

# Sustainability Management Initiatives

## Musashino Bank Sustainable Development Goals Declaration

The Musashino Bank Group declares that all of its officers and employees will strive to contribute to achieving the objectives of the Sustainable Development Goals (SDGs).

- To contribute to the sustainable development of the regional economy, the Bank always exercises its financial intermediary functions and commitment to practicing fiduciary duty.
- To contribute to the creation of a sustainable community including industry and employment, urban development and livability, the Bank engages in partnerships with various bodies, including municipal governments, companies and NPOs.
- The Bank regards issues such as climate change and human rights as having a direct effect on it, and seeks global sustainability.

### Vision for the Bank (Key Areas)

#### Corporate Governance as the Source of Sustainable Growth

The Bank positions corporate governance as the source of sustainable growth, and aims to conduct steadfast bank management grounded on its management philosophy, which has remained unchanged since its founding.



#### A Society in Which People Can Live Their Own Way for as Long as They Wish

The Bank will actively work to create a society in which all people can live in their own way, healthily and happily.



#### Sustainable Regional Economy

The Bank will promote innovation in local industry and local production for local consumption, as well as contribute to the development of comfortable, strong towns and work to realize sustainable economic growth.



#### Responding to Climate Change, Maintaining and Improving Biodiversity

The Bank will respond to global climate change and make efforts to maintain and improve the rich local biodiversity.



## Sustainability Management Initiatives

### Formulation of the Basic Policy on Sustainability, etc.

We formulated four policies for promoting sustainability management, which we will translate into more practical initiatives.

Name	Overview
Basic Policy on Sustainability	Under its Corporate Philosophy, “working in harmony with the local community it serves” and “maintaining a deep respect toward customers,” the Bank aims to achieve stimulation of the local economy and to provide both economic and social value from a medium- to long-term perspective.
Environmental Policy	All of our officers and employees are engaging with the issues of climate change, decarbonization, and biodiversity through business activities, adopting a global perspective while also giving consideration to the local characteristics of the Saitama region.
Investment and Financing Policy	We will avoid financing industrial and corporate sectors that have a negative impact on environmental, social, and economic sustainability.
Human Rights Policy	In all of our business activities, and provision of products and services, we will respect the human rights and diversity of all of our stakeholders.

### System for Sustainability Promotion

#### Governance System

The Bank has a system in which the Sustainability Promotion Committee, whose chair is the president, and the Sustainability Subcommittee, which is under the control of the Sustainability Promotion Committee, carry out activities such as planning and proposal of measures and management of progress. The Board of Directors receives reports on these activities and supervises them.

#### Main agenda items discussed by the Sustainability Promotion Committee

- Information disclosure considering the TCFD recommendations
- Promotion of sustainable finance
- Measures to reduce greenhouse gas emissions

#### Management and Promotion of Cross-departmental Initiatives

We have established the Sustainability Promotion Office as a dedicated department responsible for managing and promoting initiatives across the Musashino Bank Group. In addition, three working groups have been formed for each type of sustainability-related issue in an effort to enhance the effectiveness of initiatives.

#### Three working groups

- Revitalization of regional economies
- Revitalization of local communities
- Environmental and diversity initiatives


## Product Lineup to Encourage Customers' Sustainability Management

To encourage sustainability management among local firms, we have enhanced and expanded our lineup of finance and consulting products tailored to the status of initiatives in individual companies.

	2019	2020	2021	2022
Finance and loan products	● Musashino SDGs Private Placement Bonds		● Musashino Sustainability-linked Loans	● Musashino SDGs Friends Loan ● Musashino Sustainability Framework Loans ● Musashino Blue-chip Company Sustainable Fund
Consulting products			● Musashino SDGs Consulting	● Musashino SDGs Assessment Support ● Musashino Decarbonization Consulting

## Employee Education for Sustainability Management

We are working to enhance training and e-learning to allow each and every employee to understand sustainability and apply it to his or her own duties.

Initiative	Description
Training	Ecology College The Bank's original environmental course in which trainees can learn about the natural environment and biodiversity from various perspectives, including corporate activities and neighborhood creation 
	Training for corporate sales representatives Training that allows client companies to understand the background to why sustainability management is necessary and learn about specific sustainability initiatives
	Training using board games Training that makes use of an SDGs boardgame tailored to Saitama Prefecture, allowing trainees to learn about SDGs initiatives and relationships with communities
e-learning for employees	<ul style="list-style-type: none"> <li>• Launch of an online course that allows trainees to gain comprehensive knowledge of the targets of each SDG, the best practices of companies and other bodies, and more. (74% of employees had completed this course as of the end of March 2023)</li> <li>• Conducting SDGs-related comprehension tests</li> </ul>
Qualifications and correspondence courses	<ul style="list-style-type: none"> <li>• Encourage the acquisition of sustainability-related qualifications such as "Decarbonization Advisor"</li> <li>• Encourage participation in correspondence courses based on the theme of sustainability</li> </ul>

## Biodiversity Initiatives

The Bank has focused on maintaining and improving biodiversity through initiatives aimed at promoting further greenery in the region, including the utilization of a public trust scheme. Social demands related to consideration for biodiversity are set to increase going forward, and the Bank aims to enhance its initiatives in this area further.

### Subsidies Provided by Musashino Bank Green Fund Public Trust

The Musashino Bank Green Fund public trust was established in July 1992 with the goal of contributing to the creation of beautiful and comfortable living environments by subsidizing activity funds for businesses that aid the preservation and creation of natural environments within Saitama Prefecture.

In April 2023, we provided a total of ¥2.90 million in subsidies to 15 organizations.

#### Businesses Eligible for Subsidies

1. Businesses that contribute to the preservation or creation of natural environments
2. Businesses related to the spread of awareness considered necessary for preservation or creation of natural environments
3. Investigative research necessary for promoting natural environment preservation and creation activities

## Responding to Climate Change

### Initiatives to Address the TCFD Recommendations

The Bank positions climate change initiatives as an important management issue. Accordingly, we strive to establish governance and risk management systems based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and grasp the opportunities and risks created by climate change. In addition, the Bank has established and disclosed Sustainable Finance Amount Targets and Greenhouse Gas (GHG) Emission Reduction Targets.



#### Sustainable Finance Amount Targets

The Bank has set a target amount for the execution of sustainable finance transactions that contribute to the decarbonization of local communities. We aim to execute a cumulative total of ¥1 trillion in sustainable finance transactions over the 10 years from fiscal 2021 to fiscal 2030.

Through fiscal 2022, the Bank had executed sustainable finance transactions amounting to **¥188.6 billion**.

Sustainable finance is finance in which the funds are used for resolving environmental or social issues and includes finance to support customers' ESG or SDGs initiatives.

#### Trend in CO<sub>2</sub> Emissions (Scope 1 + 2)

The Group's CO<sub>2</sub> emissions are shown in the graph.

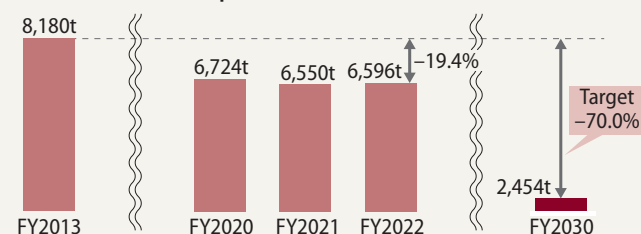
The Group's overall CO<sub>2</sub> emissions for fiscal 2022 (Scope 1 + Scope 2) were down 19.4% from fiscal 2013.

In fiscal 2022, although changes in the branch network contributed to savings in electric power consumption, CO<sub>2</sub> emissions rose due to the opening of the new Head Office building in December 2021, and the impacts of extreme summer heat in 2022.

Electric power consumption at the new Head Office building temporarily increased due to an increase in the building's capacity, which reflected its larger size compared to the former Head Office building. In the future, electric power consumption is expected to decrease over the long-term owing to efforts to centralize business sites through the consolidation and closure of various sites.

The Bank will continue to work on measures such as conserving electricity and switching over to energy-efficient equipment (including business vehicles), with the aim of achieving the Group's CO<sub>2</sub> emissions target for fiscal 2030, which is a reduction of 70% in CO<sub>2</sub> emissions from fiscal 2013 levels.

#### Musashino Bank Group CO<sub>2</sub> emissions



#### Emissions by scope for past years

	FY2013	FY2020	FY2021	FY2022
Scope 1	1,049	732	773	806
Scope 2	7,131	5,992	5,777	5,790
Scope 3	—	—	—	(See below)
<b>Total CO<sub>2</sub> emissions</b>	<b>8,180</b>	<b>6,724</b>	<b>6,550</b>	<b>6,596</b>

#### Scope 3 Category 15 Estimates Emissions from Commercial Loans

The amount of indirect greenhouse gas emissions through investees and borrowers accounts for a large proportion of the Scope 3 emissions (CO<sub>2</sub> emissions in the supply chain) of financial institutions. For this reason, the Bank has estimated the emissions from its loans to domestic business corporations, referring to the FY2021 PCAF Standard\* measurement methodology. We estimated emissions from commercial loans as a measurement of emissions under Scope 3 Category 15. In the future, we intend to successively expand the scope of calculation. The estimated amounts are presented below.

\* The Partnership for Carbon Accounting Financials (PCAF) is an international initiative to develop methodologies for measuring and disclosing greenhouse gas emissions associated with the investment and finance portfolios of financial institutions.

#### Estimated emissions by industry based on classification of the Bank's borrowers into the TCFD's 14 industries

Industries	Emissions (t-CO <sub>2</sub> )	Industries	Emissions (t-CO <sub>2</sub> )
Capital goods	461,395	Maritime and air transportation	15,469
Metals and mining	456,106	Electricity	146,720
Chemicals	297,733	Oil and gas	102,056
Real estate management and development	243,011	Beverage and food	255,429
Construction materials	191,282	Paper and forest products	130,651
Ground transportation	359,353	Agriculture	18,551
Automobiles	143,230	Others	3,613,860
		<b>Total</b>	<b>6,434,846</b>

[Methodology for calculating emissions]  
 Borrower's net sales x emissions per ¥1 million of net sales (by industry) x contribution of the Bank's loan  
 [Time]  
 Loan balance: as of the end of March 2023  
 Financial indicators such as borrower's net sales: from the latest financial information for each borrower obtained by the Bank as of the end of March 2023, when the estimates were determined