

▶▶ Please click here to view our Sustainability Report  
<https://www.shokochukin.co.jp/share/library/tcfd/>



## Basic policy

We have established “Sustainability Basic Guidelines,” which set forth our basic approach and policy on the environment and human rights. Our goal is for each and every executive and employee treat various environmental and societal issues as their own personal challenges, and contribute to the realization of a sustainable society.

### Sustainability Basic Guidelines

[Basic approach]

#### 1. Consideration of the environment

Considering the stability of the global environment, which is fundamental to all our business activities, actively work towards reducing our impact on the environment, including the climate.

#### 2. Respect for human rights

Respect human rights, which are the foundation for equitable public order, and conduct fair and appropriate transactions with all stakeholders.

#### 3. Improved governance of SMEs

Contribute to improving governance of SMEs through customer support rooted in business prospects evaluations, including investments, financing and personnel dispatch.

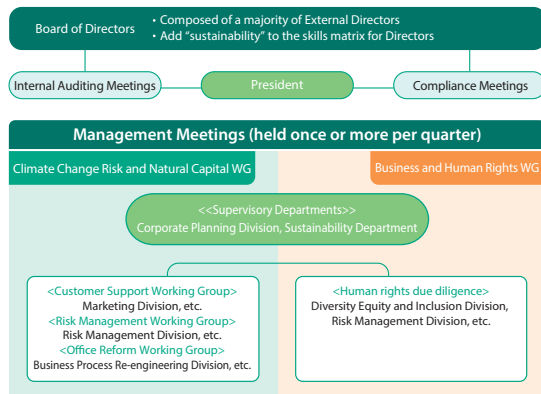
▶▶ Please see our website for the full document of “Sustainability Basic Guidelines.” (in Japanese only)

### Shoko Chukin Bank Group Human Rights Policy

We recognize respect for human rights as being a critical management issue that we must proactively tackle in order to satisfy our social responsibilities. For that reason, in April 2024, we formulated the “Shoko Chukin Bank Group Human Rights Policy.” We implement appropriate human rights due diligence in order to prevent or reduce the negative impact of our business activities on human rights.

▶▶ Please see our website for the full document of “Shoko Chukin Bank Group Human Rights Policy.” (in Japanese only)

## Sustainability-related governance chart



Meeting body		Main discussion topics
Supervision	Board of Directors	<ul style="list-style-type: none"> <li>• Status of initiatives related to climate change risks (four times per year)</li> <li>• Reports on DE&amp;I promotion, human rights awareness activities, human capital management (three times per year)</li> <li>• Top risks in FY2024 (six times per year)</li> <li>• Publication of sustainability report</li> </ul>
Execution	Management Meetings, etc.	<ul style="list-style-type: none"> <li>• Status of initiatives related to climate change risks (four times per year)</li> <li>• Reports on DE&amp;I promotion, human rights awareness activities, human capital management (three times per year)</li> <li>• Top risks in FY2024 (roughly six times per year)</li> <li>• Employee engagement survey and promotion measures based on survey results</li> <li>• Publication of sustainability report</li> <li>• Start of solicitation of impact deposits</li> <li>• India expansion survey for auto parts industry</li> </ul>

## Initiatives for respecting for human rights

Respect international norms on human rights, including the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights, and engage in fair and appropriate business with all stakeholders. Among initiatives for human rights due diligence, we take the following actions as part of our response to and monitoring of specific negative impacts.

Respect for human rights of officers and employees	Respect of customers' human rights and cooperation	Cooperation with suppliers (vendors, contractors)
<ul style="list-style-type: none"> <li>• DE&amp;I promotion (p.53)</li> <li>• Compliance, harassment prevention</li> <li>• Periodic awareness-training for human rights (strengthen awareness among employees for reasonable accommodations for people with disabilities)</li> </ul>	<ul style="list-style-type: none"> <li>• Initiatives through financial services</li> <li>• Initiatives to protect personal information</li> <li>• Response based on environmental and social considerations policy</li> </ul>	<ul style="list-style-type: none"> <li>• Fair and appropriate business</li> <li>• Understanding and cooperation for respecting human rights</li> <li>• Screening utilizing external data</li> </ul>

## Initiatives for climate change and natural capital

We recognize the importance of initiatives and information disclosure regarding climate change and natural capital, and we are working on disclosure of information (governance, strategy, risk management, metrics and targets) in the format recommended by TCFD\*1 and TNFD\*2.

\*1 Task Force on Climate Related Financial Disclosures

\*2 Taskforce on Nature Related Financial Disclosures

	Climate change	Natural capital
<b>Governance</b>	<ul style="list-style-type: none"> <li>Any matters that relate to the identification, evaluation, and management of climate change- and natural capital- related opportunities and risks are regularly discussed at our Management Meeting, which is attended by the President and Executive Officer. We submit reports on climate-related developments to the Board of Directors in order.</li> <li>We have formulated our Sustainability Basic Guidelines in order to play an active role in resolving material issues for society and to help realize a sustainable society, and they have been approved by the Board of Directors.</li> <li>We have identified material issues for society (materiality) that we should focus on through our business activities. (p.24)</li> </ul>	
<b>Strategy</b>	<ul style="list-style-type: none"> <li>We recognize demand for funds and opportunities for providing solution proposals concerning customers' transitions to decarbonization and technology development as well as conservation and preservation of natural capital. (p.48)</li> <li>We contribute to the realization of a sustainable society by engaging in dialogue with our customers and supporting the implementation of necessary measures, starting from a business prospects evaluation from the perspective of SPEED*.</li> </ul> <p>*The basic perspective on sustainability initiatives of the organization and its officers and employees, as defined independently by the Shoko Chukin Bank</p>	
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>We analyze qualitative and quantitative scenarios regarding the opportunities and risks that climate change poses to management of the Shoko Chukin Bank. Specifically, we analyze physical and transition risks in our financing portfolio. (p.38)</li> </ul>	<ul style="list-style-type: none"> <li>We analyze the opportunities and risks that nature-related risks pose to management of the Shoko Chukin Bank. Specifically, we analyze the dependency and impact risks for each sector in our financing portfolio. (p.39)</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>We recognize addressing climate change risk and changes in the industrial structure as top management risks. (p.77)</li> <li>Transactions with businesses that are likely to have a negative impact on the environment and society are handled in accordance with the Environmental and Social Considerations Policy.</li> <li>We appropriately recognize risks caused by climate change and natural capital, and are striving to build a risk management approach.</li> </ul>	
<b>Metrics and Targets</b>	<ul style="list-style-type: none"> <li>CO2 emissions (Scope 1 and 2) Targets: 50% reduction in FY2030*, carbon neutrality by FY2050 Results: 39% reduction in FY2023* (FY2024 forecast: approx. 45% reduction*) *from FY2013</li> </ul>	

▶▶ For more details, please refer to the Sustainability Report 2025.

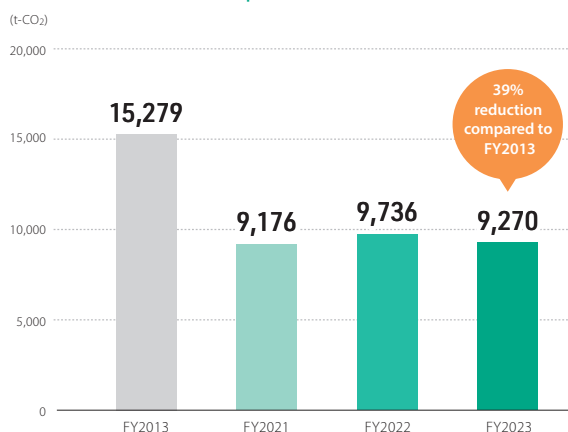
### CO2 emissions

We have established CO2 reduction targets and are working to reduce our environmental impact.

#### Scope 1 and 2

- We have curbed purchases of electricity through branch consolidation and relocations and introduction of LED lighting.
- We will continue to work toward achieving our target, including switching to renewable energy and environmentally friendly branches.

#### CO2 emissions trends (Scope 1 and 2)



#### Estimation for Scope 3

- We will continue to work to expand and refine the scope of calculation.
- The methods currently being used to perform calculations may change in the future in line with ongoing discussions regarding international standards.

#### Estimation of CO2 emissions (Scope 3)

(Thousand t-CO2)

Cat	Category	Approx. (Thousand t-CO2)
Cat 1	Purchased Goods and Services	Approx. 24
Cat 2	Capital Goods	Approx. 8.6
Cat 3	Fuel- and Energy-Related Activities	Approx. 1.5
Cat 6	Business Travel	Approx. 0.6
Cat 7	Employee Commuting	Approx. 1.1
Cat 15	Investments	Approx. 6,800

\* For categories 1-3, 6, and 7, our calculations were based on fiscal 2023 activity levels and were performed as indicated in the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.6 (Ministry of the Environment, Ministry of Economy, Trade and Industry).

\* For category 15, the calculation scope was business loans, and calculations were performed in accordance with the PCAF's Global GHG Accounting and Reporting Standard. The numerator of the ownership ratio was the loan balance as of March 31, 2024, and the denominator was calculated using information such as financial data held by the Shoko Chukin Bank.

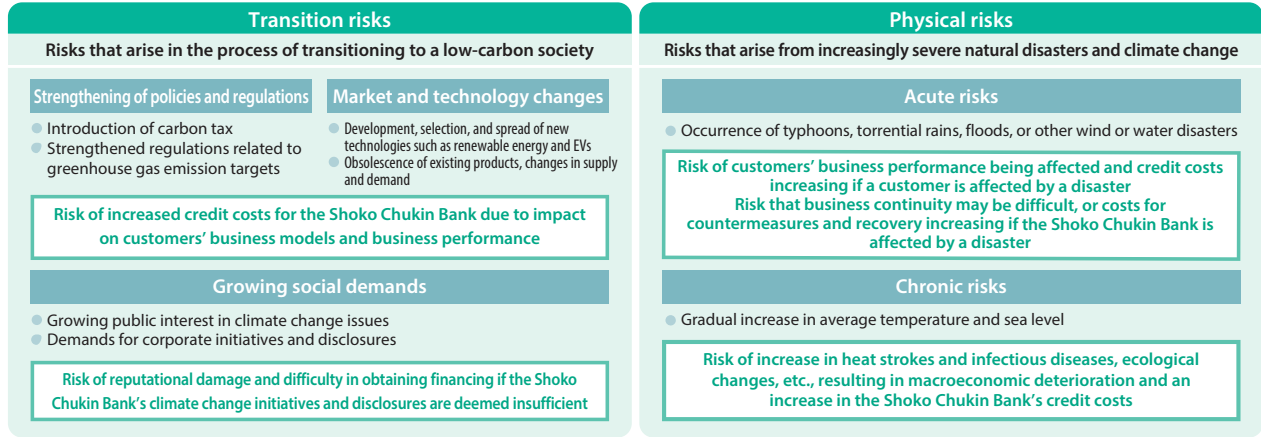
\* For business loan recipients that are subject to the disclosure system (Ministry of the Environment) established in accordance with the Act on Promotion of Global Warming Countermeasures (approx. 11%), calculations were performed using the data publicly disclosed under this system. For other business loan recipients (approximately 78%), emissions per sales by industry was estimated using publicly available data and information held by the Shoko Chukin Bank. The emissions intensity was then set and multiplied by the Shoko Chukin Bank equity ratio to arrive at the estimate.

\* Percentage of total loan balance



### Climate change-related risks

We have identified risks by anticipating future social and environmental changes brought about by climate change. The following is an overview of the climate change risks that the Shoko Chukin Bank anticipates.



In particular, we consider credit risk\*1 and reputational risk\*2 to be important risks with significant management impact. We will seek to reduce these risks by providing customer support through engagement with customers and other means, and strengthening risk management through scenario analysis, etc.

\*1 Risk of an increase in the Shoko Chukin Bank's credit costs due to the negative impact on customers' business models as the transition to a low-carbon society progresses

\*2 Risk of damage to the Shoko Chukin Bank's reputation due to efforts and disclosures on climate change issues being deemed insufficient

**Carbon-related assets** As part of our efforts to assess climate change risks, we have defined the industries, which we recognize as being significantly impacted by climate change, as carbon-related sectors\*1 and are monitoring them.

Sector		Transition risks	Percentage of outstanding loans (%)*2
Energy	Oil and gas	High	1.6
	Electricity	High	0.4
	(Subtotal)		2.0
Transport	Land transport	Medium	8.1
	Automobiles and components	High	2.9
	Marine transport	Medium	2.2
	Air transport	Medium	0.1
	(Subtotal)		13.3
Materials and buildings	Construction materials and capital goods	Low	8.3
	Property management services and development	Low	6.8
	Metals and mining	High	4.7
	Chemicals	Medium	3.1
(Subtotal)		23.0	
Agriculture, foodstuffs, and forestry	Food and beverage	Medium	4.2
	Papermaking and forestry	Low	2.0
	Agriculture	Low	0.3
	(Subtotal)		6.5
<b>Total</b>			<b>44.8</b>

Four sectors were selected for analysis: automobiles and components, land transport, metals and mining, and marine transport, based on the climate change impact (transition risks) of each sector and the balance of the Shoko Chukin Bank's investments, loans and other factors.

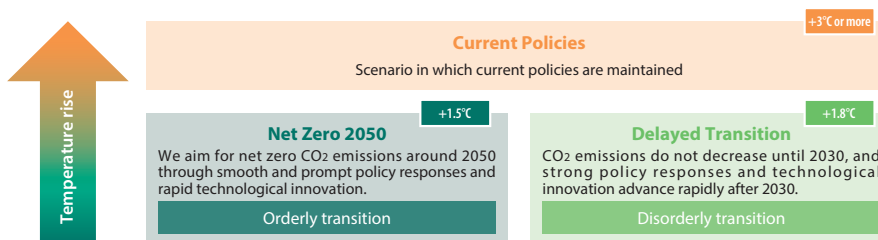
\*1 Applicable industries in the non-financial sector identified based on GICS codes. The methods used to categorize these sectors are subject to review in the future.

\*2 As of March 31, 2025

**Scenarios analysis** We use scenarios (hypotheses) to analyze how the business environment will change and how management will be affected if transition risks and physical risks materialize.

#### [Scenarios used]

Three scenarios (net zero 2050, delayed transition, and current policies) formulated by NGFS (Network for Greening the Financial System) are used in the scenario analyses of transition risks and physical risks.



[Qualitative assessment of sectors in scope of analysis (transition risks)]

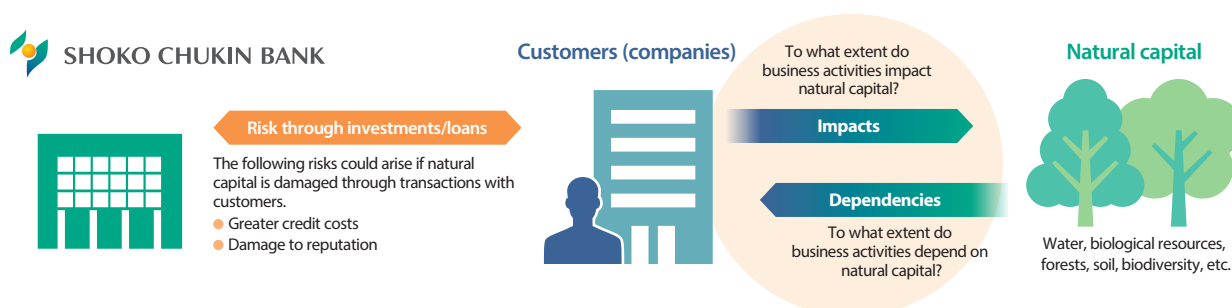
Sectors in scope of analysis	Main transition risks	
Automobiles and components	Introduction of carbon tax	Downsizing of engine parts, etc., in conjunction with conversion to electric vehicles
Metals and mining		The metals and mining sector includes many automobile-related companies such as foundry and punching press processed metal products manufacturing businesses; the above factors were also taken into consideration
Land transport		Modal shift toward low-carbon conversion Conversion to electric trucks (higher vehicle prices)
Marine transport		Decrease in amount of goods transported in conjunction with decrease in use of fossil fuel, main materials transported Transition to ships that meet stricter environment regulation standards (higher ship prices)

[Results of scenario analysis]

	Transition risks	Physical risks
Scope of analysis	Loan recipients in the automobiles and components, metals and mining, land transport and marine transport sectors, with the most recent borrower category	Loan recipients among those who may be flooded or who have used buildings as collateral with the most recent borrower category
Analysis method	For each loan recipient in an analyzed sector, financial conditions are estimated based on the probability of the transition scenario, and the increase in credit-related expenses is calculated based on changes in borrower category For the automobiles and components sector and the metals and mining sector, transition risks are considered for the transition from loan recipients' main products (internal combustion engines and drive systems) to electric vehicles (EVs)	Among all loan recipients, potential inundation points due to water-related disasters caused by typhoons, etc., are identified based on location information For each loan recipient, financial condition is estimated based on the probability of a water-related disaster, and the increase in credit-related expenses is calculated based on changes in borrower category and the impact of the amount of building collateral damage
Scenarios used	Use net zero 2050 of the NGFS scenarios	Use current policies of the NGFS scenarios
Analysis period	Until 2050	
Analysis results	Credit-related expenses: total of approx. ¥60.0 billion	Credit-related expenses: total of approx. ¥70.0 billion

Natural capital-related risks

We recognize that there is a risk that the Shoko Chukin Bank's credit costs may increase due to the dependence and impact of customers' business activities on natural capital.



	Examples of risks
Dependency risk	If natural capital is lost, business continuity risk heightens the larger the dependency on natural capital Examples of dependency: dependency on provisioning services, including water supply and biological resources; dependency on regulating and maintenance services, including flood mitigation and soil retention
Impact risk	If the negative impact on natural capital is considerable, transition risk for mitigating negative impacts increases Examples of impact: GHG emissions, emissions of air pollutants, emissions of pollutants to water and soil, use of terrestrial ecosystems, use of fresh water ecosystems