

## **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.
- Mizuho promises to act in an environmentally responsible manner and to act in a way that respects internationally recognized human rights in the Mizuho Code of Conduct, our Environmental Policy, and our Human Rights Policy. 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**

### **(1) Businesses subject to this policy**

- Businesses that provide funds to clients based on their own judgement (examples: lending<sup>1</sup>, proprietary investments in individual stocks), businesses that support the funding of clients (example: underwriting services), or businesses that have assets in their own name and support customer's business (example: trust fiduciary services<sup>2</sup>).

### **(2) Implementation methods**

- Financing and Investment Transactions Prohibited Regardless of Sector lists projects for which we prohibit any financing or investment.
- Financing and Investment Transactions which Require Additional Due Diligence Regardless of Sector and Policy on Forced Labor, Child Labor, and Human Trafficking, Policy on Transition Risk Sectors, and Policies on 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

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<sup>1</sup> Includes corporate finance and project finance.

<sup>2</sup> Excludes those businesses related to asset operation.

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 which cause forced labor, child labor, or human trafficking

## **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
  - Projects which cause, contribute to, or directly link with violation of human rights in conflict areas

## **3. Policy on Forced Labor, Child Labor, and Human Trafficking**

We promise to act in way that respects internationally recognized human rights in the Mizuho Code of Conduct, and in addition, based on our Human Rights Policy, we aim to fulfil our responsibility to respect human rights throughout our global value chain in accordance with the United Nations' Guiding Principles on Business and Human Rights.

In addition, we expect our clients to understand our commitments to human rights based on our Human Rights Policy and expect them to act to prevent and minimize adverse impacts on human rights throughout their operations and supply chain as well as to provide remedy if necessary.

Building on the above, we will establish a policy regarding companies exposed to risks of forced labor, child labor, or human trafficking.

### **Risks that we should recognize**

Companies are at risk of causing or contributing to forced labor, child labor, or human trafficking through their own business activities, or being directly linked to forced labor, child labor, or human trafficking through their businesses, products, or services.

## **Policies**

- We aim to eliminate forced labor, child labor, and human trafficking from our businesses and value chains, and will strengthen our human rights due diligence.
- Currently, when starting a new transaction such as financing and investment with a company with which we do not have credit transactions, or if we come into information that there is the possibility that a company we already have credit transactions with may be involved in forced labor, child labor, or human trafficking, we will confirm the risks of forced labor, child labor, or human trafficking.
- Building on the results of the above confirmation, we will respond as follows.
  - 1) For a company with which we do not have credit transactions, if there is evidence of forced labor, child labor, or human trafficking caused by the company then we do not provide financing and investment.
  - 2) If we confirm that a client with which we already have credit transactions is causing forced labor, child labor, or human trafficking, we will urge them to provide remedy and prevent recurrence. If a client does not make progress on addressing our requests even after a certain period of time, we carefully consider whether or not to continue our business with them.
  - 3) If a client is contributing to or is directly linked with forced labor, child labor, or human trafficking, we will request a report on their responses to the relevant issue, and that they take additional steps if needed.

## **4. Policy on Transition Risk Sectors**

We recognize that climate change is closely tied to various economic and social issues, and that addressing climate change is an important issue in the medium to long term. We will set policies for companies in sectors likely to be exposed to transition risks associated with climate change.

## **Targets**

Companies whose primary businesses are in coal-fired power generation, oil-fired power generation, gas-fired power generation, coal mining, oil and gas, steel, or cement.

## **Risks that we should recognize**

Companies whose primary businesses are those above are at a high risk of exposure to transition risks (policy risks, technology risks, reputational risks, etc.)

arising from the transition to a low-carbon society, and if their responses to these transition risks are not appropriate, there is the risk of increased concern about climate change and air pollution.

## **Policies**

- Based on our Environmental Policy, we are reducing the amount of greenhouse gas emissions through a medium- to long-term financing and investment portfolio in order to transition in stages to a portfolio that aligns with the Paris Agreement goals. For that reason, we will actively engage (carry out constructive dialogue) with clients in order to support the transition to a low-carbon society and adapt to climate change, taking a medium to long term view, and in accordance with each client's issues and needs.
- We will engage so as to strengthen by stages the following initiatives with clients in the transition risk sectors.
  - Develop a strategy for a low-carbon society
  - Set quantitative targets and/or KPIs (medium term, long term) to ensure the transition strategy is effective
  - Take actions based on the strategy, targets, and KPIs, as well as disclose the progress
  - Measure and disclose greenhouse gas emissions volume
  - Enhance disclosures based on TCFD or equivalent framework
- For clients in transition risk sectors, we will specify risk categories based on the primary business of these companies and their transition risk response level.
- Through engagement, we will check at least once per year on the status of transition risk response, based on the following criteria.
  - Willingness to take measures against transition risks
  - Development of the strategy, setting of quantitative targets
  - Target levels, specificity of means of achievement and status of efforts, performance and objectivity, etc.
- If there is no willingness to respond to transition risks and no transition strategies have been developed by clients even one year after the initial engagement based on the above, we make decisions whether or not to continue our business with them based on careful consideration.

## **5. Policies on Specific Industrial Sectors**

For certain sectors such as those listed below, where there is a 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) 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**

#### **Risks that we should recognize**

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.

#### **Policies**

- We do not provide financing or investment to companies with which we have no current credit transactions if the primary business of these companies is coal-fired power generation.
- We do not provide financing or investment which will be used for new construction of coal-fired power plants or the expansion of existing facilities.
- However, we will also continue to support development of innovative, clean, and also 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**

#### **Risks that we should recognize**

The mining of thermal coal, when not managed properly, entails the 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.

#### **Policies**

- Our decisions regarding financing and investment for thermal coal mining companies involve a thorough examination of due care to the status of responses to the above risks.
- We do not provide financing or investment to companies with which we have no current credit transactions if the primary business of these companies is the mining of thermal coal.
- We do not provide financing or investment which will be used for new thermal coal mining projects or for expansion of existing thermal coal mines.
- For cases where it will be used for acquiring an interest in existing thermal coal mines, we may provide financing or investment for the project, based on careful consideration, only when it is vital to the stable energy supply of a country which has announced a target of net zero greenhouse gas emissions by 2050.

#### **4) Oil and gas**

##### **Risks that we should recognize**

- Oil and gas extraction and pipeline entail the risk of adverse environmental and social impacts, which may include the pollution of oceans and waterways from oil spills or gas leaks, as well as violations of the human rights of indigenous peoples.
- In addition, pipeline projects have the risks of environmental degradation such as oil leaks not just during construction but in operation, deforestation, and violating the human rights of indigenous peoples.
- We recognize that the Arctic Circle (the region north of 66° 33' latitude) requires consideration for the conservation of endangered species and for 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.

##### **Policies**

- 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.
- When providing financing or investment that will be used for oil or gas extraction

in the Arctic, oil sands, shale oil, and shale gas extraction, and pipeline, we carry out appropriate environmental and social risk assessments.

## **5) Large-scale hydropower**

### **Risks that we should recognize**

Large-scale hydropower construction<sup>3</sup> 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.

### **Policies**

- 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.
- 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**

### **Risks that we should recognize**

The development and operation of large-scale agriculture<sup>4</sup> 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.

### **Policies**

- Our decisions regarding financing and investment for such agriculture involve a thorough examination of the client's measures to address environmental and social issues.
- We will urge our clients in these sectors to respect Free, Prior, and Informed Consent (FPIC) in relation to local communities and to formulate sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE).
- We will request our clients to strengthen supply chain management and traceability

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<sup>3</sup> Output of 25MW or more and dam walls of 15m or more.

<sup>4</sup> Agriculture covering 10,000 ha or more, planting soy, natural rubber, cocoa, coffee, etc. or used for grazing.

to ensure that the policy it has developed will also apply to their supply chain.

## **7) Palm oil**

### **Risks that we should recognize**

While palm oil is an essential commodity for maintaining our lifestyles and infrastructure, we are also aware of the risks of 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.

### **Policies**

- In order to avoid becoming involved in the above 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 will request 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 will urge them to 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 will request 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 will urge them to 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 will urge the client to take immediate remedial measures. In the event that the client has not taken appropriate measures to address social issues, we will undertake engagement with the client to promote remedial measures and, if the client's remedial measures are unsatisfactory, we will suspend new financing and investment.
- We will urge our clients in these sectors to respect FPIC in relation to local communities and to formulate sustainable environmental and human rights policy, such as NDPE.
- We will request our clients to strengthen supply chain management and traceability to ensure that the policy they have developed will also apply to their supply chain.

## **8) Lumber and pulp**

### **Risks that we should recognize**

While lumber and pulp are essential commodities for maintaining our lifestyles and infrastructure, we are also aware of the risks of 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.

### **Policies**

- In order to avoid becoming involved in the above 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.
- Specifically, when financing and investing in lumbering businesses in countries that are not among the OECD high-income member states, we will request them to obtain Forest Stewardship Council or Programme for the Endorsement of Forest Certification certification, and, if they need more time to obtain such certification, we will urge them to formulate a plan with a set deadline to receive the certification.
- In the event that we identify any unlawful act during the term of a transaction, we will urge the client to take immediate remedial measures. In the event that the client has not taken appropriate measures to address social issues, we will undertake engagement with the client to promote remedial measures and, if the client's remedial measures are unsatisfactory, we will suspend new financing and investment.
- We will urge our clients in these sectors to respect FPIC in relation to local communities and to formulate sustainable environmental and human rights policy, such as NDPE.
- We will request our clients to strengthen supply chain management and traceability to ensure that the policy they have developed will also apply to their supply chain.

## **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 business 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 are putting in place an operational framework for this policy integrating the most recent revisions and will begin implementing it from July 1, 2022. The global subsidiaries of the four companies above will begin implementing the framework in stages by October 2022.

### **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.