

## ■ Harmony with the natural environment (Preservation of biodiversity)

### Response to the Taskforce on Nature-related Financial Disclosures (TNFD)



Governance

Strategy

Risk and impact  
management

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#### Enhancement of disclosure with reference to the final TNFD Recommendations

The final TNFD\*<sup>1</sup> Recommendations were published in September 2023. The TNFD is an international initiative to develop a framework for disclosure of nature-related information by companies. The background to its establishment is the growing concern in the business community about responding to the negative impact on economic activities caused by the deterioration of the natural environment, including biodiversity, following on from climate-related issues. Accordingly, the Company has identified impact and dependencies on nature in its business activities and evaluated risks and opportunities with reference to the LEAP approach, developed by the TNFD as an integrated approach for assessing and managing nature-related issues, and the Final TNFD Recommendations v1.0. In this report, an icon is displayed at the top right of pages disclosing information with reference to the final TNFD Recommendations and applicable to each phase of the LEAP approach.

Furthermore, in June 2024, we joined the TNFD Forum\*<sup>2</sup> and registered as a TNFD Adopter\*<sup>3</sup>. We will actively disclose information, work to reduce business risks and create opportunities, and aim to resolve issues related to conservation of biodiversity.

\*<sup>1</sup> TNFD (Taskforce on Nature-related Financial Disclosures): An international organization that aims to establish a framework for private companies and financial institutions to appropriately assess and disclose risks and opportunities related to natural capital and biodiversity.

\*<sup>2</sup> An international organization that provides support for discussions of the TNFD as a stakeholder providing expert knowledge.

\*<sup>3</sup> Refers to a company that registers on the TNFD website its intention to adopt the TNFD Recommendations in disclosure. Registered companies are required to provide disclosure in line with the TNFD Recommendations in corporate reporting by the fiscal year ending in 2025.

#### Governance

Nature-related risks and opportunities are integrated into management related to “environment,” “human rights,” and “supply chain” with a unified governance system. Please see the following pages for details.



P010 [Environmental management](#)

P035 [Conducting procurement of timber surveys at our suppliers](#)

P037 [Preserving and planting greenery through community development projects to achieve nature positive](#)

P059 [Human rights management](#)

P092 [Response to rights of indigenous people](#)

#### Strategy

Recommended disclosures under Strategy	Daiwa House Group's disclosures	Page
Discussion of impacts and dependencies on nature	Daiwa House Group's impacts and dependencies on nature (heat map)	P041
Discussion of nature-related risks and opportunities and their impact on business, etc.	List of risks (details of risks and action policy)	P042
	List of opportunities (details of opportunities and action policy)	P043
Discussion of priority areas	Consideration of priority areas for biodiversity impact assessments, timber procurement surveys, and water risk assessments.	P044

#### Risk Identification Process

We ascertained the Group's impacts and dependencies on nature throughout the supply chain and identified risks through the process described below.

##### STEP 1

We organized the linkages of the Daiwa House Group's business with GICS production processes (36 production process classifications were applicable).



##### STEP 2

Using ENCORE, a tool developed by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and others, we evaluated the dependencies and impacts of the above production processes on the natural environment and identified those that are “Very High” and “High.”



##### STEP 3

To ensure the comprehensiveness of risks, among the items rated as less than “High” in ENCORE, we referred to the guidelines for built environment systems, energy systems, and the forest products sector in the *Roadmaps to Nature Positive* issued by the WBCSD\*, which are related to our Group's business, and considered additional risks for items rated as “Very High” or “High.”



##### STEP 4

From among the “Very High” and “High” items (approximately 160 items), we narrowed down the important items (54 items) from the perspectives of business scale, position in the medium-term management plan, and business activities at the Group. After examining the risks of these items, we grouped similar items (7 items) together based on the type and content of the risks.



##### STEP 5

We classified these risks into those arising from “transition” and those arising from “physical changes,” and examined action policies after analyzing the duration and extent of impact for each of them. We confirmed that the action policies are consistent with our environmental action plan Endless Green Program 2026.

\* World Business Council for Sustainable Development: A global business organization that seeks sustainable development.

#### Roadmaps to Nature Positive

- Built environment system [The Roadmap to Nature Positive: Foundations for the built environment system](#)
- Energy systems [Roadmap to Nature Positive: Foundations for the energy system](#)
- Forest products sector [Forest Sector Nature-Positive Roadmap](#)

#### Global Industry Classification Standard (GICS)

[GICS® | S&P Dow Jones Index \(spglobal.com\)](#)

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#### Daiwa House Group's Impacts and Dependencies on Nature

Using ENCORE, a tool developed by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and others to assess the scale of a company's impacts and dependencies on nature, we identified the Daiwa House Group's dependencies and impacts on the natural environment. We organized the impacts and dependencies at each stage of business operations and the value chain in the form of a heatmap.

#### Tendencies in Daiwa House Group's Business as Interpreted from the ENCORE-derived Heatmap

##### ■ Impacts

Impact drivers with major effects caused by Daiwa House Group's business operations are ecosystem use (terrestrial/freshwater/marine) and water use.

- Impacts on terrestrial ecosystem use are particularly high in the construction, real estate, and environment and energy businesses.
- Impacts on water use are particularly high in the environment and energy business.

##### ■ Dependencies

Ecosystem services on which Daiwa House Group has major dependencies are groundwater, surface water, and climate regulation.

- Dependencies on ground water and surface water are particularly high in the procurement stage of construction and real estate.
- Dependencies on surface water and climate regulation are particularly high in the environment and energy business.

																			VH	Very High	H	High	M	Medium	L	Low	VL	Very Low	NA	Not applicable
Business	Value chain	Sub-industry (reference ENCORE)	Impacts										Dependencies																	
			Changes due to use of terrestrial, freshwater, and seawater			Utilization/ complementation of resources	Climate change	Pollution/removal of pollution				Direct use			Control of production processes	Disaster control														
			Terrestrial ecosystem use	Freshwater ecosystem use	Marine ecosystem use	Water use	GHG emissions	Non-GHG air pollutants	Water pollutants	Solid waste	Soil contaminants	Disturbances	Genetic materials	Ground water	Surface water	Water flow maintenance	Climate regulation	Flood and storm protection	Mass stabilization and erosion control											
Construction and Real Estate	Procurement	Construction materials (cement, concrete, brick, plaster, etc.)	VH	H	H	H	H	M	M	H	NA	H	NA	VH	VH	NA	NA	NA	NA											
		Timber	H	NA	NA	NA	H	NA	H	NA	H	NA	NA	H	VH	M	NA	M	L											
		Glass	NA	NA	NA	VH	H	H	H	L	NA	NA	NA	M	M	M	NA	NA	NA											
		Steel	NA	NA	NA	H	H	NA	NA	H	NA	NA	NA	M	M	M	VL	NA	L											
	Manufacturing	Manufacturing	NA	NA	NA	H	H	M	H	H	H	M	NA	M	M	M	VL	M	VL											
		Construction	Single-family housing, rental housing	VH	H	NA	H	H	H	M	H	M	H	NA	VL	VL	NA	NA	NA	NA										
	Office buildings, commercial buildings		VH	H	VH	H	H	H	M	M	H	H	NA	NA	NA	NA	NA	NA	M											
	Operation		Environmental and facility services	NA	NA	NA	NA	NA	NA	NA	M	NA	NA	NA	M	M	M	H	H	M										
		Infrastructure maintenance services	M	NA	NA	H	H	L	L	NA	L	NA	NA	NA	NA	M	M	H	NA											
		Real estate services	VH	NA	NA	NA	H	M	M	H	M	NA	NA	M	H	NA	NA	VL	L											
Environment and Energy Business	—	Biomass power	NA	NA	NA	H	H	H	H	H	NA	NA	VH	M	M	M	VL	M	L											
		Hydroelectric power	VH	VH	NA	VH	H	NA	H	NA	H	NA	NA	M	VH	VH	VH	H	H											
		Thermal Power	NA	H	NA	VH	H	H	M	H	M	H	NA	M	VH	M	VL	M	L											
		Solar power	VH	NA	NA	VH	NA	NA	L	NA	L	NA	NA	VL	VL	NA	VH	M	M											
		Wind power	H	M	H	NA	NA	NA	L	NA	L	M	NA	NA	NA	NA	VH	M	M											
Other	—	Hotels and resorts	NA	NA	NA	NA	NA	NA	NA	M	NA	NA	M	H	H	NA	M	M	L											
		(Commercial facility) infrastructure holdings	NA	NA	NA	H	NA	M	H	M	H	NA	NA	NA	NA	NA	NA	NA	L											
		Leisure facilities	NA	NA	NA	NA	NA	NA	NA	M	NA	NA	NA	M	H	NA	NA	M	L											
		Land transportation	NA	NA	NA	H	H	M	H	H	H	M	NA	M	M	M	VL	M	VL											
		Healthcare facilities	NA	NA	NA	NA	H	NA	M	M	M	NA	NA	M	M	NA	NA	NA	L											

\* The heatmap does not show production processes that apply to all the Group's businesses. Some production processes are omitted for such reasons as the absence of "VH" and "H" entries for impacts and dependencies in ENCORE. There are also some omissions related to the types of impacts and dependencies.

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Governance	Strategy	Risk and impact management	Metrics and targets
L	E	A	P

#### List of Risks

Based on the Group's impacts and dependencies on nature, we considered the anticipated risks after referring to information on the external environment such as related social trends. We also took into consideration the significance of risks for the Group's business, and the risks we identified are as follows.

#### ■ List of Risks

Period: Short: less than 1 year; Medium: over 1 year but less than 5 years; Long: over 5 years Degree: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion

Type	Details	Period	Degree	Response	Pages for details
Transitions	<b>Increase in cost of countermeasures due to stronger regulations under Japan's Soil Contamination Countermeasures Act</b> Most of the development and contracting projects undertaken by the Group involve excavation, so we constantly face the risk of soil contamination. If laws and regulations concerning soil contamination are strengthened, the cost of countermeasures will increase. This could lead to a decline in feasibility in the development business and lower profit margins in the contracting business.	Short term	Small	When purchasing land for sale, the Company conducts a land history investigation of all properties before purchase as a rule. If a risk of contamination is determined, we have a system for implementing contamination countermeasures after conducting a soil survey and the costs are borne by the party responsible for the contamination or the seller as a rule. In addition, we conduct risk assessment in contracted work and work to prevent the spread of soil contamination by verifying the place of origin and conducting quality inspections of soil brought onto the site and implementing thorough soil surveys and appropriate disposal of soil taken off the site.	P057
	<b>Increase in cost of countermeasures due to stronger development regulations and greening regulations</b> Most of the development and contracting projects undertaken by the Group involve the alteration of the natural environment. If regulations concerning environmental assessments at the time of development or the quantity and quality of greening at the time of completion are strengthened, the cost of countermeasures will increase. This could lead to a decline in feasibility in the development business and lower profit margins in the contracting business.	Long term	Medium	The Company has established the Biodiversity Guideline [Development & Community Creation] and promotes consideration for biodiversity in development projects on sites with an area of 3,000m <sup>2</sup> or more using the guideline and its own checklist referencing ABINC certification. Moreover, in both development and contracting projects, we strive to ensure greening that exceeds legal standards in areas with green space regulations, and we also set quantitative targets for the use of indigenous species that take into consideration the local ecosystem.	P037
	<b>Decline in business opportunities due to stronger development regulations related to solar power</b> In the development and construction of solar power projects, many of which Group is also involved in, there are growing concerns among residents and others about the alteration of the natural environment and changes to the landscape. If areas not permitting solar power facilities are expanded or environmental assessment and other obligations are imposed, it could lead to a loss of business opportunities and a decline in business feasibility.	Short term	Small	The Group not only complies with ordinances regulating the installation of solar power plants currently enforced by over 200 local governments, but also takes voluntary measures in developments outside of the regulated areas based on the concerns of the local governments and residents that are identified by addressing the regulations. In addition, we work to collect information on the establishment of ordinances at an early stage through our nationwide sales offices and respond before such ordinances are established and enforced, thereby gaining business opportunities and improving the precision of our business plans.	—
Reputation	<b>Damage to reputation due to growing concerns about deforestation</b> There is extensive use of timber in the structural materials and interior materials for the buildings supplied by the Group. Moreover, wood pellets are used at some of the power plants operated by the Group. There are growing concerns about deforestation and human rights abuses in the places where timber originates. Therefore, unless the Group engages in sustainable procurement of timber, its reputation could be damaged, which could lead to boycotts and a decrease in sales.	Medium term	Small	The Group conducts an annual survey on timber procurement and pursues a decrease in timber produced in high-risk areas and timber for which legal compliance and sustainability cannot be confirmed. We are also implementing our zero deforestation policy in the supply chain with the establishment of numerical targets. In addition, at biomass power plants operated by the Group, we will utilize various certification systems based on our Biodiversity Guideline [Timber Procurement], while verifying the legal compliance and sustainability of the wood pellets we procure. Based on this, will also strive to ascertain the reputational risk related to wood pellets by engaging in dialogue with other companies in the industry and NGOs.	P035, 036
Physical changes	<b>Decrease in timber supply due to climate change, increase in forest fires, and water shortages, etc.</b> There is extensive use of timber in the structural materials and interior materials for the buildings supplied by the Group. If there is a decrease in the supply of timber due to climate change, an increase in forest fires, water shortages, and other factors, stable procurement of timber may become difficult, which could lead to an increase in procurement costs.	Long term	Small	The Group has established the Biodiversity Guideline [Timber Procurement], conducts an annual survey of suppliers addressing timber procurement to identify the origin of the timber procured, and implements water risk assessments. Based on this, we avoid high risk areas for human rights and legal compliance in conducting procurement and promote the utilization of lower risk Japanese domestic timber for some components such as the main structural materials for wooden housing.	P035, 036
	<b>Decrease in production capacity at production sites and decline in quality of services at operated facilities due to water shortages, etc.</b> Some of the processes involved in the manufacture of materials essential for the buildings the Group supplies use large amounts of water. In addition, some of the facilities operated by the Group provide services that involve the use of water. If withdrawal of water is restricted due to water shortages or a drop in the water table, production capacity at the plants of the Group and its suppliers may decrease and hotels, sports facilities, golf courses and other facilities operated by the Group may be forced to reduce the scale or quality of services such as provision of bathing facilities and watering grass.	Long term	Small	The Group's factories have established targets for reducing water use and have been taking ongoing reduction measures. We conduct annual surveys of water withdrawal and wastewater volumes at our major suppliers. For suppliers with particularly high water use, we are checking whether they have established water use reduction targets and we will request that they establish such targets in the future. The Group's facilities are working to reduce water use by installing water-saving equipment when new facilities are built. In addition, in 19 sectors where water use exceeds 10,000m <sup>3</sup> a year, management plans have been formulated in accordance with water stress at each facility to monitor water withdrawal, wastewater, and reuse volumes, while also setting reduction targets and implementing measures.	P051, 052
	<b>Delays in production due to inundation of production sites caused by flooding or storms, etc.</b> The Group and its suppliers have production plants in and outside Japan. If the impact of flooding and storms increases due to changes in the natural environment and inundation of these plants increases, it could lead to delays in the procurement of materials or the period of construction.	Short term	Small	At the Group's factories, risk surveys by specialist agencies have been conducted to identify water risk. In addition to taking both hard and soft countermeasures, we are working to establish monitoring systems using sensors. For our major suppliers, we conduct an annual survey of water risk to check on the implementation of flood control measures. We have established a business continuity plan (BCP) for our manufacturing companies in preparation for responding to an emergency.	P051, 052

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Governance	Strategy	Risk and impact management	Metrics and targets
L	E	A	P

#### List of Opportunities

Based on the Group's impacts and dependencies on nature, we considered the anticipated opportunities after referring to information on the external environment such as related social trends. We also took into consideration the significance of opportunities for the Group's business, and the opportunities we identified are as follows.

#### ■ List of Opportunities

Period: Short: less than 1 year; Medium: over 1 year but less than 5 years; Long: over 5 years Degree: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion

Type	Details	Period	Degree	Response	Pages for details
Business opportunities	<b>Products and services</b> <b>Increase in unit prices per building for exterior work and increase in demand for green space projects due to growing need for greening</b> The development and contracting projects undertaken by the Group generally include exterior work along with work on the main building. If clients have a growing need for greening due to stronger regulations on green spaces and greater awareness of the natural environment, it could lead to an increase in sales because of an expansion in the area of green spaces and an increase in related work. Demand for specialized greening such as rooftop and wall greening is also expected to increase, which could lead to the expansion of our environmental greening business, which handles such projects.	Medium term	Medium	When the Group proposes exterior greening and planting plans to clients, we recommend that at least half of trees (tall trees and shrubs) we plant be indigenous species suitable to the nature of each region under the slogan "Let's keep green." Each business division sets targets for the percentage of properties where indigenous species account for 50% of plantings, monitors performance quarterly, and promotes initiatives. In addition, Daiwa Lease, a Group company, has established an environmental greening business to promote ongoing technological development related to rooftop and wall greening and offer proposals, mainly to companies in Japan, with "Green changes everything in cities" as its theme.	P037
	<b>Increase in demand for buildings using sustainable timber</b> There is extensive use of timber in the structural materials and interior materials for the buildings supplied by the Group. If the need to use timber supplied from sustainable forests increases because of stronger regulations due to worsening deforestation and growing interest in the traceability of timber, it could lead to an expansion in demand for buildings where such measures are implemented.	Medium term	Small	The Group conducts an annual survey of suppliers addressing timber procurement to confirm legal compliance and sustainability and pursues a decrease in timber produced in high-risk areas and timber for which legal compliance and sustainability cannot be confirmed. We have declared our commitment to achieving zero deforestation and we are expanding this commitment to our suppliers. We aim to share our policy with more than 90% of our suppliers by fiscal 2026.	P035, 036
	<b>Increase in unit price per building due to installation of higher performance water-saving equipment</b> The buildings supplied by the Group include a variety of water-related equipment, such as toilets, bathrooms, and faucets. If clients have a growing need for water saving because of stronger regulations due to water shortages, etc., and greater awareness of the natural environment, it could lead to an increase in client satisfaction and unit price per building as we offer proposals for the installation of higher value-added water-saving equipment.	Long term	Small	The Group has a policy to "install water-saving equipment in all buildings and locations," not only in residential buildings themselves, but also in buildings that are for residential uses, including hotels and nursing care homes. Each business division sets targets for the percentage of installation, monitors performance quarterly, and promotes initiatives. We are also working to deploy more efficient water-saving equipment in-house by co-sponsoring in-company exhibitions and study sessions by manufacturers.	P051, 052
	<b>Markets</b> <b>Creation of market for non-residential wood buildings</b> In Japan, the prevalence of non-residential wood buildings is limited, due in part to structural and fire resistance regulations. In these circumstances, there is growing anticipation about the promotion of non-residential wood construction, with a view to revitalizing the domestic forestry industry and contributing to decarbonization and preservation of biodiversity. This could lead to new business opportunities for the Group, which has mainly handled steel-framed construction.	Medium term	Medium	In 2023, the Company established the wood structure and interiors construction business as a new area of focus and launched the Future with Wood Project as a new company-wide business. We are looking into strengthening our proposals for wood structure and interiors for relatively small-scale buildings with a total floor area of less than 3,000m <sup>2</sup> , with a focus on offices, stores, and nursing care homes.	—
Nature conservation opportunities	<b>Sustainable use of natural resources</b> <b>Reduction in use of natural resources due to extended service life and reuse of buildings</b> Generally, in the buildings supplied by the Group, a large amount of resources are used when they are newly constructed, and a great deal of waste is disposed of when they are demolished after a long period of use. Therefore, working to extend the service life of buildings and reusing buildings themselves before considering the recycling of parts and materials after demolition could lead to a reduction in the use of virgin resources and the sustainable use of natural resources.	Short term	—	The Group develops housing that can be lived in over the long term. We have set targets on the number of buildings for which we will extend service life in the residential and rental housing businesses and offer proposals for warranty extension work while monitoring performance quarterly and promoting initiatives to extend the service life of buildings. In addition, in May 2024 we launched BIZ Livness, a new brand, to expand the real estate stock business in the non-residential sector, including business and commercial facilities. The new brand will promote the regeneration and utilization of existing buildings, such as purchase and resale or renovation of existing facilities, including properties built by other companies.	P048
	<b>Expansion of green spaces due to greening proposals that consider indigenous species and ecosystems</b> Most of the development and contracting projects undertaken by the Group are in urban areas, and loss of biodiversity is a common issue in such urban areas. In these circumstances, the Group can contribute to the creation of local ecosystem networks in its development and contracting projects by ensuring the amount of greenery complies with laws and regulations and actively adopting indigenous species.	Medium term	—	The recommends that at least half of trees (tall trees and shrubs) we plant be indigenous species suitable to the nature of each region under the slogan "Let's keep green." We have set a target to increase the area covered by ecosystem-friendly green spaces by 2 million m <sup>2</sup> by 2030 across all our projects. Each business division set targets for the percentage of properties where indigenous species account for at least 50% of plantings, monitors performance quarterly, and promotes initiatives.	P037
	<b>Protection of ecosystems</b> <b>Conservation of biodiversity on Company-owned land and at Company facilities</b> Some of the sites owned by the Group are included in nature conservation areas. There are also other sites which are significant for conservation of biodiversity, including sites where agreements have been concluded with surrounding local governments. The Group can contribute to the creation of local ecosystem networks by continually working to conserve ecosystems and upgrading the level of management at such sites.	Medium term	—	The Group conducts surveys concerning biodiversity at all of its facilities. After identifying sites with a certain percentage of green spaces or management rights, we designate significant sites for biodiversity with reference to national standards (certification standards for Natural Symbiosis Sites). At some of these significant sites, we score the status of management and conservation utilizing a checklist with reference to ABINC certification. We are also formulating and implementing protection and management plans and aim to formulate and implement such plans for all significant sites by fiscal 2026.	P037



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#### Risk and impact management

The Group has established a Long-Term Environmental Vision and the Endless Green Program (EGP) environmental action plan, adopting “Harmony with the natural environment (Preservation of biodiversity)” as one of its four environmental themes, and is implementing initiatives accordingly. As the EGP is an important matter related to environmental management, it is subject to reporting to the Board of Directors. Once a year, the Group Environmental Promotion Committee reports on progress to the Board of Directors and strategies, targets, and plans are reviewed as appropriate.

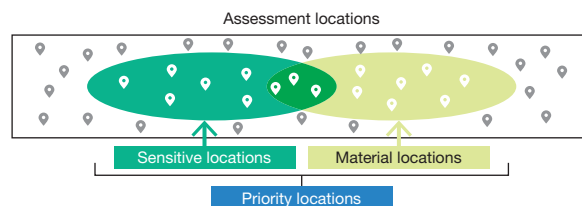
Moreover, the Business Investments Committee evaluates and deliberates on the feasibility and environment-related risks of important real estate development projects and other business investments at the Company.

P010 Environmental management

P103 Deliberation by Business Investments Committee

#### Management Process for the Main Important Risks and Opportunities

We specify priority locations for high-priority nature-related risks and identify and manage detailed risks.



Assessment locations: All geographic locations of the organization's direct operations, upstream, and downstream

Sensitive locations: Areas where the organization's direct operations and assets/activities in upstream and downstream value chains come into contact with nature in areas considered ecologically sensitive

Material locations: Areas where the organization has identified important nature-related dependencies, impacts, risks, and opportunities

#### Management Process for Main Risks

##### (1) Group facilities | Biodiversity impact assessment

We conduct primary screening at sites (assessment locations) within premises owned by the Group to understand which sites should be assessed for biodiversity impact, and we identify

significant sites (sensitive locations).

At present, four of the significant sites have formulated a biodiversity protection and management plan. Going forward, we will continue to formulate management plans that balance business operations and biodiversity conservation at all significant sites, and conduct monitoring based on the management plans.

■ Assessment locations: 69 ■ Priority locations: 35

P039 Status of the Group's facilities

##### (2) Group facilities | Water risk assessment

We assess the level of water stress in areas where Group facilities are located using WRI Aqueduct.

For Group facilities that use a lot of water, have the potential to use hazardous chemicals, and discharge into areas of public water, we use the WWF-DEG Water Risk Filter to examine the regional characteristics and risk responses of each facility.

■ Assessment locations:

All aggregation locations for water usage in the EGP

■ Priority locations:

Facilities that use a lot of water, have the potential to use hazardous chemicals, and discharge into areas of public water — Factories, golf courses, and Hibikinada Thermal Power Station\*1  
Facilities that use a lot of water in water-stressed areas — 2 sites (Thai production factory and hotel in Mexico)\*2

\*1 Results of assessment confirmed that factories and golf courses in Japan are low risk. Hibikinada Thermal Power Station is still being assessed.

\*2 They are classed as water-stressed areas from the fiscal 2023 survey. We will strive to use water more efficiently and examine the setting of targets in the future.

P150 Environmental Data Results of Comprehensive Water Risk Assessment at Group Facilities

##### (3) Supply chain | Timber procurement assessment

We conduct an annual survey of timber procurement based on the Group's independent assessment criteria, and we categorize timber into ranks SSS, SS, S or C. We use risk assessment tools to ascertain source-country risk status (legal compliance, biodiversity, human rights, etc.).

We have set numerical targets and are implementing initiatives to reduce the rate of C-ranked timber with risk of deforestation. We have also taken measures which include requiring suppliers of C-ranked timber to submit an improvement plan aimed at sustainably harvested timber, in addition to thoroughly checking the timber's public documents and switching sources to low risk areas.

■ Assessment locations:

24 source-countries for timber procurement

■ Priority locations:

High risk areas — Sarawak in Malaysia, Tasmania in Australia, Russia\*

Areas with large volume of procurement — China, Southeast Asia

\* Russian hardwood

P035 Conducting procurement of timber surveys at our suppliers

##### (4) Supply chain | Water risk assessment

We conduct surveys of water risk at the factories of the Group's major suppliers because of the increase in water risks such as heavy rain, flooding, and drought cause by the impact of climate change.

We also conduct assessments for timber, which is our main raw material, based on the water risk level and procurement volume of the country of origin.

P150 Environmental Data Water risk assessment results in timber-producing countries

#### Management Process for Main Opportunities

##### (1) Products | Expansion of the area of ecosystem-friendly green spaces

The Group recommends that at least half of trees (tall trees and shrubs) we plant be indigenous species suitable to the nature of each region under the slogan “Let's keep green.” We have set a target to increase the area covered by ecosystem-friendly green spaces by 2 million m<sup>2</sup> by 2030 across all our projects. Each business division set targets for the percentage of properties where indigenous species account for at least 50% of plantings, monitors performance quarterly, and promotes initiatives.

P037 Planting greenery of indigenous species to achieve nature positive

##### (2) Products | Use of voluntary standards checklist for development projects

In the Group's large-scale development projects, we use a voluntary checklist to quantitatively evaluate biodiversity activities with reference to six considerations based on our Biodiversity Guideline [Development & Community Creation] and ABINC certification. We carry out at least a certain level of initiatives based on the voluntary standards from development planning through to completion.

P037 Voluntary standards checklist for development projects

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#### Metrics and Targets

The Group has formulated the following targets on nature-related dependencies and impacts.

Stage	Management indicator	FY2023 results	FY2026 targets	FY2030 targets	Related pages
Procurement	Rate of C-ranked timber in procurement	1.0%	0%	0%	P141
	Setting rate of zero deforestation policy (primary suppliers/secondary suppliers and beyond)	45.6%   2.6%	90%   50%	100%   100%	P141
	Implementation rate of water risk surveys by principal suppliers	93.9%	100%	Completing response to water risks	P150
Business activities	Rate of formulation and implementation of protection and management plans of significant sites within premises of the company's facilities	11.4%	100%	100%	P143
	Water consumption reduction rate (per unit of sales) vs FY2012	-42.3%	-45%	-45%	P148
	Rate of replacement of plastic goods for distribution (offices, etc.)	Daiwa House Industry: 90.9%   All Group: 92.6%	100%	100%	P143
	Recycling rate of waste plastics material (Manufacturing)	21.6%	30%	—*	P144
	Reduction rate of amenities that are plastic-containing products specified in law (hotels) vs FY2021	-8.2%	-50%	—*	P145
	Recycling rate of amenities that are plastic-containing products specified in law (hotels)	0.03%	50%	100%	P145
	Eco-friendly surface area of green spaces (cumulative) vs FY2021	+ 464,000m <sup>2</sup>	+ 1,000,000m <sup>2</sup>	+ 2,000,000m <sup>2</sup>	P142
Products and services	Water-saving device adoption rate (housing and hotels)	98.3%	99%	100%	P148
	Number of assets subject to effective use	3,289	3,100	—*	P144
	Number of buildings subject to durability extension	8,929	7,150	—*	P144

\* To be formulated in fiscal 2026

#### Challenges for the Future

In the procurement of timber, there is a need to extend the scope of assessment to concrete formwork, fittings, and wallpaper. In addition, we will work to roll out our zero deforestation policy throughout the supply chain. Verification of traceability for procurement of materials such as gravel is also a challenge for the future.

With regard to water risk, due to concerns about an increase in the number of sites in water-stressed areas with the expansion of our overseas sites, we will strengthen our flood prevention measures in areas with high water risk and decentralize our sites of operation. In addition, at present we establish our own targets, but we will consider establishing targets based on the SBTs for Nature v1 guidance going forward.

In terms of expanding the area of ecosystem-friendly green spaces, we aim to take nature-positive action and we are promoting greening using indigenous species. However, verification of outcomes is an issue. In addition, we believe that the identification of significant sites within premises of the Group's facilities will necessitate surveys at our overseas sites, the number of which is expected to increase in the future.

An issue for disclosure is the further refinement of the Group's risks and opportunities. We need to closely examine the main risks and opportunities for the Group while looking at the synergies and trade-offs with TCFD. Moreover, as a method of calculation has not been established for calculating the level of impact of risks and opportunities, we will move forward with considerations that take account of the business characteristics and other features of the Group.

#### Expert opinion

First, I commend Daiwa House Industry for meeting the challenge of TNFD disclosure at an early stage. I note it was only possible to provide the disclosure content because the Company had already established a zero deforestation policy under its Endless Green Program, which has several initiatives, of which timber procurement is the most advanced. The content of the report can be described as a response to nature-related risks and opportunities that is exactly in line with the mitigation hierarchy that the TNFD focuses on.

On the other hand, the essence of TNFD disclosure is to move toward nature-positive business operations. After identifying nature-related risks and dependencies in general using ENCORE and other tools, the Daiwa House Group must focus more on understanding its points of contact with nature in light of its own business characteristics. Ensuring traceability not only in direct operations but also by looking at the overall value chain and adopting the LEAP approach is an effective way to analyze impacts and materiality in detail, which is the first step to becoming a nature-positive business.

I look forward to continued improvement in the quality of both your environmental initiatives and TNFD disclosures, as well as your creation of case studies to serve as references for other companies.



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