

# Environmentally and Socially Friendly Investments and Loans Policy

Mebuki Financial Group has established the Environmentally and Socially Friendly Investments and Loans Policy based on the Group Sustainability Policy and the Group Credit Policy. Through investment and loan activities in accordance with this policy, we will strive to generate a positive impact on the environment and society, reduce or prevent any negative impact, and contribute to the realization of sustainable local communities.

## 1. Policy on businesses and projects (hereinafter collectively referred to as “projects”) that positively impact the environment and society

We will actively support our customers’ efforts to create sustainable local communities by addressing environmental issues and social challenges.

### Examples of the projects we will actively support:

- Projects that promote the growth of local industries and the development of new industries
- Projects that contribute to building safe and prosperous communities
- Projects that contribute to a decarbonized society and environmental conservation
- Projects that contribute to adaptation to climate change
- Projects that promote the transition toward a sustainable environment and society

## 2. Policy on projects that negatively impact the environment and society

We will adopt a cautious approach to investments or loans to projects that may potentially cause or exacerbate any negative impact on the environment or society. Examples of negative impact include accelerating global warming, causing the loss of natural capital, human rights violations such as child labor, forced labor, involuntary displacement of residents, and the destruction of culturally valuable heritage.

### Projects that we will treat with special caution:

#### (1) Coal-fired power generation

(View) Coal-fired power generation is believed to emit more greenhouse gases and pollutants than other methods of power generation, and can negatively impact the environment and society, including through climate change and air pollution.

(Policy) As a general rule, we will not engage in investments or loans to fund the construction of new coal-fired power plants or the expansion of existing coal-fired power plants where this would lead to an increase in greenhouse gas emissions. However, in exceptional cases where we consider involvement, we will carefully review each project with close attention to its background and characteristics, such as power generation efficiency, environmental, and social impacts, referring to international guidelines, etc.\*1

\*1 This includes guidelines such as the Arrangement on Officially Supported Export Credits established by the Organisation for Economic Co-operation and Development (OECD)

#### (2) Coal mining and mine development

(View) Coal mining and mine development, if not properly managed, can negatively impact the environment and society. This includes the potential for occupational accidents, human rights violations such as illegal labor, child labor, and the involuntary relocation of indigenous and local communities, and the generation of hazardous waste. In addition, compared to other energy resources, the use of coal to fuel thermal power plants and other facilities risks increasing greenhouse gas emissions.

(Policy) We will approach investments and loans to fund coal mining and mine development with caution, taking full account of their environmental and social impact. We will not undertake investments or loans in the following projects, as they have significant negative effects on the environment.

- Coal mining operations using the mountain top removal (MTR) method, which has a significant negative impact on the natural environment
- New thermal coal mining projects for power generation and projects to expand existing thermal coal mining operations
- New development or expansion projects for facilities and equipment associated with the mining of thermal coal for power generation

### **(3) Oil and gas extraction**

(View) Oil and gas are essential energy sources for social infrastructure and daily life, but marine and river pollution, as well as other harmful effects arising from spills and accidents associated with their extraction and pipeline installation can negatively impact the environment and society.

(Policy) We will approach investments and loans to fund any new projects of the following types with caution, taking full account of their environmental and social impact.

- Oil sands mining
- Oil or gas extraction in the Arctic (latitude 66°33'N and above)
- Shale oil or shale gas extraction
- Oil or gas pipeline installation

### **(4) Large-scale deforestation**

(View) Forests are important not only because they support economic activities as the source of timber, paper, and pulp, but also because their ability to absorb and store carbon dioxide plays a significant role in mitigating climate change. Large-scale deforestation can potentially lead to desertification and soil degradation, negatively impacting the environment and society. This impact includes increased climate change risks and a reduction in habitats for wildlife and vegetation.

(Policy) We will approach investments and loans to fund deforestation with caution, taking full account of the status of international certifications (FSC\*<sup>2</sup> and PEFC\*<sup>3</sup>), as well as the environmental and social impact.

\*2 Forest Stewardship Council: A non-profit organization that operates an international forest certification system with the principle of promoting forest management that is appropriate from an environmental conservation perspective, provides social benefits, and is economically sustainable.

\*3 Programme for the Endorsement of Forest Certification: An international coordinating organization that promotes the auditing of forest certification systems established individually by each country based on the intergovernmental process for sustainable forest management, as well as mutual recognition among these systems.

### **(5) Large-scale farm development**

(View) The development of large-scale farms\*<sup>4</sup> can negatively impact the environment and society. This includes the potential reduction of habitats for wild animals and plants, violations of the rights of indigenous peoples and local residents due to farming operations, and adverse effects on health.

(Policy) We will approach investments and loans to fund the development of large-scale farms with caution, taking full account of the formulation of policies such as NDPE\*<sup>5</sup>, as well as the environmental and social impact.

\*4 Farms of 10,000 ha and over (including projects aimed at the cultivation of soybeans, natural rubber, cocoa, coffee, etc., as well as the use of land for grazing)

\*5 Policy commitments to no deforestation, peatland development, or exploitation, mainly promoted by companies in the palm oil sector

**(6) Palm oil plantation development**

(View) Palm oil is widely used as an essential ingredient in everyday products such as cooking oil, detergents, and paints. On the other hand, the clearing and burning of natural forests to develop palm oil plantations can negatively impact the environment and society due to effects such as increased climate change risk, the loss of habitats and vegetation for wildlife, and the violation of indigenous peoples' rights, as well as through conflicts with local communities.

(Policy) We will approach investments and loans to fund the development of palm oil plantations with caution, taking full account of the status of international certification (RSPO\*<sup>6</sup>), as well as the environmental and social impact.

\*6 Roundtable on Sustainable Palm Oil: An organization that aims to establish globally trusted certification standards to promote the production and use of sustainable palm oil.

**(7) Companies associated with the production of inhumane weapons**

(View) Nuclear weapons, biological and chemical weapons, anti-personnel mines, cluster munitions, and other inhumane weapons have indiscriminate and devastating effects, including on civilians, and are widely recognized by the international community as posing serious humanitarian concerns.

(Policy) We will not undertake investments or loans to companies that develop or manufacture inhumane weapons, regardless of how the funds are used.