Toward the Creation of a Sustainable Society

CSuO | MESSAGE |

CSuO: Chief Sustainability Officer

Aiming to Become the Most Significant Contributor to Customer Success in SX

Nobuki Iwadate
Group CSuO and Executive Officer,
Resona Holdings, Inc.

A corporation can remain profitable and maintain and expand its business only when it delivers value to customers and society as a whole.

Today, we are seeing megatrends, such as those associated with sustainability transformation (SX) and digital transformation (DX), playing out in society and significantly altering people's value systems. Amid this environment, the Resona Group is being called upon to drastically rethink how it delivers value.

At the same time, the Resona Group has always sought to achieve growth in tandem with customers and regional societies. This has been, and will remain, the case irrespective of the changing times.

If the Resona Group is to secure sustainable growth, it must assist customers and their regional communities—its principal supporters to date—in their efforts to adapt to and ride the tides of change as they, too, strive to secure sustainable growth.

Over the course of its long history, the Resona Group has cultivated a customer base that largely consists of entities engaged in the retail field.

We are now being called upon to assist these customers in their pursuit of SX through Resona Group services, and in doing so we are striving to become the most significant contributor to their success in this area. We must continue to lead the way by changing and transforming ourselves to deliver new value. This is the definition of SX the Group aims to satisfy.

My mission as a Group CSuO is to spearhead the Group's efforts to achieve the ideal described above while pulling together and enhancing the organizational capabilities afforded by the entirety of the Group as well as the resources available via external collaboration.

As the first CSuO at the Resona Group, I will do my best to ensure that it will accelerate the ongoing pursuit of SX.

The History of Resona's SX

Upon taking the office of CSuO, I reviewed the history of the Group's SX-related initiatives.

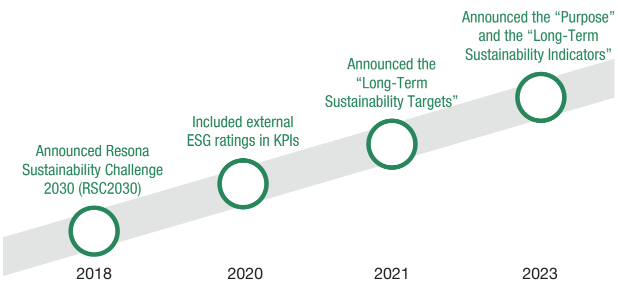
Resona Sustainability Challenge 2030 (RSC2030) (2018)

This commitment was announced in 2018, leading to the full-scale launch of SX-related initiatives at Resona.

This announcement also involved the identification of four priority themes, namely, "Revitalization of Local Economies," "Elimination of Anxiety Triggered by Low Birthrate and Aging Society," "Response to Global Warming and Climate Change" and "Diversity & Inclusion." The process of identifying these themes involved the consolidation of feedback from all employees, not only those in the senior management level but also those at Head Office and frontline departments, regarding environmental and social issues the Resona Group must actively tackle. In this way, we clarified our intention to address these issues through our main business, making a tangible step forward from our conventional stance on social contribution activities.

To effectively fulfill this commitment, specific action plans were formulated by each Head Office department in the subsequent year, while top management began assessing and managing the progress of these action plans.

This improved employee awareness regarding initiatives aimed at addressing environmental and social issues through the Group's main business. On the other hand, new issues emerged, for example, the overall progress of numerous action plans proved difficult to assess and top management needed to find ways of spearheading efforts to fulfill the commitment. These takeaways led us to formulate "Long-Term Sustainability Targets".



Included External ESG Ratings in KPIs (2020)

Under the previous medium-term management plan (MMP) launched in FY2020, we designated as a KPI the inclusion of Company stock in all domestic ESG indices[1] selected by the GPIF, as such inclusion reflects external rating agencies' ratings of the Company's ESG-related initiatives.

My colleagues' reactions to the inclusion of external ratings status into our KPIs instead of the results of in-house reviews and evaluations have been mixed.

However, we chose this course so as to incorporate a more objective indicator. This decision was informed by a projection that the growing shift toward sustainability would only accelerate over the course of previous MMP period and, therefore, aimed at ensuring that the Group's initiatives would remain genuinely effective and on-trend with the pace of this change in society.

This indicator is similarly incorporated in the current MMP launched in FY2023.

Formulation of "Long-Term Sustainability Targets" (2021)

Reflecting on issues identified in the course of the preceding initiatives, in May 2021 we formulated long-term targets to be achieved by the end of FY2030, with the aim of further accelerating our SX-related initiatives. These targets are as follows.

① Retail Transition Financing Target
② Carbon Neutrality Target (Scopes 1 & 2)
③ Targets for the Empowerment and Promotion of Women

These targets were formulated using a backcasting approach in which we redefined the role to be borne by the Resona Group as well as ideals regarding what it should look like amid a trend toward SX and then, thinking retrospectively, identified what needs to be accomplished to ensure the correct outcome.

While taking on the task of target-setting, we placed great emphasis on clarifying management's commitment to taking on transformation and challenges rather than merely formulating achievable targets. This process also included intensive discussions involving outside directors.

Formulating the "Long-Term Sustainability Indicators" (2023)

In May 2023, we announced our "Long-Term Sustainability Indicators" in conjunction with the announcement of the Purpose, the Long-Term Vision and the current MMP.

These indicators were formulated by updating the above "Long-Term Sustainability Targets" through the incorporation of the "Value Creation Capability Indicator" and other new items. We also reclassified these indicators into those related to value for customers and society as a whole and those related to value for employees.

This move was intended to establish a sustainable virtuous cycle involving the creation of new value and the enhancement of employee well-being. Specifically, we consider the creation of new value essential to our moving forward alongside customers to adapt to the changing times in order to realize our Purpose, "Beyond Finance, for a Brighter Future." Furthermore, we have stepped up our focus on improving the well-being of all employees as the successful creation of new value hinges on their dedication.

Since the 2018 announcement of RSC2030, we have ensured that our sustainability initiative promotion efforts are constantly updated by applying a trial-and-error approach. Going forward, we will address any issue discovered, implement decisive reforms and continue to take on new challenges.

FY2023 Results Relative to "Long-Term Sustainability Indicators"

At the close of the first year since the formulation of these indicators, we recorded results as follows.

Detailed results relative to each indicator will be discussed in subsequent pages. Overall, although there was tangible progress in some items, in many respects I consider the pursuit of these indicators to have only just begun.

In particular, I honestly believe that we are just halfway through becoming the "most significant contributor to customer success in SX."

Going forward, I will spearhead Group endeavors in this area even as I take heed of the unfiltered opinions of a broad range of stakeholders, work to clarify issues and determine how to address them as a CSuO.

Long-Term Sustainability Indicators

		FY2022	FY2023	FY2030 (target levels)
Value for customers and society	Value Creation Capability Indicator Number of cases where solutions are provided	10.5 million cases	11.8 million cases	20.0 million cases
	Retail Transition Financing (RTF) Target (cumulative total balance of funds extended in RTF)	¥1.8 trillion	¥3.7 trillion	¥10 trillion
Environmental value	Declaration of Net-zero Greenhouse Gas Emissions in the Investment and Financing Portfolio	—	—	2050: Net zero
	Interim target for the energy sector (Portfolio carbon intensity)	$139gCO_2e/kWh$ (FY2021)	$150gCO_2e/kWh$ (FY2022)	100 to $130gCO_2e/kWh$
	Carbon Neutrality Target (Scopes 1 & 2)	From FY2013 level (56)%	From FY2013 level (71)%	Net zero
Social value	Targets for the Empowerment and Promotion of Women Ratio of female directors and executive officers (Resona Holdings) Ratio of female senior managers[2] Ratio of female line managers[2]	15.3% 13.4% 31.4%	12.1%[3] 14.8% 32.8%	30% or more 20% or more 40% or more
Value for employees	Well-Being Indicator Ratio of positive responses in questionnaires regarding a sense of fulfillment felt in work and private life as part of employee surveys	69.3%	70.0%	Increase the ratio of positive responses

1 ESG stock indices selected by the Government Pension Investment Fund (GPIF), which promotes ESG investment that gives due consideration to the environmental, social and governance aspects of operations undertaken by investees
2 Sum of Resona Holdings, Resona Bank, Saitama Resona Bank, Kansai Mirai Financial Group, Kansai Mirai Bank and Minato Bank. Figures for FY2023 and earlier include Kansai Mirai Financial Group.
3 As of April 1, 2024

Retail Transition Financing Target

Cumulative total of transition financing from FY2021 to FY2030: ¥10 trillion

Financing Coverage	Financing aimed at helping retail customers update their awareness, transform their modes of behavior and stably move forward from their current situation (Including financing for such green projects as renewable energy generation, as well as large-scale corporate financing involving third-party verification)

FY2023 results: Approximately ¥1.9 trillion (Cumulative total since FY2021: ¥3.7 trillion)

Breakdown of Financing

Investment and financing aimed at supporting or facilitating initiatives to promote social or business sustainability
Investment and financing requiring recipients to use such funds for the resolution of social issues

(Main examples)
- Sustainability Linked Loans, Resona SX Framework Loans, SME loans with conditions linked to ESG target accomplishments
- Loans aimed at facilitating social infrastructure development and regional vitalization, etc.
- SDGs Consulting Fund, Private placement SDGs promotion bonds
- SDGs- and ESG-related funds[1]

Financing in environment-related fields

Investment and financing aimed at supporting or facilitating initiatives to address environmental issues

(Main examples)
- Financing for renewable energy power generation businesses, including project finance and private placement Green Bonds
- Sustainability Linked Loans, Resona SX Framework Loans, SME loans with conditions linked to ESG target accomplishments (setting targets in environment-related fields)
- Housing loans with conditions linked to conformity with prescribed energy-saving standards
- SDGs- and ESG-related funds[1] (to help tackle environmental issues)

Review of FY2023 Accomplishments and Future Initiatives

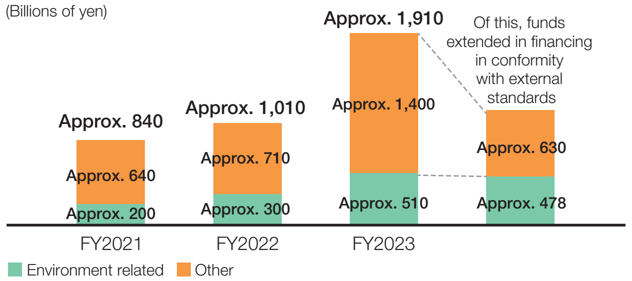
In FY2023, the balance of funds extended in retail transition financing grew around 1.9 times from the previous fiscal year to ¥1.9 trillion, bringing the cumulative three-year total to roughly ¥3.7 trillion. This represented a progress ratio of 37% against to our target of ¥10 trillion.

The above growth in the financing balance was mainly attributable to Sustainability-Linked Loans (SLLs) for large corporations and social loans for public sector customers, as well as the robust performance of SX financing for SMEs and housing loan products designed to help address environmental and social concerns.

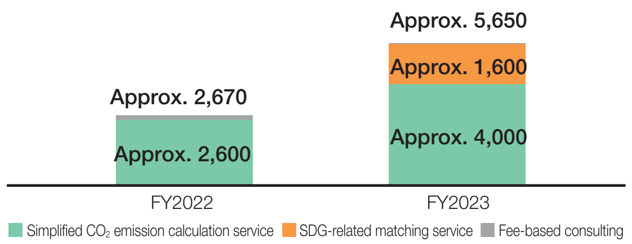
Looking at the breakdown, financing in the environment-related field increased around 1.7 times year on year to approximately ¥510 billion. Of this, funds extended as financing in conformity with external sustainability standards, such as the Green Loan Principles, accounted for more than 90%. Moreover, the volume of funds extended in other fields increased roughly twofold to approximately ¥1.4 trillion, with nearly half this amount extended in financing in conformity with such external standards as Social Loan Principles. With regard to the provision of non-financing solutions, our simplified CO_2 emission calculation service released in the previous fiscal year to help SMEs visualize the volume of their CO_2 emissions was used on around 4,000 occasions, an increase of roughly 1.5 times year on year.

We also focused on providing SDG-related matching services[2] to support interaction and cooperation among customers in connection with the United Nations Sustainable Development Goals (SDGs). In FY2023, these services led to roughly 1,600 cases of successful matching. As such, our financing and non-financing solutions are even more sought after than they were a year earlier. However, we are still only halfway through the journey toward realizing our vision, which states, "In striving to update the Group's business model, we help customers embrace new lifestyle norms so that we can together adapt to change" and "We aim to become the most significant contributor to customer success in SX." We will continue to facilitate in-depth dialogue with customers while strengthening our ability to deliver solutions.

Balance of Transition Financing Extended
(Billions of yen)



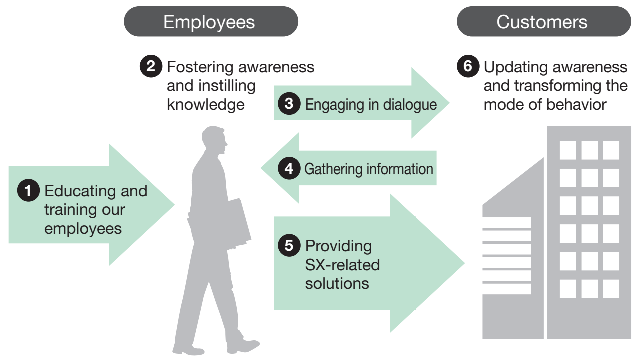
Number of Cases in Which Non-Financial Solutions Were Delivered



Steps of Our Response Aimed at Helping Customers Update Their Awareness and Transform Their Modes of Behavior

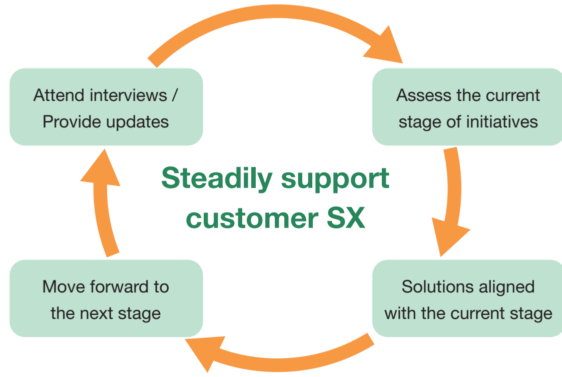
The Resona Group has taken the various types of organizational action it is able to take to help customers update their awareness and transform their modes of behavior and arranged them as six steps as illustrated in the diagram on the right. Every year, we specify a step for particular focus.

For FY2023, the Group focused on two steps "gathering information" (step 4), i.e., helping customers systematically assess their current situation via the use of a broader perspective, and "providing SX-related solutions" (step 5), rallying its entire strength to serve corporate customers.



Formulating a Flow of Carbon Neutrality Initiatives in Accordance with the Group's Standards

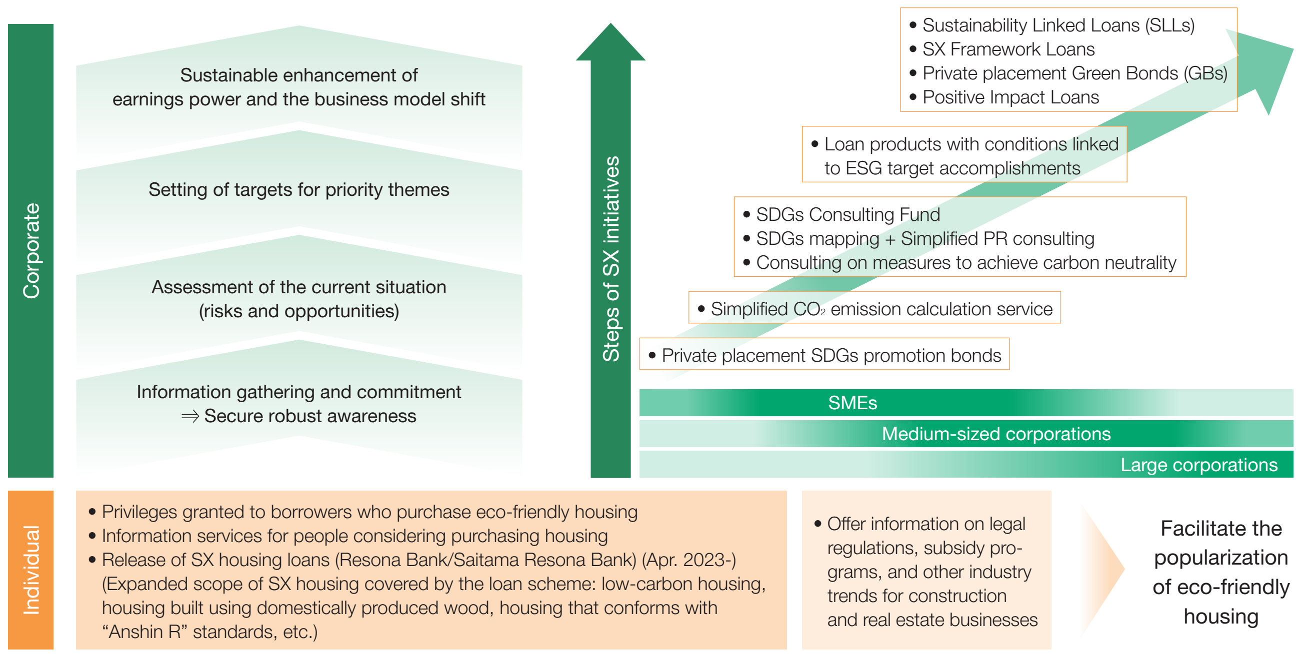
Drawing on knowledge accumulated through dealing with a wide variety of cases over the course of the initiatives described above, we have formulated a flow of model initiatives for SMEs—using standards we have formulated—to help them properly respond to urgent public calls for carbon neutrality and steadily move forward from their current situation. In FY2024, we will utilize this flow to help customers assess their current situation and identify the steps they should take next. In this way, we will engage in in-depth dialogue with customers and deliver optimal solutions aligned with varied situations they face.



Delivering SX-Related Solutions Appropriate to the Stages of Customer Initiatives

The status of sustainability efforts undertaken by SMEs and the management resources they can afford to allocate to such efforts vary greatly by company.

Accordingly, we deliver and continually work to upgrade our diverse solution lineup to best assist each SME seeking to push ahead with sustainability initiatives appropriate to their current situation.



1 Investment trusts and investment advisory services run by Resona Asset Management
2 Matching services involving referrals to SDGs-related products and services handled and relevant seminars hosted by other corporate customers, etc.

Declaration of Net-zero Greenhouse Gas Emissions in the Investment and Financing Portfolio

Aiming for Net-zero Emissions in Terms of GHG Emissions from the Investment and Financing Portfolio by 2050

Calculation of GHG Emissions from the Investment and Financing Portfolio

Financed Emissions represent indirect GHG emissions associated with investment and financing undertaken by financial institutions and account for the largest proportion of emissions attributable to such institutions' activities.

In order to promote the measurement, monitoring and reduction of financed emissions, the Group calculates portfolio-related GHG emissions volumes in accordance with standards formulated by the PCAF,[1] an international initiative, prioritizing carbon-related sectors specified by the TCFD.

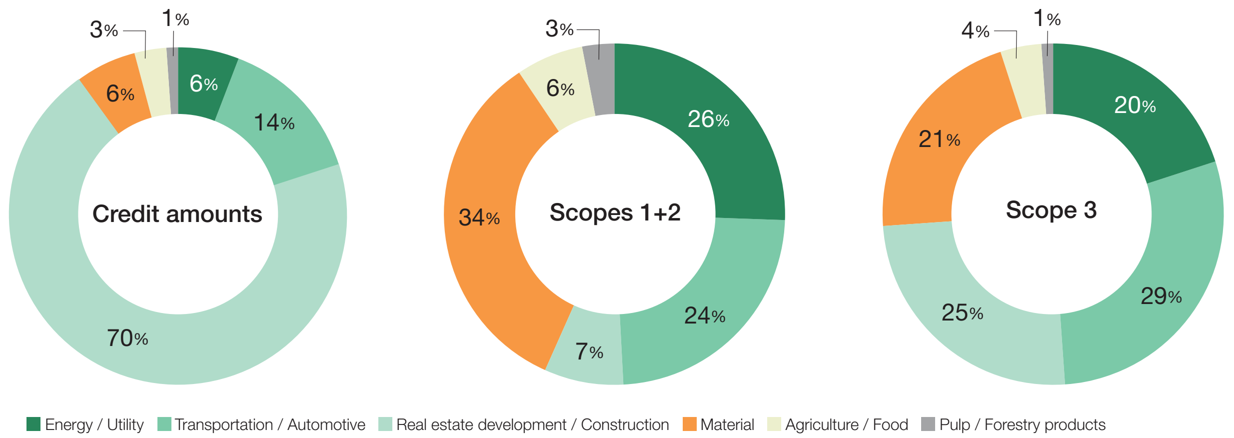
As the above calculation is performed using a simplified method based mostly on estimated values provided by the PCAF database, the Group recognizes the possibility of deviation from the actual volume of GHG emissions.

In addition, loans to SME customers account for the majority of the Group's loan balance. Looking ahead, we will promote in-depth dialogue with customers and step up our supportive efforts to act as their "running partner," with the aim of facilitating the widespread practice of emissions-related disclosure among business corporations while helping them adopt more sophisticated methods for the calculation of emissions volumes.

Financed Emissions Calculated Based on the PCAF Standards

Sector	Credit amounts (billions of yen)	Portfolio-related GHG emissions volume (Mt-CO₂e)		Measurement coverage ratio (%)
		Scopes 1+2	Scope 3	
Energy / Utility	543. 7	5.0	19.8	90.2
Transportation / Automotive	1,366.1	4.6	29.3	99.6
Real estate development / Construction	6,919.6	1.4	24.7	98.7
Material	592.8	6.6	20.8	98.4
Agriculture / Food	342.2	1.2	3.7	99.2
Pulp / Forestry products	130.9	0.5	1.3	99.2
Total	9,895.3	19.6	99.8	98.4

Composition by Sector



Results of the PCAF-Based Calculation of Financed Emissions

Target assets	• Loans (corporate financing, project financing), corporate bonds
Target sectors	• Carbon-related sectors specified by the TCFD (excluding the financial sector)
Target years	• Credit amounts: Value as of March, 31, 2023 • Financial and emissions data from clients: Data available for the most recent fiscal year ended on March 31, 2023 or earlier in principle
Formula	• The volume of emissions from clients × (The amount of credit extended by the Group to clients / Total amount of loans extended to and corporate bonds issued by clients) • The volume of emissions from clients is based on publicly disclosed data. When such data is unavailable, the volume of emissions is estimated by using emissions factors (per unit of profit) provided by the PCAF database.

Identifying Priority Sectors

Just as climate change's impact on corporate activities differs widely by sector, the magnitude and timing of the materialization of their impact on climate change can vary.

With this in mind, the Group has selected priority sectors requiring urgent action from among carbon-related sectors specified by the TCFD.

Process used to select priority sectors

Assess climate change impact by sector	With reference to information published by the Task Force on Climate-related Financial Disclosures (TCFD), the United Nations Environment Programme Finance Initiative (UNEP FI) and the Sustainability Accounting Standards Board (SASB), assess the magnitude of the climate change impact on sectors deemed susceptible
Account for credit amounts by sector	In addition, take into account the proportion[2] of assets relevant to each sector included in the Group's portfolio
Reflect the portfolio-based GHG emissions volume	Take into account the relative proportions of GHG emissions volumes (Scopes 1 + 2 and Scope 3) from each sector in the portfolio
Determine priority sectors	Determine priority sectors based on the results of the above processes

	Climate change impact	Portfolio size	Scale of GHG emissions volumes	Selection results
Energy / Utility	Large	Small	Large	Priority sector
Transportation / Automotive	Large	Medium	Large	Priority sector
Real estate development / Construction	Medium	Large	Medium	Priority sector
Material	Large	Small	Large	Not selected[3]
Agriculture / Food	Medium	Small	Small	Not selected
Pulp / Forestry products	Large	Small	Small	Not selected

Actions to Be Taken for Priority Sectors

The Detailed Assessment of Financial Emissions and the Formulation of Reduction Targets

Currently, we are undertaking detailed assessments in phases, seeking to determine financed emissions associated with these priority sectors. We have also striven to formulate sector-based targets for the reduction of GHG emissions.

In FY2023, we focused on the assessment and analysis of emissions from the energy sector as it has already seen advances in the development of measurement methods and data accumulation. This also resulted in the formulation of an interim reduction target for this sector.

Promoting Dialogue and Engagement

Based on the results of financed emission analysis, we have been promoting dialogue and engagement with clients.

These efforts are expected to facilitate our playing a part in the nationwide decarbonization of Japan through the sharing of our insights with customers according to the stage they have reached regarding initiatives and issues they should tackle as well as the provision of solutions designed to help them achieve transition.

Collaboration with Stakeholders Other Than Investees (Participation in Initiatives)

PCAF

PCAF Partnership for Carbon Accounting Financials

An international initiative aimed at facilitating the calculation and disclosure of indirect GHG emissions arising from investment and financing.

In FY2023, the Company became a signatory and began participating in the PCAF in order to continuously increase the sophistication of its methods for the measurement and disclosure of financed emissions.

GX League

Consisting of business corporations that proactively take on green transformation (GX) and, to this end, strive to bring together the strength of like-minded players from public, academic and financial sectors as well as their own, in order to promote discussions regarding the transformation of the current socio-economic systems as a whole and the creation of new markets.

In March 2022, the Company announced its support of GX League and, in April 2023, began participating in its activities.

Sustainability Data Standardization Consortium

SDSC 一般社団法人 サステナビリティデータ標準化機構 Sustainability Data Standardization Consortium

A general incorporated association established to facilitate the disclosure of sustainability-related information, with the particular goal of assisting SMEs in all aspects of their decision making.

In FY2023, the Company became a member of the SDSC's board and has since taken part in its activities to encourage unlisted SMEs to disclose sustainability-related information and implement sustainability-oriented business management.

1 Partnership for Carbon Accounting Financials
2 Large: More than ¥5 trillion; Medium: ¥1 trillion to ¥5 trillion; Small: Less than ¥1 trillion
3 Not selected due to differing risk characteristics associated with each type of material and the resulting segmentation of the portfolio

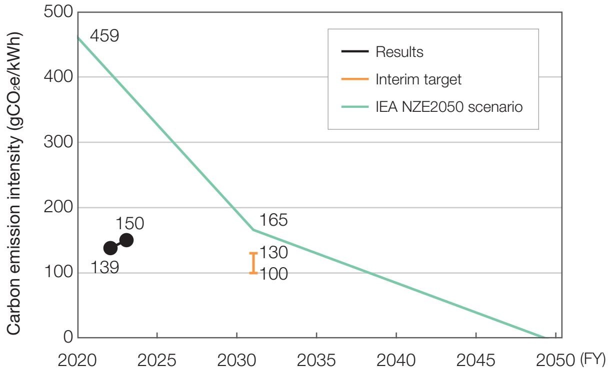
Interim Target for the Energy Sector

Carbon emission intensity in FY2030: 100 to 130gCO_2e/kWh

Financed Emissions Associated with the Energy Sector (as of March 31, 2023)

As of March 31, 2023, the carbon emission intensity of the energy sector amounted to 150gCO_2e/kWh, an increase of 11gCO_2e/kWh year on year, yet remained below the level[1] specified under the 1.5 °C scenario (NZE2050) for 2030. The factors leading to this increase included growth in the volume of energy sourced from thermal power plants due to the prolongation of periodic inspections targeting nuclear power plants run by some clients.

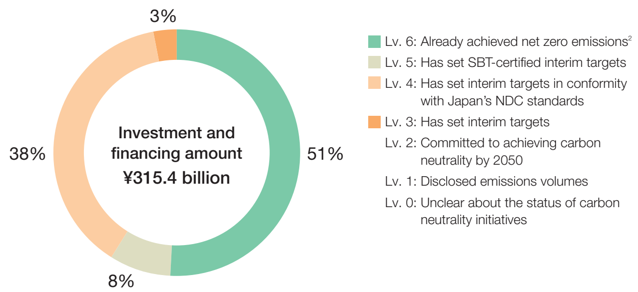
On the other hand, the proportion of funds extended in financing for renewable energy power generation in the overall balance of investment in and financing for the energy sector remained virtually unchanged thanks to our proactive financing efforts in this field (50% as of March 31, 2022; 51% as of March 31, 2023).



	Scope subject to GHG emission calculation	Indicator	Results (Mar. 31, 2023)	Amount of investment and financing	Coverage ratio	Data quality score
Energy (electric power)	Power generation Scope 1	Physical carbon emission intensity	**150** gCO_2e/kWh	¥315.4 billion	89%	2.1
Oil / Gas	Mining Scopes 1 to 3	Absolute volume	**0.17** MtCO_2e	¥6.0 billion	100%	2.8
Coal	Mining Scopes 1 to 3	Absolute volume	—	(Not applicable)	—	—

Classification of Investees in Terms of Progress toward Setting Decarbonization Targets

The amount of funds we have extended to clients who specialize in emission-free renewable energy power generation accounts for around a half of the funds extended in investment and financing for clients engaged in power generation. In addition, a majority of other clients have already set interim targets that satisfy Japan's Nationally Determined Contribution (NDC) standards.



Support Policies for the Energy Sector

The energy sector is an infrastructure component supporting all industries as well as people's daily lives. Accordingly, pursuing the decarbonization of this sector is essential to facilitating decarbonization among our retail customers.

As the characteristics of power generation businesses differ greatly by region, decarbonization efforts must give due consideration to country- and region-specific factors. Looking at factors specific to Japan, the country's energy base is highly dependent on coal- and gas-fired thermal power generation. Moreover, there is a lack of land suited for establishing transmission networks and renewable energy power plants.

The majority of the Group's portfolio of financing for the energy sector is accounted for by financing for domestic businesses and projects. Therefore, we will give due consideration to domestic circumstances to support the stable supply of energy even as we contribute to the widespread use of renewable energy—an essential solution for decarbonization—while helping clients achieve transition and technological innovation. In these ways, we will continue playing our part in the decarbonization of Japan's energy sector.

Our Stance on Lending to Coal-Fired Thermal Power Generators

The Group has established and announced its "Basic Stance on Lending," (➡p. 56) which includes a policy of abstaining from freshly extending financing for coal-fired thermal power generation, except when it finds compelling reasons to do so, such as to realize economic restoration following a disaster.

The Group also plans to reduce the balance of credits extended in connection with financing for existing coal-fired power generation projects to zero by the end of FY2035.

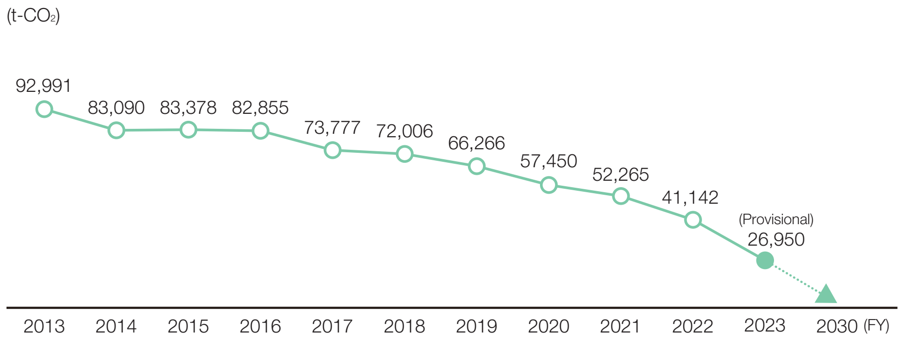
1 Comparison with the estimated carbon emission intensity of 165gCO_2e/kWh for 2030 under the NZE2050 (WEO2022)
2 Determined to have already achieved net zero emissions as clients specialized in renewable energy power generation emit no GHG in the course of power generation

Carbon Neutrality Target (Scope 1, Scope 2)

Reduce CO_2 emissions attributable to energy used by the Resona Group to net zero by the end of FY2030

FY2023 results: 71% reduction from the FY2013 level (a year-on-year decrease of 14,192 t-CO_2)

CO_2 Emissions Volume*



Breakdown of FY2023 Emissions (Provisional)

Scope 1	4,898
Scope 2	22,052
Emissions from energy sources	21,188
Total	26,950

Since approximately 80% of CO_2 emissions from Group operations are attributable to energy use, we initiated a phased switchover to energy procured from renewable energy sources in FY2021, starting with energy-intensive facilities.

By the end of FY2022, we completed this switchover at Head Office, back-office centers and other energy-intensive facilities. In FY2023, we began ramping up to a similar, full-scale switchover at branches.

As a result, the volume of CO_2 emissions attributable to the Resona Group's operations in FY2023 were down 71% (provisional basis) compared with the FY2013 level. This also represented a year-on-year decrease of 14,192 t-CO_2.

In FY2023, we became a member of the "GX League" promoted by the Ministry of Economy, Trade and Industry, and formulated interim emission reduction targets for FY2025.

Going forward, we will continue to promote energy-saving activities across the board to curb the financial impact of the current surge in energy prices and offset costs associated with the switchover to renewable energy to ensure that we can lead the way in the energy transition of our own operations.

Facilities That Introduced Renewable Energy

FY2021				FY2022				FY2023			
Resona Bank	Saitama Resona Bank	Kansai Mirai Bank	Minato Bank	Resona Bank	Saitama Resona Bank	Kansai Mirai Bank	Minato Bank	Resona Bank	Saitama Resona Bank	Kansai Mirai Bank	Minato Bank
Osaka Head Office of Resona Group	Head Office and branches (2 locations)	Biwako Building	Head Office	System and back-office centers	Branches (5 locations)	Shinsaibashi Main Office and branches (49 locations)	Seishin Building	Branches (127 locations)	Urawa-chuo Building and branches (83 locations)	Branches (20 locations)	Branches (8 locations)

Aim to achieve a 100% switchover at Company-owned facilities to energy procured from renewable energy sources by the end of FY2025

● Interim targets for FY2025

Items	Interim targets
Scope1+2	From the FY2013 level: (70)%
Scope1	From the FY2013 level: (40)%
Scope2	From the FY2013 level: (80)%

Obtaining a Third-Party Assurance

Every year since FY2020, our data regarding the volume of CO_2 emissions (Scopes 1 and 2) has been verified by an independent third-party assurance organization. Continuing this process, we plan to obtain a third-party assurance for data regarding the volume of CO_2 emissions in FY2023.

ESG Data
https://www.resona-gr.co.jp/holdings/english/sustainability/data/esg/index.html

* Scope 1 and Scope 2 CO_2 emissions attributable to Group banks are calculated based on methods stipulated by Japan's Energy Saving Act for statutory periodic reporting. Figures for FY2019 and earlier are calculated by multiplying emissions volumes by the basic emission factors of each electricity supplier. Figures for FY2020 and later are calculated by multiplying emissions volumes by the adjusted emission factors of each electricity supplier. CO_2 emissions attributable to fuel consumption by Company-owned cars are determined via a simplified calculation method using the Group's annual fuel costs and publicized figures for the annual and national average price of gasoline and the emissions coefficient.

Targets for the Empowerment and Promotion of Women

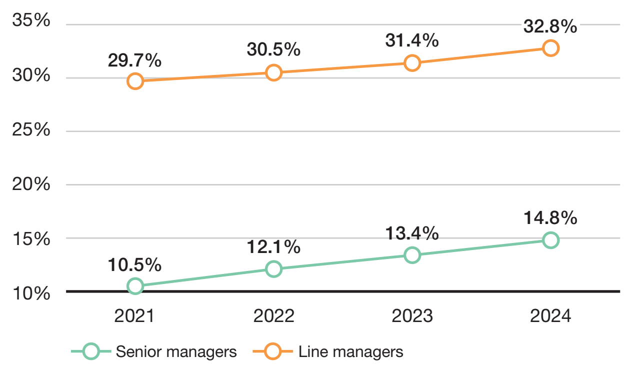
Achieve the below presented ratios for the representation of women in various positions, an increase of 10% or more from the levels at the beginning of FY2021 (by the end of FY2030)
- ◎ Ratio of female directors and executive officers at Resona Holdings: 30% or more
- ◎ Ratio of female senior managers at five Group companies[1]: 20% or more
- ◎ Ratio of female line managers at five Group companies[1]: 40% or more

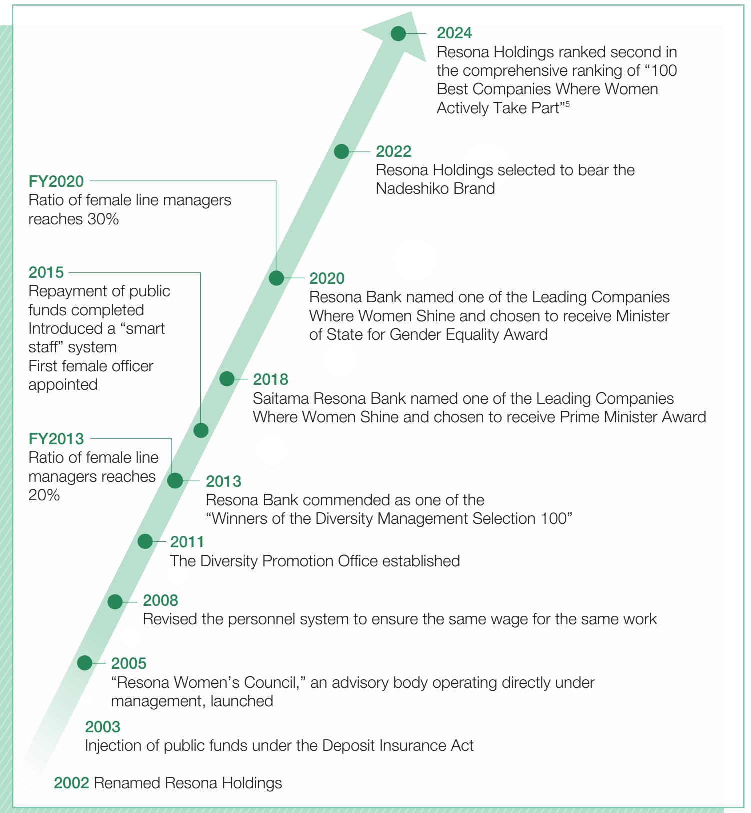
Ratio of women	2021[2]	2024[2]	FY2030 targets
Directors and executive officers (Resona Holdings)	19.2%	**12.1%**[3]	30% or more
Senior managers (5 Group companies[1])	10.5%	**14.8%**	20% or more
Line managers (5 Group companies[1])	29.7%	**32.8%**	40% or more

Since we set our targets, the ratio of women among senior managers and line managers has risen steadily, with the ratio of female line managers growing for the 12th consecutive year. On the other hand, the ratio of female directors and executive officers at Resona Holdings dropped from the level recorded at the beginning of FY2021 due to an increase in the overall number of executive officers at Resona Holdings as well as the internal appointment of female officers to serve as directors at Resona Bank and Saitama Resona Bank. Reflecting this move, the ratio of female directors at Resona Bank and Saitama Resona Bank has risen from 9% and 15% at the beginning of FY2021 to 25% and 25%, respectively, in FY2023.

Please also refer to "Human Resources" (➡pp. 72-79) for the development status of female leaders, the content of support available to employees striving to balance work and family duties and other details of our initiatives.

Percentage of Senior Managers and Line Managers[4]





External Recognitions

Executive Award under the 2024 J-Win Diversity Award Program (Resona Holdings)

Second place in the 2024 round of the comprehensive ranking of "100 Best Companies Where Women Actively Take Part" (Resona Holdings)

Certified under the 2024 Certified Health and Productivity Management Organization Recognition Program (Resona Holdings and Kansai Mirai Financial Group)

"Gold" rating under the Pride Index for the seventh consecutive year (Resona Holdings)

"Platina Kurumin" certification (Four Group banks)

"Eruboshi" certification (Four Group banks)

1 Sum of Resona Holdings, Resona Bank, Saitama Resona Bank, Kansai Mirai Bank and Minato Bank; Kansai Mirai Financial Group was included until March 31, 2024.
2 The ratio of female directors and executive officers is as of June 30 in 2021 and April 1 in 2024; the ratios of female senior managers and line managers are as of April 1 in 2021 and March 31 in 2024.
3 Due to the increase in the overall number of executive officers and the internal appointment of female officers to serve as directors at Resona Bank and Saitama Resona Bank
4 Figures for 2021 are as of April 1, while figures for 2022, 2023 and 2024 are as of March 31.
5 Survey of Workplace Opportunities for Female Workers undertaken by Nikkei WOMAN (2024)

Activities of the "Resona Women's Council"

Since the 2003 "Resona Shock," which struck the Group immediately after its inauguration, our human resource management has been focused on practicing diversity management that empowers each and every employee to serve as a key workforce component regardless of their gender, age or job category. We stepped up this approach, aiming to become a workplace of choice for women across society while striving to remove any barriers that may cause them to give up on lasting career development. To that end, in April 2005 we established the "Resona Women's Council," an advisory body operating directly under top management, based on a belief that updating how we manage business from the perspective of women, who account for a half of population, is essential.

The membership of the "Resona Women's Council" consists of more than a dozen female employees selected from Group companies, including non-bank affiliates. With the aim of creating a company that attracts women's support, the council is engaged in deliberations covering a variety of measures, such as those aimed at developing a better working environment and supporting women's career development. Every year, the council concludes its annual activities by holding a final reporting session in which members deliver proposals to the presidents of Group companies.

These proposals have resulted in a number of measures being implemented at the Resona Group. In sum, the council's activities are now seen as a symbol of women's empowerment.

Moreover, female employees who had taken part in the council are currently acting as key players at various workplaces within the Group, with their involvement in the process of developing tangible measures based on their own proposals causing them to grow their aspirations to take on leadership positions and pursue long-lasting careers with a sense of job fulfillment.

Council members at work (left, center) and in a group photo with members of top management (right)

Examples of Tangible Measures Developed Based on Proposals from Female Employees, Including Resona Women's Council Members	
Mentoring system	A system in which female employees who are selected as senior managerial candidates are assisted via mentoring by officers, branch managers and individuals other than their immediate supervisors
My Career Training	A training program designed to empower female employees to develop a stronger awareness of their ability to become candidates for managers and senior managers
Introductory Parenting Seminar	A streaming-based seminar designed to provide employees who are expecting a child with explanations of helpful support systems, procedures to follow and advice on such topics as how to strike a balance between work and child rearing
Working Mothers Assistance Seminar	A seminar aimed at supporting mothers reinstated after childcare leave through the provision of lectures focused on time management and other tips that help smooth the transition to post-reinstatement workstyles
Housing loans for women "lin"	Housing loans specifically designed for women that offer lower interest rates and other privileged conditions to accommodate needs arising from the growing trend toward women's participation in the workforce and the diversification of their lifestyles

Roundtable Discussion among Council Members (who were active for the April 2023 to March 2024 period)

Attendees (from left)
Maria Hatanaka, Kansai Mirai Bank
Haruna Tanaka, Resona Bank
Arisa Machida, Saitama Resona Bank

— Why did the council decide to submit proposals on the theme of "making Resona an exciting workplace"?

Tanaka: We started tackling our tasks at the council immediately after the Resona Group Purpose was announced. Our underlying concept was to help the Company become an even better workplace in which everyone can feel a sense of excitement as they work to play their part in pursuing the Purpose and take pride in being Resona employees.

— Could you share some moments you struggled or had to exercise your creativity?

Hatanaka: At first, I was nervous to work with people from other Group banks as I had previously had little opportunity to do so. However, I soon found my fellow members quite open and empathetic when hearing my opinions. Although systems vary somewhat by company, we issued questionnaires that enabled us to collect input from a broad range of employees while taking heed of minority opinions. Employee feedback gleaned from this process was reflected in our proposals.

Machida: Because I was serving as a team leader of the sales section, I was anxious about how to strike a balance between my main tasks and council activities. However, this issue was solved by ensuring that the schedule for council activities was shared beforehand throughout my workplace so that I could attend without hindrance. As a team leader, I have also been keenly aware of the importance of helping one another in the course of day-to-day operations. I was able to reflect this awareness in the proposals.

Tanaka: In the course of finalizing and documenting our proposals, we faced challenges on numerous occasions. Each time we did so, we had to alter the course of discussions. However, one or other of the council members always put herself forward to take the lead in resolving a particular problem. In the end, each member played her part to move the council forward by leveraging her own strength in her field of specialty. This is how we accomplished our goals.

— Did you feel any impact on your main operations and career development for the future?

Tanaka: In the course of engaging in the activities just discussed, I learned from fellow council members the importance of respecting one another within the team. Also, working as part of a women-only team made me aware of an unconscious inclination to be swayed by male opinions. This was a profound revelation for me. Also, although my current team members operate in two separate locations in Tokyo and Osaka, I believe that what I've learned in the course of council activities could be utilized to facilitate coordination between them.

Hatanaka: Before joining the council, I had been preoccupied with just completing my day-to-day tasks. However, taking part in council activities enabled me to develop a broader perspective and be more attentive to the variety of information the Company provides to us. This, in turn, prompted me to think deeply about the Company's future as well as my own. Seeing that some of the council members were quite capable of taking the lead in problem-solving, I was intent on learning from them and looked forward to observing how they dealt with difficult issues. In summary, the council provided me with valuable experience through encounters with these and other members who now serve as models for me.

Machida: I encountered a fellow council member who came from Saitama Resona Bank like me and serves as a branch manager. She recommended that I attend another roundtable talk event focused on future career development. From that point onward, I became more proactive in planning my career. Although I've never been too ambitious about career advancement, I, too, was inspired by other council members and am currently undergoing training to become a manager. I hope to one day to serve as model for my younger colleagues.

Sustainability-Related Governance Structure

The Resona Group Sustainability Policy and other important policies related to sustainability are determined by the Board of Directors.

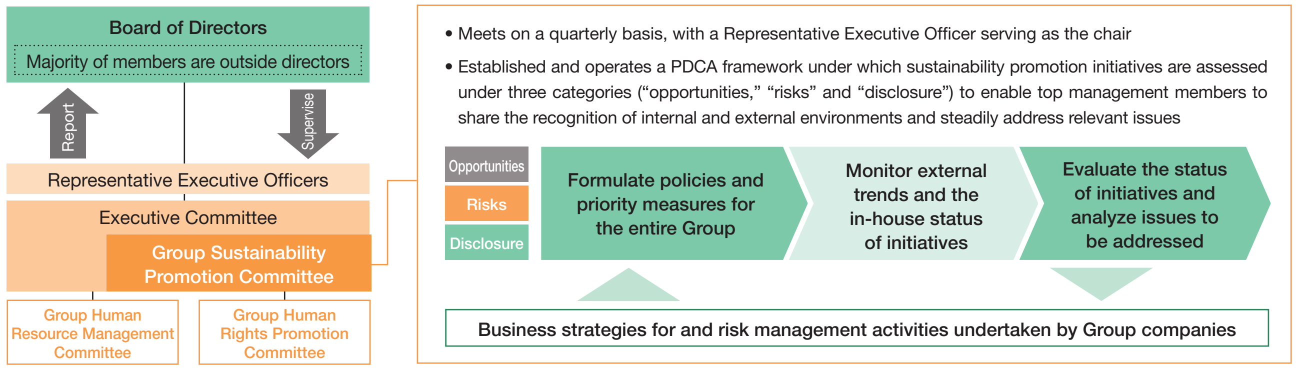
The status of initiatives undertaken based on these policies provided by the Board of Directors is reported to and discussed by the Board at least once a year, while matters deemed particularly important are addressed by it on an as necessary basis. In this way, we have secured a robust structure that ensures proper supervision over sustainability initiatives.

With outside directors constituting its majority, the Board of Directors engages in multifaceted discussions and reflects its conclusions in the Group's business strategy, risk management and the content of information it discloses.

In addition, the Group Sustainability Promotion Committee, chaired by the president of Resona Holdings, is tasked with exercising the consolidated supervision of and spearheading measures to address specific issues associated with sustainability and deemed important. Members of this committee include the presidents of Group banks and Resona Asset Management as well as the heads of the Corporate Planning Division and risk management divisions in addition to officers in charge of corporate and retail banking.

This committee also invites external specialists to contribute their opinions on diverse subjects, such as the direction and pace of the Group's initiatives. These inputs are reflected in discussions undertaken by top management.

Moreover, the Group Human Resource Management Committee and the Group Human Rights Promotion Committee are charged with the consolidated management of important matters associated with human capital management as well as human rights promotion among all Group employees.



Main Content of Relevant Agenda Items Submitted to and Other Subjects Discussed by the Board of Directors (July 2023 to June 2024)

- Outcomes of FY2023 sustainability initiatives and issues to be addressed going forward
- Top risks to be addressed in FY2024 (continuing to address climate change-related risks as top risks while clarifying the positioning of biodiversity action as a component of our main risk scenarios)
- Enhancement of stakeholder dialogue in the shareholder relations (SR) field, with ESG issues considered priority subjects

Main Opinions Contributed by Board Members on Outcomes of FY2023 Sustainability Initiatives and Issues to Be Addressed Going Forward

Main Achievements

- Stepped up and otherwise made progress on initiatives aimed at achieving Long-Term Sustainability Indicators, such as the Retail Transition Financing Target
- Increased the sophistication of our climate change responses and began addressing biodiversity
- Engaged in closer collaboration with external organizations and educational institutions in fields related to GX and ESD
- Pushed ahead with initiatives to prevent the violation of human rights in the course of business, to this end maintaining compliance with the Act for Eliminating Discrimination against Persons with Disabilities
- Maintained our ongoing inclusion in ESG stock indices selected by the GPIF

Issues That Must Be Addressed Going Forward and Priority Measures

- Help SME customers assess their current situation in terms of initiatives aimed at achieving carbon neutrality and establish a shared recognition of issues to be addressed
- Continuously increase the sophistication of initiatives to counter climate change, preserve biodiversity, protect human rights, enhance human capital and otherwise promote sustainability while promoting the integration of these initiatives with business strategies
- Step up collaboration with educational institutions and other external organization to offer increased opportunities for financial, economic and SDGs-related education

Main Opinions Voiced by Outside Directors

- With regard to Long-Term Sustainability Indicators, the Group is being called upon to not only review its achievements relative to targets but also verify the appropriateness of current target levels in light of the accelerating pace of and changes in social trends and, if necessary, spontaneously update its targets.
- Materiality issues are considered an important management matter that serves as a basis for growth strategies as well as risk management. Going forward, the Group needs to engage in upfront discussions regarding these materiality issues in the course of considering its medium- to long-term strategies.

Process for Determining Compensation for Executive Officers in Step with the Evaluation of Their Sustainability-Related Achievements

The Company's policies for the determination of compensation for directors and executive officers are determined by the Compensation Committee, whose membership consists exclusively of independent outside directors.

The compensation system in place for executive officers takes into account ESG indicators and, to this end, utilizes evaluations conducted by an external firm to determine the content of medium- to long-term incentives. These indicators include such environmental indicators as GHG emissions volumes as well as the presence or absence of information disclosure in line with the TCFD recommendations, with progress against each quantitative target measured to inform evaluation results.

In addition, evaluation criteria for determining the content of annual incentives paid under this system include the annual results of initiatives to achieve Long-Term Sustainability Targets. As such, compensation for executive officers is linked to evaluations granted to the recipients in terms of sustainability initiatives. (➡ p. 91)

Our Response to Climate Change- and Nature-Related Issues (initiatives related to the TCFD and TNFD recommendations)

The Resona Group recognizes that the exacerbation of climate change and other environmental problems may cause natural capital to be lost with consequent considerable negative effects on the economy. On the other hand, concerted efforts to preserve and manage natural capital will lead to the creation of new market opportunities.

As a financial institution tasked with supporting regional economies, we believe that appropriately addressing climate change- and nature-related issues is instrumental to improving the sustainability of regional societies and enhancing the Group's social and corporate value.

Accordingly, we will continue to upgrade our initiatives based on the TCFD and TNFD recommendations, including those related to the enhancement of information disclosure, with the aim of contributing to the realization of a carbon neutral society as well as a nature positive world.

Governance

The Board of Directors exercises robust supervision over the Group's response to climate change- and nature-related issues, positioning this response as an essential component of sustainability initiatives. For details on the status of such initiatives, please also refer to the article titled "Sustainability-Related Governance Structure" on the left-hand page.

The Group also recognizes close connections between environmental problems and other sustainability issues, such as those related to human rights and businesses' relationships with regional communities. Based on this recognition, the Board of Directors established the Resona Group Human Rights Policy[1] to express the Group's support of international human rights norms and clarify its collective commitment to ensuring respect for human rights in accordance with such norms. This policy also states that we shall enhance relevant initiatives via, for example, dialogue and engagement with local communities and other stakeholders.

Management Strategy (Climate Change)

Business Opportunities and Risks Arising from Climate Change

To measure the impact of climate change, which is highly unpredictable, we have undertaken qualitative and quantitative evaluations of opportunities and risks based on two different scenarios involving, respectively, a 1.5°C and a 4°C rise in global temperatures.

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

1.5°C scenario (reference: IEA Net-Zero Emissions by 2050, IPCC RCP2.6 and other publicly approved scenarios)

Projected developments	Impact on the financial industry	Time frame
• GHG emissions from businesses are severely restricted by government-led policies and laws. • Advances in and the popularization of low-carbon technologies enhances 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 to long 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
Opportunities	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 price surge 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 the operations of corporate customers and reducing the value of the Group's loan assets
Risks	Transition risks	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
Risks	Transition risks	Reputation	A decline in Resona Holdings' share price due to inconsistencies between strategy and actions or insufficient disclosure of information about climate change
Risks	Physical risks	Acute	Virtually unchanged frequency of sudden occurrences of abnormal weather (hence, no major financial impact is expected)
Risks	Physical risks	Chronic	No chronic and irreversible climate change (hence, no major financial impact is expected)

4°C scenario (reference: IPCC RCP8.5 and other publicly approved scenarios)

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 adapt to climate change effects.	Short to 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
Opportunities	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)
Risks	Physical risks	Acute Chronic	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 because of a disaster

Ratio of lending to energy and utility sectors in the entire portfolio (based on definitions under the Task Force on Climate-related Financial Disclosures (TCFD) recommendations)[2]

As of March 31, 2020	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023	As of March 31, 2024
1.3%	1.2%	1.2%	1.3%	1.3%

1 The Resona Group Human Rights Policy https://www.resona-gr.co.jp/holdings/english/sustainability/sdgs/human_rights/policy.html
2 Total of loans and bills discounted, acceptances and guarantees, foreign exchange, etc. (sum of Resona Bank, Saitama Resona Bank, Kansai Mirai Bank and Minato Bank)

In-Depth Qualitative Analysis of Climate Change Scenarios

The Resona Group has identified priority sectors requiring urgent action from among carbon-related sectors specified by the TCFD.

Currently, these priority sectors comprise "Energy / Utility," "Transportation / Automotive" and "Real estate development / Construction." Targeting these sectors, we conducted an in-depth analysis of climate change scenarios (➡ p. 53).

Formulation of Scenarios for Each Priority Sector and the Qualitative Analysis of Developments in Climate Change-Related Risks

Targeting each priority sector, we formulated scenarios and conducted a qualitative analysis regarding the magnitude of climate change impact and the timing of its materialization.

1 Identify important factors associated with risks and opportunities

With reference to information published by the TCFD, the UNEP FI and the SASB, conduct surveys and identify important factors considered to exert a profound impact on risks and opportunities affecting each sector

2 Assume the future status of society and possible impact on each sector

Analyze important factors identified via ① left and assume the magnitude of climate change impact and the timing of its materialization based on highly objective parameters recommended by the International Energy Agency and other bodies that support a scientific approach. Incorporate findings from this analysis into the "Five Forces Analysis"* to hypothesize the future status of society and thereby assess the impact on priority sectors.

3 Formulate scenarios and conduct qualitative analysis

Formulate certain scenarios and assess developments in climate change-related risks in each sector.

1 Important Factors Associated with Risks and Opportunities in Each Sector

Energy / Utility		Transportation / Automotive		Real estate development / Construction	
Policy	Introduction and/or heightening of carbon tax	Policy	Introduction and/or heightening of carbon tax	Policy	Introduction and/or heightening of carbon tax
Legal	Tightening of GHG emission regulations	Legal	Tightening of GHG emission regulations	Legal	Strengthening of environment-related building regulations
Market	Popularization of renewable energy	Market	Rising energy prices	Market	Shift in customer needs to buildings with higher environmental performance
Reputational	Higher customer awareness regarding the need to address environmental concerns	Technology	Transition to electric vehicles		
		Acute	Operational impact of a catastrophic disaster	Acute	Increasingly frequent occurrences of flooding and other natural disaster damage
Acute	Surging expenses for the reinforcement of disaster countermeasures and the emergence of physical damage	Chronic	Damage to railroads due to heat expansion and rising air conditioning expenses (transportation)		

2 The Future Status of Society and Possible Impact on Each Sector

Priority sectors		Future status of society	Impact on sector
Energy / Utility	1.5°C	Initiatives aimed at achieving carbon neutrality advance significantly, leading to the introduction of a carbon tax and the growing popularization of renewable energy	The use of renewable energy gains popularity at an ever-faster pace with the move toward carbon neutrality
	4°C	Physical risks rise due to the continued dependence on fossil fuels	While fossil fuel demand grows solidly, the sector is affected by frequent occurrences of damage arising from abnormal weather and surging disaster countermeasure costs
Transportation / Automotive	1.5°C	Initiatives aimed at achieving carbon neutrality advance significantly, leading to the introduction of a carbon tax, the popularization of renewable energy and EVs and the acceleration of modal shift in the transportation sector	Toward carbon neutrality, the use of eco-friendly vehicles and rail cars gains growing popularity, resulting in the acceleration of modal shift
	4°C	Physical risks rise as the transition to a low carbon society fails to gain further momentum	While the market environment remains unchanged, the sector is affected by frequent occurrences of damage arising from abnormal weather and surging disaster countermeasure costs
Real estate development / Construction	1.5°C	Initiatives aimed at achieving carbon neutrality advance significantly, leading to the enforcement of carbon taxation, the introduction of building materials with low carbon footprint and the growing popularization of renewable energy	The construction of facilities designed to reduce environmental burden progresses at an ever-faster pace
	4°C	Rising physical risks lead to growing demand for buildings with greater disaster resilience	While the construction of facilities equipped with greater resilience against flooding and other disasters progresses, the sector is affected by frequent occurrences of damage arising from abnormal weather and surging disaster countermeasure costs

3 Developments in Climate Change-Related Risks

Low risk Medium risk High risk

Priority sectors	Transition risks: 1.5°C Scenario						Physical risks: 4°C Scenario					
	2025	2030	2035	2040	2045	2050	2025	2030	2035	2040	2045	2050
Energy / Utility	Medium	High	High	High	High	High	Medium	High	High	Medium	Medium	Medium
Transportation/ Automotive	Low	Medium	High	High	High	High	Low	Medium	Medium	Medium	Medium	Medium
Real estate development / Construction	Low	Low	Low	Low	Low	Low	Medium	High	High	High	High	High

Priority sectors	Transition risks: 1.5°C Scenario	Physical risks: 4°C Scenario
Energy / Utility	Risk becomes constantly high from 2030 onward based on an assumption that the use of fossil fuel will decrease due to the enforcement of carbon taxation, across-the-board efforts to achieve carbon emission reduction targets and changes in the energy mix	Risk becomes constantly high from 2030 onward based on an assumption that monetary damage arising from flooding will increase approximately 20%, and then subsides to medium in line with an assumed increase in crude oil prices (approximately 30%) in 2040 and resulting growth in revenue
Transportation / Automotive	Risk remains medium based on an assumption that demand for vehicles with internal combustion engines (ICEs) will significantly decline in 2030 due to carbon taxation and the enforcement of stricter regulations on such vehicles However, risk becomes constantly high from 2035 onward due to the enforcement of domestic regulations on the marketing of new ICE vehicles in the 2030s, provided that falling demand is not compensated for by demand for eco-friendly vehicles	Risk rises to and remains medium from 2030 onward based on an assumption that monetary damage arising from flooding will increase approximately 20%
Real estate development / Construction	Risk remains low based on an assumption that an increase in costs attributable to the need to lower energy consumption intensity will be offset by growing revenue backed by rising demand for net-zero energy buildings (ZEB) in 2040	Risk becomes constantly high from 2030 onward based on an assumption that monetary damage arising from flooding will increase approximately 20%

* A method of sector analysis accounting for impacts attributable to sellers, buyers, newcomers and alternatives, with policies considered as an element affecting all other factors

In-Depth Quantitative Analysis of Climate Change Scenarios

Based on the qualitative analysis, we conducted a quantitative analysis of the impact on the Group's financial performance of transition and physical risks.

Transition Risks (1.5°C Scenario)

The characteristics and magnitude of transition risks' financial impact vary by sector. Also, these factors may be altered going forward by measures undertaken by businesses pursuing carbon neutrality. Accordingly, our qualitative analysis has targeted priority sectors selected via qualitative analysis.

In addition, we have positioned "introduction and/or heightening of carbon tax" as an important risk factor to be used as an assumption for our scenario in light of the universal impact of such taxation on each sector. Moreover, in reference to publicly approved scenarios, we have assumed a 1.5°C rise in global temperature to assess the resulting future impact on our clients. In this way, we estimated our exposure to credit risks that may emerge during the period leading up to 2050.

Target Sectors	All the priority sectors ("Energy / Utility," "Transportation / Automotive" and "Real estate development / Construction")
Assumptions for the Scenario	The assumed impact on the Group's credit risk exposure is based on additional expenses that would be incurred by clients due to the introduction and/or heightening of carbon tax as well as future business responses to the growing public call for carbon neutrality
Reference Scenarios	IEA Net-Zero Emissions by 2050 and IPCC 2.6
Analysis Period	Present to 2050
Risk Indicator	Estimated increase in credit-related expenses
Analysis Results	Credit-related expenses could increase during the period leading up to 2050 by a maximum of around ¥86.0 billion

Physical Risks (4°C Scenario)

Physical risks are considered to have a differing degree of impact on clients depending on the locations of both their businesses and real estate properties pledged as collateral for loans in addition to sector-specific characteristics of their operations. Taking this into account, our quantitative analysis targeted business corporations in general.

Due to restrictions in data available for analysis, we have positioned flood damage resulting from the materialization of acute risk as an important factor to be used as an assumption for our scenario. In reference to publicly approved scenarios, we have thus estimated the impact of a 4°C rise in global temperature on the business performance of our clients and real estate properties pledged as collateral for loans, determining its impact on the Group's credit risk exposure during the period leading up to 2050.

Target Sectors	Business Corporations in General
Assumptions for the Scenario	Based on analyses of hazard maps and natural disaster models, we have estimated the frequency of flooding arising from the materialization of acute risk and resulting growth in flood damage. Having assessed the impact of the above factors on the business performance of clients and their real estate properties pledged as collateral for loans, we have thus determined the extent to which the Group's credit exposure would be affected.
Reference Scenarios	IPCC RCP8.5
Analysis Period	Present to 2050
Risk Indicator	Estimated increase in credit-related expenses
Analysis Results	Credit-related expenses could increase during the period leading up to 2050 by a maximum cumulative total of around ¥16.0 billion

Issues to be Addressed Going Forward

The above analysis suggests that the impact of transition and physical risks on credit-related expenses can be considered limited. However, we believe that these results are not indicative of the full impact on the Group's overall risk exposure as the above analysis has taken into account only a portion of the relevant risk factors while using various assumptions in the course of damage estimation.

The analysis of climate change impact requires the study of a diverse range of risk factors and their intertwining relationships. Moreover, the spillover effect of climate change-related risks could evolve, depending on various underlying factors. Therefore, we will continue to research diverse analytic methods while enhancing the content of data for use in analysis.

At the same time, even though we are in the process of developing more precise analysis methods, we are convinced that climate change is highly likely to have a financial impact on our loan assets, the largest category of assets in the Group's possession. Accordingly, we clearly recognize that the opportunities and risks our clients face will directly affect the Group.

The majority of the Group's loan assets are accounted for by loans furnished to individual and SME customers. This suggests that climate change-related lending risks are dispersed throughout our overall portfolio. However, it was confirmed that, compared with large corporations, the status of SMEs' climate change responses varies widely by company, indicating a diverse range of underlying issues confronting this customer group.

Looking ahead, we will continue striving to assess, monitor and reduce our volume of financed emissions even as we engage in in-depth customer dialogue. In this way, we will meet the needs of customers who face differing situations and issues and assist them in their pursuit of carbon neutrality by acting as their "running partner."

Management Strategy (Biodiversity)

Nature-Related Issues

Corporate activities and people's daily lives are dependent on natural capital—encompassing not only flora and fauna but the water, soil and atmosphere of the earth. Society not only benefits from but requires functioning ecosystems. However, just as the natural world impacts us, human activities impact the natural world and its ecosystems.

Financial institutions are being called upon to bear responsibility for properly responding to nature-related issues as their operations are widely and deeply connected with natural capital, both directly through their own business activities and indirectly through investment in and the provision of financing to their corporate and individual customers.

Accordingly, the Group has launched the analysis of client sectors deemed to have larger dependency and impact on the natural environment. We began by conducting a heat map analysis of each sector in order to assess its degree of dependency and impact and also determined the proportion of the Group's financing portfolio accounted for by each sector. These processes were undertaken by using ENCORE,[1] a tool specialized in nature-related risk analysis.

In addition, we reorganized general risks and opportunities associated with nature-related issues from the viewpoints of dependency and impact. Going forward, we will continue striving to implement more sophisticated and detailed analyses in line with the LEAP approach based on the TNFD's information disclosure framework. By doing so, we will assess the financial impact of nature-related issues.

Heat Map Analysis

We analyzed the degree of dependency and impact by type of natural capital based on industry groups in accordance with the Global Industry Classification Standard (GICS).

We also used a six-grade rating system encompassing "Very High," "High," "Medium," Low," Very Low" and "N/A." As a result, the analysis confirmed that the Group's portfolio includes no disproportional financing to sectors with high dependency and impact. While maintaining focus on analyzing sectors with high dependency and impact, we will consider prioritizing the analysis of sectors whose constituents account for a relatively large proportion in our financing portfolio.

Dependency by Sector

Sector	Industry group	Six-grade ratings on dependency								Proportions in the financing portfolio			
		Atmosphere	Habitat areas	Geographical features of inland areas	Minerals	Geographical features of ocean areas	Soil and sediments	Species	Water	Less than 5%	Less than 10%	Less than 20%	Less than 30%
Energy	Energy	L	L	L	—	L	L	VL	L	○			
Materials	Materials	M	H	M	H	L	H	M	M	○			
Industrials	Capital Goods	L	L	VL	VL	L	L	VL	L			○	
	Commercial & Professional Services	—	VL	VL	—	—	VL	VL	VL		○		
	Transportation	L	L	L	L	L	M	L	L	○			
Consumer Discretionary	Automobiles & Components	L	L	VL	—	L	VL	VL	L	○			
	Consumer Durables & Apparel	L	L	L	L	L	M	L	L	○			
	Consumer Services	VL	VL	VL	—	L	L	VL	L		○		
	Consumer Discretionary Distribution & Retail	VL	VL	VL	—	—	L	VL	VL			○	
Consumer Staples	Consumer Staples Distribution & Retail	VL	VL	VL	—	—	L	VL	VL	○			
	Food, Beverage & Tobacco	H	H	VH	VH	M	VH	H	H	○			
	Household & Personal Products	VL	VL	—	—	L	—	VL	VL	○			
Health Care	Health Care Equipment & Services	VL	VL	VL	—	—	L	VL	VL	○			
	Pharmaceuticals, Biotechnology & Life Sciences	VL	VL	VL	—	VL	VL	VL	L	○			
Financials	Banks	—	VL	VL	—	—	VL	—	—	○			
	Financial Services	—	VL	VL	—	—	VL	—	—		○		
	Insurance	—	VL	VL	—	—	VL	—	—	○			
Information Technology	Software & Services	—	VL	VL	—	—	VL	VL	—	○			
	Technology Hardware & Equipment	VL	VL	VL	—	L	L	VL	VL	○			
	Semiconductors & Semiconductor Equipment	—	VL	—	—	—	—	VL	—	○			
Communication Services	Telecommunication Services	VL	VL	M	M	—	M	VL	VL	○			
	Media & Entertainment	VL	VL	L	M	—	M	VL	VL	○			
Utilities	Utilities	M	M	M	M	—	M	L	M	○			
Real Estate	Real Estate Management & Development	VL	VL	VL	—	—	VL	VL	VL				○

VH Very High　H High　M Medium　L Low　VL Very Low　— N/A

Impact by Sector

Sector	Industry group	Six-grade ratings on impact								Proportions in the financing portfolio			
		Atmosphere	Habitat areas	Geographical features of inland areas	Minerals	Geographical features of ocean areas	Soil and sediments	Species	Water	Less than 5%	Less than 10%	Less than 20%	Less than 30%
Energy	Energy	H	H	H	H	H	H	H	H	○			
Materials	Materials	H	H	H	H	H	H	H	H	○			
Industrials	Capital Goods	H	H	H	H	H	H	H	H			○	
	Commercial & Professional Services	L	VL	VL	L	—	VL	L	L		○		
	Transportation	H	H	H	H	H	H	H	H	○			
Consumer Discretionary	Automobiles & Components	L	L	L	L	—	L	L	L	○			
	Consumer Durables & Apparel	M	H	M	M	M	H	M	H	○			
	Consumer Services	L	L	L	L	VL	L	L	L		○		
	Consumer Discretionary Distribution & Retail	L	L	L	L	VL	L	L	L			○	
Consumer Staples	Consumer Staples Distribution & Retail	L	L	L	L	VL	L	L	L	○			
	Food, Beverage & Tobacco	M	M	M	L	M	M	M	M	○			
	Household & Personal Products	L	L	L	L	—	L	L	L	○			
Health Care	Health Care Equipment & Services	L	L	L	L	VL	L	L	L	○			
	Pharmaceuticals, Biotechnology & Life Sciences	L	L	VL	L	—	L	L	L	○			
Financials	Banks	VL	VL	VL	VL	—	VL	VL	VL	○			
	Financial Services	VL	VL	VL	VL	—	VL	VL	VL		○		
	Insurance	VL	VL	VL	VL	—	VL	VL	VL	○			
Information Technology	Software & Services	L	VL	VL	L	—	VL	L	L	○			
	Technology Hardware & Equipment	L	L	L	L	VL	L	L	L	○			
	Semiconductors & Semiconductor Equipment	L	L	VL	L	—	L	L	L	○			
Communication Services	Telecommunication Services	L	L	L	L	L	L	L	L	○			
	Media & Entertainment	L	VL	VL	L	VL	VL	L	L	○			
Utilities	Utilities	M	H	M	M	M	M	M	H	○			
Real Estate	Real Estate Management & Development	M	M	L	L	L	M	M	M				○

Risks and Opportunities

In reference to risks and opportunities exemplified in the LEAP approach guidance recommended by the TNFD,[2] the Group has identified and rated in terms of financial impact nature-related risks and opportunities that its clients could confront.

As the actual status of these risks and opportunities varies widely by sector, region and type of natural capital, we will strive to conduct more sophisticated and detailed analyses by taking these differing circumstances into account.

Nature-Related Risks and Opportunities for Clients

<table>
<tr><th colspan="2">Risks / Opportunities</th><th>Consequences arising from businesses with high dependency</th><th>Consequences arising from businesses with high impact</th></tr>
<tr><td rowspan="3">Risks</td><td>Physical risks (chronic)</td><td>• Shortage of raw material supply and resulting growth in procurement costs due to the loss of natural capital and the deterioration of its value</td><td rowspan="2">• Reputational risks arising from the Group's involvement in the loss of natural capital</td></tr>
<tr><td>Physical risks (acute)</td><td>• Damage suffered by the Group's business sites and the resulting deterioration of its operating results due to abnormal weather and climate-related disasters of growing magnitude</td></tr>
<tr><td>Transition risks</td><td>• Growth in costs and the suspension of business operations due to the need to respond to shifts in government policies and the strengthening of legal regulations in connection with the restoration and preservation of natural capital</td><td>• Growth in the cost of responding to shifts in government policies and the strengthening of legal regulations in connection with the restoration and preservation of natural capital
• Reputational risks arising from inconsistencies between the Group's strategy and actions or its failure to engage in robust initiatives and information disclosure</td></tr>
<tr><td>Opportunities</td><td>Resource efficiency, products and services</td><td colspan="2">• Transition to more efficient services and processes with lower dependence on natural resources and energy and improved resilience against resource shortages
• Development of resource-saving products and services as well as green solutions
• Acquisition of new business opportunities arising from the proper assessment of the economic value of regional natural resources</td></tr>
</table>

1 Exploring Natural Capital Opportunities, Risks and Exposure
2 Guidance on the identification and assessment of nature-related issues: The LEAP approach (issued by the TNFD in October 2023)

Management of Risks and Impact

The Resona Group has positioned climate change- and nature-related risks as top risks that are deemed to possess a high possibility of impacting heavily on its operations. In line with this positioning, we have developed a consistent risk management structure placing the foremost emphasis on managing these risks.

Top risks are determined via discussion at the Executive Committee, the Board of Directors and other important bodies. Through top risk management, the Company helps Group members share risk recognition while striving to enhance risk governance, prevent the emergence of significant risks, ensure swift response to risk materialization and curb the spread of risk repercussions.

Specifically, we recognize that delays and other shortfalls in our response to the growing public call for countering climate change and preserving biodiversity could result in a loss of growth opportunities, the emergence of stranded assets and other consequences, all of which could lead to deterioration in corporate value. Accordingly, the Group is operating a risk management framework (➡p. 95) based on its own definitions of risk categories, such as credit risk, operational risk and reputational risk, determined in line with the characteristics of such risks.

To address credit risk, which is considered to have a particularly strong impact on the Group's operations, we are working to step up risk management via, for example, "Initiatives for Socially Responsible Investing and Lending" described below.

Initiatives for Socially Responsible Investing and Lending

https://www.resona-gr.co.jp/holdings/english/sustainability/management/sri/

Loan Business

In line with the Group Credit Policy adopted based on a Board of Directors resolution, the "Basic Stance on Lending" 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 financing 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.

In December 2020, we updated the above document to include a policy of not extending new loans to projects deemed to possibly exert a major negative impact on the environment, such as coal mining employing specific mining methods.

Investment

In connection with trust assets managed by Resona Asset Management, the "Responsible Investment Policy" mandates that, in addition to assessing investees' financial performance, the Group exercise due diligence in confirming their non-financial performance, for example, the sufficiency of their initiatives aimed at addressing ESG issues to help them enhance corporate value and achieve sustainable growth from a medium- to long-term perspective. Through such endeavors, the Group is increasing the value of trust assets.

Furthermore, the Responsible Investment Committee strives to ensure the appropriateness of the Group's investment initiatives by consolidating insights offered by committee members, including officers in charge of trust asset management divisions.

Overview of the "Basic Stance on Lending"

	Policy	Business description
Stance on Lending Across Sectors	Prohibition of lending to the following borrowers	• Those involved in child or forced labor or human trafficking, etc.
	Prohibition of lending to the following projects or businesses	• Businesses that exert a seriously negative impact on wetland sites designated by the Ramsar Convention, the World Heritage Sites designated by UNESCO • Businesses in violation of the Washington Convention
	Due consideration given to environmental and social impacts in the course of lending to the following businesses	• Businesses that negatively affect indigenous local communities and other areas of high conservation value • Businesses that entail the involuntary resettlement of residents resulting from the appropriation of land
Stance on Lending to Specific Sectors	Prohibition of lending to the following borrowers	• Those involved in the development, etc., of weapons of mass destruction, such as nuclear weapons, chemical weapons and biological weapons, and / or inhumane weapons such as cluster bombs
	Prohibition of lending to the following projects or businesses	• Coal-fired power generation (except where there are compelling reasons, such as to realize restoration following a disaster) • Coal mining projects employing the Mountain Top Removal (MTR) method • Palm oil farm development projects involving illegal practices or lacking sufficient improvement measures
	Due consideration given to environmental and social impacts in the course of lending to the following businesses	• Large-scale hydroelectric power generation

Metrics and Targets

The Resona Group established the following targets for its long-term initiatives aimed at mitigating climate change- and nature-related risks and increasing opportunities.

The details of each target, progress thus far in initiatives to achieve it and our relevant future action plans are featured on the preceding pages.

Retail Transition Financing Target	• Via in-depth dialogue and the provision of enhanced solutions, engage in joint initiatives with customers to mitigate climate change and nature-related risks, discover business opportunities and otherwise enable customers to counter climate change and preserve biodiversity (➡pp. 42–43)
Declaration of Net-zero Greenhouse Gas Emissions in the Investment and Financing Portfolio Interim target for 2030 for the energy sector	• The reduction of GHG emissions from our investment and financing portfolio (➡pp. 44–46)
Carbon Neutrality Target (Scopes 1 & 2)	• The reduction of GHG emissions from our own energy use (➡p. 47)

Initiatives to Preserve Biodiversity

Protecting regional natural resources available only when the natural environment is flourishing is instrumental to enhancing the resilience of the community and vitalizing its economy. To that end, we engage in initiatives that involve employees and customers willing to play their part in preserving biodiversity even as we help these participants raise their environmental literacy.

"Resona cultivates bonds"—Tree planting project

Activities aimed at restoring natural forest and forest reserves in the Tohoku area that have been significantly damaged by the Great East Japan Earthquake

Cultivating Saitama Resona's forest

Activities aimed at protecting abundant greenery in Saitama through forest cultivation in Nagatoro-machi and Mt. Hodosan and passing it down to future generations

Forest development activities undertaken by Kansai Mirai Bank

Activities aimed at protecting and nurturing local forest in Katano City, Osaka

Cutting common reed grass at the shore of Lake Biwa

Environmental preservation and management activities aimed at maintaining Lake Biwa's water quality and offsetting carbon

(Mown grass will be utilized as a material of uniforms for Expo 2025 Osaka, Kansai)

Cleanup activities on "Lake Biwa Day"

Participating in the Lake Biwa Beautification Campaign sponsored by Shiga Prefecture while implementing cleanup activities covering areas around our local branches as part of environmental preservation campaigns involving prefectural residents

An Operation Cleanup covering coastal areas along three channels

Coastal cleanup activities aimed at protecting the natural environment across the Naruto, Kitan and Akashi straits, which engender the whirling currents called *Uzushio*

Information Disclosure Based on TCFD and TNFD Recommendations (Resona Asset Management)

Resona Asset Management Co., Ltd., a Group company tasked with asset management, has issued a TCFD/TNFD report.
https://www.resona-am.co.jp/investors/pdf/climate-nature_report2023.pdf (Japanese only)