

Biodiversity and Environmental Conservation Initiatives



Our Policy on Biodiversity

As stated in our Environmental Charter, MC recognizes the critical importance of natural capital, including biodiversity, and is committed to maintaining, protecting, and restoring it. We have positioned “Conserving and Effectively Utilizing Natural Capital,” including consideration of biodiversity, as part of our Materiality, which are issues for management to address in order for MC to achieve sustainable growth. Based on these policies and materiality analysis, MC analyzes its nature-related dependencies and impacts using the TNFD framework and strives to minimize negative impacts on its natural capital from its business activities. Natural capital issues are taken into account when reviewing and making decisions on loan and investment proposals.

Forests are regarded as one of the most important types of natural capital because of their vital role in preserving biodiversity as well as capturing and storing GHGs. Therefore, MC is working to reduce the deforestation impact of its activities to zero, including through the establishment of individual guidelines for each of the forest risk commodities we handle (palm oil, paper and wood) with the aim of ensuring that procurement of these commodities is not connected to deforestation.

In addition, we are engaged in environmental conservation projects such as the Global Coral Reef Conservation Project, the Forest Conservation Project, and the Rangeland Restoration Project as part of our initiatives to conserve biodiversity.

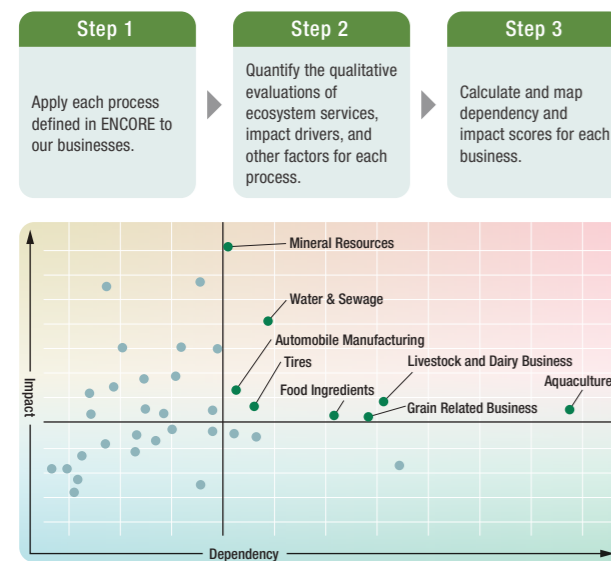
Identifying and Responding to Dependencies and Impacts on Nature Using the TNFD Beta Framework

MC conducted a trial analysis based on the beta version of the TNFD framework in FY2022, ahead of the release of the final framework. When conducting analyses under the TNFD framework, it is necessary to obtain detailed information on the natural environments surrounding each business site. We therefore split the analysis process into two phases. In Phase 1, we identified businesses with high levels of dependence and impact on nature, which allowed us to single out those businesses that needed to be analyzed in further detail. In Phase 2, the businesses selected during Phase 1 were analyzed on an individual basis.

Phase 1 Portfolio Analysis

We used ENCORE*, a tool recommended by the TNFD, to map the overall levels of dependence and impact on nature for each business. Both the analysis methods and the results obtained are described below. Please note that Phase 1 of the analysis did not take into account the location of each business or any environmental initiatives.

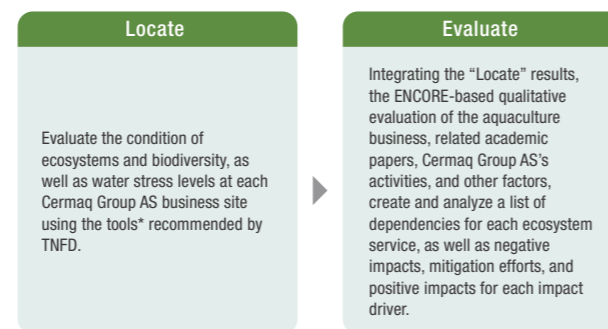
*A tool jointly developed by the UN Environment Programme and various international financial industry groups.



By using ENCORE to calculate the averages of environmental dependency and impact on nature across all processes, we were able to identify eight businesses with scores in these areas that were higher than the averages. The business with the highest dependence on nature was in the aquaculture business, while the business with the greatest environmental impacts was active in the mineral resources business.

Phase 2 Individual Business Analysis

Of the companies identified in Phase 1, we chose to analyze our salmon and trout farming business, Cermaq Group AS, which had the highest level of dependence on nature. This analysis was conducted in accordance with the TNFD’s Locate, Evaluate, Assess, and Prepare (LEAP) process. We began by focusing on the Locate and Evaluate steps of the process in an effort to gain a better understanding of Cermaq Group AS’s levels of dependence and impact on nature.



* Integrated Biodiversity Assessment Tool (IBAT) developed by organizations including the International Union for the Conservation of Nature (IUCN), and water stress assessment tools such as Aqeduct developed by the World Resources Institute (WRI)

The results obtained from this analysis allowed us to clarify some of Cermaq Group AS’s interactions with the environment, as well as its dependencies and impacts on nature. Going forward, we will work with Cermaq Group AS to analyze business risks and opportunities and consider responses to those risks and opportunities.

Environmental Conservation Projects

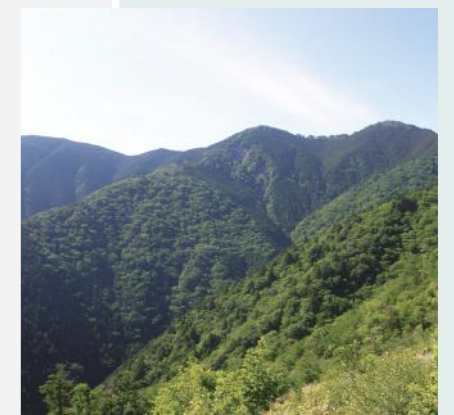
Global Coral Reef Conservation Project

In FY2005, MC started the Global Coral Reef Conservation Project in Okinawa with the goal of conserving coral reefs around the world. Today, the project is developing research for coral reef conservation from many different aspects in Okinawa as well as in Australia. In Japan, the Project is directed by Professor Yoshimi Suzuki from Shizuoka University’s Graduate School of Science and Technology, one of the country’s foremost authorities on coral research. The Project’s research focuses on the coral bleaching phenomenon and is conducted at Sesoko Station, which is operated by the University of the Ryukyus in Motobu, Okinawa. In addition, Professor Suzuki’s scientific paper summarizing his research received acclaim from many peers, and also received the Best Paper Award by the International Coral Reef Society. In FY2011, the Australian Institute of Marine Science began conducting research on coral reef diseases in the Great Barrier Reef. In particular, the project assesses the role of light, temperature, and water quality on the progression of black band disease, as well as any seasonal dynamics that may exist.



Forest Conservation Project: Mitsubishi Corporation Thousand Year Forest

MC carries out a forest conservation project in Aki City, Kochi Prefecture, the birthplace of Mitsubishi founder Yataro Iwasaki. MC entered into a forest conservation agreement with Aki, Kochi Prefecture and the Kochi Tobu Forestry Association with the aim of conserving natural environments in Japan, and collaborations have been ongoing since 2009. The area has been named the “Mitsubishi Corporation Thousand Year Forest” (also known as Yataro’s Forest) and consists of a 263-hectare expanse of forest, 143 hectares of which are owned by MC. Aside from conducting forest conservation activities to improve functions that serve the public interest such as water source conservation, the area is also being used as a place for carrying out environmental education and volunteer activities for MC employees. In March 2020, MC concluded an agreement with the Shikoku Regional Forest Office, Aki City, and the Kochi Tobu Forestry Association to introduce management in the Becchaku area of Yataro’s Forestry in line with the Shikoku Regional Forest Office’s policy of establishing “green corridors,” in an effort to conserve biodiversity.



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Natural Climate Solutions Project: Rangeland Restoration Project

In FY2022, MC launched Natural Climate Solutions (NCS) as a new initiative designed to address climate change by leveraging nature. There are various methods for NCS, and MC will focus on methods of preventing degradation and decline in rangelands, with the goal of preserving the amount of CO₂ absorbed by plants, and to prevent CO₂ stored in soil and vegetation from being released into the atmosphere. The activities will be carried out near Durban, South Africa, where the population is rapidly growing. Due to the increase in grazing caused by an increase in population, the amount of rangeland consisting of grasses and shrubs has begun to decrease. As a result, there are concerns about the decline in the amount of CO₂ absorbed and that the CO₂ stored in the soil will be released. In this project, MC will work together with Conservation International, an environmental NGO, to conserve rangeland in cooperation with local communities. At the same time, the project aims to improve the living standards of local residents by improving the quality of livestock farming and conserving water resources.



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