

Reporting as Based on TCFD Recommendations

Philosophy

JSR Group sees responding to the problem of climate change currently facing society as one of the most important issues for the company because of its large correlation to the Group's businesses, and we are therefore actively working to reduce greenhouse gases (GHG) emissions both internally and externally.

The Group's manufacturing sites and supply chain directly impact climate change in various ways. At the same time, the Group aims to become a solution provider using innovation as a driving force. Thus, we can help mitigate climate change indirectly through our products and services. We understand that our response to climate change must be mindful of both these facets.

It is in this context that the Group expressed its support for the TCFD Recommendations in October 2020. We believe that these recommendations will contribute to the development of a sustainable society that is transitioning to a decarbonized economy. As a chemical company that takes climate change seriously, we seek to more deeply understand the opportunities and risks impacted by the Group's business activities. We take action accordingly and strive to disclose our initiatives proactively and publicly. We will seek to achieve net-zero emissions by 2050 as the Group announced in 2021 and to reduce GHG emissions through our products.

Governance

We utilize a supervisory structure, overseen by the Board of Directors, to examine and carry out appropriate responses to issues that could potentially pose business risks or represent business opportunities. With the aim of strengthening supervision of risks and opportunities related to sustainability, including responses to climate change, the Board of Directors receives progress reports twice a year, examines them as identified themes, shares issues, and discusses and deliberates on future activities. In addition, the executive officer in charge of promoting sustainability (CSO) concurrently serves as a director. In this manner, we have established a system that enables the Board of Directors to thoroughly implement sustainability management.

Strategy

In formulating strategies, risk management, indicators, and targets related to climate change, we have been conducting scenario analysis in line with the TCFD Recommendations since FY2019. In FY2022, we worked on designing calculation software for quantitative simulations. In FY2023, we will use this software to conduct simulations under conditions based on multiple scenarios and continue to conduct quantitative analysis.

On the other hand, we have incorporated internal carbon pricing (ICP) into the decision-making process for future investments. Specifically, the cost of investment assets is calculated based on ICP, future cash flows are calculated,



Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/environment/tcfd.shtml

and reflected in return on investment. Based on the characteristics of each investment, we then determine the appropriateness of the payback period.

* Two climate-related scenarios of a type defined by such organizations as the Intergovernmental Panel on Climate Change (IPCC). They are descriptions of the economic measures that will be necessary to hold the increase in average air temperatures worldwide to within 1.5°C and 4°C respectively and forecasts of the damage expected from the increase in temperature.

Risk Management

We have been operating our own independent risk management system since FY2009, and under the leadership of the Risk Management Committee, we regularly identify risks in all units in Japan and abroad, including Group companies. Climate change risks, such as carbon pricing and global regulatory issues, which are particularly urgent and very important, are also regarded and discussed as management-level risks. With regard to climate change issues, we organize and assess transition risks as risks related to business strategies and physical risks as risks associated with business operations.

Metrics and Targets

With regard to climate change, we have designated GHG emissions as one of our KPIs and set targets that we are working to achieve. We have declared our aim of becoming carbon neutral in terms of our own GHG emissions (Scope 1 & 2) by FY2050. To establish milestones along the way, we formulated intermediate environmental targets for FY2030.