

# Initiatives for the PRB (Principles for Responsible Banking)



In September 2020, the Kyushu Financial Group signed the PRB (Principles for Responsible Banking) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI). We will increase the alignment between our business strategy and the SDGs, and contribute to the realization of a sustainable society through our business.

## Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

### Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and, where relevant, the technologies, financed across the main geographies in which your bank has operations or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

The Group provides comprehensive financial services mainly in Central and Southern Kyushu, with subsidiaries including Higo Bank, Kagoshima Bank, and Kyushu FG Securities.  
 In terms of area, Higo Bank mainly covers Kumamoto Prefecture, and Kagoshima Bank mainly covers Kagoshima Prefecture and Miyazaki Prefecture. The mainstay of our business is banking, and we also offer other financial services such as credit card services, trust business, credit guaranteeing, and financial instruments transactions.  
 Of the approximately ¥8.9 trillion balance of loans as of March 31, 2024, 100% were balance of loans in Japan (excluding the special international financial transactions account) on a consolidated basis. Of the loans, approximately 61% were business loans and approximately 39% were loans to individuals.

Link [Company Profile]<https://www.kyushu-fg.co.jp/english/company/information/>

### Strategy alignment

Does your corporate strategy identify and reflect sustainability as a strategic priority for your bank?  
 Yes  No

Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk  
Please specify which ones: \_\_\_\_\_
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery  
Please specify which ones: \_\_\_\_\_
- None of the above

The Group considers a sustainable local community a key premise for its sustainable growth. Our long-term vision, as expressed in the Group's 4th Medium-Term Management Plan, is the "evolution into a Group that co-creates regional value, building a better future together with customers, local communities, and employees." We are working to "pivot to a sustainable business model" toward achievement of this long-term vision. In February 2019, the Group issued its "Sustainability Declaration," and the Group's Higo Bank and Kagoshima Bank formulated the "Overall Sustainability Concept." Furthermore, in the formulating process of the Group's 4th Medium-Term Management Plan, the Group has reviewed its "Sustainability Materiality" to identify six social issues as materiality which have the most significant influence on customers, community, and the Group over the medium and long term. In line with this review, "Sustainability Materiality" has been renamed to "Sustainability Priority Issue" for the purpose of deepening internal awareness. In addition, the Group is strengthening its management and promotion system for initiatives related to the SDGs in order to realize a sustainable local community and create its own value. On the management side, we have established the Sustainability Promotion Committee, chaired by the President and Representative Director. The Committee reports on the progress of SDGs-related efforts every three months. In addition, decisions on new measures, etc. related to the SDGs are made after sufficient discussion and deliberation at the Group Management Council.

Matters reported by the Sustainability Promotion Committee and matters resolved by the Group Management Council are regularly reported to and resolved by the Board of Directors, and are subject to supervision by the Board of Directors. On the promotion side, we have established the Sustainability Management Office at the Company and the Sustainability Promotion Office at Higo Bank and Kagoshima Bank. These offices are responsible for permeating and promoting the SDGs in a Group-wide cross-discipline fashion where Group companies work closely together.

In addition, the following Group-wide policies have been established based on a resolution by the Board of Directors as policies relating to sustainability.

<Sustainability Policy>

- Environmental Policy
- Human Rights Policy
- Sustainable Investment and Loan Policy
- Biodiversity Protection Policy

Link	<p>[Group Sustainability Declaration] <a href="https://www.kyushu-fg.co.jp/english/csr/vision/">https://www.kyushu-fg.co.jp/english/csr/vision/</a></p> <p>[Sustainability Priority Issues] <a href="https://www.kyushu-fg.co.jp/english/csr/vision/">https://www.kyushu-fg.co.jp/english/csr/vision/</a></p> <p>[Overall Sustainability Concept]</p> <p>Higo Bank: <a href="https://www.higobank.co.jp/aboutus/sdgs/">https://www.higobank.co.jp/aboutus/sdgs/</a></p> <p>Kagoshima Bank:  <a href="https://www.kagin.co.jp/investor/RegionalContributionActivity/sdgs.html">https://www.kagin.co.jp/investor/RegionalContributionActivity/sdgs.html</a></p> <p>[Sustainability Management and Promotion Structure] <a href="https://www.kyushu-fg.co.jp/english/csr/csrmanagement/">https://www.kyushu-fg.co.jp/english/csr/csrmanagement/</a></p> <p>[Sustainability Policy] <a href="https://www.kyushu-fg.co.jp/english/csr/csrmanagement/">https://www.kyushu-fg.co.jp/english/csr/csrmanagement/</a></p>
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## Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio(s) to identify its most significant impact areas and determine priority areas for target setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

**a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

As stated in Principle 1 with regard to the Group's loan portfolio, 100% of the Group's loans (excluding the special international financial transactions account) are to domestic customers. Of these loans, approximately 61% are business loans and 39% are loans to individuals. More than 84% of business loans are to corporations in Kyushu, primarily in Kumamoto, Kagoshima, and Miyazaki Prefectures.

For the impact analysis, we selected business loans, which account for approximately 60% of the Group's loans. We are currently in the process of gathering know-how and knowledge on methods, etc., to analyze the impact of loans to individuals, and these methods will be further refined in conjunction with business loans in the future.

\* The impact analysis portfolio is calculated using the ratio as of March 31, 2023.

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**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope.

i) by sectors and industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products and services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

The main sectors and percentages of the Group's domestic business loan portfolio as of March 31, 2024 are as follows:

National and local governments	21.90%	Real estate, goods leasing	13.21%	Various service industries	9.92%
Wholesale, retail	7.26%	Manufacturing	4.98%	Finance, insurance	4.46%
Electricity, gas, heat supply, and water supply	2.38%	Construction	2.30%	Transportation, postal	2.03%
Agriculture, forestry	1.04%	Information and communications	0.48%	Fisheries	0.21%
Mining, quarrying, gravel extraction	0.04%	Other	29.80%		

\* "Other" includes industries such as "medical and welfare," "lifestyle-related services, entertainment," "academic, professional and technical services," and "accommodation."

Link	[Summary of Earnings for the Fiscal Year Ended March 2024 (P.39)] <a href="https://ssl4.eir-parts.net/doc/7180/ir_material_for_fiscal_ym2/137292/00.pdf">https://ssl4.eir-parts.net/doc/7180/ir_material_for_fiscal_ym2/137292/00.pdf</a>
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**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank’s portfolio impacts into the context of society’s needs.

As stated with regard to Principle 2 (2.1 a), the majority of loans in the Group’s loan portfolio are made to companies located in Japan, particularly in the Kyushu region, and mainly in Kumamoto, Kagoshima, and Miyazaki Prefectures. During the impact analysis, we used Impact Radar offered by UNEP FI as a principle guideline and also referred to Impact Needs Map for Businesses in Japan, as well as SDGs and “SDGs Implementation Guiding Principles” provided by the Japanese government, to identify major items to be considered. Based on these considerations, we have identified priority issues, while taking into account the results of Impact Analysis Tool of UNEP FI, business environment of the Company, and some issues for Japan and in Kumamoto, Kagoshima, and Miyazaki Prefectures as described below. For specific steps for identifying sustainability priority issues, please refer to “Sustainability Vision” on the Company’s website as indicated in the Link column below.

<Priority issue for Japan: SDG implementation guidelines>

1. Realization of a society in which all people can play an active role and gender equality	2. Achievement of health and longevity
3. Creation of growth markets, regional revitalization, scientific and technological innovation	4. Sustainable and tenacious land and high quality infrastructure
5. Energy conservation/renewable energy, disaster prevention/climate change measures, recycling-oriented society	6. Conservation of biodiversity, forests, oceans, and other environments
7. Realization of a peaceful, safe and secure society	8. Structure and means of promoting SDG implementation

<Kumamoto, Kagoshima, and Miyazaki Prefectures>

Kumamoto Prefecture	Kumamoto Prefecture Town, People, Job Creation Comprehensive Strategy
Kagoshima Prefecture	Kagoshima Vision for Creating the Future
Miyazaki Prefecture	Miyazaki Prefecture Comprehensive Plan Long-term Vision

• During investor engagement processes, such as IR activities, “Addressing climate change” is one of the key themes that investors request leading financial institutions in the region to take an action in, which therefore should be treated as priority issues.

Link	[Identification of Priority Issues] <a href="https://www.kyushu-fg.co.jp/english/csr/vision/">https://www.kyushu-fg.co.jp/english/csr/vision/</a>
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Based on these first three elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

Taking Principle 2 (2.1 a, b, c) into consideration, the Group has identified sustainability priority issues to achieve SDGs and ensure the sustainability of local communities.

<Sustainability Priority Issues>

Securing human resources and workforce	Response to declining birthrate and aging population	Sustainable growth of the regional economy
Addressing climate change	Respecting human rights and diversity	Establishing a digital society

Among these, we recognize that “Sustainable growth of the regional economy” and “Addressing climate change” are particularly important issues.

Link	[Sustainability Priority Issues] <a href="https://www.kyushu-fg.co.jp/english/csr/vision/">https://www.kyushu-fg.co.jp/english/csr/vision/</a>
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**d) For these (min. two prioritized impact areas) performance measurement:** Has your bank identified which sectors and industries, as well as types of customers financed or invested in, are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining the priority areas for goal setting among the areas of greatest impact, the bank’s current level of performance, i.e., the social, economic, and environmental impact resulting from the bank’s business activities and provision of products and services, should be considered using qualitative and quantitative indicators and proxy indicators. If you have identified climate and/or financial soundness and inclusion as your most significant

impact areas, please also refer to the applicable indicators in the Appendix.  
 If your bank has taken another approach to assess the intensity of impact resulting from the bank's business activities and provision of products and services, please describe this. The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

The following indicators are used to evaluate and manage "Sustainable growth of the regional economy" and "Addressing climate change."

<Sustainable growth of the regional economy>

- Indicator: ESG investment and loan execution amount
- Definition of ESG investments and loans:

"ESG Investments and Loans" are defined as those investments and loans made with the purpose of contributing to medium and long-term sustainability of the local community and the Group, and with consideration to the stability and profitability of the investee and the investment/loan's impact on the environment and society.

ESG investments and loans are categorized as follows.

#### A. Categorized by instruments

(1) In compliance with international principles (*1)	1) Fund use limited	Green bonds, sustainability bonds, social bonds Green loans, social loans
	2) Fund use not limited	Sustainability-linked bonds, Sustainability-linked loans, Positive Impact Finance Transition Finance
(2) SDGs/ESG-themed private instruments	Privately placed SDGs bonds, private reconstruction bonds, SDGs medical institutions bonds, private bonds for supporting educational institutions SDGs promotion loans	

#### B. Categorized by fund uses

(1) Environment	Business that contribute to mitigation of and adaptation to climate change, and environmental responsibility (E.g.: Renewable energy business, energy-saving business, de-carbonization and low-carbon business)	
(2) Society	Businesses that contribute to regional revitalization and sustainable growth and that fall under the following categories "Promotion of agriculture, forestry, and fisheries, tourism, and medical and welfare-related key regional industries, start-up support, business succession"	

\*1 Regarding "(1) In compliance with international principles" in "A. Categorized by instruments", the following conditions shall apply to be included in the aggregation of ESG investments and loans.

1) Fund use limited

##### Green bonds, sustainability bonds, social bonds

In compliance with each principle established by the International Capital Market Association (hereinafter referred to as ICMA), which includes Green Bond Principles, Social Bond Principles, or Sustainability Bond Principles, the investments need to meet four requirements of fund raising usage, process of assessing and selecting projects, management of raised funds, and reporting. It will be included in the aggregation of ESG investments and loans if the purpose of fund raising is to solve environmental issues such as global warming, as well as social issues of health, welfare, education, etc.

##### Green loans, social loans

In compliance with each principle established by the Loan Market Association (hereinafter referred to as LMA), which includes Green Loan Principles or Social Loan Principles, it will be included in the aggregation of ESG investments and loans if the fund raising is used appropriately (for businesses which contribute to improving environment or solving social issues in accordance with national guidelines) and a second opinion is obtained from a third party assessment institution.

2) Fund use not limited

##### Sustainability-linked bonds and sustainability-linked loans

In compliance with each principle established by ICMA and LMA, which includes Sustainability-Linked Bond Principles or Sustainability-Linked Loan Principles, it will be included in the aggregation of ESG investments and loans if goals for sustainability initiatives have been established in line with ESG strategies and a second opinion is obtained from a third party assessment institution.

##### Positive Impact Finance

In compliance with Positive Impact Finance Principles established by UNEP FI, it will be included in the aggregation of ESG investments and loans if a second opinion is obtained from a third party assessment institution as to the conformity to Positive Impact Finance Principles.

##### Transition Finance

On the basis of various international principles and government policies ("Climate Transition Finance Handbook" by ICMA, and "Basic Guidelines on Climate Transition Finance" announced by the Financial Services Agency, the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment,

etc.), if the investments and loans comply with these principles and policies and a second opinion is obtained from a third party assessment institution, it will be included in the aggregation of ESG investments and loans.

■ Definition of “Environment-related” investments and loans in ESG investments and loans:

Of ESG investments and loans stated above, those which meet the following conditions are defined as “Environment-related” investments and loans.

- A. Categorized by instruments: If fund use is related to green projects, or environment-related SPTs are established.
- B. Categorized by fund uses: If investments and loans fall under the category of (1) Environment

<Addressing climate change>

■ Indicator: CO<sub>2</sub> emissions

■ Scope of calculation: Kyushu Financial Group, Inc., The Higo Bank, Ltd., The Kagoshima Bank, Ltd.

■ Target of calculation: Category 1 (partially excluded), 3, 4, 5, and 12 of Scope 1, Scope 2, and Scope 3 are covered.

■ Base year: 2019

In addition to the above-mentioned target of calculation, we have adopted a calculation method proposed by PCAF since FY2022. Regarding the emissions result in Category 15 of Scope 3, we started calculating emissions from energy sectors which are categorized as high emissions sectors in business loans and have a large impact on the environment (oil, gas, and electricity). In FY2023, emissions from all business investees have been calculated. In the future, we will further develop a more sophisticated calculation method by bottom-up analysis, which includes supporting investees in calculating their CO<sub>2</sub> emissions. Moreover, we will contribute to decarbonization in the region in accordance with our transition strategy.

Link	[Integrated Report] <a href="https://www.kyushu-fg.co.jp/english/ir/library/disclosure/">https://www.kyushu-fg.co.jp/english/ir/library/disclosure/</a>
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Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope  Yes  In progress  No

Portfolio composition  Yes  In progress  No

Context  Yes  In progress  No

Performance measurement  Yes  In progress  No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Revitalizing the regional economy, addressing climate change/Environmental responsibility

How recent are the data used and disclosed in the impact analysis?  Up to six months prior to publication

**2.2 Target Setting (Key Step 2)**

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks have you identified as relevant to align your bank’s portfolio? Show that the selected indicators and targets are linked to and drive alignment with and make a greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. You can build upon the context items under 2.1.

As stated in Principle 2 (2.1), when identifying “sustainability priority issues,” we consider international frameworks, such as GRI standards, and the Japanese government’s priority issues with respect to the Group’s portfolio of business loans based on the SDGs, and UNEP FI Impact Radar. Among these, we recognize that “Sustainable growth of the regional economy” and “Addressing climate change” are particularly important issues.

While there is no global indicator to measure “Sustainable growth of the regional economy,” we use the GDP of three prefectures in Southern Kyushu to evaluate the contribution in the region. As a financial institution firmly rooted in the region, our mission is to support the sustainable growth of the region, and we believe that this will also lead to the long lasting growth of our Group. In Kumamoto, Kagoshima, and Miyazaki Prefectures, agriculture, forestry, fisheries, tourism, and medical and welfare-related industries are key regional industries. We have concluded that focusing on support for these industries and business start-ups and business succession will contribute to “Sustainable growth of the regional economy” and will also make a significant contribution toward achieving SDGs.

We are also actively addressing climate change in light of the global trend toward a decarbonized society and climate change countermeasures, the Japanese government’s carbon neutrality declaration, the promotion of carbon neutral initiatives in the region, and the protection of the rich natural environment, including the world heritage sites of Southern Kyushu.

Link	[Sustainability Priority Issues] <a href="https://www.kyushu-fg.co.jp/english/csr/vision/">https://www.kyushu-fg.co.jp/english/csr/vision/</a>
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**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Disclose the indicators used and the baseline year.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target. A package of indicators has been developed for climate change mitigation and financial soundness and inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial soundness and inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below, including the impact area, all relevant indicators, and the corresponding indicator codes:

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

We have established the following standards and manage the progress of initiatives for “Sustainable growth of the regional economy” and “Addressing climate change.”

<Sustainable growth of the regional economy>

- Indicator: ESG investment and loan execution amount
- Definition of ESG investments and loans: Definition stated in Principle 2 (2.1 d)
- Target year: FY2021

<Addressing climate change>

- Scope of calculation: Kyushu Financial Group, Inc., The Higo Bank, Ltd., The Kagoshima Bank, Ltd.
- Target of calculation: Category 1 (partially excluded), 3, 4, 5, and 12 of Scope 1, Scope 2, and Scope 3 are covered.
- Base year: 2019
- Base year emissions: 33,915 t-CO<sub>2</sub>

Indicator codes	Response
A1.1 Climate change strategy	In progress. Our "Environmental Policy" stipulates that we must be aware of and take responsive actions in environmental issues as a basis of our environmental initiatives, including climate change initiatives, specifying our "stance on climate change initiatives" toward realizing decarbonization.
A1.2 Goals of the Paris Agreement	In progress.
A1.3 Policy and process for customer relationships	In progress.
A1.4 Portfolio analysis	In progress. Emissions of all investees are calculated for Category 15 of Scope3. Results for FY2023: 5,353,099 t-CO <sub>2</sub>
A1.5 Business opportunities and financial instruments	Yes. Cumulative amount of green loans related to decarbonization: ¥1.6 billion (started from FY2023), Cumulative amount of green bonds: ¥33.0 billion (cumulative from FY2021–FY2023).
A2.1 Customer engagement process	Yes. The target is corporate customers. In order to help achieve carbon neutrality in the region and for customers, a CO <sub>2</sub> emissions calculation system is being deployed to visualize customers' carbon footprint and assist their reduction.
A2.2 Absolute emissions through investments and loans	18 sectors based on TCFD disclosure recommendations, etc. and other sectors are targeted. * 18 sectors include electricity utilities, oil and gas, coal, maritime transportation, trucking services, rail transportation, passenger air transportation, air freight, metals and mining, paper and forest products, chemicals, automobiles and components, construction materials, capital goods, real estate management and development, agriculture, packaged foods and meats, and beverages. Other sectors include telecommunications, finance, retail, services, etc. <CO <sub>2</sub> emissions> Results for FY2023 Category 15 of Scope 3 / Listed stocks and corporate bonds: 211,731 t-CO <sub>2</sub> , Business loans: 5,353,099 t - CO <sub>2</sub>

A3.2 Investment and transition finance in carbon-intensive sectors and activities	The investment ratio in carbon-related assets in transition risk sectors is 17.63% (as of the end of the Fiscal Year Ended March 31, 2024.)
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**c) SMART targets** (including key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

We have set the following goals with respect to “Sustainable growth of the regional economy” and “Addressing climate change.”

<Sustainable growth of the regional economy>

■ ESG investment and loan execution targets: FY2021–FY2030 cumulative: ¥1 trillion (incl. ¥200.0 billion for the environment-related)

<Addressing climate change>

■ CO<sub>2</sub> emissions reduction target: Achieve carbon neutrality for Scope 1 and 2 by FY2030

• Achieve carbon neutrality for Scope 1 and 2 by FY2030

\* Scope of calculation: Kyushu Financial Group, Inc. and its wholly-owned subsidiaries

• 20% reduction by FY2026 and 30% reduction by FY2030 compared to FY2019

\* Scope of calculation: Kyushu Financial Group, Inc., The Higo Bank, Ltd., The Kagoshima Bank, Ltd.

Targeted category: Category 1 (partially excluded), 3, 4, 5, and 12 of Scope 1, Scope 2, and Scope 3 are covered.

Link

[Integrated Report] <https://www.kyushu-fg.co.jp/english/ir/library/disclosure/>

**d) Action plan:** which actions, including milestones, have you defined to meet the set targets? Please describe. Please also show that your bank has analyzed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

As stated in Principle 1, on the promotion side, we have established the Sustainability Management Office at the Company and the Sustainability Promotion Office at Higo Bank and Kagoshima Bank. These offices are responsible for permeating and promoting the SDGs in a Group-wide cross-discipline fashion where Group companies work closely together. In addition, branches and head office related departments work together to achieve each goal.

<Sustainable growth of the regional economy> (promotion of ESG investments and loans)

■ Higo Bank: Sustainability Promotion Office, sales branches, Corporate Consulting Division, Credit Management Division

■ Kagoshima Bank: Sustainability Promotion Office, sales branches, Regional Support Division, Medical Practice Support Division, Loan Division

We will focus on our efforts to expand ESG investments and loans instruments and engage in dialogue with customers. While aiming to achieve the target of ¥1 trillion in cumulative (incl. ¥200.0 billion for the environment-related) by FY2030, these efforts will continue to be promoted, contributing to the sustainability of the local community and the Group. On the other hand, Sustainable Investment and Loan Policy stipulates that the Group will not engage in investments or loans which are likely to induce a negative impact on the environment and society. Through prior validation, it is confirmed that there will be no such negative impact.

<Addressing climate change> (reduction of CO<sub>2</sub> emissions)

■ Higo Bank: Sustainability Promotion Office, General Affairs Division

■ Kagoshima Bank: Sustainability Promotion Office, General Affairs Division

We will make efforts to reduce electricity usage by finishing work on time and encouraging remote work. As for CO<sub>2</sub> emissions, we are targeting 20% reduction by FY2026 and will aim for 30% reduction by FY2030 compared to FY2019. As for Scope 1 and 2, we will implement our transition plan to achieve carbon neutrality by FY2030. With regard to calculating emissions in Category 15 of Scope 3, we have joined Partnership for Carbon Accounting Financials (PCAF) to enhance calculation and disclosure of CO<sub>2</sub> emissions of our investees. We will further promote investments and loans in the renewable energy business and others and will support customers to reduce their CO<sub>2</sub> emissions, thereby contributing to decarbonization in the region.

(Please also see [https://www.kyushu-fg.co.jp/assets/pdf/csr/transition\\_strategy.pdf](https://www.kyushu-fg.co.jp/assets/pdf/csr/transition_strategy.pdf).) As for our initiatives on decarbonization, we will actively share information with officers and employees to deepen their understanding on its importance and to ensure an orderly and fair transition.

### Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

	First area	Second area	Other areas of impact
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	<Revitalizing the regional economy>	<Addressing climate change/Environmental responsibility>	
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

### 2.3 Target Implementation and Monitoring (Key Step 2)

For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2. Or, in case of changes to implementation plans (relevant for second and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

The Sustainability Promotion Office of Higo Bank and Kagoshima Bank and the Sustainability Management Office of Kyushu Financial Group aggregate and manage the implementation and monitoring of targets and reports are made at the Sustainability Promotion Committee every three months. Reports are also made at the Board of Directors once a year. Progress towards the targets is as follows.

<Revitalizing the regional economy>

#### ■ ESG Investments and Loans

##### Cumulative execution amount

- Cumulative execution amount for FY2021 to FY2023: ¥446.2 billion (incl. ¥137.9 billion for the environment-related)

##### Annual execution amount

- ¥138.9 billion in a single year of FY2022
- ¥188.2 billion in a single year of FY2023 (\*1)

(\*1) Of the annual execution amount in FY2023, investments and loans of "A. (1) Instruments in compliance with international principles" amounted to ¥48.1 billion .

Amounts marked as  receive assurance from a third party.

These results are due to the accumulated efforts to expand instruments and engage in dialogue with customers.

<Addressing climate change/Environmental responsibility>

#### ■ CO<sub>2</sub> Emission Reduction

- FY2023 emissions: 28,963 t-CO<sub>2</sub> \* 15.0% (5,066 t-CO<sub>2</sub>) reduction compared to FY2019

Electricity usage declined by finishing work on time and encouraging remote work, which significantly contributed to emission reduction.

Link

[Integrated Report] <https://www.kyushu-fg.co.jp/english/ir/library/disclosure/>

## Principle 3: Clients and Customers

In collaboration with our clients and customers, we encourage sustainable practices and enable economic activities which will bring shared prosperity for both current and future generations.

### 3.1 Client Engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes  In progress  No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes  In progress  No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved. This should be based on and in line with the impact analysis, target setting and action plans put in place by the bank (see P.2).

In the "Sustainability Declaration" formulated in 2019, the Group is committed to deepening dialogue with our customers and the local community and expanding our circle of activities to make the entire region a sustainable society.

We have established the following common Group policy on sustainability to promote responsible relationships



with our customers. We are working together with local communities to resolve various social issues, including climate change and human rights issues, through dialogue (engagement).

<Sustainability Policy>

- Environmental Policy
- Human Rights Policy
- Sustainable Investment and Loan Policy
- Biodiversity Protection Policy

At Higo Bank and Kagoshima Bank of the Group, the Sustainability Promotion Office (both banks), Corporate Consulting Division (Higo Bank), and Regional Support Division (Kagoshima Bank) are playing a central role in picking up the needs and issues of customers in the transition to a sustainable business model and providing support as a unified group.

Link [Sustainability Policy] <https://www.kyushu-fg.co.jp/english/csr/csrmanagement/>

### 3.2 Business Opportunities

Describe what strategic business opportunities in relation to the increase of positive impacts and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

As stated in Principle 2, the Group has identified “Sustainable growth of the regional economy” as an important item and has established ESG investment and loan goals to increase the positive impact on the regional economy. In addition, based on the management and promotion system described in Principle 2 (2.2 d), we provide consulting services related to the SDGs to support our customers’ SDG-related initiatives.

<Main products handled and results in FY2023>

	Higo Bank	Kagoshima Bank
Product/service name	SDGs consulting (including carbon neutral consulting)	SDGs Declaration Preparation Support Service
Product/service lineup	<ul style="list-style-type: none"> <li>• Identification of customer’s priority SDGs</li> <li>• Impact analysis in each sector by industry</li> <li>• Preparation of action plans, including specific goal setting and items to tackle</li> <li>• Support for calculating CO<sub>2</sub> emissions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Understand the state of customers’ initiatives for SDGs</li> <li>• Analysis, declaration formulation, and PR support</li> <li>• Propose concrete solutions to achieve SDGs after formulating a declaration</li> </ul>
Results for FY2023	103	96

Link [Integrated Report] <https://www.kyushu-fg.co.jp/english/ir/library/disclosure/>

## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

### 4.1 Stakeholder Identification and Consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed, what results were achieved, and how they fed into the action planning process.

The Group prioritizes dialogue and collaboration with its stakeholders to realize a sustainable local community. As a regional financial institution rooted in Central and Southern Kyushu, mainly in Kumamoto, Kagoshima, and Miyazaki Prefectures, we are deepening our ties with municipalities and local businesses and are fulfilling our responsibilities and roles as a financial institution that works together with the local community.

#### ■ Partnership agreements with municipalities on local revitalization

Kumamoto Prefecture: 18 municipalities, Kagoshima Prefecture: 7 municipalities, Miyazaki Prefecture: 1 municipality

#### ■ Partnership agreements with local companies

• Partnership agreement between Higo Bank and Kyushu Electric Power Kumamoto Branch

(1) Support local customers’ decarbonization

(2) Decarbonization of the Higo Bank Group

(3) Initiatives to conserve Kumamoto’s rich natural environment

(4) Matters deemed necessary by the Companies with respect to local decarbonization

• Partnership agreement between Kagoshima Bank and Kyushu Electric Power Kagoshima Branch

(1) Expand introduction and promote effective use of renewable energy

- (2) Promote maximum electrification and energy conservation in all fields
- (3) Develop educational activities to realize a decarbonized society
- (4) Collaborate with municipalities and other entities in the above efforts to resolve local issues and promote regional revitalization.
- (5) Other matters deemed necessary by the Companies with respect to decarbonization

■ Participation in domestic and overseas initiatives

We participate in and endorse various initiatives to contribute to the realization of a sustainable community in response to our social responsibility as a financial institution and the demands of the international society, such as the SDGs and the Paris Agreement.

• PCAF (Partnership for Carbon Accounting Financials)

In May 2022, we joined the PCAF to strengthen and enhance the measurement and disclosure of indirect greenhouse gas emissions through investments and loans.

• GX (Green Transformation) League

We have endorsed the GX League Basic Concept in order to contribute to the realization of Japan's 2050 carbon neutrality goal and to the achievement of carbon neutrality worldwide, and to work with other companies, universities, and the government to achieve sustainable growth in the present and future society in anticipation of this social transformation.

• TNFD (Taskforce on Nature-related Financial Disclosures)

We participated in the TNFD Forum in September 2022, and were registered as a TNFD Early Adopter in January 2024.

Link	[Partnership Agreements] <a href="https://www.kyushu-fg.co.jp/english/csr/partnership/">https://www.kyushu-fg.co.jp/english/csr/partnership/</a> [Partnership agreements with Kyushu Electric Power] <a href="https://ssl4.eir-parts.net/doc/7180/ir_material32/175804/00.pdf">https://ssl4.eir-parts.net/doc/7180/ir_material32/175804/00.pdf</a> [Initiatives] <a href="https://www.kyushu-fg.co.jp/english/csr/initiative/">https://www.kyushu-fg.co.jp/english/csr/initiative/</a>
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**Principle 5: Governance & Culture**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

**5.1 Governance System for Implementation of the Principles**

Does your bank have a governance system in place that incorporates the PRB?

- Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes the following information.

- Committees that have responsibility over the sustainability strategy, as well as approving and monitoring targets (including information about the highest level of governance the PRB is subjected to)
- Details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as remuneration practices linked to sustainability targets

The Group is strengthening its management and promotion system for initiatives related to the SDGs in order to realize a sustainable local community and create its own value. On the management side, we have established the Sustainability Promotion Committee, chaired by the President and Representative Director. The Committee reports on the progress of SDGs-related efforts every three months. In addition, decisions on new measures, etc. related to the SDGs are made after sufficient discussion and deliberation at the Group Management Council. Matters reported by the Sustainability Promotion Committee and matters resolved by the Group Management Council are regularly reported to and resolved by the Board of Directors, and are subject to supervision by the Board of Directors. On the promotion side, we have established the Sustainability Management Office at the Company and the Sustainability Promotion Office at Higo Bank and Kagoshima Bank. These offices are responsible for permeating and promoting the SDGs in a Group-wide cross-discipline fashion where Group companies work closely together.

Link	[Governance System] <a href="https://www.kyushu-fg.co.jp/english/csr/csrmanagement/">https://www.kyushu-fg.co.jp/english/csr/csrmanagement/</a>
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**5.2 Promoting a Culture of Responsible Banking**

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures, performance management, and leadership communication, amongst others).

In its Sustainability Declaration, the Group has declared that it supports the aims of the SDGs, the sustainable development goals set by the United Nations, and that all officers and employees will proactively work toward these goals. The Higo Bank and Kagoshima Bank of the Group have also formulated their own Overall Sustainability Concept, and have clearly stated to all employees their vision for contributing to the sustainability of the community through their financial functions.

In order to foster a corporate culture as responsible banks, training and study sessions are provided to all



#### 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback is helpful in understanding the overall progress of the PRB signatory bank.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider to be the top three challenges your bank has prioritized to address in the last 12 months (optional question). If desired, you can elaborate on the challenges and how you are tackling these:

<input type="checkbox"/> Embedding PRB oversight into governance	<input checked="" type="checkbox"/> Client Engagement
<input type="checkbox"/> Gaining or maintaining momentum in the bank	<input type="checkbox"/> Stakeholder engagement
<input type="checkbox"/> Getting started: where to start and what to focus on in the beginning	<input type="checkbox"/> Data availability
<input type="checkbox"/> Conducting an impact analysis	<input type="checkbox"/> Data quality
<input checked="" type="checkbox"/> Assessing negative environmental and social impacts	<input checked="" type="checkbox"/> Access to resources
<input type="checkbox"/> Choosing the right performance measurement methodologies	<input type="checkbox"/> Report
<input type="checkbox"/> Setting targets	<input type="checkbox"/> Assurance
<input type="checkbox"/> Others: ....	<input type="checkbox"/> Prioritizing actions internally