

Summary of FY2021 Activities and FY2022 SDGs Key Initiatives of JBA

1. Summary of FY2021 activities and objective of revising the key initiatives

- COVID-19 and its variants in particular have intermittently wreaked havoc throughout FY2021. The Japanese Bankers Association (the “JBA”) has positioned this year as the year in which we support Japan to overcome the current crisis and establish a new, revitalized society and economy. To that end, we have been promoting three pillar initiatives and continuing activities aimed at achieving goals related to SDGs.

Pillar 1: Initiatives to solve economic and social issues (Related SDGs: 4, 5, 7, 8, 10, 12, 13 and 14)

Pillar 2: Development of financial infrastructure that meets the needs of the digital age (Goal 9)

Pillar 3: Building a sound and resilient financial system (Goal 16)

- Pillar 1: With regard to initiatives to solve economic and social issues, in addition to the globally urgent issue of climate change (SDG 13 "Take urgent action to combat climate change and its impacts"), JBA undertook new initiatives in fields such as financial literacy education (SDG 4 "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all"). Specifically, in addition to establishing the JBA initiative in December 2021 summarizing initiative policies for achieving carbon neutrality in the banking industry, JBA signed the "Agreement on Measures for Financial Literacy Education and Poverty of Children and Youth" (MOU (Memorandum of Understanding)) with the Japan Securities Dealers Association in order to contribute to solving social issues such as "improving the financial literacy of Japanese residents" and "the problem of poverty for children and youth" jointly between the banking and securities industries.

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- Pillar 2: Regarding the development of financial infrastructure that meets the needs of the digital age, JBA engaged in activities for achieving SDG 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation." Specifically, in July 2021, JBA formulated the "Voluntary Action Plan for the Full Digitization of Bills and Checks," which sets its final target as completely eliminating the exchanges of bills and checks in all clearing houses in Japan by the end of FY2026, under the "Working Group on 'Full Digitization' of Bills and Check Functions" (Secretariat: JBA). Furthermore, in addition to formulating a unified QR code system to facilitate local tax payments to be used from FY2023 in collaboration with the Ministry of Internal Affairs and Communications, JBA collaborated with Zengin-Net to promote the use of the Zengin EDI system (ZEDI), and proceeded with investigations with the relevant authorities, organizations, and the like in the "ZEDI Usage Promotion Working Group" placed under the Task Force for the Next-Generation Payment Systems.
- Pillar 3: Regarding building a sound and resilient financial system, JBA engaged in activities for SDG 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels." Specifically, in light of the FATF's Fourth Mutual Evaluation Report on Japan, in which Japan was designated as a country requiring enhanced follow-up, JBA held the "Public and Private Sectors Liaison Meeting on Advanced Measures against Money Laundering" aimed at promoting cooperation between the public and private sectors, as well as public relations activities and the like for promoting understanding of continued customer administration.
- It is clear that none of the challenges in achieving the SDGs can be easily resolved. All of these challenges must be addressed step by step in close cooperation with various stakeholders. In FY2022 as well, the banking industry must maintain a wide-ranging perspective of the environment surrounding Japan, tackle difficult issues head-on through sincere discussions with various stakeholders, and take a leading role in the creation of a new, revitalized society and economy working to achieve SDGs with a strong sense of urgency and responsibility.
- With that in mind, JBA recently revised the key initiatives for achieving the SDGs (on March 18, 2021) and developed a plan for FY2022 initiatives as specified in paragraph 2 below.

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*17 SDGs

SUSTAINABLE DEVELOPMENT GOALS



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2. Key Initiatives for FY2022 (goal numbers referenced in the main items below represent the 17 SDGs) *Underlines show changes from FY2021.

| Issues (main items) | FY2022 specific initiatives | |
|--|---|--|
| Issues (sub-items) | | |
| <p>1. Further promoting the SDGs/ESG initiatives implemented by member banks (Common to all Goals)</p> <p>Responsible body: Working Committee on the SDGs/ESG</p> | | |
| <p>Further promote the SDGs/ESG initiatives implemented by member banks</p> | <ul style="list-style-type: none"> ➤ Follow up on key initiatives for SDGs and review the requirements in light of the environment surrounding the banking industry. ➤ Continue to conduct surveys for assessing the progress of SDG initiatives implemented by member banks as well as provide information through means such as publishing the JBA SDG Report in order to disseminate and promote initiatives by member banks. | |
| <p>2. Fulfilling the role expected of the banking industry in achieving a "just transition" to carbon neutrality/net zero emissions by 2050 (Goals 7, 12, 13 and 14)</p> <p>Responsible body: Working Committee on the SDGs/ESG, Working Committee on Prudential Regulations</p> | | |
| <p><u>(1) Fulfill the role expected of the banking industry in achieving a "just transition" to carbon neutrality/net zero emissions by 2050</u></p> | <ul style="list-style-type: none"> ➤ <u>In order to facilitate clients' understanding on the banks' intentions of engagement, publish briefing materials and Q&As regarding the banking industry's efforts and background on climate change as well as hold study sessions inviting stakeholders such as relevant industrial organizations and ministries.</u> ➤ <u>Sort our global, regional and domestic assessment guidance/criteria, share examples of leading initiatives, participate in relevant government councils and share the banking industry's views for improved transparency and reliability regarding sustainable finance.</u> ➤ <u>Publish briefing materials for promoting sustainable finance and cooperate with SME organizations and engage in public advocacy for support programs.</u> | |

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| | <ul style="list-style-type: none"> ➤ <u>For enhancing climate-related disclosure at companies and our member banks, monitor the progress of TCFD disclosure by our member banks as well as follow up on and share views about the domestic and global development on disclosure of sustainability and non-financial information, such as the International Sustainability Standards Board of the IFRS Foundation and the Financial System Council of JFSA.</u> ➤ <u>Participate in international discussions on climate-related financial risks as well as follow up on and share views about the progress of consideration at the relevant ministries and agencies.</u> |
| (2) Conduct research on the progress of initiatives implemented by member banks for carbon neutrality by 2050 | <ul style="list-style-type: none"> ➤ Continue to conduct follow-up surveys on the banking industry's environmental initiatives in order to evaluate the progress of member banks' achievements towards the goals thereof, such as the "Carbon Neutrality Action Plan" and the "Voluntary Action Plan for Establishing a Sound Material-Cycle Society" published by Keidanren. Survey items include electricity consumption units, recycled paper and eco-friendly paper purchase rate, paper recycling rate, the ratio of member banks launching "passbook-less products," long-term global warming countermeasures, goals for plastic waste reduction and conservation of biodiversity. |

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| <p>3. Implementing activities for regional economic revitalization and local invigoration (Goal 8)</p> <p>Responsible body: Working Committee on Balanced Lending Strategies</p> | |
| <p>Implement activities for regional economic revitalization and local invigoration</p> | <ul style="list-style-type: none"> ➤ <u>Follow up on measures for local invigoration by the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan and the relevant ministries and agencies, municipalities, etc., as well as implement measures such as responding as necessary to requests for survey cooperation or dissemination.</u> ➤ Conduct surveys on example initiatives for local invigoration implemented by member banks and release information externally. ➤ Collect information related to local invigoration through the "SDGs for Regional Revitalization Public-Private Partnership Platform" etc., as well as support initiatives by individual banks for local invigoration, such as by sharing information with member banks as necessary. |
| <p>4. Improving the financial literacy of Japanese residents by promoting financial literacy education activities (Goal 4)</p> <p>Responsible body: Working Committee on the SDGs/ESG</p> | |
| <p>Expand activities for financial literacy education by JBA and member banks as well as improve cooperation with related financial organizations such as the Japan Securities Dealers Association in order to promote said activities to be more for the public good</p> | <p>(Measures common to all levels)</p> <ul style="list-style-type: none"> ➤ Implement lecturer dispatching as well as reviews and provision of learning materials in light of the environment surrounding financial literacy education, including the ongoing COVID-19 pandemic, the development of ICT and the promotion of stable asset formation for households. <p>(Measures for students)</p> <ul style="list-style-type: none"> ➤ Implement and expand cooperation with boards of education in order to expand financial literacy education in school education in light of the lowered age of majority and new government curriculum guidelines through the "Designating Financial Literacy Education Schools" framework, as well as support for activities to increase awareness for preventing emerging types of fraud conducted by high school students. |

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| | <p>(Measures for universities, young working individuals)</p> <ul style="list-style-type: none"> ➤ Implement public relations activities for financial literacy education geared at young working individuals with the aim of promoting planned household management and stable asset formation. <p>(Cooperation measures with member banks, other financial organizations and the like)</p> <ul style="list-style-type: none"> ➤ Conduct surveys in order to assess and promote initiatives implemented by member banks for financial literacy education activities as well as share the results thereof, including positive examples. ➤ <u>Investigate and implement collaboration and cooperative measures with the Japan Securities Dealers Association aimed at helping improve the financial literacy of Japanese residents and solve the problem of poverty for children and youth (measures include joint use of lecturer human resources, promoting use of bank retirees/securities dealer retirees as lecturers, co-hosting events and seminars, etc.), as well as investigate and implement initiatives for discovering needs for financial literacy education.</u> ➤ Implement collaborative measures with the Central Council for Financial Services Information, the Financial Services Agency and other relevant financial organizations. |
| <p>5. 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 the SDGs/ESG, Working Committee on Equal Rights</p> | |
| <p>Promote efforts for wider access to finance and financial access services for the elderly and other users</p> | <ul style="list-style-type: none"> ➤ Follow up on the trends at the government and related organizations as well as the progress of initiatives implemented by member banks regarding financial transactions with elderly customers, and provide relevant information to member banks as necessary. Also, investigate and implement measures for updating the concept and creating new concepts regarding carrying out financial transactions by substitutes and improved collaboration between banks and regional public |

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| | <p>organizations, social welfare agencies, etc.</p> <ul style="list-style-type: none"> ➤ Continue to conduct surveys for assessing the progress of barrier-free initiatives implemented by member banks, express opinions during follow-up hearings for discussions with relevant ministries and agencies, and provide and share information with member banks. |
| <p>6. Promoting digitization and providing safe, secure and highly-convenient financial services (Goal 9)</p> <p>Responsible body: Working Committee on Payment and Transaction Banking, Working Committee on Efficiency of Tax and Public Service Payment</p> | |
| <p>(1) Promote the usage of the Zengin EDI System (ZEDI) through encouragement at relevant ministries and agencies and relevant industrial organizations as well as seamless linkage with electronic invoices</p> | <ul style="list-style-type: none"> ➤ Link with Zengin-Net to investigate linkage measures between electronic invoices and ZEDI. ➤ Make appeals to accounting software vendors (for ZEDI implementation with electronic invoice support) and conduct dissemination for ZEDI among businesses, in coordination with Zengin-Net, and based on investigation results and progress of the verification project in the "Contracting and Payment Architecture Working Group" at the Information-technology Promotion Agency's Digital Architecture Design Center as well as the Zengin-Net "ZEDI Usage Promotion Working Group." ➤ Continue to encourage the relevant ministries and agencies as well as relevant industrial organizations to promote the usage of ZEDI. |
| <p>(2) Promote initiatives for the full digitization of bills and checks</p> | <ul style="list-style-type: none"> ➤ Follow up on the progress of initiatives in the banking industry to achieve the final target (completely eliminating exchanges by the end of FY2026) based on the "Voluntary Action Plan for the Full Digitization of Bills and Checks" that was formulated in the financial industry. ➤ Collaborate with the relevant ministries and agencies such as the Financial Services Agency and the Small and Medium Enterprise Agency and then encourage the industrial sector towards the full |

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| | <p>digitization of bills and checks.</p> <ul style="list-style-type: none"> ➤ Conduct dissemination and public relations activities related to the digitization of bills and checks in collaboration with densai.net. ➤ <u>Collaborate with the relevant institutions as well as relevant ministries and agencies to implement initiatives to minimize the number of exchanged securities excluding bills and checks (other types of products).</u> |
| (3) Promote efficiency improvements in the collection of taxes and public dues (begin using a unified QR code system to facilitate local tax payments from FY2023) | <ul style="list-style-type: none"> ➤ Implement the support necessary for using a QR code system in local tax payments (scheduled to begin use in April 2023) as well as implement the support necessary for expanding the usage scope of QR code systems beyond local tax payments. ➤ Assess issues regarding the electronic payment of taxes and public dues through hearings and the like with member banks as well as implement activities for requesting that related parties promote electronic payment of taxes and public dues. ➤ Investigate and implement effective measures for promoting the spread of electronic payment of taxes and public dues. |
| <p>7. Implementing measures to prevent financial crimes and money laundering, and actions to meet FATF recommendations (Goal 16)</p> <p>Responsible body: Working Committee on Financial Crimes, Working Committee on Money Laundering Issues</p> | |
| (1) Prevent damages from financial crimes | <ul style="list-style-type: none"> ➤ Expand initiatives in light of crime trends such as emerging types of fraud (implement awareness activities for preventing financial crime, etc.). ➤ Investigate and implement measures such as providing information or warnings to member banks about the current criminal tactics such as unauthorized internet banking withdrawals, as well as carrying out public relations activities for customers on said activities. |

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| <p>(2) Create a more sophisticated AML/CFT response</p> | <ul style="list-style-type: none"> ➤ Investigate information supply and response for FATF follow-ups. ➤ Collect information on AML/CFT trends and provide information such as leading initiatives and translations of important documents. ➤ Investigate and implement dissemination and public relations activities for customers related to the implementation of continued customer administration and the like. ➤ Improve collaboration with the relevant authorities and other industries (including cooperative financial institutions) through the Public and Private Sectors Liaison Meeting on Advanced Measures against Money Laundering. |
| <p>8. Expanding initiatives in light of trends regarding human rights and diversity (Goals 5 and 10)</p> <p>Responsible body: Working Committee on Equal Rights, Working Committee on the SDGs/ESG</p> | |
| <p>Expand initiatives in light of trends regarding human rights and diversity</p> | <ul style="list-style-type: none"> ➤ Provide relevant information (hold lectures on human rights, issue a human rights newsletter, etc.). ➤ Implement support for human rights awareness activities (create human rights texts, hold applications/awards for human rights awareness mottos, etc.). |

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