Mizuho Financial Group

Overview of our Environmental and Social Management Policy for Financing and Investment Activity

I. Our approach under our Environmental and Social Management Policy for Financing and Investment Activity

- Companies are expected to contribute to the sustainable development of society as good corporate citizens. In terms of the social and environmental impact of business decisions and business activity, companies need to consider the expectations of their stakeholders and ensure that their actions are not only aligned with international standards but also transparent and ethical.

- At Mizuho, we understand the importance of our social responsibility and duty to the public and we ensure that our corporate conduct fulfills our responsibilities to the communities in which we operate, giving due consideration to the expectations of a diverse range of stakeholders. This enables us to contribute to sustainable social and economic development as well as be part of the solution to issues affecting society.

- In regards to environmental issues, including climate change and conservation of biodiversity, we will endeavor to leverage our financial intermediary and consulting capabilities to maximize beneficial impacts and avoid or mitigate adverse impacts on the environment.

- One of the ways in which we fulfill our social responsibility and duty to the public is to provide financial services such as financing and capital raising support ("financing and investment") to companies which are taking appropriate measures to address environmental and social issues. At the same time, we are also sensitive to the risks involved in engaging in business with companies which are facing environmental or social issues, such as responding to climate change, conserving biodiversity, or respecting human rights, or which are not taking appropriate measures to meet stakeholder expectations.

II. Businesses subject to this policy and implementation methods

- In this document, Section III.1. Financing and Investment Transactions Prohibited Regardless of Sector lists projects for which we prohibit any financing or investment. Section III.2. Financing and Investment Transactions which Require Additional Due Diligence Regardless of Sector and Section III.3. Policies on Transition Risk Sectors and Specific Industrial Sectors describe our practices for determining whether to engage in transactions with clients/projects in subject sectors, accounting for the degree to which the client has taken steps to avoid or mitigate risk and other due diligence as appropriate, based on the characteristics of the services we are providing.

- In addition, based on this policy, our primary subsidiaries participate in engagement with specific clients in each sector with the aim of sharing a medium- to long-term perspective on opportunities and risks accompanying environmental, social, and governance (ESG) issues and climate change.

III. Specific policy implementation

1. Financing and Investment Transactions Prohibited Regardless of Sector

In recognition of the serious risks to and adverse impacts on the environment and society, we refuse to engage in transactions related to the following types of projects:

- Projects with an adverse impact on wetlands designated as Wetlands of International Importance under the Ramsar Convention.
- Projects with an adverse impact on UNESCO World Heritage sites, excluding projects that have received prior consent from the relevant national government and UNESCO.
- Projects violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention), excluding cases permitted under any country's reservation(s) to the convention.
- Projects involving child labor or forced labor.

2. Financing and Investment Transactions which Require Additional Due Diligence Regardless of Sector

In recognition of the serious risks to and adverse impacts on the environment and society, we make decisions on financing and investment for the following types of

projects based on a cautious and considered approach aimed at accounting for the degree to which the client has taken steps to avoid or mitigate risk:

- Projects with adverse impacts on indigenous peoples' local communities.
- Projects involving land expropriation that causes forced relocation of residents.

3. Policies on Transition Risk Sectors and Specific Industrial Sectors

For certain sectors such as those listed below, where there is a particularly high possibility of contributing to adverse environmental or social impacts, our decisions regarding whether to engage in business transactions take into consideration the client's response to environmental and social issues, including climate change, conservation of biodiversity, and respect for human rights:

(1) Transition risk sectors

Climate change is closely tied to various economic and social issues, and we recognize that addressing climate change is an important issue in the medium to long term.

Companies whose primary businesses are in coal-fired power generation, oil-fired power generation, gas-fired power generation, coal mining, and/or other oil and gas operations may be exposed to transition risk if they do not take appropriate measures for the transition to a low-carbon society.

At Mizuho, we are undertaking engagement with clients to ensure they make progress on addressing transition risks associated with climate change. In undertaking such engagement with our clients, if a client does not make progress on addressing their transition risks even after a certain period of time, we carefully consider our transactions with the client.

Further, in our engagement and decision-making, we also take into account the role of the client in national energy policies aligned with the Paris Agreement.

(2) Specific industrial sectors

1) Weapons

We avoid providing financing or investment which will be used for the manufacture of weapons designed to kill or inflict structural damage during wars or armed conflicts.

In addition, we avoid providing financing or investment to any manufacturer of cluster munitions, antipersonnel landmines, or biochemical weapons, regardless of the purpose of the funding, in view of the inhumane nature of these weapons.

2) Coal-fired power generation

Compared to other forms of power generation, coal-fired power generation produces more greenhouse gases, in addition to producing harmful substances such as sulfur oxide and nitrogen oxide. Therefore, it presents a higher risk of contributing to climate change, air pollution, and other environmental impacts.

In light of this fact and in line with our policy on transition risk sectors, we do not provide financing or investment which will be used for new construction[1] of coal-fired power plants.

However, when a proposed coal-fired power plant is essential to the relevant country's stable energy supply and will contribute to reduction of greenhouse gas emissions by replacing an existing power plant, we may provide financing or investment for the project, based on careful consideration.

We will also continue to support development of innovative, clean, and efficient next-generation technology that will contribute to the expansion of sustainable energy, as well as other initiatives for the transition to a low-carbon society.

3) Thermal coal mining

We recognize that mining of thermal coal, when not managed properly, entails risk of adverse environmental and social impacts, which may include damage to ecosystems from hazardous waste produced in coal mines, as well as deaths or injuries resulting from mining accidents. Further, mined coal may also increase greenhouse gas emissions when burned for power generation or other purposes in the future.

In light of this fact and in line with our policy on transition risk sectors, we do not provide financing or investment which will be used for new thermal coal mining projects.

1. "New construction of coal-fired power plants" includes expansion of existing facilities.

When an existing thermal coal mining project contributes to the stable energy supply of a country which has announced policies aligned with the Paris Agreement, we may provide financing or investment for the project, based on careful consideration, only in these cases.

In addition, our decisions regarding financing and investment for companies whose businesses include thermal coal mining involve a thorough examination of their responses to the above risks.

4) Oil and gas

We recognize that oil and gas extraction and pipeline construction entail risk of adverse environmental and social impacts, which may include pollution of oceans and waterways from oil spills and gas leaks, as well as violations of the human rights of indigenous peoples. Accordingly, our decisions regarding financing and investment for oil and gas projects involve a thorough examination of the impacts on the environment and of the potential for conflicts with indigenous peoples or local communities.

In particular, we recognize that the Arctic Circle (the region with latitude 66°33′ north of the Equator) requires consideration for the conservation of endangered species and the lives of indigenous peoples. We also recognize that oil sands, shale oil, and shale gas development causes significant environmental degradation and may violate the human rights of indigenous peoples, among other risks. Because of this, when providing financing or investment for oil or gas extraction projects in the Arctic Circle or oil sands, shale oil, or shale gas projects, we conduct appropriate assessments of environmental and social risks.

5) Large-scale hydropower

We recognize that large-scale hydropower construction (an output of 25MW or more and a dam wall of 15m or more) entails risk of adverse environmental and social impacts, which may include disturbance of river basin ecosystems and destruction of biodiversity, as well as violation of the human rights of indigenous peoples and local communities due to resettlement. Accordingly, our decisions regarding financing and investment for large-scale hydropower projects involve a thorough examination of the impacts on the environment and of the potential for conflicts with indigenous peoples or local communities.

Further, when providing financing or investment for large-scale hydropower projects, we recommend the client perform an environmental and social impact assessment based on the Hydropower Sustainability Assessment Protocol.

6) Large-scale agriculture (soybeans and similar)

We recognize that development of large-scale agriculture of soybeans and similar crops (agriculture covering 10,000 ha or more) may entail environmental issues such as deforestation (including forest burning) and damage to biodiversity, in addition to potential human rights abuses such as the violation of indigenous peoples' rights or the use of child labor. Accordingly, our decisions regarding financing and investment for such agriculture involve a thorough examination of the client's measures to address environmental and social issues.

Further, we urge our clients in these sectors to formulate sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE), and to respect Free, Prior, and Informed Consent (FPIC) in relation to local communities.

7) Palm oil

While we recognize that palm oil is an essential commodity for maintaining our lifestyles and infrastructure, we are also aware of the potential human rights abuses within the production process such as the violation of indigenous peoples' rights or the use of child labor, in addition to environmental issues such as deforestation (including forest burning) and damage to biodiversity.

In order to avoid becoming involved in such projects which may inflict human rights abuses or environmental destruction, our business decisions involve a thorough examination of whether there are any potential conflicts involving indigenous peoples or local communities, and we take into consideration whether the client/project has received international certifications such as those for the production of sustainable palm oil.

Specifically, we require that all plantations be certified by the Roundtable on Sustainable Palm Oil (RSPO). When a client needs more time to have all their plantations certified by the RSPO, we ask that they formulate a plan with a set deadline

to receive the certification. When the client does not have any plans to be certified by the RSPO, we ask that they take measures equivalent to those required for the certification and periodically report the status of said measures. When the client needs more time to establish such measures, we ask that they formulate a plan with a set deadline to do so.

In the event that we identify any unlawful act during the term of a transaction, we urge the client to take immediate remedial measures. In the event that the client has not taken appropriate measures to address social issues, we undertake engagement with the client to promote remedial measures and, if the client's remedial measures are unsatisfactory, we suspend new financing and investment.

Further, we urge our clients in these sectors to formulate sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE), and to respect Free, Prior, and Informed Consent (FPIC) in relation to local communities.

8) Lumber and pulp

While we recognize that lumber and pulp are essential commodities for maintaining our lifestyles and infrastructure, we are also aware of the potential human rights abuses within the production process such as the violation of indigenous peoples' rights or the use of child labor, in addition to environmental issues such as deforestation (including forest burning) and damage to biodiversity.

In order to avoid becoming involved in such projects which may inflict human rights abuses or environmental destruction, our business decisions involve a thorough examination of whether there are any potential conflicts involving indigenous peoples or local communities, and we take into consideration whether the client/project has received international certifications such as those for responsible forest management.

In the event that we identify any unlawful act during the term of a transaction, we urge the client to take immediate remedial measures. In the event that the client has not taken appropriate measures to address social issues, we undertake engagement with the client to promote remedial measures and, if the client's remedial measures are unsatisfactory, we suspend new financing and investment.

Further, we urge our clients in these sectors to formulate sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE), and to respect Free, Prior, and Informed Consent (FPIC) in relation to local communities.

IV. Governance related to this policy

1. Governance

Relevant governing bodies within Mizuho such as our Executive Management Committee and/or Business Policy Committee will regularly review whether our measures related to the risks, sectors, and other factors covered under this policy are appropriate and sufficient, with consideration to changes in the external environment and the results of implementation. Following these reviews, our governing bodies may revise or otherwise make changes to our measures to enhance their implementation.

Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities, and Mizuho Americas put in place an operational framework for this policy and began implementing it from June 1, 2021.

2. Education and training

Mizuho will conduct training and professional development exercises to enhance executive officers' and employees' understanding of environmental and human rights issues. We will also implement educational seminars, training, and awareness building activities for executive officers and employees regarding compliance with the internal regulations and procedures which are relevant to their field of work.

3. Stakeholder communication

As part of our initiatives in this area, we place a strong emphasis on engagement with stakeholders. Our objective in taking this approach is to ensure that our initiatives are aligned with society's standards and expectations.

(Revised in March 2021)