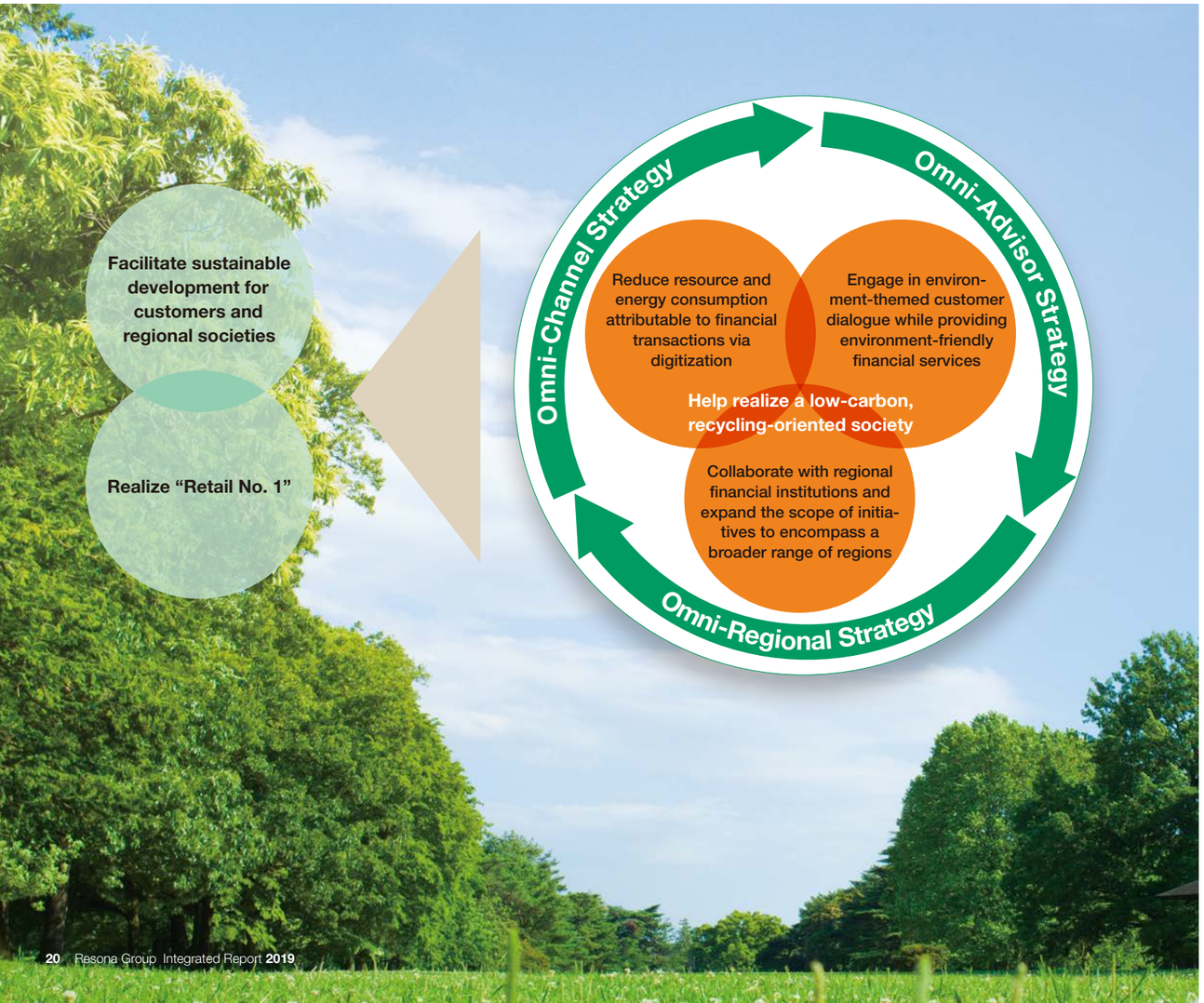
Our Response to Global Warming and Climate Change

We will help create a low-carbon, recycling-oriented society through financial services.

The Resona Group recognizes that countering global warming and climate change is an important social issue that must be addressed to realize a sustainable society.

In order to achieve the goals of the Paris Agreement aimed at keeping the global temperature rise to less than 2°C above pre-industrial levels and to achieve Japan's national target for the reduction in greenhouse gas (GHG) emissions, society should more robustly fund climate change countermeasures.

In this light, the Resona Group believes that helping create a low-carbon, recycling-oriented society through its financial functions is an important management issue. Based on this belief, the Group is implementing the threefold "Omni Strategy" under its current medium-term management plan to facilitate sustainable development for customers and regional societies while aiming to realizing "Retail No. 1."



Awarded the Minister of the Environment Prize for Accomplishments in SDG-Oriented Financial Services

The Resona Group won the Minister of the Environment Prize under the Principles for Financial Action for the 21st Century (PFA21) award program in March 2019. This was due to the Group's efforts to contribute to PFA21 via the development and popularization of products aimed at facilitating the pursuit of United Nations Sustainable Development Goals (SDGs) and its strong organizational commitment exemplified by the announcement of "Our Fundamental Stance of Loan Business."

In November 2018, the Resona Group announced the Resona Sustainability Challenge 2030 (RSC2030). The RSC2030 lays out more concrete definitions regarding the Group's environmental initiatives as presented below, upgrading those stipulated by the existing Group Environmental Policies.

Our Commitment to the Environment

Realizing a low-carbon and circular society by taking action with society to reduce environmental burden such as accelerating the use of renewable energy and reducing greenhouse gas emissions.

New initiatives aimed at achieving our commitment

Omni-Channel Strategy
Reduce resource and energy consumption attributable to financial transactions via digitization

- **Expand the scope of digital-driven services, such as smartphone apps and e-contract services for housing loans**
- **Reestablish our medium-term CO_2 reduction target**
  (take the inclusion of Kansai Mirai Financial Group (KMFG) into account)
  New medium-term target: Reduce CO_2 emissions by 26% from the FY2013 level by the end of FY2030

Omni-Advisor Strategy
Engage in environment-themed customer dialogue while providing environment-friendly financial services

- **Establish and announce "Our Fundamental Stance of Loan Business" to declare the Group's intention of not engaging in project finance for new coal-fired thermal power generation projects except where there are compelling reasons for financing such projects, such as to realize economic restoration following a disaster**
  https://www.resona-gr.co.jp/holdings/csr/about/sri.html *(Japanese only)*
- **Provide novel financial products and services**
  - Corporate customers: SDGs Promotion Fund and SDGs Consulting Fund (pages 35 and 37)
  - Individual customers: *Nihon-no-Mirai*, an investment product comprising equities in promising SMEs striving to resolve social issues

Omni-Regional Strategy
Collaborate with regional financial institutions and expand the scope of initiatives to encompass a broader range of regions

- **Step up collaboration with KMFG, which underwent management integration in April 2018**
- **Facilitate the understanding of Resona's initiatives and its platforms among regional financial institutions by, for example, hosting seminars**

Our Response to Global Warming and Climate Change

Demonstrating our support of the TCFD, we will develop a framework in conformity with its recommendations while maintaining the appropriate disclosure of climate-related financial information.

Earned a “B” Score in the 2018 CDP Assessment (climate change category)

Under the initiative of CDP (formerly, Carbon Disclosure Project), the Resona Group is engaged in collaborative efforts with other institutional investors around the globe to facilitate the disclosure of information on businesses’ climate change strategies and their greenhouse gas emission volumes.

In the 2018 CDP assessment in the climate change category, the Resona Group earned a score of “B,” the highest evaluation among domestic banks.

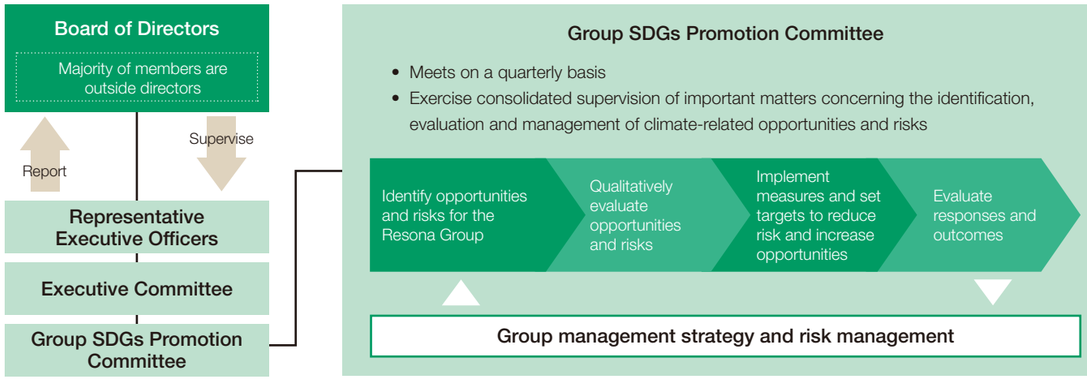
Governance

The Board of Directors receives periodic (at least once a year) reporting on the status of Group initiatives to counter climate change, with the aim of ensuring that these initiatives receive robust supervision.

To address climate change issues, the Board of Directors, including outside directors who account for majority, engages in multifaceted discussion and reflects its conclusions in the Group’s management strategy and risk management.

Also, the Group SDGs Promotion Committee chaired by president of Resona Holdings meets on a quarterly basis to exercise consolidated supervision of important matters concerning the identification, evaluation, and management of climate-related opportunities and risks. Members of this committee include presidents of subsidiary banks and the heads of the Corporate Administration Division and risk management divisions as well as officers in charge of corporate and retail banking sales and KMFG’s heads of departments charged with promoting SDGs.

This committee strives to identify and assess climate change-related opportunities and risks while discussing policies on and targets for the Group’s measures to reduce risks and increase opportunities. Conclusions reached by this committee are reflected in the Group’s management strategy and risk management.



Governance of Socially Responsible Loan and Investment

Loan

The Group Credit Policy was established by the Board of Directors to provide fundamental principles of credit risk management.

This policy clarifies the Group’s intention to give due consideration to its social responsibilities and environmental concerns. In line with this policy, the Group has developed structures and procedures for appropriately identifying and assessing the environmental impact of major projects and evaluating environmental initiatives undertaken by customers.

Investment

Status reports on the exercise of voting rights and other responsible investment activities associated with trust assets managed by Resona Bank are submitted to the Board of Directors as necessary. This ensures that the Board of Directors is in position to take a top-down approach and that Resona Bank’s responsible investment activities are constantly enhanced.

Moreover, the Group has in place the Responsible Investment Verification Council chaired by an outside director of Resona Holdings, to verify the appropriateness of its stewardship activities, including the exercise of voting rights, from a third-party viewpoint.

Strategy

Business Opportunities and Risks Arising from Climate Change

To measure the impact of climate change, which is highly unpredictable, we have undertaken the quantitative evaluation of opportunities and risks based on two different scenarios involving, respectively, a 2°C and a 4°C rise in global temperatures.

The purpose of this evaluation includes the assessment of estimated impact in the short-, medium- and long-terms, which are defined as approximately 5-, 15- and 35-year periods, respectively.

Referenced scenarios
- IEA Energy Technology Perspectives 2°C Scenario
- IPCC Representative Concentration Pathways 8.5
- Japan’s Intended Nationally Determined Contribution (INDC), etc.

● **Outline of the Resona Group’s 2°C Scenario**

Projected developments	Impact on the financial industry	Time frame
• GHG emissions from businesses are heavily restricted by government-led policies and laws. • Advances in and the popularization of low-carbon technologies enhance the availability of low-carbon alternatives to existing products and services. • Frequency of sudden occurrences of abnormal weather remains virtually unchanged.	Financing streams will be ever more focused on measures to alleviate climate change impact.	Short and medium term

			Projected financial impact
Opportunities	Product and service markets		• Growing funding needs among businesses for the development of low-carbon products and services and capital expenditure aimed at reducing their GHG emissions • Increased opportunities for the Group to offer financial services due to growing public awareness of climate change
	Resource efficiency, energy sources, and market resilience		• Reduction in business costs due to enhanced resource and energy efficiency • Shift to low-carbon energy sources and the resulting alleviation of the future impact of carbon pricing. • Growth in the Group’s corporate value due to the implementation of a sustainability-focused business model
Risks	Transition risks	Policy and legal	Introduction of stringent government-led policies and regulations negatively affecting operations of corporate customers and reducing the value of the Group’ loan assets
		Technology and market	Advances in low-carbon technologies and changes in consumer preferences prompting a shift to alternative products and services and negatively affecting the operating results of corporate customers, resulting in a reduction in the value of the Group’s loan assets
		Reputation	A decline in Resona Holdings’ share price due to inconsistencies between strategy and actions or insufficient disclosure of information about climate change
	Physical risks	Acute	Virtually unchanged frequency of sudden occurrences of abnormal weather (hence, no major financial impact is expected)
		Chronic	No chronic and irreversible climate change (hence, no major financial impact is expected)

● **Outline of the Resona Group’s 4°C Scenario**

Projected developments	Impact on the financial industry	Time frame
• Without notable breakthroughs in climate change countermeasures, the volume of overall GHG emissions continues to grow at the current pace. • Due to an increase in the number of sudden occurrences of abnormal weather, society suffers even more significant damage. • Chronic and irreversible changes, such as a sea level rise, affect economic activities undertaken by businesses and individuals.	Financing streams will be ever more focused on measures to alleviate climate change impact.	Long term

			Projected financial impact
Opportunities	Product and service markets		Growing demand for funding for public projects and capital expenditure aimed at alleviating physical damage attributable to abnormal weather
	Resource efficiency, energy sources, and market resilience		Reduction in business costs due to enhanced resource and energy efficiency
Risks	Transition risks		No significant breakthroughs in climate change countermeasures (hence, no major financial impact is expected)
	Physical risks	Acute	• Reduction in the value of the Group’s loan assets due to the impact of climate change, such as the suspension of business induced by damage to corporate customers’ facilities, the absence of such customers’ employees due to damage to their homes, or a decline in the value of collateral assets due to such damage • Suspension of the Group’s operations due to damage to its facilities or injuries to its employees
		Chronic	

Our Management Strategies and Initiatives

The Resona Group anticipates that climate change is highly likely to have a financial impact on its loan assets, the largest asset category in the the Group's possession. Accordingly, the Group recognizes that the opportunities and risks facing its customers will directly affect the Group through these loans.

The majority of the Group's loan assets are accounted for by loans furnished to individual and SME customers, suggesting that lending risks are dispersed. However, the Group is also aware of the importance of communicating the significance of climate change response to this vast number of customers.

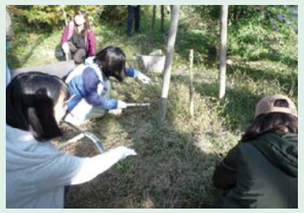
Practicing the threefold "Omni Strategy" under the current medium-term management plan, the Group is therefore striving to work in tandem with its customers to reduce risks and increase opportunities arising from climate change. (📖 p26-31)

Initiatives to Help Raise Employees' Environmental Literacy

In order for Resona Group employees to help customers understand the significance of climate change response, they must first gain a deeper understanding on this subject themselves.

Accordingly, the Group is engaged in ongoing initiatives aimed at raising all employees' environmental literacy, for example, encouraging them to participate in community-rooted environmental preservation activities and setting environmental targets for each business base.

Collecting garbage in rice paddies in Minuma



Forest development activities undertaken by The Kinki Osaka Bank

Note: These ongoing activities have been rebranded "Kansai Mirai Bank Forest" in FY2019.

Risk Management

Based on its own risk categories (see also page 51), such as credit risk, operational risk and reputational risk, the Group has positioned climate change related risks as a factor contributing to growth in future uncertainty and maintains a firm grip on such risks accordingly.

Specifically, the Group is stepping up the management of credit risk, a risk category requiring vigilance against the possibility of a major financial impact, with the aim of directing financing streams to initiatives aimed at helping realize a low-carbon, recycling-oriented society through such financial activities as socially responsible financing and investment.

Initiatives to Promote Socially Responsible Loan and Investment

https://www.resona-gr.co.jp/holdings/csr/about/sri.html * *Japanese only*

Loan

"Our Fundamental Stance of Loan Business"* clarifies the Group's intention to maintain a dialogue with customers who have not yet fully committed to addressing social and environmental issues with the purpose of encouraging their involvement. In addition, it explains the Group policy of abstaining from extending new loans to projects deemed to be exerting a major negative impact on the environment. Specifically, the Group will no longer finance projects associated with coal-fired thermal power generation, except when it finds compelling reasons for financing such projects, such as to realize economic restoration following a disaster. The Group is engaged in the screening and selection of candidate projects accordingly.

Investment

In connection with trust assets managed by Resona Bank, "Responsible Investment Policy" mandates that the Group exercise due diligence in confirming the sufficiency of investees' initiatives aimed at addressing ESG issues to help them enhance corporate value and achieve sustainable growth from a medium- to long-term perspective. The Group will thereby endeavor to increase the value of trust assets.

Furthermore, the Responsible Investment Committee, which includes such personnel as officers in charge of trust asset management divisions, also confirms the appropriateness of initiatives undertaken by investees.

Metrics and Targets

Working in Tandem with Customers to Reduce Climate Change Related Risks and Create Opportunities

In line with the RSC2030 action plans, the Resona Group has formulated metrics and targets in terms of its efforts aimed at helping as many customers as possible understand the significance of climate change response and supporting their initiatives.

These action plans consist of annual action plans to secure a PDCA framework for annually evaluating the outcomes of the aforementioned efforts.

Key action plans for FY2019 (environment related)

- Support business partner's promotion of the SDGs through dialogue and financial services
- Promote SDGs through asset management consulting for customers
- Promote the spread of environmental real estate with excellent environment performance
- Support business partners' environmental protection activities through dialogue and financial services
- Environmental impact reduction by work efficiency, productivity improvement
- Develop an environmental management system and ISO program
- Carry out social contribution activities for the preservation and improvement of the natural environment and biodiversity

Please also visit Resona Holdings' website to see other action plan items and concrete targets.
https://www.resona-gr.co.jp/holdings/english/csr/sustainability_challenge_action.html

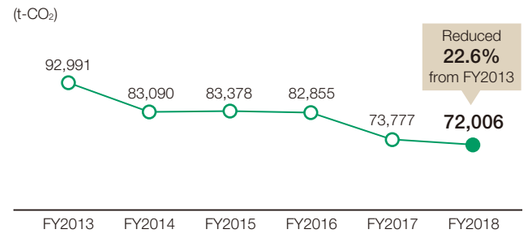
The Resona Group's Target for Reduction in CO_2 Emissions Attributable to Its Operations

In conjunction with the announcement of RSC2030, the Resona Group has renewed its medium-term reduction target for CO_2 emissions from the entire Group in FY2019, with consideration given to the inclusion of Kansai Mirai Financial Group.

New Medium-Term Target
Reduce CO_2 emissions by 26% from the FY2013 level by the end of FY2030*

* Formulated in reference to Japan's INDC

Trend in CO_2 Emission Volume



Notes:
1 Calculated by aggregating Scope 1 and 2 CO_2 emissions from Group banks based on methods stipulated by Japan's Energy Saving Act for statutory periodic reporting
2 CO_2 emissions attributable to fuel consumption by Company-owned cars are determined with a simplified calculation method using the Group's annual fuel costs and publicized figures for the annual and national average price of gasoline and emissions coefficient
3 Scope 1 emissions in fiscal 2018: 6,499 t-CO_2 ;
Scope 2 emissions in fiscal 2018: 65,507 t-CO_2

Investee Engagement Event Themed on the Sustainable Procurement of Palm Oil

Resona Bank's trust asset management divisions launched an engagement event involving investees that belong to the palm oil supply chain, with the aim of popularizing sustainably procured palm oil in Japan.

During the period from August 2017 through June 2018, representatives of these divisions paid visits to a total of 35 investees, including 15 retailers, 10 food manufacturers, 6 toiletry producers and 4 oil refining and chemical companies. This allowed them to engage in face-to-face dialogue and confirmed the status of investees' initiatives aimed at ensuring sustainable palm oil procurement while requesting the disclosure of relevant targets and track records.

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