

Climate and Nature-related Risk Management and Responses to TCFD and TNFD

The Bridgestone Group supports the Task Force on Climate-related Financial Disclosures (TCFD). Furthermore, the Group began participating in the Task Force on Nature-related Financial Disclosures (TNFD) Forum in March 2022.

As the world becomes increasingly concerned about climate change and the loss of natural capital, there is a growing movement towards a decarbonized society, as exemplified by the Paris Agreement. Additionally, efforts to achieve a nature-positive world, as outlined in the Kunming-Montreal Global Biodiversity Framework, are gaining momentum.

In this context, the Group is working to comprehensively assess and manage its dependency and impact on the climate and natural capital, as well as the risks and

opportunities associated with climate change and the loss of natural capital, reflecting these in business strategy.

Status of Adoption of TCFD and TNFD Recommended Disclosures

The following index shows the Group's disclosures on recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD) β version v0.4.

Governance

Recommended Disclosures	Status of the Group's Response	
	TCFD	TNFD
Board of Directors' oversight of dependencies, impacts, risks and opportunities	<ul style="list-style-type: none"> The Board of Directors receive and review regular reports on the status of sustainability initiatives, including achieving carbon neutrality, contributing to a circular economy and progress toward being in harmony with nature. 	
Management's role in assessing and managing dependencies, impacts, risks and opportunities	<ul style="list-style-type: none"> The Global Executive Committee (Global EXCO), the highest level of corporate management, approves and manages the progress of mid- to long term strategies, targets and action plans, including achieving carbon neutrality, contributing to a circular economy and progress toward being in harmony with nature. 	

Strategy

Recommended Disclosures	Status of the Group's Response	
	TCFD	TNFD
Dependencies, impacts, risks and opportunities over the short-, medium-, and long-term	<p>Dependencies on climate and natural capital*</p> <ul style="list-style-type: none"> Dependency on nature's provision of water and biomass in the raw material procurement stage as well as climate and healthy soil maintenance and regulating services provided by ecosystems. Dependency on nature's provision of water in the tire production stage. <p>Impacts on climate and natural capital*</p> <ul style="list-style-type: none"> Impact of land use in the raw material procurement stage. Impact of water resource usage and waste generation in the tire production stage. Impact of greenhouse gas emissions, water resource usage, emissions to air, water and soil and waste generation throughout the value chain. <p>Physical risks and opportunities related to climate change and loss of natural capital</p> <ul style="list-style-type: none"> Risks of stronger typhoons and increased frequency of flooding and drought, which pose the risk of interrupting business activities. Risks related to the procurement of raw materials as a result of changing rainfall patterns leading to poor harvesting of natural rubber. Risk of lower demand for winter tires due to reduced snowfalls. Opportunities to commercialize natural rubber derived from guayule, which grows in arid regions. Risks due to poor harvesting of natural rubber derived from Para rubber trees, which are found predominantly in tropical regions. 	
Impact on businesses, strategy, and financial planning	<p>Risks and opportunities related to the transition to a decarbonized society and a society in harmony with nature</p> <ul style="list-style-type: none"> Risk of adverse effects on operating results and financial position, such as limitations on business activities and increased costs, if R&D expenses required to meet the rapidly changing needs of society and customers do not produce sufficient results when systems and regulations to combat climate change and loss of natural capital are introduced (for example, carbon taxes, CO₂ emission reduction obligations and emissions trading systems, and systems and regulations related to low-fuel consumption performance of tires, recycling used tires, water withdrawal and sustainable natural rubber, etc.). Opportunities associated with changes in competitive factors due to changes in mobility needs (for example, increased demand for tires for electric vehicles, increased demand for tires and solutions that help customers reduce CO₂ emissions). Opportunities to commercialize the recycling business resulting from increased regulation around the recycling of used tires. <p>* This refers to the main areas of dependency and impact throughout the value chain of the tire business that were evaluated as either "very high" or "high" in importance by the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and industrial groups using ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure).</p>	

Resilience of the organization's strategy, taking into consideration different scenarios	<ul style="list-style-type: none"> The Group assesses risks and opportunities based on multiple climate- and nature-related scenarios. It has already begun to address those important risks and opportunities identified and will continue to do so on a regular basis. 	
Locations applicable to direct operations, upstream and downstream <ul style="list-style-type: none"> Locations with high integrity ecosystems and/or areas of decline in integrity Areas where biodiversity is of high importance Water stress areas Areas where the organization is likely to have significant potential dependencies and/or impacts (TNFD recommended disclosure)	<ul style="list-style-type: none"> Expand CO₂ absorption and fixation through afforestation of degraded land 	<ul style="list-style-type: none"> The Group regularly evaluates production sites located in water stress areas with a risk of declining water resources in terms of quantity and quality. As of the end of 2022, nine sites in India, Indonesia, China and other countries were located in river basins assessed as having "extremely high water risk." A water stewardship plan has been formulated and is being implemented at all these sites based on the water situation is each location.

Management of Risks and Opportunities

Recommended Disclosures	Status of the Group's Response	
	TCFD	TNFD
Identification and assessment process of dependencies, impacts, risks and opportunities in direct operations and upstream and downstream value chain	<ul style="list-style-type: none"> The Group strives to comprehensively and appropriately identify and address risks and opportunities across its operation while considering the business scale and characteristics of each Group company. The Group identifies risks and opportunities associated with climate and natural capital by considering dependency and impact throughout the value chain based on evaluations from ENCORE by UNEP-WCMC and others and the Business & Biodiversity Interrelationship Map[®] released by Japan Business Initiative for Biodiversity (JBIB). 	
Management process	<ul style="list-style-type: none"> The Group is currently assessing ways to improve its management of business strategy risks and opportunities directly related to the execution of the Mid- to Long Term Business Strategy by setting up a dedicated annual risk management process under the direct leadership of the Global EXCO, while operational risks related to day-to-day operations are overseen by the Chief Risk Officer (CRO), who is responsible for overall risk management and formulating risk response plans. 	
Integration into the organization's overall risk management	<ul style="list-style-type: none"> Identifying potential risks faced by each region and the Group as a whole on an annual basis; clarifying ownership for those risks not only for the Group as a whole, but also for each business, SBU and division; and implementing risk management in an autonomous and continuous manner. 	
Engagement with affected stakeholders in assessment and management (TNFD recommended disclosure)	<ul style="list-style-type: none"> The Group collaborates with the World Wildlife Fund (WWF) to strengthen sustainable natural rubber production and help build the capacity of smallholder farmers. On-site ESG audits are conducted for suppliers, including smallholders, using a self-assessment questionnaire developed in conjunction with WWF, and risks are evaluated. 	

Metrics and Targets

Recommended Disclosures	Status of the Group's Response	
	TCFD	TNFD
Metrics used in the assessment and management of risks and opportunities	<ul style="list-style-type: none"> Establishing targets and regularly monitoring CO₂ emissions (CO₂ emissions reduction in Scope 1, 2, and 3, and the reduction contribution of CO₂ emissions throughout the lifecycle and value chain of the Group's products and services) as one of the metrics for assessing and managing climate-related risks and opportunities. The Group evaluates the cost of CO₂ emission (\$100/tCO₂) and the effect of reductions based on internal carbon pricing in order to assess the risks and opportunities associated with an investment. 	
Metrics used in the assessment and management of dependencies and impacts	<ul style="list-style-type: none"> The Group sets water withdrawal in water stress areas, environmental footprint (amount of hazardous/non-hazardous waste and landfill, VOC emissions, SOx/NOx emissions) as metrics in the assessment and management of nature-related risks, opportunities and impacts and regularly monitors status). 	
Targets and performance in metrics used in the management of dependencies, impacts, risks and opportunities	<ul style="list-style-type: none"> Setting long term environmental vision (2050 and beyond) and mid term target (2030) to achieve carbon neutrality, contribute to a circular economy and achieve being in harmony with nature; evaluating and disclosing performance every year. 	