



# Sustainability Initiatives

Mizuho Financial Group

27 May, 2024



Innovating today. Transforming tomorrow.

## 1. Sustainability Progress

Senior Executive Officer

Head of Research & Consulting Unit and Group Chief Sustainability Officer (Group CSuO)  
of Mizuho Financial Group

Yasuhiko Ushikubo

## 2. Governance Structure / Mizuho's Views on Shareholder Proposals

Member of the Board of Directors

Chairperson of the Risk Committee

Hisaaki Hirama



# 1. Sustainability Progress

## Sustainability Progress

- Please refer to the “Sustainability Progress 2024” dated 12 April 2024.

[https://www.mizuhogroup.com/binaries/content/assets/pdf/mizuhoglobal/sustainability/overview/report/sustainability\\_progress\\_2024.pdf](https://www.mizuhogroup.com/binaries/content/assets/pdf/mizuhoglobal/sustainability/overview/report/sustainability_progress_2024.pdf)



- New releases after April 2024

- New Release dated 14 May 2024: **Mizuho publishes Impact Business Compass**

[https://www.mizuho-fg.co.jp/release/20240514release\\_jp.html](https://www.mizuho-fg.co.jp/release/20240514release_jp.html)

- News Release dated 16 May 2024: **Strengthening our ability to finance supply chains for hydrogen and related technologies**

[https://www.mizuho-fg.co.jp/release/20240516release\\_jp.html](https://www.mizuho-fg.co.jp/release/20240516release_jp.html)

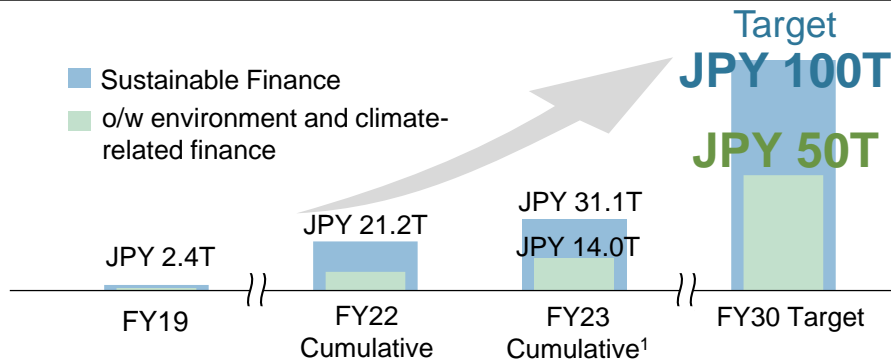
# Sustainability & Innovation

- Support transitions through engagement and contribute to clients' initiatives by providing direct equity investment.
- Initiated collaborative efforts with our clients to establish platform for sustainability/circular economy

## Progress and Challenges

### Progress

#### Sustainable finance origination



#### Examples of support to transitions



#### Energy

- Support the installment of next-generation technology through our sustainable finance

- Mandated as FA for financing of 2 offshore wind projects in Japan
- Increase involvement in global projects related to hydrogen and similar initiatives

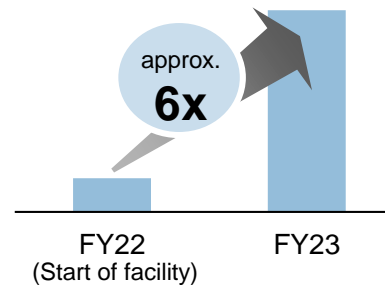
### Challenges

- ✓ Further support transitions and accelerate initiatives towards changing the industrial structure
- ✓ Develop new areas to build competitive edge

### Progress

#### Utilization of Transition Investment Facility and Value-Cocreation Investment

#### Utilization of investment facility<sup>2</sup>



#### Circular economy

Recycling-oriented, Environmental improvement

#### Carbon neutral

Commercialization of CCS

#### Storage

Increase resiliency in power infrastructure

### Progress

#### Support client initiatives with long term view

#### Hydrogen

**Decarbonizing power, heat, and materials**  
Recently announced to commit JPY 2T financing (cumulated amount by FY2030)

#### Carbon Credit

**Accelerate decarbonization and technology advancement utilizing financial technology**  
Investment in Climate Impact X (in Singapore)

#### Impact Finance

**Enhance corporate value by taking proactive action to promote social value**  
Released "Impact Business Compass"

1. Preliminary figures. 2. Total of value-cocreation investment and transition investment facility.



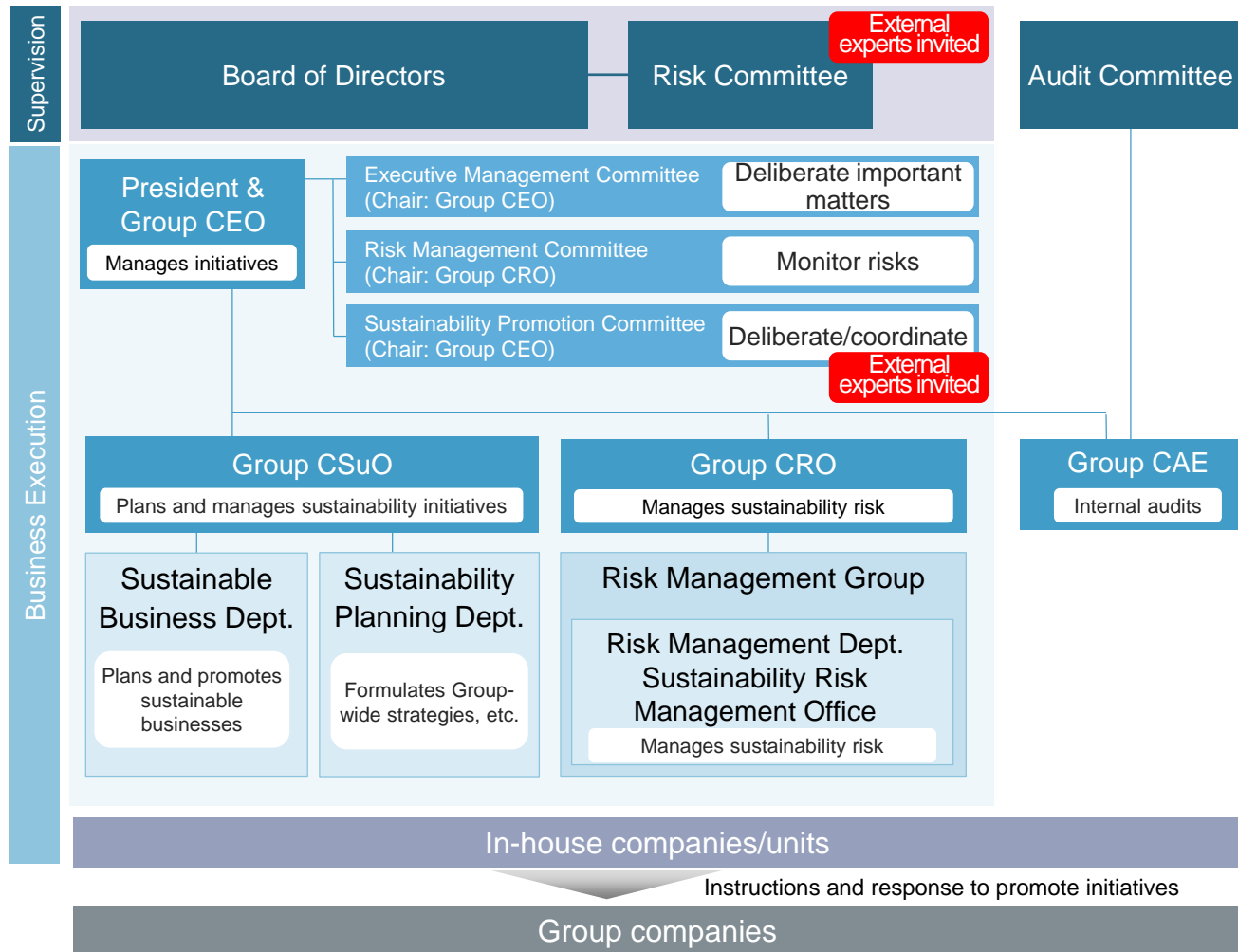
## 2. Governance Structure / Mizuho's Views on Shareholder Proposals

Governance Structure



# Governance Structure

- Various initiatives related to sustainability are supervised by the Board of Directors and the Risk Committee after discussions at the business execution line such as the Executive Management Committee.





# Composition and Skills of the Board of Directors

- We selected experience in and knowledge of sustainability-related operations, as one of the areas in which the Board of Directors as a whole should possess specific skills.
- The Risk Committee has invited the following two individuals as external experts on sustainability;  
Rintaro Tamaki (President, Japan Center for International Finance)  
Hiroshi Naka (Professor, the University of Tokyo Institute for Future Initiatives)

| Name                 | Management | Risk Management / Internal Control | Financial Control / Accounting | Finance | Human Resources / Organization | IT / Digital | Sustainability | Global | Committees (☆Chairperson) |              |       |      |                             |                                |   |
|----------------------|------------|------------------------------------|--------------------------------|---------|--------------------------------|--------------|----------------|--------|---------------------------|--------------|-------|------|-----------------------------|--------------------------------|---|
|                      |            |                                    |                                |         |                                |              |                |        | Nominating                | Compensation | Audit | Risk | IT / Digital Transformation | Human Resources Review Meeting |   |
| Yoshimitsu Kobayashi |            |                                    |                                |         |                                |              |                |        | ☆                         |              |       |      |                             |                                | ● |
| Ryoji Sato           |            |                                    |                                |         |                                |              |                |        |                           |              | ☆     |      |                             |                                |   |
| Takashi Tsukioka     |            |                                    |                                |         |                                |              |                |        | ●                         | ☆            |       |      | ●                           |                                | ● |
| Kotaro Ohno          |            |                                    |                                |         |                                |              |                |        | ●                         |              | ●     |      |                             |                                | ● |
| Hirofumi Shinohara   |            |                                    |                                |         |                                |              |                |        | ●                         |              |       |      | ☆                           |                                | ● |
| Izumi Kobayashi      |            |                                    |                                |         |                                |              |                |        | ●                         |              |       |      |                             |                                | ● |
| Yumiko Noda          |            |                                    |                                |         |                                |              |                |        |                           | ●            |       |      | ●                           |                                |   |
| Takakazu Uchida      |            |                                    |                                |         |                                |              |                |        |                           | ●            | ●     |      |                             |                                |   |
| Seiji Imai           |            |                                    |                                |         |                                |              |                |        |                           |              |       |      |                             |                                |   |
| Hisaaki Hirama       |            |                                    |                                |         |                                |              |                |        |                           |              | ●     |      | ☆                           | ●                              |   |
| Masahiro Kihara      |            |                                    |                                |         |                                |              |                |        |                           |              |       |      |                             |                                | ☆ |
| Hidekatsu Take       |            |                                    |                                |         |                                |              |                |        |                           |              |       |      |                             |                                |   |
| Mitsuhiro Kanazawa   |            |                                    |                                |         |                                |              |                |        |                           |              |       |      |                             |                                |   |
| Takefumi Yonezawa    |            |                                    |                                |         |                                |              |                |        |                           |              |       |      |                             |                                |   |

(The candidates for the Board of Directors in the proposals for the June 2024 shareholders' meeting are listed)

# Executive Compensation System

## ■ Compensation system

| Compensation type      |                       | Link to performance (range) |
|------------------------|-----------------------|-----------------------------|
| Base Compensation      |                       | Not linked                  |
| Incentive Compensation | Medium-to-long term   | Not linked                  |
|                        | Stock Compensation I  |                             |
|                        | Stock Compensation II | Linked (0~150%)             |
| Short-term             |                       | Linked (0~150%)             |

## ■ Performance indicators for performance-linked compensation

| 1 Medium-to-long term Incentive Compensation (Stock Compensation II) |  |            |
|--|--|------------|
| Evaluation of Medium-to-long term performance indicators             |  |            |
| Evaluation axes  | Performance indicators   | Weight     |
| FG financial indicators  | Consolidated ROE   | 25%        |
|  | Consolidated Net Business Profits  | 25%        |
|  | Total Shareholder Return (TSR)   | 10%        |
| Customers  | Customer Satisfaction <sup>1</sup><br>Sustainable finance amount <sup>1</sup>                | 10%        |
| Economy & Society  | Assessments by ESG ratings agencies <sup>2</sup><br>Climate-related initiatives <sup>1</sup> | 10%        |
| Employees  | Engagement score<br>Inclusion score  | 20%        |
|  |  | <b>40%</b> |

Sustainability related initiatives are reflected in evaluations

| 2 Short-term Incentive Compensation             |                               |        |
|---|-------------------------------|--------|
| Evaluation of short-term performance indicators |                               |        |
| Evaluation axes                                 | Performance indicators        | Weight |
| FG financial indicators                         | Net Profit Attributable to FG | 50%    |
|   | Gross Profit RORA             | 50%    |

| Individual Evaluation  |  |
|--|--|
| Main evaluation perspectives (Group CEO example)   |  |
| <ul style="list-style-type: none"> <li>• Demonstrates leadership in improving the group's corporate culture and disseminating the Group's Purpose and Code of Conduct</li> <li>• Succession initiatives for the Group CEO and management team</li> </ul> |  |
| Sustainability aspects are also evaluated  |  |

1. Evaluated on the target achievement rates on related internal indicators. 2. Evaluated by comparison with results of previous years and peers that have been assessed by four major ESG rating agencies (S&P Global, Sustainalytics, MSCI, and FTSE).

### **【Major Discussions at Meetings of the Board of Directors and Risk Committee】**

- ✓ It is necessary to be committed, through suggestions to clients and policy recommendations, to more effective engagement and to risk controls in carbon-related sectors as a result of such activities.
- ✓ It is also necessary to identify risks related to technologies and next-generation technologies for transitions.
- ✓ Transition risks have been highlighted over the past few years; however, we should also pay attention anew to physical risks in light of the extreme weather conditions in recent years. Further, it is necessary to confirm the macroeconomic impacts resulting from such risks.
- ✓ It should also be noted that events that do not form part of the basis for calculation of the amount of the impact under the scenario analyses may occur. Such potential impact includes the impact of reputational damage to credit clients which could be triggered by ESG factors.
- ✓ Regarding credit policies for cases where our engagement is not effective and the initiatives toward decarbonization are not progressing, it is necessary to thoroughly discuss these from the perspective of risk management control.
- ✓ Our sustainability initiatives are steadily progressing. Going forward, it will be essential whether or not our efforts are actually having an impact on society towards decarbonization and structural transformation in industry for decarbonization.



## Mizuho's Views on Shareholder Proposals

# Shareholder Proposals

## Proposal

## Reasons for the proposal

### Proposal 1

**Partial amendment to the Articles of Incorporation**  
(Director competencies for the effective management of climate-related business risks and opportunities)

This proposal requests that the Company disclose necessary information in order for shareholders to ensure the Company's board has the competence required to properly oversee climate-related risks and opportunities.

The Company is exposed to substantial climate-related financial risk, given its significant involvement in carbon-intensive sectors such as fossil fuels. However, shareholders are currently unable to assess if the board is capable of fulfilling its duty to mitigate the aforesaid risks. To adequately manage climate-related risks and opportunities, the board of directors requires expertise in areas including climate science, low carbon transition, and public policy.

This proposal is aligned with what is expected by the Japanese Corporate Governance Code, and by investors through investor initiatives (e.g. Transition Pathway Initiative) and the International Sustainability Standard Board (ISSB).

Approval of this proposal will provide investors with critical information required to understand the security of their capital. It will also place the Company in a better position to manage transition risks and opportunities, and to maintain long-term corporate value as the Company navigates the shift toward a decarbonized economy.

### Proposal 2

**Partial amendment to the Articles of Incorporation**  
(Assessment of customers' climate change transition plans)

The proposal requests disclosure of information necessary for shareholders to ensure that the Company appropriately manages climate-related risks by supporting clients' genuine decarbonisation transitions.

The Company has committed to the "unwavering goal of pursuing the 1.5°C target of the Paris Agreement and achieving net zero by 2050" and recognises climate change as a "top risk". The Company claims to verify clients in carbon-related sectors have valid targets and appropriate transition strategies "in line with international standards".

However, the Company continues to provide significant financial support to fossil fuel clients that do not have transition plans credibly aligned with the Paris Agreement's 1.5°C target.

The disclosures requested in this proposal are required to ensure the Company adequately enacts its stated risk control measures, and aligns with its commitment to reduce finance portfolio emissions to net zero by 2050.

These disclosures are in line with investor expectations (e.g. Transition Pathway Initiative), and will help maintain and enhance the Company's long-term corporate value.

## Shareholder Proposal

Partial amendment to the Articles of Incorporation  
(Director competencies for the effective management of climate-related business risks and opportunities)

### The Board of Directors opposes this proposal

## Opinion of the Board of Directors

We selected experience in and knowledge of environmental and other sustainability-related operations, including climate change-related operations, as one of the areas in which the Board of Directors as a whole should possess specific skills.

In addition, regarding the nominations of the directors and the evaluations of the effectiveness of the Board of Directors, we set out policies and other frameworks in the Corporate Governance Guidelines and also regularly disclose the results of the evaluations on the effectiveness of the Board of Directors.

Furthermore, by utilizing the expertise possessed by external experts, we established a system that enables us to perform appropriate supervisory functions. Specifically, major management issues, including climate change risk management, are discussed at the Board of Directors meetings and the Risk Committee meetings and the contents thereof are regularly disclosed.

With that said, it is important to ensure the balance, diversity and other related matters of the Board of Directors as a whole in order to perform supervisory functions.

Accordingly, the Board of Directors is of the opinion that it would be inappropriate to insert, as called for by this proposal, stipulations pertaining to specific areas such as climate change in the Articles of Incorporation, which should contain stipulations on corporate organization and other basic items.

**Shareholder  
Proposal**

Partial amendment to the Articles of Incorporation  
(Assessment of customers' climate change transition plans)

**The Board of Directors opposes this proposal**

**Opinion of the  
Board of  
Directors**

In light of the importance of climate-related risk management, we have established the risk control framework for carbon-related sectors and disclose the criteria for evaluation of, and the developments in, clients' status of responses to transition risks. We engage with our clients based on the understanding that our role as a financial institution is fulfilled by supporting our clients through financing and other measures in order to promote the transition of the real economy. On that basis, we carefully consider whether to continue business with a client in the event that the client has not formulated a transition strategy even after a certain period of time after the first engagement.

In addition, we are continuously enhancing this framework in order to pursue efforts to limit the temperature increase within 1.5°C, such as by planning on adding "Target and performance are consistent with the 1.5 degree-aligned pathway" to the criteria for evaluation of clients' status of responses to transition risks.

With that said, in respect of the Articles of Incorporation, which should contain stipulations on corporate organization and other basic items, inserting stipulations pertaining to individual business execution therein may hinder our ability to respond flexibly and promptly.

Accordingly, the Board of Directors is of the opinion that it would be inappropriate to add what this proposal requires to the Articles of Incorporation.

Appendix



# Mizuho's Views on Shareholder Proposals [Summary]

| Summary of the proposer's claim   | Mizuho's views including progress and response policies   |
|---|---|
| <ul style="list-style-type: none"><li>● Megabanks continue to pour billions into fossil fuel expansion, undermining climate commitments and exacerbating acute and systemic risks</li></ul> | <ul style="list-style-type: none"><li>● Mizuho positions addressing climate change as a key part of our corporate strategy and has been enhancing our initiatives in this area, given our awareness that climate change is one of the most crucial global issues with potential to impact the stability of financial markets.</li><li>● We implemented risk controls on carbon-related sectors to both support clients' transitions and control Mizuho's transition risk through engagement.</li><li>● We established and implemented “Environmental and Social Management Policy for Financing and Investment Activity” for the businesses and sectors with a high potential for contributing to adverse environmental and social impacts, such as coal mining (thermal coal), coal-fired power generation, and oil and gas sectors.</li></ul> |
| <ul style="list-style-type: none"><li>● Megabank boards must demonstrate competency to manage and oversee climate-related financial risks and opportunities</li></ul>                       | <ul style="list-style-type: none"><li>● We selected experience in and knowledge of sustainability-related operations, as one of the areas in which the Board of Directors as a whole should possess specific skills.</li><li>● By utilizing the expertise possessed by external experts, we established a system that enables us to perform appropriate supervisory functions.</li><li>● Major management issues, including climate change risk management, are discussed at the Board of Directors meetings and the Risk Committee meetings and the contents thereof are regularly disclosed.</li></ul>  |

# Mizuho's Views on Shareholder Proposals [Summary]

## Summary of the proposer's claim

- Megabanks must disclose clear criteria and processes to assess high-emitting clients' transition plans

- The outcome of our proposal will increase the corporate value of Japanese Megabanks by enhancing the management of climate-related financial risks and business opportunities

## Mizuho's views including progress and response policies

- We established a risk control framework for sectors identified as high transition risk through qualitative assessment (carbon-related sectors), and disclose criteria and progress in evaluating the status of clients' responses to transition risks.
- On top of that, we established a policy such as "In the event that the client has not developed a transition strategy after a certain period of time, we carefully consider whether to continue business with them" and disclose that policy in the TCFD Report and others.
- In order to pursue efforts to limit the temperature increase within 1.5°C, we plan to add "Target and performance are consistent with the 1.5 degree-aligned pathway" to the criteria for evaluating status of responses to transition risks in our Risk Control Framework for Carbon-Related Sectors and further assist clients' progress in addressing transition risks.
- Mizuho promotes the above initiatives. As stated in the opinion of the Board of Directors (see page 14 and 15), inserting in the Articles of Incorporation stipulations the proposer seeks will not enhance corporate value.

Summary of the proposer's claim

- Risks of not having climate-competent directors on board
- Megabanks fall short of investor expectations on board climate competencies

Mizuho's views including progress and response policies

- We selected experience in and knowledge of sustainability-related operations, as one of the areas in which the Board of Directors as a whole should possess specific skills.
  - As disclosed in the skill matrix, which lists the particular core skills of the directors, the necessary skills required for the Board as a whole are equipped.
- By utilizing the expertise possessed by external experts, we established a system that enables us to perform appropriate supervisory functions.
  - Major management issues, including climate change risk management, are discussed at the Board of Directors meetings and the Risk Committee meetings and the contents thereof are regularly disclosed.

**Summary of the proposer's claim**

- **Cumulatively, the Megabanks are among the top global fossil fuel financiers since the Paris Agreement**

**Mizuho's views including progress and response policies**

- **We recognize that the role of financial institutions in the transition of the real economy is to support clients in their efforts to address climate change and transition to a decarbonized society.**
  - In order to achieve a decarbonized society, investment of USD 4 trillion annually on a global basis and more than JPY 150 trillion over 10 years in Japan is said to be required.
  - It is also important to invest in emerging technologies, and to do so through public-private partnerships.
- **Mizuho will provide the necessary financings for transitions, taking into account the pathways that vary by region and industry.**
  - We promote this in an integrated manner, from the perspectives of facilitating transitions in the real economy, capturing business opportunities and enhancing risk management.
  - We have set a sustainable finance target of JPY 100 trillion (of which JPY 50 trillion is earmarked for environment and climate-related finance) to create a flow of funds to solve environmental and social issues.
- **We implement risk control and transition support based on the individual client's status of responses to transition risks for the fossil fuel sector.**
  - We recognize that it is important to consider transaction policies according to the each client's response to the transition risk, rather than a uniform approach for the fossil fuel sector, from the viewpoint of providing adequate funds for transitions.
  - We confirm our clients' responses to the transition risks through engagement, and have established an exposure control policy for "high-risk areas" and implement risk control.
  - We support our clients in promoting these responses and their business structural transformation to lower-risk areas through engagement, and the steady progress has been made. (see p.29 for more details)

**Summary of the proposer's claim**

- **Megabanks do not have effective decarbonisation strategies and policies to reduce capital allocation to misaligned activities**
- Megabanks leave room to finance coal in 2024
- Megabanks continue to finance oil and gas, including risky upstream and LNG infrastructure projects
- **Without effective policy, the Megabanks are also at risk of financing these carbon intensive expansion projects**

**Mizuho's views including progress and response policies**

- **We conduct risk assessments in the carbon-related sectors based on a two-axis approach; the client sector and status of responses to transition risks.**
  - Coal mining (thermal coal and metallurgical coal), coal-fired power generation, oil & gas sectors etc. are subject to management under this framework.
- < **Coal mining (thermal coal)** >
- **The medium-term targets for financed emissions for companies whose primary business is coal mining (thermal coal)<sup>1</sup> have been set.**
  - Zero balance by FY2030 for OECD countries and by FY2040 for non-OECD countries
- **We have set the target to reduce the outstanding credit balance of coal-fired power generation plants<sup>2</sup> to zero by 2040.**
- **The following investment and financing is prohibited in the Environmental and Social Management Policy for Financing and Investment Activity;**
  - Financing and investment which will be used for new construction or expansion of coal-fired power generation plants, coal mining (thermal coal) and its infrastructures etc., and;
  - Financing and investment to companies with no existing financing and investment transactions and whose primary business is coal-fired power generations / coal mining (thermal coal) or infrastructure operations linked with coal mining (thermal coal) etc.

*(To continue on the next page)*

1. Companies with or without expansion plans in which (1) more than 50% of total sales is accounted for by coal mining (thermal coal) business or (2) the largest share of total sales is accounted for by coal mining (thermal coal) business. 2. Financing and investment that is used for new construction and expansion, which are prohibited in the "Environmental and Social Management Policy for Financing and Investment

Summary of the proposer's claim

- **Megabanks do not have effective decarbonisation strategies and policies to reduce capital allocation to misaligned activities**
- Megabanks leave room to finance coal in 2024
- Megabanks continue to finance oil and gas, including risky upstream and LNG infrastructure projects
- **Without effective policy, the Megabanks are also at risk of financing these carbon intensive expansion projects**

Mizuho's views including progress and response policies

< Oil and gas >

- **We focus on an orderly transition, taking into account the importance of stable energy supply and price stability, in the “Environmental and Social Management Policy for Investment and Financing Activity”.**
  - We recognize that it is absolutely essential to make a phased transition from fossil fuel to achieve net zero by 2050 and emphasize an orderly transition because long-term decarbonization initiatives, securing a stable energy supply, and a balance between economics and stability in the price of energy are vital.
  - We will revise the policy periodically based on the progress of international agreements, the energy supply and demand, and the decarbonization and energy policies in each country.
  - In light of the above, we do not introduce the across-the-board prohibition clause for new financing and investment to oil and gas extraction businesses at this time.
- **We assess whether sufficient measures to reduce GHG emissions are taken or not, when making any new financing and investment used for oil and gas extraction project.**
- **We strengthened standards for verifying funds to be used for new oil and gas extraction deals in 2023 and make decisions on transactions after verifying the following criteria;**
  - Scope 1, 2 GHG emission intensity forecast, existence of sufficient GHG emission reduction measures;
  - Scope 3 GHG emissions (production) forecast;
  - Consistency with national policies for energy security and decarbonization; and,
  - Transition strategies of companies and their responses to the transitions.

**Summary of the proposer's claim**

- **By failing to meet their own commitments, the Megabanks also put themselves at risk of greenwashing claims**

**Mizuho's views including progress and response policies**

- **Mizuho developed its approach and plans toward climate change and actively promotes climate-related initiatives and information disclosure.**
- < Mizuho's approach and plans toward climate change >
- **We pursue efforts to limit the temperature increase within 1.5°C and present our aims and actions to achieve a decarbonized society by 2050 in the "Mizuho's Approach to Achieving Net Zero by 2050".**
    - We aim for an orderly, just transition, recognizing that abrupt, disorderly changes can have severe economic and societal impacts.
  - **Mizuho joined the Net Zero Banking Alliance (NZBA) in October 2021.**
    - We aim to reduce financed emissions to net zero by 2050.
  - **We developed the "Net Zero Transition Plan", which clarifies medium to long term strategies and promote our climate change responses in an integrated manner, from the perspectives of facilitating transitions in the real economy, capturing business opportunities and enhancing risk management.**
- < Mizuho's responses and disclosure >
- **We set sector-level medium-term targets by FY2030 for financed emissions and completed initial target-setting in accordance with the NZBA guidelines.**
    - (FY22) Electric power, oil & gas, coal mining (thermal coal) sectors
    - (FY23) Automotive, maritime transport, steel, real estate sectors
  - **Details of other initiatives are disclosed in the "TCFD Report (Climate-related Report) 2023" and "Sustainability Progress 2024".**

| Summary of the proposer's claim   | Mizuho's views including progress and response policies   |
|---|---|
| <ul style="list-style-type: none"> <li>● <b>Risks of inadequate client transition plan assessments - Default risk</b></li> <li>○ Megabanks face financial risk by funding companies expanding sectors incompatible with climate goals</li> <li>○ Megabanks continue to finance oil and gas, including risky upstream and LNG infrastructure projects</li> </ul> | <ul style="list-style-type: none"> <li>● <b>We established the “Environmental and Social Management Policy for Financing and Investment Activity” to prohibit and manage high-risk investment and financing.</b> <ul style="list-style-type: none"> <li>- The policy for coal-fired power generation, coal mining (thermal coal), and oil and gas sectors, has been stipulated. The policy for coal-fired power generation and coal mining (thermal coal) includes a prohibition clause. Decisions on individual transactions are made after confirming the client's response status based on the risks to be recognized.</li> <li>- We will revise the policy periodically based on the progress of international agreements, the energy supply and demand, and the decarbonization and energy policies in each country.</li> </ul> </li> <li>● <b>We consider climate-related risks in our credit assessment of clients.</b> <ul style="list-style-type: none"> <li>- Where climate-related risks have a potential impact on individual credit risk, they are taken into account in the qualitative assessment along with other risk factors.</li> </ul> </li> <li>● <b>We confirm and identify financial risks through scenario analysis using multiple scenarios, including 1.5°C scenario.</b> <ul style="list-style-type: none"> <li>- The impact of transition risks on Mizuho's financial soundness in the medium to long term is assessed through scenario analysis. The detailed methodology and results are disclosed in the TCFD Report.</li> </ul> </li> </ul> |



**Summary of the proposer's claim**

- **Risks of inadequate client transition plan assessments - Falling short of investor expectations**
  - Megabanks do not meet investor expectations such as TPI and SBTi, which sets the Megabanks behind their peers, risking their reputations in financial markets
- **Megabanks' engagement approach lacks clear consequences when clients fail to present credible transition plans**
  - It is not clear if banks require clients to demonstrate credible transition plans for banks to continue supporting them
  - Megabanks also do not stipulate clear timelines for clients to develop credible transition plans

**Mizuho's views including progress and response policies**

- **Our focus is to facilitate the transition of the real economy while ensuring a stable energy supply.**
  - We recognize that there are different transition pathways by region for achieving a decarbonized society towards the 1.5°C target and there is still a gap between the current national policies or the level of technologies and those required to achieve the 1.5°C target. In addition, social impacts, such as stable energy supply, need to be considered when supporting transitions.
  - Prioritizing alignment with the 1.5°C target of Mizuho's own portfolio and revising policies solely on the basis of the 1.5°C alignment of the company's transition plan could impede the provision of funds necessary for the real economy to make the transition.
  - Consequently, we will not change our relationship with the clients only with the fact that their transition plans do not align with the 1.5°C target.
- **We support clients in responding to with transition risks with an eye toward 1.5°C alignment of transition plans.**
  - In the fiscal year 2024, we plan to add "Target and performance are consistent with the 1.5 degree-aligned pathway" to the criteria for evaluating status of responses to transition risks in our Risk Control Framework for Carbon-Related Sectors and further assist clients' progress in addressing transition risks.
- **We specify response measures in case of ineffective engagement**
  - We clearly state in the "Environmental and Social Management Policy for Financing and Investment Activity" that in the event that a client is not willing to address transition risks and no transition strategy has been developed after one year from the initial engagement, we carefully consider whether to continue business with that client.

**Summary of the proposer's claim**

- **Risks of inadequate client transition plan assessments - Legal and regulatory risk**
  - Megabanks' engagement approaches lack credibility
  - Their criteria for assessing clients' transition plans are unclear. Additionally, they promote 'transition finance' to continue to support fossil-fuel based technologies, which seems economically and environmentally questionable
  - This exposes the banks to legal and regulatory risk as they can be accused of greenwashing.
- Greenwashing claims can have a wide range of legal and regulatory foundations

**Mizuho's views including progress and response policies**

- **We transparently disclose the criteria for evaluating the clients' status to response to the transition risks.**
  - Criteria for assessing responses to the transition risks in the Risk Control for Carbon-Related Sectors, criteria for supporting transitions in high-risk areas, and progress of clients' responses to the transition risks have been disclosed publicly through the TCFD Report and others. (see p.27 for more details)
- **We verify whether unestablished decarbonization technologies will contribute to the realization of a decarbonized society, on a case-by-case basis.**
  - We recognize the need to support emerging technologies that may not yet be fully established due to issues such as emission reduction effects and costs, from the perspective of accelerating the transition to net zero in order to limit the temperature increase by 1.5°C. On a case-by-case basis, we confirm if this will contribute to net zero emissions, and we will make a decision on how to respond.

Reference: Mizuho's approach on financing for ammonia co-firing for coal-fired power generation

To support transitions based on the energy situation and industry characteristics of each country and region, finance will be considered in light of the criteria of "alignment with 2050 Net Zero and transition strategies (roadmaps) of each country", "developing strategies of appropriate transition by the relevant operators", "use of low-carbon ammonia", "ammonia co-firing ratio of 20% or more", and not falling under new construction or expansion prohibited by Mizuho's "Environmental and Social Management Policy for Financing and Investment Activity".

- **We continue to increase transparency of disclosure and communicate with stakeholders while complying with laws and regulations.**
  - Mizuho has been transparent in disclosing its climate-related strategies, commitments, and evaluation criteria for clients to stakeholders. We will continue to improve transparency going forward.
  - Furthermore, we manage risks related to laws and regulations by collecting legal information and understanding the content and impact of changes in domestic and overseas regulatory systems within the framework of legal risk management and regulatory change risk management.

## Proposal 2 Upgrading Risk Control Framework for Carbon-Related Sectors

- In Risk Control Framework for Carbon-Related Sectors, we evaluate degree of risk for each client along to two axes: (1) clients' sector and (2) clients' status of responses to transition risks. We support clients in medium- and high-risk areas through our engagement in their effort to tackle transition risks and move their business structures to lower-risk areas.
- In order to pursue our efforts to limit the temperature increase within 1.5°C, we plan to add “Target and performance are consistent with the 1.5 degree-aligned pathway” to the criteria for evaluating status of responses to transition risks in our Risk Control Framework for Carbon-Related Sectors and further assist clients' progress in addressing transition risks.

### Risk Assessment Mapping for Carbon-Related Sectors

#### (2) Clients' Status of responses to transition risks

|   |  |  |   |
|---|--|--|---|
| ①   | ②  | ③  | ④   |
| * Has no policy to address transition risks<br>* Has set no targets | * Has a strategy to address transition risks<br>* Has set quantitative targets | * Has set targets aligned with the Paris Agreement<br>* Implementing specific initiatives based on those targets | * Has had a third-party certification <sup>2</sup> to confirm that the company is on track to achieve its targets<br>* Certain to achieve those targets |

|                     |                    |   |   |   |               |  |
|---------------------|--------------------|---|---|---|---------------|--|
| (1) Clients' sector | Electric utilities | Main business: Coal-fired power generation<br>Main business: Oil- and gas-fired power generation, etc.<br>Main business: Renewable energy, nuclear power / power transmission, etc. | High-Risk Area <sup>1</sup><br>(JPY1.5 trillion in total) | Medium-Risk Area  | Low-Risk Area |  |
|                     | Resources          | Coal (thermal coal)   | (% in carbon-related sector EXP: 9%) <sup>1</sup>         | Encourage and support clients' responses to transition risks <sup>3</sup>   |               |  |
|                     |                    | Coal (coking coal)  |   |   |               |  |
|                     |                    | Oil & Gas   |   |   |               |  |
|                     | Materials          | Steel   |   | Support for business structural transformations leading to lower risk areas |               |  |
| Cement              |                    |   |   |   |               |  |
| Other sectors       |                    |   |   |   |               |  |

**Actions (FY2024)**

**Upgrade evaluation criteria** of (2) Clients' status of responses to transition risks

**Clients' status of responses to transition risks ③**

Levels are subdivided based on the criteria of “**Certain GHG emission reductions have been achieved relative to targets**”

**Clients' status of responses to transition risks ④**

Add “**Target and performance are consistent with the 1.5 degree-aligned pathway**” as one of the criteria for determining this level

1. Amount of EXP as December 31, 2023. High-risk area includes project finance for EXP of coal-fired power plants. 2. Science Based Targets, etc. 3. Set a “transition support framework” to provide more active support for clients' responses to transition risks and business structural transformations, etc., by setting the fulfillment of international standards as our requirements.

- For high-risk areas identified with our two-axis risk evaluations, we control risks on the basis of the following exposure control policy.

### Exposure Control Policy for High-Risk Areas

- We pursue greater engagement with clients to support them in formulating effective strategies for transition risks, in disclosing their progress and in embarking at an early stage on business structural transformations in order to move into a lower risk sector.
- In order to facilitate a client’s business structural transformations, we provide necessary transition support after verifying that the client has fulfilled the conditions in line with international standards under the “transition support framework” (please see below).
- We carefully consider whether to continue business with a client in the event that the client is not willing to address transition risks and has not formulated a transition strategy even one year after our initial engagement.
- In the ways described above, we reduce our exposure over the medium to long term.

#### Transition support framework

- Framework to better support clients' efforts in business structural transformations etc. in high-risk areas
  - ① Support for clients whose transition strategies' credibility and transparency we can confirm
  - ② Support for projects that can be confirmed as green projects (renewable energy, etc.)
- We proactively provide financing for business restructuring even in high-risk areas if the client's transition strategy and deals align with our confirmation criteria.
- 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.

#### ① Support for clients whose transition strategies' credibility and transparency we can confirm

##### Confirmation criteria

Strategy and materiality

Governance structure

Science-based targets

Disclosure status

Prospects for developing / adopting decarbonization technologies

Developed with reference to the disclosure elements recommended in the "Climate Transition Finance Handbook" of the International Capital Markets Association (ICMA) , and others.

#### ② Support for projects that can be confirmed as green projects (renewable energy, etc.)

##### Confirmation criteria

Use of proceeds

Process for project evaluation and selection

Management of proceeds

Reporting

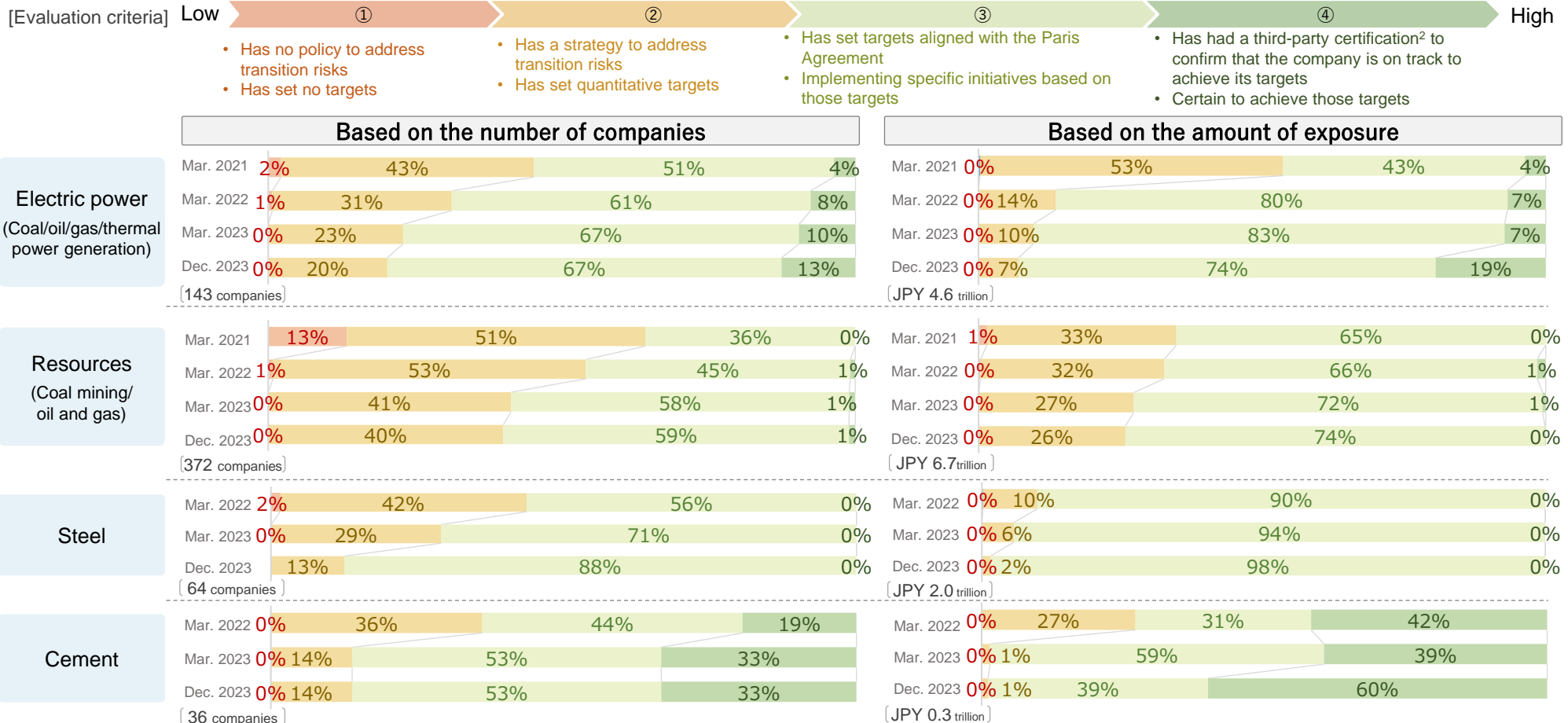
Client's policy for addressing transition risks

Developed with reference to the elements recommended in the "Green Loan Principles" developed by the Loan Market Association (LMA) and others.

## Proposal 2 Clients' Status to Response to the Transition Risks

- Mizuho confirms the progress of clients' response to the transition risks of clients through engagement and supports the development of efforts toward transitions in stages.
- The progress of clients' response to the transition risks has been advanced in each sector compared to previous fiscal years.
- The progress will be continued to be monitored after upgrading the evaluation criteria described on the page 27.

### Developments in the Clients' Status of Response to the Transition Risks<sup>1</sup>



1. Target: Corporate credit for electric power (coal, oil and gas, and thermal power generation; excluding renewable energy, nuclear power, and power transmission), resources (coal mining, oil and gas), steel, and cement. 2. Science-Based Targets, etc.

## Abbreviations

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|               |  |              |   |
|---------------|--|--------------|---|
| <b>FG</b>     | : Mizuho Financial Group, Inc.             | <b>RBC</b>   | : Retail & Business Banking Company             |
| <b>BK</b>     | : Mizuho Bank, Ltd.                        | <b>CIBC</b>  | : Corporate & Investment Banking Company        |
| <b>TB</b>     | : Mizuho Trust & Banking Co., Ltd.         | <b>GCIBC</b> | : Global Corporate & Investment Banking Company |
| <b>SC</b>     | : Mizuho Securities Co., Ltd.              | <b>GMC</b>   | : Global Markets Company                        |
| <b>MSUSA</b>  | : Mizuho Securities USA LLC.               | <b>AMC</b>   | : Asset Management Company                      |
| <b>AM-One</b> | : Asset Management One Co., Ltd            | <b>GTU</b>   | : Global Transaction Banking Unit               |
| <b>RT</b>     | : Mizuho Research & Technologies, Ltd.     | <b>RCU</b>   | : Research & Consulting Unit                    |
| <b>FT</b>     | : Mizuho-DL Financial Technology Co., Ltd. |              |   |
| <b>LS</b>     | : Mizuho Leasing Company, Limited          |              |   |
| <b>IF</b>     | : Mizuho Innovation Frontier Co., Ltd.     |              |   |

### Forward-looking Statements

Financial information in this presentation uses figures under Japanese GAAP unless otherwise stated (including management accounting basis).

This presentation contains statements that constitute forward-looking statements including estimates, forecasts, targets and plans.

These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions.

Such forward-looking statements do not represent any guarantee of future performance by management.

Further information regarding factors that could affect our financial condition and results of operations is included in our most recent Form 20-F and our report on Form 6-K.

We do not intend to update our forward-looking statements. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by the rules of the Tokyo Stock Exchange.

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