. 7 “Affordable and Clean Energy”, Goal No. 12 “Responsible Consumption and Production”, Goal No. 13 “Climate Action”, and Goal No. 14 “Life Below Water.”

### ① Top Management Seminar and Seminar for Member Banks on Climate Change Issues

Amid an urgent need to address climate change, Japan is taking measures to realize a decarbonized society based on “Japan’s Long-term Strategy under the Paris Agreement” (approved by the Cabinet in June 2019) and the “Follow-up on the Growth Strategy” (approved by the Cabinet in July 2020).

In October 2020, the JBA held a seminar for top management via a hybrid of both in person and a web-based format, which included a video message from Shinjiro Koizumi, the Minister of the Environment, lectures by Yukari Takamura, professor of the University of Tokyo on “Recent Trends in Climate Change and Expectations for the Financial Industry,” by the Ministry of the Environment on its “Approach to ESG Finance,” and by the Financial Services Agency on “Trends in NGFS and Challenges for Japanese Banks.”

In addition, in March 2021, a seminar (web-based) was held for all member banks, with lectures by the Ministry of Economy, Trade and Industry on “Japan’s Financing Strategy regarding Climate Change and Expectations for Japanese Banks,” by MUFG on “MUFG’s Climate Change Initiatives,” and by the Bank of Yokohama on “the Bank of Yokohama’s Approach to Climate Change Issues.”



At the top management seminar

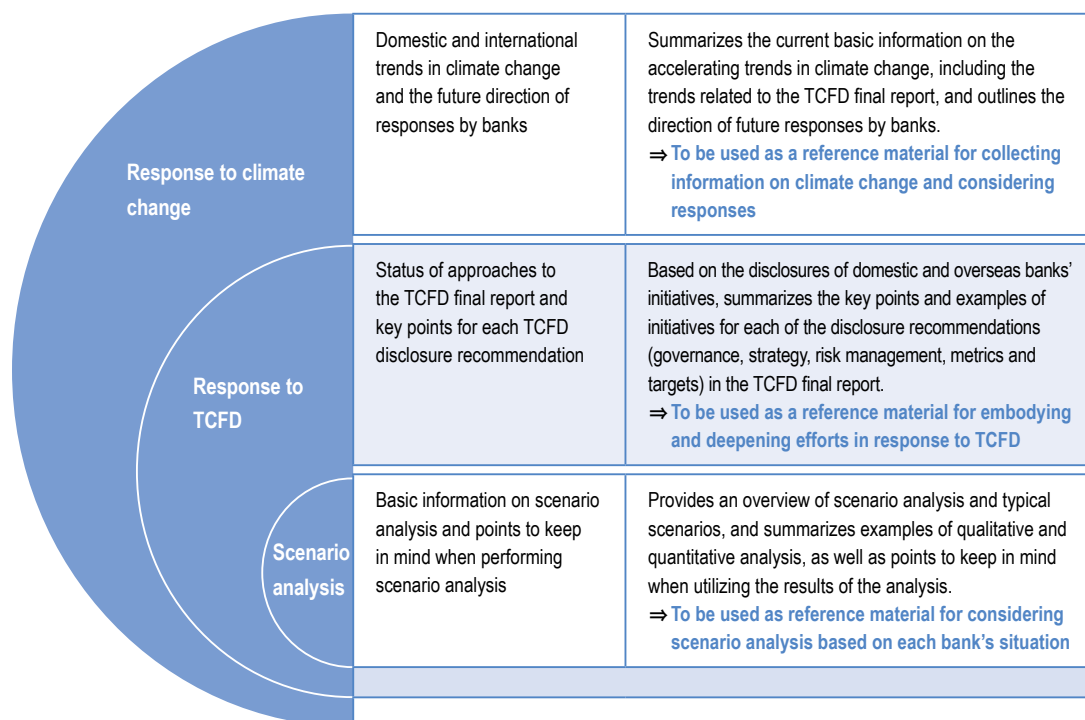
### ② Research on Efforts Relating to TCFD Recommendations

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.

Since FY2018, the JBA prepared and communicated an annual report to member banks on the background of disclosure requirements based on TCFD recommendations and the recent trends of regulatory authorities, etc. In FY2020, in light of the accelerating domestic and international trends involving climate change, the JBA compiled a report entitled “Survey on Efforts and Lending and Investment Policy Formulation in Response to the TCFD recommendations,” which provides key points on how to respond to the disclosure recommendations (governance, strategy, risk management, metrics and targets, and scenario analysis) in the TCFD final report, in order to contribute to in depth studies by member banks. The number of banks endorsing TCFD, and the disclosure of such endorsements have both made increased this fiscal year, and further developments are also expected.

## [Summary of FY2020 Research on Efforts Relating to the TCFD Recommendations]

[Structure and aims]



[Overview of Japanese banks' TCFD disclosure status]

- Of the TCFD disclosure recommendations, the following four items have been particularly well addressed and disclosed by TCFD disclosure banks.

Governance	<ul style="list-style-type: none"> <li>• The board's oversight of directors of risks and opportunities</li> <li>• Management's role in assessing and managing risks and opportunities</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• The impact of risks and opportunities on business, strategic, and financial planning</li> </ul>
Indicators and targets	<ul style="list-style-type: none"> <li>• Greenhouse gas emissions that fall under Scope 1 (direct emissions), Scope 2 (indirect emissions), and Scope 3 (other indirect emissions), if appropriate</li> </ul>

### ③ Participation in the TCFD Consortium

With regard to the "TCFD Consortium," with the Chairman of the JBA as one of the founders, the JBA participated as a member in FY2020 following on from FY2019, and followed up on discussions of the "TCFD Guidance 2.0" (released in July 2020). The JBA also participated in the preparation of industry-specific guidance (guidance for banks), which is part of TCFD Guidance 2.0, and provided information to member banks.

#### ④ 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 FY2020 follow-up survey (on FY2019 result), the results were as follows:

- The power consumption of full members totaled 2,061,178,192kWh.
- With a total building floor area of 16,139,358 m<sup>2</sup>, power consumption unit resulted in 127.7.
- The result amounted to 28.9% reduction compared to FY2009, and 2.7% reduction in comparison with the previous FY2019 result.

The results show that the achieved power consumption unit reductions exceeded the targets for both Phase I and Phase II.

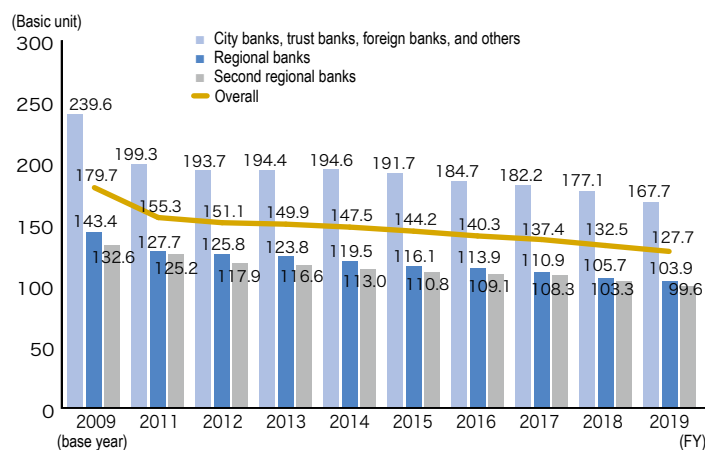
The recycling rate for paper was 91.3%, and the purchase rate for recycled paper and eco-friendly paper was 77.6%.

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.

In the “Voluntary Action Plan for Establishing a Sound Material-Cycle Society,” the final year of the targets (iii) and (iv) above is FY2020. However, in light of Keidanren’s decision to continue this plan beyond FY2021, the JBA has also set new targets for the year of FY2025. Specifically, in order to further contribute to the formation of a material-cycle society as a banking community, the JBA have set a new target of “80% or more of member banks handling deposit products without the issuance of passbooks in FY2025,” in addition to continuing the targets in (iii) and (iv) above, with the expectation that this will have the effect of reducing the amount of paper waste in the banking community as a whole and share values with customers regarding the realization of a sustainable society and environmental protection.

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)**



## ⑤ 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 FY2020 survey, regarding the goal calling for "100% of member banks to separate their used PET bottles from other garbage by FY2030," 94.9% of member banks responded "Yes" to PET bottle garbage separation.

### <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.

## 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 FY2020, the JBA received responses from 128 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 FY2020 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

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

The JBA has been actively involved in the activities to promote the eradication of special types of fraud since FY2008. However, losses from special types of fraud continue to stay at a high level according to the statistics 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 FY2020, the JBA created an awareness-raising leaflet and video with the JBA's dog character "Banken-kun" as the key visual feature to raise awareness of special types of fraud targeting cash cards, which have been occurring frequently, and fraudulent remittances related to Internet Banking, which are believed to be caused by phishing.



Leaflet



Video



## ③ Responding to Incidents of Fraudulent Withdrawals Through Cashless Payment Services

In September 2020, there were several incidents of fraudulent withdrawals through cashless payment services (for example, criminals who opened accounts for cashless payment services (XX Pay, etc.) based on illicitly obtained customer account information and linked them to bank accounts, and then illegally withdrew deposits). In response to these incidents, the JBA, the Financial Services Agency, the National Police Agency, the Consumer Affairs Agency, and the Japan Payment Service Association collaborated to create a flyer to call attention to the techniques used in these types of fraud.

Subsequently, in November 2020, in order to prevent the recurrence of the same criminal techniques, the “Guidelines for Linking Accounts with Funds Transfer Service Providers, etc.” were devised and published, outlining measures to be taken by each bank, such as strengthening the identification system and setting up a contact point to receive inquiries and consultations from customers.

**身に覚えのないキャッシュレス決済サービスを通じた銀行口座からの不正な出金にご注意ください！**

犯罪者が、不正に入手したお客様の口座情報等をもとに、キャッシュレス決済サービス(〇〇ペイ、〇〇Payなどのアカウント)を開発するとともに銀行口座と連携したうえで、預金を不正に引き出す事案が多数発生しています。

**！ ご注意くださいポイント**

- ❑ こうした不正出金は、キャッシュレス決済サービスをご利用されていないお客様のほか、インターネットバンキングを利用されていない方も被害に遭われています。
- ❑ ご自身の銀行口座に不審な取引がないか、お取引先の銀行口座のご利用明細(インターネットバンキングの入出金明細や通帳など)を一度ご確認ください。口座情報の管理にご注意願います。
- ❑ 銀行口座に身に覚えのない取引があった場合には、お取引先銀行またはご利用明細に記載されているキャッシュレス決済サービスを提供する事業者にご相談ください。
- ❑ 銀行およびキャッシュレス決済サービス事業者は、このような悪意のある第三者による不正な出金による被害について、速断のうえ全額補償を行っています。
- ❑ こうした事案に便乗した詐欺にもご注意ください。

■本件についてご質問・ご相談等がある場合は、下記の相談窓口までお問い合わせください。

相談先：金融庁(銀行、お取引先事業者)	電話番号: 03-3528-1111(受付時間: 平日10:00~17:00)
警察庁(犯罪被害相談センター)	平日24時間の被害相談窓口(犯罪被害相談センター)に連絡ください。
消費者ホットライン	電話番号: 188-0000(8時30分~20時30分)※24時間受付
全国銀行協会 相談室	電話番号: 03-5561-0117(受付時間: 平日10:00~17:00)
日本キャッシュレス決済協会 相談室	電話番号: 03-3556-6241(受付時間: 平日10:00~17:00)

## ④ 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 August 2021.

In order to promote cooperation between the public and private sectors, the JBA participated in the “Public and Private Sectors Council on Advanced Measures against Money Laundering” organized by the Ministry of Finance in October 2020, and exchanged information with relevant authorities on AML/CFT measures for both financial and non-financial businesses. In addition, in order to further support and promote the efforts of member banks throughout the banking industry, the “AML/CFT Measure Support Division,” which was established within the JBA, provided member banks with translations of important overseas documents on money laundering.

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, since FY2018, has been implementing awareness activities.

In FY2020, the JBA continued its public relations activities in March, using a variety of media, including broadcasting TV commercials and placing newspaper advertisements and web advertisements.

### \* 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.



TV commercial



Newspaper advertisement

## 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, various 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.

The FY2020 lecture was held on the theme of "Approaches to the Abuse of Authority in the Workplace," taking into account the fact that harassment issues are of high concern as a personnel and compliance matter and a human rights matter in the workplace, and that the revised "Act on Comprehensive Promotion of Labor Policies," which stipulates the obligation to take employment-related measures to prevent the abuse of authority, came into effect in June 2020, requiring the further development of systems to prevent such harassment.

This lecture was not given in a group/in person format, but was streamed as an on-demand video over a period of one month.

[Lecturer]

Megumi Nakatsuji, Nakamura & Nakatsuji Office, Labor and Social Security Attorney Corporation

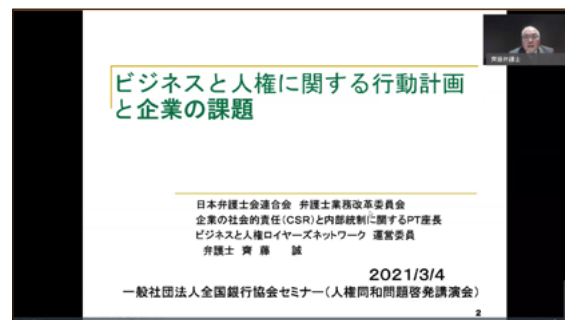
Recently, there has been growing international interest in the need for corporations to respect human rights, and the protection and promotion of human rights has been positioned as an important element in achieving the SDGs. The United Nations Human Rights Council resolved to endorse the "Guiding Principles on Business and Human Rights," and in Japan, the "National Action Plan (NAP) on Business and Human Rights" was developed and published on October 16, 2020 with the cooperation of relevant government ministries and agencies.

Against this backdrop, the lecture was held on the theme of "Action Plans on Business and Human Rights and Challenges for Corporations."

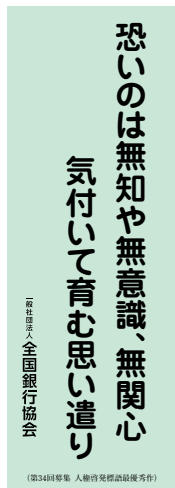
This lecture was given in the form of a webinar.

[Lecturer]

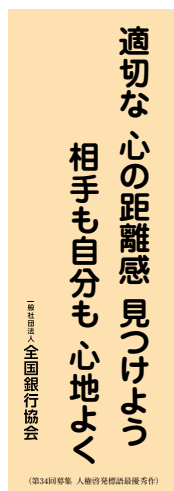
SAITO Makoto Attorney at Law ; Representative Member Saito Law Office Legal Profession Corp.



On-demand streaming page



Saitama Resona Bank  
Mr. Toshimitsu Shioi



Ogaki Kyoritsu Bank  
Mr. Takeshi Baba

## 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 34 times with huge number of submissions each year.

In FY2020, the 34th round of solicitation for human rights maxims brought 81,815 proposals. Out of this number, 40 entries were selected for awards (two grand prizes, eight awards of excellence, and 30 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 FY2020, the fourth and fifth issues were published in July and in February with the following content.

	Contents
Issue No. 4 (July issue)	<ul style="list-style-type: none"> <li>Winning entries of the 33rd round of solicitation for human rights maxims</li> <li>Human rights topics (Shigeki Sakamoto, President, Center for Human Rights Education and Training, "Human Rights, and CSR under COVID-19")</li> <li>Is this harassment? Q&amp;A</li> <li>Human rights-related laws and regulations</li> </ul>
Issue No. 5 (February issue)	<ul style="list-style-type: none"> <li>Introduction of member banks' efforts (The Bank of Fukuoka, Importance of deepening staff awareness through continuous learning — Human rights awareness training initiatives)</li> <li>Lecture on Human Rights and the Issues of Discrimination against Social Minorities Based on Descent</li> <li>Human rights topics (Prof. Mafumi Usui, Niigata Seiryō University, "Interpersonal relations and compassion in the COVID-19 outbreak: Psychology of discrimination")</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.).

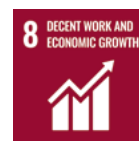
The FY2020 edition was released in February 2021 with the following revisions, in light of revisions to laws and regulations regarding the abuse of authority and other issues, as well as the emergence of new human rights issues such as discrimination due to COVID-19 and remote-working harassment.

- Added a section on "Investment and Lending and Human Rights" to Chapter III, "Human Rights Issues Surrounding Corporations: Banking and Human Rights"
- Revised descriptions regarding the abuse of authority based on revisions to laws and regulations and the content of guidelines
- Added descriptions of discrimination related to COVID-19, remote-working harassment, etc.
- Made other revisions based on revisions to laws and regulations and changes in the social environment, and updates to figures and tables



Human rights education booklet

## 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.

Since FY2018, as part of these endeavors, the JBA conducted an annual 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 FY2020 questionnaire survey)

- Creating attractive communities where people can gather and live with peace of mind  
Mizuho Bank - Smart Island Concept of Hachijyojima -  
Sumitomo Mitsui Banking Corporation - Tottori Prefecture Hydroelectric Power Concession Project/Project Finance for Green Loans Involving Local Financial Institutions - - Establishment of the Yokohama SDGs Financial Support System (tentative name) -
- Promoting the active role of diverse human resources  
Sumitomo Mitsui Banking Corporation - SDGs social loan for capital investment (refinancing) in the building of Niigata University of Health and Welfare -
- Creating a community where people can earn money and work with peace of mind  
MUFG Bank - Support for agribusiness -
- Fulfillment of hopes for marriage, childbirth, and child raising  
Saitama Resona Bank - Support for marriage through the "Saitama Deai Support Center" (known as "Koitama") -
- Empowering the new era  
Resona Bank - Contracted by the Kansai Bureau of Economy, Trade and Industry to undertake part of a project to promote open innovation among companies driving regional growth → Pitch and exchange meetings using the REENAL (Resona + regional) method -

\* 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>

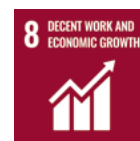
The Second Association of Regional Banks website

"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.

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 Studies by the “Working Committee on Aged Society”

Given the increasing importance also for the financial industry to accommodate Japan's aged society, the “Working Committee on Aged Society” was established in 2019 to examine the financial services of banks in Japan's aged society.

In FY2020, based on the report of the Financial System Council's “Working Group on Financial Markets,” in order to assist member banks in conducting financial transactions with elderly customers (especially those with impaired cognitive judgment) and their representatives, as well as in providing appropriate administrative support in cooperation with local governments and social welfare organizations, the JBA has compiled views on financial transaction representation and strengthening cooperation between banks and local governments and social welfare organizations.

### 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.

Although the JBA canceled these classes in FY2020 due to the outbreak of COVID-19, it will continue to hold the classes in FY2021 and beyond in order to contribute to the creation of dementia-friendly communities.

### ③ 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.

Continuing from FY2019, the JBA distributed educational materials on the topics of a 100-year lifespan targeting the elderly, as well as on the topics of financial crime prevention and an explanation of the types, characteristics and risks of financial products and services.

- Financial Preparedness for a 100-Year Lifespan
- Introduction to Financial Knowledge Series (An Introduction to Inheritance - A Guidebook)
- Financial Crime Safety Check
- For Your Peace of Mind - Information on Financial Products



### ④ 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. From October 2019 to July 2020, the discussions have focused on the principles of customer-oriented business management, with the JBA participating as an observer.

Subsequently, in August 2020, based on these discussions, a report entitled the “Report of the Working Group on Financial Markets of the Financial System Council - Toward the Enhancement of Financial Institutions' Customer-Oriented Business Conduct” was compiled and released by the WG.

## 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 FY2020, the JBA conducted a questionnaire survey on full members (117 banks) about the status of their efforts as of the end of March 2020.

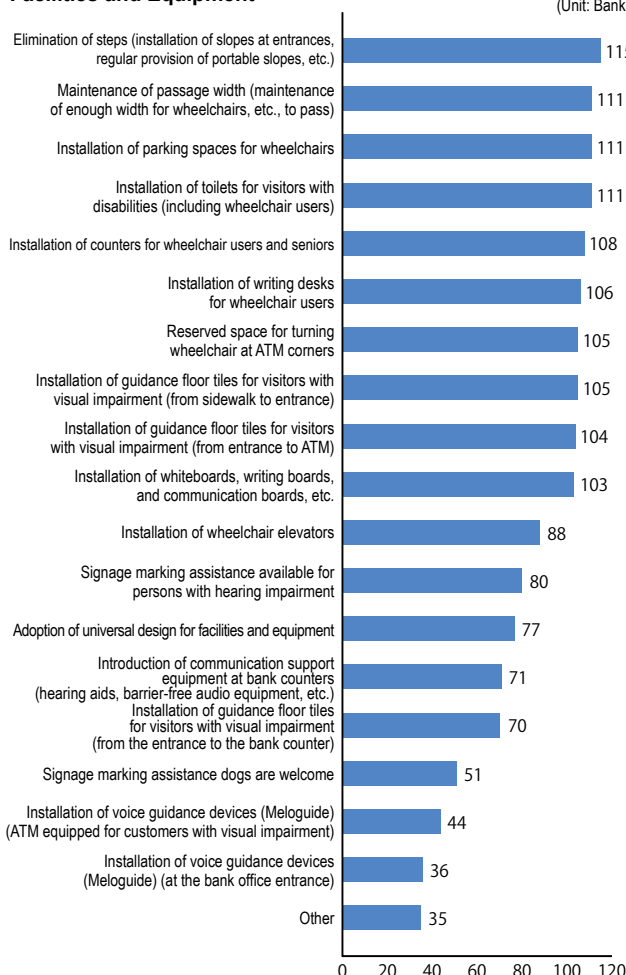
Since the survey started in FY2004, member banks' efforts have steadily progressed. For example, the number of installed ATMs equipped for customers with visual impairment has reached 94.1% of the total, reflecting an increase of 77.9 points compared with FY2004. In addition, the number of banking premises with ATMs equipped for customers with visual impairment has risen to 93.0% of the total, marking a gain of 30.2 points from FY2010.

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

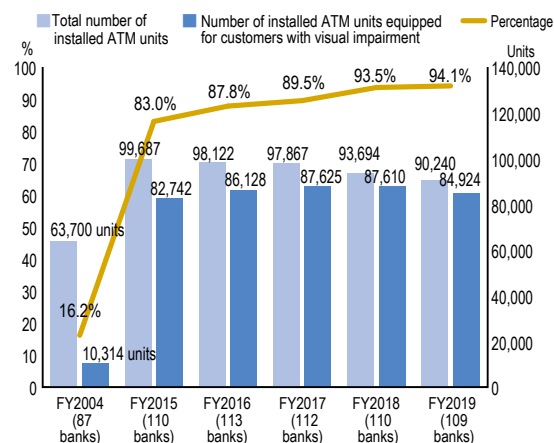
In addition, the JBA participates in the "Working Group on Small-Scale Banking Premises" under the "Review Committee on the Revision of Building Design Standards to Facilitate the Mobility of the Elderly and Persons with Disabilities" established in January 2020 by the Ministry of Land, Infrastructure, Transport and Tourism. The JBA also conducts surveys on the status of member banks' efforts to address requests from organizations of people with disabilities, as necessary, and disseminates such requests to member banks.

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

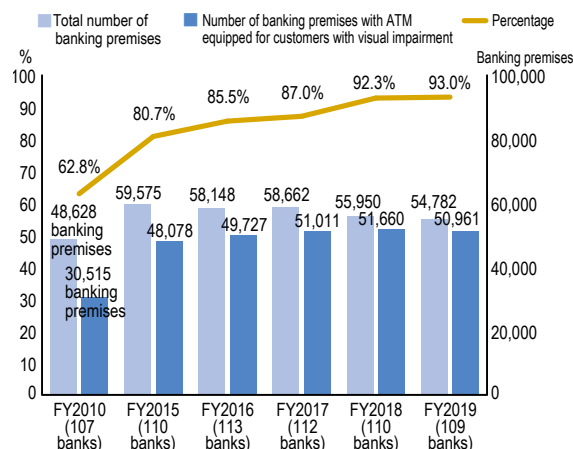
(As of the end of March 2020)  
(Unit: Banks)



### 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)



# Efforts of Member Banks

## 1 Financial and Economic Education Initiatives



# The Kagoshima Bank, Ltd. Kagoshima Bank

## Implementation of Educational Activities to Improve Financial Literacy

### Summary of the Initiative

Kagoshima Bank ("the Bank") conducted financial education classes at the Kagoshima Prefectural Kagoshima Special Needs High School as part of its educational activities for improving financial literacy, based on the Bank's "Grand Design on Sustainability" established in February 2019.

The Bank aims for children with intellectual disabilities to receive support prior to graduation (before taking up employment) in order to become independent members of society and to acquire correct financial knowledge to prevent becoming involved in financial crime. About 30 third-year (Senior) students received instruction in "General Finance" and "Balancing Income and Living Expenses (Income and Expenditure Calculation)."

### Background of this Initiative

Every year the Bank collaborates with regional educational institutions in various community contribution projects ("Summer Vacation-Class on Money and SDGs," "Internships," "Economics Contest," "Workplace Experience Learning," and "On-Demand Classes," etc.) through its financial education efforts.

The Bank provided financial education classes in response to the school's request that graduating children need to be protected from becoming involved in financial crime and from mispending their salaries in a few days.

While this was the first time for the Bank to offer financial education classes for children with disabilities, it falls within the role of regional financial institutions to practice inclusive financial education in order to achieve sustainable communities, and this

initiative was implemented as one effort for helping children to attain independence as tomorrow's members of society.

### Results of the Initiative

Children who took the class made comments such as "I felt that proper management of money was necessary to become an independent member of society" and "We should have the courage to say no to financial crimes."

The school has requested the Bank to hold financial education classes for third-year (Senior) students regularly beginning next fiscal year, and also asked for an opportunity to watch actual banking proceedings such as opening a bank account at a branch office.

### Issues and Objectives for the Future

Although the Bank has been an avid provider of financial education, the school's request has strengthened the notion that as a regional financial institution the Bank needs to establish yet more opportunities for children to obtain financial education.

The Bank will continue in its efforts at solving regional issues and realizing sustainable local communities by working to improve financial literacy and practicing inclusive educational activities.

### For further information

[https://www.kagin.co.jp/library/pdf\\_release/news20191119\\_054.pdf](https://www.kagin.co.jp/library/pdf_release/news20191119_054.pdf)



In the classroom





## 2 Environmental Initiatives



# Mizuho Financial Group



## Taking Firm Action toward a Low-carbon Society

### Summary of the Initiative

Mizuho has included responding to climate change as a key pillar of our business strategy and is endeavoring to proactively fulfill our role as a financial services group in the effort to achieve a low-carbon society by 2050.

### Background of this Initiative

We recognize climate change as one of the most crucial global issues with the potential to impact the stability of financial markets, representing a threat to the environment, society, people's lifestyles, and businesses. At the same time, we believe there are new business opportunities arising from the need for transition to a low-carbon society, such as the field of renewable energy and other businesses and innovations which contribute to mitigating and adapting to the impact of climate change. In light of this, we are taking the following actions.

### Results of the Initiative

#### (1) Strengthening support for sustainable businesses

In light of the indirect impact that we, as a financial group, have through our clients, strive to deepen our understanding of the issues and needs of clients through proactive engagement, and have strengthened our group-wide support of sustainable businesses in order to aid clients' initiatives addressing the transition to a low-carbon society and other challenges, as well as their innovation and risk reduction. Further, we have defined sustainable finance and environmental finance for Mizuho and set long-term targets looking towards 2030, the SDGs target year.

#### Our definition of sustainable finance and environmental finance

<b>Primary Key Sustainability Areas referenced</b>	<ul style="list-style-type: none"> <li>● Environmental considerations</li> <li>● Sound economic growth</li> <li>● Industry development &amp; innovation</li> </ul>
<b>Applicable finance areas</b>	<ul style="list-style-type: none"> <li>● Finance for clients where the intended use of funds is environmental and/or social projects</li> <li>● Financing to support and facilitate clients' response to ESG/SDG-related areas, including financing requiring clients to meet certain related conditions, and providing consulting and assessment of clients' response to ESG/SDG-related areas</li> </ul>
<b>Applicable business areas</b>	<ul style="list-style-type: none"> <li>● Loans, underwriting, investments, asset management</li> </ul>

#### (2) Strengthening the management of climate change risks

In regard to our management of "top risks", which are risks recognized by management as having major potential impact on the group, we now position climate change risks as "emerging risks", and we have begun periodic monitoring.

\* Major risks that must be addressed in the next few years despite the fact that materialization of the risks will occur over a medium- to long-term time frame.

Previously, we established a policy on initiatives involving sectors which have a high possibility of contributing to adverse environmental and social impacts. Since then, we have made revisions to produce a comprehensive Environmental and Social Management Policy for Financing and Investment Activity, prohibiting financing and investment in such initiatives regardless of sector, as well as specifying points of caution. Based on this policy, we have set a quantitative target to reduce our outstanding credit balance for coal-fired power generation facilities.

#### (3) Enhancing disclosures

In May 2020, we published a TCFD Report, becoming the first financial services group in Japan to do so. The report compiles detailed and comprehensive information, including the results of our scenario analysis, for each of the four thematic areas under the TCFD recommendations.

#### (4) External award

In February 2021, we received the highest award, the Minister of the Environment's Gold Award, in the Indirect Finance (General) Category of the Japan Ministry of the Environment's 2nd ESG Finance Awards Japan, an awards program promoting the adoption and expansion of ESG finance.



### Issues and Objectives for the Future

We are continuing to steadily advance our initiatives towards achieving our goals and realizing a low-carbon society.

- Sustainable finance & Environmental finance targets  
FY2019 – FY2030 total: ¥25 trillion (of which the target for environmental finance is ¥12 trillion)
- Target to reduce the outstanding credit balance for coal-fired power generation facilities based on our Environmental and Social Management Policy for Financing and Investment Activity  
Reduce the FY2019 amount by 50% by FY2030, and achieve an outstanding credit balance of zero by FY2050

#### Integrated Report 2020 (pp. 57 - 66)

<https://www.mizuhogroup.com/binaries/content/assets/pdf/mizuhoglobal/investors/financial-information/annual/data2003/16.pdf>



# The Gunma Bank, Ltd. Gunma Bank

## Efforts at Environmental Protection through Green Bond Issuance

### Summary of the Initiative

Amid growing interest in ESG initiatives by companies across society, Gunma Bank ("the Bank") has been working to support customers engaged in environmental conservation and the creation of a beautiful environment, while raising awareness of environmental initiatives within the Bank's group. In November 2019, in order to raise stakeholders' widespread awareness of the Bank's active efforts toward SDGs, etc., the Bank became the first regional bank in Japan to engage in green bond issuance. Based on the Bank's green bond framework, the Bank issues a yearly disclosure report on the status of green bond finance allocation and environmental improvement effects.

### Background of this Initiative

"The Gunma Bank Group SDGs Declaration" was established in February 2019 under which the Group has set priority issues and action policies centered on seven goals that are particularly suited for contributions by the Bank through its business activities. Moreover, having designated "Conservation and Creation of the Global Environment" as one of the priority issues of its SDGs Declaration, along with efforts associated with its banking operations, the Bank has been actively promoting endeavors at environmental protection through business support for its customers. As part of this support, the Bank has allocated funds raised through green bond issuance to loans to customers engaged in projects beneficial to environmental conservation, such as the installation of renewable energy-related facilities, the introduction of electric vehicles (EVs), and the construction of buildings that meet energy-saving standards, and in so doing has been working to reduce the environmental load through customers' business operations and the efforts of the Bank.

### Results of the Initiative

As of the end of September 2020, out of 9,950 million yen (net after deduction of fees) procured through green bonds, 8,513 million yen had been used for renewable energy-related loans for projects such as solar power generation and hydroelectric power generation, as well as loans for EV adoption and building construction compliant with energy conservation standards, resulting in an environmental improvement effect equivalent to 7,094 tons of CO<sub>2</sub> per year.

As this first-ever green bond issuance by a regional bank attracted praise for its contribution to making green bonds more widespread, the Bank was awarded the bronze prize in the bond category of the "1st ESG Finance Awards Japan" established by the Ministry of the Environment and the "5th Sustainable Finance Awards" sponsored by the Research Institute for Environmental Finance.

### Issues and Objectives for the Future

As the global risk of climate change increases, it is essential for companies to take environmental measures. Going forward, by offering diverse and wide-ranging support to customers engaged in environmental conservation, the Bank will keep making effort to enhance customers' enterprise value and protect and create the global environment.

### For further information

<https://www.gunmabank.co.jp/ir/library/en/pdf/20191119.pdf>



ESG Finance Awards Ceremony

### Purposes of green bond issuance

- To increase awareness of Gunma Bank's SDGs initiative by becoming Japan's first regional bank to engage in green bond issuance
- To contribute to the sustainable development of local communities through active efforts at addressing various SDGs-related issues
- To raise awareness of environmental initiatives within the Gunma Bank Group



### Corporate bond summary

- Corporate bond designation: Basel III-compliant Subordinated Bonds (Green Bond)
- Issue amount and maturity: 10 billion yen / 10 NC 5 years
- Issue date: November 26, 2019
- Interest rate: First 5 years: 0.37% per year, second 5 years: 6-month Euro-yen LIBOR plus 0.42%
- Interest payment dates: May 26 and November 26 of each year (first interest payment date: May 26, 2020)
- Use of funds: Allocation to new and existing loans or expenditure that meet the qualification criteria (\*)

(\*) (1) Renewable energy (2) Private placement green bonds (3) Energy efficiency (4) Clean transportation (5) Green buildings







# The Chiba Kogyo Bank, Ltd. The Chiba Kogyo Bank, Ltd.

## Participation in a Demonstration Test of “Auto Share” Car Sharing Business in Tateyama City

### Summary of the Initiative

Chiba Kogyo Bank (“the Bank”) is participating in a demonstration test of the “Auto Share” car sharing business launched by Idemitsu Kosan Co., Ltd. in Tateyama City, and is utilizing ultra-small electric vehicles (EVs) that run with renewable energy with outstanding environmental performance. “Auto Share” is a car-sharing service that utilizes ultra-small EVs, which are used as the Bank’s business vehicles on weekdays, and parked at a car station near Tateyama Station on weekends and holidays to be hired out as a car sharing vehicle for general use, serving as a means of transportation for local residents and tourists to go shopping or sightseeing. This demonstration test started in August 2019 in Hida City and Takayama City, Gifu Prefecture, and Tateyama City was the location of the second test in Japan. The test period is scheduled to last until the end of March 2022.

The wrapping of the car used by the Bank is based on the corporate color of bright pink, and the design is based on the pattern of “Maiwai,” a festive kimono worn traditionally in the Boso area to celebrate a big catch, and was thought out by Chiba University students, with which the Bank has formed an industry-academia partnership.

### Background of this Initiative

There are various challenges in moving people around in areas where public transportation is limited due to population decline.

The Bank decided to participate in this demonstration test

because the Bank believes that this project will enable local residents and tourists to effectively use the business vehicles that are not in use during weekends/holidays as a means of short-distance transportation, help solve environmental problems by using EVs, as well as contribute to the revitalization of the community by creating a buzz.

### Results of the Initiative

When the Bank visits customers with its ultra-small EVs, the Bank introduces initiatives for regional revitalization, car sharing, and environmental issues together with the vehicles. In addition, the Bank believes that the numerous media coverage of the project in newspapers and other forms of media has helped to raise awareness and deepen understanding of these initiatives.

### Issues and Objectives for the Future

In preparation for the full-fledged introduction of EVs as business vehicles, the Bank will verify the extent to which switching from gasoline to EVs will contribute to reducing costs and greenhouse gas emissions, and continue to work closely with external organizations to help reduce the burden on the environment and revitalize the region.

### For further information

<https://auto-share.jp/tateyama/>





# The Hachijuni Bank, Ltd.



## Initiative to Reduce Greenhouse Gas Emissions – High Praise under CDP 2020 (Climate Change) –

### Summary of the Initiative

Hachijuni Bank ("the Bank") treats environmental activities as the foundation of CSR (Corporate Social Responsibility) involving concerted activities of officers and employees.

The Bank has maintained its ISO 14001 certification ever since acquiring it in 2002 for all of its branch offices in Japan. Through its main business operations, the Bank has been systematically and continuously engaged in environmental conservation activities as well as activities to reduce the Bank's own environmental load and activities aimed at contributing to local communities and enhancing environmental education.

Under its 31st Long-Term Management Plan, the Bank has set for itself the greenhouse gas emission reduction targets set forth below. Moreover, in addition to staff members' own efforts, the Bank has been implementing various energy-conservation measures, such as adopting energy-saving and renewable-energy based equipment at new branch offices, switching to LED lighting at head office and sales office premises, and optimizing air conditioning in server rooms.

★ Target 1: Reduce greenhouse gas emissions in fiscal year 2020 by 15% or more compared with fiscal year 2013

★ Target 2: As a self-imposed challenge, reduce greenhouse gas emissions in fiscal year 2030 by 30% or more compared with fiscal year 2013

While the above initiative reflects just one example, in recognition of these various decarbonization efforts, the Bank acquired a score of "A- (Leadership)" in the CDP 2020 (Climate Change) scoring, making the Bank the top-ranking institution among Japanese banks.

Moreover, in March 2020, the Bank endorsed the TCFD recommendations, and in June at six branch offices in Nagano Prefecture started to use CO<sub>2</sub>-free electricity from hydroelectric power generated in the prefecture.

### Background of this Initiative

With operations based in Nagano Prefecture, a location known for its beautiful nature, the Bank has been aware that the deterioration of the global natural environment poses a major threat to the region, and therefore has been actively engaged in environmental activities.

At the Bank, we believe that protecting the nature of the region and contributing to the formation of sustainable communities is an important responsibility of regional financial institutions, hence the Bank's proactive efforts surrounding climate change issues.

### Results of the Initiative

In fiscal year 2019, the Bank's greenhouse gas emissions decreased 18.8% compared with fiscal year 2013, in line with

the target of the Bank's long-term management plan.

In fiscal year 2018, the Minister of the Environment had certified the Bank as an "Eco-First Company" in appreciation of its advanced environmental activities.

Moreover, the Bank having received a score of "A- (Leadership)" in the CDP 2020 (Climate Change) scoring, made the Bank the top-ranking institution among Japanese banks for five consecutive years. The CDP 2020 is a collaborative effort in which institutional investors query major companies around the world about their specific strategies for climate change and their data on greenhouse gas emissions, and, based on a scoring system, evaluate companies according to their efforts.

### Issues and Objectives for the Future

Given that Japanese government has set a goal of net-zero greenhouse gas emissions by 2050, the Bank will consider necessary measures in line with this target. The Bank will therefore continue to engage in further activities to proactively advance decarbonization.

### For further information

<https://www.82bank.co.jp/english/pdf/ar2020.pdf>



The Nakano branch office, which was newly built in November 2019, is a CO<sub>2</sub>-free office that uses electricity derived from hydroelectric power generation in addition to a 26kW solar power generation system.



Six branch offices in Nagano Prefecture use CO<sub>2</sub>-free electricity from hydroelectric power generation in the prefecture.



# Sumitomo Mitsui Trust Bank, Limited



## Initiative as a Trust Bank Group Contributing to Climate Change Mitigation and Adaptation

### Summary of the Initiative

Since April 2013, Sumitomo Mitsui Trust Bank ("the Bank") has been providing environmental rating loans with evaluation of natural capital preservation as an optional service, which quantitatively calculates a company's dependence on natural capital and its environmental burden, and provides information for determining specific targets in a company's supply chain risk management. This service calculates the amount of greenhouse gas emissions, water consumption and land area used in the upstream of the supply chain by procurement item and region, and provides risk information such as high-risk procurement products and the countries where their suppliers are located.

This is the world's first attempt to incorporate the evaluation of natural capital into lending standards, and it was featured as a leading example in the Environmental White Paper and the European Commission's report.

### Background of this Initiative

Business continuity risk for corporations includes the procurement risk associated with natural resources, raw materials, and energy, etc. For this reason, the Bank considers risk management relating to the procurement of natural capital in the global supply chain as an important management strategy issue.

In March 2019, as a first initiative in the globe, the Bank began offering positive impact finance, a type of loan for business companies without specification for the use of the loan funds. Using the above-mentioned impact analysis methods including the supply chain, loans are executed based on a comprehensive evaluation of the impact that corporate activities, products, and services exert on the environment, society, and economy.

### Results of the Initiative

Companies which use the natural capital evaluation service can benefit in two ways, namely, by obtaining upstream risk information on natural capital in the supply chain, and by obtaining quantitative environmental risk information that can be used for corporate information disclosures.

From the calculation results of the natural capital evaluation offered by this service, companies can obtain an overview of the natural capital risk present in their supply chain segmented by procurement item and country. To identify procurement risks, conventional methods exist such as conducting fact-finding surveys based on interviews tracing back through the supply chain, which involves a significant workload. The service proposed by the Bank uses a tool for statistical calculations (ESCHER) based on companies' procurement data, which by tracing back through the supply chain enables to comprehensively and efficiently calculate the degree of dependence and the impact on natural capital. By disclosing in comprehensive reports and sustainability reports, etc., the calculation results derived from this tool and the status of the associated risk management can help the reporting company to demonstrate how advanced its natural capital-related efforts are. In this way, the proposed service is useful for both risk data capture and information disclosure.

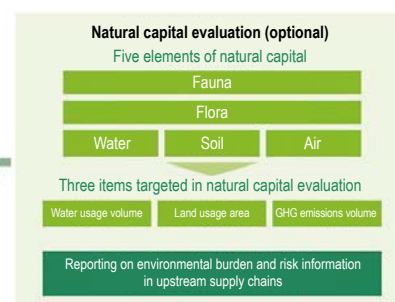
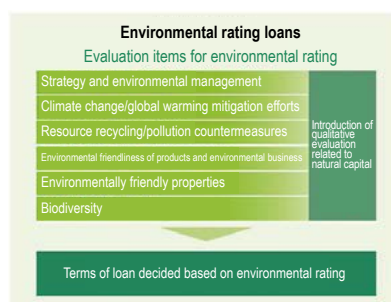
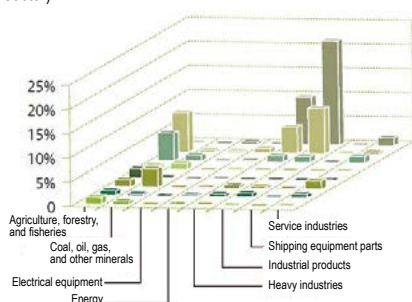
### Issues and Objectives for the Future

The Natural Financial Information Disclosure Task Force (TNFD), which can be said to be the natural capital version of the Task Force on Climate-related Financial Information Disclosure (TCFD), has begun discussions. The Bank believes their approach and method of natural capital assessment will be very useful for TNFD.

### For further information

<https://www.smth.jp/en/csr/report/2020/full/all.pdf>

Example of the output from the Natural Capital Evaluation Tool (Breakdown of water usage volume in each region by sector)





## 3 Diversity Promotion Initiatives



## Shinsei Bank Group



## Diversity Promotion (Promotion of Diverse Work Styles and Active Participation of Women in the Workplace)

## Summary of the Initiative

In April 2018, the Group lifted the prohibition on second and concurrent jobs; in August 2019, the Group abolished the dress code in the workplace; and from October 2020, allowed employees to choose their place of work while teleworking, as long as the working environment complies with information security, as part of efforts to create an environment where each employee can work flexibly in his or her own way.

Recognizing that diversity promotion is an important management objective, the Group established the Diversity Promotion Department and the Group Women's Activity Promotion Committee in February 2018. The Group launched a female talent development program and introduced a sponsorship system by executives from 2019 with the goal of achieving a 20% ratio of women in management positions by 2023. In addition, the Group has incorporated diversity promotion targets into its performance evaluation items for managers from fiscal year 2020 in order to encourage employees to change their mindset, such as eliminating the perception of gender roles. The Group also participates in external initiatives such as the 30% Club Japan and the Women's Empowerment Principles.

## Background of this Initiative

In its medium-term strategies, "Redesigning Finance," which started in fiscal year 2019, strengthening and leveraging its capabilities is one of its basic strategies. In order to demonstrate strong organizational strength and sustained growth even in an uncertain environment, the Group recognizes the importance of creating a flexible work environment that allows employees

with diverse backgrounds and values to respect each other, demonstrate their strengths, and maximize their abilities.

## Results of the Initiative

About 70 people have registered for concurrent or second jobs, expanding the scope of their careers while making the most of their work experience and interests. The Group also expects to see the effect of creating innovation derived from diverse experiences.

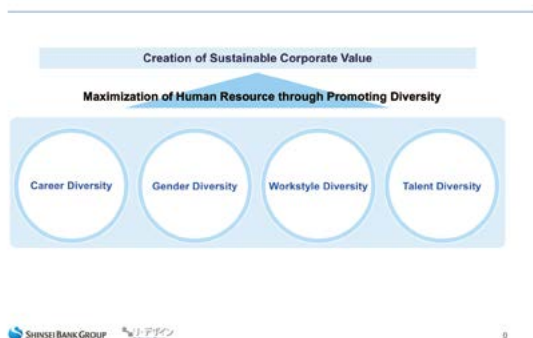
In the female employee resource development program, about 40% of the participants in the first phase were promoted, leading to the achievement of the career goals of each individual. As a result of these efforts, the ratio of women in management positions (section manager-level or higher) has increased to 19.7% (as of July 1, 2020).

## Issues and Objectives for the Future

The Group has been observing major changes caused by the spread of COVID-19 and the rapid advance of the new normal as an opportunity for further change, and it will redefine past efforts to reform the way people work under "Redesigning Workstyle" and accelerate the creation of an environment and culture where different personalities and strengths can be demonstrated.

## For further information

<https://www.shinseibank.com/corporate/en/policy/esg/employee.html>



## Group Committee for Women's Activity Promotion and Female Talents Development Program



## 4 Initiatives Regarding People with Disabilities



# Aozora Bank, Ltd.



## Introduction of Sign Language Interpretation Service

### Summary of the Initiative

This service provided by Aozora Bank ("the Bank") allows customers with a hearing or speech disability who have lost their ATM card, passbook, or seal to contact a call center from their smartphone or tablet device. When a customer initiates a video call from the Skype or LINE account of the "Aozora Bank Sign Language Interpretation Relay Service," an interpreter takes the loss report in sign language or as a conversation conducted in writing and communicates the content in real time to the Bank's call center operator.

The service is available for the following customer requests.

- (1) Suspension of transactions due to the loss of an ATM card, passbook, certificate, or seal
- (2) Suspension of transactions due to unauthorized use of an account or ATM card

### Background of this Initiative

The Bank has conducted extensive reviews to enable customers with a disability to comfortably conduct their banking transactions.

The Bank had been aware that a person with a hearing or speech disability would have to conduct the above-mentioned procedures (1) and (2) through a communication board or written conversation at a bank branch, thus requiring the customer to visit the branch and hence precluding a speedy response even in urgent cases. The search for a better solution led to the discovery of the sign language interpretation service. This service was introduced after further research by the Bank had found its content useful for customers.

### Results of the Initiative

Due to the introduction of this service, customers can now take action from their home without visiting a bank branch.

Customer convenience is further improved by extended service hours from 8:00 to 21:00, which is longer than bank branch business hours.

### Issues and Objectives for the Future

While the current service range is meant to address urgent situations, the Bank is aware of the need to expand the service scope to further enhance customer convenience, and to this end has been making preparations to expand the service scope and creates frameworks for improving the internal office workflow.

The Bank sets goal in creating an environment where customers with a hearing or speech disability can enjoy all the offerings without stress or complications. Moreover, the Bank continues to create environments to ensure that customers with other disabilities can also conduct their banking transaction in a comfortable and stress-free manner.

### For further information

<https://www.aozorabank.co.jp/english/sustainability/csr/>



Interpretation service



How the service works



## 5 Senior Citizens Support Initiatives



### Mebuki Financial Group (The Joyo Bank, Ltd.; The Ashikaga Bank, Ltd.)



## Financial Gerontology Initiatives (Initiatives for an Aging Society)

### Summary of the Initiative

With the aim of realizing a community where people can continue to live with peace of mind, efforts are being made to have corporate officers and employees become qualified as dementia supporters, and to provide financial products and services and collaborate with external organizations to prepare for the extended period of aging associated with increasing longevity.

### Background of this Initiative

Japan's aging population is expected to reach about 30% by 2025 and about 40% by 2060. In addition, the number of elderly people with dementia is expected to increase as people live longer.

In particular, the financial industry, which often requires customers to make sophisticated and complex decisions, is expected to be most seriously affected by the expansion of the dementia problem and it is necessary to be proactive in resolving these issues in our communities.

Against this backdrop, the Mebuki Financial Group ("the Group") is developing a system that can appropriately respond to elderly customers who come to our banks, including those with declining cognitive functions and dementia, and is actively working to expand various services by utilizing the Group's knowledge of financial gerontology.

### Results of the Initiative

#### (1) Provision of personal guarantee and voluntary guardianship services

In cooperation with a general incorporated association that provides support to the elderly, the Group provides personal guarantees for customers when they move into elderly facilities or are hospitalized, as well as support services necessary when their mental capacity declines.

#### (2) Provision of monitoring services for the elderly

The monitoring services, in cooperation with security companies, enable the elderly to live in peace and provide peace of mind to their families living in remote areas.

#### (3) Expanding proxy transactions for individuals

The scope of proxy transactions for individuals, which was previously limited to deposits and withdrawals of savings accounts, has been expanded to include deposits and withdrawals of time deposits and notification of address changes.

In the event that a customer is unable to visit a branch and wishes to entrust daily transactions to a relative, the customer can appoint a relative in advance to act as a proxy.

#### (4) Offering guardianship support deposits

This is a deposit account to manage money that is not used on a daily basis among the assets of customers who use the adult guardianship system. The account is designed to prevent unauthorized withdrawals of deposits by adult guardians, which is becoming a social problem, and to manage customers' assets safely and appropriately.

#### (5) Acquisition of certification for dementia supporter and assignment of service care-fitters

Approximately 5,000 people throughout the Group (as of September 2020) have obtained dementia supporter certification in order to deepen the correct knowledge and understanding of dementia. In addition, service care-fitters have been assigned to branches to provide services suitable to each customer.

### Issues and Objectives for the Future

For "building the region's future as a comprehensive financial services group," the Group will continue to actively promote initiatives that utilize the knowledge of financial gerontology to solve social issues associated with the advance of an aging society.



Provision of personal guarantee and voluntary guardianship services



Officers and employees learning at a service care-fitter training course

## 6 Initiatives to Reduce Poverty



# MUFG Bank, Ltd.

**MUFG**  
Mitsubishi UFJ Financial Group

## Various Supports in Response to the Spread of COVID-19

### Summary of the Initiative

In response to the spread of COVID-19, MUFG has taken the following measures to fulfill its corporate social responsibility.

#### ●Support for Medical Professionals

A total of 1 billion yen was donated to support medical personnel on the front lines of medical examination and treatment. As a framework for working together with customers, MUFG has also introduced a donation system based on customer use of Internet transactions.

#### ●Support for Students

MUFG has donated a total of approximately 1.6 billion yen to support the higher education and daily lives of students, including both Japanese and international students. The students were recruited as respondents of a survey for the development and improvement of MUFG products and services.

#### ●Support for Arts

Donations of 300 million yen were made to support the continuation of participation in music and the arts.

#### ●Establishment of the "MUFG Medical Fund"

MUFG established a 10 billion yen medical fund to support venture companies in the fields of drug discovery and regenerative medicine, including measures to treat and prevent COVID-19.

### Background of this Initiative

The spread of COVID-19 was a reminder that the stability of "society" is a prerequisite for companies to achieve sustainable growth.

It is also a fact that "society" is very vulnerable to unforeseen circumstances such as infectious diseases, as we witness the reality that the healthcare system is in a difficult situation and that it will be difficult for children who will lead the future to continue their studies.

While MUFG has been providing support for COVID-19 through its core business of financial services, in order to provide more flexible and agile support for areas that cannot be covered by financial services, MUFG has established a new framework in which an amount equivalent to 0.5% of the group's net business profits in the previous fiscal year is contributed to social contribution activities (in the form of donation, etc.).

Through this framework, the Bank provides a variety of support for medical professionals, students, arts and environmental issues.

### Results of the Initiative

MUFG has received many thanks and words of appreciation from the people it has supported in letters and on its website. At the Ashinaga Foundation scholarship presentation ceremony, MUFG had the opportunity to meet directly with students who

are working proactively toward their future dreams, even though their environment has completely changed due to the COVID-19 pandemic.

MUFG hopes that its assistance will expand the circle of support and create a flow to build a better society.

### Issues and Objectives for the Future

MUFG, as a form of financial infrastructure indispensable to the maintenance of social functions, will continue to work together as a group to resolve social issues.

- **MUFG to support COVID-19 healthcare and relief efforts with 500 million yen donation to the Japanese Red Cross Society**  
[https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200424-001\\_en.pdf](https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200424-001_en.pdf)

- **MUFG Pledge Additional Support to Japan's Healthcare and Relief Efforts**  
[https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200514-001\\_en.pdf](https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200514-001_en.pdf)

- **Launch of JPY10 billion MUFG Medical Fund**  
[https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200611-002\\_en.pdf](https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200611-002_en.pdf)

- **MUFG Pledge Support to Southeast Asian Students in Japan**  
[https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200814-001\\_en.pdf](https://www.mufg.jp/dam/pressrelease/2020/pdf/news-20200814-001_en.pdf)



Presentation ceremony for Ashinaga Foundation scholarship



## The Bank of Okinawa, Ltd. The Bank of Okinawa

### Project for Resolving the Problem of Child Poverty

#### Summary of the Initiative

In order to solve the problem of child poverty, the Bank of Okinawa ("the Bank") has provided the following supports to organizations that trying to solve the problems; i.e. (1) support by donations, and (2) providing assistance to raise funds for their activities.

#### (1) Support by donations

- Donations were made in proportion to the number of accounts without passbooks/paper (100 yen per account; donations were made each time 5,000 accounts were reached).
- The Bank donated a portion of the foreign exchange commission from its US dollar-denominated foreign currency time deposits.

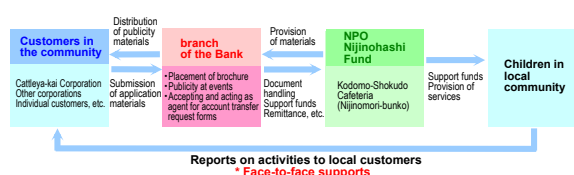
Donation ceremony for foreign currency time deposits



#### (2) Cooperation with raising funds for organizations that run "Kodomo-Shokudo" (It is cafeterias for children who need help)

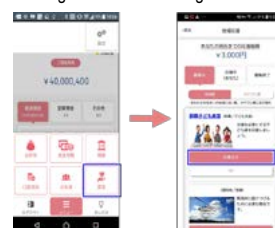
- The Bank has signed an agreement on cooperation and collaboration with an organization that operates Kodomo-Shokudo cafeterias (NPO Nijinohashi Fund). The main activities of the project are to raise funds from client companies by utilizing the network of branches of the Bank, to inform people of the NPO activities, and to support them by providing necessary documents.

Overview of the Agreement on Cooperation and Collaboration for Supporting Kodomo-Shokudo Cafeterias



- The Bank has developed a function that people are able to donate easily to the organization by using the "Okigin Smart" smartphone application. Donations can be made to registered Kodomo-Shokudo cafeterias on a case-by-case or monthly basis with a minimum donation of 100 yen.

Okigin Smart fundraising function



#### Background of this Initiative

The current child poverty rate in Okinawa Prefecture is 29.9% (March 2018), which is much higher than the national average of 13.9%, and is a major problem for Okinawa Prefecture. Recognizing the seriousness of child poverty, and the need for continuous support, the Bank has linked this to SDGs target No. 1, "No Poverty," and positioned it as a priority item of SDG promotion.

In order to respond to the challenge of solving the problem of child poverty in Okinawa Prefecture as a local company, the Bank supports to solve the problem of child poverty by using its financial intermediary function and information dissemination capabilities.

#### Results of the Initiative

The "Conclusion of an Agreement on Cooperation and Collaboration for Supporting Kodomo-Shokudo Cafeterias" has contributed to the creation of a system that helps out the local community through support for Kodomo-Shokudo cafeterias by providing continuous financial support from local companies.

The Bank has introduced a function that customers donate by using the application "Okigin Smart."

As a result of the Bank's ability to communicate with the local community and the extensive coverage in newspapers and other media, these activities provided opportunities and interests to people in Okinawa to know Kodomo-Shokudo cafeterias, which led to the awareness and dissemination of information on how to solve poverty issues.

#### Issues and Objectives for the Future

It is convinced that solving the problem of child poverty can be achieved by breaking the cycle of poverty and building a system that allows children to become self-reliant. At the same time, further and continuous support will be possible if the business community and the organizations and government agencies that support them share more information and deepen their cooperation.

To realize a society where no one is left behind, the Bank will strengthen cooperation with various stakeholders, including government agencies, corporations and individual customers. The Bank will also continue its efforts to solve the problem of child poverty under the management philosophy of regional involvement and contribution.

#### For further information

[https://www.okinawa-bank.co.jp/corporate/okigin\\_csr.html](https://www.okinawa-bank.co.jp/corporate/okigin_csr.html)



## 7 Regional Revitalization Initiatives



# Sumitomo Mitsui Banking Corporation SUMITOMO MITSUI BANKING CORPORATION

## Provision of ESG Loans in Support of Customers' Efforts at Sustainability Enhancement

### Summary of the Initiative

Sumitomo Mitsui Banking Corporation ("the Bank") provides several ESG loan products to meet the needs of its clients who are working to improve sustainability, such as by achieving the United Nations' Sustainable Development Goals.

In particular, the Bank started in April 2019 offering "SDGs Promotion Loans" in which the Bank provides analyses and advisory services surrounding connections between customers' business and SDGs in accordance with the status of their efforts toward SDGs.

### Background of this Initiative

With SDGs steadily attracting more interest worldwide, companies are called upon to contribute to the realization of a sustainable society by solving a wide range of social issues through their business activities in addition to achieve their own sustainable growth. At present, however, corporate efforts related to SDGs vary greatly depending on the company.

The Bank has been conducting "Environmental Assessment Loan" evaluations since 2008 and has since 2013 conducted evaluations regarding the status of customers' sustainability efforts and information disclosure, and through the provision of "Sustainability Assessment Loans (currently "ESG/SDGs Assessment Loans")" associated with advice for further improvement, has been supporting customers' efforts at sustainability.

However, the Bank finds it essential to further widen the base of customers from not only those already engaged in SDGs attainment but also those considering engaging in such efforts. The Bank believes that financial institutions also have an important role to fulfill in creating awareness in such customers through the provision of ESG loans.

The "SDGs Promotion Loans", in cooperation with the Japan Research Institute, Ltd., a group company, provides information on the concept of SDGs to customers and assists customers in organizing the relationship between their core businesses and

the SDGs targeting. Those customers include those 'who are contemplating engaging in SDGs efforts but feel uncertain how to structure the connection between their core business and SDGs', and 'who have attempted to organize this connection but seek objective advice from a third party.'

### Results of the Initiative

The Bank has had many customers use then "ESG/SDGs Assessment Loans/Private Placement Bonds" and "SDGs Promotion Loans/Private Placement Bonds" and has provided advisory services, etc., to promote customers' future SDGs related efforts. Moreover, for customers who have taken out such loans, the Bank has also provided IR support such as featuring customers' company logos in the Bank's news releases and on the Bank's website (logos of 50 companies were posted in fiscal year 2019).

### Issues and Objectives for the Future

Under the "SMBC Group Statement on Sustainability" announced in April 2020, SMBC Group has set for itself a green finance initiatives target totaling 10 trillion yen over the 10 years from fiscal year 2020 to 2029. In support of customers' sustainable management, the Bank will contribute to the sustainable enhancement of corporate value of the clients by providing financial and other solutions and engaging in dialogue toward their sustainable management, and will make further efforts to create a sustainable society and market.

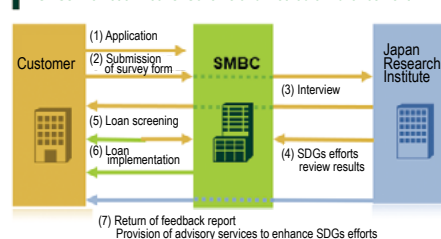
### For further information

<https://www.smbc.co.jp/hojin/eco/>



Think Together and Proceed Together. Toward Corporate Management in a New Era.

### "SDGs Promotion Loans" Scheme and Method of Advancement





# The Hokkaido Bank, Ltd. THE HOKKAIDO BANK, LTD.

## Initiatives on Regional Revitalization - Establishment of a regional agricultural trading company

### Summary of the Initiative

The Hokkaido Bank ("Bank") has decided to support the management of HAL GREEN Corporation, which is engaged in the distribution of Hokkaido agricultural products, by investing and dispatching a representative director. Also, in order to strengthen company's organizational structure, two other staff members will be additionally dispatched, that will deepen Bank's understanding of the realities of agricultural product distribution, and further strengthen Bank's relationship with Hokkaido core industry of agriculture, with the aim of contributing to its development.

### Background of this Initiative

Since establishing Agribusiness Development Section in 2009, Bank has been actively supporting agriculture, but realized the necessity for a further step in order to respond to a wide range of agricultural producers' needs. In view of this, Hokkaido Agricultural Laboratory for Business Development (commonly known as HAL Foundation), the predecessor of HAL GREEN Corporation, has been engaged in support activities for Hokkaido farmers since its establishment in 2003. Within the framework of a demonstration test, HAL Foundation had a plan to develop and commercialize the distribution development business that would add value to Hokkaido agricultural products and distribute them nationwide. Since Bank and HAL Foundation had a comprehensive cooperation agreement and were both involved in supporting producers, Bank decided to cooperate in establishing a new company, HAL GREEN Corporation (established in April 2020).

### Results of the Initiative

Since the company was established only recently, it has not yet achieved many results. However, together with company's past experience, it is getting possible to put the accumulated

stuff into practical form via the strategy of utilizing Bank's network, for example, start of a new business relationship with a major retailer who highly evaluated the corporation's G-GAP initiatives. A lot of positive feedback from existing producers (about 150) and customers (about 200) has been received.

### Issues and Objectives for the Future

The purpose of Bank's participation in the agricultural product distribution business is to support development of Hokkaido agriculture. Producers are eager to know how their products are consumed and evaluated, and it is felt that there are high expectations toward this new option.

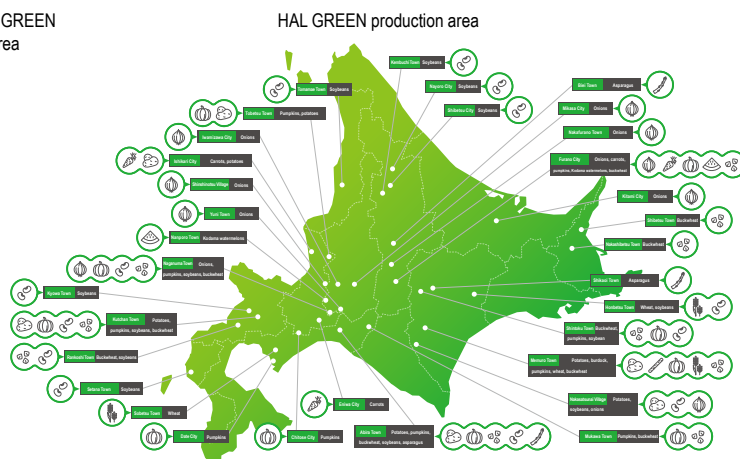
In addition to the above issues, in recent years, Hokkaido has also been facing serious problems such as shortage of farm workers and abandoned farmland.

Agriculture is a key industry in Hokkaido, and a shortage of workers and decline in production could directly lead to the decline of the local economy. The goal is to contribute to the realization of sustainable agriculture in Hokkaido by creating an environment that will further improve the profitability of Hokkaido's agriculture through the distribution of value-added, carefully selected agricultural products.

In the distribution business for Hokkaido agricultural products, the JA (Japan Agricultural Co-operative) system enables the stable distribution of agricultural products. Aiming for the revitalization of the region, Bank realizes the importance of systematic distribution, and believes that good use of both options is ideal. Bank will work to make these activities a model case for the revitalization of regional agriculture and economies across the country.



View of HAL GREEN  
production area







# The Ehime Bank, Ltd. THE EHIME BANK, LTD.

## Initiatives for Local Invigoration

### Summary of the Initiative

In December 2018, Ehime Bank (“the Bank”), together with Shikokuchuo City and the Japan Housing Finance Agency (“JHF”), signed a “Cooperation and Collaboration Agreement on Financial Support for Measures against Vacant Houses in Shikokuchuo City.” In September 2019, the Bank also signed an agreement with Iyo City, expanding its circle of cooperation.

This was the first time in Shikoku that the local government, the JHF, and a financial institution entered into a cooperative agreement to deal with vacant houses.

### Background of this Initiative

Ehime Prefecture has the seventh highest rate of vacant houses in Japan (about 130,000 houses, about 18%: “2018 Housing and Land Survey of Japan” published by the Ministry of Internal Affairs and Communications in September 2019), and urgent action was needed to address this issue for local invigoration.

Therefore, in order to comprehensively and systematically promote measures related to vacant houses, the Bank concluded the “Cooperation and Collaboration Agreement on Financial Support for Measures against Vacant Houses,” aiming to contribute to regional development by strengthening mutual cooperation among local governments, the JHF, and the Bank, and cooperating mainly through financial support. Measures to deal with vacant houses are linked to one of the goals of the SDGs, “Sustainable Cities and Communities.”

In order to further strengthen its contribution to the local community, the Bank announced the “Ehime Bank SDGs Declaration” in April 2019, which aims to create common regional value and solve social issues through financial services

and collaboration.

### Results of the Initiative

In Shikokuchuo City and Iyo City, a seminar on measures to deal with vacant houses was held for people involved in the real estate and construction industries to deepen their understanding of the current situation of vacant houses, projects to prevent the creation of vacant houses, and financial support. In addition, Shikokuchuo City has been working on the creation of a game for a hands-on experience of the problem of vacant houses as a tool to raise awareness of the problem of vacant houses, and has completed a prototype version and is conducting a demonstration using a giant gameboard.

The Bank is also enhancing its financial products to provide financial support for vacant houses, including the launch of recourse-type reverse mortgage free loans in addition to non-recourse reverse mortgage housing loans.

### Issues and Objectives for the Future

The Bank will further enhance the synergies among the three parties, while seeking collaboration with other types of businesses to promote initiatives that are unique to regional financial institutions.

### For further information

[https://www.himegin.co.jp/new\\_csr/20181213\\_2.html](https://www.himegin.co.jp/new_csr/20181213_2.html)  
[https://www.himegin.co.jp/new\\_csr/20190920\\_1.html](https://www.himegin.co.jp/new_csr/20190920_1.html)  
[https://www.himegin.co.jp/new\\_csr/20200210\\_1.html](https://www.himegin.co.jp/new_csr/20200210_1.html)  
[https://www.himegin.co.jp/news/20190809\\_1.html](https://www.himegin.co.jp/news/20190809_1.html)



The signing ceremony for the “Cooperation and Collaboration Agreement on Financial Support for Measures against Vacant Houses in Shikokuchuo City”



The signing ceremony for the “Cooperation and Collaboration Agreement on Financial Support for the Utilization of Vacant Houses and Prevention of Their Occurrence in Iyo City”

## 8 Initiatives for the Internal Diffusion of SDGs



# Resona Group



## Dialogue and Engagement with Investee Companies

### Summary of the Initiative

Resona Group ("the Group") holds constructive dialogue and engagement in themes surrounding environmental and social issues in order to realize a sustainable society together with the Group's customers.

[Asset Management Department]

Resona Asset Management, which is responsible for the investment division of the Group, engages on a recurring basis with investee companies in order to resolve ESG issues around the world and with a view to promoting enterprise value enhancement and sustainable growth from a medium-to long-term perspective. Under the Group's ESG engagement policy, in order to mitigate enterprise inherent risks, Resona Asset Management interacts with target companies with a focus on selected high-priority themes. Various themes are nominated and addressed, such as sustainable palm oil procurement, marine plastics mitigation, and food supply chain sustainability.

[Lending Department]

The lending department holds dialogue with loan customers in order to promote appropriate responses to fundamental social change (= game change) that are expected to occur from the spread of SDGs. The lending department works to increase opportunities and mitigate risks of its corporate customers by promoting awareness of the environmental and social issues that constitute the core of SDGs by distributing among loan customers leaflets on the powerful impact of SDGs on businesses. The leaflet contents cover topics such as opportunities and risks that companies face arising from environmental and social issues and the risk of exclusion from supply chains which is responding to social requirements such as CSR-based procurement.

### Background of this Initiative

[Asset Management Department]

Under the "Basic policy on responsible investment", in addition to the financial information of investee companies, the asset management department thoroughly captures and analyzes non-financial information including action relating to ESG issues and promotes companies' enterprise value enhancement and sustainable business growth from a medium- and long-term perspective. In so doing, as set forth in the aforementioned Policy, the asset management department works to increase the value of trust assets. The asset management department, as a responsible long-term investor, considers it important functions to be actively involved in

achieving this kind of medium- and long-term enterprise value while contributing to solving social issues and promoting highly effective stewardship activities aimed at realizing a sustainable society.

[Lending Department]

Compared with large companies, the small- and medium-sized enterprises which form the Group's primary customer base tend to have fewer opportunities to learn about the risks that their businesses face from the environmental and social issues that are at the core of SDGs. The Group has therefore initiated dialogue with loan customers, first to raise broad-based awareness of the environmental and social issues involved and then to encourage action going forward. The Group believes that continuing, expanding and developing this initiative will help reduce future risks for customers and lead to the expansion of future business opportunities.

### Results of the Initiative

[Asset Management Department]

- Bronze prize in the investor category of the "1st ESG Finance Awards Japan" established by the Ministry of the Environment
- Top rating of "A+" in the PRI comprehensive evaluation (Principles for Responsible Investment) maintained since 2015

### Issues and Objectives for the Future

The departments will continue to hold constructive dialogue and engagement with investee companies and loan customers aiming to realize a sustainable society.

### Initiatives for Socially Responsible Investing and Lending

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

### Resona Asset Management Stewardship Report 2020/2021

[https://www.resona-am.co.jp/investors/pdf/ssc\\_report2020-2021en.pdf](https://www.resona-am.co.jp/investors/pdf/ssc_report2020-2021en.pdf)



At the "1st ESG Finance Awards Japan"



SDGs Have Major Impact on Companies

## Expert Column

# Global and Domestic Trends Regarding SDGs and ESG in 2020

## - In light of the global spread of COVID-19 -

The Japan Research Institute, Limited Counselor  
Eiichiro Adachi



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(Note) This article was prepared based on information as of the end of January 2021.

### Global Spread of the Pandemic and SDGs

2020 will be remembered for the global crisis brought on by the COVID-19 pandemic. On January 6, the Ministry of Health, Labour and Welfare of Japan announced an outbreak of "Pneumonia of unknown cause in Wuhan City, Hubei Province of the People's Republic of China" and on January 16 "the first pneumonia patient infected with a new coronavirus." Almost one year later, cases of infection and infection-related deaths in Japan numbered respectively 368,143 and 5,158 (as of January 26, 2021, according to the Ministry of Health, Labour and Welfare) and Johns Hopkins University estimated worldwide 99,801,418 cases of infection and 2,142,526 infection-related deaths (as of January 26, 2021).

On September 22, 2020, five years after the adoption of the "2030 Agenda for Sustainable Development," UN Secretary-General António Guterres at the United Nations Headquarters in New York, USA, seized the opportunity and with an apparent sense of crisis noted in a video speech: "COVID-19 has laid bare the world's fragilities. Rising inequalities. Climate catastrophe. Widening societal divisions. Rampant corruption. The pandemic has exploited these injustices, preyed on the most vulnerable and wiped away the progress of decades. For the first time in 30 years, poverty is rising. Human development indicators are declining. We are careening off track in achieving the Sustainable Development Goals."

"The Sustainable Development Goals Report 2020" analyzes the threat of the COVID-19 pandemic as follows. (1) In 2020, 71 million more people will be driven into extreme poverty. (2) In 2020, the number of deaths of children under the age of 5 may increase by hundreds of thousands. (3) 90% of children and students could not attend school due to school closures, and several years' worth of progress in the field of education would be set back. (4) Only 65% of elementary schools have basic washroom facilities that are essential for the prevention of COVID-19 infection. (5) Urban lockdowns have increased the risk of violence against women and girls, and in some countries case numbers of domestic violence have increased by 30%. (6) Despite being the most effective means of preventing new COVID-19 infections, 3 billion people worldwide live in dwellings without basic hand washing facilities. (7) GDP per capita in 2020 is expected to decrease by 4.2%. (8) COVID-19 infections may result in the loss of 400 million jobs in the second quarter of 2020. (9) Over 90% of COVID-19 infected people live in urban areas, and only 47% of people have access to public green spaces within 400 meters' walking distance of their homes. (10) Illegal wildlife trade is likely to disrupt ecosystems and accelerate the spread of infectious diseases. (11) Owing to school closures due to the COVID-19 pandemic, it is expected

that 379 million children will not be able to eat school lunch. (12)  
The progress seen in the reduction of child labor in the world is likely to revert for the first time in 20 years.

### The Financial Community and the COVID-19 Pandemic

Japanese banks have been engaged in various efforts to support businesses, organizations, and individuals who have been affected in their economic activities or personal lives by the escalating COVID-19 pandemic. These efforts mainly comprise the clerical processing of remittances of special fixed amount benefits and business continuity benefits, etc., the handling of special loans related to losses caused by the COVID-19 pandemic, loans and loan repayment re-scheduling due to the effects of the COVID-19 pandemic, and the provision of loans utilizing the "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19)" established by the Bank of Japan, etc. Moreover, banks proactively made donations to awardees such as local public bodies (including donations in full amounts of time deposits and certain amounts from private placement bond issuance), medical research and medical activities, and scholarship awards organizations, etc.

Information on the measures taken by each bank in connection with the escalating COVID-19 pandemic is available on the websites of the Japanese Bankers Association, the Regional Banks Association of Japan, and the Second Association of Regional Banks.\*

Various policies have been adopted not only in Japan but also in other countries around the world to provide robust support for a full economic recovery from the contraction apparent in the wake of the escalating COVID-19 pandemic. However, compared with past economic crises, the characteristic difference this time comes from the emphasis on balancing economic activity with the protection of human life and health as opposed to a single-minded priority on the restoration of economies.

In the 2020 "SDGs/ESG Questionnaire Survey" (with 117 responses) which the JBA conducted among its member banks, 90% of respondents answered in the affirmative to the question "Are efforts conducted with particular awareness of contributing to the attainment of SDGs and to accommodating ESG investment?" Since this result marks an increase from the 80% observed in the 2019 survey, it can be said that even under the impact of the COVID-19 pandemic Japanese banks have not backtracked on its stance on social challenges.

A global survey shows similar trends. Out of 600 institutional investors surveyed by Edelman Holdings (survey period September 3, 2020 to October 9, 2020), 92% of respondents said that companies with a strong ESG performance enjoy a

share price premium, 88% said that companies with a proactive approach to ESG have better earning power with greater long-term opportunities than companies that do not, and although 79% said that priority on ESG standards will decrease under the impact of COVID-19, an overwhelming 96% intends to prioritize ESG standards as the situation improves (The 2020 Edelman Trust Barometer Special Report, released on November 17, 2020).

"The SDGs wedding cake model" (see next page) conceived of in 2016 by Carl Folke and others at the Stockholm University's Stockholm Resilience Centre is a well-known illustration. The COVID-19 pandemic reminds us again that economic goals cannot be attained if the attainment of the underlying social goals is uncertain, and the attainment of those social goals remains uncertain if the attainment of the underlying biosphere goals is uncertain.

### Global Trends toward a Decarbonized Society

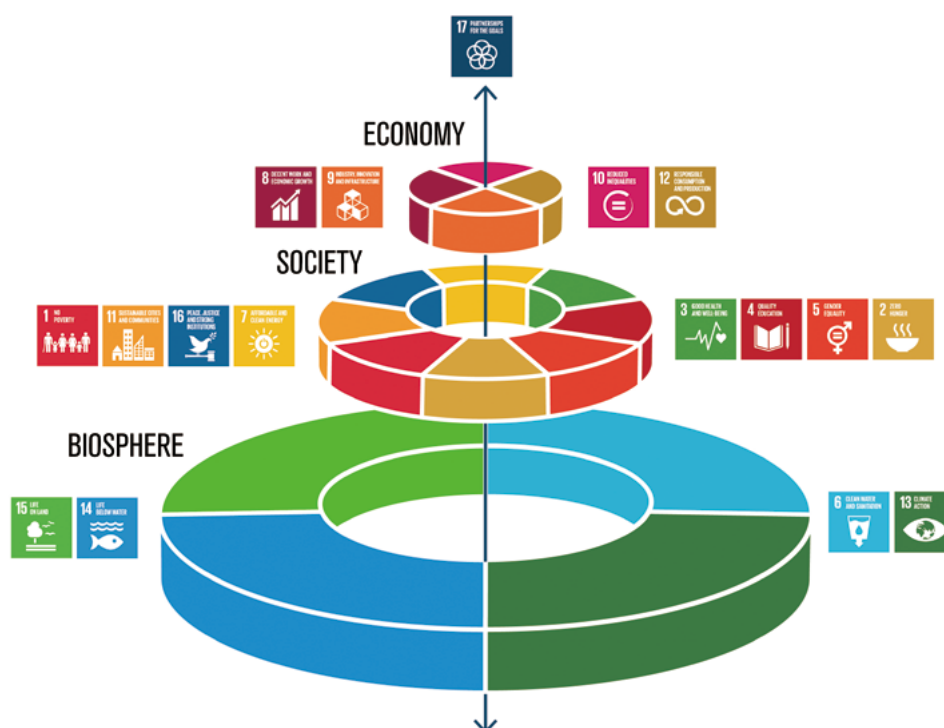
The most fundamental layer in the SDGs wedding cake model is biosphere goals which include Goal No.13, "Take urgent action to combat climate change and its impacts." In 2020, the global quest for the attainment of this goal continued despite the overarching crisis posed by the COVID-19 pandemic.

In March 2020, the European Union announced its "European Climate Law draft" and "Circular Economy Action Plan", which were followed in May by the "Farm to Fork Strategy" and the "EU Biodiversity Strategy". Furthermore, in July the "EU Energy System Integration Strategy" and the "EU Hydrogen Strategy" were released in rapid succession. Notably, in its deliberations on the European Climate Law the European Parliament narrowly passed in October a proposal to raise its greenhouse gas reduction target for 2030 from the current 40% reduction (compared to 1990) to 60%. Finally, at the European Summit in December, a political agreement was reached for a reduction of at least 55% compared with the 1990 level to be achieved by 2030. This is a legally binding EU-wide reduction target. The European Climate Law is expected to be deliberated on and passed by the Council of the European Union and the European Parliament. At the same time, the European Summit in December confirmed the medium-term budget of 2021-2027 and that at least 30% of the combined total of the reconstruction fund (about 1.8 trillion euros = 230 trillion yen) to be allocated to climate change countermeasures.

During a speech at the UN General Assembly held in New York in September 2020, China's President Xi Jinping announced a trend reversal to the effect of a reduction of carbon dioxide (CO<sub>2</sub>) emissions by 2030, aiming to be carbon neutral (effectively a zero-balance of CO<sub>2</sub> emissions minus CO<sub>2</sub> removals) by 2060. Right after the speech, it was reported



## SDGs Wedding Cake Model



(Source) Azote Images for Stockholm Resilience Centre, Stockholm University

by media that the Chinese government was mulling plans for all new car sales in China to consist of environment-friendly vehicles by 2035. Also reportedly 50% would be new-energy vehicles centered on electric vehicles (EV) and the gasoline-fueled cars making up the remaining 50% would all be hybrid vehicles (HV).

On October 26, 2020, Japan's Prime Minister Suga declared in his general policy speech during the 203rd session of the Diet: "My administration will devote itself to the greatest possible extent to bring about a green society, while focusing on a virtuous cycle of the economy and the environment as a pillar of our growth strategy. We hereby declare that by 2050 Japan will aim to reduce greenhouse gas emissions to net-zero, that is, to realize a carbon-neutral, decarbonized society."

Likewise in the United States, where President Biden who took office on January 20, 2021, stated in his election promise his intention to achieve a 100% clean energy economy and net-zero emissions by 2050, accelerate the development and deployment of carbon capture and sequestration technology, recommit to the Paris Agreement and take the lead in diplomacy toward ambitious targets for countries' climate goals, and

impose surcharges or quotas on imports of carbon-intensive products from countries that are failing to meet their climate and environmental obligations, among other objectives. Shortly upon taking office, President Biden signed a document for the United States' return to the Paris Agreement, and signed an executive order instructing relevant ministries and agencies to review environment-related rules enforced by the previous administration and to revise greenhouse gas emission standards.

### Promulgation of the Concept of Sustainable Finance

With the world on the threshold to a major change of direction toward achieving a decarbonized society, expectations have come to focus on the finance sector to play a key role by supporting this transformation from the finance side.

If the essence of finance is to facilitate money lending between those who hold surplus money and those in need of money, then the significance of sustainable finance (finance for the purposes of sustainability) in its "application of financial services for the attainment of sustainability related objectives"



naturally increases.

The European Commission describes sustainable finance as “the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects.” Although the term “investment” is too narrow, sustainable finance is a powerful means for policy decision makers to achieve goals and can be understood as a business opportunity for those who run financial businesses on the premise of large demand for funds. On the other hand, for financial business entities sustainable finance implies with regard to their own assets the need for enhanced risk management from the perspectives of the environment, society, and governance.

Europe has been leading in measures to institutionalize sustainable finance. Starting with the Action Plan on Sustainable Finance adopted by the European Commission in March 2018, sustainable finance is positioned as an important cornerstone also in a communication document entitled “European Green Deal” issued in December 2019.

In 2020, the institutionalization of sustainable finance in Europe made steady progress in both general and specific terms. To begin with, in the April to July period the European Commission invited feedback with the declared intent to formulate a “renewed sustainable finance strategy.” Since the Action Plan on Sustainable Finance mentioned above was compiled before the issuance of the European Green Deal communication document, the intent on the part of the European Commission is to create alignment with the document, encourage individuals to allocate funds to sustainable economic activities and projects, and more strongly emphasize the risk management aspects of the financial system. In fact, however, the “renewed sustainable finance strategy” originally scheduled to be published as a communication document in the June to September period has yet to be released.

Among the 10 Action Plan items, “Taxonomy” on sustainable activities for climate change adaptation and mitigation objectives is scheduled to take effect shortly as a delegated act under the name of “EU classification system for green investments.” An invitation for public comment on the draft proposal during the November to December period resulted in 46,591 comments. Additionally, in October the European Commission set up a “Platform on Sustainable Finance” and a working group to establish a social taxonomy to deal with issues relating to human rights, consumers, and labours.

A delegated act under the name of “minimum standards for climate benchmarks” came into effect in July for the creation of standards and labels for green financial instruments.

Concerning the promotion of investment in sustainable projects, the first feedback period for proposal ended in August, reportedly with the aim of submitting a draft by March 2021.

As to the inclusion of sustainability in investment advice, public consultation on the “obligation for insurance firms and brokers to advise clients on social and environmental aspects,” etc., and other draft proposals concluded in July. The European Commission plans a delegated act on this topic.

Regarding the development of sustainability benchmarks, the delegated act under the names of “environmental, social and governance criteria (benchmarks)” and “minimum standards for climate benchmarks” came into effect in July 2020.

Concerning the clarification of the obligations of institutional investors and asset managers, public consultation on the “obligation for mutual funds to advise clients on social and environmental aspects” and other proposals concluded in July 2020, with the delegated act about to be announced.

Regarding the reinforcement of sustainability information disclosure and the formulation of accounting standards, the first public consultation on the “obligation for certain companies to publish non-financial information” concluded in September 2020, but the draft delegated act is yet to be published.

Lastly, an additional proposal for a directive under the name of “sustainable corporate governance” was envisioned, with a second public consultation was scheduled for the time until February 2021.

Moreover, as a characteristic development, the International Platform on Sustainable Finance (IPSF), which aims to internationally standardize EU taxonomies, launched a working group on taxonomies that would work toward a “Common Ground Taxonomy”, co-chaired by China and the EU in October 2020.

It is also worth taking notes that the European Central Bank (ECB) in November 2020 published guidelines for banks in the EU on responding to climate change risk. The guidelines require banks to conduct at the start of 2021 their own climate risk self-assessments and implement assessment-based action plans. These points will be reviewed in 2022 by the ECB in the course of its banking supervision, associated with plans to incorporate climate risk assessment into stress tests.

On December 9, the International Capital Market Association (ICMA), which publishes the Green Bond Principles, etc., released a “Climate Transition Finance Handbook.”

Another point of interest is a move on the part of the Network for Greening the Financial System (NGFS), which was established in December 2017. In June 2020, the NGFS published a common climate scenario that incorporates climate risk into the financial system. It consists of three basic scenarios

and five alternative scenarios. In addition, regulators have developed guidelines calling for supervisory action to address financial institutions' climate-related and environmental risks, proposing five recommendations. Notably, the U.S. Federal Reserve Board (FRB) announced in December that it officially joined the NGFS.

## Developments in Japan and Challenges in Banks

Turning to Japan, the July 2020 "Basic Policy on Economic and Fiscal Management and Reform 2020" includes an item entitled "Contribution to Environmental and Global Issues Centered on SDGs" with explicit statements such as "Occasioned by the escalating COVID-19 epidemic, Japan will through the collaboration between the public and private sectors foster momentum for promoting SDGs at home and abroad, lead the creation of international rules, and strengthen innovation and related investment and businesses" and will "promote ESG investment."

The revised version of Japan's Stewardship Code released by the Financial Services Agency in March 2020 includes in its Institutional Investor Code of Conduct (Stewardship Code) statements such as the following: "Constructive purpose-oriented dialogue (engagement) should be promoted in accordance with investment strategies based on medium- to long-term sustainability considerations including ESG factors" and "It should be clarified, in accordance with investment strategies, whether sustainability issues will be considered and, if so, in what ways."

The "Practical Guidelines for Independent Directors" released by the Ministry of Economy, Trade and Industry in July 2020 added to five rules for independent directors: "In order to achieve sustainable growth of a company and improve its enterprise value over the medium- and long-term, it is necessary to manage a company with awareness of its sustainability including the perspectives of ESG and SDGs and taking into account global trends. These perspectives, which are not easily recognized by those inside the company, should be introduced from outside the company by independent directors, who should offer opinions to enable the sustainable management of the company."

The "Study Group on Environmental Innovation Finance" established by the Ministry of Economy, Trade and Industry compiled and published respectively in March and September 2020 two documents entitled "Concept Paper on Climate Transition Finance Principles" and "Climate Innovation Finance Strategy 2020." In their perceptions of the objects of sustainable finance, these documents stand out for the absence of a binary juxtaposition of green or non-green businesses and instead

propose business categories divided into transition-, green-, and innovation businesses which, it is asserted, must be financed simultaneously. Notably, in January 2021, the Ministry established a new "Study Group on Environmental Improvement for Effective Transition Finance" and announced plans for the formulation of basic domestic guidelines for raising funds through transition bonds and loans, etc.

Likewise, in July 2020, the ESG Finance High-Level Panel established by the Ministry of the Environment compiled and published "Basic Concepts of Impact Finance." These basic concepts, which treat impact finance as a development of ESG finance and trace the impacts on the environment, society, and economy, have been prepared for the purpose of involving large-scale private funds to bring impact finance into the mainstream and, as a first step, to promote impact finance practice at major financial institutions and by institutional investors. Specifically, it summarizes the significance of impact finance, four necessary criteria to be met, and a basic implementation flow chart, etc.

Under the ESG Finance High-Level Panel, the ESG Regional Financial Task Force has been set up, which has been discussing the role of financial institutions in the creation of a sustainable society and has been working on a vision for the promulgation and development of ESG regional finance. A common vision (outline plan) draft released in October 2020 calls upon those involved to "correctly recognize in collaboration with a wide range of stakeholders the resources and issues of the region, anticipate risks and opportunities stemming from the environment and society, and evaluate business feasibility from a medium- to long-term perspective" and "after identifying regional issues in close coordination and cooperation with local governments, etc., determine the method of approach from the side of finance, and grasp and present in as clearly a manner as possible the associated intents and expected outcomes and results (impacts)." Notably, the Ministry of the Environment is implementing a "Regional ESG Financial Promotion Project," in which in fiscal year 2020 regional financial institutions participated.

Another development that occurred in 2020 is that multiple application cases under the "Regional Revitalization SDGs Financial Framework" conceived of by the Cabinet Office in 2019. This is the creation of a system in which local governments register and certify local businesses working on solving SDGs and regional issues and where regional financial institutions can provide financial support to the registered local businesses. An essential premise is the assumption that institutional investors, major banks, and brokerage firms interested in ESG and SDGs will allocate funds from their SDGs / ESG investment and loan contingents to local governments and regional financial

institutions.

On December 25, 2020, the Ministry of Economy, Trade and Industry announced a “Green Growth Strategy Through Achieving Carbon Neutrality in 2050.” It is positioned as an implementation plan that specifies current issues and future efforts related to 14 growth sectors, and incorporates policies for areas such as grant funding, tax incentive, regulatory reform/standardization, and international cooperation. The section concerning finance includes the following statement: “It is necessary to create an environment in which financial institutions and financial and capital markets function appropriately so that finance funds for carbon neutrality, i.e., domestic and overseas growth funds, can be used for the activities of Japanese companies with high technology and potential to contribute to the realization of carbon neutrality.”

Starting January 21, 2021, the “Expert Panel on Sustainable Finance” established by the Financial Services Agency has been discussing the principles of (1) driving sustainable finance by financial institutions, (2) providing investment opportunities for investors through financial and capital markets, and (3) promoting disclosures of climate-related information by companies. Along with disseminating Japan's fundamental concepts to all countries at G7 and G20 meetings, necessary policies are to be reflected in future growth strategies. In addition, another meeting body will be set up under the Expert Panel on Sustainable Finance to deliberate on practical guidelines for social bonds.

In this way, the environment for the advancement of SDGs and ESG-related financial activities and sustainable finance has been improved also in Japan. In fact, these efforts have continued to make progress even under the adverse circumstances of the escalating COVID-19 pandemic.

In 2021, an amendment to the “Act on Promotion of Global Warming Countermeasures” is expected to be submitted to Japan's 204th session of the Diet. A focal point is whether the Act will be dedicated to “the long-term direction of measures against global warming such as the goals of the Paris Agreement (1.5°C and 2°C) and the realization of a decarbonized society” or “carbon-neutrality by 2050.” At the same time, there has been a discussion that “along with promoting as much as possible the efforts of business operators by ensuring that information

released through computational, reporting, and publication systems is actively used by investors, local governments, consumers, and businesses, etc., it is essential to promote decarbonization management at local business operators.” Another focal point is whether the Act will stipulate “electronic reporting by default and whether information on operating bases will be disclosed without a procedure invoking disclosure.” As to the December 2020 proposal of the Ministry of the Environment's System Study Group on Promotion of Global Warming Countermeasures (“About the Direction of Future Institutional Measures for Further Promotion of Global Warming Countermeasures”), which states that “In order to increase the visibility of companies' efforts, voluntary reporting should be enhanced” and that “going forward, deliberations are to continue on the principles surrounding computational, reporting, and publication systems that contribute to the realization of a decarbonized society, including principles relating to reporting items,” observers are watching the extent of its realization as it will hold sway over the degree of the progress of sustainable finance in Japan.

Additionally, discussions are underway on the “Basic Energy Plan” scheduled to be revised in the summer of 2021, which indicates the general energy policy direction under the Basic Act on Energy Policy.

All of these developments will determine the qualification (“bankability”) of sustainable finance assets for banking purposes.

It appears quite possible that scenario analysis and stress testing, etc., will be required also in Japan's banking sector to estimate how climate risk will affect assets held by individual banks. It is also possible, following the example of the UK's decision in November 2020, that information disclosure based on the TCFD recommendations will in the long run become mandatory. With sustainable finance increasingly evolving into a global trend, there is no doubt that international standardization will become the goal. There may be a gap in the sense of temperature between Japan and overseas, but it would be effective to steadily advance preparation for harmonization over the long term.

\* Japanese Bankers Association : <https://www.zenginkyo.or.jp/topic/covid19-jbamembers/>  
Regional Banks Association of Japan : [https://www.chiginkyo.or.jp/app/story.php?story\\_id=1673](https://www.chiginkyo.or.jp/app/story.php?story_id=1673)  
The Second Association of Regional Banks : [https://www.dainichiginkyo.or.jp/dcms\\_media/other/20200310.pdf](https://www.dainichiginkyo.or.jp/dcms_media/other/20200310.pdf)

