

Policy on Environmental and Social Considerations in Financing and Investment Activities

1. Positioning of the Policy

- The Policy has been formulated to set out the Bank's policy on environmental and social considerations in financing and investment activities based on the Environmental Policy and the Human Rights Policy, which clarify our fundamental approach to resolving environmental issues and respecting human rights.

2. Transactions Subject to the Policy

- The Policy applies to all financing and investment activities that we will provide for our clients.

3. Details of the Policy

- Taking into consideration severity and nature of impacts on the environment and society, we have established the "Transactions for which the Bank prohibits financing and investment" and "Transactions for which the Bank restricts financing and investment" as follows. Each of the transaction categories is further classified into "Cross-sector items" and "Sector specific items" to organize the contents of the Policy. We will not provide financing or investment to any transactions listed in the "Transactions for which the Bank prohibits financing and investment." When considering whether to provide financing or investment to any transactions listed in the "Transactions for which the Bank restricts financing and investment," we will confirm the client's consideration for and response to environmental and social issues, and then make cautious decisions on whether to provide financing or investment after discussion at the management level as necessary.

(1) Transactions for which the Bank prohibits financing and investment

A. Cross-sector items

In recognition of the serious risks to have significant adverse impacts on the environment and society, we refuse to engage in transactions related to the following types of projects:

- Projects with an adverse impact on UNESCO World Heritage sites
- Projects with an adverse impact on wetlands designated as Wetlands of International Importance under the Ramsar Convention
- Projects engaging in child labor, forced labor, or human trafficking

B. Sector specific items

(A) Cluster munitions manufacturing

Civilian populations have been greatly affected by cluster munitions and are recognized by the

international community as inhumane weapons. Based on such recognition, we will not provide financing or investment to any cluster munition manufacturers.

(2) Transactions for which the Bank restricts financing and investment

A. Cross-sector items

In recognition of the potential to have significant adverse impacts on the environment and society in relation to the following types of projects, we will confirm the client's consideration for and response to environmental and social issues, and then make cautious decisions on whether to provide financing or investment:

- Projects with adverse impacts on high conservation value areas (IUCN Category I-IV)
- Projects with adverse impacts on indigenous peoples' communities
- Projects involving in land expropriation leading to involuntary resettlement
- Projects with adverse human rights impacts in conflict areas

B. Sector specific items

(A) Coal-fired power generation

Coal-fired power generation has a risk of adverse impacts on the environment and society primarily due to the emission of more greenhouse gases compared to other types of power generation. Based on such recognition, in principle, we will not provide financing or investment to companies whose main business is coal-fired power generation and with which we have no prior business dealings including financing or investment. In principle, we will also not provide financing or investment to new construction of coal-fired power plants or the expansion of existing facilities unless it is required to respond to disasters and other emergencies. Meanwhile, we will continue to support technologies and initiatives that support the transition to a decarbonized society, such as Carbon Dioxide Capture and Storage technology (CCS), which will contribute to reduction in the emission of greenhouse gases.

(B) Coal mining

With regard to coal mining, we assume a risk of coal becoming stranded assets due to the transition to a low-carbon society. In addition, improper management of coal mining operation may pose a risk of adverse impacts on the environment and society, such as the occurrence of occupational injuries caused by coal mining accidents, pollution of water systems (rivers and oceans) caused by mining waste, and destruction of ecosystems. We are also aware of the importance of consideration for human rights issues such as infringement of the rights of indigenous peoples and communities, health problems, and forced and child labor. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients when considering

whether to provide financing or investment to clients who operate the coal mining business. In principle, we will not provide financing or investment to companies whose main business is thermal coal mining and related infrastructure development, and with which we have no prior business dealings including financing or investment. We will also not provide financing or investment to thermal coal mining projects, new infrastructure development and expansion projects related to thermal coal mining projects, as well as coal mining projects in the U.S. Appalachian areas using the mountaintop removal (MTR) method (a type of surface mining), which have severe impacts on the natural environment.

(C) Oil and gas

Oil and gas drilling and pipeline installation could pose the risk of adversely impacting the environment and society, through the pollution of the seas and rivers as a result of oil and gas spill accidents as well as the infringement of the rights of the indigenous people and communities. Arctic petroleum and gas drilling projects (in the region north of 66°33' north), in particular, not only raise concerns over the potential destruction of the ecosystem and marine pollution through oil and gas spill accidents but also require the protection of rare species and the consideration for the livelihood of the indigenous people. Furthermore, the production of oil sands uses massive volumes of hot water and steam, which leads to the generation of greenhouse gases, while shale oil and gas development causes groundwater quality contamination and other forms of pollution due to the massive volumes of water used and the injection of chemical substances in the hydraulic fracturing process. We recognize the immensity of the environmental burden posed by these developments and the potential infringement of the rights of the indigenous people and communities resulting from these developments. Based on such recognition, when considering whether to provide financing or investment to oil and gas drilling and pipeline installation projects, we will assess the implementation status of the environment and social considerations by our clients and thereupon make an appropriate decision on the financing or investment to avert any significant adverse impact.

(D) Large-scale hydropower generation

Large dams¹ contribute to the social infrastructure by strengthening resilience (flood control) toward natural disasters caused by climate change and through food production based on the use of agricultural water (water utilization), as well as supplying clean energy as sustainable energy. On the other hand, we recognize that dam construction may entail risks including adverse impact on biodiversity along the river basin and infringements of the rights of indigenous peoples and communities, due to making the people relocate.

¹ The construction of new hydropower generation dams with dam walls of over 15 meters tall and output of 30MW or greater.

Based on such recognition, when considering whether to provide financing or investment to large-scale hydropower generation projects, we will assess the implementation status of the environment and social considerations by our clients and thereupon make an appropriate decision on the financing or investment to avert any significant adverse impact. Furthermore, we will recommend our clients undergo environmental and social assessments based on the Hydropower Sustainability Assessment Protocol.

(E) Woody biomass power generation

Woody biomass power generation is recognized as a clean energy source contributing to the transition to a decarbonized society. In cases utilizing local sourcing models, it may also promote regional forest management and job creation, thereby supporting local development.

However, we acknowledge the importance of taking into account the risks associated with certain projects, such as the logging of natural forests and deforestation leading to the destruction of ecosystems and biodiversity, the violation of the rights of indigenous peoples and communities, and increased greenhouse gas emissions over the entire lifecycle.

Based on such recognition, when considering financing or investing in new or expanded woody biomass power generation projects², we will assess the client's implementation of environmental and social considerations—including the sustainability of fuel sources and assessment of lifecycle GHG emissions—and make appropriate financing decisions to avoid significant adverse impacts.

(F) Palm oil

Palm oil is used in a variety of consumer products, such as chocolate, margarine, snacks and soaps, making it an important ingredient indispensable for people's lives. On the other hand, we recognize that the development of palm plantations may cause conflicts over indigenous land rights; various environmental issues such as forests fires and smoke pollution (haze) caused by the development of peatlands, deforestation of tropical rain forests and slash and burn agriculture, and damage to biodiversity; and human rights issues such as child labor and low wage labor. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients when considering whether to provide financing or investment to clients who operate the plantation and oil extraction business for palm oil production. In addition, when we provide financing or investment to the palm oil business described above, we will verify whether the client complies with the Bank's policy regarding its intended use of funds and has certified relevant operations according to RSPO (Roundtable on Sustainable Palm Oil). Furthermore, we will request clients in this sector to announce their respect of Free, Prior and Informed Consent (FPIC) to

² Woody biomass power generation projects refer to not only dedicated biomass combustion facilities but also co-firing facilities

indigenous people and their commitments to No Deforestation, No Peat and No Exploitation (NDPE). If the client has yet to be eligible for RSPO certification or has yet to announce its respect for FPIC or commitment to NDPE, we will examine its action plans to do so and achieve certification.

(G) Forestry

Forests play a significant role in mitigating global warming by absorbing and storing carbon dioxide and are valuable resources that contribute to biodiversity conservation. Deforestation has severe impacts on the global environment. Based on such recognition, we will assess the implementation status of environmental and social considerations by our clients and aim to contribute to environmental conservation. In addition, when we provide financing or investment to clients who are engaged in logging business in emerging countries, we will verify whether the client complies with the Bank's policy regarding its intended use of funds and has certified relevant operations according to internationally recognized certification organizations: Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). Furthermore, we will request clients in this sector to announce their respect of Free, Prior and Informed Consent (FPIC) to indigenous people and their commitments to No Deforestation, No Peat and No Exploitation (NDPE). If the client has yet to be eligible for FSC or PEFC certification or has yet to announce its respect for FPIC or commitment to NDPE, we will examine its action plans to do so and achieve certification.

(H) Large-scale agriculture

We recognized that the development and the operation of large-scale agriculture projects³ may cause various environmental issues such as deforestation and damage to biodiversity due to cutting down and the controlled burnout of natural forests; and human rights issues such as the infringement of the rights of indigenous people and child labor. Based on such recognition, when considering whether to provide financing or investment to plantation projects, we will assess the implementation status of the environment and social considerations by our clients and thereupon make an appropriate decision on the financing or investment to avert any significant adverse impact. Furthermore, we will request clients in this sector to announce their respect of Free, Prior and Informed Consent (FPIC) to indigenous people and their commitments to No Deforestation, No Peat and No Exploitation (NDPE). If they have yet to announce their respect for FPIC and their commitment to NDPE, we will examine their action plans to do so.

(I) Inhumane weapons

Nuclear weapons, biological and chemical weapons, and anti-personnel mines, which have indiscriminate and serious effects on civilians, are internationally accorded to have entailed risks

³ Agricultural projects covering 10,000 hectares or larger for raising grains such as soybeans or fruit such as cacao and coffee, as well as using the land as grazing land.

that cannot be ignored for humanitarian concerns, along with cluster munitions. Based on such recognition, we will not provide financing or investment for the manufacturing of nuclear weapons, biological and chemical weapons, or anti-personnel mines.

4. Review of the Policy

- Considering the results of implementation of the Policy and trends in Japan and overseas regarding initiatives to address environmental and social issues, we will regularly review the appropriateness and sufficiency of the Policy at the management level, and then revise the Policy and enhance its implementation as necessary.

5. Education and Training

- In order to enhance officers' and employees' knowledge on environmental and social issues, and deepen their understanding of the Environmental Policy and the Human Rights Policy, as well as the Policy, the Bank continuously conducts education and training for all officers and employees. We also ensure that officers and employees will fully comply with the rules and procedures related to the Policy.

6. Stakeholder Communication

- We continuously engage in dialogue with stakeholders on a variety of sustainability-related topics, including environmental and social issues handled in the Policy. We believe that those initiatives will be helpful to properly and timely identify environmental and social issues which we must address through the revisions of the Policy to further increase its effectiveness.
- Based on these continuous dialogues with stakeholders, we will promote the Policy on Environment and Social Considerations in Financing and Investment Activities and make efforts to provide and support solutions to address the issues that our clients face.

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