SHINSEI BANK

Initiatives for Global Environmental Issues through Our Core Businesses

Shinsei Bank has endorsed the recommendations of TCFD (Task Force on Climate-related Financial Disclosures). In line with this TCFD framework, we introduce the Shinsei Bank Group's efforts to address global environmental issues through our core businesses.

Governance

The Shinsei Bank Group has positioned the Group ESG Management Policy as the starting point for formulating management strategies, and by contributing to the creation of a sustainable society, we aim to fulfill our corporate social responsibilities and acquire sustainable growth opportunities.

Responding to global environmental issues, including climate change, is indispensable for a sustainable society. We will strive to create social value and increase the corporate value of the Shinsei Bank Group over the medium to long term through a variety of initiatives, including investment and financing to clients' climate change-related projects.

The Group Executive Committee formulates the Group ESG Management Policy to show the Group's policies for ESG-related initiatives. In recognition of the fact that ESG-based management and SDGs should not be limited to specialized departments, we share information and issues, through cross-organizational team from divisions such as corporate planning, businesses, risk management, human resources, general affairs and investor relations, and lead the formulation of individual action plans. Progress and results are reported to the Board of Directors and the Group Executive Committee on a regular basis.

Strategy

Opportunities:

Promotion of Businesses That Contribute to the Improvement of Global Environmental Issues
The Shinsei Bank Group is actively promoting investment and lending to improve and resolve environmental and social issues through project finance for renewable energy businesses, and investment and lending for facilities which reduce the environmental impact of real estate and ship finance.

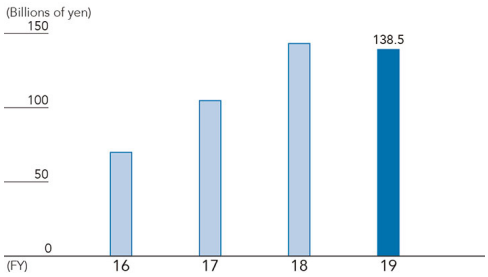
Objectives, Organization, and Action Policies of the Sustainable Impact Development Division
In February 2020, we established the Sustainable Impact Development Division to further deepen the initiative mentioned above. At the same time, the Sustainable Impact Assessment Department was established to structure a unique evaluation system of sustainable finance based on ongoing engagement with customers. The Sustainable Impact Development Division supports the creation of positive impacts on environmental and social issues by planning and promoting sustainable finance, developing and supplying investment products for institutional investors based on this evaluation.

SHINSEI
SUSTAINABLE
IMPACT
ASSESSMENT

Fiscal 2019 Initiatives

In fiscal 2019, in the project finance business, we marked the tenth transaction of our participation in offshore wind power projects in Europe. In addition, we participated in the domestic offshore wind power projects for the first time, which is expected to see significant growth in the future, using our accumulated knowledge so far. Showa Leasing also invested in renewable energy funds, a regional recycling-oriented type fund.
In ship finance, we implemented some financing projects for LNG carriers, which are expected to play a major role in energy conversion. In addition, in order for customers to comply with international environmental regulations in the shipping industry, we financed an exhaust gas cleaning system for ships (SOx scrubber) with a loan and a sales credit product. In the future, we will continue to provide financial support for the decarbonization and reduction of environmental impact, which are strongly required in the shipping industry.

Renewable Energy Project Finance Arrangement Results



Renewable Energy Project Finance Arrangement Results

Since 2012, Shinsei Bank has actively promoted syndicated loans for renewable energy businesses such as solar, wind, and biomass, and has been supporting the spread of renewable energy in cooperation with regional financial institutions.

Restoration Support for Natural Disasters

Harnessing its expertise and corporate network cultivated through the leasing business, Showa Leasing is focusing on its business as a buying and selling of used equipment, especially for construction machines. Tozai Boeki Co., Ltd., a wholly-owned subsidiary of Showa Leasing, holds regular parade auctions for used construction machines, and many buyers from developing countries come to these auctions. The Japan-made construction machinery is auctioned off and exported overseas where they support infrastructure building in emerging markets and Showa Leasing is working to promote the reuse of Japanese-used machinery. In addition, the need for construction machinery to recover from natural disasters in Japan has been increasing recently. Against this background, Eishin Kogyo Co., Ltd., a wholly-owned subsidiary of Showa Leasing, promotes finance to modular barge system to prevent river floods, and Shinko Lease Co., Ltd, a group company of Kobe Steel Ltd., which became a wholly-owned subsidiary of Showa Leasing in 2019, works on financing to construction machinery by collaborating with manufacturers and selling companies in an integrated manner.

Modular barge system used as a river flood countermeasure (assembled marine construction machinery capable of smoothly performing civil engineering work on water)

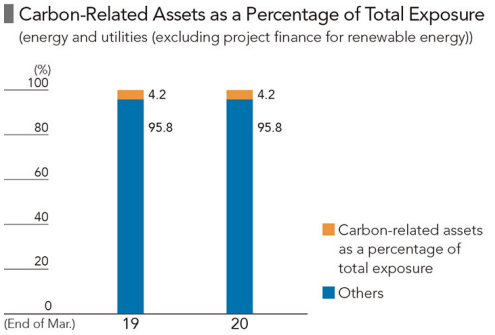
Risks:

Identified Risks

We believe that climate change influences the Shinsei Bank Group's portfolios principally through the following two channels:

Physical Risk: Direct impacts such as property damage caused by floods, storms and other climate events, and indirect impacts such as disruptions to the global supply chain and resource depletion.

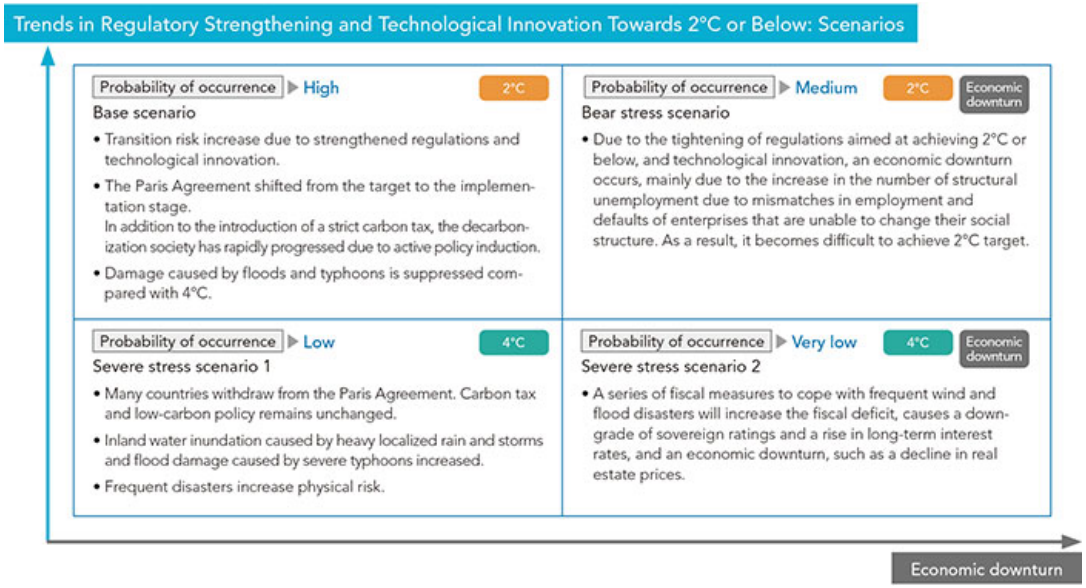
Transition Risk: Risks arising from the revaluation of financial assets with high GHG (Greenhouse Gas) emissions as a result of the transition to a low-carbon economy.

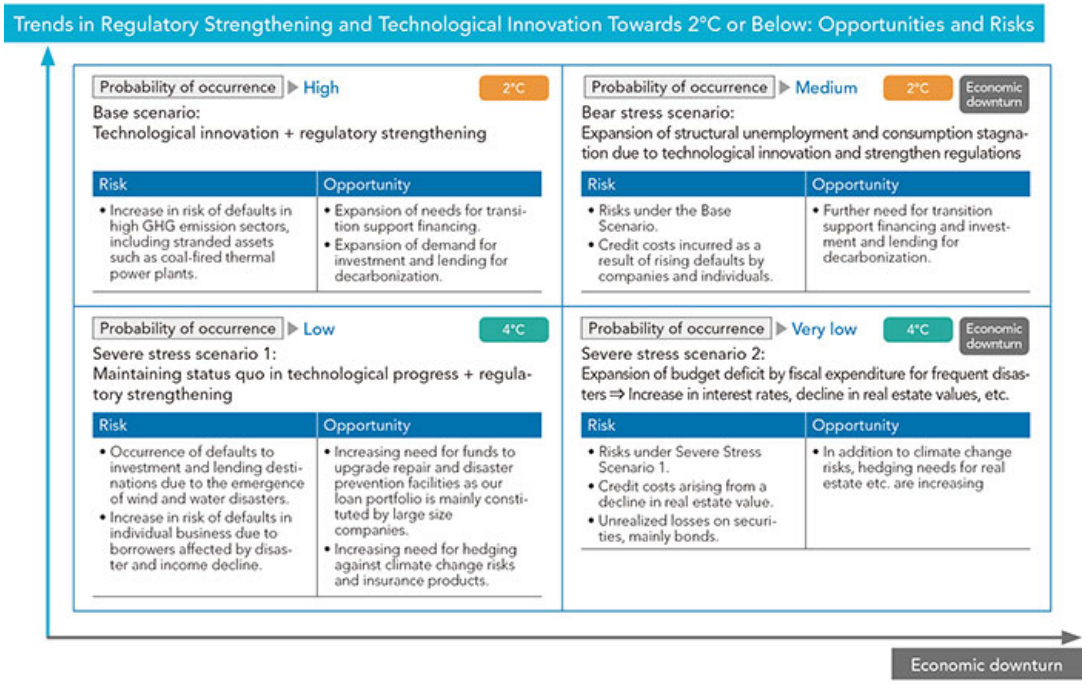


Carbon-related asset exposures (the ratio of carbon-related assets to total exposure = energy and utilities (excluding project finance such as solar and wind power)) was 4.2% as of March 2019, and 4.2% as of March 2020, and we have begun quantifying the impacts of transition risks and physical risks.

Scenario Analysis

We have identified addressing climate change as one of our top management priorities. We formulated opportunities and risks based on scenarios under two dimensions which constitute (1) strengthening regulations and transformation of technology and (2) economic fluctuations which we regularly monitor. Looking ahead, we will closely monitor the impact on the Shinsei Bank Group's portfolios, taking into consideration quantification of risks.





Risk Management

Adoption of the Equator Principles

In April 2020, Shinsei Bank became the seventh Japanese financial institution to adopt the Equator Principles. The Equator Principles are a framework adopted by private financial institutions to assess whether projects will be implemented with due consideration to the environment and society when financing projects involve large-scale development. In November 2019, the fourth edition of the Equator Principles was adopted to strengthen the perspectives of human rights, climate change, and the rights of indigenous people. By reviewing the environmental and social impacts of projects and making comprehensive decisions based on the Equator Principles, we will fulfill our corporate social responsibility and enhance our environmental and social risk management.

Investment and Loan Policies for Specified Business

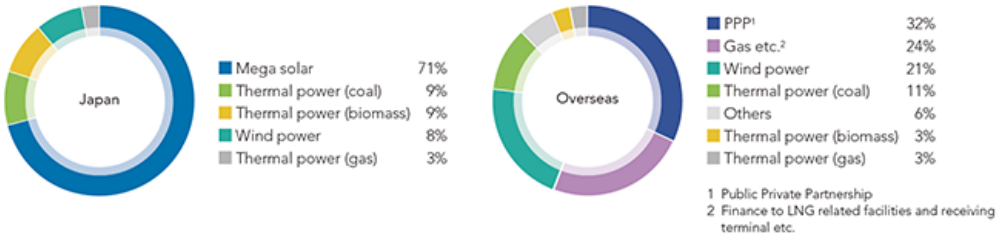
The Shinsei Bank Group considers transactions with companies that do not pay due attention to environmental and social issues to be management risks and has prohibited or restricted transactions in connection with investments and lending for certain specific businesses based on the recognition that there are serious risks to the environment and society. From the standpoint of climate change countermeasures, new investment and lending to coal-fired thermal power plants will not be provided either in Japan or overseas, in principle, based on a preventive approach.

Percentage of ﷽Ultra Supercritical, GCC﷽ in Existing Coal-Fired Thermal Power Plants

Approximately 60% of existing loan balances for coalfired thermal power plants are highly-efficient, ultra-supercritical power plants or gas-turbine combined-cycle (GCC) power plants, which emit relatively less CO2 than conventional power plants.

Project Finance (as of the end of March 2020)

Balance: project type, includes commitment basis



1 Public Private Partnership
2 Finance to LNG related facilities and receiving terminal etc.

Ratios & Targets

CO_2 Emissions, Electricity Usage

Environment Impact Data (FY)	FY2015	FY2016	FY2017	FY2018	FY2019
CO_2 Emissions (t)	2,806	2,746	2,602	2,575	2,425
Electricity Usage (kWh)	5,163,522	5,093,523	5,069,080	5,027,896	5,013,949

Future Policy

In measurement of GHG emission we plan to cover Scope 1 and Scope 2 to each of our group companies as a first step, and then we plan to respond to Scope 3.

Related Links

Company Overview | Integrated Report | ESG Information Index