

Engagement-focused support for transitioning to a low-carbon society

- Mizuho recognizes that a transition of high-emitting industries is critical to achieving a low-carbon society.
- With engagement as our starting point, we maintain a deep understanding of our clients' challenges and needs and provide a wide range of solutions in finance and consulting to support our clients in designing and executing transition strategies.

Framework to confirm the credibility and transparency of transition strategies

- In order to more proactively supply the necessary financing for our clients' business structure transformation and other initiatives, we have developed a framework (standards and verification process) to confirm the credibility and transparency of clients' transition strategies. Among our clients in high-risk areas, we have begun implementing this framework for those in the electric power sector that are formulating transition strategies.

Standards to confirm the credibility and transparency of transition strategies

- ✓ We have set the following standards with reference to the four key elements* of the disclosures recommended in the International Capital Market Association's Climate Transition Finance Handbook.

Strategy and materiality	Meet the transition strategy requirements.
Disclosure	Strategy and targets are transparent able to track the progress.
Governance structure	Appropriate governance structure of strategy and target setting is in place.
Science-based targets	Science-based targets aligned with the Paris Agreement.
Outlook for decarbonization technology development/ adoption	Outlook for adoption of technology based on strategy

Verification process

- ✓ We engage with the client at one of our offices and verify their transition strategy in line with our standards.
- ✓ Specialist departments with insight into the relevant sector and into sustainability review the transition strategy and assess whether or not it satisfies the standards.
- ✓ The Risk Management related Department monitors the verification by the office and specialist departments and the details of the assessment to ensure the validity of the process.

Policy going forward

- ✓ We will continually reinforce this framework to reflect external trends and other factors, and we will look into expanding the scope of the clients to which we apply it.

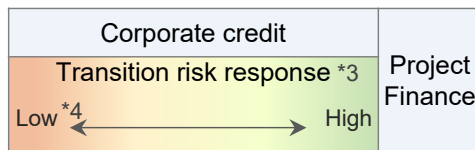
* 1. Climate transition strategy and governance; 2. Business model environmental materiality; 3. Climate transition strategy to be science-based including targets and pathways; and 4. Implementation transparency.

Enhanced risk control in carbon-related sectors through this initiative

- At Mizuho, we establish exposure control policies and control risk in high-risk areas among sectors recognized as facing transition risk at particularly high levels (carbon-related sectors; see the following page for details).
- When the client's transition strategy meets the above standards, we will proactively provide financing for their business structure transformation, even when their business falls under a high-risk area.
- This may result in a temporary increase in our exposure in high-risk areas. However, assisting our clients with their transition strategy design and execution enables us to manage our transition risk appropriately and mitigate our medium- to long-term transition risk.

Risk Assessment mapping

Key : **High-risk area**



Sector *2	Electric power (utilities)	Power generation	Main: Coal-fired power	Carbon-related Sectors	Corporate credit	Project Finance
			Main: Oil/gas fired etc.		Transition risk response *3	
			Main: Renewable energy • nuclear power		Low *4	High
	Resource	Coal	Thermal coal	Carbon-related sectors		
			Metallurgical coal			
		Oil and gas				
	Steel					
	Cement					

Direction of support through engagement

(Vertical axis)

Support for transforming business composition to lower-risk fields

(Horizontal axis)

Support for promoting clients' responses to transition risks

Risk assessment in carbon-related sectors

- We are establishing a structure to assess risk in carbon-related sectors (electric utilities, oil, gas, coal, steel, and cement sectors) along two axes our clients' sectors, and our clients' measures to address transition risk—in order to identify and monitor high-risk areas.

Response policy for high-risk areas

- We are more thoroughly engaging with clients to support them in formulating effective strategies for transition risks, in embarking on business structure transformation towards a lower risk sector at an early stage.
- With the aim of facilitating our clients' business structure transformation, we provide necessary transition support when we have been able to confirm that the client has set valid targets and planned an appropriate transition strategy in line with international standards.*

Enhance going forward

- We carefully consider whether or not to continue our business with a client in the event that the client is not willing to address transition risk and has not formulated a transition strategy even one year after the initial engagement.
- In this way, we are enhancing our risk control and reducing our exposure over the medium to long term.

*Framework to confirm the credibility and transparency of transition strategies

- We have set standards with reference to the four key elements of the disclosures recommended in the International Capital Market Association's Climate Transition Finance Handbook. The standards cover strategy and materiality, disclosure, governance structure, science-based targets, and outlook for decarbonization technology development/ adoption.
- We will continually reinforce this framework to reflect external trends and other factors, and we will look into expanding the scope of the clients to which we apply it.

Enhance going forward

*1 Carbon-related sectors: Sectors Mizuho has recognized through a qualitative evaluation as facing transition risk at particularly high levels.

*2 Sector: Companies are divided into sectors based on the largest component in the sales/energy mix of their business activities.

*3 Transition risk response: Companies' responses to transition risk are confirmed through engagement. We consider willingness to take measures against transition risks, development of the strategy, setting of quantitative targets, target levels, specificity of means of achievement and status of efforts, performance and objectivity, etc.

*4 Transition risk response low: Indicates no willingness to take measures against transition risk and no effective transition strategy have been confirmed.