Climate Action and Natural Capital

Disclosure in Line with TCFD/TNFD Recommendations: Strategy

GRI 304-2

Evaluate Evaluate dependencies and impacts

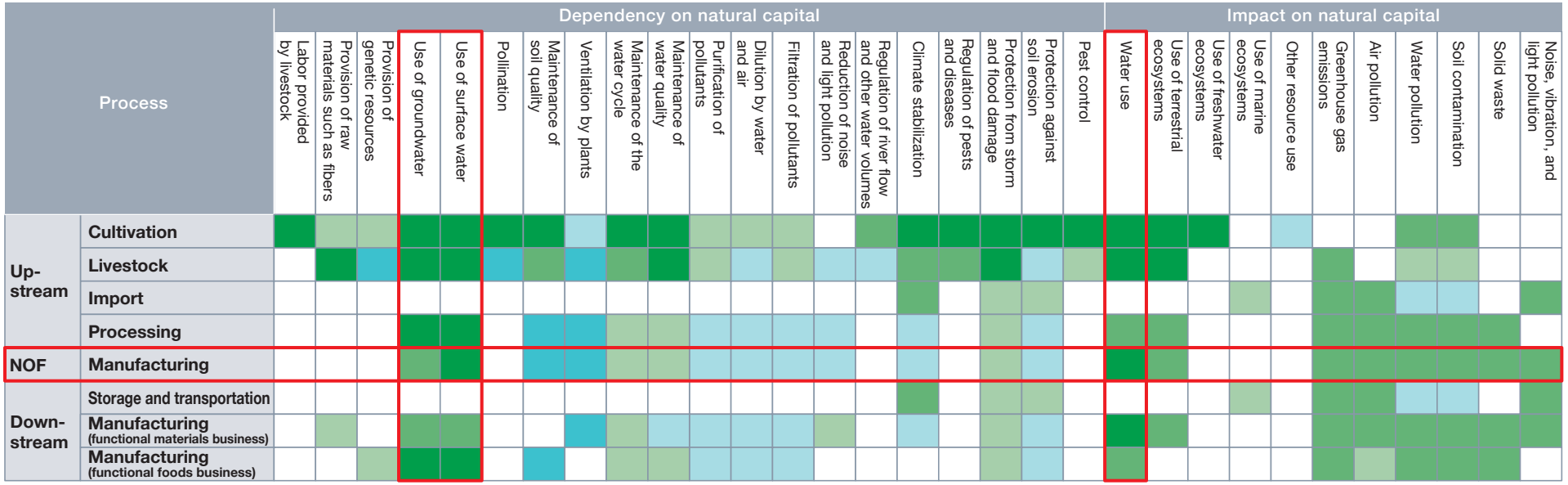
For the Functional Materials business and Functional Foods Business at the Amagasaki Plant and the Kawasaki Works (Daishi Plant), which use animal and plant-based raw materials identified as targets through the aforementioned Scoping and Locate steps, we used the ENCORE*1 tool to identify and evaluate their dependencies*2 and impacts*3 on natural capital. Specifically, we identified and evaluated dependencies and impacts on natural capital of both businesses across the value chain, including upstream (cultivation, livestock, import, and processing of raw materials), our own operations (manufacturing), and downstream (storage and transportation of products, as well as customers' manufacturing that uses our plant products as raw materials). The results were summarized in a heat map.

The evaluation showed that with respect to dependencies on natural capital, multiple processes of the value chain share a high dependency on water (groundwater and surface water). In addition, plant cultivation and livestock farming (cattle and pigs) showed many dependency items and generally higher levels of dependency.

Meanwhile, with respect to impacts on natural capital, water usage was also identified as having a high impact across the entire value chain, similar to the dependency findings. Even within our own manufacturing operations, we recognize water use as a particularly high-impact factor, and we will continue our efforts to reduce water consumption and maintain water quality.

Relationship of value chain to dependencies and impacts on natural capital

Level of dependency and impact: Large — Small



*1 ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. A tool developed by organizations such as the Natural Capital Finance Alliance (NCFA), a financial-sector network, to help financial institutions understand the degree to which companies depend on and impact natural capital.
*2 Dependency: Ecosystem services on which business activities rely (e.g., crop cultivation depends on ecosystem services such as water supply and pollination by insects)
*3 Impact: Positive or negative effects of business activities on natural capital (e.g., chemical manufacturing impacts natural capital through water use and greenhouse gas emissions.)