

## MEASURES FOR CLIMATE CHANGE/ GLOBAL WARMING

### Our Approach to Climate Change

Climate change and other global environmental changes, such as the increasing damage caused by abnormal weather, are having a major impact on economic activities and our daily lives. These changes have already become a significant risk to all humanity. Under these circumstances, governments and companies worldwide are accelerating their efforts to shift to a decarbonized society by reviewing their social and economic structures, which are dependent on fossil fuels.

The Bank has regarded responding to global warming, a factor of climate change, as one of the important management issues. We have begun setting targets for greenhouse gas emissions reduction in our Medium-Term Business Plan in April 2004 and established the CSR Charter (Management Principles) featuring harmonious coexistence with the environment in April 2007. In October 2020, we established the Sustainability Policy that serves as a basic policy for management and also revised our Environmental Policy. Having thus renewed our recognition of the importance to respond to climate risks, we are working to create a sustainable society by establishing a “virtuous circle propelling the economy and environment forward” by fulfilling its role as a financial institution.

#### Shiga Bank's Sustainability Policy

We aim to enhance our corporate value by following our CSR Charter (Management Principles) based on our motto “Be tough on ourselves, kind to others and serve society,” and to contribute to realizing a sustainable society through co-creation with regional communities.

**1. Identifying materiality (priority issues) and solving local issues through business activities**

Identify materiality that will lead to sustainable development and prosperity for both Shiga Bank and regional communities and develop and provide products and services that help solve social issues. Also, promote the digitalization of regional communities and support the creation of problem-solving businesses to realize a sustainable society.

**2. Management focusing on the social impact of business activities**

Strive to reduce the negative impact of our business activities on people and the environment while continuously expanding the positive impact. Place particular emphasis on the social impact of financial intermediation and create a virtuous cycle of money toward a sustainable society through dialogue with our customers.

**3. Establishing a business model that contributes to the conservation and revitalization of the global environment**

Understand that the prosperity of regional communities, which is the foundation of our existence, is based on the benefits of nature, including Lake Biwa, and the sustainability of the global environment. Establish a business model that contributes to realizing a decarbonized society, the construction of a circular economy, and the conservation of biodiversity.

**4. Respecting human rights and building relationships of trust with society**

Respect human rights and conduct honest and fair corporate activities based on high ethical standards. Also, build a strong relationship of trust by complying with laws and regulations, disclosing information fairly and accurately to stakeholders, engaging in two-way dialogue, and responding sincerely to the expectations and requests of society.

**5. Developing human resources who can think and act on their own and improving the workplace environment**

Strive to develop human resources who can think and act independently, making the SDGs and regional social issues their own business. Aim to create a work environment for respecting diverse personalities and work styles, enhancing work-life balance, and having each employee fully demonstrate their abilities.



## Shiga Bank Environmental Policy: For a Sustainable Future of the Regional Society

As a local bank in Shiga Prefecture—home to Lake Biwa, an asset we hold in trust for the future—Shiga Bank is committed to contributing to the creation of sustainable regional communities by driving ESG finance, as well as working on initiatives for climate risk response and biodiversity preservation with a determination to protect the environment using the circulation of money.

### 1. Environmental conservation through business activities

We will work together with the regional society on environmental conservation initiatives, including for Lake Biwa, through our business activities such as developing and offering financial products and services that promote efforts towards SDGs and ESG.

### 2. Initiatives to mitigate environmental impact

As an Eco-First Enterprise, we will drive efforts to reduce environmental impacts of our business activities, such as the use of sustainable energy, recycling, waste reduction, pollution control, and green procurement.

### 3. Compliance with relevant environmental laws

We will comply with environmental laws and regulations and work to translate SDGs, Paris Agreement and other social needs into corporate activities.

### 4. Governance and management systems

We will build a system that allows steady implementation of efforts to realize sustainable society, keep the leadership team regularly informed of the state of our environmental initiatives, formulate strategies and set goals that take into account environmental risks and opportunities, and thereby ensure appropriate management.

### 5. Full participation and information disclosure

We will publish our Environmental Policy and readily disclose the state of its implementation, in addition to making it thoroughly known across the Bank and by all who work for the Bank and raising awareness for the policy so that it is put into action by each person.

## Timeline

1999	Established the Environmental Policy
2000	Acquired ISO 14001 certification
2001	Signed the United Nations Environment Programme Finance Initiative (UNEP FI)
2004	Established the CSR Committee
	Set targets for greenhouse gas emissions reduction in the Medium-Term Business Plan
2007	Established the CSR Charter (Management Principles)
2010	Revised the Environmental Policy (first revision)
	Established the Policies for Biodiversity Preservation
2017	Announced the Shigagin SDGs Declaration
2018	Announced support for TCFD Recommendations
2020	Signed the Principles for Responsible Banking
	Established the Sustainability Policy
	Revised the Environmental Policy (second revision)
	Reorganized CSR Committee into Sustainability Committee
2021	Adopted the achievement of Shiga Prefecture's "Shiga CO <sub>2</sub> Net Zero" emissions target as one of the Bank's long-term vision challenges
2022	Announced endorsement of GX League Basic Concept of the Ministry of Economy, Trade and Industry
	Published the results of scenario analyses of transition and physical risks



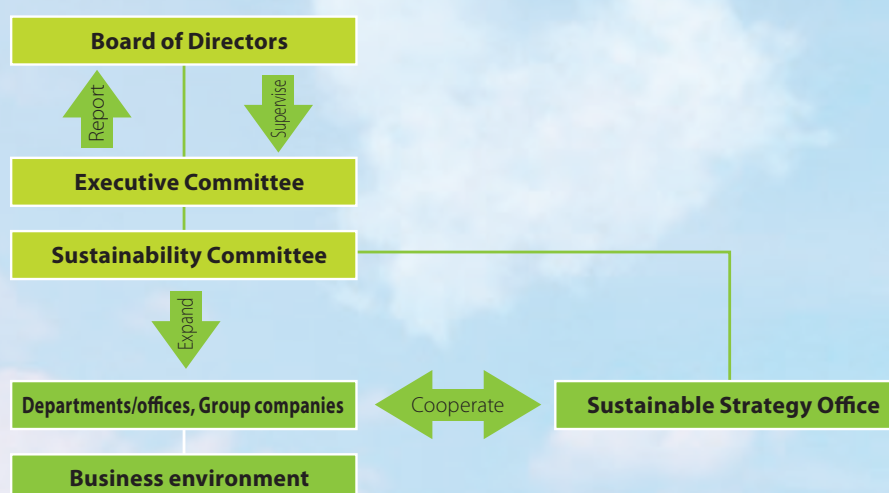
### Responding to TCFD Recommendations

Having announced its support of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in July 2018, the Bank has been disclosing information in line with the TCFD Recommendations since fiscal year 2019, with a view to building engagement with shareholders, investors and a wide range of other stakeholders through such disclosure. We will continue working to improve disclosure and lead the decarbonization efforts of regional communities. The current state of response to the Recommendations are outlined below.

## Governance (Governance of climate-related risks and opportunities)

Recognizing that climate change and other environmental and social challenges are important matters concerning its management, the Bank discusses these matters at the meetings of the Board of Directors and reflects the outcome in its management strategy and risk management. Specific measures and initiatives are discussed at the Sustainability Committee chaired by the President, the content of which are reported to the Board of Directors at least once a year. The Board of Directors is fully prepared to execute appropriate supervision on matters reported such as the state of greenhouse gas emissions reduction.

The Sustainability Committee meets three times a year with Management Meeting members, General Managers of each department and office, and presidents of associated companies as Committee members. The Committee deliberates on policies and plans for addressing medium- to long-term ESG challenges, including such matters as identifying priority issues (materiality), developing Sustainability Vision, examining measures to be taken by departments based on the Sustainability Policy, setting environmental goals based on ISO 14001, conducting scenario analysis in accordance with TCFD Recommendations. Matters of significance are reported to the Management Meeting (Executive Committee) and the Board of Directors.



## Strategy

To further our response to risks and opportunities, including those of climate change, we have identified three areas for priority action, namely, “establishing the regional economy,” “ensuring sustainability of the global environment,” and “training a diversified workforce,” and developed a Sustainability Vision (long-term vision) aimed at achieving sustainable society.

In October 2020, we established a Sustainability Policy focusing on sustainability of the regional communities and set up Sustainable Strategy Office in the General Planning Department, and also a team dedicated to ESG finance in the Business Promotion Department in order to be better prepared to boost sustainable financing towards making decarbonized society a reality.

### (1) Recognition of risks, opportunities and impacts

The Bank assesses climate change risks (transition risks and physical risks) for the time frames of short-term (five years), medium-term (10 years), and long-term (30 years) under 1.5°C scenario and 4°C scenarios. With regard to the risks and opportunities that have been recognized, we are making efforts related to CO<sub>2</sub> emissions reduction and also considering reflecting the findings in our investment and financing strategy.

Type of risk/opportunity		Impact on business	Timing of manifestation
Transition risks	Policy and legal Market Technology	Impact on the Bank's credit costs arising from actions that the Bank takes in response to decarbonization policies and regulations in order to achieve the 1.5°C scenario, or from changes in market orientation towards low-carbon via the impact of such changes on the business and performance of investment and financing targets	Medium term or long term
	Policies	Establishment of, or amendments to, regulations following the global trend toward increased actions against climate change	Short term
	Reputation	Negative rumors resulting from lack of efforts against climate change or insufficient disclosure of information	Short term
Physical risks	Acute risks	Impacts on the Bank's credit costs arising from the impacts of increased natural disasters such as floods on the business and performance of investment and financing targets	Short term, medium term, or long term
		Risk of damage to the Bank's assets from natural disasters such as floods	Short term, medium term, or long term
	Chronic risks	Impacts on the Bank's credit costs arising from the impacts of increased infectious diseases or heatstroke cases on the business and performance of investment and financing targets	Short term, medium term, or long term
Opportunities	Products/ services	Increased capital needs of companies related to the development of low-carbon products and services	Short term, medium term, or long term
	Resource efficiency, energy source	Reduced costs of companies as a result of efforts for the transition to a decarbonized society; increased capital needs related to such transition	Short term, medium term, or long term
	Reputation	Increased business opportunities resulting from our higher social reputation as a financial institution that contributes to decarbonization of regional communities	Medium term or long term

The proportion of energy and utility (electricity, excluding renewables) sectors, which are considered to be exposed to particularly high transition risk among the carbon-related assets for which disclosure is recommended by TCFD, in the Bank's total lending as of March 31, 2022, is approximately 2.36%.

We are considering working to grasp the whole picture including other carbon-related assets.

## (2) Scenario analysis

We conducted two scenario analyses after consulting multiple scenarios published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), among others, and taking into consideration the Paris Agreement, the agreement at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in November 2021, etc. The impact of increase in credit costs is expected to be limited, as cost reduction can be achieved by way of medium- to long-term efforts.

### <Process of analysis>

- Analyze risks (transition risks, physical risks) and opportunities for each sector
- Determine subject sectors for scenario analysis
- Choose scenario for transition risks and physical risks depending on the subject of analysis, and analyze the impact on credit costs

## Results of analysis on transition risks

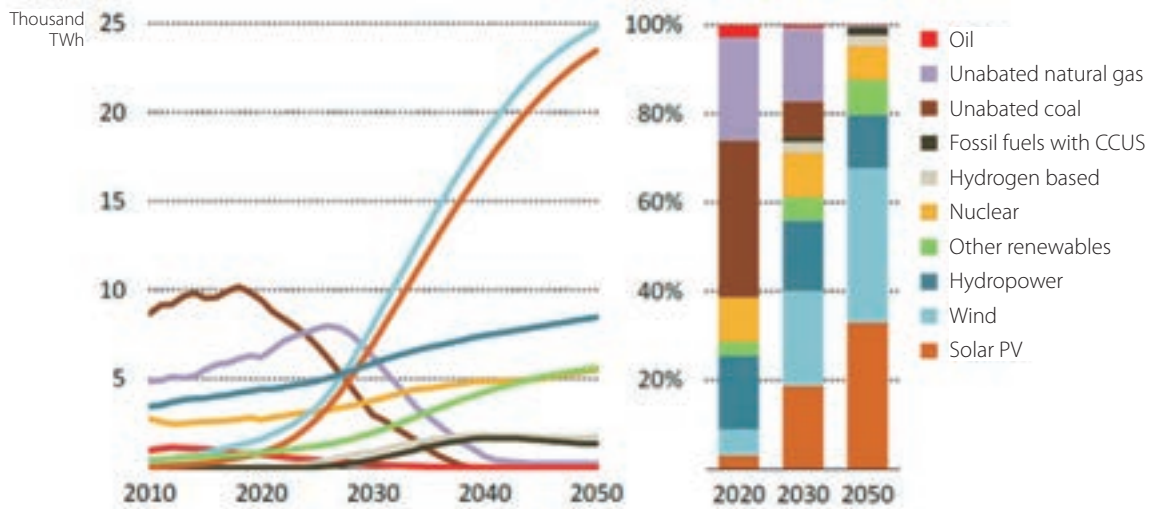
Item	Details
Scenario	IEA's "Net Zero Emissions Scenario 2050 (NZE Scenario)" * A report that shows a road map for transition to an energy system for achieving net zero emissions of greenhouse gases in 2050 while limiting the rise in global temperature to 1.5°C above pre-industrial level.
Subject sector	1) Power utility 2) Oil, coal and gas
Subject period	Up to 2050, with March 31, 2021, as a base
Metrics	Credit-related expenses (credit costs) *Credit costs based on borrower classification
Results of analysis	A total of 5 billion to 10 billion yen increase in credit costs in the period to 2050

- As we go ahead with decarbonization with eyes to the future, the current power source composition is not permissible and need to be gradually changed.
- Consequently, under the NZE Scenario, CO<sub>2</sub> emissions are expected to fall drastically in the future. (a global trend)



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### (For reference) Trend in global power generation and composition by source in the NZE scenario



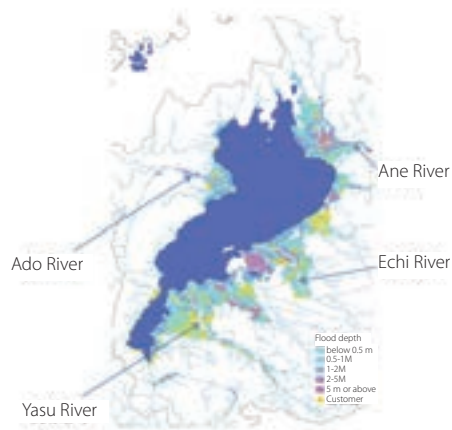
Source: Net Zero by 2050 A Roadmap for the Global Energy Sector, IEA

### Results of physical risk analysis

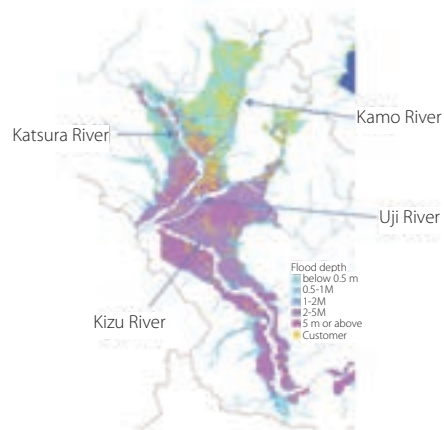
Item	Details
Scenario	IPCC's "RCP8.5 Scenario" (4°C Scenario) A "100-year flood occurs" in the period to 2050
Subject region	The whole areas of Shiga and Kyoto Prefectures
Subject entities	Borrowers of business loan (excluding large corporations)
Metrics	Credit-related expenses (credit costs) 1) Downgrading of borrower classification of borrower company in light of decline in sales due to suspension of business 2) Damage to collateral
Results of analysis	Increase of 4 billion yen in credit costs

### Hazard map of Shiga Prefecture and southern part of Kyoto Prefecture showing the locations of the Bank's customers

- Mapped the Bank's customers (yellow dots) on the hazard maps of Shiga and Kyoto Prefectures (for a 100-year flood)
- In Shiga Prefecture, floods are expected mainly along the rivers flowing into Lake Biwa. In Kyoto Prefecture, widespread flood damage is expected mainly along the rivers Kamo, Katsura, Uji, and others.



Shiga Prefecture



Southern part of Kyoto Prefecture

### (3) Shiga Bank Group's strategy

#### Strengthen our consulting force to promote the decarbonization of our customers

To achieve the target of realizing decarbonized society by 2050, we must take measures without delay. The trend toward decarbonization is expected to accelerate sharply. At a time when changes in industrial structure are expected, it is becoming increasingly important for middle-ranking and small and medium-sized enterprises to start taking measures towards decarbonization, considering that they are lagging behind large corporations in this respect, and also from the viewpoint of regional economy.

The Bank is supporting its customers' efforts towards decarbonization. Our headquarters' teams dedicated to ESG finance and carbon neutrality are working with the branches to spread the knowledge and understanding using the ESG assessment system and Supporting in drafting SDGs declaration, while also helping customers integrate SDGs into their management through our "SDGs consulting" services and by utilizing external specialists.

#### 1) ESG assessment system

This is a system to evaluate the efforts of our customers by asking questions in the three areas of E (environment), S (social), and G (governance). Using this system, we aim to help customers realize matters they have not been aware of, and continue dialogues using opportunities such as Ratings Communication Service so as to promote their ESG efforts.

#### 2) Support in drafting SDGs declaration

After showing customers the video "Tell Me About SDGs! by Shiganosuke (official character of Shiga Bank)," we interview them on 40 SDGs-related items, based on which we analyze the state of their progress and offer assistance, free of charge, in drafting an SDGs declaration stating specific actions to be taken.

#### 3) SDGs consulting

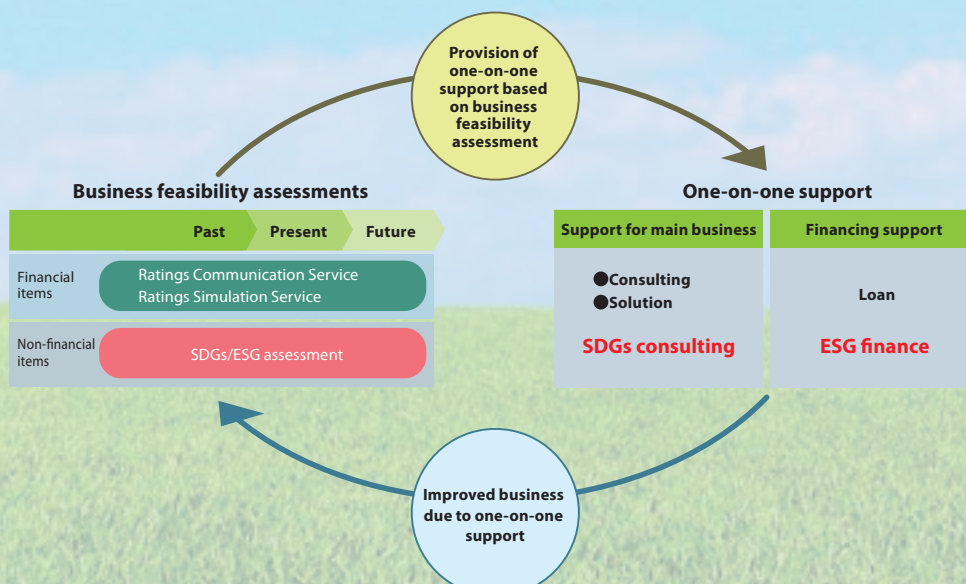
We provide paid consulting service to help customers integrate SDGs into their management strategies and increase their corporate value with sustainability management. We support their Sustainability Transformation (SX) with a consistent strategy spanning from management principles to specific tactics.

#### 4) Utilization of external specialists, etc.

We work with various external specialists, according to needs, to solve the management issues of our customers, such as in providing greenhouse gas emissions calculation service, which is a first step towards decarbonized management, or in analyzing the state of energy use and proposing actual measures to save energy.

#### 5) Experts on SDGs and ESG finance

Of the 4,812 examinees from around Japan who sat for the "Certification Test of SDGs and ESG Finance" offered by the Financial Official Approval Association in 2021, 790 were from Shiga Bank. The high pass rate of our employees, at 83.5% against the national average of 71.9%, testifies that we have a large pool of talents with expert knowledge who can offer consulting services.





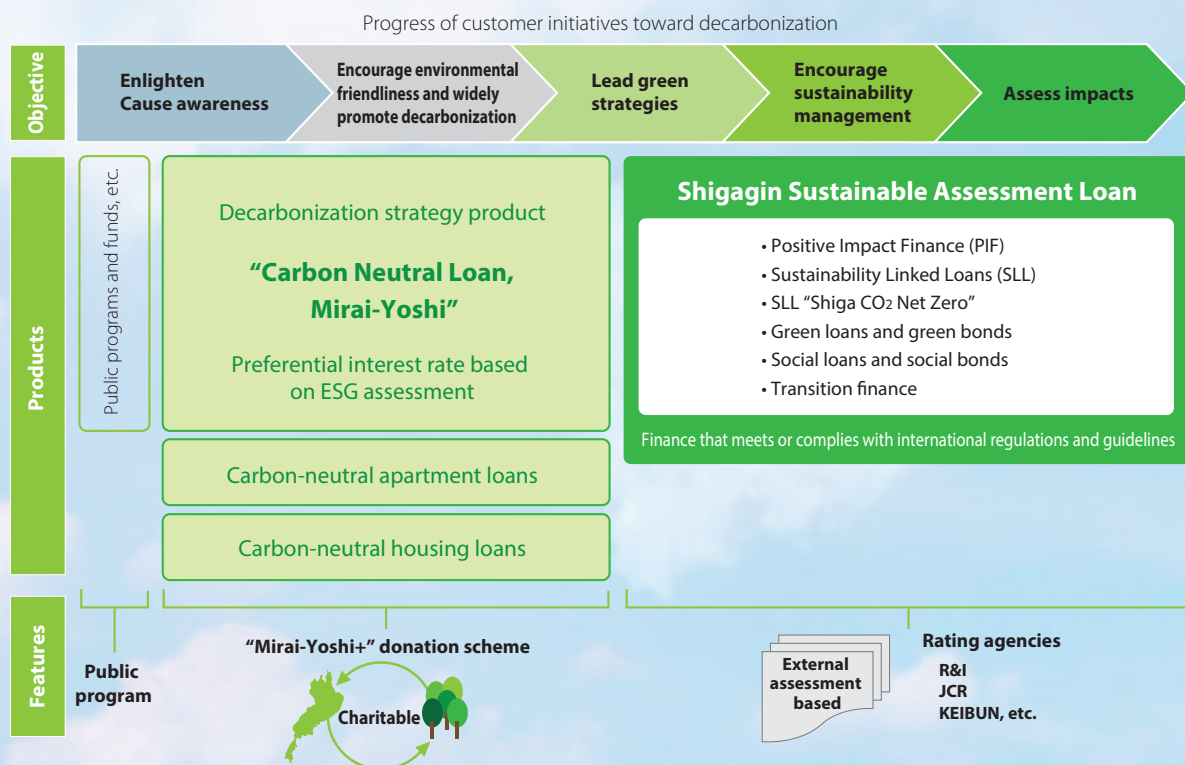
## Promote ESG finance for decarbonization

To achieve decarbonization across a region, it is important that those involved, such as local governments, companies, or individuals regard it as their own business and push it forward on their own initiative.

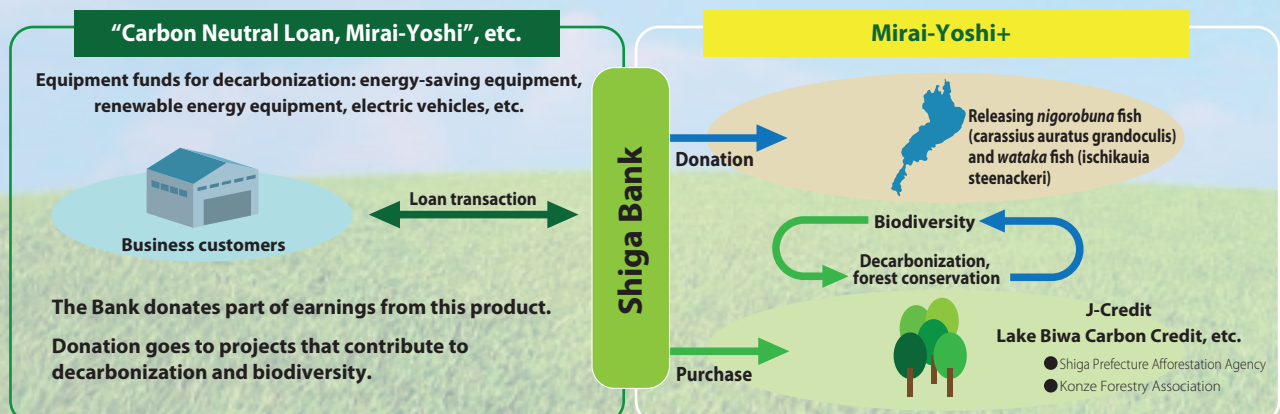
The Bank began strengthening ESG finance to offer financial support in decarbonization efforts ahead of others; we are the first regional bank to launch sustainability linked loan (SLL) products. We have been driving decarbonization of regional communities and creating business opportunities by developing climate-related loan products in collaboration with local governments, providing sustainable finance targeting local governments and corporations, and offering financial instruments that enlighten customers on consumption actions that lead to decarbonization.

In November 2021, we launched “Mirai-Yoshi+”, a donation scheme under which the Bank donates funds in proportion to the product’s performance to support biodiversity preservation activities. We will further promote ESG finance by expanding its effects across the region.

### 1) Shiga Bank’s portfolio of financial products



### 2) Schematic figure of “Mirai-Yoshi+” donation scheme



## Promote decarbonization of Shiga Bank Group

For the Bank to spread and enlighten on the initiatives for SDGs and decarbonization in the regional communities, the Group must lead by example. Through environmental management efforts towards decarbonization outlined below, we are verifying their effects and challenges and passing the know-how we have gained on to our customers and others.

### 1) Introduced net CO<sub>2</sub> free electricity at our Head Office premises

In March 2022, we adopted Kansai Electric Power's "Renewable Energy ECO Plan (with tracking information)" on our Head Office premises and began using net CO<sub>2</sub> free electricity sourced from renewable energy.

Renewable Energy ECO Plan (with tracking information) is a power rate plan that combines the added value of zero CO<sub>2</sub> emissions (environmental value) attached to Non-Fossil Certificate of renewable energy sources with tracking information on the origin of renewable power and also meets the requirements of RE100. By introducing this plan, we are expecting a CO<sub>2</sub> emissions reduction of approximately 2,000 tons per year.

### 2) Introduced fuel cell vehicle "MIRAI"

In January 2022, we started using MIRAI, a new fuel cell vehicle (FCV) from Toyota Motor Corporation, with the aim of promoting decarbonization of our regional community.

MIRAI, dubbed the ultimate eco-car, creates electricity from chemical reaction of hydrogen and oxygen, emitting nothing but clean air and water as it runs. It can move with zero emissions of greenhouse gases. By using the vehicle to transport our officers, we aim to promote decarbonization of the regional community as well as spur the use of hydrogen energy.

## Risk Management

The Bank recognizes that transition and physical risks stemming from climate change will greatly affect not only the global environment but the regional economy as well as the Bank's operation, strategy and financial planning.

In our risk management, we comprehensively assess credit risk, market risk, liquidity risk, reputational risk and other risks. We will continue conducting scenario analysis on a regular basis, understand and evaluate the impact of climate change on the regional economy under different conditions, and work to build a system to manage these risks within our framework for comprehensive risk management.

With regard to the risks that have been recognized, we are doing more than just stating the realization of decarbonized society in our Sustainability Policy; we are building closer engagement with stakeholders and supporting the decarbonization efforts of regional communities and our customers.

## Indicators and targets

The Bank has set the following benchmark challenges aimed at sustainable development of regional communities and customers.

Investment and financing to promote sustainable development	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	700.0 billion yen	502.8 billion yen
Long-term indicator (by March 31, 2030)	1 trillion yen	

The Bank has set environmental impact reduction goals as follows. (Scope 1 and Scope 2 standards)

Reduction in greenhouse gas emissions (compared to fiscal 2013)	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	50% reduction	42.08% reduction
Long-term indicator (by March 31, 2030)	75% reduction	
Benchmark for 2050: achieve the "Shiga CO <sub>2</sub> Net Zero" emissions proposed by Shiga Prefecture	Net zero emissions in the region as a whole	—

\* An initiative to reduce CO<sub>2</sub> emissions in Shiga Prefecture to virtually zero. Shiga Prefecture plays a central role in promoting this initiative in cooperation with various entities, including prefectural residents and businesses.

The Bank's greenhouse gas emissions in the base year and the fiscal year ended March 31, 2022 are as shown below:

2013 (base year): **9,245t**      Fiscal year ended March 31, 2022: **5,354t**

As for Scope 3, we are examining the measurement method and discussing in preparation for disclosure.

Below are our benchmark challenges set for the development of diverse workforce that will be essential to a sustainable society

Activities for promotion and improvement of SDGs and financial literacy; training of next-generation workforce (total number of participants)	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	15,000 persons	10,491 persons
Long-term indicator (by March 31, 2030)	30,000 persons	