Annex to Nomura Group Sustainability 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 we identify, carefully evaluate and manage responsibly the environmental and social impacts of doing the business.

Environmental and social issues management is a priority for Nomura Wholesale, and our approach is tailored to sectors that may have significant adverse impacts in these areas. Our sector-specific approaches cover the following sectors: energy generation, oil and gas, mining, agriculture, 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 in our sector approaches international principles and guidelines such as:

- UN Global Compact
- UN Universal Declaration of Human Rights
- UN Guiding Principles on Business and Human Rights
- UN Principles for Responsible Banking (UN PRB)
- UN Convention against Corruption
- OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Enterprises
- International Labour Organisation (ILO) Conventions
- International Finance Corporation (IFC) Environmental and Social Performance Standards and the Environmental, Health & Safety Guidelines.

We commit to and apply the UN Sustainable Development Goals as further guidance in our ESG screening and due diligence.

We are committed to promoting sustainable practices in all sectors when supporting economic growth and prosperity. We expect our clients to comply with all applicable local laws and regulations, as well as international conventions that their country has ratified.

In addition to the specific sectors covered by this Statement, we screen all relevant transactions[1] in all sectors/industries for ESG issues as part of our transaction approval process. We have an internal Guidance document on ESG screening, which serves as a guide for banking and risk teams on identifying key ESG issues for each sector/industry and cross-sectoral ESG issues, mandatory requirements for the clients operating in those sectors and explains the process and actions the teams need to take when conducting ESG assessment of transactions and client activities. Wherever significant ESG issues are identified, we

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[1] *Relevant transactions according to defined criteria*

undertake ESG due diligence, including engagement with clients and external assessments of the client's management of environmental and social issues, where necessary. Transactions that have significant ESG issues are escalated for consideration by the senior management committees.

In our ESG screening and due diligence, we assess transactions in all sectors considering key ESG issues, sector-specific and cross-sectoral, which may include, among other things:

- Environmental: greenhouse gas emissions, waste and pollution from operations, usage of natural resources, such as water, energy and solid materials, impact on habitats and biodiversity, degradation and fragmentation, and excessive development in sensitive areas;
- Social:
  - Community impact: any violations of human rights, damage to human health and risk to lives, impact on valuable resources for communities, such as water; resettlement and any other impact on communities; and infringement of property rights
  - Labour practices including: working conditions, any violations of human rights, including child or slave labour, discrimination; freedom of association and collective bargaining rights; health and safety track record, employment conditions, and
- Governance: ESG risk management practices and governance, compliance with applicable laws and regulations, lobbying, corruption and facilitation payments by the client, public engagement and disclosure.

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.

As part of our commitment to the Paris Agreement and our Net Zero commitment to 2050 we will develop appropriate data tracking and review clients' transition strategies as part of ESG screening.

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.

When considering transactions in emerging markets we will take into account the trade-offs made by governments between different energy sub-sectors in meeting their overall country-specific climate change objectives, the future energy strategy and transition plans, as well as social objectives and Sustainable Development Goals.

Nuclear power generation—we will screen transactions related to new and existing nuclear power plants and other activities related to nuclear power generation. The evaluation includes a review of the capability and commitment of the client to comply with international best practices, the host country being a signatory of Non-Proliferation Treaty, facilities' site selection criteria, plant design criteria, safety management and the de-commissioning programme. Clients in the nuclear power sector are required to operate in accordance with all applicable national, regional and international laws, treaties and regulations, incl. International Atomic Energy Agency (IAEA) Conventions, Agreements and Standards

Large-scale hydropower—we will screen all potential transactions related to the large-scale (over 25MW of installed capacity of with dams over 10m high) hydropower generation projects. The screening for large scale hydropower projects will include a review of the commitment, capacity and performance of the client to comply with international best practices, such as the International Hydropower Association's (IHA) Hydropower Sustainability Assessment Protocol (HSAP) as well as qualifications of the host country's regulatory authorities, site selection, and project design criteria for individual projects, among other factors.

For all other relevant transactions involving power generation, we will conduct screening for ESG issues, and, wherever they are identified, will undertake ESG due diligence, including engagement with clients and external assessments where necessary. Transactions with significant ESG issues 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.

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.

Asbestos mines—we will not provide financing for new or existing asbestos mines.

Uranium (or other radioactive material) mines – we will provide financing for new or existing uranium or other radioactive material mines only when the operations are in countries that are

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[2] *Using FTSE classification of developed markets*

signatories to the Non-Proliferation Treaty and/or which submit to International Atomic Energy Agency and World Nuclear Association's Principles regulations and inspections.

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

Oil and Gas

Oil and gas represent an important part in the energy mix in many parts of the world and have a longer lasting role in the transition to net zero. Upstream and downstream in this sector can present significant adverse environmental and social impacts.

Our approach:

We will screen all relevant transactions in the oil and gas sector for ESG issues, and, wherever significant ESG issues are identified, will undertake ESG due diligence, including engagement with clients and external assessments where necessary. Transactions with significant ESG issues will require escalation to our senior management committees.

Agriculture

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.

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 sector, we will conduct screening for ESG issues, and, wherever significant ESG issues are identified, will undertake ESG due diligence, including engagement with clients and external assessments where necessary. Transactions with significant ESG issues 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) and expect our clients to either have obtained them or be in the advanced process of obtaining them. We expect our clients in palm oil sector to have NDPE policies and commitments in place. We expect our clients operating in soy sector to establish a sustainable sourcing policy, including a commitment to achieve deforestation-free soy supply chains, and work towards achieving supply chain traceability within a limited timeframe.

As part of ESG screening of agricultural transactions, where relevant, we will consider measures put in place by clients to monitor and reduce Greenhouse Gas (GHG) emissions including CO_2 (carbon dioxide) and CH_4 (methane), energy consumption, waste generation and disposal and to ensure soil integrity.

Forestry

The world's forests play a vital role in the carbon cycle and can significantly help mitigate global climate change. They are also part of important ecosystems and biodiversity. 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 affecting biodiversity and further contributing to climate change.

Our approach:
We will not finance the following:

- 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 forestry sector, we will conduct screening for ESG issues, and, wherever significant ESG issues are identified, will undertake ESG due diligence, including engagement with clients and external assessments where necessary. Transactions with significant ESG issues will require escalation to our senior management committees.

We place important value on adherence of our clients' activities to the Principles of the Forest Stewardship Council (FSC) and expect them to have obtained FSC or comparable certification or be in advanced process of obtaining them.

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 issues 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 pledge to support the Paris Agreement and our 2050 Net Zero commitment 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.
- 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.

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