

Task Force on Nature-related Financial Disclosures (TNFD)

In addition to climate action, action for biodiversity is also a global issue. For the first time this fiscal year, Aisin evaluated risks and opportunities of global sites based on analysis of changes in biodiversity in accordance with unified processes and evaluation procedures.

Basic approach to the establishment of a society in which people coexist with nature

With a view to passing on a sustainable environment to the future, Aisin has set “Realize harmony with nature and the regional ecosystem globally” as a target for its Vision for 2050, and aims to establish a society in harmony with nature.

Participation in alliances and endorsements of initiatives

Aisin participates in the Ministry of the Environment’s 30 by 30 Alliance, and endorses the Keidanren Biodiversity Initiative.



AISIN Group Biodiversity Guidelines

The AISIN Group Biodiversity Guidelines were established by the consolidated Aisin Environmental Conservation Working Group in 2017. In accordance with these guidelines, the AISIN Group companies are working to prevent abnormal environmental conditions and protect the natural environment.

Introduction: Concept of the AISIN Group Biodiversity Guidelines	Chapter 5: Preventing settlement of alien species
Chapter 1: Conducting public relations, education, and dissemination activities to raise awareness of biodiversity	Chapter 6: Conservation of protected areas
Chapter 2: Conducting activities for sustainable production and consumption	Chapter 7: Activities to prevent extinction of endangered species
Chapter 3: Preventing habitat destruction	Chapter 8: Activities for sustainable use of ecosystem services
Chapter 4: Preventing pollution due to chemical substances in wastewater, soot or smoke, and waste	Chapter 9: Protecting the ecosystem by the reduction and storage of carbon dioxide

LEAP approach focusing on locations of direct operations

Based on the understanding that the impact on natural capital, such as biological resources and water resources, varies depending on the area or location and therefore local perspectives are necessary, we employ the LEAP approach presented in the beta version of the TNFD disclosure framework to proceed with integrated disclosure.

LEAP Approach Review Flow

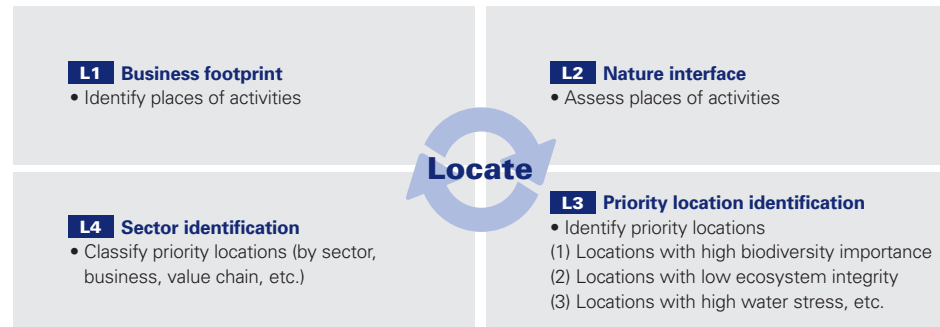
	Locate	Evaluate	Assess	Prepare
	Locate an interface with nature	Evaluate dependencies and impacts	Assess material risks & opportunities	Prepare to respond and report
Target of consideration	Direct operations 71 sites manufacturing Powertrain products	Same as left	Same as left	Same as left
What to consider	<ul style="list-style-type: none"> Assess places of activities Identify priority locations 	<ul style="list-style-type: none"> Assessment of interdependencies on sector level Assessment of impact relationships on sector level Validity checks Identification of dependency and impact items with high priority 	<ul style="list-style-type: none"> Creation of lists of risks and opportunities Qualitative importance assessment on risks and opportunities Sorting out risk management approaches 	Preparation of information to be disclosed
Output	(1) Results of activity location assessment (2) List of priority regions	(1) Results of assessment on dependencies and impacts (2) List of dependency and impact items with high priority	(1) Lists of risks and opportunities (2) Results of qualitative importance assessment on risks and opportunities (3) Lists of material risks and opportunities (4) Risk management strategies and mitigation measures	Disclosure based on LEAP analysis

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L Locate an interface with nature

Businesses are connected to nature in the locations of their activities. It is therefore important to assess the locations of their activities in order to identify, evaluate, avoid, mitigate, and manage the risks they face. In the Locate phase, locations of an organization’s activities are assessed from the perspectives of integrity of ecosystems, the importance of biodiversity, water stress, etc., to identify priority locations.

Perspectives for Locate



Policy for selecting priority locations

STEP 1 Import of location information of target sites → STEP 2 Assessment by index → STEP 3 Selection of priority locations

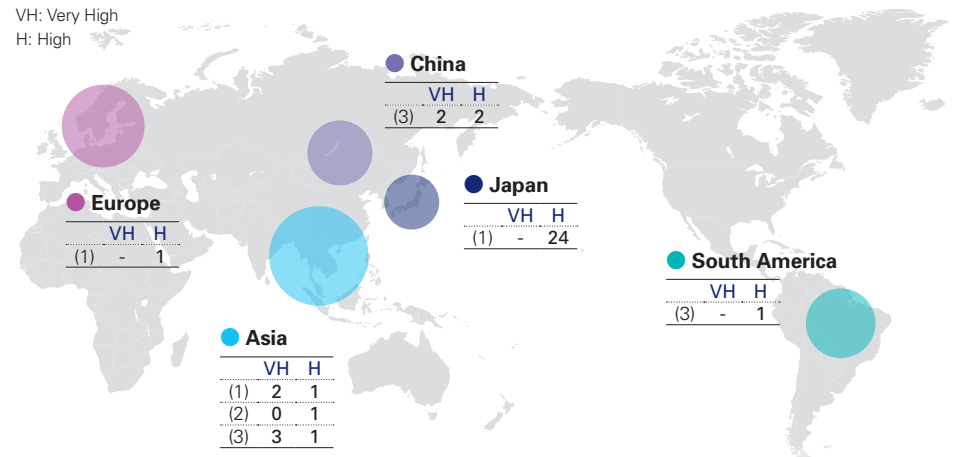
Item	Tool	Index
(1) Biodiversity importance	IBAT	Proximity to areas with high biodiversity importance (KBA, Natura2000, World Heritage, Ramsar, UNESCO MAB, IUCN Management Ia-IV), within a 5 km radius from the site
(2) Ecosystem integrity	WWF Biodiversity Risk Filter	Ecosystem Condition
(3) Water stress	Aqueduct	Baseline water stress

IBAT: Integrated Biodiversity Assessment Tool: A tool developed by the United Nations Environment Programme (UNEP) for assessment of biodiversity risks

WWF Biodiversity Risk Filter: A tool developed by WWF to identify biodiversity risks and opportunities in the value chain

Aqueduct: A global tool developed by the Water Resources Institute to assess water risks in the area where the operation site is located from the perspectives of water quantity, water quality, regulations, and reputation

VH: Very High
H: High

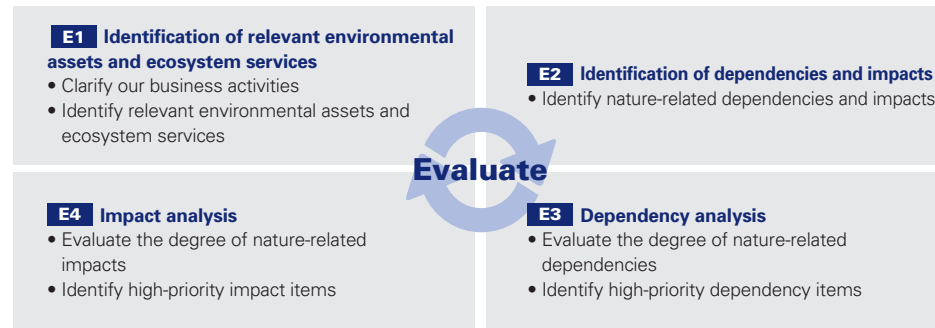


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E Evaluate dependencies and impacts

Understanding the changes in nature due to the ecosystem services and actions of the organization that depend on the place of activities is an important precondition for understanding the nature-related risks and opportunities. Therefore, in the Evaluate phase, it is identified how our business activities depend on and impact nature.

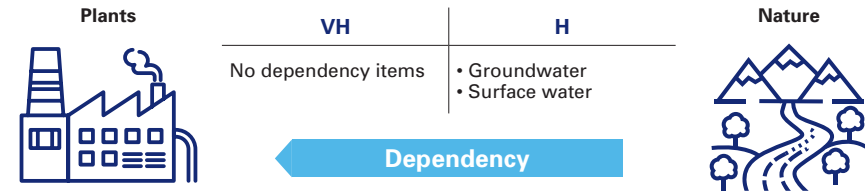
Perspectives for Evaluate



Dependencies at the sector level

We evaluate the ecosystem services on which the organization depends to function using ENCORE. There are roughly four types of ecosystem services: direct physical inputs (e.g., ground water), production processes (e.g., water quality), reduction of direct impacts (e.g., biological remediation), and protection from disturbance (e.g., climate regulations). We evaluated each of the detailed items related to these services. As a result of the evaluation, high-priority (H) dependency items were identified.

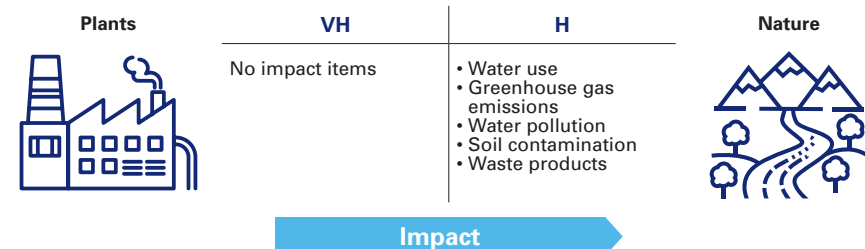
ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure, a tool developed by the World Conservation Monitoring Centre of the UN Environment Programme to assess risks related to biodiversity



Impacts at the sector level

We evaluate the impacts of the organization's actions on nature using ENCORE.

There are roughly five types of impacts: use and changes in use of the ecosystem (e.g., land, freshwater, and marine areas), exploitation of resources (e.g. freshwater area), climate change (e.g., GHG emissions), pollution (e.g., water quality), and alien species (e.g., disturbance). We evaluated each of the detailed items related to these impacts. As a result of the evaluation, high-priority (H) impact items were identified.



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A Assess material risks & opportunities

Based on the results of the Locate and Evaluate phases, we list up risks and opportunities and assess their qualitative materiality. The relationship between business and biodiversity varies depending on regional characteristics and the external environment, and accordingly the risks that actually arise also fluctuate greatly. Identifying material risks associated with the recent frequent occurrence of natural disasters and changes in political and economic situations enables us to promptly take countermeasures.

Perspectives for Assess

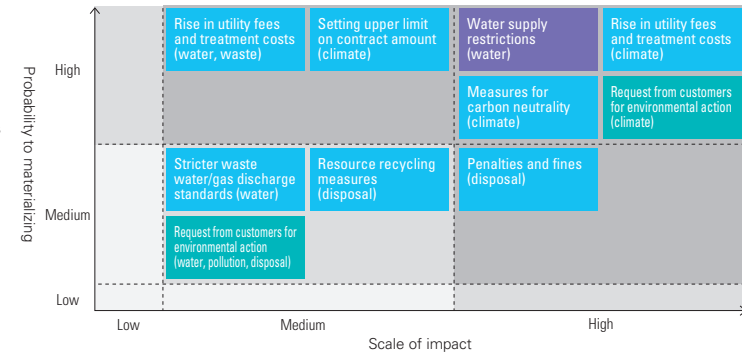


Materiality assessment of nature-related risks

For assessment of nature-related risks, we set the definition and the condition for occurrence. The definition is “potential threats brought to an organization in relation to dependencies and impacts of the organization and society on nature,” which are classified into two categories of physical risks and transition risks. The condition for occurrence is a situation where a business office or a value chain asset is located in a high-risk place and the place has dependencies and impacts on nature. We assessed materiality based on the two axes of the likelihood of occurrence and the scale of impact, and examined the priority level of each risk.

Risk

- Physical risks**
 - Acute
- Transition risks**
 - Regulatory
 - Markets

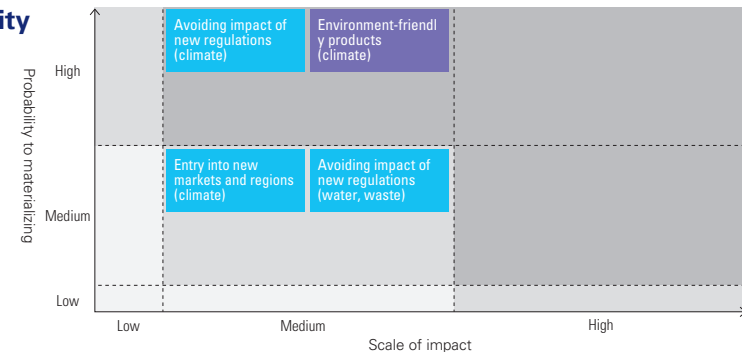


Materiality assessment of nature-related opportunities

For assessment of nature-related opportunities, we set the definition and the occurrence route. The definition is “activities that have a positive impact on nature or that produce positive results for the organization and nature by mitigating negative impact on nature.” The occurrence route is stopping loss of nature or promoting recovery from loss by strategically changing an organization, business model, or product. We assessed materiality based on the two axes of the likelihood of occurrence and the scale of impact, and examined the priority level of each opportunity.

Opportunity

- Market
- Products and services



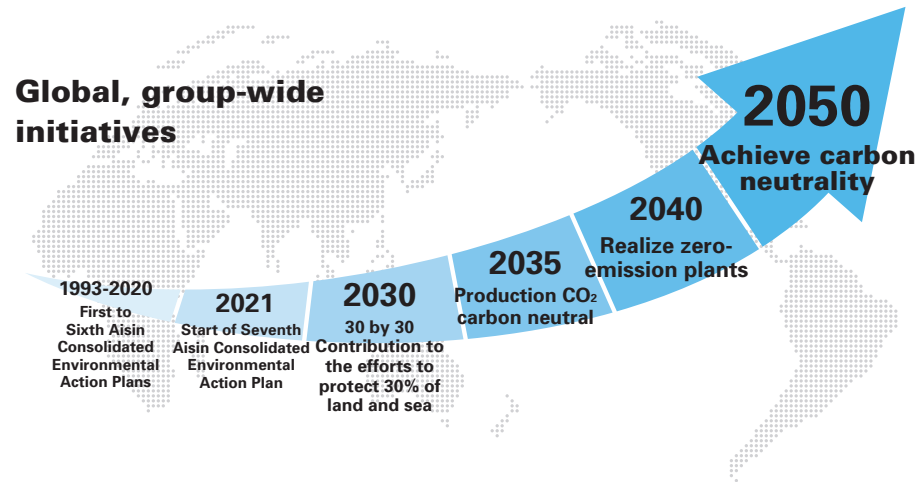
	Probability to materializing	Scale of impact
High	Within three years	Disruption or material financial impact
Medium	Within 10 years	Limited financial impact
Low	Within 30 years	Almost no financial impact

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P Prepare to respond and report

Aisin has already drawn its Vision for 2050. By backcasting from the vision, we have set quantitative and qualitative targets and started specific activities toward establishing a society in which people coexist with nature.

By conducting assessment using the LEAP approach based on TNFD for the first time, we were able to have a clear picture of the relationships between existing environmental activities and priority locations, high-priority dependency and impact items, and risks and opportunities. To share awareness with society, we aim to improve our environmental value by continuously conducting assessments.



Relationships between the Seventh AISIN Consolidated Environmental Action Plan (targeting FY2026) and risks & opportunities

	Indicators (target FY2026)	Risks identified	Opportunities identified
Foundation and nature	Environmentally abnormal cases ▶ Maintain zero cases by strengthening the foundation for environmental initiatives	Penalties and fines (disposal)	—
	Plants where people coexist with nature ▶ Realize at three sites	—	—
Decarbonization	CO ₂ emissions from production ▶ 25% reduction from FY2014 level	Measures for carbon neutrality (climate)	—
	CO ₂ emissions from product design ▶ 18% from FY2014 level	Rise in utility fees and treatment costs (climate)	Avoiding impact of new regulations (climate)
	Introduction rate of renewable energy ▶ FY2026 15% or more	Request from customers for environmental action (climate)	Environment-friendly products (climate)
Resource recycling	Amount of waste per sales ▶ Japan: 9% reduction from FY2014 level ▶ Overseas: FY2020 result level or below	Setting upper limit on contract amount (climate)	—
	Water volume per sales ▶ Global: 2.1% decrease from FY2019 level ▶ High-risk sites: 12.5% decrease from FY2019 level	Rise in utility fees and treatment costs (water, waste)	—
	Contribution to conservation of local water resources	Water supply restrictions (water)	—

This fiscal year, we employed the LEAP approach for businesses that have strong contact with or impact on nature. We were able to recognize the importance of steadily proceeding with what we can do now to solidify our footing, while making efforts from a long-term perspective, taking into consideration the relationship between corporations and nature. We will expand this initiative to all the global sites within the next three years.