Climate/ Nature-related Financial Disclosure Report 2024/2025

Resona Asset Management

Resona Asset Management

Top Message

Despite hard international efforts, the degradation of "stable climate" and "natural capital," the foundations of business and economic activities, continues unabated. Natural disasters associated with climate change are becoming increasingly severe, and in 2024, countries around the world experienced unprecedented damage from torrential rains and floods. Furthermore, 2024 was recorded as the hottest year since statistics began, with the global average temperature expected to rise more than 1.5℃ higher than the pre-industrial period. Numerous news reports highlighted crop failures and poor fish catches. Prices of everyday foodstuffs such as rice and coffee have skyrocketed, giving us more opportunities to witness the impacts of climate change and natural capital degradation firsthand in our daily lives.

According to the World Economic Forum's "Global Risks Report 2024," climate/nature-related risks — "Extreme weather events," "Critical change to Earth systems," "Biodiversity loss and ecosystem collapse," and "Natural resource shortages" — ranked first through fourth among the most severe risks anticipated over the next decade. In recent years, climate/nature-related risks have consistently dominated the top ranks of this report, underscoring the growing recognition of their critical importance on a global scale.

Akihiro Nishiyama
Representative Director and President
Resona Asset Management Co., Ltd.

The photographs on the cover and portraits of mine on pages 1-2 of this report were taken at "Bio Garden Fujikura-Kiba Millennium Woods," located next to our office. This site has been certified as an OECM by the Ministry of the Environment, Japan, and the name of this site reflects the hope that, together with the local community, "the rich nature will continue for a thousand years to come." Considering the status quo while feeling nature in this sort of place strongly reminds me of the importance of preserving stable climates and natural capital, the foundations of business and economic activities, for generations to come. In order to protect the medium- and long-term value of the approximately 57 trillion yen assets in trust, entrusted by our clients, it is essential for us to actively engage with the real world and generate outcomes that improve future conditions as a "Future Maker." Achieving this requires close collaboration with a wide range of stakeholders, including the investee companies.

Climate change and the loss of natural capital/ biodiversity are key sustainability issues which we think are material, and they are deeply connected to our "Materiality for Responsible Investment." To clarify our commitment and

approaches for these issues and ensure a consistent and unified initiatives across the company in addressing these issues, we established the "Our Policy on Climate" and "Our Policy on Nature" in 2023. Under my leadership as the CEO, we are advancing company-wide efforts to tackle these issues proactively. This report outlines our initiatives in line with the framework recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD), as well as the IFRS Sustainability Disclosure Standards.
We hope this report serves as a valuable resource for deepening your understanding of our activities and fosters even stronger collaboration between us and stakeholders in addressing these critical challenges.

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Our History

Climate/Nature-related Financial Disclosure Report 2024/2025

Starting with the signing of the PRI in 2008, we have been working to address material sustainability issues such as climate change and natural capital to build a sustainable environment and society through our investment activities. As one of the responsible long-term investors, we continue to strive to advance the sophistication of these efforts.

*Including the efforts of Resona Bank before January 2020, when we consolidated the asset management functions of its Trust Division

■Climate-related
■Nature-related

2008
- ■■ Signed up to the PRI

2010
- ■■ Signed up to the CDP

2012
- ■■ Signed up to the Principles for Financial Action for the 21st Century

2017
- ■■ Started in-house engagement on sustainable palm oil procurement

2018
- ■ Joined Climate Action100+ and started collaborative engagement with 2 automotive companies as lead investors

2020
- ■■ Joined CDP Non-Disclosure Campaign and CDP SBT Campaign

2021
- ■ Started disclosure aligned with the TCFD recommendations
- ■ Signed up to the Finance for Biodiversity Pledge
- ■ Set a target to achieve net zero GHG emissions from related to our direct operations by fiscal 2030 (this target is applied to the entire Resona Group including us)
- ■■ Signed up to the Japan Impact-driven Financing Initiative
- ■ Joined the TNFD Forum
- ■■ Established the Global Impact Investment Fund (Climate Change) to invest in companies that significantly contribute to climate change mitigation, etc.

2022
- ■ Added Policy on addressing shareholder proposals on climate change and escalation policy to the Policies and Standards in Relation to Proxy Voting
- ■ Joined the Finance for Biodiversity Foundation

2023
- ■ Established “Our Policy on Climate” (set a target to achieve net zero GHG emissions from scope 3 (our financed emissions) by 2050)
- ■■ Launched “Resona ESG Ratings”, our own corporate evaluation method
- ■■ The Global Impact Investment Fund (Climate Change) received the 2022 Award of Minister of the Environment in the Principles for Financial Action for the 21st Century
- ■■ Certified as an “Eco First Company” by the Minister of the Environment (We are the first institutional investor certified)
- ■■ Established Chief Sustainability Officer (CSuO)
- ■ Established “Our Policy on Nature”
- ■ Joined Nature Action 100
- ■■ Published of our first “Climate/Nature-related Financial Disclosure Report” (TCFD/TNFD Report)
- ■ Registered as a TNFD Early Adopter

2024
- ■ Joined PRI Spring as an endorser
- ■■ Revision of “Materiality for Responsible Investment”

Introduction

Climate/Nature-related Financial Disclosure Report 2024/2025

Our purpose is to “ensure a prosperous and happy life for future generations as well as our customers.” Climate change and the loss of natural capital are recognized as one of the material sustainability issues that must be addressed to achieve our purpose. These issues are also deeply connected to our "Materiality for Responsible Investment." We also believe that risks and opportunities related to climate change and natural capital (hereinafter referred to as “climate/nature-related risks and opportunities”) have a significant impact on the performance of all of our investees, and as a result, on the value of our total assets in trust over the medium- to long-term.
Based on this recognition, we have been making efforts to contribute to the global efforts to combat these issues through our investment activities. We have established “Our Policy on Climate” and “Our Policy on Nature” in 2023 through discussions at the board meeting taking these issues as material management issues. In these policies, we indicate our commitment to these issues, as well as our governance and approach, etc., to tackle these issues, also we indicate our commitment to enhance disclosure on our efforts to tackle these issues. In line with these policies, we seek to further advance our efforts to address these issues.

Policy on Climate (Overview)

1. Our Commitment
- Based on the recognition that addressing climate change is essential to achieve our Purpose, we support the objectives of the Paris Agreement and aim to achieve net zero GHG emissions across scope 1, 2 and scope 3 category 15 (our financed emissions) by 2050, and contribute to the global efforts to combat climate change through our investment activities.

2. Climate-related Risks and Opportunities
- Climate change can pose various risks to our investee companies (intensified natural disasters could do severe damage to their business assets and significant changes in regulations and policies related to climate change, etc.), but companies who take advanced measures to mitigate or adapt to climate change can find opportunities. We assess these climate-related risks and opportunities.

3. Governance
- We receive appropriate supervision, including submitting regular reports to the Board of Directors on the status of our efforts to tackle climate change.

4. Our Approach
- We support our investee companies on their journey toward decarbonization through ESG integration, engagements and proxy voting. In doing so, we seek to reduce GHG emissions in the whole society, based on our policy as a “Universal Owner.”
- We use appropriate metrics to monitor the performance of our measures.

5. Stakeholder Engagement
- We actively engage with various stakeholders, including market participants, NGOs and government agencies.

6. Disclosures
- We seek enhanced disclosures on our climate change initiatives through appropriate vehicle

Policy on Nature (Overview)

1. Our Commitment
- Based on the belief that addressing the loss of natural capital and biodiversity is essential to achieve our Purpose, we support the 2050 Vision and the 2030 mission which the Kunming-Montreal Global Biodiversity Framework set out, and contribute to the global efforts to arrest the loss of natural capital and biodiversity through our investment activities.

2. Nature-related Dependencies and Impacts, Risks and Opportunities
- All of our investee companies have dependencies and impacts on natural capital in some way in their businesses, and there are risks (such as degradation of a particular type of natural capital a company relies on) associated with them. On the other hand, businesses that take advanced measures to reduce their dependencies on natural capital, to prevent or mitigate negative impacts on natural capital have opportunities related to natural capital. We evaluate the dependencies and impacts on natural capital and assess the associated risks and opportunities in our portfolio.

3. Governance
- We receive appropriate supervision, including submitting regular reports to the Board of Directors on the status of our efforts to tackle loss of natural capital.

4. Our Approach
- We identify industry sectors on which we should particularly focus in our portfolio, taking into consideration the scale of the nature-related dependencies and impacts and the size of the exposure. For these sectors, we identify material nature-related risks and opportunities.
- We support our investee companies in their measures to address the loss of natural capital through ESG integration, engagements and proxy voting. In doing so, we seek to conserve and restore natural capital in the whole society, based on our policy as a “Universal Owner.”
- We use appropriate metrics to monitor the performance of our measures.

5. Stakeholder Engagements
- We actively engage with various stakeholders, including market participants, NGOs and government agencies.

6. Disclosures
- We seek enhanced disclosures on our efforts to address the loss of natural capital through appropriate vehicle.
- We also contribute to the development of nature-related data and frameworks through collaboration with other stakeholders.

*For details on “Our Policy on Climate” and “Our Policy on Nature,” please refer to the following URL:
https://www.resona-am.co.jp/english/responsible-investment/esg_issues.html

Since climate and nature are closely related to each other, we believe that we should tackle these issues in an integrated manner. In addition, the importance of integrating climate-related financial disclosures and nature-related financial disclosures is also mentioned in the TNFD recommendations.
Based on these, since 2023, we have published the "Climate/Nature-related Financial Disclosure Report," which provides an integrated disclosure of our efforts that we have made and plan to make hereafter to manage climate/nature-related risks and opportunities; this report represents the second edition. This report aligns with the frameworks based on “Recommendations of the Task Force on Climate-related Financial Disclosures” (hereinafter referred to as TCFD Recommendations), “Recommendations of the Taskforce on Nature-related Financial Disclosures” (hereinafter referred to as TNFD Recommendations) and the IFRS Sustainability Disclosure Standards published in June 2023. Each chapter of the report includes the following content:

General Requirements	In this chapter, we describe our approach to climate/nature-related dependencies, impacts, risks and opportunities, and the scope of disclosure, etc., which forms the basis of the information disclosed in this report.
Governance	In this chapter, we describe an overall view of our governance structure for material sustainability issues, including board oversight of our activities and roles of internal organizations related to addressing the issues. Also, we describe our nature-related stakeholder engagement here.
Strategy	In this chapter, we describe details of climate/nature-related risks and opportunities that may affect the businesses of our investees and the financial impacts such risks and opportunities may bring to the companies, etc., including analysis methods. In addition, we describe our status of current activities and future policies to manage these risks and opportunities, as well as the action plan for achieving net-zero and nature-positive world (the so-called“ Transition Plan”).
Risk and Impact Management	In this chapter, we describe our processes for identifying, assessing, prioritizing and monitoring the risks of losses in assets in trust due to the manifestation of climate/nature-related risks.
Metrics and Targets	In this chapter, we describe key metrics and targets we use to assess and manage climate/nature-related risks and opportunities and the performance against the targets, etc.

In December 2023, we have registered ourselves with the TNFD Adopters as an organization having the intention to regularly make public disclosure aligned with the TNFD recommendations and make efforts to improve it.

column

Bio Garden Fujikura-Kiba Millennium Woods

The photographs on the cover and portraits on pages 1-2 of this report were taken at "Bio Garden Fujikura-Kiba Millennium Woods," located next to our office.
"Bio Garden Fujikura-Kiba Millennium Woods" is a bio garden (a garden that incorporates elements of a biotope). This site has been certified as an OECM by the Ministry of the Environment, Japan, and the name of this site reflects the hope that, together with the local community in Kiba, Koto Ward, "the rich nature will continue for a thousand years to come."
We chose the garden as location of the photo shoot as the site that makes us feel and consider the importance of preserving natural capital and biodiversity, and aligns with the theme of this report.
We would like to express our gratitude to Fujikura Ltd. for their cooperation.
<Source>https://www.fujikura.co.jp/en/company/social-contribution/millennium-forest/forest-about/

To ensure consistency in our disclosures, we have organized our perspectives on the six general requirements recommended by the TNFD for disclosure, including those related to climate.

Application of materiality

C N

As an asset management company, we promote medium- to long-term corporate value creation and sustainable growth of our investees, and strive to increase the value of assets in trust. From this regard, we need to manage the potential financial impacts on the assets in trust from the manifestation of climate/nature-related risks and opportunities. In light of this, we provide in this report, as a baseline, material information about how climate/nature-related risks and opportunities may have financial impacts on the assets in trust and how we manage such risks and opportunities.
Additionally, we recognize ourselves as one of the "universal owners" and we believe that the medium- to long-term value of the whole assets in trust relies on the soundness of the environment system as the basis of the whole economy. Many market participants have recently pointed out that the accumulation of the negative impacts individual companies have on climate and nature may break down the entire system, resulting in system-level risks. We believe that mitigating such impacts on climate and nature is of great importance from the perspective of system-level risk management. In light of this, and based on the concept of double materiality, this report includes information to identify, assess, and manage impacts on climate and nature arising from our investees' activities.

Scope of disclosures

C N

Typically, climate/nature-related risks and opportunities arise from an organization's direct operations, upstream value chain (e.g., suppliers), and downstream value chain (e.g., purchasers of products for business enterprises, and investees and borrowers for financial institutions). Due to the characteristics of our business, for us, climate/nature-related risks and opportunities related to our investment activities, which are our downstream value chain, are extremely material, and the others (including those related to our direct operations) are considered to be negligible. In light of this, we mainly disclose climate/nature-related risks and opportunities (including underlying dependencies and impacts on nature) related to our investments in this report. However, this report also includes climate/nature-related risks and opportunities related to our direct operations in the chapters of governance, risk and impact management, and metrics and targets.

Location of nature-related issues

N

In this report, we analyze industrial sector-level nature-related risks and opportunities of our global investees. At this time, we exclude nature-related risks and opportunities in geographic locations related to the investees' direct operations and value chains due to limitations in available data and analysis methodologies. We will closely monitor the development of data and analysis methodologies and consider the possibility of such analysis.

Integration with other sustainability-related disclosures

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Since climate and nature issues are closely related to each other, we recognize that our efforts for these should be conducted in an integrated manner. Based on this recognition, also in accordance with the TNFD recommendations emphasizing the importance of integrating climate/nature-related financial disclosures, we name this report "Climate/ Nature-related Financial Disclosure Report" and provide integrated disclosures.
Our overall sustainability efforts are disclosed in our Sustainability Report.

* Our Sustainability Report is available on:
https://www.resona-am.co.jp/english/responsible-investment/activity.html

The Time horizons considered

C N

In this report, we basically consider the short term as several years from the present, the medium term as a decade from the present, and the long term as approximately 2050 or after. However, if the referenced documents use a different time horizon, the report conforms to that.

Engagement with Indigenous Peoples, Local Communities and affected stakeholders

N

As a member of the United Nations Global Compact, the Resona Group, including us, supports international human rights norms, including the "UN Guiding Principles on Business and Human Rights," and has established the "Resona Group Human Rights Policy" in 2013 in compliance with these international norms. In addition, as an investment management company, it is particularly necessary for us to manage the adverse human rights impacts related to the business activities of our investees and to reduce the risk that assets in trust suffer a loss due to these impacts. Accordingly, in 2023, we established the "Our Policy on Human Rights Issues related to Investment Management." These policies stipulate that, under the supervision of the Board of Directors, we conduct human rights due diligence and maintain grievance mechanisms, as well as seek to enhance and improve our initiatives to respect human rights through engagement with stakeholders. We promote our efforts to respect human rights in accordance with these two policies when assessing and responding to dependence on and impact on nature and risks and opportunities related to nature.

* For more information on our policy regarding addressing human rights issues in investment management, please refer to the following URL:
https://www.resona-am.co.jp/sustainability/esg_issues.html#03

We accumulate advanced information and knowledge by actively exchanging opinions with various stakeholders, utilizing the network we have cultivated as a pioneer in responsible investment. These stakeholders include not only investees and other institutional investors, but also NGOs/NPOs, academics, public institutions, and related organizations.
We exchange views with NGOs/NPOs once every few months and discuss topics such as our in-house engagement on sustainable palm oil procurement and the latest trends in sustainability issues. We apply the insights from these discussions to enhance the effectiveness and efficiency of our engagement activities with investees.
We do not analyze nature-related risks and opportunities in geographic locations related to investees' direct operations or value chains due to limitations in available data and analytical methodologies. We consider that it is difficult to exchange views with indigenous peoples or local communities due to this at present, but believe that the above exchange of views with NGOs/NPOs will complement this.

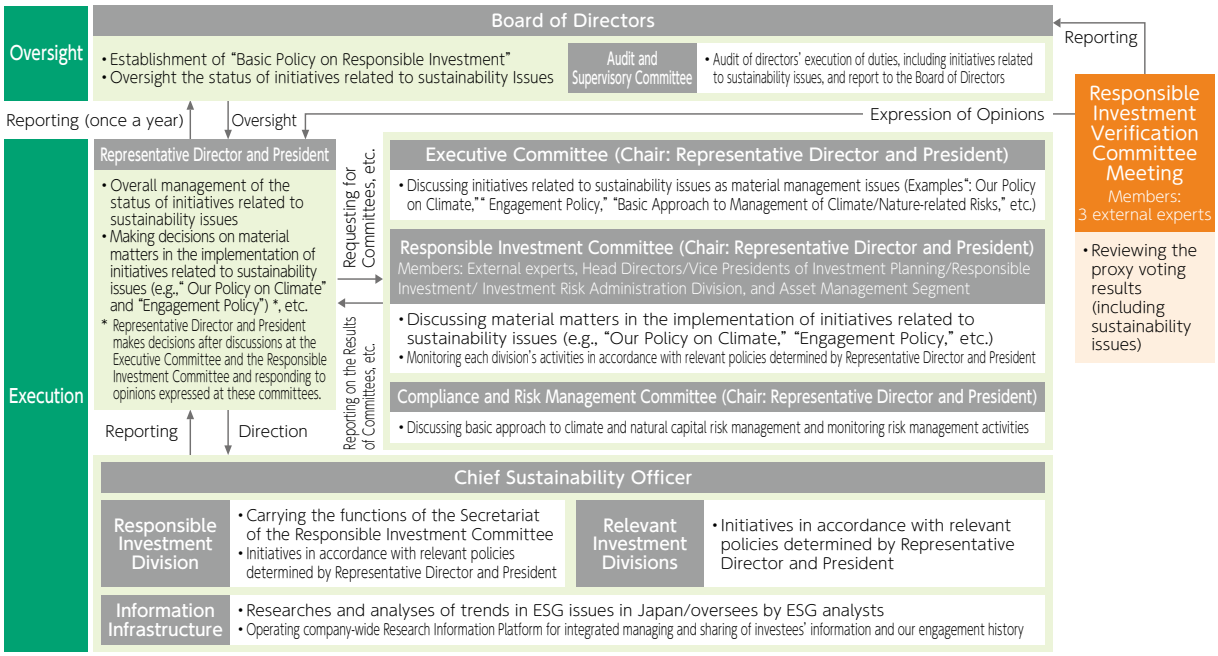
Governance

Climate/Nature-related Financial Disclosure Report 2024/2025

1 Overview of Our Governance System on Sustainability Issues C N

We have established a strong governance system through the clear separation of management execution and supervision and the participation of independent outside directors. The following figure shows the overview of our governance system on sustainability issues, including climate change and natural capital.

Our governance system on sustainability issues



Based on "Our Policy on Climate" and "Our Policy on Nature," sustainability issues related risks and opportunity and the status of our efforts to address them shall be reported at least once a year to the Board of Directors, of which half of the members are independent directors. This scheme ensures appropriate oversight on our initiatives. The agenda items related to climate change and natural capital discussed at the board meeting for the past year are as follows:

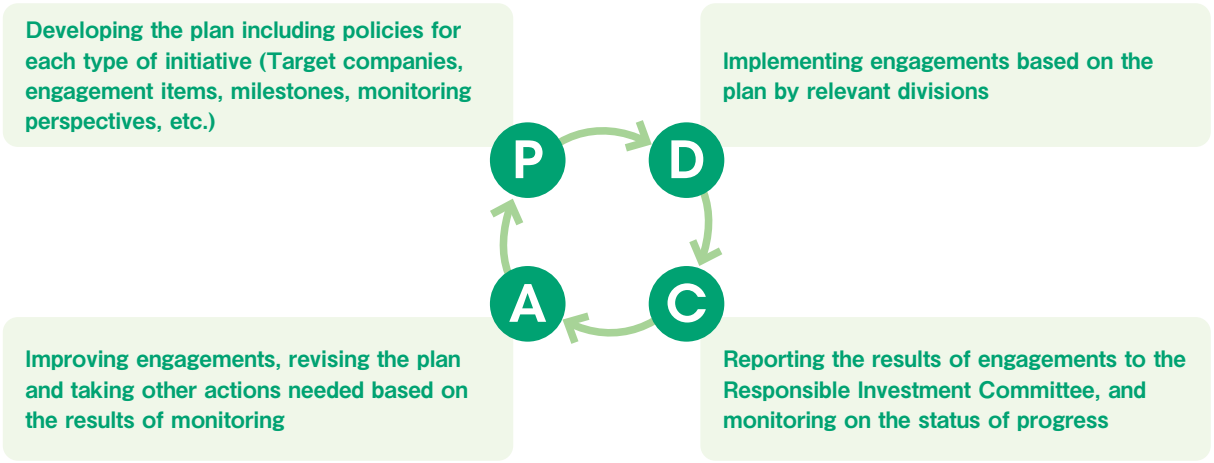
Agenda items related to climate change and natural capital discussed at the Board of Directors

- Disclosure on TCFD/TNFD recommendation & next steps in align with the TCFD recommendations
- Implementation of monitoring related to the identification, assessment and management of climate/nature-related risks
- Verification of voting results (shareholder proposal related to climate change, etc.)
- Continued improvement and enhancement of our own in-house corporate ESG rating framework named "Resona ESG Ratings"

With the aim of verifying the appropriateness of concrete initiatives related to responsible investment (including initiatives related to sustainability issues) and striving to devise and improve them as necessary, we have established the Responsible Investment Committee,

chaired by Representative Director and President and composed of an external expert (Professor Tsuyoshi Mizuguchi (President of Takasaki City University of Economics and Chairperson of the “Expert Panel on Sustainable Finance”)) and Head Directors/Vice Presidents of relevant divisions and segments. This committee is held once every 1-2 months to discuss material issues in the execution of sustainability initiatives, as well as to discuss indicators and targets for assessing and managing climate/nature-related risks and opportunities and to monitor progress toward the set targets. Also, we discuss initiatives related to sustainability issues as material management issues at the Management Committee, which is held once a month. Material matters concerning the implementation of initiatives related to sustainability issues are actively and carefully discussed at these committees, and decisions are made by Representative Director and President after responding to the opinions expressed there. In addition, the contents discussed at these committees are reported to the Board of Directors and discussed there.
In accordance with the sustainability-related policies and action plans determined in this manner, the Responsible Investment Division and each relevant investment divisions implement initiatives related to sustainability issues (Stewardship activities such as engagement, proxy voting and ESG integration). From 2023, the Head Director of the Responsible Investment Division was appointed as the Chief Sustainability Officer (CSuO), and is actively leading initiatives related to sustainability issues in each division. Our analysts in charge of ESG conduct research and analysis on trends in sustainability issues in Japan and overseas, and construct and operate a company-wide Research Information Platform, which serves as the information infrastructure to support these activities.
We have established a PDCA cycle for these initiatives by the Responsible Investment Division and each relevant investment divisions: the progress of these efforts is monitored by the Responsible Investment Committee and other meetings, and based on the results, the related policies and action plans for sustainability issues are revised. In particular, with regard to engagement, which we place importance on as a response to climate/nature-related risks and opportunities, we develop the “Engagement Plan” annually, and strive to enhance the effectiveness of our initiatives through the PDCA cycle based on this plan (see the figure below). As described in the “Metrics and Targets" section of this report, with regard to engagement activities, which play a central role in the management of climate/nature-related risks and opportunities, we set "Metrics related to changes in the behavior of investee companies" as milestones, and the progress is managed through this PDCA cycle.

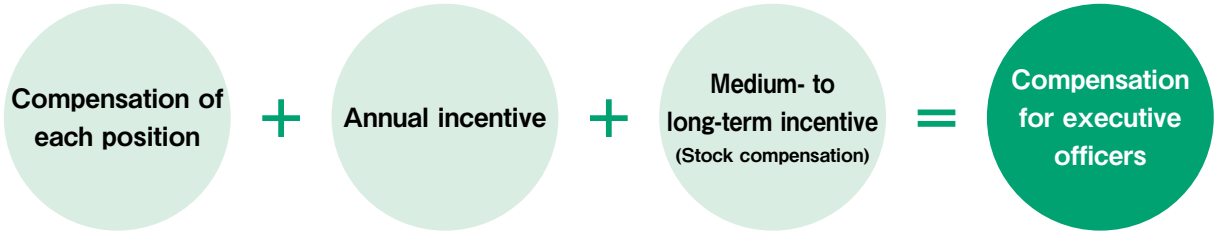
PDCA cycle based on the “Engagement Plan”



As shown in the “Our governance system on sustainability issues” chart on the previous page, Our Proxy Voting Guidelines and the proxy voting results (including those related to sustainability issues) are verified from a third-party perspective at the Responsible Investment Verification Committee Meeting, which consists of three external experts.

Furthermore, in order to accelerate initiatives related to sustainability issues, we have incorporated ESG indicators into our executive compensation system. ESG indicators are reflected in medium- to long-term incentives (performance-linked stock compensation) in the compensation structure for executive officers.

Compensation for executive officers



Name	Method of calculation
Compensation of each position	Determined based on the responsibilities of each position.
Annual incentive	Calculated based on personal and company evaluations.
Medium- to long-term incentive (Stock compensation)	The payment rate is calculated by adding and subtracting * according to the annual rate of change in ESG indicators from the figure calculated based on the status of plan achievement. * Add or subtract within a range of 10% depending on the rate of change in ESG scores by the leading ESG rating agencies (MSCI, FTSE)

2 Human Rights Policy and Stakeholder Engagements N

Human Rights Policy

As a member of the UN Global Compact, the Resona Group, including us, supports international human rights norms, including the "UN Guiding Principles on Business and Human Rights," and has established the "Resona Group Human Rights Policy" in 2013 in compliance with these international norms. In addition, as an investment management company, it is particularly necessary for us to manage the adverse human rights impacts related to the business activities of our investees and to reduce the risk that assets in trust suffer a loss due to these impacts. Accordingly, in 2023, we established the "Our Policy on Human Rights Issues related to Investment Management." We promote our efforts to respect human rights in accordance with these two policies when we assess the dependencies and impacts on nature, as well as the nature-related risks and opportunities, and respond to them as well. These policies stipulate that, under the supervision of the Board of Directors, we conduct human rights due diligence and maintain grievance mechanisms, as well as seek to enhance and improve our efforts to respect human rights through engagements with stakeholders. An overview of our efforts to address human rights issues based on these policies is presented on page 35-36.

* For details of the Resona Group Human Rights Policy, please refer to the following URL:
https://www.resona-gr.co.jp/holdings/english/sustainability/sdgs/human_rights/policy.html

* For details of the Our Policy on Human Rights Issues related to Investment Management, please refer to the following URL:
https://www.resona-am.co.jp/english/responsible-investment/esg_issues.html#03

Engagements with Indigenous Peoples and Local Communities

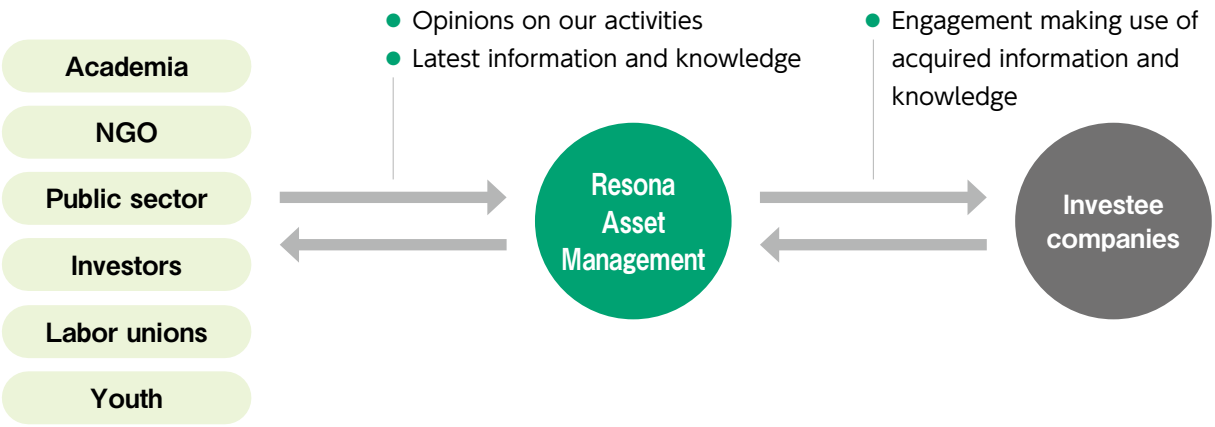
At present, we do not analyze nature-related risks and opportunities in geographic locations related to investees' direct operations or value chains due to limitations in

available data and analytical methodologies; we consider that it is difficult to exchange views with indigenous peoples or local communities due to this. On the other hand, as a complement, we hold a meeting with NGOs/NPOs once every few months. We have discussed topics such as our in-house engagement on sustainable palm oil procurement and the trends of the latest sustainability issues at the meeting with them, and we have been enhancing our engagements with investees and our other responsible investment activities reflecting the feedback we get in the discussions.

Nature-related topics discussed at the meetings with NGOs and NPOs

- Sustainable procurement (Palm oil, paper and wood, cocoa beans, soybeans)
- Rights violations of Indigenous Peoples associated with woody biomass power generation and deforestation
- Climate change issues for automakers
- Responding to TNFD in the financial sector
- Responsible water use management and biodiversity impacts

In addition, we actively conduct engagement with various stakeholders, including the following, utilizing the network we have cultivated as a pioneer in responsible investment. We apply the advanced information and insights gained through this to enhance the effectiveness and efficiency of our integrated initiatives including engagements to address climate change, loss of natural capital and human rights issues.



Engagements with public sector

In “Our Policy on Nature,” it is stipulated that we engage with various stakeholders, including public institutions, to contribute to tackling loss of natural capital/biodiversity. For example, since January 2023, we have participated as a committee member in the following review committees on natural capital sponsored by public institutions.

- The New Biodiversity Strategy Review Committee of the Ministry of Agriculture, Forestry and Fisheries (Secretariat: the Ministry of Agriculture, Forestry and Fisheries, Japan)
- Study Group on Revision of Private Sector Engagement Guidelines for Biodiversity (Secretariat: the Ministry of the Environment, Japan)
- Study Group on Environmental Due Diligence (Secretariat: the Ministry of the Environment, Japan)
- Study Group on Development of a Corporate Disclosure Scheme on Material Cycles (Secretariat: the Ministry of the Environment)

Climate/nature-related risks and opportunities do not appear to have significantly affected the performance of our individual investees to date; but may do in the future. In addition, negative impacts on climate and nature from individual business activities may collectively damage the soundness of the environmental system over the medium- to long-term; the resulting system-level risks may adversely affect the overall performance of our investees. This means that climate/nature-related risks and opportunities may have a significant impact on the medium- to long-term value of the entire assets in trust we manage. It is important for us to assist our investees in achieving sustainable growth by taking advantage of climate/nature-related opportunities, as well as avoiding and mitigating losses due to the manifested climate/nature-related risks, including system-level risks. "Our Policy on Climate" and "Our Policy on Nature" states that we will contribute to tackling climate/nature-related issues in collaboration with our investees through the following strategies:

1. Conducting our own assessments of climate/nature-related risks and opportunities relevant to our investees.
2. Conducting stewardship activities, such as ESG integration, engagements (including collaborative engagements), and proxy voting, as well as related financial products, as approaches to address the issues.
3. Using appropriate metrics to monitor the performance of our activities.

We have conducted the following analysis for further enhancing our strategies effectively and efficiently to manage climate/nature-related risks and opportunities in accordance with the above policies.

■ Climate

We have defined the scope of industry sectors on which we should particularly focus our efforts first. Then we have conducted a scenario analysis to identify material climate-related risks and opportunities and to assess their financial effects for each industry sector.

■ Nature

We have defined the scope of industry sectors on which we should focus our efforts and have identified material nature-related risks and opportunities for each industrial sector using available public information and analysis tools; as pointed out in the TNFD recommendations, we are aware of the limitations with available methodologies and data. The summary and results of the analysis are shown on the following pages.

Based on the results of the above analysis, we have considered future response policies, including how to improve the aforementioned strategies and decision-making processes to manage significant climate/nature-related risks and opportunities.

Additionally, in the "Our Policy on Climate" and "Our Policy on Nature," we have committed to the following strategic objectives:
"We support the objectives of the Paris Agreement and aim to achieve net zero GHG emissions across scope 1, 2 and scope 3 category 15 (our financed emissions) by 2050, and contribute to the global efforts to combat climate change through our investment activities."
"We support the 2050 Vision and the 2030 mission which the Kunming-Montreal Global Biodiversity Framework set out, and contribute to the global efforts to arrest the loss of natural capital and biodiversity through our investment activities."
Taking these commitments into account, we have organized a so-called "transition plan" to reduce negative impacts on climate and nature and achieve these strategic objectives, referencing internationally recognized guidance and frameworks widely accepted globally.

1 Analysis of Climate-related Risks and Opportunities C

(1) Defining the scope of industry sectors for analysis

As an institutional investor that manages large-scale assets and invests in companies in a wide range of industry sectors, we should not treat all of the industry sectors uniformly to address climate-related risks and opportunities effectively. For this reason, we have identified industry sectors on which we should focus our efforts particularly, and have analyzed these sectors deeply, referring to "Practical guide for Scenario Analysis in line with guidelines such as the TCFD recommendations (For the Banking Sector) 2nd edition" (the Ministry of the Environment, Japan). The scope is defined in consideration of (i) the size of our exposure to the industry sector, (ii) a general assessment of the financial effects that climate-related risks and opportunities (physical risks, transition risks, and transition opportunities) have on the industry sector, and (iii) the magnitude of the impact which the industry sector has on climate (in other words, its Scope 1, 2, and 3 emissions). The resulted scope of industry sectors and the reasons are as follows.

Identified industry sectors	Reason for identification
Chemicals	Continuously high exposure. In addition, the sector is generally assumed to be affected financially by physical risks, transition risks, and transition opportunities.
Automobiles	Continuously high exposure. In addition, the sector is generally assumed to be affected financially by transition opportunities.
Food Products	Continuously high exposure. In addition, the sector is generally assumed to be affected financially by physical risks.
Real Estate Management& Development	Continuously high exposure. In addition, the sector is generally assumed to be affected financially by physical risks.
Electric Utilities	Their direct operations have material impacts on climate.
Metals & Mining	Their direct operations have material impacts on climate.
Oil, Gas &Consumable Fuels	Their downstream value chain has material impacts on climate.

*1 A general assessment of the financial impacts that climate-related risks and opportunities (physical risks, transition risks, and transition opportunities) have on each industry sector is based on the following literature.
- FY2021 Analysis of Climate Change-Related Risks and Opportunities in the GPIF Portfolio (GPIF)
- Materiality Finder (SASB)
- SASB Climate Risk Technical Bulletin (SASB)
- The Transition Risk -O- Meter (2 Degrees Investment Initiative)
- Advancing TCFD Guidance On Physical Climate Risks and Opportunities (EBRD) etc.

*2 Emissions related to investments in the above seven sectors account for approximately 60% of our Scope 3 Category 15 emissions.

(2) Analyzing Climate-related Risks and Opportunities

We have conducted scenario analysis to identify material climate-related risks and opportunities and to assess the financial impacts on each industry sector listed in (1) above. We estimate the financial impacts assuming the revenues and asset sizes of representative companies of each industry sector and therefore our analysis is assumed to be less accurate than those conducted by each investee on its own businesses; yet still this analysis could be utilized in engagements with investees to better understand their strategies towards climate-related risks and opportunities. The outline of the scenario analysis methodology and the results of the analysis of climate-related risks and opportunities are as follows.

■ Scenario Analysis Methodology

We conduct scenario analysis in the following analysis flow, with reference to relevant guidance such as "Guidance on Scenario Analysis for Non-Financial Companies" (TCFD) and "Practical guide for Scenario Analysis in line with the TCFD recommendations (For the Banking Sector) 2nd edition" (the Ministry of the Environment, Japan).

❶Identifying Climate-related Risks and Opportunities to Focus on

We have identified commonly recognized climate-related risks and opportunities by compiling climate-related financial disclosures of global representative companies in each industry sector.

❷Setting scenarios

We have set up a group of external environments (natural environment, economic society, suppliers, consumers, industry, government, etc.) surrounding each industry sector for the "1.5°C scenario (a world where climate change has been tackled and the temperature rise has been limited to 1.5°C or lower)," and the "above 2°C scenario (a world where climate change efforts have been slow and the temperature has raised above 2°C)."
These scenarios are based on ones published by the Network for Greening the Financial System (NGFS); this is because the NGFS scenarios include a bunch of parameters related to the economy and finance, making them suitable for evaluating the financial impacts on our managed assets. The parameters for the analysis are set with reference to information published by NGFS, the International Energy Agency (IEA), the United Nations and other organizations. The overview of the scenario we have set is as shown in the table below. Key parameters considered important for each industrial sector appear in the analysis results as well.

Scenarios used for the analysis	ベースにしたNGFSシナリオ					
	Category	Scenario	Policy intensity	Policy implementation	Technological innovation	Carbon removal
1.5°C Scenario	Orderly	Net Zero 2050	1.4℃	Swift and smooth	Fast	Medium to high utilization
	Disorderly	Divergent Net Zero	1.6℃	Swift but varies across sectors	Fast	Low to medium utilization
Above 2°C scenario	Hot House World	Nationally Determined Contributions (NDCs)	2.6℃	Policies committed as of March 2022 are implemented	Slow	Low to medium utilization

Source: Created by our company based on "NGFS Scenarios for central banks and supervisors, Third Edition"

❸Financial Impact Assessment

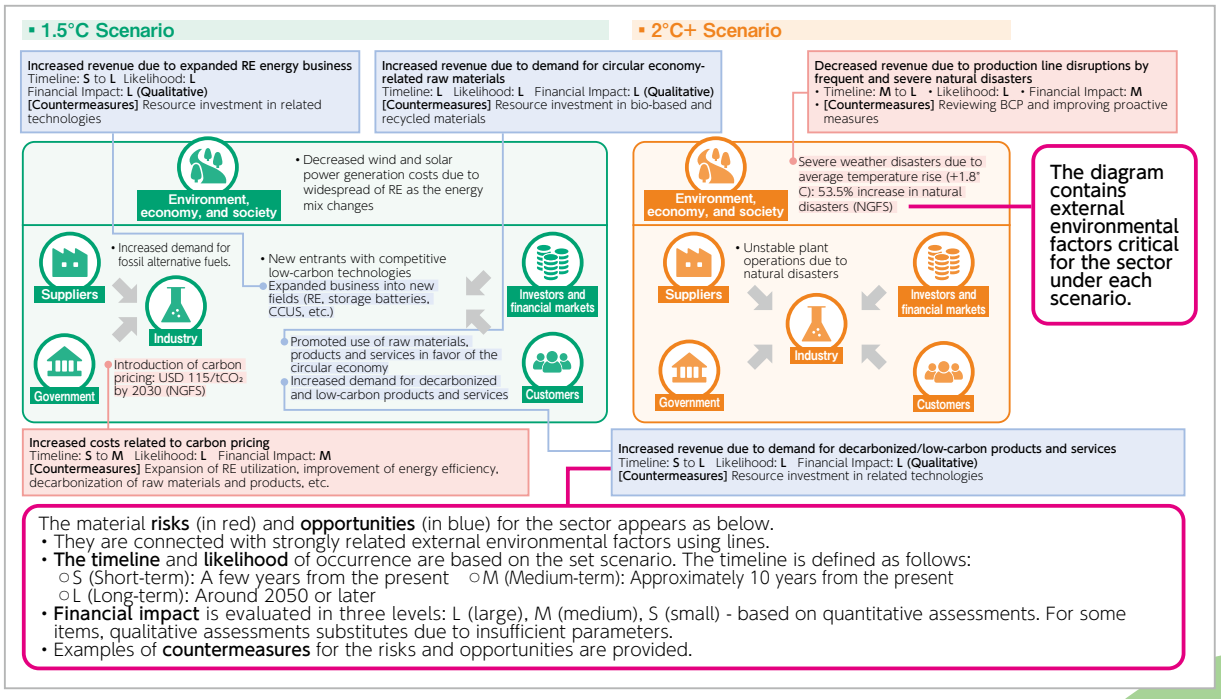
We have assessed how the climate-related risks and opportunities identified in ❶ would financially affect companies under each scenario set in ❷; and then quantified the financial impact using the parameters mentioned in ❷. In assessing financial impacts, we have taken into account factors such as the scale of major investee companies in our portfolio within each sector.

*For some items, only qualitative assessment is conducted due to the lack of parameters for analysis.

*This analysis has been conducted based on the latest information available as of September 2023. While the 5th edition of the NGFS scenarios was published in November 2024, we have not changed our analytical methodology at this time to maintain the continuity of our strategy; we plan to update the analytical methodology at an appropriate frequency while closely monitoring updates to the scenarios and other relevant developments.

■ Analysis Results of Significant Climate-Related Risks and Opportunities

The analysis results for each industrial sector are presented on pages 15–18. The interpretation of the analysis results is as follows:

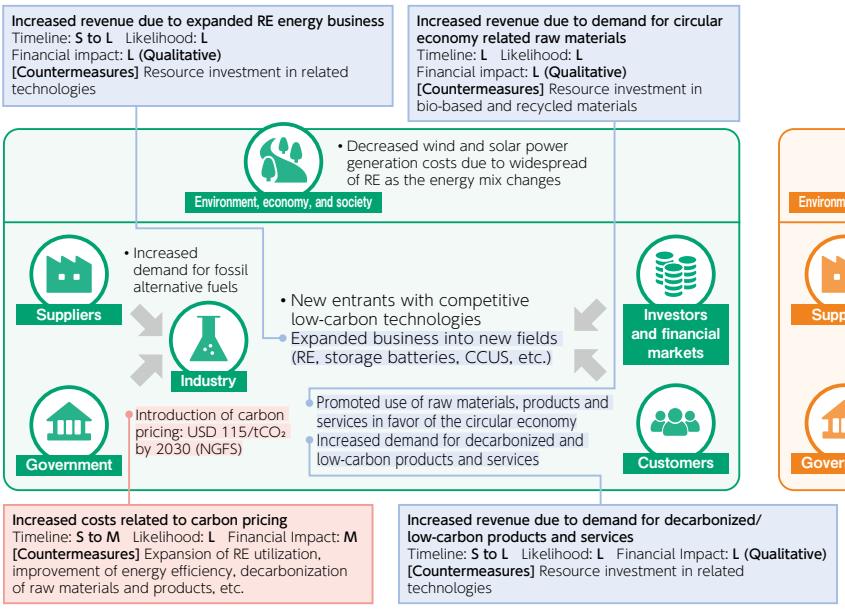


1 Chemical Sector

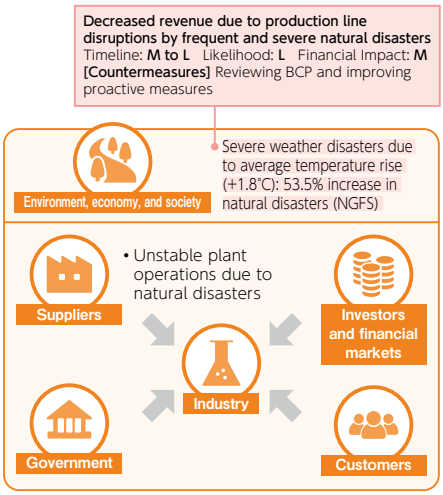
- Targeted in engagements with companies in high-emitting sectors (Page 32)
- Targeted in engagements on reduction contributions (Page 32)

In the 1.5°C scenario, as many companies will heighten awareness of reducing GHG emissions, there will be more demand for decarbonized/low-carbon businesses and products. As this is an opportunity for the chemical sector, the companies should prepare for it: for example, by appropriate resource investment for utilizing their decarbonization-related technologies.
As an indicator of such opportunities, reduction contributions may prove to be useful.
On the other hand, because of their high GHG emissions, delays in decarbonization will not only lead to lost opportunities but also to transition risks related to the introduction of carbon pricing; the transition to net zero should therefore be promoted across the entire company.
In the 2°C+ scenario, the companies should review the BCP for production line interruptions caused by natural disasters.

▪ 1.5°C Scenario



▪ 2°C+ Scenario

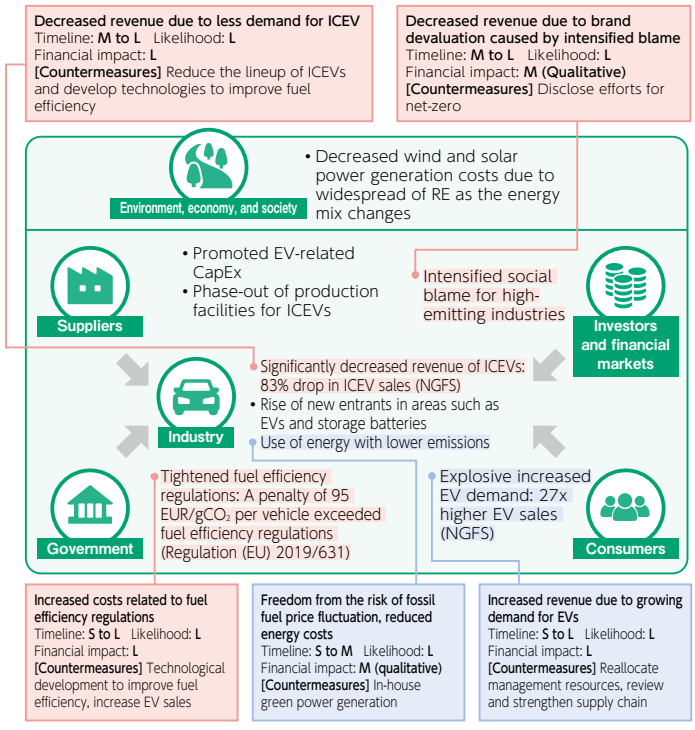


2 Automobile Sector

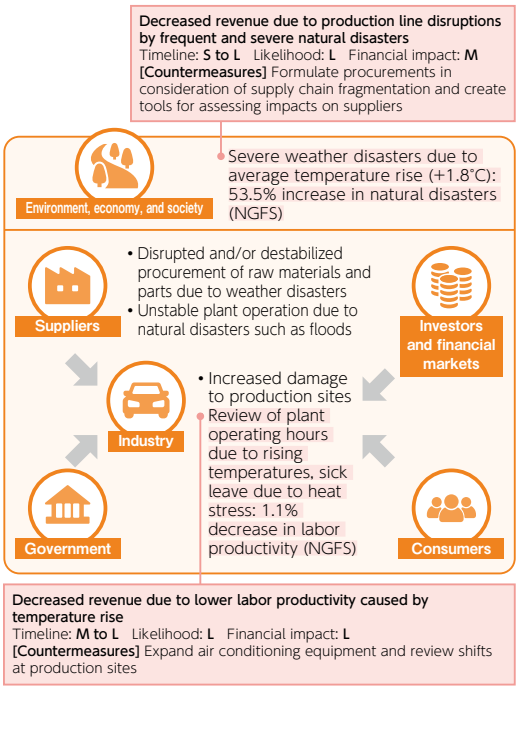
- The sector represented by companies for which we serves as the lead investor in Climate Action 100+ (Page 31)

In the 1.5°C scenario, while there are significant risks with the transition from ICEVs (internal combustion engine vehicles) to EVs, there are also significant opportunities from early adoption of EVs; to address these risks and opportunities, the companies should systematically develop technology and review their resource allocation and supply chains. In the 2°C+ scenario, they should deal with the reduction in labor productivity at manufacturing sites caused by rising temperatures.

▪ 1.5°C Scenario



▪ 2°C+ Scenario

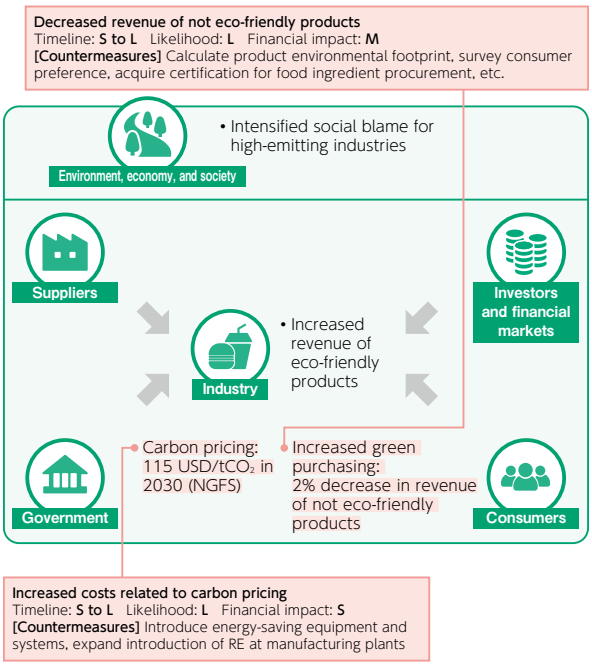


3 Food Product Sector

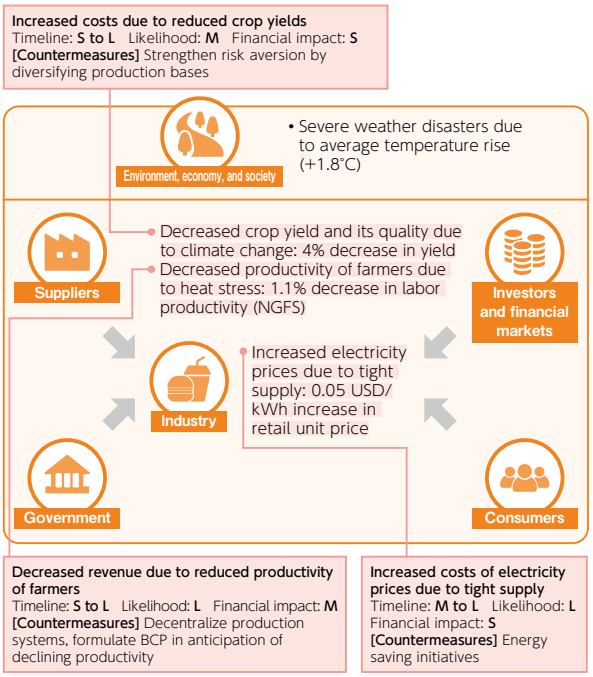
●The key sector for engagements on sustainable palm oil sourcing (Page 32)

This sector is considered to be significantly vulnerable to physical risks. Particularly, in the 2°C+ scenario, not only will crop yields decline, but farmers' productivity may also decline due to rising temperatures; in response, the companies should better manage and decentralize the supply chain and establish product systems that anticipate reducing productivity.
Under the 1.5°C scenario, there is a potential risk associated with decreased demand for products with high environmental impact. Supply chain management could be a countermeasure to this risk as well.

▪ 1.5°C Scenario



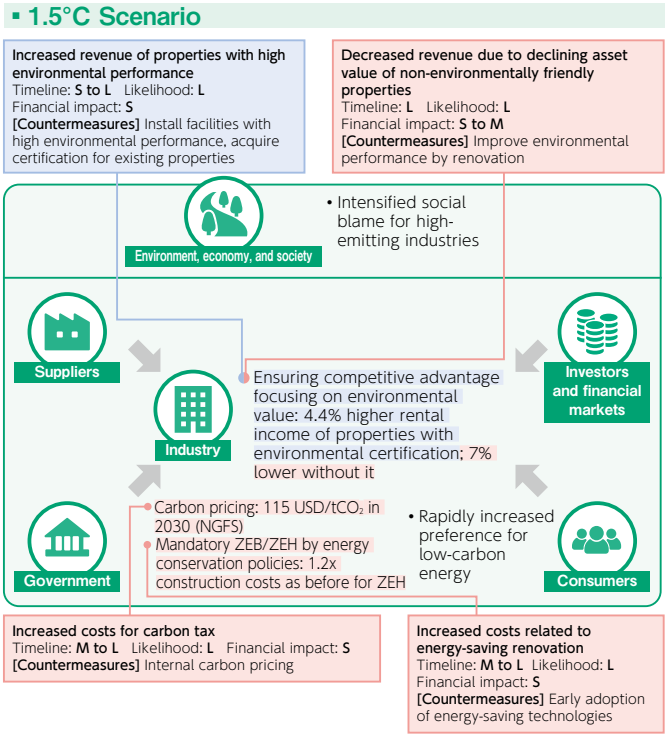
▪ 2°C+ Scenario



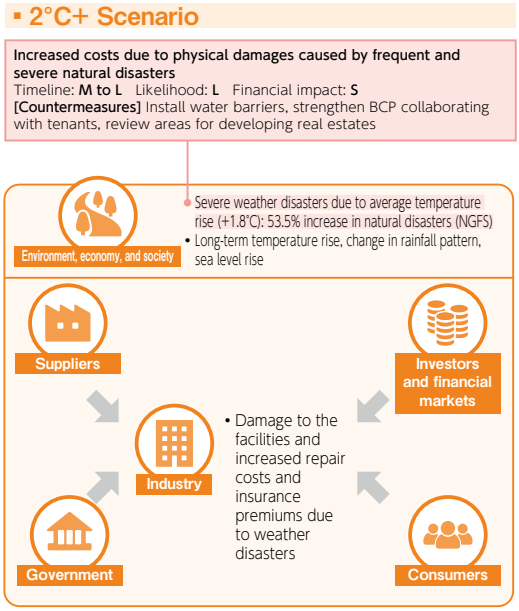
4 Real Estate Management & Development Sector

In the 2°C+ scenario, property damage caused by natural disasters can be a physical risk. While the scale of the financial impact varies depending on the companies' business locations, they should better strengthen resilience and review the locations.
In the 1.5°C scenario, there will be transition risks and opportunities related to eco-friendly measures such as ZEB (Net Zero Energy Building) and ZEH (Net Zero Energy House). Despite the temporary higher costs, the sort of properties can be expected to increase asset value; early and planned responses are desirable.

▪ 1.5°C Scenario



▪ 2°C+ Scenario

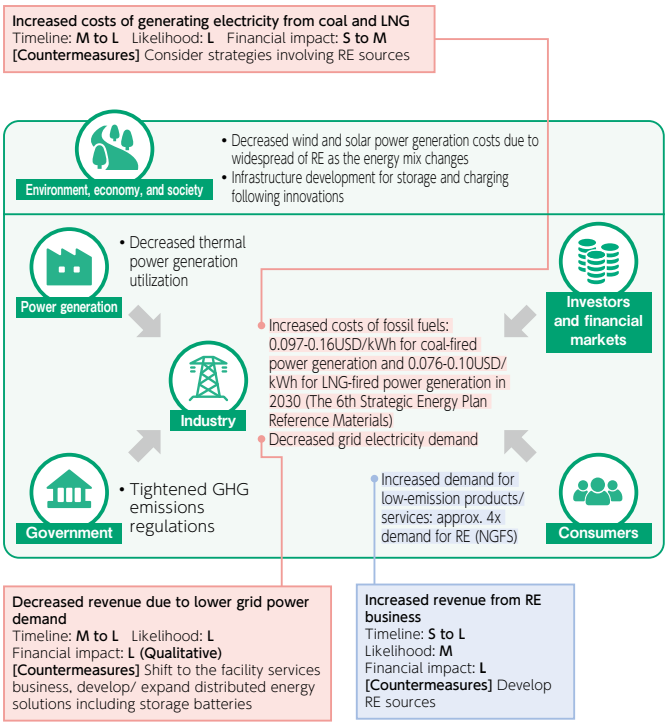


5 Electric Utility Sector

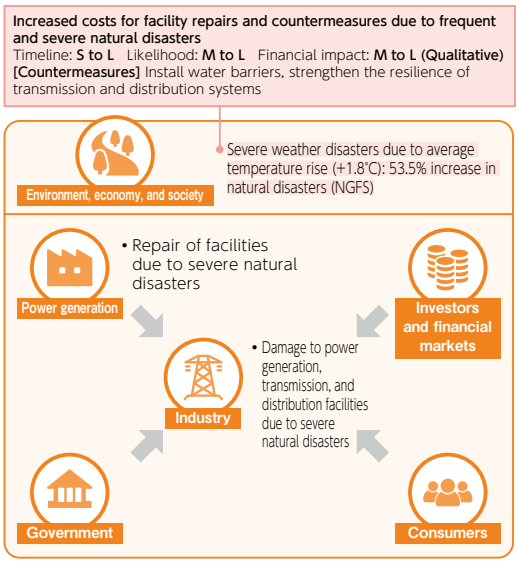
●Targeted in engagements with companies in high-emitting sectors (Page 32)

In the 1.5°C scenario, increased costs for thermal power generation due to tightened regulations and reduced demand for grid power represent transition risks. On the other hand, there will also be an opportunity for greater demand for RE. As countermeasures, the companies should actively transition to net zero by utilizing RE and consider expanding into the facility service business. In the 2°C+ scenario, damage to power generation facilities caused by natural disasters will emerge as a physical risk; the companies should better strengthen resilience against it.

▪ 1.5°C Scenario



▪ 2°C+ Scenario

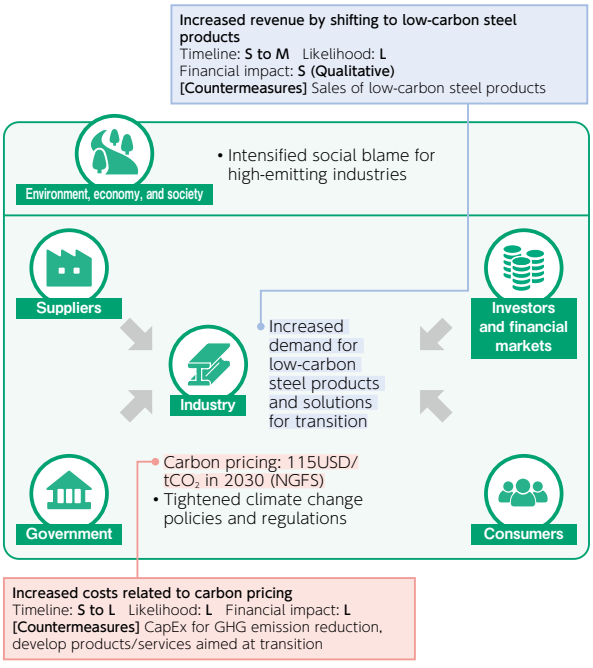


6 Metals & Mining Sector

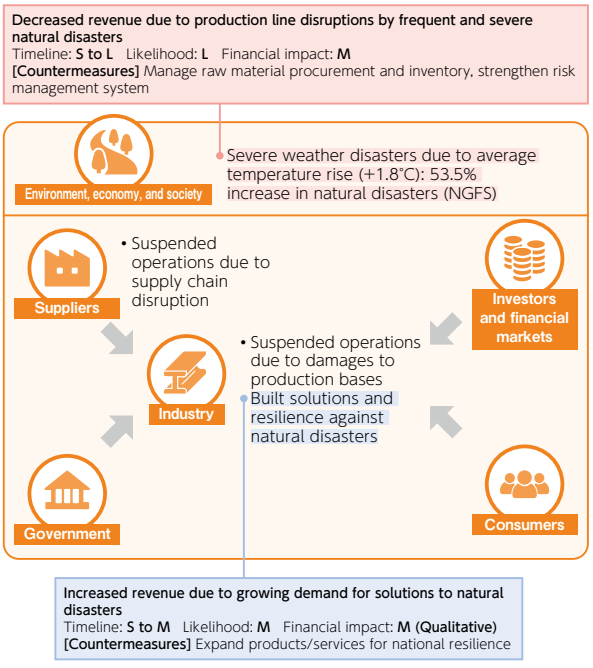
●Targeted in engagements with companies in high-emitting sectors (Page 32)

Due to high GHG emissions during the manufacturing process, the transition risk regarding carbon pricing is considered to be material in the 1.5°C scenario; the companies should actively promote the transition to net zero through technological development. On the other hand, with the reduction of GHG emissions through supply chains, there would be an opportunity of increased demand for low-carbon steel products. In the 2°C+ scenario, the companies should better strengthen resilience against production line interruptions caused by natural disasters.

▪ 1.5°C Scenario



▪ 2°C+ Scenario



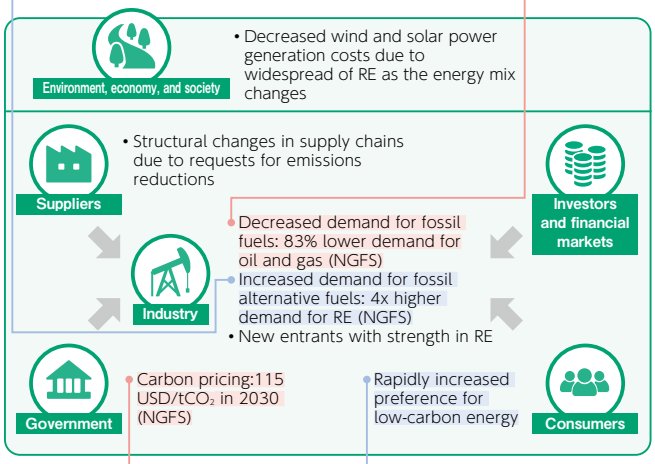
7 Oil, Gas & Consumable Fuel Sector

In the 1.5°C scenario, the transition risks arising from reduced demand for fossil fuels and introduction of carbon pricing would be significant; the companies should actively promote their transition to net zero by shifting to alternative fuels. In the 2°C+ scenario, they will need countermeasures for equipment damages caused by natural disasters.

▪ 1.5°C Scenario

Increased revenue due to growing demand for alternative fuels
Timeline: **M to L** Likelihood: **L**
Financial impact: **M (Qualitative)**
[Countermeasures] CapEx and resource investment for alternative fuels

Decreased revenue from fossil fuels
Timeline: **M to L** Likelihood: **L**
Financial impact: **L**
[Countermeasures] Expand alternative fuel supply

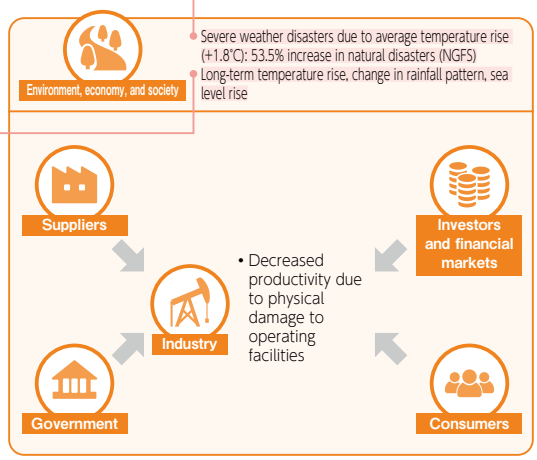


Increased costs for carbon tax
Timeline: **S to L** Likelihood: **L**
Financial impact: **L**
[Countermeasures] Set and raise internal carbon pricing, monitor policy trends

Increased revenue from expanded RE business
Timeline: **S to M** Likelihood: **L**
Financial impact: **L**
[Countermeasures] Secure capacity for offshore wind and geothermal power generation

▪ 2°C+ Scenario

Increased costs for facility repairs and countermeasures due to frequent and severe natural disasters
Timeline: **S to L** Likelihood: **L**
Financial impact: **S (Qualitative)**
[Countermeasures] Conduct periodic physical risk assessments



Increased facility repair costs due to average temperature rise
Timeline: **M to L** Likelihood: **L**
Financial impact: **S (Qualitative)**
[Countermeasures] Conduct periodic physical risk assessments

2 Analysis of Nature-related Risks and Opportunities

N

(1) Defining the scope of industry sectors for analysis

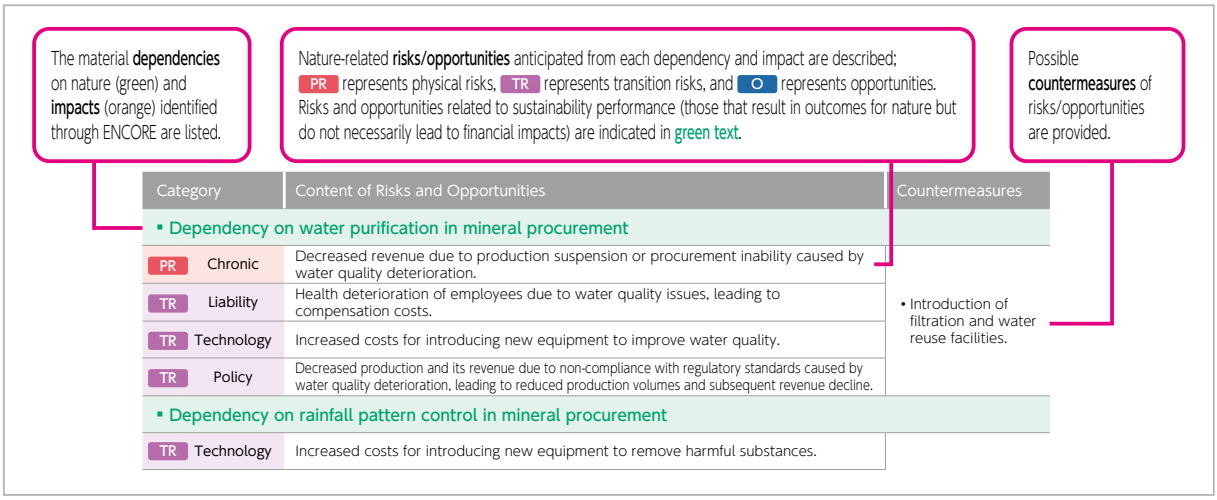
As an institutional investor that manages large-scale assets and invests in companies in a wide range of industry sectors, we should not treat all of the industry sectors uniformly to address nature-related risks and opportunities effectively. For this reason, we have identified industry sectors on which we should focus our efforts particularly, and have analyzed these sectors deeply, based on the LEAP approach (an integrated approach for the assessment and management of nature-related issues) presented in the TNFD recommendations. The scope is defined in consideration of (i) the size of our exposure to the industry sector, (ii) the magnitude of the sector's dependency on nature, and (iii) the magnitude of the impacts which the sector has on nature.
We use ENCORE, the analytical tool recommended by TNFD, to evaluate the extent of dependency and impact on nature for each industrial sector.
The resulted scope of industry sectors and the reasons are as follows.

Identified industry sectors	Reason for identification
Food Products	Continuously high exposure. In addition, the sector has material dependencies on and impacts on nature.
Chemicals	Continuously high exposure. In addition, the sector has material dependencies on and impacts on nature.
Household durables	Continuously high exposure. In addition, the sector has material dependencies on and impacts on nature.
Pharmaceuticals	Continuously high exposure. In addition, the sector has material dependencies on and impacts on nature.
Paper Products and Forest Products	The sector has material impacts on nature.
Metals and Mining	The sector has material impacts on nature.
Independent power & RE producers	The sector has material impacts on nature.

Note: This analysis is based on the latest information as of September 2024, following the major update to ENCORE in July 2024. As a result, the covered industrial sectors and content differ from ones in our "Climate/Nature-related Financial Disclosure Report 2023," published in December 2023.
Note: As highlighted in the TNFD recommendations, we recognize the limitations of available data and frameworks.

(2) Analyzing Nature-related Risks and Opportunities

For each industry sector listed in (1) above, we have specified the details of dependencies and impacts on nature by using ENCORE and other tools. Based on the analysis, we have also identified possible nature-related risks, opportunities and considerable countermeasures. The results are shown on pages 21 to 30.
The interpretation of the analysis results is as follows.



Classification of dependencies and impacts on nature

Based on ENCORE, we classify dependencies and impacts on nature as follows.

	Dependencies	Overview
Supply Services	Biomass provisioning	Provision of functions such as cultivation and breeding, as well as the supply of natural plants, animals, fish, and other resources.
	Genetic material	Contribution to breeding, genetic synthesis, and product development through genetic material.
	Water supply	Provision of water with appropriate quality through flow regulation and purification.
	Animal-based energy	Physical labor provided by species including oxen, horses, donkeys, goats, and elephants.
Regulation and Maintenance Services	Global climate regulation	Regulation of global climate through the accumulation and retention of carbon and other GHG.
	Rainfall pattern regulation	Regulation of subcontinental rainfall patterns by vegetation, particularly forests.
	Local climate regulation	Adjustment of local atmospheric conditions by vegetation, including urban greening and shade provision.
	Air filtration	Uptake and fixing of pollutants by ecosystem components, particularly plants.
	Soil quality regulation	Maintenance of soil fertility and decomposition of substances.
	Soil and sediment retention	Control of soil erosion and mitigation of landslides by vegetation.
	Solid waste remediation	Transformation of materials by microorganisms, algae, plants, and animals.
	Water purification	Breakdown or removal of pollutants contained in water.
	Water flow regulation	Release of water during dry periods through evapotranspiration and peak flow mitigation through water absorption and storage.
	Flood mitigation	Coastal protection by the ecosystem and provision of physical barriers to rivers by riparian vegetation.
	Storm mitigation	Mitigating the impacts of wind and other storms by vegetation.
	Noise attenuation	Reduction in the impact of noise on people.
	Biological control	Reduction of the impact of organisms that affect economic activities, human activities, or human health.
	Nursery population and habitat maintenance	Sustaining populations of species through the maintenance of habitats or the protection of natural gene pools.
	Dilution by atmosphere and ecosystems	Dilution of the gases, fluids, and solid waste by water and the atmosphere.
	Mediation of sensory impacts	Reduction of light pollution and other sensory impacts by vegetation, particularly plants.
Cultural Services	Recreations	Use and enjoyment of the environment through experiential interactions with the environment.
	Visual amenities	Visual and other sensory benefits derived from ecosystems.
	Education, science, and research	Utilization of the environment through intellectual interaction.
	Spirit, art, and symbol	Significance in culture, history, art, and religion.

	Impact	Overview
Inputs	Water use	Utilization of groundwater and surface water.
	Land use	Use of land for agriculture, forest plantation, cast mine, etc.
	Freshwater use	Utilization of wetlands, ponds, lakes, rivers and peatlands, and development of related infrastructure.
	Seabed use	Utilization of seabed for aquaculture, mining, etc.
	Biotic resource extraction	Utilization of fish, timber, mammals, etc.
	Abiotic resource extraction	Utilization of minerals, etc.
Outputs	GHG emissions	Emissions of CO_2 and other GHG.
	Emissions of non-GHG air pollutants	Emissions of air pollutants including PM2.5 and mono-nitrogen oxides (NOx).
	Emissions of toxic pollutants to water and soil	Emissions of toxic substances including heavy metals and chemicals.
	Emissions of nutrient pollutants to water and soil	Emissions of nutrients that can lead to eutrophication, including nitrates and phosphates.
	Release of solid waste	Emissions of waste to be processed through landfill or incineration.
	Disturbance from noise and light	Production of noise or light pollution.
	Introduction of invasive species	Direct introduction of non-native invasive species to areas of operation.

Based on the Natural Capital Protocol and ENCORE

Classification of Nature-related Risks and Opportunities

The TNFD recommendations classify nature-related risks and opportunities as follows. In the "Category" column on pages 21–30, PR refers to physical risks, TR indicates transition risks, and O represents transition opportunities.

Physical risks	Acute	Occurrence of short term, specific events that change the state of nature.
	Chronic	Gradual changes to the state of nature.
Transition risks	Policy	Changes in the policy context to create positive impacts on nature or mitigate negative impacts on nature.
	Market	Changing dynamics in overall markets, including changes in consumer preferences.
	Technology	Substitution of products or services with a reduced impact on nature and/or reduced dependency on nature.
	Reputation	Changes in perception concerning an organization's actual or perceived nature impacts.
	Liability	Liability risks that arise directly or indirectly from legal claims.
Transition Opportunities	Market	Changing dynamics in overall markets, including changes in consumer preferences.
	CapEx/financing	Access to capital markets, improved financing terms or financial products.
	Resource efficiency	Avoiding or reducing dependencies and impacts that can improve operational efficiency or reduce costs.
	Products/services	Value proposition related to the creation or delivery of products and services that protect, manage or restore nature.
	Reputation	Changes in perception concerning an organization's actual or perceived nature impacts.
	Sustainable use	Substitution of natural resources by sustainable organic inputs.
	Ecosystem conservation	Activities that support the protection, restoration or regeneration of habitats and ecosystems.

Based on the TNFD recommendations

1 Food Product Sector

● The key sector for engagements on sustainable palm oil sourcing (Page 32)

The analysis results are broken down by production process; as the sector has significant dependencies and impacts on nature that varies by production process. Each production process has material risks regarding dependencies on nature. For the first step, the companies should better understand their production methods and the situation of production areas or suppliers. Then, they may initiate shifting to certified products or training suppliers. In addition, they could consider transitioning to eco-friendly production methods (e.g., regenerative agriculture) to mitigate their impacts on nature regarding ecosystem use.

■ Livestock Industry

Category	Risks and Opportunities	Countermeasures
▪ Dependency on biomass provisioning in cattle and buffalo farming		
TR Market	Rising feed prices and increased procurement costs due to global demand growth for feed crops.	• Promote dairy farming through self-sufficiency in feed crops. • Utilize by-product resources as feed.
TR Liability	Decline in biodiversity due to improper or excessive use of fertilizers and pesticides, leading to reduced availability of ecosystem services.	• Practice regenerative agriculture.
▪ Dependency on soil and sediment retention in the livestock industry		
PR Chronic	Decline in soil fertility, loss of vegetation, soil erosion, and desertification caused by overgrazing, leading to the deterioration of livestock rearing environments, reduced production, and decreased revenues.	• Practice regenerative agriculture. • Engage with suppliers on deforestation issues. • Use certified products.
TR Liability	Compensation costs arising from environmental destruction caused by fertilizer and pesticide runoff; excessive land clearing reduces soil retention capacity, leading to landslides.	
▪ Dependency on rainfall pattern regulation in the livestock industry		
PR Acute	Flooding and water-related disasters caused by intensified heavy rainfall, leading to the submergence of livestock farming areas, reduction of farmland, suspension of production, resulting in decreased revenues and increased recovery costs.	• Develop BCP, construct facilities based on hazard maps, and decentralize livestock production bases. • Secure relocation sites for livestock.
▪ Dependency on education, science, and research in cattle and buffalo farming		
O Reputation	Improved reputation through engagement activities with local communities on biodiversity, leading to increased revenues.	• Host educational programs and contests as part of community engagement.
▪ Air Pollution from non-GHG emissions in animal production		
PR Acute	Localized air pollution caused by ammonia and nitrous oxide (N_2O) emissions from livestock barns and from fertilization of feed crops.	• Use feed with adjusted protein content to reduce nitrogen excretion by livestock.
TR Liability	Negative impacts on the living environment of nearby residents due to odors emitted from intensive livestock facilities, leading to compensation liabilities and response costs.	• Introduce air purification systems and control odors through temperature management.
▪ Emissions of toxic pollutants to water and soil in the livestock industry		
PR Acute	Eutrophication and groundwater contamination caused by inflow of nitrogen, phosphorus, antibiotics, and other substances into water systems, due to improper management of livestock waste (manure and urine).	• Use feed with adjusted protein content.
PR Chronic	Decreased production efficiency due to soil salinization and acidification caused by excessive use of fertilizers and pesticides, resulting in reduced revenues.	• Ensure recovery periods for ecosystems through appropriate livestock planning.
▪ Release of solid waste in the livestock industry		
PR Acute	Eutrophication and groundwater contamination caused by inflow of nitrogen, phosphorus, and other substances into water systems, resulting in eutrophication and groundwater contamination, due to improper management of livestock manure.	• Research and develop technologies to reduce methane emissions during manure treatment.
▪ Land use in the livestock industry		
PR Chronic	Negative impacts on production areas caused by livestock farming that does not account for ecosystem recovery periods, leading to decreased production efficiency and reduced revenues.	• Practice regenerative agriculture (e.g., rotational grazing, pasture restoration, cover crop cultivation, minimal tillage).
PR Chronic	The negative impact on production areas caused by livestock farming that does not take into account the recovery period of ecosystems.	

PR…Physical risks TR…Transition risks O…Transition Opportunities
Risks and opportunities related to sustainability performance are indicated in green text.

Category	Risks and Opportunities	Countermeasures
▪ Water use in animal production		
PR Chronic	Deterioration of local water quality due to inflows of livestock facility drainage, animal waste, fertilizers, and pesticides.	• Introduce water-saving equipment at livestock facilities.
TR Reputation	Criticism from local communities due to excessive water use or water pollution, leading to operational suspension and subsequent revenue loss.	

■ Fishing

Category	Risks and Opportunities	Countermeasures
▪ Dependency on biomass provisioning in fisheries		
PR Chronic	Degradation of marine ecosystems due to bycatch and ghost fishing of marine life (seabirds, dolphins, whales, and sea turtles, etc.)	• Obtain MSC certification. • Develop fishing methods with minimized environmental impact.
TR Policy	Strengthened fishing regulations leading to reduced catch volumes, procurement of seafood and revenue.	• Conduct supplier audits and traceability investigations.
▪ Dependency on biomass provisioning in aquaculture		
PR Chronic	Deterioration of marine ecosystems due to water pollution caused by excessive feed, accumulation of waste from farmed organisms, and drug administration.	• Develop and promote the use of environmentally friendly compound feed. • Obtain ASC certification.
TR Policy	Strengthened environmental regulations on aquaculture leading to changes in business scale or closure of aquaculture facilities with subsequent revenue loss.	• Reduce the environmental impact of marine feed and feeding practices. • Transition to offshore aquaculture.
▪ Dependency on solid waste remediation in fisheries and aquaculture		
PR Chronic	Water quality deterioration due to sludge accumulation resulting caused by excessive feeding beyond decomposition capacity and other wastes, leading to a decline in production volume with subsequent revenue loss.	• Transition to offshore aquaculture. • Implement closed-loop land-based aquaculture systems.
TR Liability	Compensation costs arising from the impact on surrounding environments (e.g., fisheries) due to the release of harmful substances caused by sludge accumulation.	
▪ Dependency on soil and sediment retention in fisheries and aquaculture		
PR Acute	Reduction in revenues and increase in management costs due to business suspension caused by the intensification of wind and water damage.	• Introduce floating and submersible cages and strengthen facilities. • Enhance measures for land-based aquaculture.
▪ Dependency on water purification in fisheries and aquaculture		
PR Acute	Decrease in production volume and revenues due to red tide occurrences and increases in BOD (Biochemical Oxygen Demand).	• Preserve and restore seagrass beds, tidal flats, and coral reefs. • Promote initiatives related to blue carbon.
▪ Dependency on global climate regulation, water flow regulation, and rainfall pattern regulation in fisheries		
PR Chronic	Decreased revenues and increased procurement costs due to changes in catch volume, fishing grounds, and fish species caused by rising seawater temperatures resulting from climate change.	• Improve efficiency in exploring fishing grounds using drones.
TR Policy	Increased response costs to strengthened GHG emission regulations, such as revising operations, production, and transportation methods.	• Transition refrigeration and freezing equipment to natural refrigerants. • Reduce CO_2 emissions in transportation.
▪ Dependency on nursery population and habitat maintenance in fisheries		
PR Chronic	Loss of genetic diversity due to the escape of genetically modified fish into the wild.	• Monitor the distribution of genetically modified fish.
TR Reputation	Reputation decline due to consumer and stakeholder health concerns related to the distribution of genetically modified fish.	• Provide accurate information and engage with stakeholders.
▪ Dependency on education, science, and research in fisheries		
TR Reputation	Friction with indigenous and local communities due to production activities without consideration for them, leading to operational suspension and revenue loss.	• Conduct surveys and data collection on fishery resources. • Obtain MSC certification.
▪ Dependency on freshwater use in fisheries and aquaculture		
PR Chronic	Decrease in catch volume and revenues due to the negative impact on the marine ecosystem's habitat caused by the scale of operations, fishing gears, and fishing methods.	• Align operations with fishing regulations. • Procure seafood certified by MSC.

PR…Physical risks TR…Transition risks O…Transition Opportunities
Risks and opportunities related to sustainability performance are indicated in green text.

Category	Risks and Opportunities	Countermeasures
PR Chronic	Changes in the surrounding water environment due to the development of aquaculture facilities, leading to changes in the local ecosystem	• Introduce automatic feeding control systems • Acquire the ASC certification • Implement closed-loop land-based aquaculture
TR Reputation	Decline in consumer/stakeholder reputation due to significant environmental adverse changes, resulting in decreased revenues and increased response costs	
▪ Seabed use in fisheries and aquaculture		
PR Chronic	Negative impacts on marine life and destruction of marine ecosystems caused by bottom trawling, leading to increased CO_2 emissions	• Suspend bottom trawling in marine protected areas
TR Market	Decline in revenues due to increased consumer/stakeholder interest in sustainable seafood	• Practice alternative fishing methods • Acquire MSC/ASC certifications • Implement seabed-friendly aquaculture methods
O Market	Increased revenues through establishing market superiority for seafood products with MSC and ASC certifications	
▪ Other biotic resource extraction in aquaculture		
PR Chronic	Deterioration of marine ecosystems including water quality and sediment, due to intensive shrimp farming, leading to reduced yields and revenues	• Introduce automatic feeding control systems • Acquire ASC certification • Implement closed-loop land-based aquaculture
▪ Release of solid waste in fisheries and aquaculture		
PR Chronic	Negative impacts on marine resources due to the loss/abandonment of fishing gear in the ocean, resulting in decreased catch and revenues	• Transition to floats with low risk of ocean leakage
TR Reputation	Declined sales due to poor reputation among consumers and stakeholders stemming from insufficient waste reduction efforts across the value chain	• Reduce the use of plastic containers/packaging • Promote container/packaging recycling
O Products/services	Securing new revenue sources by commercializing waste generated during fish processing	• Commercialize food waste

■ Agriculture

Category	Risks and Opportunities	Countermeasures
▪ Dependence on biomass provisioning in agriculture		
TR Technology	Increased production costs due to measures (fertilizers and pesticides) to compensate for reduced yields caused by biodiversity loss	• Produce with zero deforestation • Practice regenerative agriculture
▪ Dependence on soil and sediment retention in agriculture		
PR Chronic	Suspension of production due to landslides and soil erosion, resulting in decreased revenues	• Engage with suppliers on deforestation issues • Make use of certified products
TR Liability	Compensation costs arising from environmental destruction caused by fertilizer/pesticide runoff; excessive land clearing reduces soil retention capacity, leading to landslides.	
▪ Dependence on water purification in agriculture		
PR Chronic	Decreased production due to water pollution or lack of safe/usable water, resulting in decreased revenues	• Conduct supplier training on fertilizer/pesticide use, waste removal, and wastewater management
TR Technology	Increased costs for introducing new equipment to improve water quality	
▪ Dependence on soil quality adjustment in agriculture		
PR Chronic	Decreased production due to poor crop growth caused by soil quality degradation	• Practice regenerative agriculture
▪ Dependence on genetic resources in agriculture		
PR Chronic	Decreased production due to reduced disease/pest resistance and heat tolerance	• Improve crop tolerance to environmental stress using biostimulants
O Products/services	Increased production and revenues through the development of disease-resistant, heat-tolerant varieties via breeding and mutation	
▪ Dependence on global rainfall pattern control in agriculture		
PR Acute	Suspension of operations in areas at high risk of inland flooding due to intensified water damage from heavy rains, resulting in decreased revenues and increased recovery costs	• Procure raw materials from multiple areas, obtain on-site information to monitor the situation • Practice crop production on sandy soil
PR Acute	Decreased production and revenues due to increased pest and disease damage caused by rising temperatures	

PR…Physical risks TR…Transition risks O…Transition Opportunities
Risks and opportunities related to sustainability performance are indicated in green text.

Category	Risks and Opportunities	Countermeasures
▪ Dependence on water supply in agriculture		
PR Chronic	Decrease in production due to water shortages	• Promote cultivation techniques based on scientific evidence
▪ Dependence on regional climate control and storm mitigation in agriculture		
PR Chronic	Decrease in production and revenues due to temperature increases and changes in precipitation, making areas unsuitable for production	• Procure raw materials from multiple production areas, obtain on-site information to monitor the situation • Practice crop production on sandy soil
PR Acute	Decrease in production and revenues due to crop lodging caused by tornadoes and strong winds	
▪ Dependence on pollination in agriculture		
PR Chronic	Decrease in production and revenues of fiber crops due to the loss of pollinators	• Reduce pesticide use, consider alternative pest control methods • Implement diversified agriculture
O Ecosystem conservation	Improvement in crop production and revenues through advancements in beekeeping techniques	
▪ Dependence on education, science and research or spirit, art and symbol in plant propagation and seed processing		
O Products/ services	Mitigation of biodiversity impacts through regenerative agriculture utilizing indigenous and local knowledge	• Engage with indigenous and local communities
▪ Other biotic resource extraction in non-timber forest product harvesting		
PR Chronic	Decrease in yield and revenues due to population decline caused by excessive extraction of natural resources	• Practice organic farming that leverages nature's regenerative capacity
▪ Emissions of nutrient pollutants to water and soil in agriculture		
TR Policy	Decrease in production and revenues due to regulations on emissions of toxic pollutants	• Practice regenerative agriculture
TR Liability	Compensation costs for negative impacts on nature	
▪ Dependence on water use in agriculture		
TR Policy	Decrease in production and revenues due to regulations such as water usage restrictions	• Promote science-based, efficient cultivation techniques • Reuse agricultural wastewater
TR Technology	Increased costs from developing water usage reduction technologies	
O Resource efficiency	Reduced water risks and operational costs through water reuse	
▪ Introduction of invasive species in agriculture		
TR Reputation	Decreased revenues due to reputation damage for contributing to introduction or spread of invasive species	• Implement cultivation methods that do not use invasive species • Remove invasive species, clean agricultural machinery
TR Liability	Costs incurred in removing invasive species and restoring local ecosystems	

■ Food processing and manufacturing industry

Category	Risks and Opportunities	Countermeasures
▪ Dependence on water purification in food manufacturing and processing		
PR Chronic	Decrease in production and revenues due to water pollution or lack of safe/usable water	• Develop purification facilities • Improve water use efficiency (install water-saving nozzles, reuse well/wastewater, etc.) • Implement water source conservation initiatives
TR Technology	Increased costs for introducing new equipment to improve water quality	
TR Policy	Decrease in production and revenues due to non-compliance with regulatory standards caused by water quality deterioration	
▪ Emissions of nutrient pollutants to water and soil during food processing and preservation		
TR Reputation	Decreased consumer/stakeholder reputation due to contamination of toxic pollutants/foreign matter during manufacturing processes, resulting in decreased revenues and increased response costs	• Implement hygiene and food safety management in line with HACCP and FSSC22000 • Ensure traceability
TR Liability	Compensation costs for consumer health damages caused by contamination of toxic pollutants/foreign matter during food processing	

PR…Physical risks TR…Transition risks O…Transition Opportunities
Risks and opportunities related to sustainability performance are indicated in green text.

2 Chemical Sector

The manufacturing process depends heavily on water quality, makes significant impacts on living environments through noise/light pollution, as well as on nature through emissions of toxic pollutants. Considering these impacts and implementing countermeasures (e.g., introducing equipment with lower environmental burdens or adjusting operating hours) seems to not only mitigate risks but also create opportunities.

Category	Risks and opportunities	Countermeasures
▪ Dependency on water purification in mineral procurement		
PR Chronic	Decrease in revenues due to production halts or procurement failures caused by water quality deterioration.	• Introduce filtration and water reuse systems.
TR Liability	Compensation costs arising from health deterioration of employees due to water quality degradation.	
TR Technology	Increased costs for introducing new equipment to improve water quality.	
TR Policy	Decrease in production and revenues due to non-compliance with regulatory standards caused by water quality deterioration.	
▪ Dependency on rainfall pattern control in mineral procurement		
PR Acute	Revenue loss due to production suspensions caused by heavy rainfall.	• Assess water risks.
PR Chronic	Production adjustments (reduced outputs) or suspensions due to water resource depletion following low rainfall, resulting in decreased revenues.	
TR Policy	Reduced output due to production adjustments/suspensions caused by stricter regulations including water usage limits, resulting in revenue loss.	• Reduce water intake. • Introduce water reuse systems.
TR Technology	Increased costs from developing water usage reduction technologies.	
TR Reputation	Increased financing costs due to insufficient efforts to minimize environmental impact compared to competitors.	
O Resource efficiency	Reduced water risks and operational costs through water reuse.	
▪ Disruption to living environments in chemical product manufacturing		
TR Policy	Reduced output due to production adjustments/suspensions caused by stricter regulations on minimizing environmental impacts (e.g., operating hour restrictions), resulting in revenue loss.	• Introduce low-noise equipment, LED lights, and louver devices. • Adjust operating hours. • Regularly monitor noise and light pollution.
TR Technology	Increased costs for introducing equipment to minimize negative environmental impacts.	
TR Reputation	Increased financing costs due to insufficient efforts to minimize environmental impact compared to competitors.	
TR Reputation	Revenue loss due to negative reputation for insufficient efforts to minimize environmental impact compared to competitors.	
TR Liability	Compensation costs arising from negative environmental impacts caused by the company.	
O Reputation	Increased revenue driven by favorable consumer/stakeholder reception of products/services perceived as more environmentally friendly compared to competitors.	
O Cap EX/ financing	Increased funding due to improved evaluation from investors/financial institutions recognizing environmentally-friendly products/services.	
▪ Emission of toxic pollutants to water and soil in chemical product manufacturing		
TR Policy	Reduced output due to production adjustments/suspensions caused by stricter regulations on toxic pollutants emissions.	• Reduce COD (Chemical Oxygen Demand) emissions.
TR Technology	Increased costs from introducing new equipment to remove toxic pollutants.	• Increase investment in improving purification equipment.
TR Reputation	Increased financing costs due to insufficient efforts to minimize environmental impact compared to competitors.	
TR Reputation	Revenue loss due to negative reputation for insufficient efforts to minimize environmental impact compared to competitors.	
TR Liability	Compensation costs arising from negative environmental impacts caused by the company.	

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3 Household Durables Sector

The household durables sector seems highly dependent on rainfall pattern control, and has significant impacts on living environments due to noise and light pollution, as well as on nature through emissions of toxic pollutants to water and soil. Countermeasures for related risks and opportunities include conducting water risk assessments and reviewing hazard maps for construction sites, introducing low-noise equipment and environmentally-friendly devices, and developing technologies for purifying contaminated groundwater.

Category	Risks and opportunities	Countermeasures
▪ Dependency on rainfall pattern control in the construction industry		
PR Acute	Construction work halts, project delays, increased labor costs, and repair/mitigation expenses due to flooding at construction sites.	• Conduct water risk assessments and review hazard maps for construction sites.
PR Chronic	Disruptions in the supply chain due to floods or droughts, resulting in increased procurement costs for construction materials, project delays, and additional costs.	• Diversify supply chains. • Use low-environmental-impact products including certified/recycled wood.
TR Liability	Compensation costs for employees affected by floods at construction sites.	• Conduct water risk assessments and review hazard maps for construction sites. • Introduce unmanned/automated construction machinery.
▪ Dependency on soil and sediment retention in the construction industry		
PR Acute	Increased costs due to construction halts, repair and mitigation efforts, arising from landslides or soil erosion.	• Conduct water risk assessments and review hazard maps for construction sites. • Introduce unmanned and automated construction machinery.
TR Liability	Compensation costs for employees affected by landslides or soil erosion at construction sites.	
▪ Disruption to living environments in the construction industry		
TR Policy	Stricter regulations to minimize environmental impact (e.g., operating hour restrictions) leading to construction delays and additional costs.	• Introduce low-noise equipment, LED lights, and louver devices. • Adjust operating hours. • Regularly monitor noise and light pollution.
TR Technology	Increased costs for introducing equipment to minimize environmental impact.	
TR Reputation	Revenue loss due to negative reputation for insufficient efforts to minimize environmental impact compared to competitors.	
O Reputation	Increased revenue driven by favorable consumer/stakeholder reception of products/services perceived as more environmentally friendly compared to competitors.	
▪ GHG emissions in the construction industry		
TR Policy	Increased business costs due to stricter CO_2 emission regulations and the introduction of carbon taxes.	• Introduce zero-emission construction machinery. • Use RE at construction sites.
TR Reputation	Revenue loss due to negative reputation for insufficient efforts to minimize environmental impact compared to competitors.	
O Reputation	Increased revenue driven by favorable consumer/stakeholder reception of products/services perceived as more environmentally friendly compared to competitors.	
▪ Non-GHG air pollution in the construction industry		
TR Liability	Compensation costs for health damages to consumers caused by hazardous chemicals or PFAS used in furniture manufacturing processes.	• Compliance with relevant regulations. • Restrict/eliminate the use of hazardous chemicals and PFAS.
TR Policy	Increased costs due to stricter regulations on hazardous chemicals and PFAS.	
TR Reputation	Revenue loss due to negative reputation for insufficient efforts to minimize environmental impact compared to competitors.	
O Cap EX/financing	Increased funding due to improved evaluation from investors/financial institutions recognizing environmentally-friendly products/services.	
▪ Emission of toxic pollutants to water and soil in construction and manufacturing processes		
TR Policy	Revenue loss due to production adjustments/suspensions caused by stricter wastewater regulations.	• Conduct regular surveys of groundwater and soil. • Introduce wastewater monitoring and management systems (e.g., automated monitoring devices, wastewater shutoff gates, emergency storage tanks).
TR Technology	Increased costs from introducing new equipment to remove toxic pollutants.	
TR Reputation	Revenue loss due to negative reputation for insufficient efforts to minimize environmental impact compared to competitors.	
TR Liability	Compensation costs for negative environmental impacts caused by the company.	
O Products/services	Increased revenue through developing/manufacturing sustainable products.	• Manufacture products using waterless dyeing methods.

PR···Physical risks TR···Transition risks O···Transition Opportunities
Risks and opportunities related to sustainability performance are indicated in green text.

4 Pharmaceutical Sector

The pharmaceutical sector has a significant dependence on water-related ecosystem services and genetic resources. Potential countermeasures to the related risks and opportunities include efficient utilization of water resources, cultivation of wild medicinal plants, and implementation of sustainable raw material farming practices.

Category	Risks and opportunities	Countermeasures
▪ Dependency on water purification in pharmaceutical manufacturing		
PR Chrionic	Decrease in revenues due to production halts or procurement failures caused by water quality deterioration.	• Efficient utilization of water resources (water conservation and reuse).
TR Technology	Increased costs from introducing new equipment to improve water quality.	
TR Policy	Decrease in production and revenues due to non-compliance with regulatory standards caused by water quality deterioration.	
TR Policy	Increased compliance costs due to stricter international/domestic standards on water pollution in antibiotic manufacturing processes.	• Conduct environmental testing for pharmaceuticals and risk assessments for human health and the environment. • Implement control and management of antimicrobial environmental emissions in line with AMR Industry Alliance standards.
▪ Dependency on education, science, and research in pharmaceutical manufacturing		
TR Reputation	Revenue loss due to negative reputation for insufficient information provided about pharmaceuticals and medical products.	• Conduct scientific research and analysis on wild medicinal plant components and traditional herbal medicines.
▪ Dependency on genetic resources in pharmaceutical manufacturing		
PR Chronic	Revenue loss due to inability to produce new drugs caused by loss of genetic diversity resulting from biodiversity destruction including excessive pesticide use.	• Cultivate wild medicinal plants, implement sustainable raw material farming practices.
TR Reputation	Revenue loss due to negative reputation for environmental pollution by the release of genetically modified organisms or pathogens.	• Establish and comply with internal regulations based on domestic/international legislations.
O Sustainable use	Increased revenue through developing new drugs utilizing disease resistance components derived from genetic diversity.	• Cultivate wild medicinal plants, implement sustainable raw material farming practices.
▪ Dependency on water supply in pharmaceutical manufacturing		
PR Chronic	Revenue loss due to production suspensions caused by water shortages.	• Efficient utilization of water resources (water conservation and reuse). • Implement water replenishment, restoration, and rehabilitation activities at the watershed level.
TR Policy	Reduced output due to production adjustments/suspensions caused by regulations on water usage.	
TR Technology	Increased costs from developing water usage reduction technologies.	
O Reputation	Increased revenue driven by improved social reputation for restoring local ecosystems.	• Collaborate with local NGOs.
O Resource efficiency	Reduced water risks and operational costs through water reuse.	• Efficient utilization of water resources (water conservation and reuse).
▪ Dependency on water flow regulation in pharmaceutical manufacturing		
PR Acute	Revenue loss due to production suspensions/halts caused by flooding.	• Conduct water risk assessments and strengthen BCP.
TR Liability	Costs for ecosystem restoration caused by the leakage of hazardous chemicals or the spread of genetically modified organisms due to natural disasters including floods.	

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5 Paper Products and Forestry Sector

● A key sector for engagement regarding the sustainable procurement of paper and timber (Page 33)

The paper and forest products sector relies on wood, making it highly dependent on biomass provisioning, soil, and land use, which significantly impacts nature. Accurate assessment of forest management practices and expanding the use of certified wood are considered essential countermeasures.

Category	Risks and opportunities	Countermeasures
▪ Dependency on biomass provisioning in afforestation		
PR Chronic	Significant loss of biodiversity due to improper land use and management, leading to reduced availability of ecosystem services.	• Establish conservation forests. • Preserve water sources.
TR Policy	Increased compliance costs due to stricter regulations on forest conservation.	• Implement responsible business practices across the value chain.
O Resource efficiency	Reduced raw material procurement costs through closed loop recycling of paper products.	• Build material recycling systems.
▪ Dependency on biomass provisioning in logging		
PR Chronic	Significant loss of biodiversity due to excessive logging, leading to reduced availability of ecosystem services.	• Establish conservation forests. • Preserve water sources.
TR Reputation	Decline in demand for paper and forest products due to negative perceptions of deforestation.	• Accurately assess and disclose forest management practices. • Expand the use of certified wood and low-environmental-impact materials.
▪ Dependency on soil and sediment retention in forestry activities		
PR Chronic	Decline in soil retention capacity due to excessive logging, leading to operational halts and reduced revenues of paper and forest products.	• Maintain and improve forest cover. • Establish conservation forests.
▪ Dependency on water purification in forestry activities		
PR Chronic	Reduced timber production due to water pollution and shortages of safe/usable water, leading to decreased output and revenues of paper and forest products.	• Develop and implement water management plans. • Conduct water usage monitoring.
TR Liability	Additional costs (e.g., fines) related to water pollution.	• Address penalties and prevent similar incidents.
▪ Dependency on soil quality adjustment in forestry activities		
PR Chronic	Poor tree growth due to degraded soil quality, resulting in reduced raw material availability and production volume.	• Improve soil fertility and productivity through mulching.
O Products/ services	Environmental restoration through soil purification technologies utilizing plant power.	• Develop and commercialize contaminated soil purification methods.
▪ Dependency on global and regional climate regulation in forestry activities		
PR Chronic	Revenue loss due to reduced forest growth and productivity caused by climate change.	• Conduct studies on the impact of climate change on forests and implement climate-adaptive forest management.
PR Acute	Increased risk of operational halts and higher recovery costs due to intensified flooding at high-risk sites, leading to revenue loss.	• Select operational sites considering flood risks. • Develop BCP.
O Products/ services	Increased revenue through afforestation activities adapted to climate change, improving forest growth and productivity.	• Conduct research and development on climate-adaptive forestry.
▪ Dependency on rainfall pattern control in forestry activities		
PR Chronic	Reduced timber productivity due to decreased rainfall and prolonged drought periods, leading to increased costs and revenue loss.	• Establish reservoirs. • Implement soil tilling.
O Resource efficiency	Stable procurement of raw materials in terms of quantity and quality through the transition to drought-resistant tree species.	• Conduct research on the impact of reduced rainfall on genotypes and tree growth.
▪ Dependency on rainfall pattern control in forestry support services		
PR Chronic	Increased costs for forest regeneration and fire prevention due to worsening fire weather and increased frequency of forest fires.	• Introduce fire prevention systems utilizing AI. • Conduct firefighting and disaster prevention activities in collaboration with local businesses and residents.
▪ Non-GHG air pollution in forestry activities		
PR Chronic	Emissions of non-GHG air pollutants due to excessive use of pesticides and chemical fertilizers, leading to ozone layer depletion.	• Improve soil fertility and productivity through mulching.
PR Acute	Air pollution and global warming caused by exhaust emissions from heavy machinery used in logging.	• Select and utilize heavy machinery with consideration for reducing environmental impact.
▪ Land use in forestry activities		
TR Reputation	Loss of business opportunities due to reputational damage in case of deforestation, ecosystem degradation or human rights violations in plantation areas.	• Expand the use of certified wood and low-environmental-impact materials. • Strengthen stakeholder engagement.
TR Liability	Increased costs due to lawsuits or compensation responsibilities arising from negative impacts on protected areas.	• Conduct environmental assessments and ensure regulatory compliance. • Regularly monitor natural forests within plantation areas.
O Ecosystem conservation	Improved land health and enhanced ecosystem services through the use of degraded land.	• Restore and regenerate natural forests on land damaged by natural disasters.
▪ Land use in logging		
PR Acute	Increased response costs due to damage to nearby forests, vegetation, and local communities caused by forest fires.	• Establish firebreak forests.
▪ Other biotic resource extraction in forestry activities		
PR Chronic	Ecosystem degradation in operational areas due to logging exceeding the recovery capacity.	• Develop and implement forest management programs that consider the recovery capacity of natural ecosystems.
O Ecosystem conservation	Improved forest resilience through ecosystem conservation/ recovery activities and the use of degraded land.	• Restore and regenerate natural forests on land damaged by natural disasters.

PR…Physical risks TR…Transition risks O…Transition Opportunities

Risks and opportunities related to sustainability performance are indicated in green text.

6 Metals and Mining Sector

The metals and mining sector has a significant dependence on water resources during the manufacturing process, as well as substantial environmental impacts via emission of toxic pollutants to water and soil. Potential countermeasures to the related risks and opportunities include promoting the use of rainwater and recycled water, as well as monitoring water quality and quantity in aquatic ecosystems.

Category	Risks and opportunities	Countermeasures
▪ Dependency on flood mitigation and global climate regulation in the steel and non-ferrous metals mining industry		
PR Acute	Production suspensions due to intensified water-related disasters, leading to decreased production volume and revenue, as well as increased recovery costs.	• Implement levee construction, quaywall reinforcement, and ground strengthening measures. • Preserve ecosystem services through afforestation.
PR Chronic	Reduced production volume and revenue due to shortened working hours and decreased efficiency of workers caused by rising temperatures.	• Set work and break times based on the heat index, introduce cooling equipment (e.g., air-conditioned clothing, neck coolers).
▪ Dependency on water purification, water supply, water flow regulation, and rainfall pattern control in mining and metal manufacturing		
PR Acute	Increased operational costs due to production suspensions, repairs, and countermeasures arising from flooding.	• Implement levee construction, quaywall reinforcement, and ground strengthening measures.
PR Chronic	Production suspensions/halts caused by water quality deterioration or water flow changes, leading to reduced production volume and revenue.	• Promote the use of rainwater and recycled water. • Introduce water reuse facilities. • Utilize alternative water sources (e.g., seawater desalination).
TR Policy	Reduced production volume and revenue due to stricter regulations on water quality and usage.	
TR Technology	Increased costs from developing technologies for water quality improvement or water usage reduction.	
O Resource efficiency	Reduced water risks and operational costs through water reuse.	• Promote the use of rainwater and recycled water. • Utilize alternative water sources.
▪ Disruption to living environments in steel, non-ferrous metals mining, and metal casting industries		
TR Policy	Reduced production volume and revenue due to stricter regulations aimed at minimizing environmental impact (e.g., operating hour restrictions).	• Introduce low-noise equipment, LED lights, and louver devices. • Adjust operating hours. • Conduct regular monitoring of noise and light pollution.
TR Technology	Increased costs for introducing equipment and facilities to minimize environmental impact.	
▪ Dependency on freshwater and seabed use in steel and non-ferrous metals mining		
TR Policy	Reduced revenue due to production adjustments/halts caused by stricter regulations on freshwater/seabed use.	• Develop biodiversity management plans and implement biodiversity offsets.
O Cap EX/ financing	Increased funding due to improved evaluation from investors/ financial institutions recognizing environmentally-friendly products/services.	• Develop biodiversity management plans and implement biodiversity offsets.
▪ GHG emissions in the steel industry		
TR Policy	Increased costs due to the introduction of carbon taxes.	• Use RE. • Change transportation methods for materials.
O Reputation	Increased revenue due to improved reputation of products/services as more environmentally friendly compared to competitors.	
▪ Non-GHG air pollution in steel, non-ferrous metals mining, and related industries		
PR Chronic	Compensation costs for work-related accidents or health hazards suffered by employees due to deteriorated occupational health and safety.	• Establish environmental and safety management systems. • Conduct education and training on occupational health and safety.
TR Policy	Reduced revenue due to production adjustments/halts caused by stricter regulations aimed at minimizing environmental impact.	• Prevent the scattering of raw materials and dust. • Improve the performance of desulfurization equipment.
▪ Other abiotic resource extraction in steel and non-ferrous metals mining		
TR Liability	Increased costs due to delays in operations or compensation caused by opposition from local communities and environmental activists.	• Restrict activities in areas near protected regions. • Develop and implement biodiversity management plans. • Green space restoration at closed mine sites.
O Reputation	Increased revenue due to improved reputation of products/services as more environmentally friendly compared to competitors.	
▪ Emission of toxic pollutants to water and soil in the steel industry		
TR Policy	Reduced revenue due to production adjustments (reduced outputs) or halts caused by stricter regulations on toxic pollutants emissions.	• Monitor water quality and quantity in aquatic ecosystems. • Install automatic wastewater monitoring devices, wastewater shutoff gates, and emergency storage tanks.
TR Technology	Increased costs from introducing new equipment to remove toxic pollutants.	
▪ Emission of toxic pollutants to water and soil in non-ferrous metals mining		
PR Chronic	The leakage of heavy metals due to improper treatment of wastewater at abandoned/closed mines, resulting in pollution of surrounding river environments.	• Maintain and manage tailings storage facilities. • Reduce water usage through the use of recycled water.
O Sustainable use	Reduced waste generation through the utilization of by-products.	• Establish effective utilization cycles for by-products.
▪ Release of solid waste in steel and non-ferrous metals mining		
TR Technology	Increased costs from introducing new equipment to remove toxic pollutants.	• Reuse iron ore tailings. • Recycle waste and by-products, develop new applications. • Maintain and manage tailings storage facilities.
O Products/ services	Increased revenue through the commercialization of by-products (e.g., steel slag, iron ore tailings, and other chemicals).	
▪ Common impacts across all areas		
TR Reputation	Increased financing costs due to negative environmental impacts.	• Implement countermeasures towards related risks and opportunities.
TR Reputation	Revenue loss due to negative reputation from adverse impacts on nature.	

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7 Independent Power Producers and Energy Retailers Sector

The global demand for RE is definitely growing as part of efforts to address climate change. On the other hand, RE involves diverse and significant dependencies on and impacts to nature by each generation method, potentially carrying related risks. To address these challenges, it is considered important to implement Measures to reduce impacts on nature and the development and introduction of efficient generation technologies would be crucial to address this.

Category	Risks and opportunities	Countermeasures
▪ Dependency on soil and sediment retention in nuclear and hydropower generation		
PR Acute	Damage to power generation facilities caused by landslides due to reduced soil retention capacity.	• Maintain and improve forest cover. • Establish collaboration agreements with local governments.
PR Acute	Leakage of radioactive materials and environmental pollution caused by the above-mentioned damage.	
▪ Dependency on flood mitigation in hydropower and wind power generation		
PR Acute	Operational suspensions due to facility damage caused by flooding, leading to reduced power generation and revenue.	• Build power plants in areas with low flood risk. • Introduce systems that adapt to flow rate changes.
▪ Dependency on global climate regulation in solar and wind power generation		
PR Acute	Operational suspensions due to intensified water-related disasters including heavy rains, leading to reduced generation and revenue and increased recovery costs.	• Install flood protection equipment (e.g., waterproof walls, floodgates).
PR Chronic	Reduced generation efficiency due to decreased solar radiation, deteriorating wind conditions and rising temperatures, leading to reduced output and revenue.	• Conduct regular maintenance of cooling equipment.
▪ Dependency on water supply in thermal and nuclear power generation		
PR Chronic	Operational restrictions due to limitations on the use of cooling water, leading to reduced generation and revenue.	• Efficient utilization of water resources. • Protect water supply systems in surrounding areas.
TR Reputation	Revenue loss due to negative reputation for environmental/health impacts through using seawater as cooling water and discharging wastewater into the sea.	• Manage thermal discharge and conduct environmental monitoring of water bodies.
▪ Dependency on water supply in hydropower generation		
PR Chronic	Reduced generation and revenue caused by water shortages.	• Operate dams using weather information. • Install reservoirs and develop storage batteries.
TR Technology	Increased investment costs from upgrading to water-saving equipment.	• Efficient utilization of water resources.
▪ Dependency on water flow regulation in thermal, nuclear, and hydropower generation		
PR Acute	Reduced generation and revenue caused by operational restrictions during droughts.	• Operate dams using rainfall forecasts.
PR Acute	Operational suspensions due to damage/destruction/submergence of generation facilities caused by flooding, or insufficient water flow, leading to reduced output and revenue and increased recovery costs.	• Strengthen facilities (e.g., install waterproof doors at power plants).
▪ Disruption to living environments in thermal, nuclear, and hydropower generation		
TR Policy	Reduced generation and revenue due to stricter regulations aimed at minimizing environmental impact (e.g., operating hour restrictions).	• Introduce low-noise equipment, LED lights, and louver devices; adjust operating hours.
TR Liability	Compensation costs arising from negative environmental impacts.	
▪ Dependency on freshwater use in hydropower generation		
PR Chronic	Negative impacts on biodiversity caused by changes and adjustments to water flow during hydropower operations.	• Install and monitor reservoirs. • Construct fishways.
PR Acute	Increased repair costs, as well as reduced generation and revenue, caused by sediment accumulation damaging dam storage and power generation functions.	• Reduce erosion through sediment discharge.
▪ GHG emissions in thermal power generation		
PR Acute	Air pollution and global warming caused by GHG emissions.	• Upgrade generation facilities to reduce GHG emissions. • Capture GHG during power generation.
TR Policy	Increased tax burden due to the introduction of carbon taxes.	
▪ Non-GHG air pollution and emission of toxic pollutants to water and soil in thermal power generation		
PR Acute	Air quality degradation due to emissions of non-GHG air pollutants.	• Reduce COD (Chemical Oxygen Demand) emissions and conduct water quality monitoring. • Invest in improving exhaust gas purification and wastewater treatment equipment.
TR Technology	Increased costs from introducing new equipment to remove toxic pollutants.	
TR Liability	Compensation costs arising from negative environmental impacts.	
▪ Solid waste emissions in thermal power generation		
TR Liability	Compensation costs arising from negative environmental impacts.	• Implement proper maintenance and decommission of final disposal sites.
O Products/ services	Increased revenue through the development and sale of products utilizing waste materials.	• Reuse coal ash (e.g., for cement, building materials, recycled roadbed materials).
▪ Solid waste emissions in nuclear power generation		
PR Chronic	Ecosystem degradation around disposal sites caused by high-level radioactive waste.	• Establish proper management methods for temporary storage and landfill disposal of decontamination waste.
TR Policy	Increased safety costs for radioactive waste disposal due to stricter regulations.	• Invest in research on disposal methods. • Select final disposal sites avoiding fault lines.
TR Liability	Compensation costs arising from radioactive material leakage into surrounding areas.	
▪ Land use in wind power generation		
PR Chronic	Ecosystem alteration and degradation caused by the installation of wind power plants.	• Consider protected areas during site selection. • Locate near existing infrastructure.
▪ General opportunities		
O Reputation	Increased demand for RE due to regulatory changes related to climate change.	—

PR…Physical risks TR…Transition risks O…Transition Opportunities
Risks and opportunities related to sustainability performance are indicated in green text.

3 Next Steps based on the Results

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As committed in the “Our Policy on Climate” and “Our Policy on Nature,” our approaches to managing climate/nature-related risks and opportunities include collaborating with investees through stewardship activities, such as ESG integration, engagement (including collaborative engagement), and the proxy voting, and considering the development and provision of related financial products. We aim to reduce the negative impacts on climate and nature in the entire society, adopting the philosophy of a Universal Owner.
In accordance with these policies, we are currently advancing various initiatives. We will continuously add and improve our efforts to further manage material climate/nature-related risks and opportunities by leveraging the analysis results from points 1 and 2.
We will also set appropriate metrics and targets to evaluate the progress and effectiveness of our initiatives (for details, please refer to the “Metrics and Targets” chapter).
Below, we describe the current status of our efforts to manage significant climate and natural-related risks and opportunities, along with our future strategy.

ESG Integration

C N

■ Resona ESG Ratings

Current status

As part of our ESG integration, we assign our in-house “Resona ESG Ratings” to investee companies; companies falling below specified standards are excluded from our investable universe. The “Resona ESG Ratings” include climate/nature-related criterion such as “GHG emissions,” “GHG emissions per unit of energy consumed,” and “total water usage.” Additionally, in calculating the scores, we identify “material ESG issues” for each sector and assign greater weight to issues deemed more significant.

* For details of the Resona ESG Ratings, please refer to our Sustainability Report.
https://www.resona-am.co.jp/investors/pdf/sus_report2024-2025en.pdf#page=23

Moving forward

Based on the analysis results, we will consider improving the calculation methodology that reflects investees’ efforts of measures addressing material climate/nature-related risks and opportunities.

Engagement

C N

■ Collaborative engagement

Current status

We actively participate in collaborative engagement related to climate and nature as described below.

Climate

- AIGCC Asian Utilities Engagement Program
- CDP Non-Disclosure Campaign
- CDP SBT Campaign
- Climate Action 100+

Nature

- FAIRR Protein Diversification Engagement
- FAIRR Sustainable Aquaculture Engagement
- FfB※ Deforestation-Free Automotive Sector
- Investor Initiative on Hazardous Chemicals
- Nature Action 100
- Valuing Water Finance Initiative

※FfB：Finance for Biodiversity

Moving forward

Leverage the analysis results, we will contribute to the collaborative engagements already underway, making the activities more effective and efficient. Additionally, we will consider new participation in collaborative engagements that are deemed beneficial for managing material climate/nature-related risks and opportunities, within the available management resources.

■ In-house engagement

Current status

We conduct the following climate/nature-related engagements in-house. These engagements aim to encourage investee companies to take initiatives in addressing climate/nature-related risks and opportunities, as well as to maintain and enhance the sustainability of climate and nature, which form the foundation of corporate and economic activities.

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Engagement on sustainable palm oil production and procurement

Deforestation and peatland development associated with palm oil production contribute to significant climate/nature impacts. In light of this, we conduct engagement with major domestic investee companies involved in the palm oil supply chain, particularly those handling large volumes of palm oil. Setting milestones, we ultimately request the following: (i) Disclosure of procurement targets and achievements for RSPO-certified palm oil, and (ii) Establishment of palm oil procurement policies incorporating NDPE (No Deforestation, No Peat, No Exploitation).
Additionally, starting from fiscal year 2024, we have expanded the scope to major investee companies in Southeast Asia involved in palm oil production.

【Related metrics】
- Number of companies with which we have engaged on climate (P44)
- Number of companies with which we have engaged on natural capital (P51)
- Percentage of in-house engagement target companies meeting specific conditions related to sustainable palm oil procurement (P44)
- GHG emissions of investee companies (P45), etc.

C

Engagement with companies in high GHG emission sectors

Through collaborative engagements such as "Climate Action 100+*1," we request companies in high GHG emission sectors to take initiatives to reduce their emissions. However, these collaborative engagements do not cover all companies within these sectors.
In light of this, we conduct our own in-house engagement with companies in high GHG emission (mainly "chemicals," "cement," "electric power," and "metals and mining") that are not subject to such collaborative engagements.
In this engagement, we base our approach on the "Net Zero Company Benchmark*2" used by "Climate Action 100+." We request investee companies to address key items deemed critical for transitioning to net zero, including: (i) Setting quantitative GHG emission reduction targets (medium-term and long-term); (ii) Disclosing plans and reduction achievements to meet the targets outlined in (i); (iii) Improving climate-related governance.

*1 An initiative conducting collaborative engagements with 170 major global companies, requesting enhanced commitments to the Paris Agreement, institutional frameworks and disclosure practices.
*2 A disclosure framework designed to evaluate the progress of major global GHG emitting companies in transitioning to net zero.

【Related metrics】
- Number of companies with which we have engaged on climate (P44)
- Percentage of in-house engagement target companies meeting certain conditions for transition to net zero (P44)
- GHG emissions of investee companies (P45), etc.

C

Engagement on avoided emissions

The "avoided emissions" refers to the difference between the GHG emissions generated when a company implements solutions (products, services, technologies, or projects) and the emissions that would have occurred in the absence of such solutions.
We recognize that avoided emissions, which represent the contribution of companies to reducing GHG emissions across society, are also useful for identifying companies with

high future profitability by capturing climate-related transition opportunities. At this point, a limited number of companies disclose their avoided emissions. We also recognize that the quality of the disclosed data is not always assured.
In light of this situation, we have started by requesting investee companies in sectors considered to have a high awareness of contributing to GHG emission reductions through their products and services ((i) Electrical equipment sector, (ii) Chemical sector, and (iii) Machinery sector*) to disclose their avoided emissions and calculation methodologies.

*Reference to CDP and other surveys

【Related metrics】
- Number of companies with which we have engaged on climate (P44)
- Number of companies disclosing avoided emissions (P44), etc.

C N

Engagement on Sustainable Paper and Timber Procurement

Destruction of natural forests for plantation development, including logging and controlled burning associated with paper and timber production, significantly impact natural capital. In light of this, we conduct engagements with major domestic investee companies involved in the paper and timber supply chain, particularly those handling large volumes of paper and timber; By setting milestones, we ultimately request the following: (i) Formulation of sustainable paper and timber procurement policies, and (ii) Disclosure of procurement targets and achievements for sustainable paper and timber (e.g., FSC-certified* products).

*FSC is an international certification system aimed at promoting the production and use of sustainable forest products.

【Related metrics】
- Number of companies with which we have engaged on climate change (P44)
- Number of companies with which we have engaged on natural capital (P51)
- Percentage of in-house engagement target companies meeting specific conditions related to sustainable paper and timber procurement (P52)
- GHG emissions of investee companies (P45), etc.

Moving forward

We will further enhance the effectiveness and efficiency of engagements by utilizing the results of this analysis, including requesting measures to address significant climate/nature-related risks and opportunities tailored to each industrial sector.

C N

■Engagement with public institutions and other stakeholders

Current status

We engage in collaborations with a wide range of stakeholders, including governments, public institutions, standard-setting organizations, industry associations, related organizations, NGOs/NPOs, and academia, with the aim of contributing to the maintenance and enhancement of the foundations of business activities, including the climate and nature.
Additionally, we participate as committee members in various meetings hosted by public institutions, providing effective inputs as an institutional investor at the early stages of policy making. We also collaborate with other institutional investors to make proposals to public institutions. Specific examples of our initiatives are as follows:

- Participation in government-hosted study groups, such as the Study group on developing corporate-level information disclosure schemes related to resource circulation (organized by the Ministry of the Environment).
- Expression of support for the investor statement compiled by "The Investor Agenda," which calls on governments to implement policies for achieving net zero in conjunction with COP29.
- Submission of our opinions during public consultations conducted by the Sustainability Standards Board of Japan (SSBJ), TNFD, and other organizations.

Moving forward

We will utilize the results of our analysis to further contribute to the formulation and implementation of policies, as well as the development of standards and guidelines.

Proxy voting

C N

Current status

We have established the following proxy voting guidelines regarding sustainability issues:

- In cases we have identified key sustainability issues with investee companies and have engaged continuously, yet no improvement is observed without any particular reason, we will consider opposing the appointment of the representative director.
- Regarding shareholder proposals for amendments to the articles of incorporation concerning climate change, natural capital, human rights, and other critical sustainability issues, we will generally vote in favor where the proposals are recognized as international social norms or societal demands, both currently and in the future. Meanwhile, we may oppose the sort of proposals that clearly impair shareholder value over the medium- to long-term as well as those deemed substantially similar in intent to proposals submitted in prior years, provided the company has publicly demonstrated reasonable efforts to deal with the prior-year proposals.

Moving forward

We will utilize the analysis results in this report to set themes with investee companies and assess their progress, while ensuring proper application of our proxy voting guidelines. Furthermore, in future revisions to the guidelines, we will take account of the investee companies' responses to the significant climate/nature-related risks/opportunities identified through the analysis.

Impact Investing

C N

Current status

We manage a Global Impact Investment Fund (Climate Change) with the intention of achieving "a sustainable world where no one suffers loss of life or health due to climate change and its impacts." The fund identifies and invests in key solution areas that contribute to achieving its intention from the perspectives of climate change mitigation and adaptation. "Addressing water and food issues" is the one identified from the perspective of climate change adaptation; not only tackles climate change but also contributes to solving challenges related to natural capital.
The fund regularly publishes impact reports; in fiscal year 2023, it is estimated that the business activities of investee companies contributed to the reduction of approximately 321 million tons of GHG emissions. We will continue to strive for the creation of even greater impact in the future.

Moving forward

We believe that the key solution areas identified by the fund are capable of addressing the climate/nature-related risks extracted in our analysis in this report. By leveraging the analysis results, we will strive to identify companies that can provide effective solutions to these risks, as well as their growth opportunities, thereby aiming to create further impact; we will also utilize the results to support investee companies in managing their own climate/nature-related risks.

column

Our efforts on addressing human rights issues

Climate change, the loss of natural capital and biodiversity, and human rights issues are deeply interconnected; these are internationally recognized to be addressed in an integrated manner. In September 2024, the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) was officially established by several organizations including PRI, ILO, OECD, and UNDP, marking progress in the development of disclosure frameworks. This reflects a growing international trend toward requiring the disclosure of social-related financial information, including human rights issues.
In response, we have established "Our Policy on Human Rights Issues related to Investment Management" to clarify our fundamental approaches to human rights challenges. Guided by this policy, we are advancing initiatives across the company. This section provides an overview of our efforts on addressing human rights issues.

Summary of Our Policy on Human Rights Issues related to Investment Management

1. Our commitment
   - Given addressing human rights issues is essential for achieving our purpose and "Desirable future," we contribute to the challenge through investment management.
2. Human rights-related risks and opportunities
   - Human rights issues can pose various risks to investee companies, including business suspension; while managing the adverse impacts may bring opportunities such as attracting new customers and talent through enhanced brand image. We assess these human rights-related risks and opportunities.
3. Governance
   - The Board of Directors regularly receives the report on the status of our efforts to manage adverse human rights impacts and oversees it.
4. Our approach
   - Identify sectors and areas where business activities are relatively likely to have adverse human rights impacts.
   - Encourage individual investee companies to identify adverse human rights impacts associated with their activities, and to prevent, mitigate, and remedy them, through engagement and voting, and other stewardship activities.
   - Support investee companies in establishing access to grievance mechanisms.
5. Stakeholder engagement
   - Actively engage with diverse stakeholders, including market participants, NGOs, and public agencies.
6. Disclosures
   - Disclose our efforts and progress in contributing to tackling human rights issues in our reports.

Engagements (Related items in the policy: 2. Human rights-related risks and opportunities, 4. Our approach)

■ In-house engagement

For encouraging investee companies to prevent and mitigate adverse human rights impacts related to their business activities, we conduct the following in-house engagement initiatives:

i. Engagement on child and forced labor

Among human rights issues, "child and forced labor" represent a part of our "Materiality for Responsible Investment." Regarding the issues, we have conducted research and have identified industrial sectors with relatively high potential for negative human rights impacts: "metals and mining," "food and beverages," and "apparel and footwear." We have also specified high-risk raw materials and their sourcing regions, as well as specific measures that investee companies should be requested. Based on these results, we engage with major domestic investee companies in the sectors above, in line with the "UN Guiding Principles on Business and Human Rights"; we request these companies to establish human rights policies, conduct human rights due diligence, and develop grievance mechanisms.

ii. Engagement on sustainable palm oil procurement and production

We have engaged with major domestic investee companies involved in the palm oil supply chain, as well as major Southeast Asian investee companies producing palm oil. Our requests include transitioning to raw materials certified by RSPO*, establishing palm oil procurement policies that incorporate NDPE (No Deforestation, No Peat, No Exploitation) principles, and respecting the human rights of workers throughout the supply chain.

*RSPO certification includes criteria such as respect for the human rights of local communities and residents, as well as respect for workers' rights and working conditions.

■ Collaborative Engagement

We actively participate in the following collaborative engagement related to human rights:

i. PRI Advance

This collaborative initiative aims to advance progress on human rights issues. The initiative engages with 40 global companies in the metal mining and RE sectors, urging them to integrate the "UN Guiding Principles on Business and Human Rights" into their business operations, and to deepen their efforts in addressing severe human rights issues across their business activities and entire value chains.

ii. Apparel & Footwear Engagement using the KnowTheChain Benchmarks

This collaborative initiative utilizes resources provided by KnowTheChain, an international organization offering tools for companies and investors to understand and address forced labor risks in supply chains, to resolve forced labor issues in the apparel and footwear sectors. The initiative engages with 27 companies in these sectors, urging them to: (i) Operate more transparent and responsible supply chains, and (ii) Eradicate forced labor.

ESG integration **(Related items in the policy: 2. Human rights-related risks and opportunities, 4. Our approach)**

■ Resona ESG Ratings

We apply our own in-house corporate rating framework named “Resona ESG Ratings” for ESG integration. We exclude a company whose score is lower than the specific level from the investable universe. The evaluation criteria include human rights-related items: (i) Efforts to prevent child labor, and (ii) Management of social risks in supply chains.

Other external activities **(Related item in the policy: 5. Stakeholder engagement)**

■ Participation in the ILO’s "Working Group for Developing Awareness Raising Materials on Business and Human Rights for Institutional Investors"

In October 2023, the ILO (International Labour Organization) and PRI launched a working group to develop awareness raising materials on business and human rights for institutional investors. The working group published “A Guide to ‘Business and Human Rights’ for Institutional Investors - What, Why and How to Address Human Rights through Investment Practices” as its outcome in May 2024. As a signatory to the PRI, we participated in this working group, and actively engaged in discussions and contributed to the development of the guide alongside other members.

■ Co-hosting “The Introductory Seminar on Business and Human Rights”

We chair the "Asset Management, Securities & Investment Banking Business Working Group," under the PFA21 (the Principles for Financial Action for the 21st Century), Japanese local initiative. The working group co-hosted a seminar in August 2024, that covered human-rights related topics: “why and how companies and financial institutions should tackle human rights issues,” and “the nexus of human rights and environmental issues including climate and nature.” The event brought together a wide range of participants, including financial institutions, lawyers, policy makers, and business companies. We took the lead in organizing the event and led the discussion as the moderator on the day of the event.

■ Participation in JaCER (Japan Center for Engagement and Remedy on Business and Human Rights)

JaCER is an organization that provides a non-judicial grievance platform in line with the "UNGPs" (UN Guiding Principles on Business and Human Rights). It aims to support and promote grievance handling within member companies from a professional standpoint. We are a supporting member of JaCER. In September 2024, our Chief Sustainability Officer (CSuO), Minoru Matsubara, joined a panel discussion at JaCER's "Practical Training on Engagement and Remedy," themed "Business and Human Rights Access to Redress from an ESG Perspective." He engaged in lively discussions with various stakeholders about the future direction companies should pursue.

4 Transition plan for achieving net-zero and a world in harmony with nature

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In 2023, following discussions at management meetings as critical management priorities, we established the "Our Policy on Climate" and "Our Policy on Nature." Within these policies, we have committed to the following strategic ambition:

- Climate change: Supporting the objectives of the Paris Agreement, aiming for net-zero GHG emissions (including emissions related to investments) by 2050, and contributing to the resolution of climate change issues through our investment activities.
- Natural capital: Supporting the 2050 Vision and 2030 Mission set forth in the Kunming-Montreal Global Biodiversity Framework, and contributing to addressing challenges related to natural capital and biodiversity loss through our investment activities.

We believe that efforts to reduce GHG emissions and minimize negative impacts on nature are critically important from two perspectives: addressing climate/nature-related transition risks, associated with increased carbon costs for investee companies; and for responding to system-level risks that may arise from the cumulative GHG emissions and negative impacts on nature, which could undermine the long-term health and stability of environmental systems.

Based on this perspective, we will continue to focus on key industrial sectors critical to reducing GHG emissions and minimizing negative impacts on nature. Through engagements and proxy voting, we will request the establishment of climate/nature-related goals, as well as the disclosure and implementation of credible transition plans to achieve these goals; we will further advance efforts to reduce our own GHG emissions in the meantime.

GFANZ (Glasgow Financial Alliance for Net Zero), TPT (Transition Plan Taskforce), and TNFD define transition plans in their guidance and discussion papers; a transition plan represents an organization's overarching strategy that defines the actions to achieve committed climate/nature-related objectives, along with accountability mechanisms. We have organized our transition plan to achieve the aforementioned strategic ambition by referencing these guidelines and discussion papers.

Overview of our initiatives toward achieving net-zero and nature-positive world

Transition plan components and our response

	Our response	Reference(s)
Foundation	■ **Strategic Ambition** Following discussions at the management meetings as critical management priorities, we have established and publicly announced the "Policy on Climate" and the "Policy on Nature." These policies recognize the challenges of climate change and the loss of natural capital as one of the most important issues in our responsible investment activities; for each, we have set the following strategic ambition: • Climate change: Supporting the objectives of the Paris Agreement, aiming for net-zero GHG emissions (including emissions related to investments) by 2050, and contributing to the resolution of climate change issues through our investment activities. • Natural capital: Supporting the 2050 Vision and 2030 Mission set forth in the Kunming-Montreal Global Biodiversity Framework, and contributing to addressing challenges related to natural capital and biodiversity loss through our investment activities.	P4
	■ **Basic Policy** Through responsible investment activities, we are collaborating with investee companies, public agencies, and other stakeholders to reduce impacts on the climate and nature. We will continue and intensify these efforts going forward. Guided by the concept of the "Universal Owner," we aim to reduce impacts on the climate and nature across society as a whole. In addressing the loss of natural capital, we will align with "Transition Strategies toward Nature Positive Economy" (March 2024) and other frameworks, being mindful of the "Mitigation Hierarchy." Given the deep interconnections between climate change, the loss of natural capital and biodiversity, and human rights issues, we recognize the importance of addressing these challenges with holistic approaches.	P4
	■ **Priority Finance Strategies** In alignment with the four finance strategies outlined in the transition plan guidance provided by GFANZ (Glasgow Financial Alliance for Net Zero) and TNFD, we will comprehensively engage in the following activities: 1. Climate • Climate solutions: Managing impact investment funds, investing in SDG bonds • Aligned: Managing impact investment funds, investing in SDG bonds • Aligning: Engagements, proxy voting • Managed phase-out: Engagements, proxy voting 2. Nature • Nature transition solutions: Managing impact investment funds, investing in SDG bonds • Transitioning organizations: Managing impact investment funds, investing in SDG bonds • Committing organizations: Engagements, proxy voting • Managed phase-out: Engagements, proxy voting	P31-34
	■ **Scope and Priority Areas (nature only)** This transition plan focuses on the "impacts on nature related to investments within the downstream value chain," which is of critical importance given the characteristics of our business. We will advance our plans and initiatives focusing on key industrial sectors (P19) selected based on the magnitude of their impact on climate and nature, as well as the scale of our exposure; these sectors represent areas where we aim to enhance our efforts.	P6,19-30

	Our response	Reference(s)
Implementation Strategy	■ **Products and Services** We are strengthening stewardship activities, focusing on investee companies within priority industrial sectors identified based on the magnitude of their impacts on climate and nature and the scale of our exposure. We actively request these companies to implement measures that reduce their impacts on climate and nature; we will continue to enhance these efforts going forward. To support the initiatives of investee companies, we have introduced an escalation clause into our Proxy Voting Guideline; In cases we have identified key sustainability issues with investee companies and have engaged continuously, yet no improvement is observed without any particular reason, we will consider opposing the appointment of the representative director. We manage the "Global Impact Investment Fund (Climate Change)" with the intention of "achieving a sustainable world where climate change and its effects do not pose a threat to anybody's life or health." We select and invest in companies that are expected to create social impact while sustainably enhancing corporate value by addressing climate change mitigation alongside water and food security issues as business initiatives.	P34
	■ **Policy and Conditions** Our in-house "Resona ESG Evaluation" includes climate/nature-related criterion such as "GHG emissions," "GHG emissions per unit of energy consumed," "total water usage," and "water recycling rates"; companies that fall below the prescribed standards are excluded from our investable universe. In engagement with companies in high GHG emission sectors, we request actions such as: (i) Setting medium-term GHG emission reduction targets; and (ii) Disclosing plans and reduction achievements to meet the targets. We aim for 100% of target companies to achieve these by 2030. Simultaneously, in engagement on sustainable palm oil procurement, we request: (i) Disclosure of procurement targets and achievements for RSPO-certified palm oil; and (ii) Establishment of palm oil procurement policies incorporating NDPE. For this as well, we aim for 100% of target companies to achieve the requested goals by 2030. Given the urgent need for these target companies, particularly those with severe impacts on climate and nature requiring immediate action, we have added the following policy to our Proxy Voting Guideline; In cases we have identified key sustainability issues with investee companies and have engaged continuously, yet no improvement is observed without any particular reason, we will consider opposing the appointment of the representative director. We have incorporated policies for responding to climate/nature-related shareholder proposals into the guideline as well.	P31,32,34, 43-52
	■ **Operational Management** To enhance our capacity for responsible investment activities, including the transition to a net-zero and nature-positive world, we are expanding the structure of our Responsible Investment Division as the lead, and will continue to do. Furthermore, we implement the "Advanced ESG Human Resource Development Plan" to cultivate foundational capabilities among younger employees for addressing sustainability challenges including the aforementioned transition.	—

	Our response	Reference(s)
Engagement Strategy	■ **Engagement with investee companies** We are strengthening stewardship activities, focusing on investee companies within priority industrial sectors identified based on the magnitude of their impacts on climate and nature and the scale of our exposure. We actively request these companies to implement measures that reduce their impacts on climate and nature; we will continue to enhance these efforts going forward. In engagement with companies in high GHG emission sectors, we request actions such as: (i) Setting medium-term GHG emission reduction targets; and (ii) Disclosing plans and reduction achievements to meet the targets. We aim for 100% of target companies to achieve these by 2030. Simultaneously, in engagement on sustainable palm oil procurement, we request: (i) Disclosure of procurement targets and achievements for RSPO-certified palm oil; and (ii) Establishment of palm oil procurement policies incorporating NDPE. For this as well, we aim for 100% of target companies to achieve the requested goals by 2030. To support the initiatives of investee companies, we have introduced an escalation clause into our Proxy Voting Guideline; in cases we have identified key sustainability issues with investee companies and have engaged continuously, yet no improvement is observed without any particular reason, we will consider opposing the appointment of the representative director.	P32,34, 43-52
	■ **Engagement collaborating with peer companies** We actively participate in collaborative engagement platforms that lead to more effective and efficient engagement; upon participation, we consider the urgency and necessity of the theme, as well as the broad impact of the initiative. Specific examples include "Climate Action 100+" and "AIGCC (Asia Investor Group on Climate Change)" for climate-related initiatives, and "Nature Action 100" and "Finance for Biodiversity Pledge/ Foundation" for nature related initiatives. Through these platforms, we collaborate with peer companies to share insights and exchange views on transitioning to a net-zero and nature-positive world. Moving forward, we will continue to actively participate in such platforms and leverage the knowledge and information gained through collaboration to enhance the effectiveness and efficiency of our engagement activities.	P31
	■ **Public engagement** We conduct public engagement (including proposals and public statements) with public agencies and related organizations, with the aim of contributing to the maintenance and enhancement of the foundations of business activities, including the climate and nature. Examples of our activities include: (i) Expressing support for the investor statement compiled by "The Investor Agenda," which calls on governments to implement policies for achieving net zero in conjunction with COP29; and (ii) Participating in the Ministry of the Environment's "Committee on the Revision of Guidelines for Private Sector Engagement in Biodiversity." We will continue dedicating our efforts to such activities.	P11,33
	■ **Stakeholder engagement with indigenous peoples (nature only)** At present, we have not conducted analyses of specific regions related to the direct operations or value chains of individual investee companies. Consequently, find it challenging to engage in direct discussions with indigenous peoples and other related stakeholders in these areas. To complement this, however, we hold discussions with NGOs and NPOs approximately every two to three months. The meetings feature reports on our engagement regarding the procurement of sustainable palm oil, as well as discussions on the latest trends in sustainability issues. We incorporate the feedback and insights gained into our responsible investment activities.	P10-11

	Our response	Reference(s)
Metrics and Targets	Both encouraging changes in investee companies' behavior through stewardship activities, and generating positive impacts on society as a whole through these behavioral changes, are critically important; based on this approach, we have established the following metrics and targets to manage the progress of our transition plan: **●Metrics and targets for the implementation of the transition plan** • Percentage of in-house engagement target companies meeting certain conditions for net-zero transition Target: 100% by 2030 • Percentage of in-house engagement target companies meeting certain conditions for sustainable palm oil procurement Target: 100% by 2030 • Percentage of in-house engagement target companies meeting certain conditions for sustainable paper and timber procurement Target: 100% by 2030 Additionally, for the sectors where we should particularly strengthen our climate/nature-related initiatives, we will consider setting metrics and targets such as engagement coverage rates going forward.	P43-52
	●Metrics and targets for climate/nature-related investment amounts Due to reasons outlined in P43-44 and P50-51, we have not set specific metrics and targets.	—
	●Metrics and targets for climate/nature-related impacts • GHG emissions from investee companies Target: Net zero by 2050 • Weighted Average Carbon Intensity (WACI) We have not established specific metrics or targets related to nature-related impacts for the reasons outlined on pages 50-51; these will be considered in the future based on the availability of data and analytical methodologies.	P45-48
Governance	**■Roles and compensation of the Board of Directors and executive management** The Board of Directors oversees initiatives related to sustainability challenges, including the transition to a net-zero and nature-positive world. The President is responsible for the overall management of progress in the sustainability initiatives, as well as making decisions on their key operational matters. "Our Policy on Climate" and "Our Policy on Nature", which include climate/nature-related strategic ambition (see the "Foundation" section), were established following discussions at the Executive Committee as critical management priorities, and reported to the Board of Directors. Progress on initiatives based on these policies, including the transition plan, shall be reported to the Board of Directors once a year. Changes in ESG scores from major ESG rating agencies are reflected in the mid-to-long-term incentive component (performance-linked stock compensation) of the management executives' compensation structure.	P8-10
	■Corporate culture Among the key issues we must address to realize our purpose "to ensure a prosperous and happy life for future generations as well as our customers," climate change and the loss of natural capital and biodiversity are recognized as one of the most critical challenges; these are included in our "Materiality for Responsible Investment." On this basis, and under the President's commitment to addressing these challenges, we are actively working advancing company-wide efforts to tackle them. We hold weekly "Responsible Investment Meetings" open to all employees, including the President and executive management, to promote cross-departmental collaboration; the participants share the latest information and engage in discussions on sustainability issues, including transition-related topics.	P1-2
	■Skills Through weekly "Responsible Investment Meetings," we are building sustainability expertise for all employees, including the President and executive management. We also implement the "Advanced ESG Human Resource Development Plan" targeted at younger employees, fostering specialized expertise on sustainability issues, as well as cultivating general skills such as leadership and communication.	—

*The components of the transition plan in this table have been arranged with reference to "Financial Institution Net-zero Transition Plans" published by the GFANZ and other guidance.

Risk and Impact Management

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We categorize risks to manage into credit risk, market risk, liquidity risk, operational risk (including legal/compliance risk), reputational risk, and the risk of losses in assets in trust. We consider climate/nature-related risks as “risk drivers” that may amplify the categorized risks through various pathways.
Given our role as an asset manager, we place particular importance on managing the risk of losses in assets in trust due to the manifestation of climate/nature-related risks; this includes managing system-level risks that may arise from the accumulation of investees’ negative impacts on climate and nature. Accordingly, the following “Basic Approach to the Identification, Assessment, and Management of Climate and Nature-related Risks” was established in October 2023 following discussions at the Executive Committee and the Compliance and Risk Management Committee.

❶ Identify, assess, and manage climate/nature-related risks integrated with other risks under our overall risk management system (see table below).

Compliance and Risk Management Committee	Conduct discussions on risk management policies to promote and improve overall risk management initiatives to be an adequate level, while holding briefing sessions and discussions on recurrence prevention measures.
Representative Director and President	Define important matters for the implementation of risk management initiatives and manage the status.
Board of Directors	Establish risk management policies and framework, and oversee the implementation of risk management initiatives.

❷ Operate a company-wide PDCA cycle for identifying, assessing, and managing climate/nature-related risks; this includes the analysis of those risks by responsible investment-related departments, reporting and discussions on the analysis result at the Compliance and Risk Management Committee, and implementing necessary actions (e.g., improving engagement methods) based on these.

As stated in the "Strategy" chapter, we identify, assess, and prioritize significant climate/nature-related risks in our investee companies through the following process:
(i) Define the scope of industry sectors on which we should particularly focus, considering the magnitude of our exposure, negative impacts on climate and nature, as well as general assessments of the financial implications of climate/nature-related risks and opportunities.
(ii) Evaluate and prioritize climate/nature-related risks using scenario analysis, to identify significant risks.
To ensure the propriety of this process and its outcomes, we conduct monitoring based on the aforementioned "Basic Approach to the Identification, Assessment, and Management of Climate and Nature-Related Risks." We have taken the necessary measures in response to recommendations made at the Compliance and Risk Management Committee meetings: including that "to manage significant climate-related risks, additional companies should be included in engagement with companies in high GHG emission sectors (see P32)."
To manage the risk of trust assets suffering losses due to the materialization of significant climate/nature-related risks, we appropriately utilize engagement and proxy voting (see P12-41). In this way, we collaborate with investee companies to reduce negative impacts on climate and nature, and to mitigate climate/nature-related risks.
We will continue to enhance such efforts and monitor the progress by appropriate metrics (see the “Metrics and Targets” chapter).

Metrics and Targets

Climate/Nature-related Financial Disclosure Report 2024/2025

1 Climate-related Metrics and Targets

C

As described in the “Strategy” chapter, we believe that climate-related risks and opportunities (including system-level risks that may arise from GHG emissions impairing the integrity of environmental systems) could significantly impact the medium- to long-term value of the trust assets we manage, and thus require our management.
To manage climate-related risks and opportunities, we must both encourage behavioral changes in investee companies through stewardship activities, and realize real-world impacts (GHG reductions) through these changes.
From this perspective, we have established three categories of metrics for our stewardship activities: “metrics related to the performance of our engagement activities,” “metrics related to behavioral changes at investee companies,” and “metrics related to impacts on climate.” We use these metrics to evaluate and manage the effectiveness of our activities.
We have also established metrics for GHG emissions related to our direct operations.
As "metrics related to impacts on climate," we had previously only set metrics pertaining to equity and corporate bond investments; however, in December 2022, following the publication by PCAF (Partnership for Carbon Accounting Financials) of disclosure methodology for GHG emissions related to sovereign bond investments, we newly established metrics for GHG emissions related to sovereign bond investments. The overall framework of metrics and targets for assessing and managing climate-related risks and opportunities, including the newly adopted ones, is as follows.

Value Chain Classification	Metrics classification		Metrics	Targets (if set)
Investee companies	(1)Metrics related to our engagement activities		Number of companies with which we have engaged on climate	-
	(2)Metrics related to behavioral changes at investee companies		Percentage of in-house engagement target companies meeting certain conditions for transition to net zero	100% by 2030
			Number of companies disclosing avoided emissions	-
			Percentage of companies subject to in-house engagement that meet certain conditions for sustainable palm oil procurement	100% by 2030
	(3)Metrics related to impacts on climate	1. Metrics related to impacts of equity and corporate bond investments	Financed emissions	Net zero by 2050
			Weighted average carbon intensity	-
			Consistency between the Sustainable Development Scenario (SDS) and our portfolio	-
		2. Metrics related to impacts of government bond investments	Financed emissions	-
			Emission intensity (carbon intensity)	-
Resona Asset Management	(4)Metrics related to direct operations		GHG emissions in our direct operations (Scope 1, 2)	Net zero by 2030

The IFRS Sustainability Disclosure Standards (climate-related disclosures) requires disclosure of metrics related to climate-related risks and opportunities, specifically: "the amount and percentage of assets or business activities vulnerable to climate-related transition/physical risks" and "the amount and percentage of assets or business activities aligned with climate-related opportunities." Meanwhile, we have not adopted these metrics for the following reasons:

We conduct passive management for the majority of our portfolio based on mandates from asset owners. For assets under passive management, our discretion in selecting investee companies or determining allocation ratios is extremely limited. Therefore, if we were to

adopt the aforementioned IFRS metrics, the means to directly and immediately improve those figures would be extremely restricted. Additionally, even if we were able to engage in so-called divestment to reduce "the amount and percentage of assets or business activities vulnerable to climate-related transition/physical risks," such measures would not, in our view, reduce GHG emissions in the real world nor mitigate system-level risks.
Moving forward, based on the analysis results in the "Strategy" chapter, we plan to continuously review our metrics and targets to enhance the assessment and management of climate-related risks and opportunities.

(1) Metrics related to our engagement activities

■ Number of companies with which we have engaged on climate

	FY 2021(2021/7 to 2022/6)	FY 2022 (2022/7 to 2023/6)	FY 2023 (2023/7 to 2024/6)
Number of companies	164 (49.5%)	231 (55.5%)	223 (56.5%)
those with whom executive management-level engagement conducted	81 (24.5%)	115 (27.6%)	140 (35.4%)

※(%): percentage of companies we engaged on climate change.

We proactively address climate change as a key theme in our engagements.
The number of companies engaged with on climate change during the period from July 2023 to June 2024 saw a slight decrease compared to the same period the previous year; in the meantime, the proportion relative to the total number of companies we engaged with increased by approximately 1%. With the growing awareness among investee companies, we are having more opportunities for engagement on climate change countermeasures across a wide range of industries. As a specific trend, the SSBJ Sustainability Disclosure Standards is expected to become mandatory for Prime-listed companies in Japan; this has led to an increase in the number of engagements focused on enhancing sustainability information disclosure.
Furthermore, for the industrial sectors identified in the "Strategy" chapter where we should particularly strengthen climate-related initiatives, we will consider setting metrics and targets such as engagement coverage rates in the future.

(2) Metrics related to behavioral changes at investee companies

■ Percentage of in-house engagement target companies meeting certain conditions for transition to net zero

For engagement with companies in high GHG emission sectors (refer to P32), we have set the percentage of companies achieving the following as the metrics: (i) Setting medium-term GHG emissions reduction targets, (ii) Disclosing plans and reduction achievements to meet medium-term targets, (iii) Introducing a "compensation system linked to the progress in climate change countermeasures" as part of climate-related governance. The performance results are as follows. Please note that since this engagement began in July 2023, no historical data is currently available.

	FY 2023 (2023/7 to 2024/6)
Percentage of companies achieving (i), (ii) and (iii)	0.0% (0 out of 10 companies)

■ Number of companies disclosing avoided emissions

For engagement related to avoided emissions (refer to P32), we have established the metric "Number of companies disclosing their avoided emissions and calculation methodologies." Please note that since this engagement began in July 2024, no historical data is currently available.

■ Percentage of in-house engagement target companies meeting specific conditions related to sustainable palm oil procurement

For engagement related to sustainable palm oil procurement (refer to P32), we have set the percentage of companies achieving the following as the metrics: (i) Disclosure of procurement targets and achievements for RSPO-certified palm oil, and (ii) Establishment of palm oil procurement policies incorporating NDPE (No Deforestation, No Peatland Development, No Exploitation). The performance results are as follows.

	FY 2021 (2021/7 to 2022/6)	FY 2022 (2022/7 to 2023/6)	FY 2023 (2023/7 to 2024/6)
The percentage of companies achieving (i) and (ii)	17.5% (11 out of 63 companies)	22.7% (15 out of 66 companies)	32.1% (18 out of 56 companies*)

*The number of engagement target companies has decreased, largely due to withdrawal from businesses handling palm oil.

Taking into account the "Glasgow Leaders' Declaration on Forests and Land Use," a joint commitment announced at COP26 under the UNFCCC to cooperate in halting forest loss by 2030, we are working toward the goal of raising the above ratio to 100% by 2030. We conduct these dialogues and engagements as initiatives that contribute to addressing both climate change and nature-related challenges.

(3) Metrics related to impacts on climate

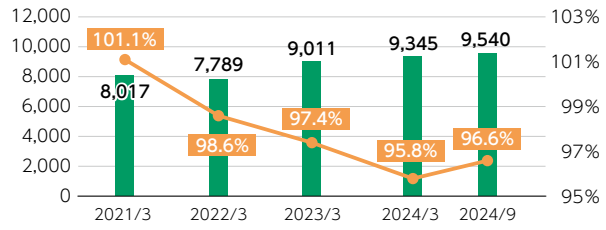
We have calculated the GHG emissions associated with equity, corporate bond, and sovereign bond investments within our managed assets. As of the end of September 2024, approximately 90% of our total managed assets, amounting to around ¥52 trillion out of ¥57 trillion, are included in the calculation.
Please note that assets other than equity, corporate bonds, and sovereign bonds are excluded from the calculation due to challenges in obtaining GHG emission data from issuers and the lack of established calculation methodologies.

(3)-1 Metrics related to impacts of equity and corporate bond investments

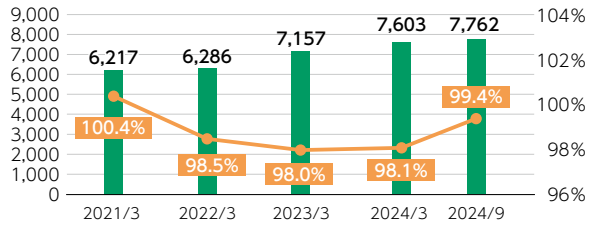
■ Financed emissions (Scope 3 Category 15) *1

The size of our portfolio is continually growing, creating upward pressure on this metric. Under the circumstances, we are actively encouraging investee companies to achieve reductions relative to the benchmark, through engagement and proxy voting; we particularly focus on domestic equities, which account for a large proportion of the metric. Compared to the beginning of the measurement, this metric shows an improving trend across most assets, particularly in domestic equities. We will continue these efforts given that reducing the absolute amount of financed emissions will become increasingly in the future.

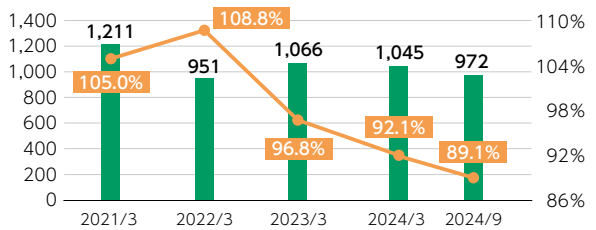
All of investee companies (1,000 t-CO_2e)



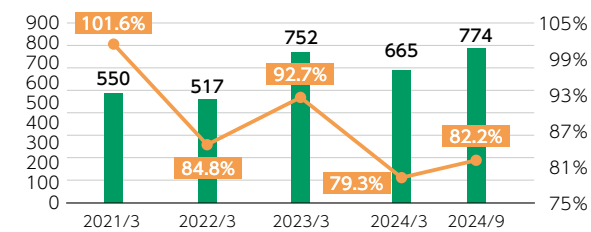
Domestic stock (1,000 t-CO_2e)



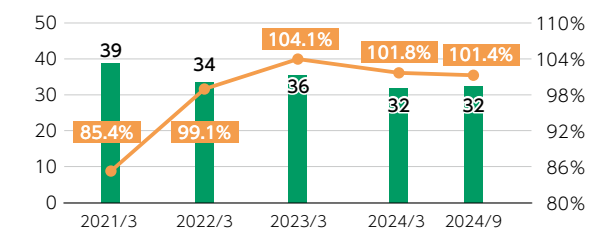
Foreign stock (1,000 t-CO_2e)



Domestic bond (1,000 t-CO_2e)



Foreign bond (1,000 t-CO_2e)

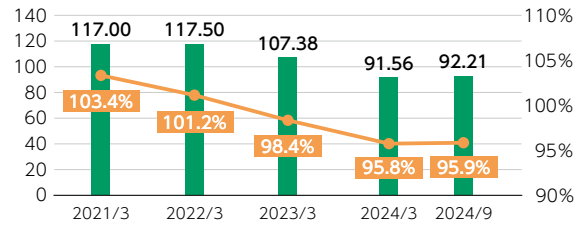


■ GHG emissions from investee companies in our portfolio ●— Benchmark ratio *3

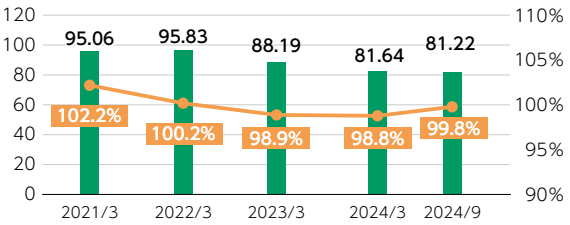
■ Weighted average carbon intensity *2

This metric shows an overall improvement trend across all investee companies and asset classes, and remains below the benchmark.

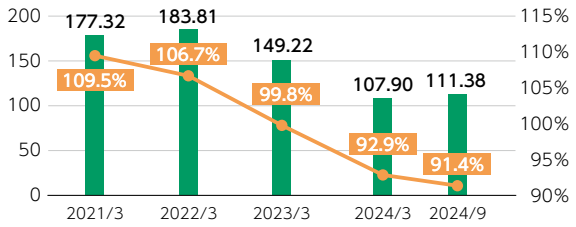
All investee companies (t-CO_2e/USD 1 million)



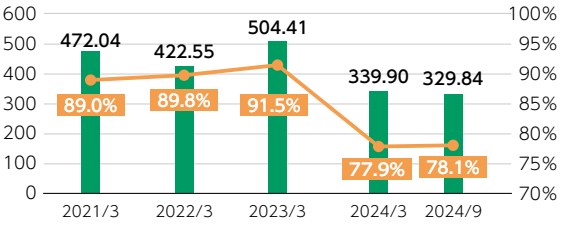
Domestic stocks (t-CO_2e/USD 1 million)



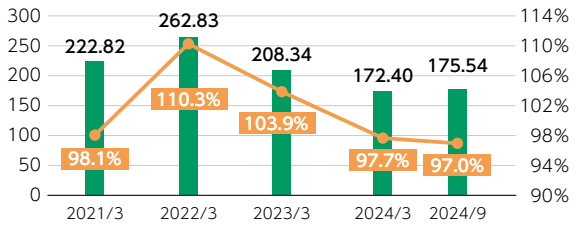
Foreign stocks (t-CO_2e/USD 1 million)



Domestic bonds (t-CO_2e/USD 1 million)

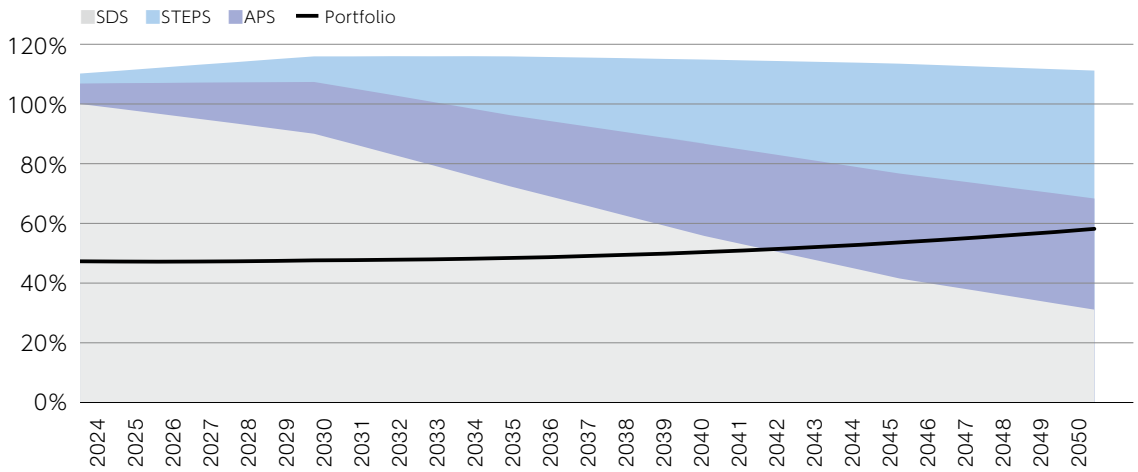


Foreign bonds (t-CO_2e/USD 1 million)



■ Value in the portfolio ●— Benchmark ratio *4

■ Consistency between the Sustainable Development Scenario (SDS) and our portfolio



	As of March 2021	As of March 2022	As of March 2023	As of March 2024	As of September 2024
Year to reach SDS-allowable GHG emissions (expected)	2035	2041	2043	2043	2042
Temperature rise by 2050 (expected)	2.2℃	2.0℃	1.9℃	1.9℃	1.9℃

Using the analysis tool of ISS (Institutional Shareholder Services), we compare the amount of our financed emissions (Scope 3 Category 15) with the amount of GHG emissions permitted by SDS (Sustainable Development Scenario: a scenario aligned with the Paris Agreement's goal to "hold the increase in the global average temperature to well below 2℃ and pursuing efforts to limit the temperature increase to 1.5℃"). The results demonstrated two key findings: (i) Our financed emissions (Scope 3 Category 15) would exceed the levels permitted under the SDS well before 2050, resulting in a global average temperature rise exceeding 1.5℃, (ii) While improvements have been observed over time, the current level of efforts remains insufficient.

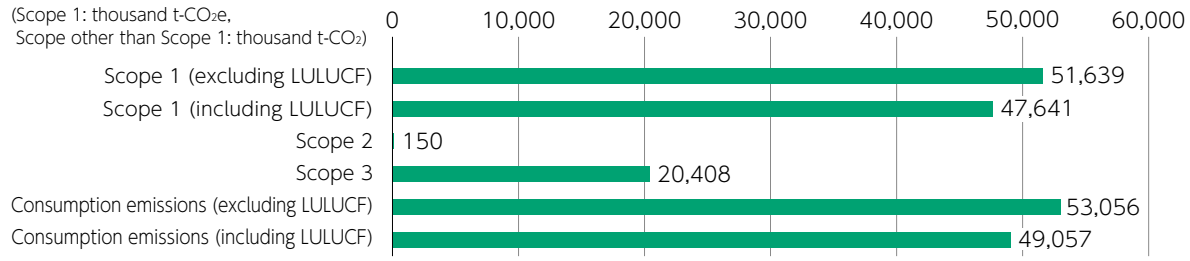
(3)-2 Metrics related to impacts of government bond investments

PCAF (Partnership for Carbon Accounting Financials), which supports the measurement and disclosure of GHG emissions related to financial activities, published the calculation and disclosure standards for GHG emissions associated with government bond investments in the second edition of "The Global GHG Accounting and Reporting Standard for the Financial Industry" in December 2022. Based on this, we disclose the GHG emissions from our government bond investments as follows. The market value of the government bonds subject to this calculation and disclosure is approximately 33 trillion yen (as of the end of September 2024), representing about 60% of our total assets under management. The definitions of terms related to GHG emissions associated with government bond investments are as shown in the table below, and they differ from those used for emissions from equity and corporate bond investments. Furthermore, the calculation methods also differ: while the calculation of GHG emissions from equity and corporate bond investments uses the proportion of our investment balance relative to the enterprise value of investee companies, the calculation for government bond investments uses GDP instead of enterprise value.

<Terms related to GHG emissions associated with government bond investments>

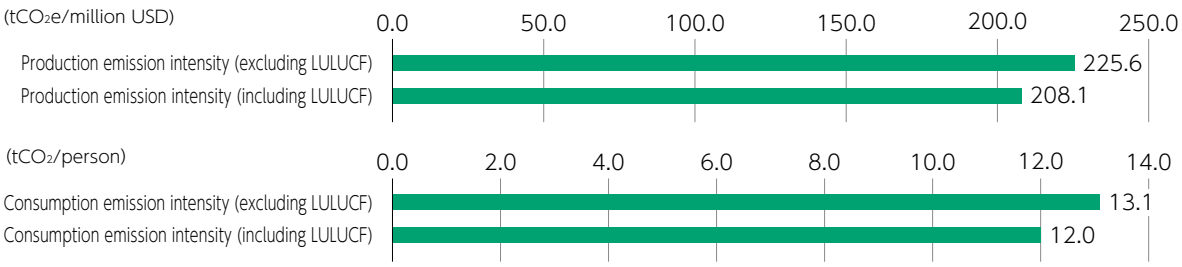
Scope1	GHG emissions generated from sources within the country. Also referred to as "production emissions."
Scope2	GHG emissions generated in other countries during the production of energy (electricity, heat, steam, cooling, etc.) imported and consumed domestically.
Scope3	GHG emissions generated in other countries during the production of products and services imported and used domestically.
Imported emissions	GHG emissions generated in other countries during the production of energy, products, and services that are imported: The sum of Scope 2 and Scope 3.
Exported emissions	GHG emissions generated domestically during the production of energy, products, and services that are exported to other countries.
Consumption emissions	GHG emissions based on domestic consumption. Consumption Emissions = Scope 1 + Scope 2 + Scope 3 – Exported emissions

■ Financed emissions *5



* LULUCF: Emissions from Land Use, Land-Use Change, and Forestry.

■ Emission intensity (Carbon intensity) *6



As the scale of our portfolio continues to expand, an upward pressure arises on the absolute value of GHG emissions associated with government bond investments. In light of this, we will focus on reducing emission intensity (carbon intensity) in the short term; while keeping in mind the importance of reducing the absolute amount of GHG emissions from our investees in the long term.
We engage in public advocacy (i.e., proposals, statements of opinions, etc.) with governments and other entities to maintain and enhance the foundation of economic activities, including climate and nature. Through these activities, we will encourage the governments to implement policy measures necessary for transitioning to a net-zero economy. Additionally, reducing GHG emissions associated with government bond investments requires reducing emissions from companies within the respective countries. Based on this, we will promote necessary actions for reducing GHG emissions through engagements with investee companies.
As an institutional investor investing in various asset classes, we aim to leverage synergies between these engagement activities to effectively and efficiently reduce GHG emissions associated with government bond investments.
We note that while these metrics have been calculated in accordance with PCAF standards, challenges exist such as the slow updating of country-specific GHG emissions data used for calculations (for details on the calculation methods and data used, please refer to "Detailed Information on metrics"*7 at the bottom of this page). PCAF itself continues to explore improved calculation methods. Simultaneously, we will also consider initiatives to enhance data quality and calculation methods to achieve more accurate GHG emissions calculations and their reductions.

■ Detailed Information on metrics

*1 GHG emissions of investee companies in our portfolio (Scope 1 and 2). For bonds, calculated solely for corporate bonds. The calculation formula is as follows:

Stocks:

$$\sum\left(\frac{\text{The amount of stock investment}}{EVIC}\times\text{The corporate emissions}\right)$$

$EVIC$ = Enterprise Value Including Cash
* The amount of stock investment is calculated using market value (market price × number of shares holding)

Bonds:

$$\sum\left(\frac{\text{The amount of bond investment}}{EVIC}\times\text{The corporate emissions}\right)$$

$EVIC$=Enterprise Value Including Cash

*2 The weighted average of GHG emissions per million USD of net revenue at investee companies in our portfolio, calculated using their respective investment weights within the portfolio. For bonds, calculated solely for corporate bonds. The calculation formula is as follows:

$$\sum\left(\frac{\text{The amount of investment}}{\text{The market value of the portfolio}}\times\frac{\text{The corporate emissions (Scope 1, 2)}}{\text{The corporate revenue (USD 1 million)}}\right)$$

*3 The ratio comparing GHG emissions (Scope 1 and 2) of the investee companies in our portfolio to those (Scope 1 and 2) of investees in a benchmark portfolio of comparable size (see table below). A value below 100% indicates that GHG emissions from the investee companies in our portfolio are lower than those in the benchmark portfolio.

*4 The ratio comparing the weighted average carbon intensity of our portfolio to that of a benchmark (see table below) assuming an investment of assets of comparable scale. A value below 100% indicates that the weighted average carbon intensity of our portfolio is lower than that of the benchmark.

Asset	Benchmark
Domestic stock	TOPIX
Foreign stock	MSCI ACWI (excluding Japan)
Domestic bond	NOMURA-BPI (corporate bonds)
Foreign bond	Bloomberg Barclays Global Aggregate Bond Index

*5 The calculation formula is as follows:

$$\sum\left(\frac{\text{Book Value of Government Bond Investments}}{\text{PPP*-Adjusted GDP}}\times\text{GHG Emissions of the Government Bond Issuing Country}\right)$$

* PPP: Purchasing Power Parity

*6 The calculation formula is as follows:

Production Emission Intensity:

$$\sum\left(\frac{\text{Book Value of Government Bond Investments}}{\text{Book Value of Portfolio}}\times\frac{\text{Production Emissions of the Government Bond Issuing Country}}{\text{PPP-Adjusted GDP}}\right)$$

Consumption Emission Intensity:

$$\sum\left(\frac{\text{Book Value of Government Bond Investments}}{\text{Book Value of Portfolio}}\times\frac{\text{Consumption Emissions of the Government Bond Issuing Country}}{\text{Population}}\right)$$

*7 The data used to calculate GHG emissions associated with government bond investments is as follows:

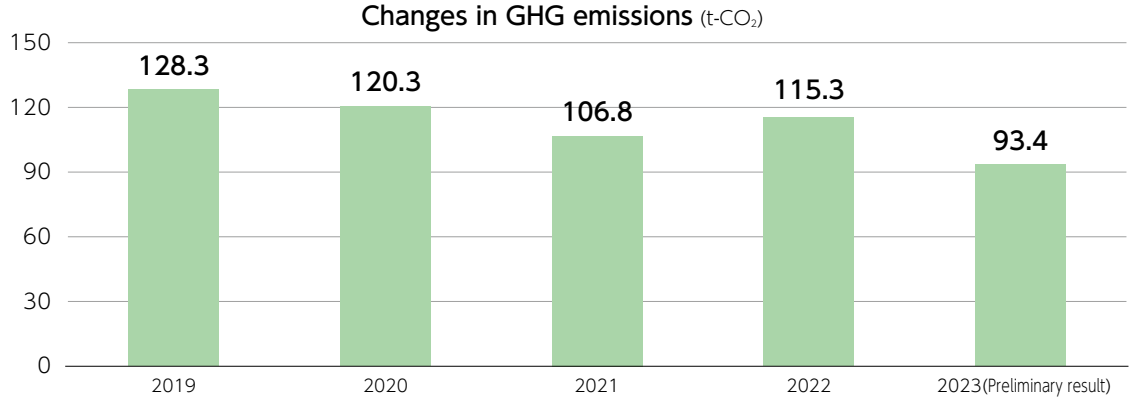
Data used	Data source	Latest year of data*
Scope 1 (excluding/ including LULUCF)	UNFCCC ※For countries without available data, estimates were based on economic activity data.	2021 (Annex I countries**) 2020 (Non-Annex I countries)
Scope 2 and 3	OECD ※Countries without available data were excluded from the calculation.	2018
Consumption Emissions	OECD ※Calculated based on Scope 1, 2 and 3 data above and OECD export emissions data.	2018
PPP-adjusted GDP	World Bank	2022
Population	World Bank	2022

* The latest available data for GHG emissions was used, while PPP-adjusted GDP and population data were aligned with the latest year of emissions data.

** For Australia, the data year was 2020 instead of 2021.

(4) Metrics related to direct operations

■ GHG emissions in our direct operations (Scope 1 and 2) *



Given the nature of our business, we consider our own GHG emissions (Scope 1 and 2) to be negligible compared to our financed emissions (Scope 3); however, as a member of the Resona Group, we recognize the need to reduce them. We are therefore undertaking initiatives aimed at achieving the "Net zero GHG emissions by fiscal 2030" target established by Resona Holdings (Please refer to https://www.resona-gr.co.jp/holdings/english/sustainability/sdgs/vision/goals.html).

* Scope 2 GHG emissions from Resona Group's Tokyo Head Office Building 4th Floor (including our company) were calculated based on the periodic reporting requirements of the Act on Rationalizing Energy Use (Energy Conservation Act).

※Last year's report presented data calculated by multiplying the basic emission factor of the electricity providers; this year, calculated by multiplying the adjusted emission factor of the electricity providers.

2 Nature-related Metrics and Targets

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As stated in the “Strategy” chapter, we recognize that nature-related risks and opportunities (including system-level risks that may arise when impacts on nature compromise the integrity of environmental systems) could significantly affect the medium- to long-term value of the trust assets we manage, and thus we must manage them appropriately.
To manage these dependencies and impacts on nature, as well as nature-related risks and opportunities, we must both encourage behavioral changes in investee companies through stewardship activities, and realize real-world impacts (mitigation of negative impacts on nature) through these changes.
Consistent with our approach to climate-related metrics and targets, to enable us to assess the effectiveness of our stewardship activities, we have set “metrics related to the performance of our engagement activities” and “metrics related to behavioral changes at investee companies.” We consider these to be eligible as response metrics listed in Annex2 of the TNFD recommendations.
The overall framework of the metrics and targets for assessing and managing nature-related dependencies, impacts, risks and opportunities, is as follows.

Value Chain Classification	Metrics classification	Metrics	Targets (if set)
Investee companies	(1) Metrics related to our engagement activities	Number of companies with which we have engaged on natural capital	-
	(2) Metrics related to behavioral changes at investee companies	Percentage of companies subject to in-house engagement that meet certain conditions for sustainable palm oil procurement	100% by 2030
		Percentage of companies subject to in-house engagement that meet certain conditions for sustainable paper and timber Procurement	100% by 2030
	(3) Metrics related to impacts on nature	(To be considered in the future based on the availability of data and analysis methodologies)	-
Resona Asset Management	(4) Metrics related to direct operations	(No metrics are set; deemed to have minimal dependence and impact on nature)	-

Please note that, TNFD recommendations require disclosure of the global core disclosure metrics listed in the Annexes, yet we have not disclose them for following reasons.
(Specific examples include metrics related to nature-related risks and opportunities, such as: "Value of assets that are assessed as vulnerable to nature-related transition/physical risks"; "Amount of investment deployed towards nature-related opportunities"; "Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature"; and metrics related to dependence and impacts on nature, such as: "Total extent of land/freshwater/ocean-use change"; "Total pollutants released, " "Volume of wastewater discharged" and "Total amount of hazardous waste generated"; "Quantity of high-risk natural commodities sourced from land/ocean/freshwater").
(i) As an asset management company, disclosing these metrics require us to obtain data on each individual investee company (or at least each industrial sector) regarding their dependence and impact on nature, as well as nature-related risks and opportunities, and then use such data for analysis; currently, we consider there to be constraints in both data access and analytical methodologies.

(ii) We manage the majority of our portfolio as passive investments based on mandates from asset owners. For assets under passive management, we have minimal discretion in selecting investees and determining allocation ratios; consequently, if we were to adopt metrics such as “Value of assets that are assessed as vulnerable to nature-related transition/physical risks,” the measures to directly and immediately improve the sort of metric would be extremely limited. Furthermore, even if we could exercise the option of so-called divestment to reduce the vulnerable assets, we believe this approach would not reduce the impact on nature in the real world, nor would it lead to system-level risk reduction.

As previously mentioned, given the nature of our business, we assess that our direct operations have minimal dependency and impact on nature; therefore, we do not adopt any metrics for this either.
In addition, within the past year, we have not been subject to any penalties, fines, or lawsuits arising from negative impacts on nature.
Moving forward, based on the analysis results in the “Strategy” chapter, we plan to continuously review our metrics and targets to enhance the assessment and management of nature-related risks and opportunities.

(1) Metrics related to our engagement activities

■ Number of companies with which we have engaged on natural capital

	FY 2021 (2021/7 to 2022/6)	FY 2022 (2022/7 to 2023/6)	FY 2023 (2023/7 to 2024/6)
Number of companies	53 companies (16.0%)	64 companies (15.4%)	122 companies (30.9%)
those with whom executive management-level engagement conducted	24 companies (7.3%)	32 companies (7.7%)	62 companies (15.7%)

We proactively address natural capital as a key theme in our engagements.
The number of companies we engaged with on natural capital during July 2023 to June 2024 has increased compared to the same period in the previous year, and its proportion relative to the total number of companies we engaged with has also increased accordingly.
With the growing awareness among investee companies, we are having more opportunities for engagement on natural capital across a wide range of industries.
More specifically, this trend follows developments such as the adoption of the Kunming-Montreal Global Biodiversity Framework at the 15th Conference of the Parties (COP15) to the UN Convention on Biological Diversity and the publication of the TNFD recommendations; the number of engagements related to initiatives for achieving "Nature Positive" outcomes and disclosures of nature-related financial information has increased.
Furthermore, for the industrial sectors identified in the "Strategy" chapter where we should particularly strengthen nature-related initiatives, we will consider setting metrics and targets such as engagement coverage rates in the future.

(2) Metrics related to behavioral changes at investee companies

- Percentage of in-house engagement target companies meeting specific conditions related to sustainable palm oil procurement

For engagement related to sustainable palm oil procurement (refer to P32), we have set the percentage of companies achieving the following as the metrics: (i) Disclosure of procurement targets and achievements for RSPO-certified palm oil, and (ii) Establishment of palm oil procurement policies incorporating NDPE (No Deforestation, No Peatland Development, No Exploitation). The performance results are as follows.

	FY 2021 (2021/7 to 2022/6)	FY 2022 (2022/7 to 2023/6)	FY 2023 (2023/7 to 2024/6)
The percentage of companies achieving (i) and (ii)	17.5% (11 out of 63 companies)	22.7% (15 out of 66 companies)	32.1% (18 out of 56* companies)

* The number of engagement target companies has decreased, largely due to withdrawal from businesses handling palm oil.

At UNFCCC COP26, the Glasgow Leaders' Declaration on Forests and Land Use was announced as a joint declaration on collaboration to halt and reverse forest loss and land degradation by 2030; taking this into account, we aim to achieve 100% of the aforementioned ratio by 2030.
Please note that, we conduct this engagement as a contribution to addressing both climate change and natural capital challenges.

- Percentage of in-house engagement target companies meeting specific conditions related to sustainable paper and timber procurement

For engagement related to sustainable paper and timber procurement (refer to P33), we have set the percentage of companies achieving the following as the metrics: (i) Formulation of sustainable paper and timber procurement policies, and (ii) Disclosure of procurement targets and achievements for sustainable paper and timber (e.g., FSC-certified products). The performance results are as follows.

	FY 2022 (2022/7 to 2023/6)*	FY 2023 (2023/7 to 2024/6)
The percentage of companies which meet (i) and (ii)	25.0% (5 out of 20 companies)	40.0% (8 out of 20 companies)

At UNFCCC COP26, the Glasgow Leaders' Declaration on Forests and Land Use was announced as a joint declaration on collaboration to halt and reverse forest loss and land degradation by 2030; taking this into account, we aim to achieve 100% of the aforementioned ratio by 2030.

Conclusion

After publishing our first "Climate/Nature-related Financial Disclosure Report" in 2023, we received highly valuable feedback and opinions from various stakeholders. Over the past year, we have reflected the input to refine our activities aimed at addressing climate change, natural capital, and biodiversity challenges. In the meantime, as the urgency and importance of tackling these issues continue to accelerate year by year, both domestically and internationally, various initiatives are being advanced; to catch up with these developments and make meaningful contributions to solving these challenges, we recognize the need to further enhance the effectiveness of our activities. Based on this understanding, we will continuously review our activities while maintaining overall consistency and utilize various platforms, including this report, to disclose information. As a responsible long-term investor, we will continue to engage sincerely with a wide range of stakeholders, including our investee companies, and implement highly effective activities. Through these efforts, we will strive to enhance the corporate value of investee companies and, ultimately, the overall value of the assets entrusted to us by our clients. Furthermore, to address complex and intertwined sustainability challenges and realize a better future society and environment, we will collaborate with stakeholders and persistently tackle these issues. We believe that these steadfast efforts will lead to the realization of our purpose: "To ensure a prosperous and happy life for future generations as well as our customers."

Disclaimer

This report contains “forward-looking statements,” including expectations, forecasts, targets and plans, etc., related to the industrial sectors to which we and our investee companies belong, etc. Such statements are based on available information as of the date they are made and assumptions related to uncertain factors. These statements and assumptions involve risks and uncertainties and actual performance can differ materially from that expressed or implied by them. Causes of these risks and uncertainties include, but are not limited to, policies and regulations, the economic and financial environment, energy prices, climate conditions, demographic trends, and technology. In light of these risks and uncertainties, you should not place undue reliance on forward-looking statements. As mentioned above, the “forward-looking statements" in this report are as of the date they are made, and we assume no duty and policy to update or revise them. In addition, the information on companies, etc., other than us in this report is quoted from publicly available information, etc., and we have not verified the accuracy and appropriateness of them in any way and do not warrant or guarantee the accuracy or appropriateness of any of them.

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