# Initiatives for the Environment

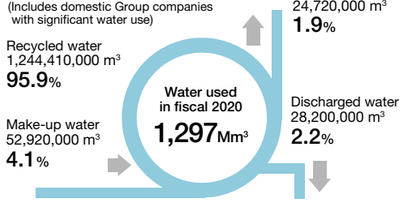
## Reduction of Environmental Impacts

### Water Pollution Measures

In terms of water use, the Group is working to reduce water consumption by prioritizing the efficient use of water in production processes, as well as recycling of water, with the goal of maintaining a water recycling rate of 95% or higher. In fiscal 2020, we achieved a recycling rate of 96%, exceeding our target, and we will strive to maintain that level in the future.

Regarding the pollutant load in wastewater, we have set targets for chemical oxygen demand (COD), total nitrogen, and total phosphorus for business sites located in areas with wastewater risks. We are also working to reduce the pollutant load of wastewater discharged into public water by purifying wastewater from production processes using treatment systems suited to their specific characteristics. We achieved our targets for wastewater pollutant loads in fiscal 2020.

**Water Recycling Status**
(Includes domestic Group companies with significant water use)



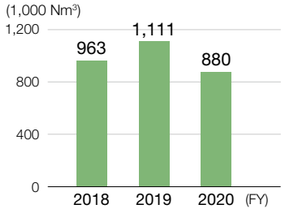

**Wastewater Pollutant Load Status** Unit: t/year

| | Target | Result |
|---|---|---|
| COD | 474 | 243 |
| Total nitrogen | 2,513 | 1,915 |
| Total phosphorous | 23 | 3 |

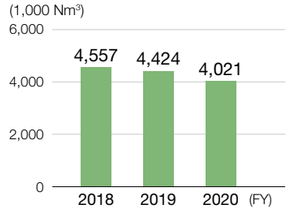
### Air Pollution Measures

We have taken measures to limit SOx (sulfur oxide) emissions from manufacturing processes, including reducing fuel consumption by conserving energy, using low-sulfur fuels, and switching to city gas, as well as implementing measures to reduce exhaust gas, such as desulfurization. Likewise, to reduce NOx (nitrogen oxide) emissions, we have implemented low NOx combustion technology and energy saving measures.

**SOx Emissions**
(Includes domestic Group companies)




**NOx Emissions**
(Includes domestic Group companies)

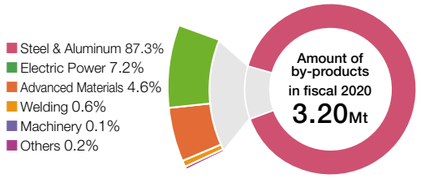



## Promoting Resource Recycling

Seeking to make effective use of limited resources, we are working to reduce the generation of waste and actively promoting recycling by increasing the added value of by-product materials from production processes and developing and introducing new applications.

In fiscal 2020, the Group generated 3.2 million tons of by-product materials, with the steel and aluminum businesses accounting for around 87%. We are also actively working to improve yield and reduce the use of by-product materials and have set a target of 99% for recycling of slag, dust, and sludge in fiscal 2025. Our recycling rate in fiscal 2020 was 98.7%. We will continue striving to achieve our target.

**By-products** (Includes domestic Group companies)

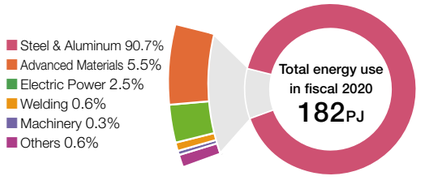



Recycling rate*: 98.7%
*Recycling rate = (Amount treated - Final disposal amount) / Amount treated
Refers to slag, sludge, and dust (main sources of by-products)

## Measures Against Global Warming (Energy Use in Production Processes)

In response to global warming, the KOBELCO Group has been promoting the streamlining and R&D to reduce energy consumption throughout its operations. In fiscal 2020, we took measures to conserve energy by installing inverters, upgrading to high-efficiency equipment, and switching to LED lights at our business sites. The KOBELCO Group used 182 PJ of energy in fiscal 2020 (equivalent to 4.69 million kl of crude oil). Of this total, approximately 91% was used in the Steel & Aluminum Business and approximately 6% in the Advanced Materials Business.

**Energy Use** (Includes domestic and overseas Group companies)




(1PJ=10¹⁵J)

Note: As the percentages have been rounded off to their first decimal place, they do not add up to the total.

For information on other initiatives and our BCP, please visit the site below.
https://www.kobelco.co.jp/english/sustainability/risk.html



# Climate-Related Disclosures Based on TCFD Recommendations (Environmental Management, $CO_2$)

## Initiatives to Reduce $CO_2$ Emissions

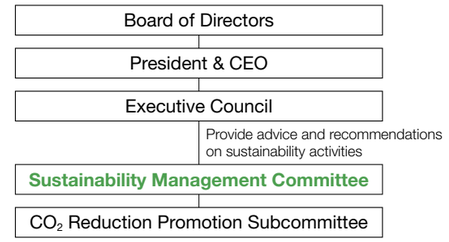
**The KOBELCO Group recognizes $CO_2$ reduction is a top management priority. In May 2021, we announced our aim to increase corporate value through a transition to carbon neutrality by 2050.**

**Going forward, the KOBELCO Group will continue to pursue reduction of $CO_2$ emissions in order to contribute to realize "a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives" as envisioned in KOBELCO's View of the Future.**

## Governance and Risk Management

We have a structure in place whereby the Executive Council deliberates and decides on important matters concerning $CO_2$ reduction that may have a major impact on our business operations and the Board of Directors oversees these procedures.

Under the Sustainability Management Committee, an auxiliary body to the Executive Council, we established the $CO_2$ Reduction Promotion Subcommittee to study Companywide measures to lower $CO_2$ emissions.




| | | |
|---|---|---|
| Board of Directors | Monitors $CO_2$ reduction measures that may have a major impact on management | Quarterly |
| Executive Council | Deliberates and decides on important matters related to $CO_2$ reduction measures | At least once per year |
| Sustainability Management Committee | Deliberates important matters related to $CO_2$ reduction measures | At least 4 times per year |

(Hajime Nagara, Director, Senior Executive Officer; Chair of the Sustainability Management Committee)

### Process for Identifying and Managing Climate-Related Risks

In the KOBELCO Group, the $CO_2$ Reduction Promotion Subcommittee leads the study of both risks and opportunities associated with climate change, as shown in the flowchart below.

The study results are reported to and deliberated by the Sustainability Management Committee, and the Executive Council makes final decisions.

Identify risks and opportunities arising from changes in laws, regulations, and social demands ▶ Set assumptions and targets in business strategies ▶ Examine technological measures for reducing $CO_2$ emissions ▶ Formulate and implement action plans

## Strategy

Kobe Steel analyzes the medium- to long-term risks and opportunities associated with climate change considering the social scenarios presented by the International Energy Agency; the long-term visions formulated and announced by the Japan Iron and Steel Federation, the Japan Aluminium Association, and other industry organizations; and the energy policies of Japan. The appropriateness of the measures implemented by the Company is assessed based on these analyses.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|---|---|
| Medium-Term Management Plan | pp. 36–39 |
| Materials-related initiatives | pp. 52–55 |
| Machinery-related initiatives | pp. 56–59 |
| Electric power-related initiatives | pp. 60–61 |


**Climate-related risks**

As exemplified by the introduction of carbon pricing schemes, environmental regulations on climate change are becoming stricter and may have significant impact on the KOBELCO Group's business performance and financial position. In addition, given the increasing severity of damages from floods and typhoons, it is anticipated that the increase of natural disasters due to climate change may cause declines in production volumes and disruptions of supply chains.

**Climate-related opportunities**

As international concern for climate change-related issues rises, demand is growing for low-carbon products and services. We expect an increase in demand for the KOBELCO Group's products and services that help reduce $CO_2$ emissions, such as materials for automotive weight reduction and the MIDREX® Process over the medium to long term.