

Sustainability Promotion

In October 2021, the Bank formulated the “SDGs Action Plan” from the perspective of the proper and sufficient promotion of sustainability.

We are strengthening the promotion of sustainability by recognizing the four items of the “77 Bank Group SDG Declaration” as key topics and working toward the realization of the SDGs.

77 Bank Group SDG Declaration (formulated in July 2020)

~More than ever, and forever, with our region.~

The 77 Bank Group, in keeping with the philosophy of the Bank Creed of “desiring communal prosperity and serving local communities,” which has been in our DNA since our founding, aims to contribute to the future of the region and the realization of a sustainable society by working toward the achievement of the Sustainable Development Goals (SDGs) on a Group-wide basis.

- 1. Revitalization of the Regional Economy
- 2. Responding to Global Warming and Climate Change
- 3. Encouraging and Supporting the Activities of Our Employees
- 4. Advancing Corporate Governance

Realization of initiatives

FY2023 “SDGs Action Plan” (the content of the SDGs Action Plan is discussed each fiscal year)

1 Revitalization of the Regional Economy

- (1) Support implementation of SDGs for clients
- (2) Support new companies and growth of startup companies
- (3) Build regional economic ecosystems
- (4) Develop new businesses and sectors
- (5) Contribute to society through interaction with the local community
- (6) Make financial services more convenient through non-face-to-face channels, etc.
- (7) Expand opportunities to access financial services

2 Responding to Global Warming and Climate Change

- (1) Initiatives for environmental protection and climate change
- (2) Respond to business operators that require environmental and social considerations
- (3) Support clients’ disaster countermeasures
- (4) Expand investment and lending to environmental and social sectors

3 Encouraging and Supporting the Activities of Our Employees

- (1) Revise personnel systems with the aim of establishing an ambitious corporate culture
- (2) Revitalize the organization and enhance productivity through effective utilization of personnel
- (3) Introduce flexible work styles tailored to increasingly diverse values
- (4) Educate and spread awareness of diversity and inclusion
- (5) Invest in human capital and intellectual property

4 Advancing Corporate Governance

- (1) Build internal systems that comply with the TCFD recommendations
- (2) Enhance awareness of initiatives targeting the SDGs within the Bank
- (3) Active participation of the Board of Directors in the response to issues surrounding sustainability
- (4) Strengthen systems for complying with laws and regulations, etc.
- (5) Strengthen our stance to respond to antisocial forces
- (6) Strengthen our stance to prevent money laundering, etc.
- (7) Strengthen our stance to manage cyber risks

Status of achievement of KPIs

	Target (FY2031)	Result (FY2022)
Cases of growth support for founders	3,000 cases	1,490 cases
Projects launched for new businesses or sectors	10 cases (cumulative total until FY2024)	1 case
Support for increasing the economic growth rate of Miyagi Prefecture	Japan growth rate +0.1 pt	—
People receiving financial education	70,000 people (cumulative total)	8,364 people
Seminars held in related to SDGs/participants	100 seminars / 5,000 people (cumulative total)	5 seminars / 484 people
Total cumulative sustainable finance executed (*)	¥1.2 trillion	¥274.0 billion
CO ₂ emissions (vs. FY2014)	46.0% reduction	38.5% reduction
Proportion of female managers	30.0%	14.2%

* Total cumulative investment and lending executed which contributes to the stimulation of local communities and the realization of a sustainable society (investment and lending that supports and promotes SDGs initiatives in the fields of the environment, medicine, new companies, business succession, etc.)



Promoting sustainability

Deputy General Manager, General Planning & Coordination Division and Manager, Sustainability Promotion Office

Takuro Suzuki

Initiatives for promoting sustainability

The Bank has formulated the “77 Bank Group SDG Declaration,” which parallels the philosophy of the Bank Creed, and from the perspective of further strengthening sustainability initiatives, in FY2022, we formulated the “SDGs Action Plan” and established the “Sustainability Promotion Office.” Since our response to sustainability is long-term and wide-ranging, we will continue to implement the PDCA cycle for our “SDGs Action Plan” and work to enhance the social value of local communities and the corporate value of the Bank.

Connections with local communities

In order to expand sustainability as a regional financial institution, I believe we need to support financing initiatives and conduct other activities to raise awareness among customers in local communities. In addition, taking advantage of the comprehensive partnership agreements we have signed with all regional public bodies in Miyagi Prefecture for regional revitalization, the Bank would like to provide opportunities for customers who do not yet bank with us to learn about our sustainability initiatives by holding various seminars in cooperation with regional public bodies and other entities. We hope to further strengthen our connections with local communities through various sustainability-related measures and other efforts.

The Bank’s target form

As stated in the “77 Bank Group SDG Declaration,” we believe that the philosophy of the Bank Creed of “desiring communal prosperity and serving local communities,” which has been in our DNA since our founding, is the form of sustainability that the Bank is striving for. The Bank aims to create the future and realize a sustainable society, not by ourselves, but together with local communities.

Major sustainability-related initiatives

- 2012 Established the “Environmental Policy”
- 2016 Newly established the “Diversity Promotion Office” and implemented the “IkuBoss Declaration”
- 2018 Established the “Diversity Promotion Policy” and formulated the “77 Bank Health Management Declaration”
- 2020 Formulated the “77 Bank Group SDG Declaration” and established “Lending Policies for Specific Businesses”
- 2021 Formulated “Vision 2030” and agreement with “TCFD Recommendations”
Formulated the “SDGs Action Plan” and newly established the “Sustainability Promotion Office”
- 2022 Established the “Sustainability Promotion and Management Policy” and formulated the “Dementia Barrier-Free Declaration”
Established the “Sustainability Committee”

1 Revitalization of the Regional Economy

The Bank aims to contribute to the realization of a sustainable society through consulting with, and building partnerships with, regional public bodies and corporate and individual customers.

Promotion of partnerships for regional revitalization

<Cooperation agreement with Nippon Telegraph and Telephone East Corporation> (June 2021)

Specific cooperation ideas

Ideas related to enhancement and co-creation of regional value with the use of regional resources and assets

- Asset sharing — Jointly promote various community support activities by utilizing various assets such as real estate, technology, and human resources
- Support for tourism promotion — Make joint proposals for workation and regional brand creation, such as support for commercialization and development of the tourism industry

Ideas related to addressing of regional challenges and vitalization of regions in cooperation with regional public bodies

- Smart cities — Promote innovation in areas such as regional safety and disaster prevention, administrative services, and transportation utilizing cutting-edge ICT
- DX support for local industries — Enhance the productivity of local industries and promote an increase in resident population through DX such as next-generation agriculture utilizing ICT

Ideas related to sustainable urban development in regions

- Support for urban development — Promote urban development that integrates ICT to create local brands and facilitate the passing down of culture and skills, etc.
- Regional development projects — Jointly promote regional development projects and support the creation of local brands and businesses

Ideas related to support for the growth of local companies and industries

- Starting new companies or businesses — Provide corporate support and incubation services for ventures and start-ups as well as the creation of new businesses
- Support for regional core companies — Jointly support the growth of local companies and industries by taking advantage of the business matching agreement between the two companies
- Development of local talents — Jointly develop talents who will lead the region for regional revitalization and the stimulation of local communities

<Cooperation agreement with Meiji Yasuda Life Insurance Company> (March 2022)

Specific cooperation ideas

Ideas related to promotion of industry and tourism

- Support the creation of business opportunities for the Bank's clients through exchanges between different industries hosted by Meiji Yasuda Life Insurance Company
- Promote the products and services of the Bank's clients utilizing the internal intranet of Meiji Yasuda Life Insurance Company
- Promote local products by offering Miyagi's local cuisine and menus using ingredients from Miyagi Prefecture at employee cafeterias of Meiji Yasuda Life Insurance Company's main locations

Ideas related to promotion of total health and support for the elderly

- Jointly hold seminars and other events on health management, etc.
- Make joint proposals to the Bank's clients on support services for health maintenance such as "health analysis reports"
- Jointly hold seminars for the elderly (nursing care/dementia, health maintenance, end-of-life planning, life planning, etc.)

Ideas related to the promotion of regional revitalization

- Sponsor and participate in activities aimed at contributing to regional revitalization undertaken by the Bank and Meiji Yasuda Life Insurance Company

Various seminars and initiatives for financial education

As a regional financial institution, we hold various seminars and other events related to the SDGs in order to spread awareness of the SDGs among local residents. We are also stepping up our efforts in financial education to enhance financial literacy.



Held <77> SDGs seminars for promoting carbon neutrality



Visited a local junior high school to give lectures on the themes of "money for working adults" and "work at banks" after receiving an inquiry from the school at the planning stage

Initiatives to support clients' efforts for the SDGs

- Launch of 77 SDGs-related services
In October 2021, we launched "77 SDGs Support Services" and "77 SDGs Support Loans" aimed at spreading the SDGs to and supporting efforts of SMEs, etc.

- Launch of "77 SDGs Privately Placed Corporate Bonds"
In December 2021, we renewed the existing "77 ESG Privately Placed Corporate Bonds," etc. and launched "77 SDGs Privately Placed Corporate Bonds" from the perspective of accelerating support for companies' initiatives for the SDGs.

2 Responding to Global Warming and Climate Change

Through our responses to climate change, we will contribute to the protection of Earth from destruction and contribute to urban development that is more in harmony with nature.

Forest conservation activities

To restore the coastal disaster prevention forest that was lost in the Great East Japan Earthquake, based on the "Citizens' Reforestation Activities to Restore the Miyagi Coastal Forests" agreement concluded with Miyagi Prefecture and Sendai City, we carry out forest conservation activities in the "77 Forest for the Future" where we planted black pine trees in the Arahama District of Sendai City.

We will continue to care the black pine trees so that they will grow big and become a disaster prevention forest that protects the region from disasters.

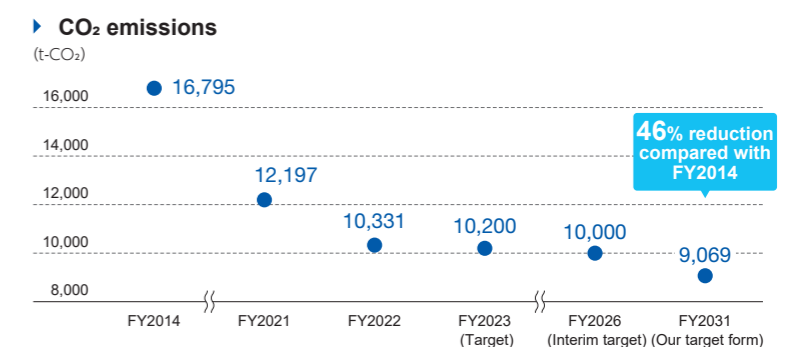


Promotion of initiatives to reduce environmental impact

We switched the lighting of business rooms, lobbies, etc. to LED at all branches and cash service corners in principle and installed solar power generation systems at new branches.



Image of a branch with a solar power generation system installed



Promotion of ESG investment in management of securities

The Bank actively invests in ESG-related areas, including the environment sector, not only in lending to customers but also in management of securities.

- Green bonds ... 54 cases / ¥42.5 billion
- Sustainability bonds ... 23 cases / ¥12.3 billion
- Social bonds ... 34 cases / ¥23.8 billion
- Sustainability-linked bonds ... 7 cases / ¥5.4 billion

* Total from April 2018 to March 2022

Response to TCFD recommendations

Taking into consideration the fact that climate change has become an issue shared by the whole global community, including unusual global weather phenomena and increasing damage from natural disasters, the Bank announced its support for the recommendations of the TCFD* in July 2021. In order to contribute to the protection of Earth from destruction and contribute to urban development that is more in harmony with nature, the Bank will actively implement initiatives that target issues such as climate change.

Our responses to four items proposed in the TCFD recommendations are described below.

*TCFD (Task Force on Climate-related Financial Disclosures)

A taskforce established in December 2015 by the Financial Stability Board (FSB) and led by private-sector companies with the aim of promoting the disclosure of climate-related financial information by companies

Governance

The Bank has established a basic policy for sustainability promotion management, and in addition to formulating the “Sustainability Promotion and Management Policy” in January 2022 to ensure this is managed properly and sufficiently, we set up the “Sustainability Committee,” chaired by the President, in July 2022. Through regularly discussing and reporting the relevant important matters, including climate change, we ensure the results of these efforts are reflected in management strategies and risk management.

Since October 2021, in line with the “SDGs Action Plan,” which is formulated each fiscal year, we have been regularly reporting the status of initiatives for the SDGs such as climate change to the Board of Directors and have constructed a system where the Board of Directors supervises the status thereof.

Moreover, for the purpose of promoting initiatives for solving environmental and social problems such as climate change on a Group-wide basis, we have set up the “Sustainability Promotion Office” inside the General Planning & Coordination Division and while putting in place a system for appropriate management, we are ensuring that measures are promoted effectively.

Strategy

Based on the understanding that responding to sustainability issues, including climate change, is a key management issue, we have positioned the “77 Bank Group SDG Declaration” as values shared across the Group within our new management plan “Vision 2030.”

In addition to the “77 Bank Group SDG Declaration,” which focuses on “responding to global warming and climate change” as a priority issue, we will also actively support businesses, etc. that contribute to solving environmental and social issues, determine “Lending Policies for Specific Businesses” based around not financing businesses that pose a risk of negative impact to the environment and society, and actively engage in initiatives related to financing for renewable energy, etc.

Opportunities

Treating responses to climate change as a business opportunity, we actively provide various related services and products and develop products to support our clients’ transition to decarbonization and initiatives for the SDGs. By understanding the issues and needs of our clients from a medium- to long-term perspective and supporting them in responding to climate change and transitioning to a decarbonized society, we are trying to create and expand business opportunities such as the provision of investment and lending and other solutions.

(As of March 31, 2022)

●Number of applications for “77 SDGs Support Services” **79 cases**

●Renewable energy-related funding **406 cases / ¥194.4 billion**

Risks and scenario analyses

In terms of climate change risks, we are aware of both physical and transitional risks.

- In terms of physical risks, we estimate credit risk caused by climate change affecting the business activities and changing the businesses circumstances of the Bank’s clients, etc., as well as operational risks associated with the exacerbation of earthquake and tsunami damage, etc. and damage, etc. to bank branches due to natural disasters.
- In terms of transitional risks, we estimate risks such as increased credit risk related to borrowers that are affected by the transition to a low-carbon society, such as those that must respond to stronger climate-related regulation, etc.

<Scenario analyses>

The results of scenario analyses on physical and transitional risks based on the TCFD recommendations are as follows.

Physical risks	<ul style="list-style-type: none"> · Based on the 4°C scenario presented by the Intergovernmental Panel on Climate Change (IPCC), we analyzed the impact on the collateral value, targeting real estate collateral in the Abukuma River basin, in the event of storm and flood damage equivalent to that of Typhoon No. 19 in 2019. · As a result of the analysis that takes into account the temperature rise up to 2050, the collateral value is expected to decrease by about ¥7.0 billion.
Transitional risks	<ul style="list-style-type: none"> · Based on the below 2°C scenario presented by the Network for Greening the Financial System (NGFS), we analyzed the impact on credit expenses for borrowers in the power and utilities sector as a result of deterioration of financial conditions due to tax burden caused by the introduction of carbon taxes and existing facilities turning into stranded assets. · As a result of the analysis covering the period up to 2050, credit expenses are expected to increase by a maximum of about ¥8.2 billion.

<Carbon-related assets>

The Bank’s exposure to the energy and utilities sector accounts for 3.8% of its loans and bills discounted (however, water utilities, independent electric power, and renewable power businesses are excluded).

Risk management

- We recognize that physical and transitional risks caused by climate change may have a significant financial impact in the future.
- To conduct regular analysis and verification of the impact of climate change on capital health and financials through implementation of regular scenario analyses and stress tests, we have arranged a system by revising the regulations related to risk management and carrying out other measures.

Indicators and targets

- Based on the “Environmental Policy” that we established in 2012, we are promoting activities aimed at conserving the environment, and we have set a target in our new management plan, “Vision 2030,” of reducing CO₂ emissions across the 77 Bank Group by 46% by FY2031 compared with FY2014. Furthermore, in FY2022, we succeeded in reducing CO₂ emissions by 38.5% compared with FY2014.

Items measured	(t-CO ₂)			
	FY2014	FY2020	FY2021	FY2022
Scope 1 (kerosene, heavy oil A, etc.; however, gasoline is excluded)	1,894	1,638	1,600	1,483
Scope 2 (electricity, local hot water)	14,901	10,689	10,597	8,848
The Bank’s total (Scope 1 + 2)	16,795	12,327	12,197	10,331

*For Scope 3 (indirect emissions other than Scope 1 and 2), we will evaluate calculation methods, etc.

- Furthermore, in the “SDGs Action Plan” formulated in October 2021, we set a ¥1.2 trillion cumulative target by 2030 for sustainable finance, which is investment and lending contributing to the stimulation of local communities and the realization of a sustainable society. The result for FY2022 was ¥274.0 billion.

3 Encouraging and Supporting the Activities of Our Employees

We are creating an organization where each and every employee and officer can engage in a diverse range of activities.

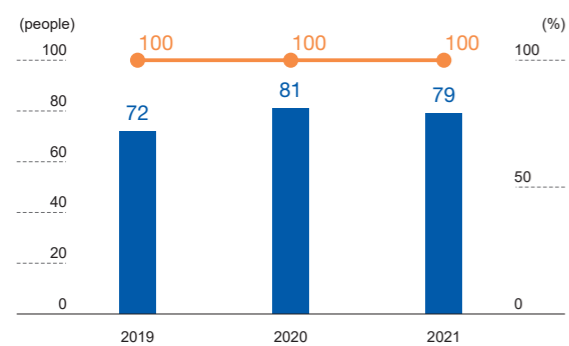
Through the following four initiatives, our Bank is striving to improve employee productivity as well as the services we provide to customers in local communities, with the aim of becoming the “bank chosen by customers.”

1. Realizing work-life balance

From “work-work” to “work-life”

- (1) Strengthen efforts aimed at reducing total working hours
- (2) Supporting employees to balance work and childcare/nursing, etc.
- (3) Utilization of the Select Staggered Shift System

▶ Rate of taking paternity leave ■ No. of people ◆ Rate



- ◆ Implementation of “Bank-wide Refresh Day” (started in FY2019)
The second Wednesday of each month has been designated as “Bank-wide Refresh Day” to encourage employees to leave work on time.
- ◆ Recommended interval between work shifts (started in FY2020)
From the perspective of health management, as a general rule, employees should have at least 11 hours from the end of the previous day’s work until the start of their next shift.
- ◆ Newly established the Select Staggered Shift System (started in FY2022)
In addition to the normal work schedule, employees can choose from six staggered work patterns.

2. Establishing an environment where diverse human resources can demonstrate their full potential

~Rewarding working environments~

- (1) Strengthening initiatives to promote the active participation of women
- (2) Utilizing seniors, part-timers, etc.
- (3) Revision of personnel evaluation systems

◆ Formulation of the Action Plan for General Businesses (Third)
From the perspective of creating a working environment that enables women to heighten their awareness of advancing in their career and tackle their work with a positive attitude, while also maximizing the abilities of each individual and enabling them to play an active role at work, the Bank formulated the “Action Plan for General Businesses (Third),” based on the “Act on Promotion of Women’s Participation and Advancement in the Workplace.”

[Evaluation period]
April 1, 2021 - March 31, 2026 (five years)

- [Objectives]**
- (1) Increase the proportion of women in management positions to 18% or more (FY2022: 14.2%)
 - (2) Reduce the average number of hours worked on days off to less than 10 hours per person per month (FY2022: 12 hours 18 min)
 - (3) Maintain an annual rate of taking paid time off of 70% (FY2022: 73.4%)
 - ◆ Introduced the 77 Career Bridge System (started in FY2021)
From the perspective of promoting diverse work styles for retirees, we introduced a system to support their reemployment.

3. Developing promising human capital

~People make companies~

- (1) Fostering an organizational culture of self-education
- (2) Enhancement of consulting capabilities through human resources development programs, etc.
- (3) Initiatives aimed at career development support
- (4) Initiatives aimed at improving abundant personal capabilities

◆ Training-related investment for human resource development

FY2022	
Invested amount	JPY 304 mn

◆ Appointment of in-house career advisors (started in FY2019)
Consultations with career advisors (Personnel Division staff) are held with employees at headquarters and branches to support the career design of each bank employee and foster an environment in which diverse human resources can play an active role.

◆ Holding same-industry networking sessions



4. Promoting health and productivity management

~A healthy body is capital~

- (1) Formulation of the “Health and Productivity Management Declaration”
- (2) Strengthening health management measures
- (3) Improving the work environment
- (4) Raising employee awareness of health management

◆ Formulation of the “Health and Productivity Management Declaration” (December 2018)

We clearly stated our policy as a company on conserving and promoting the health of employees.

◆ Certified as a “Health and Productivity Management Organization 2022”

(March 2022)

The Bank is implementing initiatives aimed at conserving and promoting the health of employees. On March 9, 2022, the Bank was certified as a “Health and Productivity Management Organization 2022” under the “Health and Productivity Management Organization Certification System” implemented by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



Toward the increased value of human capital

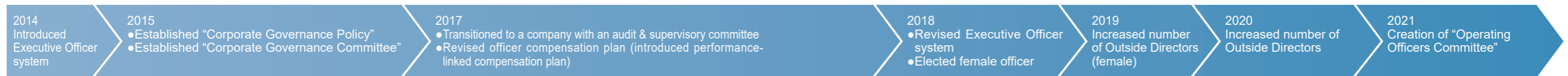
4 Advancing Corporate Governance

We will collaborate appropriately with our stakeholders to strengthen and enhance corporate governance.

Basic approach

- In accordance with the “Bank Creed,” which is our basic principle of management, we will operate businesses that give constant consideration to the public mission of a regional bank — “contributing to the development of the regional economy and society” — through banking operations.
- We will improve the transparency of management and the appropriateness of processes and work together appropriately with stakeholders including the regional society, clients, and shareholders for the Bank’s sustained growth and enhancement in corporate value over the medium- to long-term.

Steps to enhance and strengthen governance



Establishing a highly effective corporate governance structure

The Bank transitioned in June 2017 from a company with the Board of Corporate Auditors to a “company with an Audit & Supervisory Committee” to improve corporate value through further enhancement of corporate governance, which was followed by initiatives for developing further effective corporate governance structure through appointing Outside Directors and female Directors.



	Director	Outside Director	Total number of Directors	Ratio of Outside Directors	Ratio of female Directors
Jun-17	12 persons	2 persons	19 persons	26.3% 5/19 persons	
	Audit & Supervisory Committee Member: 2 persons				
Jun-18	8 persons	3 persons	16 persons	37.5% 6/16 persons	6.2% 1/16 persons
	Audit & Supervisory Committee Member: 2 persons				
Jun-19	8 persons	3 persons	17 persons	41.1% 7/17 persons	11.7% 2/17 persons
	Audit & Supervisory Committee Member: 2 persons				
Jun-20	7 persons	4 persons	17 persons	47.0% 8/17 persons	11.7% 2/17 persons
	Audit & Supervisory Committee Member: 2 persons				
From Jun-22	6 persons	4 persons	16 persons	50.0% 8/16 persons	12.5% 2/16 persons
	Audit & Supervisory Committee Member: 2 persons				

Strengthening actions pertaining to sustainability

In December 2021, from the perspective of strengthening our sustainability-related planning and planning systems, etc., we newly established the “Sustainability Promotion Office” within the General Planning & Coordination Division with the aim of realizing sustainable growth for the region and the 77 Bank Group.

Established the Sustainability Promotion and Management Policy

In January 2022, we established the “Sustainability Promotion and Management Policy” with the objective of conducting proper and sufficient management of sustainability promotion.

(Basic Policy on Promotion and Management of Sustainability)

- (1) Formulation of action plan pertaining to sustainability
- (2) Declaration of engagement posture pertaining to sustainability
- (3) Creation of supervisory division for promotion and management of sustainability

Established the Sustainability Committee

In July 2022, from the perspective of creating and strengthening a management system on sustainability promotion, we established the “Sustainability Committee” with the President as chairperson.

Constituent members

Chairperson : President

Vice chairman : Senior Managing Director

Members : Managing Director, General Manager (GM) of General Planning & Coordination Division, GM of Risk Management Division, GM of Business Promotion Division, GM of Regional Development Promotion Division, GM of Personnel Division, GM of General Affairs Division

Major discussion items

- (1) Matters pertaining to the planning of sustainability-related policy
- (2) Matters pertaining to the planning of sustainability-related implementation plans
- (3) Important matters among initiatives that contribute to the management of sustainability promotion