

To Create Positive Impacts on **Natural Capital**

through Our Investment Activities



Our purpose is to “ensure a prosperous and happy life for future generations as well as our customers.” We believe that addressing the loss of natural capital and biodiversity is essential to achieve this purpose and recognize it as one of the key material issues (“Materiality”) to tackle in our responsible investment activities.

In Our Policy on Nature, we support the 2050 Vision of “a world living in harmony with nature” and the 2030 mission to “take urgent action to halt and reverse biodiversity loss to put nature on a path to recovery,” which the Kunming-Montreal Global Biodiversity Framework set out. We aim to increase the long-term value of assets in trust by contributing to global efforts to address the loss of natural capital and biodiversity through our investment activities.

Our Policy on Nature

- The Board’s oversight and PDCA cycle to monitor progress
- Evaluation of dependencies/impacts and assessment of risks/opportunities
- Engagements and proxy voting to manage material nature-related risks/opportunities
- Stakeholder engagements (with market participants, NGO/NPO, policymakers, etc.)
- Nature-related financial disclosure

Our Approach

Collaboration

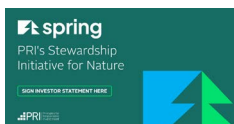
We are participating in several nature-related collaboration platforms. These include:



We participate in Nature Action 100 and are encouraging companies to minimize natural losses by 2030 and to conserve and regenerate ecosystems throughout their operations and value chains.



This pledge is a commitment to protecting and restoring biodiversity through their finance activities and investments. We participate in a collaborative engagement with the FfB (Finance for Biodiversity) Foundation, named Deforestation-Free Automotive Sector.



Spring is a PRI stewardship initiative for nature, convening investors to use their influence to halt and reverse global biodiversity loss by 2030, which is in line with the goals of the Kunming-Montreal Global Biodiversity Framework. We are an endorser of the spring.



We have been certified as an “Eco-First Company” by the Minister of the Environment Japan. Under this program, companies are required to submit a written commitment to the Minister regarding their environmental conservation efforts, and the Minister certifies that the company is “innovative, original, and/or having a spillover effect” in the environmental field.



In-House Engagement

We are conducting two engagement projects focused on the procurement of commodities that have huge impacts on land use change and deforestation, namely “palm oil” and “paper and wood products.”

Palm Oil

We have identified 56 Japanese investees that have material palm oil-related dependencies and impacts, for example, with a huge transaction of palm oil. We are requesting them to achieve 2 milestones below by 2030.

- (1) Set targets on the procurement of RSPO-certified palm oil and monitor the performance against the targets.
- (2) Develop a procurement policy with the NDPE (No Deforestation, No Peat, No Exploitation) principle.

Paper and Wood Products

We have identified 20 Japanese investees that have material wood-related dependencies and impacts, for example, with a huge transaction of paper and/or wood products. We are requesting them to achieve 2 milestones below by 2030.

- (1) Develop a procurement policy for sustainable paper and wood-products sourcing.
- (2) Set targets on the procurement of sustainable (e.g., FSC-certified) paper and wood products and monitor the performance against the targets.

Evaluation of dependencies/impacts and assessment of risks/opportunities

We have identified 7 industry sectors (Foods, Chemicals, Automobiles, etc.) on which we should particularly focus in our portfolio, considering the scale and the scope of the nature-related dependencies and impacts the sectors have by ENCORE. Then, for each identified sector, we have identified material nature-related risks and opportunities and countermeasures companies in the sector should take.

The result of this assessment is disclosed in our Climate/Nature-related Financial Disclosure Report (See “Disclosure” section). We use the result as the basis for our stewardship activities (e.g., engagements with investees, our proxy voting guidelines, and our in-house ESG integration methodology).

Example

2 Chemical Sector			
The manufacturing process has material dependencies on water resources and impacts of greenhouse gas and pollutant emissions on nature. The companies can address opportunities as well as risks by considering measures such as the development and introduction of technologies that take into account the dependencies and impacts on nature.			
Category	Risks and Opportunities		Dependencies and Impacts
Physical Risks	CR	Decreased production and suspended value chain due to water shortage	4.5
	CR	Adjusted or suspended production due to water-restricted suppliers	4.5
	P	Decreased production and suspended value chain due to regulations on water use	4.5
Transition risks	P	Changes in value chain and increased costs due to air and soil pollution regulations	7.0
	M	Decreased sales due to poor reputation for air and soil pollution	7.0
	T	Increased development and installation costs of technologies and facilities for reducing water use	4.5
	M	Increased sales based on customers' reputation for production that reduces or avoids air and soil pollution	7.0
Transition opportunities	PS	Increased sales due to the value proposition for production that reduces or avoids air and soil pollution	7.0
		Countermeasures	
		<ul style="list-style-type: none"> Formulate BCP for drought Develop and introduce technologies for water-saving Diversify suppliers to reduce procurement suspension risk Formulate BCP for drought Develop and introduce technologies for water-saving Develop and introduce technologies to reduce and/or avoid air and soil pollution Convert to a circular economy business model (chemicals or material recycling, etc.) Develop and introduce technologies to reduce and/or avoid air and soil pollution Convert to a circular economy business model (chemicals or material recycling, etc.) Reduce water use by regularly training employees at factories, offices, etc. on water management Develop and introduce technologies to reduce and/or avoid air and soil pollution Convert to a circular economy business model (chemicals or material recycling, etc.) Develop and introduce technologies to reduce and/or avoid air and soil pollution Convert to a circular economy business model (chemicals or material recycling, etc.) 	

Our Initiatives in PRI in Person 2023

We hosted a side event of the PRI in Person 2023, titled “How can Financial Institutions contribute to Realizing a Nature Positive Economy?” in October 2023. We discussed actions needed for financial institutions to tackle the loss of natural capital with a wide range of participants, including financial institutions, policymakers, NGOs and business companies. This side event was very well attended by more than 300 people (on-site and online).



Disclosure

We published our first Climate/Nature-related Financial Disclosure Report in December 2023, in which we disclose our efforts to address nature and biodiversity loss described above in alignment with the TNFD final recommendations. We are a TNFD Early Adopter and commit to continuously improving the quality of the disclosed information. As the title of the report shows, we have integrated climate and nature-related financial disclosure and it aligns with the TCFD recommendations as well.



For more information, please access

https://www.resona-am.co.jp/investors/pdf/climate-nature_report2023.pdf