

December 26, 2022

Press Release

Daiwa Securities Group Inc.

Revision of the "Environmental and Social Policy Framework"

Daiwa Securities Group Inc. (the "Group") aims to realize the SDGs by creating a sustainable capital cycle with the core concept of "From savings to SDGs" in its management vision "Vision 2030."

In 2021, we announced the "Daiwa Securities Group Net Zero Carbon Declaration" toward the achievement of a carbon-neutral society based on "Green & Social", which is one of priority areas of our vision. In the same year, we formulated the "Environmental and Social Policy Framework" (the "Framework") to strengthen our environmental and social risk management. This time, in response to increasing risks such as climate change and human rights violations, we will revise the Framework, including stricter policies as below.

Working together with our stakeholders, we strive to strengthen our medium- to long-term corporate value and create a sustainable and prosperous society through SDGs and ESG initiatives.

(Reference) Daiwa Securities Group's SDGs Initiatives:

https://www.daiwa-grp.jp/english/sdgs/?cid=ad_eir_ensdgspress

1. Key changes in the Framework

1) Palm oil plantation development

The previous Framework required clients to confirm the status of RSPO acquisition and recommended them to acquire it when it is not in place. In addition, the revised Framework will encourage them to make environmental and human rights policies such as NDPE, in light of the growing needs to strengthen measures to protect forests and peatlands.

(Excerpt from the Framework)

| Previous | Revised |
|---|--|
| <p>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.</p> <p>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.</p> | <p>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.</p> <p>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 clients to obtain certification. <u>We will encourage clients to make environmental and human rights policies such as NDPE (No Deforestation, No Peat and No Exploitation) or other compatible policies.</u></p> |

2) Business involving deforestation

The previous Framework recommended clients to acquire only FSC certification. Under the revised Framework, the recommended certification system will be either FSC or other compatible certifications, considering that there are compatible forest certification systems widely used around the world.

(Excerpt from the Framework)

| Previous | Revised |
|--|--|
| <p>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</p> | <p>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</p> |

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| <p>environment caused by the destruction of ecosystems, and whether illegal logging is carried out. We will utilize these results in making decisions.</p> <p>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.</p> | <p>environment caused by the destruction of ecosystems, and whether illegal logging is carried out. We will utilize these results in making decisions.</p> <p>When providing financing to a business, we will encourage clients to obtain FSC (Forest Stewardship Council), an international forest certification system <u>or other compatible certifications</u> or to make environmental and human rights policies such as NDPE or other compatible policies.</p> |
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3) Coal mining

The revised Framework will prohibit any financing where the use of proceeds are directed toward new thermal coal mining businesses, since thermal coal emits a large amount of greenhouse gases when burned. In addition, although the previous Framework assessed carefully whether the MTR method was not used in the business, the revised Framework will clearly prohibit any financing where the use of proceeds are directed toward businesses using the method.

(Excerpt from the Framework)

| Previous | Revised |
|--|--|
| <p>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.</p> | <p><u>We prohibit any financing where the use of proceed are directed towards businesses using the mountaintop removal (MTR) method and new thermal coal mining businesses.</u></p> <p>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. We will utilize these results in making decisions.</p> |

4) Oil and gas development

Although the previous Framework required to conduct ESG due diligence when providing financing to businesses such as development businesses in the Arctic, oil sands and shale oil and gas development businesses, and pipeline businesses, the revised Framework clearly states that careful decisions will be made when providing financing to these businesses, since they have significant negative impacts on the environment and society, such as impacts on ecosystems and violations of indigenous peoples' rights.

(Excerpt from the Framework)

| Previous | Revised |
|---|--|
| 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. | 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. <u>In particular, we will make careful decisions when providing financing to development businesses in the Arctic, oil sands and shale oil and gas development businesses, pipeline businesses which may have significant negative impacts on the environment and society.</u> |

2. Effective date

This revision will take effect from January 1, 2023. We will continue to review the Framework regularly based on trends in Japan and overseas, changes in the business environment, and operational status.

End

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 directed toward 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 directed toward 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 clients to obtain certification. We will encourage clients to make environmental and human rights policies such as NDPE (No Deforestation, No Peat and No Exploitation) or other compatible policies.

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 clients to obtain FSC (Forest Stewardship Council), an international forest certification system or other compatible certifications or to make environmental and human rights policies such as NDPE or other compatible policies.

7) Coal mining

We prohibit any financing where the use of proceeds are directed toward businesses using the mountaintop removal (MTR) method and new thermal coal mining businesses.

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. 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. In particular, we will make careful decisions when providing financing to development businesses in the Arctic, oil sands and shale oil and gas development businesses, pipeline businesses which may have significant negative impacts on the environment and society.

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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