

## **Strengthening our sustainability action**

Mizuho Financial Group, Inc. (President & CEO: Tatsufumi Sakai) has strengthened our action on the three points listed below, based on thorough discussions by our business execution and supervisory lines and with attention to both opportunity and risk. We have taken this step in light of the growth in efforts to respond to climate change, as seen in the low-carbon and net-zero pledges being made by countries around the world, and the changes in the social context, such as the increased emphasis on considering the environment and human rights across the value chain. Beyond those factors, our stronger action also reflects our own strategy and initiatives and our stakeholders' evaluations and expectations.

1.	<b>Climate change</b>	<ul style="list-style-type: none"> <li>● Clarified our transformation to a portfolio aligned with the targets in the Paris Agreement</li> <li>● Set targets for reducing the Mizuho group's greenhouse gas emissions, with the aim of becoming carbon neutral</li> <li>● Enhanced measures to address transition risk (expanded engagement, improved risk control for carbon-related sectors, etc.)</li> </ul>
2.	<b>Environmental and social risk in the value chain</b>	<ul style="list-style-type: none"> <li>● Enhanced environmental and social management in financing and investment activity</li> <li>● Enhanced responsible procurement</li> </ul>
3.	<b>Sustainable business</b>	<ul style="list-style-type: none"> <li>● Enhanced solutions based on engagement</li> </ul>

### **1. Enhancing measures to address climate change**

At Mizuho, we have recently enhanced our measures to address climate change by (1) clarifying our long-term targets and goals for 2050 in our Environmental Policy, (2) setting targets to reduce our greenhouse gas emissions group-wide, and (3) strengthening our risk management. Going forward, we will continue to develop a specific pathway towards our goals.

#### **(1) Clarified our transformation to a portfolio aligned with the targets in the Paris Agreement** (Attachment 1)

Last April, we established an Environmental Policy clarifying our stance on climate change as well as our environmental awareness and specific actions that we will take on environmental initiatives, including those targeting climate change, as we work toward transitioning to a low-carbon society. Our group companies also adopted similar policies, allowing us to pursue our initiatives in an integrated manner.

In April 2021, we revised our Environmental Policy to further clarify the below points of our stance on climate change.

- Contribution to achieving a low-carbon society (net zero greenhouse gas emissions) by 2050
- Support for the objective of the Paris Agreement (“strengthen the global response to the threat of climate change”)
- Direction of finance flows towards achievement of the Paris Agreement targets and phased transformation to a finance portfolio aligned with said targets

**(2) Set new targets for reducing the Mizuho group’s greenhouse gas emissions, with the aim of becoming carbon neutral**

Mizuho group<sup>1</sup> worldwide greenhouse gas emissions (Scope 1 and 2)<sup>2</sup> targets

- Achieve a reduction of 35% compared to FY2019 levels by FY2030
- Aim to become carbon neutral by FY2050

**(3) Strengthened the management of climate change risks**

**A. Designated the rapid advancement of social change occurring due to climate change as a “top risk”**

At Mizuho, we previously positioned climate change risks as “emerging risks” (major risks that must be addressed in the next few years despite the fact that materialization of the risks will occur over a medium- to long-term time frame) and maintained periodic monitoring of related indicators. In FY2021, we have designated the rapid advancement of social change occurring due to climate change as a “top risk”, and we are enhancing our monitoring. This elevates its positioning as a matter that must be addressed urgently and reflects our awareness that, with both policy and corporate initiatives rapidly gaining momentum, there is a risk that delaying our response and not taking adequate initiative would have a significant impact on our business.

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1. Applies to 8 group companies (Mizuho Financial Group, Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities, Mizuho Research & Technologies, Asset Management One, Mizuho Private Wealth Management, and Mizuho Americas).

2. Scope 1: Direct emissions of greenhouse gases from company-owned or -controlled sources (such as from burning of fuel).  
Scope 2: Indirect emissions of greenhouse gases from the use of energy or similar resources provided by other parties.

## B. Expanded scope of scenario analysis based on TCFD Recommendations

We have expanded the scope of our next scenario analysis, currently ongoing, as below. The analysis methodology, results, and other details will be published in our TCFD Report 2021 (Japanese version to be released in June, English version to follow at a later date).

	Previous	Next ( <u>underlines</u> indicate changes)
Transition risk: Targeted sectors	Electric utilities (in Japan) Oil, gas & coal sectors (in Japan)	Electric utilities ( <u>worldwide</u> ) Oil, gas & coal sectors ( <u>worldwide</u> ) <u>Automobiles (worldwide)</u>
Physical risk: Target of analysis	Acute risks (risk of wind and water-related damage from typhoons and other storms)	<u>Chronic risks</u> (risk of increase in heat stroke and infectious disease)

## C. Enhanced response to transition risks

### (a) Expanded engagement

In light of our FY2019 scenario analysis results and other factors<sup>3</sup>, since FY2020 we have been further strengthening our constructive dialogue (engagement) with our clients concerning their efforts to address climate change. Providing solutions based on a deep understanding of our clients' challenges and needs allows us to capture business opportunities and strengthen risk management.

In FY2020, as part of our efforts towards risk management and responsible financing and investment, we undertook engagement with approximately 900 clients and, among these, in-depth engagement with approximately 70 large credit and similar clients.

	FY2019	FY2020
Engagement with clients	Approx. 530 clients	Approx. 900 clients <sup>4</sup>
Target clients	Credit clients in sectors subject to the Environmental and Social Management Policy for Financing and Investment Activity (oil and gas, coal-fired power generation, coal mining, palm oil, lumber, and pulp, etc.)	
In-depth engagement with clients	Approx. 30 clients	Approx. 70 clients
Examples of engagement topics	<ul style="list-style-type: none"> <li>● Status of measures to address critical environmental and social risks in each sector</li> <li>● Risks and opportunities related to environmental, social, and governance (ESG) issues and climate change</li> <li>● Approaches to and response plans for transition risks (business structure transformation strategies and similar)</li> <li>● CO<sub>2</sub> emissions and medium- to long-term reduction plans</li> <li>● Capital raising plans related to renewable energy business, technological development for CO<sub>2</sub> emission reductions, etc.</li> </ul>	

3. FY2019 scenario analysis results: Analyzed carbon-related sectors in Japan using two scenarios: one with no transformation of the present business structure and one with such transformation. We confirmed that the scenario with transformation of the present business structure, while involving some impacts in the short term, would limit the increase in credit costs over the medium to long term (lesser or no fossil fuel dependency would improve business performance). For further details, see our TCFD Report 2020.

4. Expanded the scope of clients with which to engage by revising the standards for the oil and gas sector (expanding from clients with a credit balance of USD 50 million or more to all credit clients), adding the coal mining sector, and making other changes. In FY2020, we engaged with all credit clients in fossil fuel-related sectors, as well as all credit clients in the palm oil sector.

## **(b) Risk control in carbon-related sectors (Attachment 2)**

Taking into account our FY2019 scenario analysis results and the details of engagement given above, we assessed risk along two axes—our clients' sectors and our clients' measures to address transition risk—in order to identify high-risk areas. At Mizuho, in line with the TCFD Recommendations, we have been disclosing the percentage of our credit exposure in carbon-related sectors.<sup>5</sup> Going forward, we will add our exposure in high-risk areas to our monitoring indicators and disclose this information alongside our exposure in carbon-related sectors.

In regard to high-risk areas, we are engaging with clients to encourage them to formulate effective strategies for transition risks, disclose their progress, and in some cases embark on business structure transformation towards a lower risk sector. 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. In this way, we are enhancing our risk control and reducing our exposure in high-risk areas over the medium to long term.

As of March 31, 2021	Exposure in carbon-related sectors	¥12.8 trillion	Of which, exposure in high-risk areas <b>¥1.8 trillion</b>
	Percentage of overall exposure	5.7%	

## **(c) Revised target to reduce the outstanding credit balance for coal-fired power generation facilities**

Regarding the target we set in FY2020 to reduce our outstanding credit balance for coal-fired power generation facilities, we have moved up our target date for achieving a credit balance of zero from FY2050 to FY2040.

Target to reduce the outstanding credit balance for coal-fired power generation facilities based on our Environmental and Social Management Policy for Financing and Investment Activity	
Before revision	After revision
Reduce the FY2019 amount by 50% by FY2030, and achieve an outstanding credit balance of zero by FY2050	Reduce the FY2019 amount by 50% by FY2030, and achieve an outstanding credit balance of zero by <b><u>FY2040</u></b>

## **2. Strengthening our response to environmental and social risk in the value chain**

### **(1) Environmentally and socially responsible financing and investment activity**

(Attachment 3)

At Mizuho, in light of the expectations and perspectives of our stakeholders and for the purpose of environmental and societal considerations in financing and investment, we

5. Carbon-related sectors: Classified according to the TCFD Recommendations (includes the Energy and Utilities sectors as defined by the Global Industry Classification Standard (GICS) but not water utilities, independent power producers, or renewable energy businesses).

previously established an Environmental and Social Management Policy for Financing and Investment Activity.

We have now enhanced our policy as follows to further address climate change, biodiversity, and human rights.

Revision details <sup>6</sup>		Environmental/social risks on which we are taking stronger action with these revisions		
		Climate change (Greenhouse gas reduction, protection of forests (carbon sinks), etc.)	Biodiversity	Human rights (Labor issues, respect for indigenous peoples, etc.)
New sector	Transition risk	✓		
	Large-scale hydropower generation		✓	✓
	Large-scale agriculture (soybeans and similar)	✓	✓	✓
Tightened response policy	Coal-fired power generation	✓		
	Coal mining	✓		
	Oil and gas	✓	✓	✓
	Palm oil	✓	✓	✓

## (2) Responsible procurement

To enhance our responsible procurement initiatives and positively contribute to development of a sustainable society together with our suppliers, we have established a Procurement Policy (Attachment 4). The policy clarifies our basic approach to procurement and our requirements for suppliers from the perspectives of consideration for the environment (E); respect for human rights (S); and compliance and information management (G).

Going forward, we will apply this policy to our own procurement and also urge our suppliers to pursue ESG initiatives in their business operations. In doing so, we will enhance ESG risk management throughout the supply chain.

## 3. Strengthening support for sustainable businesses

Sustainability issues such as climate change, aging populations, and declining birthrates constitute important structural changes in the business environment for our clients as well. Our engagement with our clients is a starting point from which we strive to meet their diversifying needs to address the Sustainable Development Goals (SDGs) and ESG

6. For further details, see Attachment 3.

issues. Under this approach, we have been proactively developing and providing both financial and non-financial solutions.

Main results of sustainable business support
<ul style="list-style-type: none"> <li>● Sustainable finance and environmental finance<sup>7</sup> to positively contribute to the creation of finance flows aimed at achieving the SDGs Results (preliminary figures): ¥7.1 trillion (of which, ¥2.6 trillion in environmental finance) (FY2019 to FY2020 total)</li> <li>● Development and provision of new solutions meeting clients' diversifying needs <ul style="list-style-type: none"> <li>- Began offering sustainability-linked bond and transition loans (both first in Japan)</li> <li>- Launched SDG initiative support finance for middle-market and small- and medium-sized enterprises</li> <li>- Launched a new investment product, the Global ESG High-Quality Growth Equity Fund (no currency hedge) (also known as "Future World (ESG)")</li> <li>- Launched the private data trust "Letter to the Future"</li> <li>- Expanded information and consulting on sustainability</li> </ul> </li> </ul>

To respond more rapidly to our clients' expanding needs, we have further enhanced our structure for promoting sustainable business—expanding our sustainable business planning and promotion as well as our sustainability support functions, which leverage our research and consulting insights. In addition, we have also deepened our global, group-wide coordination.

Going forward, we will further enhance our engagement tailored to the particular characteristics of each of our client segments, look into sustainability strategies with our clients, work proactively towards the worldwide transition to a low-carbon society and the development of a sustainable society, and strive to improve both our own and our clients' corporate value (Attachment 5).

## Looking ahead

Our group-wide initiatives were recognized in the Japan Ministry of the Environment's 2nd ESG Finance Awards Japan, with Mizuho Financial Group receiving a Gold Award (Minister of the Environment's award) and Mizuho Securities receiving a Bronze Award.<sup>8</sup>

The awards have encouraged us even more to continue strengthening our initiatives towards achieving a sustainable society (our sustainability action).

In the near future, to further accelerate diversity and inclusion beginning with women's empowerment, we plan to join the 30% Club Japan, which aims to increase the proportion of women in important decision-making bodies of companies.

7. Target: ¥25 trillion in sustainable finance (of which ¥12 trillion in environmental finance), FY2019 - FY2030 total.

8. See our press release dated February 24, 2021: [https://www.mizuhogroup.com/news/2021/02/20210224release\\_eng.html](https://www.mizuhogroup.com/news/2021/02/20210224release_eng.html)

In addition to promoting our stronger sustainability action to executive officers and employees at each of our group companies, ensuring that they have an understanding of sustainability topics to enable valuable engagement with clients, we will continue to enhance communication with our varied stakeholders.

We are also focusing on improving our disclosures and will soon release our TCFD Report 2021 (June), Integrated Report (July), ESG Databook (August), and SASB Index (September). (Dates listed are for Japanese versions. Release dates for English versions may be later.)

#### Attachments

Attachment 1	Environmental Policy - Revision details and full text
Attachment 2	Framework for risk control in carbon-related sectors
Attachment 3	Environmental and Social Management Policy for Financing and Investment Activity – Main revisions and overview
Attachment 4	Procurement Policy
Attachment 5	Status of sustainable business initiatives

**Environmental Policy revision details** (additions underlined)

## 7. Addressing specific environmental concerns

## ■ Efforts to address climate change:

We recognize climate change as one of the most crucial global issues with the potential to impact the stability of financial markets, representing a threat to the environment, society, people's lifestyles and businesses. At the same time, we believe there are new business opportunities arising from the need to transition to a low-carbon society, such as the field of renewable energy and other businesses and innovations which contribute to mitigating and adapting to the impact of climate change.

Mizuho supports the Paris Agreement's objective to "strengthen the global response to the threat of climate change".

In light of this, we have included responding to climate change as a key pillar of our business strategy and will take the following actions in order to proactively fulfill our role as a financial services group in the effort to achieve a low-carbon society (achieve net zero greenhouse gas emissions) and to develop a climate change resilient society by 2050.

- We are directing finance flows towards achievement of the Paris Agreement targets to limit in the global average temperature rise, and we are undertaking phased transformation to a finance portfolio aligned with said targets.
- We will engage in proactive, constructive dialogue in response to our clients' individual concerns and needs, and in support of their efforts to introduce climate change countermeasures and transition to a low-carbon society in both the medium and long term.
- We will proactively develop and offer financial products and services designed to support clients' efforts to introduce climate change countermeasures and transition to a low-carbon society.
- We understand the importance of climate-related financial disclosures and we utilize the framework under the Recommendations of the TCFD in order to leverage growth opportunities and strengthen risk management as well as disclose information in a transparent manner regarding our progress.

(See the following pages for the full revised policy.)



## Environmental Policy

### 1. Purpose

Our commitment to environmentally conscious action is included in the Mizuho Code of Conduct. This Environmental Policy stipulates the objectives that form the basis of our conduct and the specific actions we will take to achieve them. This policy has been established through a resolution of the Board of Directors and applies to all group companies of Mizuho Financial Group, Inc.

### 2. Our approach to addressing environmental issues

Environmental issues are becoming more diverse and complex, and are recognized as one of the most pressing global concerns.

Our economy, industries and society are supported by the varied benefits received from natural capital<sup>1</sup> and ecosystems. We believe that addressing environmental issues which impact such resources is humanity's shared responsibility towards a sustainable society.

At Mizuho, we recognize that our business activities may have both a direct and indirect impact upon the environment. We also believe that environmental initiatives such as mitigating and adapting to the impact of climate change, preserving biodiversity, and promoting circular economy are essential preconditions for the existence and activities of our company.

While maintaining a global and long-term perspective of risks and opportunities, we are aiming to enhance our corporate value and contribute to the creation of a sustainable society. We intend to achieve this by proactively implementing environmental initiatives which draw on our capabilities and knowledge as a financial services group.

### 3. Initiatives facilitated by our business activities

We leverage our financial intermediary and consulting capabilities in order to proactively develop and offer financial products and services which support the environmental initiatives of corporations and other clients. In doing so, we aim to maximize positive impacts and avoid or mitigate negative impacts on the environment.

We have established an Environmental Management Policy for Financing and Investment Activity which we will revise as needed.

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<sup>1</sup> Natural capital: The world's stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, land, and metals) which afford humanity all manner of benefits.

Mizuho Bank complies with the Equator Principles<sup>2</sup> in regard to project finance deals and the management of environmental and social risk.

In regard to our asset management operations, Mizuho Trust & Banking and Asset Management One engage in dialogue with companies they invest in regarding ESG-related concerns, monitor the companies they entrust asset management operations to, and take other such actions to appropriately fulfill their stewardship responsibilities<sup>3</sup> as responsible institutional investors.

#### **4. Efforts to reduce our environmental impact**

We are working to reduce the environmental impact of our own business activities, including through the use of sustainable energy and resources, pollution prevention and practicing sustainable procurement.

#### **5. Governance and management framework**

Our efforts go beyond merely complying with environmental laws and regulations. We support local and international initiatives which aim to contribute to the creation of a sustainable society. In addition, we promote efforts which are aligned to relevant frameworks in each country and region.

We incorporate environmental risks and opportunities into our strategy and work to manage them appropriately.

Mizuho Financial Group has put in place a framework for ensuring steady implementation of initiatives towards realizing a sustainable society. This includes regular reports to the Board of Directors regarding progress on environmental initiatives and other information. We have also set indicators and goals related to our environmental initiatives and seek continuous improvement through regular progress evaluation and revision.

Our group companies implement environmental initiatives under a governance and management framework aligned with their respective business structure and scale.

In order to ensure compliance with and full implementation of this Environmental Policy, we will train all executive officers and employees.

To ensure transparency, we will proactively disclose updates as appropriate on our environmental initiatives.

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<sup>2</sup> Equator Principles: A framework adopted by private sector financial institutions for determining, assessing, and managing environmental and social impact in large-scale projects (such as development or construction-related projects).

<sup>3</sup> Stewardship responsibilities: The responsibilities of institutional investors to enhance the medium- to long-term investment return for their clients and ultimate beneficiaries by improving and fostering the enterprise value and sustainable growth of investment recipients through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their respective business environments.

## 6. Stakeholder engagement

Mizuho believes in constructive dialogue with our stakeholders through collaboration and cooperation with diverse stakeholders including customers, suppliers, local communities and government organizations.

## 7. Addressing specific environmental concerns

### ■Efforts to address climate change:

We recognize climate change as one of the most crucial global issues with the potential to impact the stability of financial markets, representing a threat to the environment, society, people's lifestyles and businesses.

At the same time, we believe there are new business opportunities arising from the need to transition to a low-carbon society, such as the field of renewable energy and other businesses and innovations which contribute to mitigating and adapting to the impact of climate change.

Mizuho supports the Paris Agreement's objective to "strengthen the global response to the threat of climate change".

In light of this, we have included responding to climate change as a key pillar of our business strategy and will take the following actions in order to proactively fulfill our role as a financial services group in the effort to achieve a low-carbon society (achieve net zero greenhouse gas emissions) and to develop a climate change resilient society by 2050.

- We are directing finance flows towards achievement of the Paris Agreement targets to limit in the global average temperature rise, and we are undertaking phased transformation to a finance portfolio aligned with said targets.
- We will engage in proactive, constructive dialogue in response to our clients' individual concerns and needs, and in support of their efforts to introduce climate change countermeasures and transition to a low-carbon society in both the medium and long term.
- We will proactively develop and offer financial products and services designed to support clients' efforts to introduce climate change countermeasures and transition to a low-carbon society.
- We understand the importance of climate-related financial disclosures and we utilize the framework under the Recommendations of the TCFD<sup>4</sup> in order to leverage growth opportunities and strengthen risk management as well as disclose information in a transparent manner regarding our progress.

(Revised in April 2021)

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<sup>4</sup> TCFD: Task Force on Climate-related Financial Disclosures

### Risk assessment mapping

			Corporate credit		Project finance <sup>5</sup>
			Transition risk response <sup>3</sup>		
			Low <sup>4</sup>	High	
Carbon-related sectors <sup>1, 2</sup>					
Electric power (utilities)	Power generation	Coal-fired			
		Oil, gas, other			
	Power transmission				
Resources (energy)	Coal	Thermal			
		Metallurgical			
	Oil and gas				

Key:

High-risk area

Engagement-focused support for transitioning to a low-carbon society  
Mizuho takes engagement (constructive dialogue) with our clients as our starting point for supporting their measures to address climate change and transition to a low-carbon society. In this way, we can base our support on a deep understanding of our clients' challenges and needs. We also provide our clients with a wide range of solutions, including finance and consulting, to facilitate sustainable improvement in their corporate value.

### Risk assessment in carbon-related sectors

At Mizuho, in line with the TCFD Recommendations, we have been measuring and disclosing the percentage of our credit exposure in carbon-related sectors.<sup>2</sup> Taking into account our FY2019 scenario analysis results<sup>6</sup> and other factors, we have assessed risk along two axes—our clients' sectors<sup>1</sup> and our clients' measures to address transition risk<sup>3</sup>—in order to identify high-risk areas.

(Credit exposure in carbon-related sectors: ¥12.8 trillion. Percentage of overall exposure: 5.7%. Of which, credit exposure in high-risk areas: ¥1.8 trillion. (all figures as of March 31, 2021))

### Response policy for high-risk areas

We are engaging with clients to encourage them to formulate effective strategies for transition risks and, in some cases, embark on business structure transformation towards a lower risk sector. If we undertake such engagement with a client and the 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. In this way, we are enhancing our risk control and reducing our exposure in high-risk areas over the medium to long term.

- Sector: Companies are divided into sectors based on the largest component in the sales/energy mix of their business activities.
- Carbon-related sectors: Classified according to the TCFD Recommendations (includes the Energy and Utilities sectors as defined by the Global Industry Classification Standard (GICS) but not water utilities, independent power producers, or renewable energy businesses).
- Transition risk: Risks stemming from widespread policy, legal, technological, and market changes which occur as the result of transitioning to a low-carbon society.  
Transition risk response: Based on disclosures, interviews, and other sources of information on the status of our clients' measures to address transition risk. Accounts for the adequacy of targets in terms of quantitative rigor, alignment with the Paris Agreement, and similar; the specificity of methods and progress on achieving targets; performance and objectivity; and other factors.
- Transition risk response low: Indicates no effective strategy for responding to transition risk has been confirmed.
- Credit for project finance.
- Scenario analysis results based on the TCFD Recommendations: We analyzed carbon-related sectors in Japan using two scenarios: one with no transformation of the present business structure and one with such transformation. We confirmed that the scenario with transformation of the present business structure, while involving some impacts in the short term, would limit the increase in credit costs over the medium to long term (lesser or no fossil fuel dependency would improve business performance). For details, see our TCFD Report 2020.

## Main revisions to Environmental and Social Management Policy for Financing and Investment Activity

(The full revised overview follows on p. 4)

Item	Before revision	After revision
General		
Transition risk sectors	N/A	<p><u>Added sectors</u></p> <p>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.</p> <p>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.</p>
Specific industrial sectors		
Coal-fired power generation	We do not provide financing or investment which will be used for new construction of coal-fired power plants. (This excludes business to which Mizuho is already committed as of the start of this policy.)	<p><u>Tightened response policy</u></p> <p>We do not provide financing or investment which will be used for new construction of coal-fired power plants.</p> <p>(Deleted “This excludes business to which Mizuho is already committed as of the start of this policy.”)</p>
Thermal coal mining	We do not provide financing or investment to coal mining projects employing the mountain top removal method.	<p><u>Tightened response policy</u></p> <p>We do not provide financing or investment which will be used for new thermal coal mining projects.</p> <p>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.</p>

Item	Before revision	After revision
Oil and gas	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.	<p><u>Tightened response policy on development in the Arctic Circle and on development of oil sands, shale oil, and shale gas (additions below)</u></p> <p>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.</p>
Large-scale hydropower	N/A	<p><u>Added sector</u></p> <p>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.</p> <p>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.</p>
Large-scale agriculture (soybeans and similar)	N/A	<p><u>Added sector</u></p> <p>Our decisions involve a thorough examination of the client's measures to address environmental and social issues.</p> <p>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.</p>

Item	Before revision	After revision
Palm oil	<p>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 certification for the production of sustainable palm oil.</p> <p>In the event that we identify any unlawful act during the term of a transaction, we urge the client to take immediate remedial measures.</p> <p>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.</p> <p>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.</p>	<p><u>Tightened response policy</u></p> <p>(Added the following paragraph to the text on the left.)</p> <p>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.</p>

## **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<sup>1</sup> 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.

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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)

## **Procurement Policy**

### 1. Purpose of this Procurement Policy

Mizuho's business operations are supported by the cooperation of suppliers providing office supplies, IT systems, outsourcing, and other goods and services.

At Mizuho, we have defined our basic stance towards suppliers in regard to purchasing of goods and services and ordering of IT systems ("procurement") in the Mizuho Code of Conduct. This Procurement Policy stipulates the specific actions we will take to ensure responsible procurement in light of our basic stance. It applies to all group companies of Mizuho Financial Group, Inc.

### 2. Basic approach to procurement operations

Mizuho will promote responsible and optimal procurement, improve corporate value, and aim to achieve a sustainable society.

#### Fair and impartial decisions on suppliers

- We will make fair and impartial decisions on suppliers, taking into account factors such as quality, ease of use of services, price, reliability, compliance with laws and regulations, information management frameworks, respect for human rights, and environmentally friendly initiatives.

#### Compliance with laws and regulations and social norms

- We will fully comply with all laws, rules, and regulations; always adhere to social norms; and exercise strong self-discipline in our procurement operations.
- With our suppliers, we will maintain healthy and transparent relationships. To ensure this, we will not accept gifts or entertainment from suppliers when these are against social norms.

#### Respect for human rights and consideration for the environment

- In our procurement operations, we will endeavor to respect human rights and reduce our environmental footprint.
- We will also encourage our suppliers to respect human rights and give consideration to the environment in their business operations.



### 3. Requirements for suppliers

Throughout our procurement operations, we will expect suppliers to understand and cooperate with the following so that both Mizuho and our suppliers will be able to positively contribute to development of a sustainable society and achieve mutual growth as business partners.

#### Compliance with laws and regulations and social norms

- Fully comply with all laws, rules, and regulations, adhere to social norms, and conduct corporate activities fairly and in good faith.

#### Information management

- Manage information gathered through business operations with due care, in compliance with laws on the protection of personal information and any related laws.

#### Respect for human rights

- Be aware of the ways in which business operations have the potential to impact human rights and endeavor to respect human rights while carrying out corporate activities.

#### Consideration for the environment

- Work to reduce the environmental impact of business operations through use of sustainable energy and resources, pollution prevention, green procurement, and other measures.

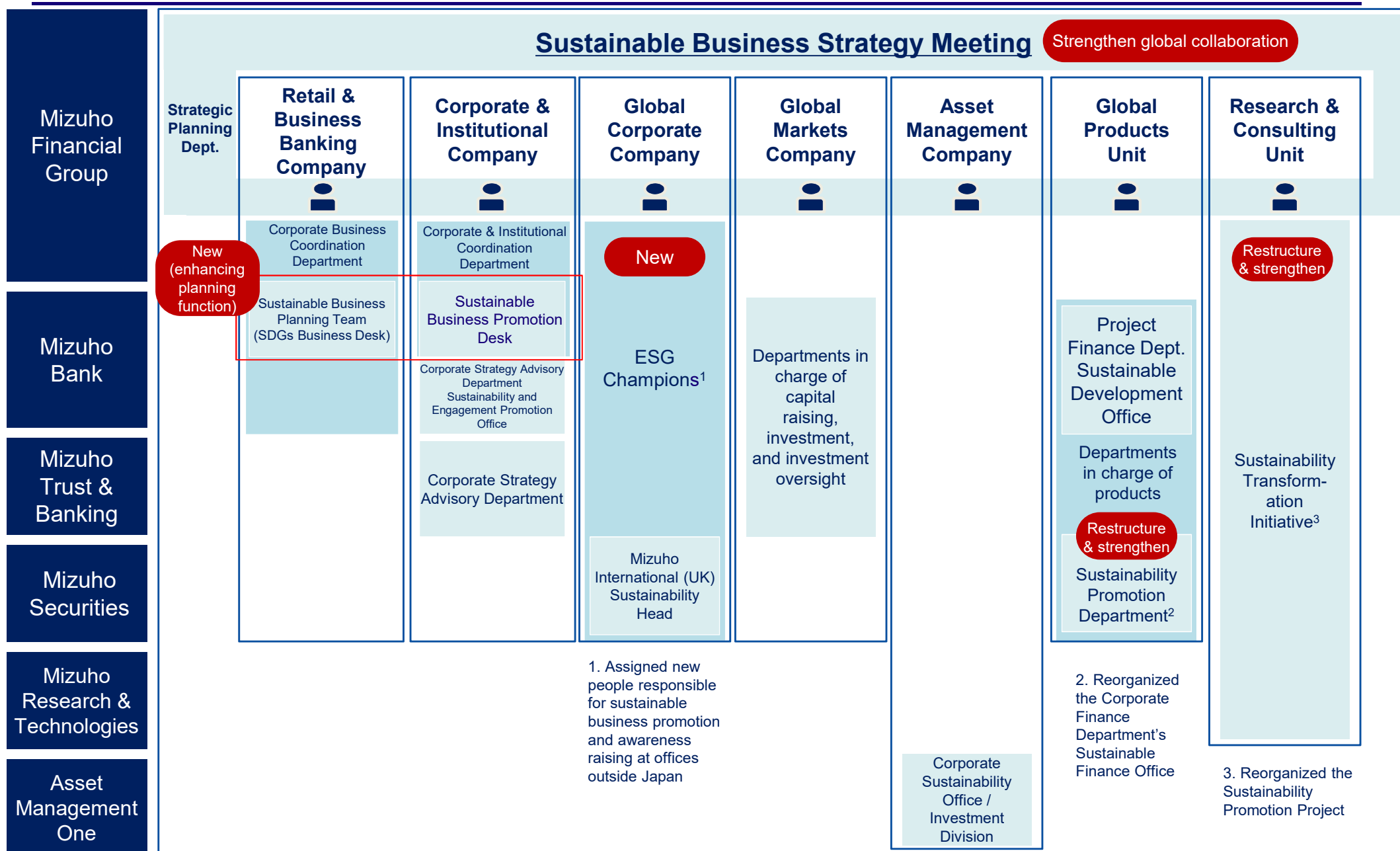
### 4. Implementation

- Mizuho will provide this Procurement Policy to our primary suppliers and ask them to familiarize themselves with the contents.
- This policy will be implemented from July 1, 2021.

(Finalized in March 2021)

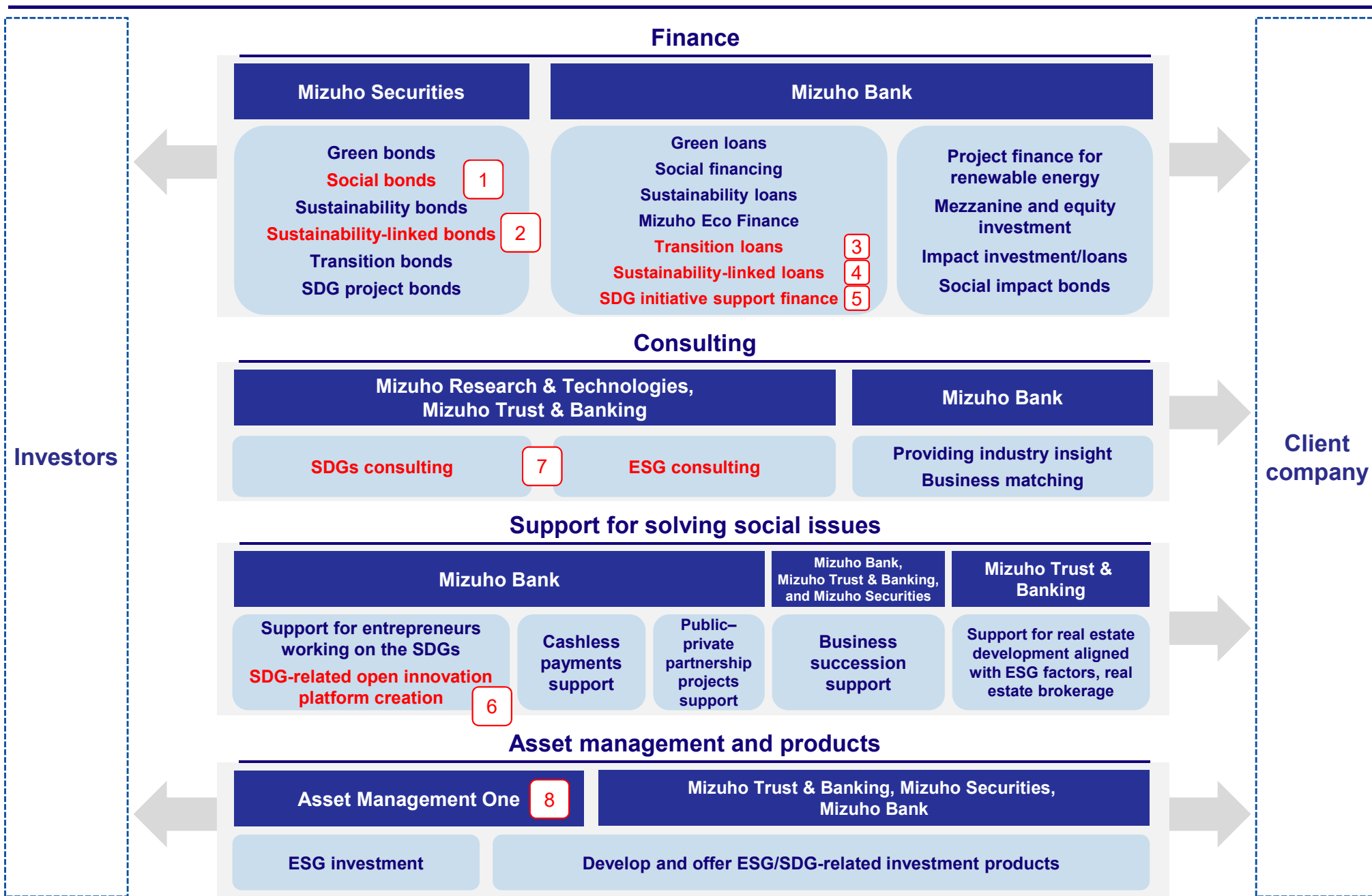
# Structure for promoting sustainable business

(As of May 2021)



# Sustainability solutions mapping (corporate)

Red text indicates new initiatives  
(see next page for details)



# Sustainability solutions – major achievements (FY2020 onward) (1/2)

## Finance

### 1 Social hybrid bond (Sept. 2020)

First in  
Japan

#### Supported SDG initiatives including COVID-19 countermeasures

- Arranged a social hybrid bond for a Japanese healthcare corporation in order to support the client's SDG initiatives and financial foundations.
- Formulated a social bond framework where the intended usage of the funds included measures to prevent COVID-19 outbreaks.
- First publicly offered social hybrid bond to be issued in Japan.

### 2 Sustainability-linked bond (Oct. 2020)

First in  
Japan

#### Supported client's decarbonization and contributed to expanding the SDG bond market

- Arranged the first sustainability-linked bonds in Japan (based on International Capital Market Association (ICMA) principles) for a major Japanese corporation (real estate).
- Supported the client's decarbonization initiatives by setting ambitious goals (Sustainability Performance Targets (SPTs)).
- Certified by Japan's Ministry of the Environment as the first model business deal in FY2020.

### 3 Transition loan (March 2021)

First in  
Japan

#### Transition finance for the transition to a low-carbon society

- Issued a transition loan to a marine transport company for funds to build a next-generation environmentally friendly car carrier ship fueled by LNG.
- First loan in Japan to follow the Climate Transition Finance Handbook (ICMA) and the Green Loan Principles (Loan Market Association).

### 4 Sustainability-linked loan (Feb. 2021)

Expanded  
initiative

#### Support for conservation of marine resources

- Arranged a sustainability-linked cross-border loan<sup>1</sup> for a seafood producer outside Japan.
- Set SPTs to enhance the traceability of ingredients (marine resources) in the supply chain, in doing so supporting initiatives for sustainable use of marine resources.

1. Corporate syndicated loans extended from Japanese banks to non-Japanese or offshore entities and sold mainly to Japanese investors are often called "ninja loans" or "samurai loans" in Japan.

# Sustainability solutions – major achievements (FY2020 onward) (2/2)

## Strengthening support for initiatives by middle-market and small- and medium-sized enterprises and startup companies

### 5 SDG initiative support finance (May 2021)

New product

#### Enhanced support for middle-market and small- and medium-sized enterprises' SDG initiatives

- Developed a new product to provide support through finance and consulting services to middle-market and small- and medium-sized enterprises pursuing SDG initiatives.
- This new product supports raising awareness of the importance of the SDGs, facilitates improved transparency and target setting for progress on the SDGs, and encourages clients to achieve such targets.

### 6 SDGs x Tech Pitch event (Oct. 2020, Feb. 2021)

New initiative

#### Accelerating the growth of startups and promoting innovation for environmental and social issues

- Hosted Tech Pitch event<sup>2</sup> focused on the SDGs (topics included the environment, energy, and fintech) and supported startup companies in developing their networks and capturing business opportunities.
- Startup companies presented their pitches to major corporations, middle-market enterprises, and small- and medium-sized enterprises (approx. 100 companies) from a wide range of industries which have an interest and concern in the SDGs.

## Strengthening our structure for promoting sustainability

### 7 Sustainability transformation initiatives (Dec. 2020)

Stronger structure

#### Expanded support for sustainability initiatives by integrating research and consulting insights across the Mizuho group

- Launched cross-entity Sustainability Transformation Initiative framework to consolidate research and consulting insights and enhance our sustainability solutions in non-financial areas.
- Enhanced support and information provision for clients' solutions to SDG and ESG issues
  - Sustainability consulting cases: 436 (FY2020 Mizuho Research & Technologies new cases)

### 8 Net Zero Asset Managers initiative (Dec. 2020)

First in Japan

#### First Japanese asset manager to become a signatory of initiative for net zero greenhouse gas emissions

- Asset Management One became one of the initial signatories (and the only signatory from Japan) of the Net Zero Asset Managers initiative, an initiative formed by an international group of asset managers to pursue net zero greenhouse gas emissions.
- Through engagement, we are encouraging the companies in which we invest to transition to business models for a low-carbon society, and we are working to achieve the net zero goal.

2. Tech Pitch events promote open innovation by allowing startup companies to pitch their ideas and technologies to other parties.