

December 24, 2021

Press Release

Daiwa Securities Group Inc.

### Revision of the "Environmental and Social Policy Framework"

The Daiwa Securities Group (the "Group") has revised the "Environmental and Social Policy Framework" ("Framework") which the Group announced this June, in order to further manage risks related to the environment and society. In this revision, the applicable products and services have been expanded to include "underwriting of bonds and stocks issuance" in addition to new investments and loans.

Since the response to climate change risks and human rights issues is becoming more important, the Group will continue to strengthen its efforts and actively contribute to the realization of a carbon-free society.

#### 1. Key changes in the Framework

##### (1) Applicable products and services

In the revised framework, "underwriting of bonds and stocks issuance" will be a new addition to the applicable products and services, and these will be collectively referred to as "financing".

(Excerpt from the Framework)

Previous	Revised
This Framework covers new investments and loans made by Daiwa Securities Group Inc. and its major group companies.	This Framework covers new investments and loans, <u>and the underwriting of bonds and stocks issuance (hereinafter, financing)</u> made by Daiwa Securities Group Inc. and its major group companies.

##### (2) New construction of coal-fired power generation

We have also decided to prohibit the "underwriting of bonds and stock issuance" for this type of business. This may be considered on a case-by-case basis as follows.

(Excerpt from the Framework)

Previous	Revised
We prohibit any investments and loans where the use of proceeds are utilized in this type of business.	We prohibit any <u>financing</u> where the use of proceeds are utilized in this type of business. <u>Regarding the underwriting of bonds and stocks issuance, however, issuers that announce a target for net zero greenhouse gas (GHG) emissions by 2050, or businesses adopting new technology aligned with the goals of the Paris Agreement, may be considered on a case-by-case basis.</u>

## 2. Effective date

This revision will take effect from January 1, 2022. We will continue to review the Framework regularly based on domestic and global business trends.

End

(Reference) Daiwa Securities Group's SDGs Initiatives:

[https://www.daiwa-grp.jp/english/sdgs/?cid=ad\\_eir\\_ensdgspress](https://www.daiwa-grp.jp/english/sdgs/?cid=ad_eir_ensdgspress)

# Daiwa Securities Group "Environmental and Social Policy Framework"

## 1. Introduction

As awareness of environmental and social issues such as climate change and human rights violations continues to grow in Japan and overseas, the Daiwa Securities Group (the "Group") is committed to playing its role, as a comprehensive securities group, in supporting the realization of a sustainable and prosperous society in order to meet the environmental and social goals of all stakeholders.

The Group established its "Environmental Vision" in 2012 and, based on the "Environmental Principles" and the "Basic Environmental Policies" announced at the same time, it has been working to help solve environmental issues and continuously reduce the environmental footprint that results from its business activities. Furthermore, in May 2021, it established its management vision "Vision 2030", putting the realization of the UN's SDGs at the center of the Daiwa Group's strategy, proactively working towards the promotion of the transition to a carbon-neutral society and the realization of a resilient society.

In addition, the Group has formulated the "Environmental and Social Policy Framework" (the "Framework") in order to strengthen its management and governance infrastructure for environmental and social risks, such as the conservation of the global environment / biodiversity and the protection of human rights. We want to create a better society in partnership with our stakeholders by acknowledging the risks for businesses that may have negative impacts on the environment and society, and taking appropriate measures through engagement.

The Group will actively support innovation and technological initiatives that will lead to the realization of carbon neutrality, and will focus on providing a variety of financial solutions, including transition finance, to support these.

## 2. Governance on this Framework

The Group discusses SDG and ESG issues related to the environment and society at the SDGs Promotion Committee, chaired by the President and CEO. The results of these discussions are reported to the Board of Directors as appropriate, and important matters are passed through the Board of Directors as resolutions, which strengthens the system for supervision by the Board of Directors. This Framework was approved by the Board of Directors following discussion with the SDGs Promotion Committee.

This Framework will be assessed regularly, with the aim of strengthening it, based on the experience of its implementation and changes in the external environment.

### 3. Applicable products and services

This Framework covers new investments and loans, and the underwriting of bonds and stocks issuance (hereinafter, financing) made by Daiwa Securities Group Inc. and its major group companies.

### 4. Applicable business

#### (1) Prohibited business

- Businesses that negatively impact UNESCO-designated World Heritage Sites
- Businesses that negatively impact wetlands designated under the Ramsar Convention
- Businesses violating the Washington Convention
- Businesses involving human rights violations such as child labor and forced labor

#### (2) Restricted business

##### 1) Businesses affecting indigenous communities

When providing financing to a business, we will carry out ESG due diligence including environmental and social risk assessments ("ESG due diligence"), carefully assessing whether they will cause serious cultural, social and economic damage to indigenous communities, and whether appropriate measures are taken to mitigate them. We will utilize these risk assessments in making decisions.

##### 2) Business involving land expropriation that leads to involuntary relocation of residents

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether they result in land expropriation that forces residents to relocate against their wishes and whether appropriate measures are taken to prevent them, and utilize these results in making decisions.

##### 3) New construction of coal-fired power generation

We prohibit any financing where the use of proceeds are utilized in this type of business.

Regarding the underwriting of bonds and stocks issuance, however, issuers that announce a target for net zero greenhouse gas (GHG) emissions by 2050, or businesses adopting new technology aligned with the goals of the Paris Agreement, may be considered on a case-by-case basis.

##### 4) Weapons of mass destruction / inhumane weapons manufacturing

We prohibit any financing where the use of proceeds are utilized in this type of business. Weapons of mass destruction include nuclear weapons, chemical weapons, biological

weapons, and inhumane weapons include cluster munitions and antipersonnel land mines.

#### 5) Palm oil plantation development

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether the loss of wildlife habitat due to overdevelopment may lead to a loss of biodiversity, or land conflicts with indigenous residents, or human rights violations such as child labor/ forced labor, or whether appropriate measures are taken to prevent them. We will utilize these results in making decisions.

In addition, when providing financing to a business, we will confirm if RSPO (Roundtable on Sustainable Palm Oil), an international certification system for palm oil, has been acquired. Where this is not in place, we will encourage the business to obtain certification.

#### 6) Business involving deforestation

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures will be taken to prevent a negative impact on the environment caused by the destruction of ecosystems, and whether illegal logging is carried out. We will utilize these results in making decisions.

When providing financing to a business, we will encourage the operator to obtain FSC (Forest Stewardship Council), an international forest certification system, or to have a commitment to NDPE (No Deforestation, No Peat and No Exploitation) or other compatible policies.

#### 7) Coal mining

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken to ensure occupational safety and a sanitary environment to prevent cave-in accidents, flood accidents, gas explosions, and human rights violations such as illegal labor and, in addition, whether or not the mountaintop removal (MTR) method is used. We will utilize these results in making decisions.

#### 8) Large-scale hydroelectric power generation construction

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures will be taken against the destruction of the environment and ecosystems and negative impacts on local residents due to the construction of a dam. We will utilize these results in making decisions.

#### 9) Oil and gas development

When providing financing to a business, we will carry out ESG due diligence, carefully assessing whether appropriate measures are taken against their impact on the environment, ecosystems and local communities. We will utilize these results in making decisions.

#### 5. Assessment process

When providing financing to the above businesses, we will carry out initial ESG due diligence. If it is determined that additional confirmation is necessary as a result of the assessment, we will apply enhanced ESG due diligence to determine whether or not to provide financing. If the implementation of the business may have a serious impact on the corporate value of the Group, the executive management will discuss further and make a final decision on whether or not to provide financing.

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