

SMDAM supports the TNFD recommendations and has completed the registration process as a TNFD Adopter

Sumitomo Mitsui DS Asset Management Company, Limited. (President and CEO: Takashi Saruta, hereafter "SMDAM") provides high-quality asset management services to customers as a responsible institutional investor contributing to the realization of a sustainable society. In this respect, we are pleased to announce that we have endorsed the Taskforce on Nature-related Financial Disclosures (TNFD), an initiative related to the disclosure of financial information on nature, and have completed the registration process as an adopter institution (TNFD Adopter) accepting the guidance recommended by the task force.

1. Background of Accepting TNFD Recommended Guidance

In our materiality disclosed in April 2022, "natural capital" was identified as materiality in asset management operations, and "environmentally conscious business operations" were included as materiality for our role as a business corporation.

We believe that TNFD has a high potential to become a global standard for disclosure of information related to natural capital, similar to TCFD in climate change. In the future, as a firm in a position to encourage the enhancement of disclosures based on TNFD for our investee companies, we considered our own acceptance of TNFD disclosure as essential.

Overview of TNFD (prepared by SMDAM based on TNFD Official Content)

In July 2020, an initiative was announced to convene a task force on financial disclosure related to nature, leading to the establishment of TNFD in June 2021. TNFD gained global support from influential leaders, including the G7, G20, and others.

Society and the economy depend on natural capital, and the recent degradation of natural capital poses a potential risk to the global economy. The background of TNFD support lies in the insufficient response of companies to these risks and opportunities. Companies are urged to take actions for the conservation and restoration of nature, reducing business and financial risks, and mobilizing business innovation and private funds to become major sources of new commercial opportunities and competitive advantages.

TNFD aims to encourage companies to provide high-quality information related to natural capital

to decision-makers in business and capital markets. High-quality information on natural capital helps businesses incorporate risks and opportunities related to nature into strategic planning, risk management, and asset allocation decisions. Having high-quality information in the hands of investors and other capital providers can contribute to shifting global capital flows toward more positive outcomes for nature and society. TNFD's ultimate goal is to shift global financial flows from nature-negative outcomes to nature-positive outcomes.

TNFD's recommendations align with global standards for corporate sustainability reporting and harmonize with global policy objectives of the Kunming-Montreal Global Biodiversity Framework. The disclosure framework of TNFD includes conceptual foundations for nature-related disclosures, general requirements, four pillars of governance, strategy, risk and impact management, indicators and targets. This aligns with the approaches of TCFD and ISSB's IFRS standards.

2. Our Approach to Natural Capital

Our approach to address issues related to natural capital is outlined by the following three principles:

- ✓ We primarily target industries with significant impacts on natural capital, promoting enhanced disclosure and strengthened efforts in environmental impact reduction through engagement.
- ✓ We incorporate investee companies' response to natural capital into our proprietary ESG evaluation system, considering it as a factor in investment decisions.
- ✓ In cases where there is a lack of information disclosure and we cannot confirm a clear intention or direction for improvement in dialogues, we consider casting dissenting votes on director appointment proposals.

As a responsible institutional investor, we support efforts towards information disclosure about "natural capital" of investee companies in accordance with the disclosure requirements advocated by TNFD. Consequently, we will continue to advance initiatives aimed at enhancing corporate value.

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