

Information Disclosure in line with TCFD Recommendations

Basic concept

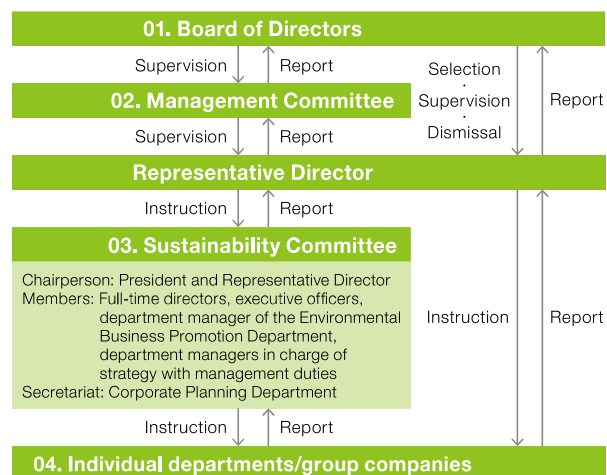
Under the Paris Agreement, an agreement was reached to limit average global temperature increase to less than 2°C compared to pre-industrial levels. Efforts to decarbonize are underway in many countries. Against this background, the Task Force on Climate-related Financial Disclosure (TCFD), established by the Financial Stability Board (FSB), delivered its final report in June 2017. Following further developments including the December 2018 publication of "Guidance on Climate-related Financial Disclosures (TCFD Guidance)" by Japan's Ministry of Economy, Trade and Industry, momentum to address the TCFD recommendations is growing.

In May 2019, the ENVIPRO Group announced its endorsement of the TCFD recommendations. In December 2020, the group made the decision to aim for effectively zero greenhouse gas emissions from our businesses, including the treatment and recycling of scrap and wastes that we handle, by 2050. Resource issues and climate change issues are not isolated issues but rather bear close relation to each other, and are global-scale societal issues. Endless resource mining and greenhouse gas emissions are detrimental to sustainability. These issues must be resolved to preserve our shared global resources and natural environment into the future. Our group, which engages in the Resource Circulation Business at the end of the supply chain, is characterized by the ability to tackle both of these key social issues through our business. We believe that these issues truly constitute social responsibilities that our group should address.

Sustainability promotion system

To promote policies and measures related to climate change response and other sustainability strategy matters, the group's sustainability promotion system has a Sustainability Committee that consists of the President and Representative Director, full-time officers, executive officers, and heads of some related departments. The Committee seeks to promote the Medium-Term Management Plan, "Sustainability Strategy" that forms our strategy for achieving sustainable development for both the group and society. As an organization that assists decision-making by the Representative Director, it flexibly and actively discusses and examines the status of strategy promotion and future directions, including new business and M&A, from a long-term perspective. Matters discussed are further resolved or discussed by the Management Committee, a decision-making body for business execution, and are then reported to the Board of Directors. Under the supervision system of the Board of Directors, we work to maintain governance and promote sustainability strategies.

▼ Sustainability promotion system diagram



▼ Role of the conference body in the sustainability promotion system to address climate change

Conference body	Role
01. Board of Directors	Supervise the progress of initiatives related to environmental issues discussed and approved by the Management Committee. Convene every month.
02. Management Committee	Decide on important matters related to individual, specific instances of business execution, and make decisions on timely disclosure. Convene every month.
03. Sustainability Committee	Discuss organization and operation of the Committee and other important matters concerning sustainability in order to promote the Medium-Term Management Plan. Convene every month.

Identifying and addressing risks and opportunities

Our group used two scenarios, one assuming a temperature rise held back to 2°C at the end of this century and one with a temperature rise of 4°C, to analyze the risks and opportunities brought about by climate change and their impact on our group. We then studied countermeasures.

▼ Scenario analysis

Assumptions	Details
Current scenario (4°C)	A scenario in which the average temperature rises by about 4°C compared to pre-industrial levels as a result of failure to introduce stricter government policies and strengthen regulations, such as regulations to curb GHG emissions, and of failure by businesses to take effective action in response to climate change. Acute effects include more frequent extreme weather events and more intense heavy rainfall, while chronic effects include rising sea levels.
Transitional scenario (2°C)	The introduction of carbon taxes and policies to regulate emissions are being strengthened to address climate change and curb GHG emissions. In a world that places demands on companies to respond to climate change, a scenario in which the average temperature rise compared to pre-industrial levels is kept below 2°C by improving low-carbon technologies, expanding renewable energy, and promoting energy conservation.

▼ Risks and opportunities facing our group

Category	Changes in society	Changes in the business environment	Risks/Opportunities	Affected Period
Transition	Increased cost of steelmaking processes due to the introduction of carbon taxes	<ul style="list-style-type: none"> Increased demand for ferrous scrap due to an increase in electric furnaces Increased ferrous scrap blend ratio in converters Increased demand for high-grade types of ferrous scrap Rise in ferrous scrap prices due to increased demand 	Opportunities Expansion of existing Recycling Business	Short to long term
			Installation of large shredders	Medium to long term
	Rise in the usage rate of recycled plastics due to regulations concerning use of recycled plastic	<ul style="list-style-type: none"> Acceleration of the transition to a circular economy throughout the plastic life cycle assessment (LCA) Expansion of waste plastic materials and chemical recycling 	Risks Changes in raw materials due to the development of decarbonization technologies for steelmaking processes	Long term
			Opportunities Development and commercialization of chemical recycling plants	Medium to long term
	Increase in capital investment related to renewable energy due to the promotion of its diffusion	<ul style="list-style-type: none"> Manufacture of low-carbon raw materials and fuels (RPF) 	Risks Loss of business opportunities due to delays in technological developments and business entry	Medium to long term
			Opportunities Wide-area expansion of our dismantling business	Short to long term
Physics	Growing proliferation of EVs, ESS, etc. associated with carbon reduction and decarbonization	<ul style="list-style-type: none"> Increase in dismantling work for energy-related facilities 	Risks Curtailment of waste plastic thermal recycling	Long term
			Opportunities Expansion of the Lithium-ion Battery Recycling Business	Medium to long term
	Requirement for reporting of CO ₂ emissions with respect to emissions reduction targets	<ul style="list-style-type: none"> Increase in demand for nonferrous metals and minor metals in line with electrification (depletion) Rise in nonferrous metal and minor metal prices due to increased demand Development and increased use of alternative materials to reduce automobile weight and counter resource depletion 	Opportunities Expansion of the Collection Business of Gold, Silver & Copper Sediment Sludge (recycling of riddling ash, etc.)	Short to long term
			Risks Reduction in the use of nonferrous metals and minor metals in line with technological developments	Medium to long term
Physics	Increase in heat stress due to rise in average temperatures	<ul style="list-style-type: none"> Assurance of CO₂ emissions traceability (DX) 	Opportunities Expansion of the scrap and waste logistics business	Medium to long term
			Risks Loss of business entry opportunities due to delays in business development	Medium term
	Increase in natural disasters due to intensification of abnormal weather	<ul style="list-style-type: none"> Regulation of outdoor work during summer 	Opportunities Labor-saving, automation, remote control	Short to long term
			Risks Decreases in labor productivity due to restrictions on working hours, etc.	Short to long term
Increase in natural disasters due to intensification of abnormal weather	<ul style="list-style-type: none"> Increase in damage to plants and other business sites Increase in transportation and construction delays Increase in logistics accidents 	Opportunities Strengthening of response to disaster waste	Short to long term	
		Risks Shutdowns due to damage to plants and decline in profits due to production declines	Short to long term	
Increase in natural disasters due to intensification of abnormal weather	<ul style="list-style-type: none"> Decreases in profits due to lost sales and purchasing opportunities Increases in insurance and repair/restoration cost. 	Risks Decreases in profits due to lost sales and purchasing opportunities	Short to long term	
		Opportunities Increases in insurance and repair/restoration cost.	Short to long term	