Annex to Nomura Group ESG Statement

Wholesale Division: ESG Sectoral Appetite Statement

Introduction

Advancing economic development and improving living conditions of people while protecting the natural systems and life on the planet are among the greatest challenges confronting humanity. As a global financial institution we play a critical role in addressing these challenges; we recognize that the policies and practices we adopt today will shape our lives as well as those of future generations. Therefore, in our approach to conducting business, we ensure that environmental and social impacts are identified, carefully evaluated and managed responsibly.

Environmental and social risk management is a priority for Nomura Wholesale, and our approach is tailored to certain sectors that may have significant adverse impacts in these areas. Our sector-specific approaches cover the following sectors: energy generation, mining, agriculture and forestry, and weapons. We review the list of sectors on a regular basis and, where appropriate, may expand the list. We actively monitor emerging issues, regulatory developments, concerns of key stakeholders, as well as best practices relating to environmental and social risk management.

In considering our sector approach, we take into account the global commitment, under the 2015 Paris Agreement, to restrict global warming to well below 2°C and limit the amount of greenhouse gas emissions into the atmosphere. We also take into consideration international principles and guidelines such as the UN Global Compact, UN Guiding Principles on Business and Human Rights, the OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises, in our sector approaches. We also commit to and apply the UN Sustainable Development Goals as further guidance in our ESG screening and due diligence.

We are enhancing our existing transaction approval processes with screening of all relevant transactions[1] for ESG risks. Wherever significant ESG risks are identified, we will undertake ESG due diligence, including engagement with clients and external assessments on the client's management of environmental and social risks, where necessary. Transactions that have significant ESG risks will be escalated for consideration by the senior management committees.

Many of our customers have a diverse portfolio of businesses that operate across a wide range of sectors. In such cases, we will not finance any activity that does not meet our ESG requirements. However, we may support that customer's other business activities, which will have economic and other benefits to society. This approach allows us to engage and influence our customers, as well as to support them in moving towards good practice in all of their businesses.

In our ESG screening and due diligence of transactions we will consider key ESG issues, which may include, among other things:

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[1] *Relevant transactions according to defined criteria*

- Environmental: greenhouse gas emissions, waste and pollution from operations, usage of natural resources, impact on habitats and biodiversity, and excessive development in sensitive areas;
- Social: labour practices, human rights, health and safety track record, accidents and pollution risk management, damage to human health and risk to lives, impact on valuable resources for communities, such as water, and infringement of property rights; and
- Governance: ESG risk management practices and governance, compliance with applicable laws and regulations; and public engagement and disclosure.

Our Sector approach:

Energy generation

The energy sector provides fuel, power and heat, distributing them to people and businesses around the world and making a major contribution to both living standards and economic development. However, if not managed responsibly, these activities can have adverse impacts on people and on the environment.

The transition to a low-carbon economy is a multi-year transition. A significant reduction in the use of coal to generate electricity would help to achieve such goals more rapidly. Alternative sources of energy have an important role to play in the transition, though adoption of such alternatives at scale may not be feasible in certain countries over the short term. In addition, some countries may need more time to adjust than others as they balance sometimes competing sustainable development goals.

Our approach:

New thermal coal power generation - we will not provide financing where the specified use of proceeds would be directed towards new/greenfield thermal coal power generation with technology below ultra supercritical in developed[2] markets.

For all other relevant transactions involving power generation, we will conduct screening for significant ESG risks, and, wherever they are identified, undertake ESG due diligence, including engagement with clients and external assessments where necessary. Transactions presenting significant ESG risks will require escalation to our senior management committees.

Mining:

The mining sector is essential in extracting minerals which are necessary for many of society's basic needs. Its activities include exploration for and mining of minerals as diverse as coal or diamonds. If not managed responsibly, these activities can have adverse impacts on people and on the environment.

Our approach:

New thermal coal mining - we will not provide financing where the specified use of proceeds would be directed towards new thermal coal mine development in developed[3] markets.

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[2] *Using FTSE classification of developed markets*
[3] *Using FTSE classification of developed markets*

Mountaintop removal mining (MTR) - we will not provide financing where the specified use of proceeds would be directed towards mountaintop removal mining.

Mining activities in protected areas - we will not provide financing where the specified use of proceeds would be directed towards mining activities in the areas of High Conservation Value Areas, areas located on UNESCO World Heritage Sites or Wetlands on the Ramsar list.

Conflict minerals - we will not provide financing for those mining projects where minerals are mined in conditions of armed conflict and human rights abuses, and which are sold or traded by armed groups.

For all other relevant transactions in the mining sector we will conduct screening for ESG risks, and, wherever significant ESG risks are identified, undertake ESG due diligence, including engagement with clients and external assessments where necessary. Transactions in the mining sector presenting significant ESG risks will require escalation to our senior management committees.

<u>Agriculture and Forestry</u>

The *agricultural sector* provides food to the world and includes a large and diverse range of commodities. At the same time, the sector can also have a significant adverse impact on both people and the environment, affecting habitats, biodiversity and communities.

Forestry. The world's forests play a vital role in the carbon cycle and can significantly help mitigate global climate change. They also deliver important ecosystem services and are home to 80% of the world's terrestrial biodiversity[4]. If not managed responsibly, activities in this sector can have adverse impact on people, including employees and communities, and on the environment, damaging the habitats, negatively impacting biodiversity and further contributing to climate change.

Our approach:

We will not provide financing to the following:

- Activities undertaken on peatlands regardless of the depth of development
- Activities that require conversion of High Conservation Value Areas (HCVAs), high carbon stock (HCS) forests; primary tropical forests, or Ramsar wetlands
- Activities that require/assume land clearance by burning or use of uncontrolled fire
- Activities involving any illegal or destructive logging.

For all other relevant transactions in the agricultural and forestry sectors, we will conduct screening for ESG risks, and, wherever significant ESG risks are identified, undertake ESG due diligence, including engagement with clients and external assessments where necessary. Transactions presenting significant ESG risks will require escalation to our senior management committees.

We place important value on soy and palm oil production certification (RTRS or comparable certification and RSPO or comparable certification respectively) and forestry certification (FSC or comparable) by using them as tools in our ESG screening and due diligence.

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[4] *https://www.worldwildlife.org/habitats/forest-habitat#:~:text=Forests%20are%20home%20to%2080,soil%2C%20rainfall%20and%20prevailing%20temperatures*

Weapons

Given the heightened sensitivity of certain types of weapons and the background of the international conventions on nuclear, biological and chemical weapons, anti-personnel mines and cluster munitions, which prevent the state parties from, among other things, using, producing and transferring such weapons or assisting anyone to engage in such activities, we have taken the following position on the issue.

Our approach:

We will not finance any trade in, or manufacture of:

- Nuclear, chemical, biological or other weapons of mass destruction.
- Landmines, cluster munitions or any equipment designed to be used as an instrument of torture.

For all other relevant transactions in weapons manufacturing and trade, in addition to legal and compliance checks, we will conduct ESG screening. Any transactions for the clients where significant ESG risks are identified will require ESG due diligence and escalation to our senior management committees.

Cross-sectoral approach:

We have adopted cross-sectoral approach to the following aspects:

- Climate change: In our commitment to support the Paris Agreement we continue to review how we play a role in helping achieve a balance between development and climate impacts across all sectors we work with.
- Human Rights: We will not finance transactions where there is a risk of direct involvement in modern slavery, such as forced labour and human trafficking, use of child labour or violence used against local communities and Indigenous People. Potential human rights issues are considered in our ESG screening and due diligence.
- World Heritage Sites: We will not finance transactions that support the development or expansion of projects in World Heritage Sites and/or within their buffer zones, unless there is prior consensus with both the host country and UNESCO that such development will not adversely affect the Outstanding Universal Value of the site.
- Ramsar wetlands: We will not finance transactions that support the development or expansion of projects situated in Ramsar Wetlands, unless there is prior consensus with the host country that such development will not adversely affect the special characteristics of a Ramsar designated site.