



**NOMURA**

# Nomura – Sustainable Finance

## Green and Social Finance Framework

MAY 2023

**Copyright © 2023 Nomura**

This document is the sole property of Nomura. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura.

## Contents

<b>1.</b>	<b>Introduction</b> .....	<b>2</b>
<b>2.</b>	<b>Nomura’s approach to sustainability and sustainable finance</b> .....	<b>2</b>
<b>3.</b>	<b>Defining sustainable finance for Nomura</b> .....	<b>3</b>
3.1	Definitions.....	3
3.2	Key principles of sustainable finance reporting.....	3
3.3	Sustainable finance classification .....	4
3.4	Sustainability-linked finance .....	4
<b>4.</b>	<b>Management of ESG risks</b> .....	<b>5</b>
<b>5.</b>	<b>Framework for green and social finance</b> .....	<b>5</b>
5.1	Scope .....	5
5.2	Eligibility parameters .....	5
5.3	Governance of the framework .....	6
<b>6.</b>	<b>External review</b> .....	<b>6</b>
<b>7.</b>	<b>Green and Social eligibility criteria</b> .....	<b>6</b>

## 1. Introduction

As a global financial services group with an integrated network that spans over 30 countries in Europe, Americas and Asia, Nomura Holdings Inc. (“Nomura” / “Nomura Group” / “Group”) bridges the gap between investors and issuers by playing an active role in the global capital markets. We provide liquidity by facilitating the flow of capital, an essential component of ensuring a sound economy that contributes to business development and improving society. Nomura services the needs of a diverse set of customer segments, including institutional investors, financial institutions, governments, corporations, various organizations and individual investors, and serves as their most trusted partner. Nomura provides a wide range of products and services through its Wholesale Division (Global Markets and Investment Banking), Retail Division and Investment Management Division.

## 2. Nomura’s approach to sustainability and sustainable finance

Nomura’s Founder’s Principles, Corporate Philosophy, Code of Conduct, and the Fundamental Management Policy outline the Group’s endeavor to be a responsible corporate citizen.

Nomura’s management vision for 2025 is to “Achieve sustainable growth by solving social issues”, and we have integrated sustainability into our management strategy.

Our sustainability initiatives have the two main goals of supporting our clients’ sustainability efforts through our business, and achieving sustainable growth by reducing the environmental impacts of our own operations and enhancing corporate governance.

Nomura is actively working towards integrating sustainability in its business strategy. In September 2021, we announced our target to align our commercial activities with the objectives agreed in the Paris Agreement, aiming to limit global temperature increases to well below 2°C, and striving for 1.5°C, above pre-industrial levels.

We recognize that large-scale investments are essential for the transition towards a carbon neutral economy. We target to provide and facilitate US\$125 billion in sustainable financing by March 2026 to support our clients. Companies will also need to undergo business model reforms, and we believe this is an opportunity to assist clients through our business and fulfil an important part of our mission as a financial services firm. We will continue to leverage our collective strengths, including Nomura Greentech and Infrastructure and Power Finance (IPF) business and to deliver a wide range of solutions, including DCM, M&A and ECM advisory and financial products and solutions to support our clients’ goals and contribute to a decarbonized economy and to solving social issues.

### 3. Defining sustainable finance for Nomura

#### 3.1 Definitions

<b>“ESG”</b>	Environmental, Social, or Governance issues and considerations
<b>“Sustainable finance”</b>	Financial instruments that integrate ESG considerations into business and investment decisions. Sustainable finance activity includes but is not limited to green finance, social finance, sustainability-linked and transition finance, and includes project-specific and general purpose finance.
<b>“Green Finance”</b>	Financial instruments that support environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment.
<b>“Social Finance”</b>	Financial instruments that support sustainable initiatives and projects with positive social outcomes. Such projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for target populations.
<b>“Transition Finance”</b>	Financial instruments that support the issuer in adapting their business model to make a positive contribution to the transition to a low carbon economy
<b>“Sustainability-Linked Finance”</b>	Financial instruments for which the financial and/or structural characteristics can vary depending on whether the issuer/borrower achieves predefined Sustainability/ ESG objectives.

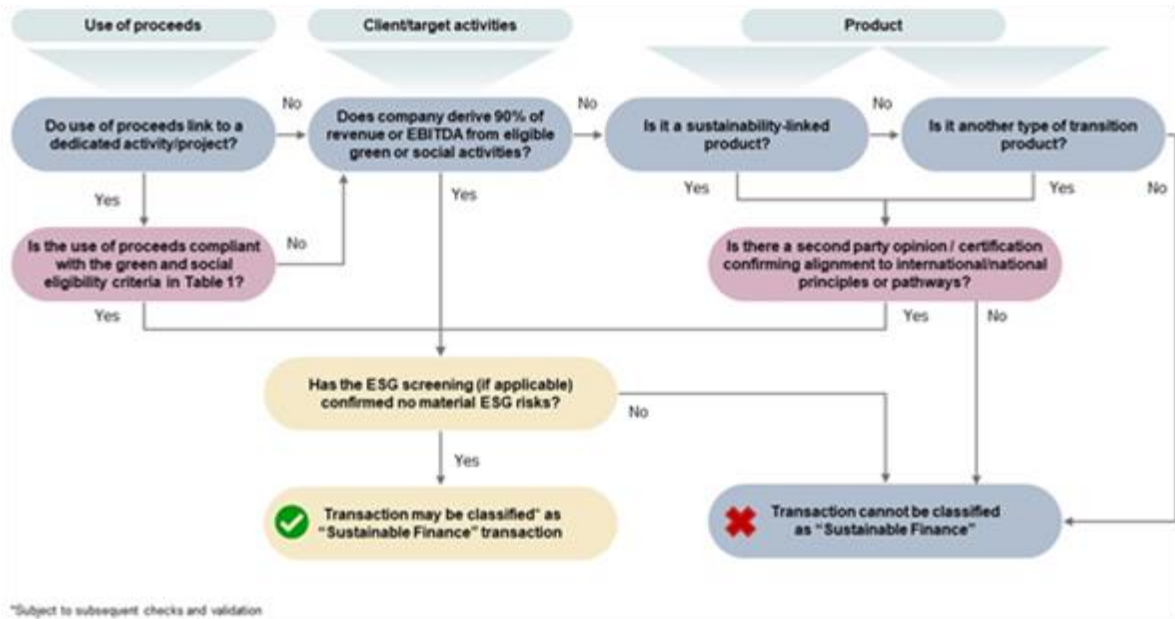
#### 3.2 Key principles of sustainable finance reporting

<b>Principle #1</b>	When reporting financing facilitated within a fiscal year, the financing should represent (1) new funding being raised/underwritten/facilitated within that fiscal year to go towards an eligible enterprise/ project or (2) refinancing of outstanding facility for such enterprise/project.
<b>Principle #2</b>	When reporting financing facilitated, Nomura should account for its role or its share of financing raised, so as to avoid double counting with other financing providers on the same deal.
<b>Principle #3</b>	When reporting financing for general purposes, unless it is transition or sustainability-linked finance, financing to the companies deriving at least 90% of revenues from eligible activities identified under the Framework, will be eligible.

### 3.3 Sustainable finance classification

To decide whether a transaction may be considered a sustainable finance transaction Nomura uses the following chart:

Chart 1: Nomura’s sustainable finance classification



Note: ESG screening will be conducted in line with the Wholesale ESG Sectoral Appetite Statement

Transition Finance is covered in a separate document, the [Transition Finance Guidance](#), complementary to this Framework

### 3.4 Sustainability-linked finance<sup>1</sup>

Sustainability-linked products encompass a range of financial instruments, and, where used to raise capital/financing (e.g. loans, bonds), they cannot be classified based on their use of proceeds as per categories defined in the Green and Social Finance Framework. They are typically part of general purpose financing and are based on pre-determined overall or specific sustainability performance targets (SPTs). SPTs need to be: ambitious; material for clients’ business and core economic activities; and compliant with the environmental and social eligibility criteria outlined in Section 7 of the Framework.

These instruments can be issued by clients in a variety of sectors, including heavy carbon/fossil fuel companies, and the decision to proceed must be part of ESG risk considerations and screening for the deals in scope for ESG screening. The decision to proceed must also take into account the client’s commitment to transitioning to low carbon as well as to resource and energy-efficiency.

<sup>1</sup> Sustainalytics notes that given the range of variables and benchmarking involved in sustainability-linked issuances (including the sectoral considerations, strength of key performance indicator(s) and sustainability performance target(s), historical data, peer performance, etc.), the applicability, strength and ambitiousness of these variables are usually evaluated on a case-by-case basis. In this context, Sustainalytics has not reviewed the criteria defined for financing sustainability-linked instruments in the Framework.

Underlying Key Performance Indicators (KPIs) for the SPT should address the key sector-specific ESG challenges faced by a client and its industry in a holistic way and be linked to the client's overall sustainability and/or transition strategy if available. SPTs should be verifiable and reported regularly by the client. They should be measured or audited by a recognized and reputable external provider. This could be an ESG rating, a certification or a second-party opinion.

#### 4. Management of ESG risks

We established the [Nomura Group Sustainability Statement](#) outlining our approach to sustainability-related activities and our response to environmental and social risks.

The [Wholesale ESG Sectoral Appetite Statement](#) summarizes our approach to Wholesale business activities with specific sectors. The Statement identifies areas where Nomura will not provide or restrict financing from an ESG perspective, and outlines the ESG screening and due diligence process to assess transactions. We review the Nomura Group Sustainability Statement and Wholesale ESG Sectoral Appetite Statement on a regular basis.

#### 5. Framework for green and social finance

Nomura's Green and Social Finance Framework (the "Framework") has been developed to assist stakeholders in understanding Nomura's working definition of green and social finance and to measure Nomura's progress towards facilitating green and social financing.

In designing the methodology for this Framework, Nomura has considered the following international principles, standards and guidance

- UN Principles for Responsible Banking (UN PRB)
- Green Bond Principles 2021 (ICMA)
- Social Bond Principles 2021 (ICMA)
- Sustainability Bond Guidelines 2021 (ICMA)
- Green Loan Principles 2023 (LMA)
- Social Loan Principles 2023 (LMA)
- EU Taxonomy Regulation and its delegated acts
- Climate Bonds Initiative's Climate Bonds Standard and Taxonomy
- EU Green Bond Standard Regulation (legislative proposal)
- (UN) Sustainable Development Goals (SDGs)
- Sustainability Linked Bond Principles 2020 (ICMA)
- Sustainability-linked Loan Principles 2023 (LMA)
- Sustainability-linked Derivatives KPI Guidelines (ISDA)

##### 5.1 Scope

The Framework applies globally to the activities of the Wholesale Division, covering Investment Banking and Global Markets.

##### 5.2 Eligibility parameters

Table 1 in Section 7 shows the eligibility criteria for the business segments and use of proceeds to be counted into the overall green and social financing and facilitation. For social finance eligibility considerations, target populations are also included in Table 1.

### 5.3 Governance of the framework

Nomura set up the process for validating green and social finance transactions. The validation process consists of three key steps:

(Step 1) Product desk teams confirm initial eligibility checks for inclusion and tag projects as green or social finance;

(Step 2) Sustainability team review all tagged deals and validate whether they have been included in compliance with this Framework;



(Step 3) The results of validation are reviewed and approved by the Sustainable Finance Oversight Committee consisting of the management with expertise in sustainability and sustainable finance.

## 6. External review

This Framework was developed by Nomura with support from Morningstar Sustainalytics in developing the Green and Social Eligibility criteria. Morningstar Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies.

## 7. Green and Social eligibility criteria

Table 1

Area	Activity types	Eligible green activity	Exclusion criteria
<b>1. Environmental eligibility – green finance</b>			
<b>1.1 Renewable Energy</b>	  <p>Includes</p> <ul style="list-style-type: none"> <li>■ Production</li> <li>■ Transmission</li> <li>■ Appliance, products and technologies that are wholly dedicated to renewable energy generation and storage</li> </ul>	<ul style="list-style-type: none"> <li>■ Renewable energy               <ul style="list-style-type: none"> <li>– Solar photovoltaic</li> <li>– CSP or solar thermal plants with a large majority of electricity (&gt;85%) generated from the facility is derived from solar energy sources</li> <li>– Wind (onshore and offshore)</li> <li>– Ocean energy (wave and tidal power; ocean thermal energy conversion<sup>2</sup>)</li> <li>– Hydropower<sup>3</sup>: (1) run-of river hydro projects without artificial reservoir or low storage capacity; (2) for hydropower facilities that became operational before the end of 2022, lifecycle carbon intensity is less than 100 gCO<sub>2</sub>/kWh or power density is more than 5W/m<sup>2</sup>; (3) for new hydropower facilities, lifecycle carbon intensity is less than 50 gCO<sub>2</sub>/kWh or power density is more than 10 W/m<sup>2</sup></li> <li>– Geothermal with direct emissions threshold of less than 100 gCO<sub>2</sub>/kWh</li> </ul> </li> <li>■ Bioenergy from non-waste biomass with feedstock that are certified from sustainable sources<sup>4</sup> and (1) lifecycle emissions of at least 65%<sup>5</sup> lower than the</li> </ul>	<ul style="list-style-type: none"> <li>■ Large hydropower (&gt;25MW) dam or reservoir-based, or run-of river hydro projects with pondage</li> <li>■ Bioenergy production that competes with food production or decreases forestation, biodiversity, or carbon pools in soil</li> <li>■ Biomass or biogas from palm, peat and non-sustainably produced crops</li> <li>■ Any coal, oil or natural gas power generation</li> <li>■ Application of renewable energy technology in processes for the fossil fuel industry</li> <li>■ Transmission lines directly connected or dedicated to fossil fuel power</li> </ul>

<sup>2</sup> For ocean thermal projects, fossil fuel backup will be limited to power monitoring, operation and maintenance equipment, as well as resilience or protection measures and restart capabilities.

<sup>3</sup> For all new hydropower projects regardless of size, an environmental and social impact assessment by a credible, third-party body is required per project. There should be no significant risk, controversies or expected negative impact identified by the assessment.

<sup>4</sup> For biofuel feedstock production, credible sustainable certification schemes include the Roundtable on Sustainable Biomaterials (RSB); ISCC Plus; Bonsucro (for sugarcane); Round Table on Responsible Soy (RTRS); Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) (for wood and wood pellets).

<sup>5</sup> Pre-2021 installations: 60% reduction below baseline and pre-2015 installations: 50% reduction below baseline

- fossil-fuel baseline<sup>6</sup> or (2) lifecycle emissions intensity below 100 gCO<sub>2</sub>/kWh
- Bioenergy from waste sources, such as forestry and agricultural residues
- Development, construction and maintenance of renewable energy transmission and distribution systems that is: (1) dedicated to connecting renewables to the power grid; or (2) facilitating the integration of at least 90% electricity from renewable sources into the grid<sup>7</sup>, or (3) distributed assets such as fuses, transformers, circuit breakers intended to reduce curtailment of renewable energy into the grid
- The manufacture and operation of energy storage technologies that is connected to renewables or grid,<sup>8</sup> including battery storage
- Green hydrogen storage<sup>9</sup>

## 1.2 Energy efficiency



In new and refurbished buildings

- Development, manufacture and/or installation of energy efficiency technologies, products and systems, including energy efficient household appliances that belong to the highest two populated classes of the relevant EU Energy Label, electric heat pumps or absorption heat pumps driven by solar-heated water, smart meters, LED lighting, energy-efficient HVAC systems, high efficiency windows and doors (low U-value), building management systems.

- Energy-efficient technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels
- Waste heat from fossil fuel production or operations
- Energy efficiency improvements to transmission lines directly connected or dedicated to fossil fuel power
- Improvement activities that result in the lock-in of fossil fuel technologies
- Production processes in heavy industries such as steel, cement or aluminium

Transmission and distribution systems

- Development, manufacture and/or installation of technologies aimed at energy efficient transmission and distribution, including smart grid technologies, smart meters, monitoring and control automation devices, peak demand management
- District heating distribution networks where these are primarily (more than 50%) powered by renewables, waste heat or both
- Electric powered cooling and heating systems

Industrial processes

- Development, manufacture, distribution and/or installation of products or services dedicated to increasing the energy efficiency of industrial processes

## 1.3 Pollution prevention and control



Includes reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy- and emission-efficient waste to energy

- Activities with capex which are designed to achieve the following:
- reduce air emissions, including through the installation of smokestack scrubbers or process upgrades
  - mitigate GHG emissions, including through installation of sensors to monitor or test emissions control or compliance
  - soil remediation
  - waste prevention, recycling, waste sorting projects and selected waste processing

- Assets, systems or processes that are inherently reliant on fossil fuels as energy source or create a fossil fuel lock-in
- Activities applied to production processes in carbon intensive or heavy industries such as steel, cement and aluminium

<sup>6</sup> Fossil fuel baselines for biofuel production facilities: (1) Biofuels (for transportation) - 94 gCO<sub>2</sub>e/MJ; (2) Bioliqids (production of electricity) - 183 CO<sub>2</sub>e/MJ; and (3) Bioliqids (production of heat) - 80 CO<sub>2</sub>e/MJ as per EU RED II.

<sup>7</sup> If the grid is less than 90% but the percentage of renewables is expected to increase, a pro-rata approach will be applied to determine the green allocation to grid development or maintenance.

<sup>8</sup> Where grid aligns with criteria outlined for transmission and distribution

<sup>9</sup> Where production is by electrolysis powered by renewable energy, where renewable energy is as defined by this Framework.





- projects (energy- and emission-efficient), including recycling of end-of-life batteries supported by a strong waste management process to mitigate associated risks
- waste to energy from municipal solid waste where majority of recyclables are segregated before energy conversion
- anaerobic digestion of sewage, sludge and bio-waste
- Processing of recyclable waste fractions into secondary raw materials including steel, aluminium, glass
- Recycling of e-waste or waste from electrical or electronic equipment
- Soil remediation associated with the contamination or negative environmental externality from the Bank or borrowers' own activities
- Chemical recycling of plastic
- Recycling of electronic waste without robust waste management processes to mitigate associated risks

## 1.4 Environmentally sustainable management of living natural resources and land use



Includes environmentally sustainable agriculture; environmentally sustainable livestock management as part of integrated cropland-livestock-agroforestry systems; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes

- Crops growing processes certified under a credible scheme such as Rainforest Alliance, USDA Organic, EU Organic, RTRS, RSPO, Bonsucro, Better Cotton Initiative (BCI) and UTZ.
- Livestock management part of integrated cropland-livestock-agroforestry systems targeted at smallholder farmers.
- Sustainable fishery and aquaculture certified under a credible scheme such as Aquaculture Stewardship Council, Marine Stewardship Council Fisheries Standard and Best Aquaculture Practice (2 stars or more)
- Implementation of techniques that promote sustainable crop agriculture and forestry: no-till farming systems, crop rotation, drip irrigation, interventions that eliminate the use of synthetic fertilizers and pesticides and vertical farming hydroponics<sup>10</sup>
- Technologies dedicated to promoting sustainable forest management and crop agriculture by efficient energy and resource management: precision agriculture satellite farming enabling data-driven agriculture management, remote sensing and GIS equipment, infrared and thermal cameras.
- Alternative proteins
  - Research & development towards cultured meat
  - R&D and production of fermented meat with significantly lower GHG emissions compared to plant and animal production
  - R&D and production of plant-based protein with i) evidence of life-cycle GHG emissions being significantly lower than meat counterparts and ii) production that procures raw materials from certified sustainable sources
- Sustainable management of natural resources
  - Certified forests (FSC, PEFC, American Tree Farm System, China Forest Certification and Sustainable Forestry Initiative)
  - Afforestation and reforestation using tree species that are well-adapted to site conditions and with sustainable management plan in place
- Agricultural practices not compliant with Nomura Wholesale ESG Sectoral appetite statement
- Agricultural units that include industrial livestock production units
- Livestock management projects for industrial-scale meat processors or producers
- Genetically modified organisms and crops
- Manufacture, purchase or distribution of inorganic, synthetic fertilizers, pesticides or herbicides
- Equipment that run directly on fossil fuels such as those powered by diesel
- Techniques and technologies implemented on industrial scale livestock production units

<sup>10</sup> Hydroponics will be coupled with the implementation of strong energy efficiency measures and renewable energy procurement.

## 1.5 Terrestrial and aquatic biodiversity conservation



Terrestrial and aquatic biodiversity conservation including the protection of coastal, marine and watershed environments

- Protection of marine and terrestrial living resources including water, critical and high-carbon stock ecosystems, and other primary resources
  - Restoration, rehabilitation or conservation of native forests and high conservation value
  - Restoration, rehabilitation or conservation of biodiversity in natural landscapes or urban areas such as parks and green rooftops
  - Investment in protected areas, e.g. natural parks
  - Rehabilitation, restoration and conservation of ecosystems from a degraded state
  - Restoration of upland and lowland peatlands to enhance the sequestration and long-term storage of carbon from the atmosphere

## 1.6 Clean transportation



Electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions

- Zero-direct emission vehicles<sup>11</sup> (cars, buses, trucks, trains, planes, ships): fully electric including battery electric, hydrogen and fuel cell powered
- Development, operation and upgrade of low carbon transportation<sup>12</sup> infrastructure such as electric vehicles charging infrastructure
- Transportation infrastructure manufacturers specialized parts for low-carbon transportation<sup>13</sup>, such as EV batteries

- Freight trucks or tank containers dedicated to the transportation of fossil fuels or fossil fuels blended with alternative fuels
- Rail lines and operations where fossil fuels account for more than 50% of freight (by tonne-km)
- New construction and existing road infrastructure retrofits, such as roads, road bridges and parking facilities

## 1.7 Sustainable water and wastewater management



Including sustainable infrastructure for clean and/or drinking water, wastewater treatment,

- Water collection saving, treatment, recycling, re-use, upgrades, technologies and related infrastructure including water loss management measures such as metering and monitoring

- Treatment of wastewater from fossil fuel operations
- Integrated water and power plants (IWPP) that are powered by fossil fuels

## 1.8 Climate change adaptation



Including information support systems, such as climate observation and early warning systems

- Climate change adaptation solutions and initiatives; including, sustainable coastal zone management, flood mitigation, defence and early warning systems, storm-water management, and extreme weather management
- Climate change adaptation infrastructure projects will be supported by a vulnerability assessment and adaptation plan

## 1.9 Eco-efficient and/or circular economy adapted products, production technologies and processes

Such as development and introduction of environmentally sustainable products and resource-efficient packaging and distribution

### Activities that support a circular economy

- Production of new resource-efficient or low carbon products that are RSB certified
- Production of aluminium-based consumer products where 90% or more of input is scrap or recycled aluminium

<sup>11</sup> In case hybrid vehicles are considered, such vehicles will be at or below the threshold of 75 gCO<sub>2</sub>/km

<sup>12</sup> Low carbon transportation as is defined in the Framework

<sup>13</sup> Low carbon transportation as is defined in the Framework



- Procurement of recycled, waste materials or resource- efficient materials as an input, such as recycled steel, glass, aluminium;
- Sharing business models and repair activities aimed at increasing the lifespan of existing products

## 1.10 Green buildings



Green buildings (commercial or residential) which meet regional, national or internationally recognised standards or certifications

Development of new buildings and/or retrofit of existing buildings to the following levels

- Buildings certified to an acceptable level under an internationally recognised green building certification scheme (e.g. LEED Gold or above, BREEAM Very Good or above<sup>14</sup>, EDGE Certified, NABERS Energy (5 stars or above), BELS (4 stars or above), CASBEE (A or S)
- Buildings that over the life of the loan/financing achieve a minimum 30% improvement in energy efficiency, emissions savings or Primary Energy Demand

**In addition to the above, green bonds and loans that have obtained a Second Party Opinion (SPO) confirming they are compliant with the ICMA and LMA Green Bond Principles, and similar international/regional guidelines, will also be considered green finance**

## 2. Social eligibility - social finance

### 2.1 Affordable basic infrastructure



Clean drinking water, sewers, sanitation, transport, energy, basic telecommunications

Projects providing/expanding affordable access to

- Clean energy<sup>15</sup>: electricity through grid development or expansion to areas where access is clearly inadequate or does not exist
- Clean drinking water (at residential or public-access facilities) and sanitation
- Transport: i) Public transportation infrastructure that increases connectivity of socioeconomically disadvantaged or remote areas; and ii) the construction of roads to increase connectivity in underdeveloped, rural areas where road connectivity is clearly inadequate or does not exist
- Development of tele-communication networks and related infrastructure in underserved areas that originally lack access to telecommunication services

- Transmission infrastructure connected to a dedicated fossil fuel power plant
- Development and upgrade of highways and major roads

### 2.2 Access to essential services



Accessible and affordable healthcare

Projects that

- Improve access to and/or affordability of public free health care or private healthcare that is subsidized<sup>16</sup> for the "Targeted population" (see below)
- Facilitate public health emergency response through increasing healthcare capacity, training of personnel to assist emergency response
- Access to public free elderly care or private non-for-profit eldercare facilities that is subsidized to ensure affordability

- Private healthcare in high-income countries

<sup>14</sup> Sustainalytics considers BREEAM Excellent to be a credible green expenditure and considers BREEAM Very Good-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfill the requirements for BREEAM Excellent in that category.

<sup>15</sup> Any power generation plant should meet the eligibility criteria outlined under the renewable energy category.

<sup>16</sup> Sustainalytics considers subsidies as providing reasonable assurance of affordability when this results in limited out of pocket expenses for beneficiaries.



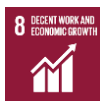
	<ul style="list-style-type: none"> <li>Facilitate inclusive access without discrimination on the basis of sex or other factors, e.g. race, disability</li> </ul>	
Accessible and affordable education	<ul style="list-style-type: none"> <li>Projects related to educational institutions, such as schools, universities and vocational training centers that enhance access to public free education</li> </ul>	<ul style="list-style-type: none"> <li>Private education</li> </ul>
Access to financing and financial services	<ul style="list-style-type: none"> <li>Provision of microfinance<sup>17</sup> including through dedicated microfinance platforms, microfinance institutions with financial advantages in place such as flexible or lenient payment terms, interest rates below market rate or down payment assistance for the “Targeted population” (see below)</li> </ul>	<ul style="list-style-type: none"> <li>Pay day loan providers</li> <li>High-interest MFI loan providers</li> </ul>

### 2.3 Affordable housing



Provision of affordable housing to the “Targeted Population” (see below)	<ul style="list-style-type: none"> <li>Access to adequate, safe and affordable housing for low-income, excluded, underserved and/or marginalized population or students or communities or any other “Targeted Population” (see below), provided the rent is capped below the local or regional average to ensure affordability.</li> </ul>	
--	--	--

### 2.4 Employment generation



Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing	<ul style="list-style-type: none"> <li>Employment creation programmes, including training and development programmes, capacity-building and upskilling initiatives that generate local employment opportunities and facilitate diversity and inclusion in areas of high unemployment</li> <li>Loans or other financing to MSMEs that are               <ul style="list-style-type: none"> <li>In developing countries that are not considered high-income countries<sup>18</sup> and/or underdeveloped regions with a country<sup>19</sup></li> <li>Majority owned by members of historically or systematically marginalized or disadvantaged groups</li> <li>Majority (at least 50%) women-owned or led at the most senior level by women; or women-owned MSMEs as defined by the IFC<sup>20</sup></li> </ul> </li> </ul>	
---	--	--

### 2.5 Food security and sustainable food systems

Including physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural	<ul style="list-style-type: none"> <li>Financing and support to smallholder farmers<sup>21</sup> in countries or regions with an explicit need to tackle food security or food loss<sup>22</sup></li> <li>Projects aimed at reducing food loss and waste, such as investment in infrastructure and facilities such as warehouses that improve storage, food conservation and</li> </ul>	<ul style="list-style-type: none"> <li>Agricultural practices not compliant with Nomura Wholesale ESG Sectoral appetite statement</li> <li>Projects involving or supporting livestock for industrial-scale meat processors or producers</li> </ul>
--	---	--

<sup>17</sup> Responsible lending practices will be in place to understand the borrower’s financial situation, mitigate risks for the borrowers’ and ensure the avoidance of predatory lending.

<sup>18</sup> Defined by the latest UN World Economic Situation and Prospects (WESP) Report (2022), at: <https://www.un.org/en/desa/world-economic-situation-and-prospects-wesp-2022>

<sup>19</sup> Defined as regions with a smaller-than-average GDP per capita, or regions with high unemployment or poverty rate, as classified by official government statistics or a credible source.

<sup>20</sup> The IFC defines women owned MSMEs as those meeting the following criteria: i) more than 20% owned by women; and ii) has at least 1 woman as CEO or COO or President or Vice President; and iii) has more than 30% of the board of directors composed of women, where a board exists, at:

[https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/priorities/ifcs+definitions+f+targeted+sectors](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+f+targeted+sectors)

<sup>21</sup> Smallholder farmers as defined by the FAO as those who manage less than 10 hectares of farming area, at:

<http://www.fao.org/family-farming/detail/en/c/273864/>

<sup>22</sup> The explicit need to tackle food security or food loss in these countries or regions must be supported by a credible source.



practices; reduction of food loss and waste; and improved productivity of small-scale producers)

distribution or enhance connectivity in the food chain to avoid food losses in countries or regions with an explicit need to tackle food security or food loss<sup>23</sup>

**Grants and loans to registered social enterprises, charities and not-for-profit organizations**

- Provision of loans or grants to registered social enterprises, charities and not-for-profit organizations that have the specific purpose to advance the social activities identified in this Framework

- Religious and political institutions

**Unless specified otherwise, transactions above will be qualified as having social impact if they are targeted to these populations (aka “Targeted Population” as per ICMA’s Social Bond Principles)**

1. Low-income or living below the poverty line
2. Excluded and/or marginalised populations and /or communities
3. People with disabilities
4. Migrants and /or displaced persons
5. Undereducated
6. Underserved, owing to a lack of quality access to essential goods and services
7. Unemployed
8. Women and/or sexual and gender minorities
9. Ageing populations and vulnerable youth
10. Other vulnerable groups, including as a result of natural disasters

**In addition to the above, social bonds and loans that have obtained an SPO confirming they are compliant with the ICMA and LMA Social Bond Principles, and similar international/regional guidelines, will also be considered social finance.<sup>24</sup>**

<sup>23</sup> The explicit need to tackle food security or food loss in these countries or regions must be supported by a credible source.

<sup>24</sup> Sustainalytics recognizes Nomura’s approach for selecting social bonds and loans that are aligned with credible use-of-proceeds principles, including the ICMA principles or the APLMA/LMA/LSTA principles and have additionally obtained a second-party opinion on the financed instruments. Sustainalytics, however, notes that this, does not necessarily ensure financing to eligible activities and encourages Nomura to prioritize investments in instruments that exclusively finance activities per the criteria defined in Table 1.