Addressing Climate Change Risk

Disclosure Based on the TCFD Recommendations

Governance

The Sustainability Management Promotion Committee deliberates important matters such as those concerning organized efforts to address sustainability-related issues, particularly the SDGs and ESG, and reports on those matters to the Board of Directors regularly or as needed.

The Bank has been conducting sustainability management based on the belief that “sustainability management practices occupy a higher level of our management principles.” To further promote activities to solve social issues and environmental problems through business activities, the Bank reestablished the Sustainability Management Policy in March 2022, along with revising the Environmental Policy, which was formulated in 2008.

Strategy

To analyze the impacts of climate change on the Bank, the Bank has divided events that could arise from climate change into “Physical events (physical risks)” and “Events related to the transition in the economy and society (transition risks).” Based on these categories, it has identified the impacts of climate change on customers’ assets and businesses and the Bank’s assets and businesses. On the other hand, the Bank recognizes that activities to mitigate the impacts on customers’ assets and businesses could present business opportunities for the Bank. The risks and opportunities identified by the Bank are as follows.

Reason	Risks	Events	Impact		Risks to address	Opportunities
Climate Change	Physical risks	Natural disasters such as heavy rains	Damage to customer assets	Impairment of collateral value and worsening customer business performance	Credit risk	Increased consulting opportunities Increased financing opportunities
			Damage to the Bank’s assets	Business interruptions at the Bank	Operational risk	—
	Transition risks	Changes in laws and stricter regulations Changes in the supply-and-demand balance Technology transformation	Accrual of additional costs Unable to address	Worsening customer business performance	Credit risk	Increased consulting opportunities Increased financing opportunities

Going forward, the Bank will analyze the risks and opportunities it has identified based on the 2°C scenarios and other factors.

In terms of business sectors that are susceptible to the impacts of climate change, the Bank has defined finance for the energy sector and the utility sector (excluding, however, water utilities, independent power producers, and renewable power producers) as carbon-related assets, based on the definitions proposed by the TCFD recommendations, etc. Loans to this sector account for 1.9% of the Bank’s overall loans.

Risk Management

The Bank is building a framework for identifying, managing and evaluating climate change risks that will impact the Bank’s management.

With regard to investment and finance, under our Policy on Loans and Investments for Achieving a Sustainable Society, the Bank seeks to reduce and avoid negative impacts by limiting investment in and loans to businesses related to coal-fired thermal power generation. At the same time, the Bank is working to increase and create positive impacts by proactively investing in and lending to initiatives that help to reduce the risk of climate change and preserve forest resources, among other areas.

Metrics and Targets

The Bank has set a target of implementing sustainable financing of ¥1 trillion by fiscal 2030, as an initiative to realize a decarbonized society. The Bank defines sustainable financing as financing that increases and creates positive impacts for solutions to environmental, social and economic issues, and reduces and avoids negative impacts for solutions to those issues. The Bank’s track record in sustainable financing is as follows.

	FY2020–FY2021 Cumulative
Sustainable Financing	¥138.5 billion

(Reference)
The amount of investment and financing under Funds-Supplying Operations to Support Financing for Climate Change Responses, which are conducted by the Bank of Japan, was ¥59.5 billion (cumulative result as of March 31, 2022).

The Bank of Kyoto Group has formulated the following target and scope of measurement regarding CO_2 emissions from its business activities, and efforts are under way to achieve its target.

Target	Reduce emissions by 50% by fiscal 2030 versus the fiscal 2013 level
Scope of Measurement	CO_2 emissions calculated from the amount of electricity, gas, and gasoline used by the Bank of Kyoto Group (Equivalent to Scope 1 and Scope 2 emissions)

Fiscal 2020 result	(Fiscal 2013 result)
8,841 t (–35.9%)	(13,802 t)

Stakeholder Communication

The Bank has adopted “continually address stakeholder expectations on a long-term basis” as one of its sustainability management policies.

To achieve this policy, the Bank will emphasize opportunities for dialogue with various stakeholders, including customers, shareholders and other investors, local communities and employees, and strive to promote purposeful dialogue. At the same time, feedback obtained through dialogue with stakeholders will be reflected in management.

The Bank believes that purposeful dialogue is premised on proper disclosure of corporate and management information. For this reason, the Bank has been striving to gain the understanding of stakeholders by disclosing its management strategies, financial condition, and related matters with the Bank’s characteristics in mind. The Bank discloses information to stakeholders through earnings presentations for institutional investors, which are held twice a year, and company presentations for individual investors, which are held occasionally. It also publishes integrated reports (this report) and conducts individual meetings with investors, among other activities.