

## Climate Change (response to TCFD recommendations)

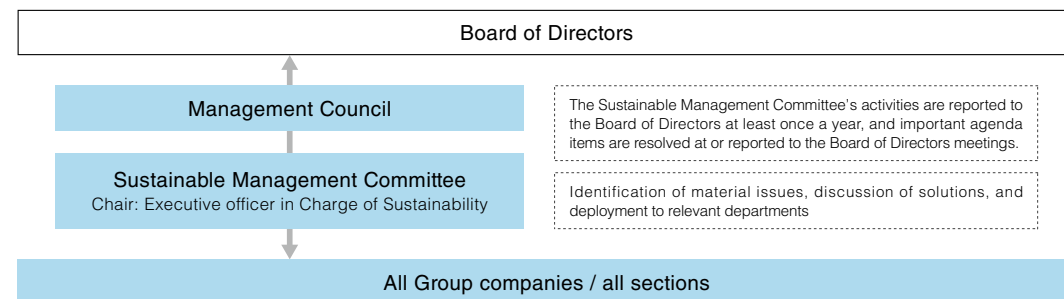
In December 2021, the Sanyo Chemical Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We will disclose information in accordance with the TCFD's four recommended disclosure items: governance, strategy, risk management, and metrics and targets. We will also evaluate the impact of risks and opportunities on financial indicators based on timeframe and reflect this in our corporate strategy. Since FY2017, the Group has steadily reduced its CO<sub>2</sub> emissions based on government policy. Our Sustainability Action Plan targets a 50% reduction in CO<sub>2</sub> emissions by 2030 (compared to FY2013) and carbon neutrality by 2050, and we are actively working toward this goal across the Group. By fulfilling our responsibility as a chemical manufacturer to develop products that contribute to reducing CO<sub>2</sub> emissions not only within the Group but across the supply chain, we also contribute to realizing a sustainable society while enhancing our corporate value.

### Governance

Climate change governance is embedded in sustainability governance. In FY2024, the Sustainable

Management Committee met three times and reported on climate change initiatives twice.

#### ► System and roles to promote response to TCFD recommendations



### Strategy

In formulating its climate change strategy, the Group conducts scenario analysis in line with the TCFD recommendations. In addition to the 1.5°C scenario, which realizes a transition to a decarbonized society, we have selected the 4°C scenario, which prioritizes global economic growth.

#### Scenario concept

**1.5°C scenario** A decarbonization transition scenario that limits the rise in global average temperature to 1.5°C and curbs climate change

(Reference) International Energy Agency's long-term outlook: "Net Zero Emissions by 2050"

**4°C scenario** An economic growth scenario in which the global average temperature rises by 4°C and climate change progresses

(Reference) Intergovernmental Panel on Climate Change's Sixth Assessment Report (IPCC AR6) "SSP5-8.5"

World anticipated in the 1.5°C scenario	<b>Top priority placed on the realization of a decarbonized society, and implementation of an ambitious climate change policy</b> <ul style="list-style-type: none"> <li>Significant increase in the carbon tax rate</li> <li>Ban on sales of internal combustion engines (ICE), shift to electric vehicles (EV)</li> <li>Decarbonization of energy and raw materials</li> <li>Mainstreaming of renewable energy</li> <li>Chemical production from recycled materials, biomass, and CO<sub>2</sub>-derived raw materials</li> <li>Increasingly severe natural disasters</li> </ul>
World anticipated in the 4°C scenario	<b>Top priority placed on fossil fuel-dependent economic growth with no additional climate change measures</b> <ul style="list-style-type: none"> <li>Increasing demand for fossil energy and raw materials</li> <li>Active free trade and international investment</li> <li>Increasingly serious natural disasters due to abnormal weather</li> </ul>

### Risk management

We are considering the Group's response measures from various perspectives to the impact of climate change on risks and opportunities based on the scenarios. Since conducting scenario analysis in FY2022, we have continued to refine it, and in FY2024, we conducted a quantitative analysis to select risks

and opportunities and assess their impact by taking into account the timeframe. We have listed the risks and opportunities common to all businesses as well as those specific to each business. The timeframe refers to the timing of the risks and opportunities and when they have an impact and is classified as long-term, medium-term, and short-term. The impact assessment classifies the financial impact as high, intermediate, or low.

#### ► Measures to address climate change-related risks and opportunities common to all businesses

Classification	Scenario	Climate change classification	Impact of climate change	Timeframe	Impact assessment	Countermeasure
Risk	1.5°C	Policy regulation	Carbon tax hike	Medium-to long-term	High	● Introduction of cogeneration and solar power generation
			Energy-saving and low-carbon regulations	Medium-to long-term	Intermediate	● Product development using recycled raw materials
			Loss of market share due to regulatory changes in export regions	Medium-term	High	● Early regulatory response in cooperation with external organizations
		Policy	Relocation or withdrawal of production bases due to changes in national policy	Short-term	High	● Review of production bases
			Increase in demand for recyclable products	Medium-to long-term	High	● Product development using recycled materials
		Technology	Environmental contribution	Medium-to long-term	High	● Product development using recycled materials
	4°C	Market	Fragmentation of energy and raw material markets due to policy divergences among countries	Medium-to long-term	High	● Risk assessment of market trends, related business diversification
			Changes in demand for low-carbon products	Long-term	Small	● Active communication with customers
		Reputation	Capital withdrawal and loss of business due to disregard for environmental issues	Short-, medium-, and long-term	High	● Formulation of a management policy with a focus on eco-friendliness
			Environmental degradation caused by fossil fuels	Long-term	High	● Use of biomass raw materials and clean energy
Opportunity	1.5°C	Acute	Natural disasters (typhoons, heavy rain, etc.)	Short-, medium-, and long-term	High	● Establishment of a BCP system (storm water measures, disaster prevention measures for buildings and facilities, multiple procurement of raw materials)
		Chronic	Natural disasters (droughts, rising temperatures, etc.)	Long-term	Small	● Establishment of a BCP system (improved water efficiency)
		Policy regulation	Energy-saving and low-carbon regulations	Long-term	High	● Improvement of production processes, consolidation of production facilities
		Technology	Environmental contribution	Medium-term	Intermediate	● Product development using upcycled materials
		Market	Market changes	Long-term	Small	● Product development in collaboration with users
		Industry criticism	Rising environmental awareness in the B-to-C market	Short-term	Small	● Improved image by highlighting SDG initiatives ● Improved image by using RSP0-certified ingredients
	4°C	Reputation	Litigations	Medium- to long-term	Small	● Acquisition of credibility through appropriate disclosure of environmental information and use of external evaluation agencies
			Requirement for transparent disclosure of environmental information	Medium- to long-term	Small	● Expansion of disaster prevention, environmental hygiene, and disaster recovery-related products
		Acute	Natural disasters (typhoons, heavy rain, etc.)	Short-, medium-, and long-term	Small	● Expansion of comprehensive lifestyle-related products
		Chronic	Natural disasters (droughts, rising temperatures, etc.)	Short-, medium-, and long-term	Small	● Expansion of comprehensive lifestyle-related products

(Note) The timeframe is classified as long-term, medium-term, or short-term based on the time until the risks and opportunities become apparent, taking into account the characteristics of the Group's business.

(Note) The impact assessment is based on the estimated monetary value, and is classified as high, intermediate, or low depending on the magnitude of the impact.

(Note) A list of risks and opportunities specific to each business is available at the following web link.

### Metrics and targets

As part of our efforts to resolve environmental issues, we have set various metrics and targets in the MTP 2025. One is a metric for reducing greenhouse gas emissions (Scope 1 and 2\*). In addition to introducing cogeneration and solar power generation, we will promote the introduction of CCU\*2 and green hydrogen. The other is a metric for expanding the number of products contributing to carbon neutrality.

\*1 Scope 1: Direct emissions from fuel combustion by businesses themselves  
Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by other companies

\*2 CCU: Carbon dioxide Capture and Utilization

#### ► CO<sub>2</sub> emissions results and targets (Scope 1, Scope 2)

