

Asahi Holdings' initiatives to address climate change

Since its establishment in 1952, the Asahi Holdings Group has developed its business activities to protect the global environment with the purpose of being "Totally Committed to Protecting the Natural Environment and Preserving Resources," and with the aim to be a leader in creating a circular economy that connects society to the environment. We are achieving both business growth and the solutions to social issues. Climate change is a common challenge for humankind, and we believe it is one of our business materiality themes. In order to achieve a sustainable society, we will contribute through business activities and reduce our own CO₂ emissions.

Expressed to Endorse the TCFD and Strengthening the Governance System

In December 2021, we expressed our endorsement for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and established a cross-company team for TCFD consisting of Business Unit, Technical Unit, and Administration Unit in order to identify risks and opportunities related to climate change and understand the medium- to long-term impact of climate change on our business, and have considered the countermeasures. Furthermore, to strengthen the sustainability promotion system, the previous SDGs Promotion Committee has been expanded and will be supervised by the representative director, Representative Director, President & CEO president, changing to a Sustainability Committee consisting of directors in charge of the Business Unit, Technical Unit, and Administration Unit (April, 2022). The Sustainability Committee deliberates on sustainability strategies, plans, policies, risk management, and monitoring on a quarterly basis. Important matters will also be reported at the Group Executive Committee. Climate change-related issues have been addressed in the SDGs Promotion Team, but will be addressed in the Climate Change Working Group. The Board of Directors shall be informed of the matters discussed by the Sustainability Committee, and important matters shall be resolved by the Board of Directors to ensure effective governance. The risks and opportunities identified in the TCFD actions will be reported to the Board of Directors and the Sustainability Committee at least once every year.



Strategy

Extraction of Risks and Opportunities

We extracted risks and opportunities relevant to climate change that will affect our precious metals business (domestic and North American businesses) and environmental preservation business in 2030. We qualitatively assessed them on three levels: "Large", "Medium", and "Small". At that time, we also considered the further impact of climate change from 2030 toward 2050. As a result, "Policy and Legal," "Market," "Technology," etc. were identified.

Item	Contents	2030		2050	Measures
		4°C	1.5°C		
Risk	Transition risks Policy and Legal	-	Large	↗	- Switching to CO ₂ free power, replacing gasoline cars by EVs and so on to achieve CO ₂ reduction targets for FY2030.
	Physical risks Acute	-	-	↗ (4°C)	- Expanding BCM at plants that are expected to have an impact based on the hazard map - Selecting disaster-resistant locations and implementing measures for disaster on large-scale capital investment
Opportunities	Transition risks Policy and Legal	-	Large	↗	- Strengthening value-added sales of recycled metals utilizing traceability - Strengthening consulting sales that add value, such as CO ₂ emissions analysis - Expanding business by supporting companies that struggle to comply with regulations
	Transition risks Market	-	Large	→	- Expanding consulting sales in the field of materials and chemical recycling - Handling of low-grade scrap and expanding metals to handle
	Technology	-	Medium	↗	- Further promoting the utilization of hydrogen with surplus power, etc.

Summary of Scenario

In the next place, we conducted a scenario analysis to investigate the impact on the business. We adopted two scenarios. One is that the global average temperature is expected to increase by around 4°C by 2100, and the other is that the global average temperature is expected to increase by 1.5°C by 2100, compared to that before the industrial revolution. The analysis was based on the World Energy Outlook 2021 by the International Energy Agency (IEA), the reports by the Intergovernmental Panel on Climate Change (IPCC), and other materials published by the Japanese government.

Results of Scenario Analysis

The 4°C scenario is a world where the current situation continues on, and we found that there would be little impact as of 2030. On the other hand, as we move toward 2050, we anticipate an increase in physical risk: the intensification of natural disasters such as cyclones or floods caused by abnormal weather. In addition to formulating business continuity management (BCM), we are also taking actions such as selecting a location that is strong against disasters when a plant is moved. In the 1.5°C scenario, strong policy measures are expected to be taken to achieve carbon neutrality in the mid-century. One of these risks is the introduction of carbon pricing including carbon tax. Being affected by cost increases will become a risk, especially in the environmental preservation business. On the other hand, in the precious metals business, it is likely that the evaluation of recycled metals with relatively low CO₂ emissions and their cost superiority will increase. This is an opportunity for the company, which has strengths in the production and traceability of recycled precious metals. In the environmental preservation business, the shift from simple incineration to thermal recycling during the transition to decarbonization will be an opportunity for our company which has already been addressed. The expansion of recycling demand, including the expansion of the target product, will provide an opportunity to take advantage of our strength in consulting sales (proposal-based sales). While reducing risk, we will focus on expanding opportunities.

Risk Management

The Climate Change Working Group will compile the status of responses to risks and opportunities related to climate change and CO₂ emissions. The Sustainability Committee will monitor and evaluate them each year. The Board of Directors will also be informed of the contents for supervision and direction. Also, by reporting it to the Group Risk Management Department, it will be reflected in the overall group risk management.

Metrics and Targets

One of our business materiality themes is to reduce CO₂ emissions. Accordingly, we have set the following targets:

- **Reduce CO₂ emissions from energy sources, such as electricity and gasoline, by 50% (compared to FY2015) by FY2030**

In order to achieve the target, we are moving forward with switching to CO₂ free electricity, reducing fuel usage, and making our business offices ZEBs (Zero Energy Buildings). We have also declared that we will aim to become carbon neutral in FY2050 (targets are Scope 1 and Scope 2).

Although we recycle industrial waste that can be recycled in our environmental preservation business, it is also true that there are some things that must be incinerated to ensure proper disposal, such as reduction and detoxification. Therefore, we will first focus on achieving our energy-derived CO₂ reduction target.

Recommended disclosures	Situation of efforts / Action policy
Governance	- Deliberating on climate change issues at the management level in the Sustainability Committee, which is chaired by CEO, and consists of directors from Business Unit, Technical Unit, and Administration Unit - Having established the Climate Change Working Group under the Sustainability Committee to promote measures for climate change - Building a system to supervise the matters discussed by the Sustainability Committee at the Board of Directors
Strategy	- Conducting scenario analysis of risks and opportunities related to short-, medium- and long-term climate change at 4°C and 1.5°C - Setting "Reduction of CO ₂ emissions" as one of our business materiality themes
Risk Management	- Reporting the progress of measures on risks and targets extracted from scenario analysis, etc. to the Sustainability Committee and the Board of Directors on a regular basis. - Incorporating the reported matters into the overall group's risk management system by reporting it to the Group Risk Management Department
Metrics and Targets	- Has already set a target of reducing energy-derived CO ₂ by 50% from the FY2015 level by 2030, and has already declared that it will achieve carbon neutrality in 2050 (Scope 1 and Scope 2) - FY2020 Reduction in energy-derived CO ₂ : [- 12% compared to FY2015] - Scope 1 emissions are 84,780 t CO ₂ and Scope 2 emissions are 17,894 t CO ₂

[Reduction rate in energy-derived CO₂ emissions in FY2021 and CO₂ emissions (Scope1, Scope2) results will be disclosed in conjunction with Scope 3 after completing the aggregation]