

Summary of FY2020 Activities and FY2021 SDGs Key Initiatives of JBA

1. Summary of FY2020 activities and objective of revising the key initiatives

- Looking back at 2020, the COVID-19 pandemic had an unprecedented and hugely transformative impact across the globe. The Japanese Bankers Association (the “JBA”) 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 due to the COVID-19 crisis.
- 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.
- Specifically, JBA has carried out its ongoing activities such as conducting the periodic member survey to track the progress of initiatives by member banks and preparing a report summarizing practical considerations for TCFD related initiatives. In addition to these ongoing activities, JBA held a seminar on climate change issues for management in response to the expectation for banks to further promote their initiatives aiming to realize a decarbonized society through their main business. Furthermore, as part of its initiatives to drive digitization of payment and accounting operations, JBA implemented its initiatives for improving convenience and security of customers. Such initiatives included holding on-line seminars for corporates in the month that was designated for enhancing digitization efforts.
- The results of the member survey conducted in 2020 showed that 90% (a year-on-year increase of 10%) of 117 full members that responded to the survey were

carrying out initiatives with focus on SDGs/ESG. Member banks that incorporated SDGs/EDGs into their business management accounted for 40% (a year-on-year increase of 17%). These results indicate that the SDGs/ESG awareness is rising steadily across member banks.

- Under such a situation, COVID-19 pandemic and extreme weather events have further raised awareness on climate change as a global-level social issue, including the green recovery advocated in Europe and the carbon neutrality declaration in Japan. These movements, in turn, have heightened expectations for the banking industry serving as a fund provider in realizing “virtuous cycle of the economy and the environment.” Another significant social challenge would be to further drive digital transformation (DX) for “Building Back Better” after COVID-19. The banking industry seeks to proactively work on innovation including digitization and contactless initiatives for transactions and procedures.
- In light of the background noted above, JBA revised the key initiatives for achieving the SDGs (on March 19, 2020) and developed a plan for FY2021 initiatives as specified in paragraph 2 below.

2. Key Initiatives for FY2021 (goal numbers referenced in the main items below represent the 17 SDGs)

* Underlines show changes from FY2020.

Issues (main items)	FY2021 specific initiatives	
Issues (sub-items)		
1. Assessing the progress of SDGs/ESG initiatives implemented by member banks and <u>providing support to their initiatives</u> (Common to all Goals)		
Responsible body: Working Committee on SDGs/ESG, Working Committee on Prudential Regulations		
(1) Ascertain and assess JBA's initiatives	➤	Assess, share and publicize the progress of member banks' initiatives by conducting surveys on SDGs/ESG considerations.
	➤	Prepare and publish the JBA SDGs Report 2021-2022.
(2) Review and research on investment and lending policy formulation	➤	Conduct research and surveys of domestic and overseas examples of investment and lending policy formulation relating to the environment and human rights, etc. <u>and provide relevant information to member banks.</u>
(3) Respond to domestic and international discussions on SDGs/ESG	➤	Follow-up, and express views on, overseas discussions regarding sustainable finance and provide relevant information to member banks.
	➤	Follow-up, and express views on, domestic discussions regarding <u>sustainable finance and other topics in light of Japan's 2050 Carbon Neutrality Declaration</u> and provide relevant information to member banks.
2. Promoting and expanding financial literacy education (Goal 4)		
Responsible body: Working Committee on SDGs/ESG		
Promote and expand financial literacy education	➤	Continue providing lectures on financial literacy on a nationwide basis.
	➤	Implement activities at schools which are designated as "Financial Literacy Education School", and activities to increase awareness in prevention of scams conducted by a designated-high school.
	➤	<u>Develop and review methods and contents of financial literacy education</u>

Issues (main items)		FY2021 specific initiatives
	Issues (sub-items)	
		<p><u>activities in anticipation of digital transformation in the post-COVID-19 era (e.g., promoting online lectures on financial literacy, developing e-learning materials in cooperation with related associations).</u></p> <ul style="list-style-type: none"> ➤ Strengthen activities geared at young people with the aim of promoting <u>planned household management and</u> stable asset formation (conduct mass advertisement). ➤ Provide training sessions and educational materials to member banks to expand member banks' initiatives, consider initiatives that may contribute to solving child poverty.
		<ul style="list-style-type: none"> ➤ Ascertain, share and publicize updates on the progress of member banks' initiatives by conducting surveys on financial literacy education.
<p>3. Improving customer convenience and security through advanced payment systems and Fintech, etc. (Goal 9)</p> <p>Responsible body: Working Committee on Payment and Transaction Banking, Working Committee on Efficiency of Tax and Public Service Payment</p>		
	(1) Transition to XML message format	<ul style="list-style-type: none"> ➤ Implement activities to increase the awareness of the Zengin EDI System (ZEDI), and promote the use of financial EDI. ➤ <u>Consider measures for enabling seamless linkage between E-invoice and ZEDI.</u>
	(2) Initiatives for upgrading the Zengin System and improving convenience of bank transfers	<ul style="list-style-type: none"> ➤ Discuss the development of a next-generation Zengin System. ➤ Implement initiatives for improving convenience of bank transfers.
	(3) Open APIs Promotion	<ul style="list-style-type: none"> ➤ Consider updating the outcome of the "Study Group for the promotion of Open APIs". ➤ Ascertain the actual initiatives for implementing open APIs at financial institutions, provide information to member banks <u>and follow-up on collaboration with electronic settlement agents and take necessary actions.</u>

Issues (main items)		FY2021 specific initiatives
Issues (sub-items)		
(4) Promotion of the digitization of bills and checks functions	➤	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.
	➤	Conduct dissemination and public relations activities related to the digitization of bills and checks.
	➤	<u>Strengthen initiatives with the final target of “full digitization of bills and checks”.</u>
	➤	<u>Formulate and promote a voluntary action plan targeting the “full digitization” of bills in FY2026 based on the government's policy of discontinuing the use of bills.</u>
	➤	Promote the “full digitization” of checks targeting FY2026 with a view of driving DX of payment methods in Japan, by taking into account burdens on financial and other industries and environmental costs.
(5) Deliberation on efficiency improvements in the collection and payment of taxes and public dues	➤	Conduct dissemination and public relations activities for improving the efficiency of collection and payment of taxes and public dues and consider other necessary activities.
	➤	<u>Participate in the Study Group on the Promotion of Digitization of Local Taxes and support for initiatives related to taxable items.</u>
	➤	<u>Promote the use of QR codes (coordinate with authorities and stakeholders for the use of the QR codes, discuss the development of standards).</u>
<p>4. Researching on and responding to the TCFD (Task Force on Climate-related Financial Disclosures) recommendations and other environmental issues towards realization of a carbon neutral society (Goals 7, 12, 13 and 14)</p> <p>Responsible body: Working Committee on SDGs/ESG</p>		
(1) Conduct a research on efforts relating to TCFD recommendations, etc.	➤	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.

Issues (main items)	FY2021 specific initiatives	
Issues (sub-items)		
(2) Implement efforts related to environmental issues such as climate changes	➤	<p><u>Follow-up on discussions in light of 2050 Carbon Neutrality Declaration, express opinions and provide information to member banks.</u></p> <p>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” <u>published by Keidanren</u> (electricity consumption units, recycled paper and eco-friendly paper purchase rate, paper recycling rate, <u>the ratio of member banks launching passbook-less products</u>”, long-term global warming countermeasures, goals for plastic waste reduction and conservation of biodiversity).</p> <p><u>Consider and implement initiatives to improve ESG literacy.</u></p>
5. Implementing measures to prevent financial crimes and money laundering, and actions to meet FATF recommendations (Goal 16)		
Responsible body: Working Committee on Financial Crimes, Working Committee on Money Laundering Issues		
(1) Efforts to prevent financial crimes	➤	<p>Continue to conduct “Surveys on Internet Banking Security Measures.”</p> <p>Continue educational activities for the eradication of special scams.</p>
(2) Measures relating to FATF	➤	<p>Consider actions to respond to the results of the FATF 4th round mutual evaluations.</p> <p>Support member banks to establish a framework through the AML/CFT Measure Support Division.</p> <p>Enhance public and private sector collaboration through the “Public and Private Sectors Liaison Meeting on Advanced Measures against Money Laundering.”</p> <p>Implement public relations activities for customers on banks’ measures to be taken for new customer due diligence.</p>

Issues (main items)	FY2021 specific initiatives	
Issues (sub-items)		
<p>6. Promoting human rights including gender equality (Goals 5 and 10)</p>		
<p>Responsible body: Working Committee on Equal Rights, Working Committee on SDGs/ESG</p>		
<p>Human rights measures including the promotion of gender equality</p>	<ul style="list-style-type: none"> ➤ Hold lectures on human rights, contests and awards of human rights maxims. ➤ Prepare training materials related to human rights. ➤ Share information on best practices and efforts undertaken by individual member banks <u>and disseminate information related to human rights to member banks.</u> 	
<p>7. Implementing activities for regional economic revitalization and local invigoration (Goal 8)</p>		
<p>Responsible body: Working Committee on Balanced Lending Strategies</p>		
<p>Promotion of efforts at local invigoration</p>	<ul style="list-style-type: none"> ➤ Conduct surveys on best practices and efforts undertaken by individual member banks and release related information. ➤ Collect information and provide necessary information to member banks through “the public and private collaboration platform on the local community revitalization SDGs”. 	
<p>8. Promoting wider access to finance and financial services for the elderly and other users (Goal 8)</p>		
<p>Responsible body: Working Committee on Aged Society, Working Committee on SDGs/ESG, <u>Working Committee on Equal Rights</u></p>		
<p>Promotion of efforts for wider access to finance and financial access services for the elderly and other users</p>	<ul style="list-style-type: none"> ➤ Conduct research on and share the result of the banking sector’s initiatives taken in light of the results of discussions on the future of financial services in the aging society made by relevant ministries and agencies, and provide related information to member banks. ➤ Implement dementia supporter training courses. ➤ 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. ➤ Follow-up and express opinions on barrier-free initiatives by relevant ministries and agencies, and <u>provide related information</u> to member 	

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Issues (sub-items)	
	<p>banks.</p> <ul style="list-style-type: none"> ➤ Continue conducting, and publish the results of, surveys on initiatives relating to people with disabilities, etc.

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