

Example of emerging risks recognized by Japan Post Bank (As of April 2024)

	Risks related to securing human resources	Risks associated with business alliances, outsourcing, etc.	Risks to natural capital and biodiversity
Description.	<p>The Bank has a network of approximately 24,000 branches, far more than the total number of head offices and branches of all banks in Japan, giving it an overwhelming advantage in terms of accessibility to individual customers. The Bank has the largest customer base of any Japanese bank, with approximately 120 million ordinary deposit accounts, equivalent to the entire population of Japan, and a total savings balance of approximately 195 trillion yen (approximately 20% of all individual deposits and savings in Japan). The Bank has a unique business model in which it provides community-based financial services through its branch network and stably manages securities, mainly bonds, using personal savings and other assets as a source of funds. The human resources that support this network and business model are a source of competitiveness and value creation and an asset. In recent years, we have positioned not only fixed income investments but also private equity funds, real estate funds, and direct lending funds as strategic investment areas, and have been selectively investing in quality deals to increase our balance, requiring more human resources with specialized knowledge than ever before. However, competition for human resources with other industries and other financial institutions has recently intensified, making it increasingly difficult to secure and retain competent personnel. There is a risk that a shortage of human resources or other factors may make it difficult to maintain the branch network or impair business competitiveness and operational efficiency, particularly in specialized areas.</p>	<p>In the operation of its banking business, the Bank has a number of business partners, with whom it engages in business alliances and outsources operations, administration, system development, and other services.</p> <p>In recent years, an increasing number of countries and regions, such as Europe's Corporate Sustainability Due Diligence Directive (CSDDD), have made human rights and environmental due diligence in the supply chain mandatory by law, with rules that require violating companies to disclose their company names and impose fines based on sales volume. In addition, rules have been enacted that require violating companies to disclose their names and impose fines based on sales volume. In Japan, the Japanese government has published "Guidelines for Respecting Human Rights in Responsible Supply Chains, etc." and there is a growing social demand for companies to address human rights and the environment, not only in their own operations but also in their supply chains.</p> <p>However, since the Bank has many business partners, there is a risk that the Bank may not be able to adequately address human rights and environmental issues, including those in the supply chain, and that the Bank's reputation and other aspects of its business may deteriorate. The Bank recognizes that this risk is particularly significant for the Bank, which provides services through its nationwide post office network.</p>	<p>As a financial institution that plays the role of a provider of funds to companies involved with natural capital and that operates throughout Japan through a network of approximately 24,000 branches, we are committed to analyzing and managing our investments and financing, and we recognize the importance of taking action to promote the sound development of Japanese society and local communities through community-based nature conservation and restoration efforts.</p> <p>In recent years, the risks that natural capital and biodiversity pose to economic activities have been recognized as enormous*, and with the adoption of the Kunming-Montreal Biodiversity Framework, the publication of the National Biodiversity Strategy 2023-2030, and the finalization of the TNFD Disclosure Framework in September 2023</p> <p>However, delays in these efforts, including those in the supply chain, could result in the abandonment of the corporate value of the Bank and its investees, which could affect the Bank's business, public trust, performance, and financial position.</p> <p>*In the World Economic Forum report, about half of the world economy's GDP (\$44 trillion) was considered at risk of loss.</p>

Impact	<p>A good working environment is essential for attracting and retaining human resources, but if this is not sufficient, or if we are unable to recruit, retain, and train competent personnel in a competitive environment with other financial institutions, which hinders our ability to recruit personnel, particularly in specialized fields, our business competitiveness and operational efficiency may be impaired, which may affect our business, performance, and financial condition.</p>	<p>Cooperation with related parties and others is essential for the continuation of the Bank's business.</p> <p>In the event of human rights violations such as forced labor, child labor, or leakage of important information such as customer information (invasion of privacy) in outsourcing, etc., the Bank's reputation may deteriorate, which may affect its business, social credibility, performance, and financial position.</p>	<p>Many of the Bank and its investees depend on natural capital such as forests, soil, water, air, biodiversity, and biological resources to support their businesses and societies, and the depletion of such natural capital could make it difficult for the Bank and its investees to continue their operations, which could affect the Bank's business, public trust, performance, and financial position.</p>
Mitigating actions	<p>The Bank strives to prevent and mitigate human rights issues including harassment, personnel and labor issues such as personnel treatment and work management, and health and safety management issues in the workplace through various training programs and the establishment of a consultation service, etc. In addition, the Bank promotes the review of work-life balance by providing monthly feedback on the status of each department in order to reduce long working hours and encourage employees to take leave.</p> <p>In order to acquire and quickly develop professional human resources in the market management business, we have introduced course-based recruitment for new graduates and are focusing on hiring students with advanced expertise. In addition, in fields that require a high level of expertise, such as market operations and risk management, we also conduct career recruiting by utilizing direct recruiting and alumni. Furthermore, we have introduced a performance-linked compensation system for employees with advanced and specialized knowledge, and are actively working to secure human resources.</p>	<p>For outsourcing, we have established CSR Procurement Guidelines and ask suppliers to comply with them. In addition, we conduct surveys to inform our suppliers of our relief desk and to ascertain the status of their human rights initiatives. As for internal management systems, in addition to stipulating information management at the time of contracting, the Company strives to mitigate risks by conducting periodic hearings with contractors based on procurement management standards.</p> <p>Furthermore, since there is a possibility that human rights violations, etc. may occur at the Bank's investee companies, the Bank has established an ESG investment and financing policy and makes investments and financing in accordance with this policy, and confirms the status of its response to human rights and environmental issues through engagement and other means.</p> <p>In addition, the Bank is promoting measures to increase the transparency of its human rights efforts, including the publication of a Human Rights Report in April 2024.</p>	<p>The Bank participates in the TNFD Forum to raise awareness of natural capital and biodiversity conservation and to further promote initiatives that contribute to the realization of a sustainable society.</p> <p>Specifically, in our market management operations, we make investments and financing that take biodiversity into consideration in accordance with our ESG investment and financing policies, and we also conduct engagements related to natural capital and biodiversity. In April 2024, the ESG investment and financing policy was revised to clarify risk recognition for specific sectors that have a significant impact on biodiversity, such as deforestation and palm oil plantation development, and to confirm the implementation of environmental and social considerations when making investments and financing.</p> <p>In addition, the policy stipulates that investments and financing shall not be made for projects that adversely affect Ramsar Convention-designated wetlands or projects that violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).</p> <p>In addition, we are promoting paperless in our business and are working to reduce the negative impact in our business by setting new KPIs related to paperless in the revision of our medium-term management plan announced in May 2024.</p>