




# **Biodiversity conservation activities of Japanese financial sector**

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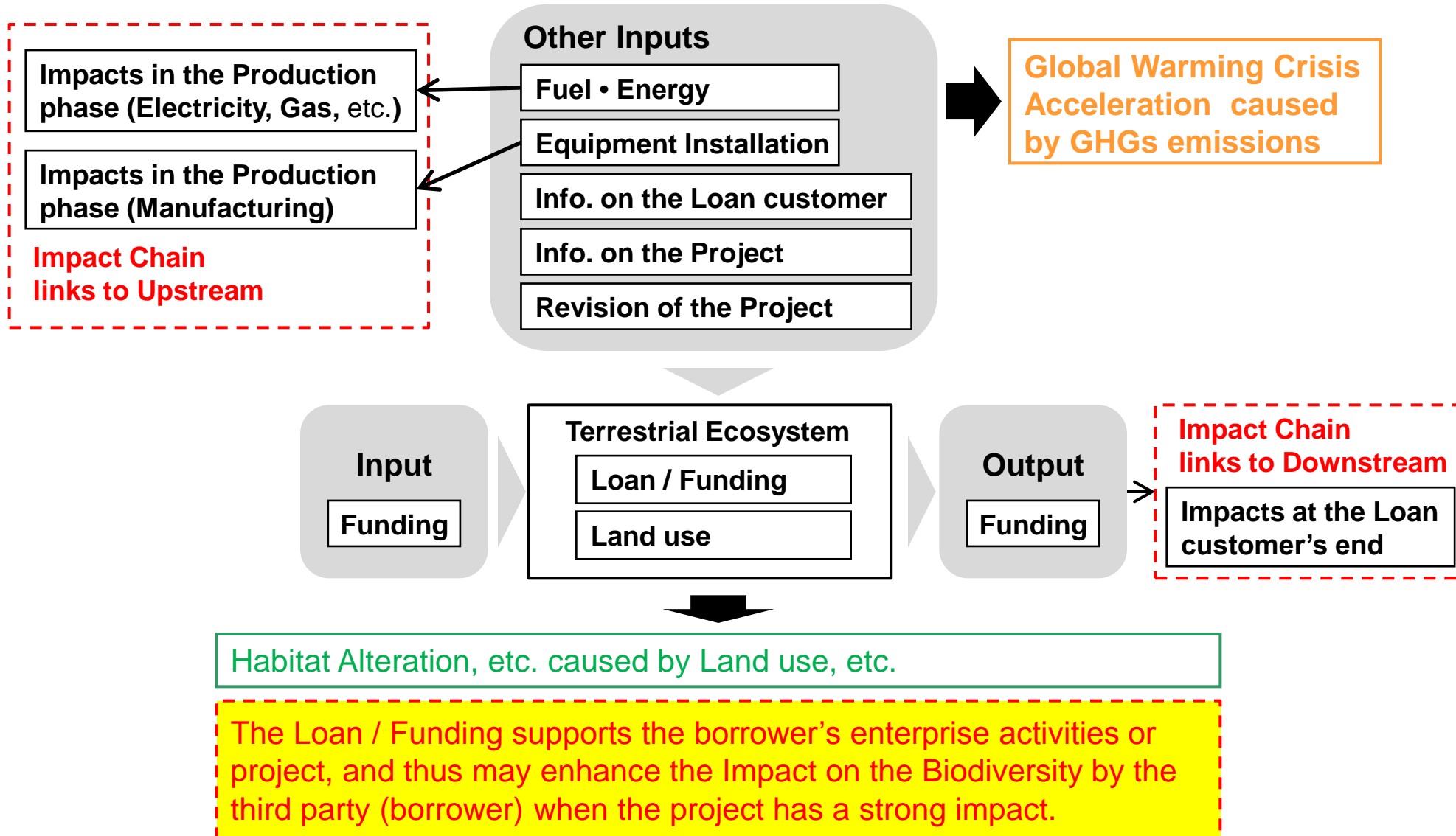
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2011-2020 国連生物多様性の10年

# Financial sector and Biodiversity Conservation



# Financial sector and Biodiversity Conservation

**Table. Financial Sectors' commitment for biodiversity conservation**

Year	Event
1992	● the United Nations Environment Programme Finance Initiative (UNEP FI) was established
2000	● “Global Compact” was launched
2003	● Equator Principle
2006	<ul style="list-style-type: none"><li>● United Nations Principles for Responsible Investment</li><li>● IFC Safeguard policy was revised as IFC Performance Standard</li><li>● Equator Principle was revised</li></ul>
2012	<ul style="list-style-type: none"><li>● IFC Performance Standard</li><li>● The Natural Capital Declaration<ul style="list-style-type: none"><li>*A declaration by the financial sector demonstrating our commitment at the Rio+ 20 Earth Summit to work towards integrating Natural Capital considerations into our financial products and services for the 21st century</li></ul></li><li>● Principles for Sustainable Insurance (PSI) launched at Rio+20 by UNEP FI.</li></ul>
2013	● Revision of Equator Principle (Corporate finance for a specific project are also under consideration)

## Financial Sectors activities (Fund and rating, etc.).

### Principles for Financial Action for 21st Century by Japanese Financial Institutions in 2011

Expected benefits for environmentally friendly companies and project by financial institutions such as banks, securities companies, insurance companies:

Expected Financial Products and services

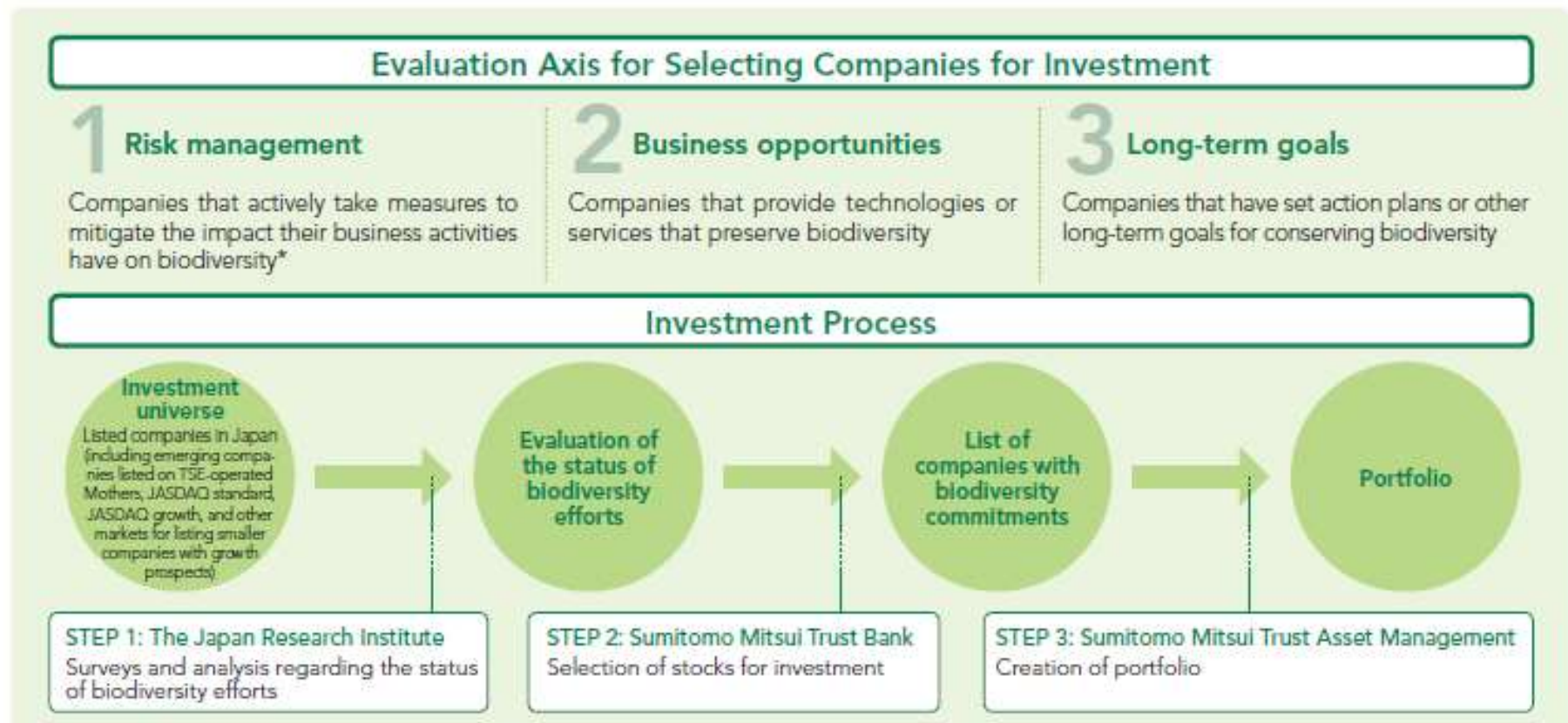
- SRI Fund / Eco-Fund
- Interest rate discount
- Discount interest in environmental bond
- Discount price insurance
- Paperless TOR
- Eco-savings (some amount of interest is used for environmental conservation)

✕The secretariat published best practice cases of the principles in March 2014

# Best Practices in Japanese financial sector :SRI Fund / Eco-Fund

## Biodiversity Companies Support Fund

In 2010, Sumitomo Mitsui Trust Bank developed the world's first equity fund that invests in Japanese companies that commit themselves to biodiversity conservation and sustainable use of biodiversity-related resources (this finding is based on our research).



\*The Natural Capital Efficiency Index is used as the standard to measure degrees of risk response readiness at companies based on the relationship between their sales and their footprints involving energy, water, and waste with an emphasis on their material balance reports.

(Asset management company: Sumitomo Mitsui Trust Asset Management Co., Ltd.)

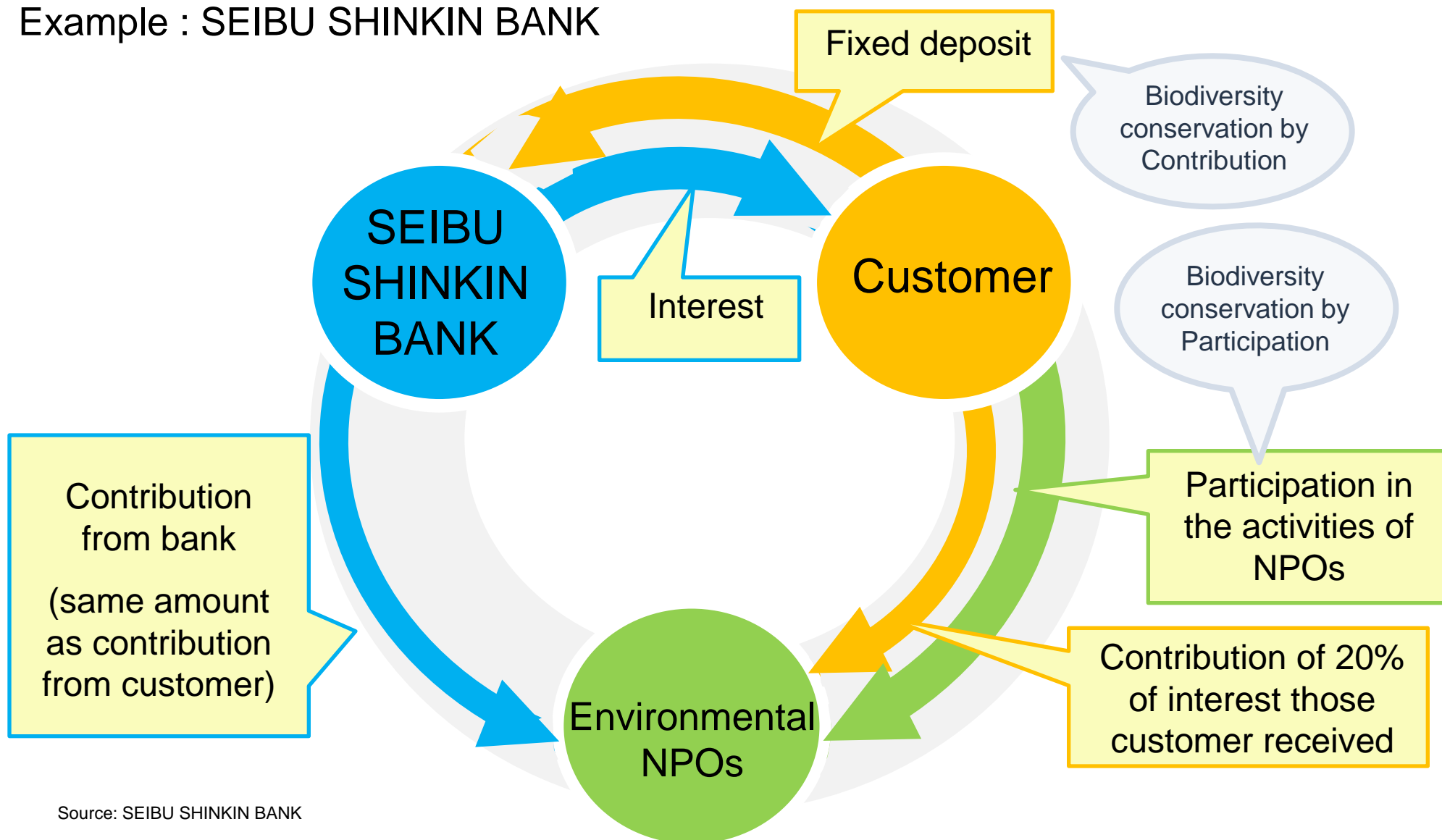
# Best Practices in Japanese financial sector: Eco-savings

The name of bank	Initiatives	
Mizuho Securities, co. Ltd	Global High Yielding Pure Infrastructure Fund	Donation of a portion of the trust fees receiving from the beneficiaries of fund. Donations are made to Peace Winds Japan, which is working to improve infrastructure in developing countries.
SEIBU SHINKIN BANK	eco. fixed deposit	20% of after-tax interest from fixed deposit and same amount of the voluntary expense of the Bank will be donated to local environmental conservation NPO organizations
THE ICHII SHINKIN BANK	Deposit products, Environmental contribution regular installment savings“, Mai-Hotal II”	After the end of the period, the amount equivalent to 0.01% of the regular installment savings contract amount (200 thousands of yen) will be donated by the bank to the “Aichi forest and green building fund”
Osaka Co-sei Shinkin Bank	Eco fixed deposit “Wakaba”	The amount of 0.02% of deposits will be donated to the "Osaka Green Fund"
Kiryu Shinkin Bank	Eco fixed deposit, “fixed deposit for saving the earth by everyone”	Contribution of 0.04% of the balance of the sale at the end, and donate it to conservation organizations, etc.

**\*More than 20 banks in Japan are providing Eco-savings services**

Source: Ministry of the Environment, Japan “Best practice cases of the principles in March 2014”

## Example : SEIBU SHINKIN BANK



## Financial sector and Biodiversity Conservation



- Japanese financial sector is very active on Biodiversity Conservation
- Understanding of customers is key for success for these activities
- Despite that there are many successful practices in Japan, the information on best practices are disseminated only in Japanese (Linguistic barrier)
- Most of good practices are for domestic biodiversity conservation
- Activities for international biodiversity conservation should be encouraged





# Reference Material

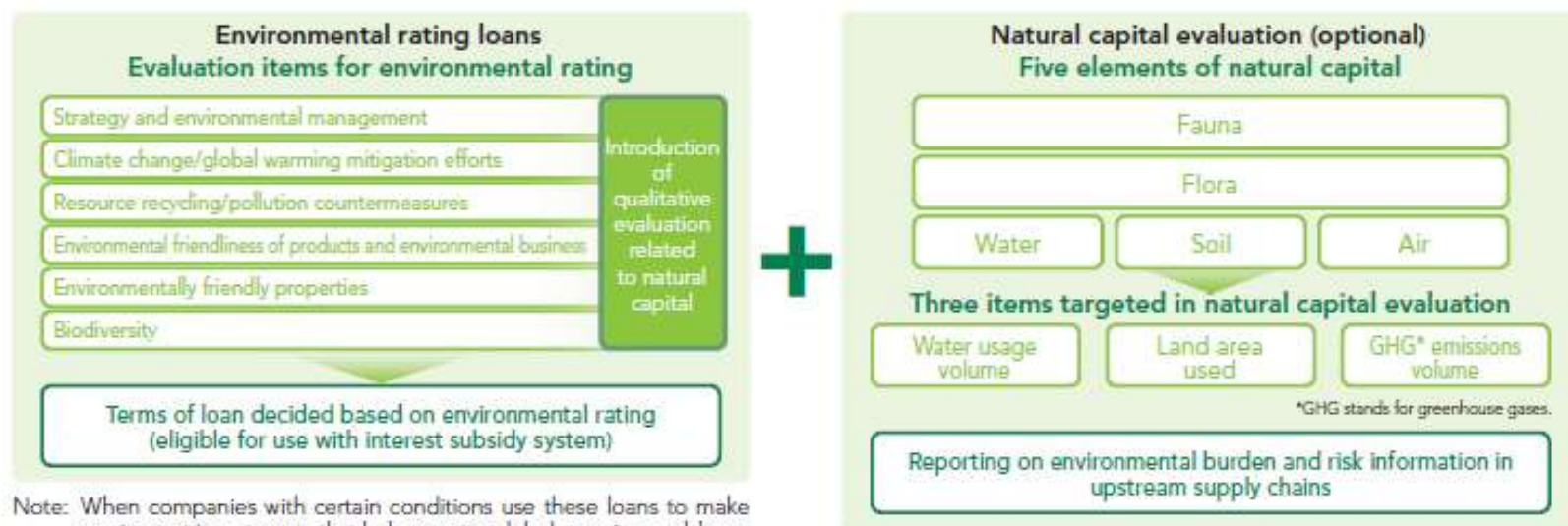
# Best Practices in Japanese financial sector : Interest rate discount

## Environmental Rating Loans with Evaluation of Natural Capital Preservation

### Concept Behind Environmental Rating Loans

The sustainable use of natural capital as resources is vital for a company to continue its business. There is a growing awareness that efforts to address issues related to natural capital across the supply chain as well are an indispensable part of management strategy.

In April 2013, Sumitomo Mitsui Trust Bank launched its Environmental Rating Loans with Evaluation of Natural Capital Preservation, which incorporate the concept of evaluating impact on natural capital and a company's initiatives into the environmental-rating evaluation process that assesses its environmental measures. This is the world's first attempt to incorporate natural capital evaluation into loan criteria.



Note: When companies with certain conditions use these loans to make equipment investments that help counter global warming problems, they can receive interest subsidies under the Japan Environment Association's interest subsidy program.

Note: These options are provided by PricewaterhouseCoopers Sustainability Co., Ltd. and are not available without loan products.

## Best Practices in Japanese financial sector : Interest rate discount

<b>Shiga Bank</b>	<p>Grading of corporate consideration for biodiversity on a scale of 1 to 100 points divided into five ranks under the following criteria.</p> <p>Based on the ranks, companies can borrow money with discount interest rate.</p>
<b>Ichii Shinkin Bank</b>	<p>Reviewing and evaluating the environmental initiatives of the borrowers in accordance with scores of environmental rating, and preferential treatment in stages interest rates according to the evaluation results</p> <p>(Preferential maximum 0.20% depending on the environmental rating).</p>
<b>Ogaki Kyoritsu bank Ltd.</b>	<p>Start "E Challenge Fund" in June 2011:</p> <p>Special fund allowing to loan at a lower interest rate than usual to environment and energy funding needs.</p>

# Best Practices in Japanese financial sector : Interest rate discount

- Shiga Bank introduced Biodiversity rating and interest rate discount system
- The new system grade corporate consideration for biodiversity on a scale of 1 to 100 points divided into five ranks under the following criteria.

Categories	Evaluation Items(Outline)
Management policies	1. Development of biodiversity preservation policies
Promotional and management structure	2. Establishment of structures to promote and manage the policies
Implementation of actions	3. Consideration of environmental impacts and the actions to reduce or avoid environmental risks
	4. Integration of actions in business activities
	5. Degree of contribution to the restoration of nature and to activities to preserve traditional culture
	6. Collaboration with research organizations that possess professional expertise
Promotion and disclosure of actions	7. Development of opportunities in which all employees and customers can understand the importance of biodiversity preservation
	8. Disclosure of actions and results

# Best Practices in Japanese financial sector : Interest rate discount

(continued)

■Based on the rankings, companies may borrow money with discount interest rate.

PLB rating-BD	PLB Interest Rate Discount	Biodiversity Interest Rate Discount	Total Interest Rate Discount
L1+	0.5%	0.1%	0.6%
L2+	0.4%	0.1%	0.5%
L3+	0.3%	0.1%	0.4%
L4+	0.2%	0.1%	0.3%
L5+	Not Applicable	Not Applicable	Not Applicable

\*PLB: Principles for Lake Biwa

# Best Practices in Japanese financial sector :Discount price insurance

Companies	Discount price insurance
Aioi Nissay Dowa Insurance Co., .Ltd	<ul style="list-style-type: none"><li>• Discount price insurance for cars uneasy to be broken or easy to be repaired</li><li>• Discount price insurance on the condition that recycle parts should be used for repair when cars are broken</li><li>• "ECO car discount": Premium discount system for advanced environmental vehicles, including hybrid cars, electric vehicles, CNG vehicles</li><li>• "PAYD (paid)": Actual mileage-linked auto insurance which lead to the reduction of gasoline consumption and CO2 emissions</li></ul>
SAISON AUTOMOBILE&FIRE INSURANCE CO.,LTD	<ul style="list-style-type: none"><li>• In the automotive insurance products, discounting price is applied to the customer purchasing electric and hybrid car. (discount of 1,200 yen).</li><li>• Promoting consumer to buy eco-friendly cars with low CO2 emissions by discount price insurance</li></ul>

# Best Practices in Japanese financial sector : Contribution by Paperless TOR

## “SAVE JAPAN Project” A joint project by Sompo Japan and Nipponkoa

When customers purchase automobile insurance, selecting the “web-based insurance clause” option the company will make donations to environmental NPOs/NGOs and other organizations according to the number of such contracts concluded. Environmental NPOs/NGOs will use the donations to implement community-based participatory environmental preservation activities, in partnership with Sompo Japan and Nipponkoa.

To ensure that the project is clear to community members and contributes to the protection of endangered species, it will be carried out in collaboration with environmental organizations very familiar with the local communities and the Japan NPO Center (JNPOC).

\* Web-based insurance clause refers to the automobile insurance terms and conditions that may be viewed online on the official websites of Sompo Japan and Nipponkoa

