

External ESG Evaluations

JFE Holdings is highly regarded by ESG evaluation organizations in Japan and overseas. Particularly notable, it is a constituent of all the Japanese equity ESG indexes selected by the Government Pension Investment Fund (GPIF), the world's largest pension fund.

FTSE Blossom Japan Index (Invested in by the GPIF)

JFE Holdings has been selected as a constituent of the FTSE Blossom Japan Sector Relative Index, an investment index provided by FTSE Russell. The index selects companies that demonstrate strong environmental, social, and governance (ESG) practices and is used in the creation or assessment of sustainable investment funds and other financial products.



FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index (Invested in by the GPIF)

JFE Holdings is a constituent of the FTSE Blossom Japan Sector Relative Index, an investment index provided by FTSE Russell. It refers to the ESG assessment made by FTSE Russell as a base and reflects management practices toward climate change risks and opportunities for some constituents that have high carbon intensity (GHG emissions per unit of revenue).



FTSE Blossom Japan Sector Relative Index

MSCI Nihonkabu ESG Select Leaders Index (Invested in by the GPIF)

JFE Holdings has been selected for two consecutive years as a constituent of the MSCI Nihonkabu ESG Select Leaders Index, an investment index provided by MSCI Inc. The index is based on MSCI's ESG research, which is used by over 1,000 companies around the world. This comprehensive ESG index reflects ESG risks to the market portfolio and is comprised of constituents with relatively high ESG evaluation within the industry.

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

* The inclusion of JFE Holdings, Inc. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of JFE Holdings, Inc. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

MSCI Japan Empowering Women Index (WIN) (Invested in by the GPIF)

JFE Holdings has been selected as a constituent of the MSCI Japan Empowering Women Index (WIN), an investment index provided by MSCI Inc. The index is constructed by multidimensionally calculating a gender diversity score of a constituent of the MSCI Japan IMI top 700 index and selecting companies from each industry that achieved high scores.

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

* The inclusion of JFE Holdings, Inc. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of JFE Holdings, Inc. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

S&P/JPX Carbon Efficient Index (Invested in by the GPIF)

JFE Holdings has been selected as a constituent of the S&P/JPX Carbon Efficient Index, jointly developed by S&P Dow Jones Indices and the Japan Exchange Group. The weighting of constituents in the index is determined by the status of corporate disclosure for environmental information and the level of carbon efficiency, or carbon emissions per unit of revenue.



Morningstar Japan ex-REIT Gender Diversity Tilt Index (Invested in by the GPIF)

JFE Holdings is a constituent of the Morningstar Japan ex-REIT Gender Diversity Tilt Index provided by Morningstar, Inc. This index is based on the data and evaluation methods of Equileap and is designed to facilitate investment prioritizing companies that have established gender diversity policies embedded in their corporate culture and companies committed to providing equal opportunities for employees regardless of gender.

FTSE4Good Index Series

JFE Holdings has been selected as a constituent of the FTSE4Good Index Series, an investment index provided by FTSE Russell. This comprehensive ESG index in general applies the same ESG assessment scheme as that used for the FTSE Blossom Japan Index. Constituents have high absolute ESG ratings and are screened from major stocks around the world.



MSCI ESG Leaders Indexes

JFE Holdings has been selected as a constituent of the MSCI ESG Leaders Indexes, an investment index provided by MSCI Inc.. The index is formed of major stocks around the world with high ESG evaluations within their industry, selected based on MSCI's ESG research.



* The inclusion of JFE Holdings, Inc. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of JFE Holdings, Inc. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Evaluation Based on CDP 2023

Established in Britain in 2000, the Carbon Disclosure Project (CDP) is a nongovernmental organization that conducts ESG evaluations. It calls on companies to disclose ESG-related information by responding to CDP questionnaires to facilitate the ESG investment decisions of institutional investors. Currently, the CDP covers three environmental areas: climate change, water security, and forests, and companies are rated on an eight-point scale (from A to D-) for each area. The volume of information collected by the CDP has become one of the largest in the world, with currently over 1,985 companies in Japan responding to the questionnaires, which are widely used in various indexes by institutional investors and for socially responsible investment.

The JFE Group actively participates in CDP initiatives as a member of the CDP Reporter Service and responds to climate change and water security questionnaires every year. Our high rating reflects our complete disclosure of appropriate information for the CDP 2023 questionnaire.

CDP 2023 score: climate change: A-, water security: A-, supplier engagement: A-

White 500 Organization under the 2024 Certified Health and Productivity Management Outstanding Organizations Recognition Program

JFE Holdings, JFE Steel, and JFE Engineering were each recognized as a White 500 organization, which constitutes the top 500 companies selected under the 2024 Certified Health and Productivity Management Outstanding Organizations Recognition Program. Sponsored by Japan's Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, the program recognizes organizations that practice excellent health management, including large enterprises and small and medium-sized companies.

The JFE Group seeks to create safe, attractive environments where everyone can enjoy working and aggressively promotes the establishment of settings in which personnel with diverse backgrounds can demonstrate their full potential. To that end, we established the JFE Group Health Declaration and collaborate with our health insurance union and industrial health staff to maintain and strengthen employee health. For example, the Group implements effective, ongoing efforts to improve employee lifestyle habits, such as instilling exercise routines, alleviating sleep-deprivation risks, and reducing smoking rates, based on an analysis of employee health risks. These efforts have been highly regarded and led to this certification.

This is the third time in two years that JFE Holdings and JFE Steel have been recognized as White 500 companies. Meanwhile, JFE Engineering has been recognized as a White 500 company for four consecutive years, making it six times overall.



SOMPO Sustainability Index

JFE Holdings has been selected for 13 consecutive years as a constituent of the SOMPO Sustainability Index (former: SNAM Sustainability Index), which was launched by Sompo Asset Management Co., Ltd. The index, which comprises companies with highly regarded ESG ratings, contributes to investor asset formation by evaluating corporate value from a long-term perspective.



DBJ Employees' Health Management Rated Loan Program

The DBJ Employees' Health Management Rated Loan Program is the world's first financing menu that bases loan conditions on DBJ's proprietary system for rating health management for the purpose of selecting and evaluating companies based on their performance in this area.

JFE Holdings' efforts in pursuing employee health management has been highly regarded, and it is rated as a top-ranking company under the program.



DBJ Environmentally Rated Loan Program

The Development Bank of Japan (DBJ) Environmentally Rated Loan Program uses a screening (rating) system developed by DBJ to evaluate environmental management and then assign a corresponding interest rate from three levels. This was the world's first loan program to incorporate environmental ratings in its financing menus. In March 2016, JFE Holdings was rated as a top-ranking company that pursues excellent and advanced environmental initiatives resulting in outstanding environmental-management performance, based on which the company secured a loan under the program.



External Evaluations of Non-ESG Areas

DX Stock 2024

JFE Holdings was selected as a DX Stock 2024 under the Digital Transformation Stock Selection (DX Stock) program, selected by Japan's Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency.

The JFE Group has accumulated through its businesses vast amounts of operational data, know-how, and technology over many years, representing valuable assets that are difficult for other companies to replicate. These assets drive value creation for the JFE Group, enabling it to support society with world-class technologies. In the latest selection, we have been recognized for our pursuit of advanced initiatives, including leveraging these assets for a solutions business, the scheduled migration of the entire core system of our steel mills to a cloud environment ahead of other manufacturers, and developing a plant operation support service in our engineering business that utilizes next-generation remote monitoring stations in Japan and overseas. Additionally, we are focused on nurturing DX personnel through organizational structure improvements and awareness-building initiatives.

The JFE Group positions DX as a key management strategy and will continue to provide new added value by taking on the challenges of innovating existing businesses and creating new ones, in addition to achieving groundbreaking improvements in productivity. At the same time, we will strive to realize sustainable growth and enhance corporate value over the medium to long term based on the Group's corporate vision of contributing to society with the world's most innovative technology.



External Awards

Bronze Award, Environmentally Sustainable Company Category, the 5th ESG Finance Awards Japan

JFE Holdings received the Bronze Award in the 5th ESG Finance Awards Japan's Environmentally Sustainable Companies Category, presented by the Japanese Ministry of Environment.

ESG Finance Awards Japan was founded to disseminate and expand ESG finance by commending and widely sharing the initiatives of institutional investors, financial institutions, intermediaries, and companies that have made an outstanding impact by proactively engaging in ESG finance as well as environmental and social projects. JFE Holdings received a special recognition at the second ESG Finance Awards Japan in FY2020 and was selected as an Environmentally Sustainable Company* at the third and fourth awards in FY2021 and FY2022. This is the first time the Company has received the Bronze Award while also being selected as an Environmentally Sustainable Company.

We believe the latest awards recognize JFE for its various initiatives and approach to dialogue, including its response to climate change. We will continue to deepen our initiatives and expand our information disclosure.



*The awards include the Environment Sustainable Category, which provides investors and companies with concrete examples of businesses that incorporate significant environmental opportunities and risks into their management strategies to enhance corporate value and develop positive environmental benefits while creating that value. Those selected under the category as Environmentally Sustainable Companies meet specific standards for information disclosure.

Please see the following for further details.

► [JFE Group awarded the Bronze Award in the Environmentally Sustainable Company category in the 5th ESG Finance Awards Japan \(Japanese only\)](https://www.jfe-holdings.co.jp/release/2024/02/240220.html) (https://www.jfe-holdings.co.jp/release/2024/02/240220.html)

World Steel Association 2024 Steel Sustainability Champions

JFE Steel was selected as the 2024 Steel Sustainability Champion by the World Steel Association.

Once a year, the association commends member companies for demonstrating leadership in developing a sustainable steel industry and society and achieving outstanding results in enhancing sustainability.

The JFE Group has been developing innovative technologies to mitigate environmental impact and published the JFE Group Environmental Vision for 2050. We inform stakeholders about our sustainability policies and achievements across a range of areas, including environment, human rights, health and safety, through publications such as the JFE Group Sustainability Report.

These endeavors were recognized with the award for the fourth consecutive year. Looking ahead, we plan to continue contributing to achieve the Sustainable Development Goals (SDGs) by strengthening our sustainability management practices and working to help resolve environmental and other issues in society through business.

Please see the following for further details.

► [JFE Steel Recognized as 2024 Steel Sustainability Champion](https://www.jfe-steel.co.jp/en/release/2024/04/240410.html) (https://www.jfe-steel.co.jp/en/release/2024/04/240410.html)



External Awards for Research and Development

■ Awards for Technologies and Product Developments (FY2023)

	Prize/Award	Project	Sponsor
JFE Steel	Safety and Health Excellence Recognition 2023	Horizontal development to prevent similar accidents	World Steel Association
	FY2023 Minister of the Environment Award for Climate Change Action (Product Development and Commercialization Category (Mitigation))	Development of ultra-high pressure hydrogen storage compressor based on combined resin layers reinforced by steel and carbon fiber	Ministry of the Environment
	FY2024 National Commendation for Invention, Invention Award	Invention of highly weather-resistant steel that can be used near coastal areas without coating	Japan Institute of Invention and Innovation
	Nikkei Superior Products and Services Awards 2023, Grand Prize	Anti-fatigue-damage steel (AFD steel)	Nikkei Inc.
	70th (FY2023) Okochi Memorial Technology Prize	Automation of blast furnace operation based on a cyber physical system	Okochi Memorial Foundation
	32nd Grand Prize for the Global Environment Award	Project team for creating a seaweed bed and ecosystem using recycled materials at areas around Shinto, Iwakuni City (Koujiro Fisheries Cooperative, National Institute of Technology, Ube College, and JFE Steel)	Fujisankei Communications Group (Secretariat: The Sankei Shimbun)
JFE Engineering	25th JICE Technology Development Award	Simple reinforcement technology for pile-style piers	Japan Institute of Country-ology and Engineering Coastal Development Institute of Technology
J Bio Food Recycle Co., Ltd. (JFE Engineering Group company)	6th EcoPro Awards, Minister of Agriculture, Forestry and Fisheries Award	Food recycling system with a double-recycling loop, creating a regional circular and ecological sphere with electricity and fertilizer	Sustainable Management Promotion Organization
Myoko Green Energy Co., Ltd. (JFE Engineering Group company)	1st PPP/PFI Project Excellence Award, Award of Excellence	Transfer of Myoko City's gas business and comprehensive private consignment of water and sewage services	Cabinet Office



Minister of the Environment Award for Climate Change Action



National Invention Award



Nikkei Superior Products and Services Awards



Okochi Memorial Technology Prize



Grand Prize for the Global Environment Award



25th JICE Technology Development Award



6th EcoPro Awards, Minister of Agriculture, Forestry and Fisheries Award



1st PPP/PFI Project Excellence Award, Award of Excellence

Third-Party Comments

Yoshinao Kozuma

Emeritus Professor
Sophia University

1. Improvement in the Transparency of the Transition Plan

The JFE Group's strategy of achieving carbon neutrality by 2050 consists mainly of reducing CO₂ emissions at JFE Steel and for society as a whole by contributing to the reductions. It is being promoted through the respective efforts of each Group company and through collaborations as in the offshore wind power generation business. Since these activities are integrated with business strategies, they inevitably have a financial impact. Generally speaking, however, information disclosure on the financial aspects of such transition plans is extremely rare, and inconsistencies between climate information and financial statements have actually emerged as a social issue.

In this regard, the JFE Group's decision to disclose the financial impact of its climate-related risks and opportunities starting this fiscal year is highly commendable as a measure that will greatly improve the transparency of its transition plan. I hope the JFE Group will enhance it through the disclosure of impairment and the revised useful life of fixed assets associated with climate-related investments in its financial statements at the earliest opportunity.



2. Development in Policy Engagement Information

The disclosure of information on climate-related policy engagement is another area for which the public has expressed strong demand. Information on initiatives that comprise many of the components of JFE's policy engagement had already been disclosed in past sustainability reports. However, JFE has recognized these initiatives as its responsibility to engage with public policy and compiled them for disclosure as engagement activities, and this is a major point that deserves praise this fiscal year. A look at the current situation shows that the JFE Group is already having a significant impact on the direction of climate policy through its engagement with the Iron and Steel Federation, the business community, government, and overseas, and I expect the Group will remain committed to these initiatives going forward.

3. Reorganization of the Environment Section

On the environmental front, I was particularly impressed by reorganization of the information section. Information that was previously divided into "effective use of resources" and "prevention of pollution" in line with the technical categories of environmental management has been reorganized as information related to resource recycling under "Realizing a Recycling-Oriented Society," while water security and biodiversity are now categorized as information related to natural capital under "Preserving Biodiversity." These are not just changes in disclosure categories; they represent significant improvements that reflect a shift in the JFE Group's awareness of environmental management.

4. Future Challenges

Given JFE's top-priority goal of zero major accidents, the fact that fatal accidents continued to occur in FY2023 must be taken very seriously. Perhaps the situation requires verifying the effectiveness of safety measures that are being strengthened, including massive investments that are being made. As for the wage gap between men and women, JFE lags behind the OECD average, with some operating companies falling below the Japanese average. Further improvement are needed in this area, along with increasing the ratio of female managers.

Mariko Kawaguchi

Specially appointed professor of the Graduate School of Social Design Studies, Rikkyo University

Over the past eight years, I have had the opportunity to observe the intensifying of JFE Holdings' sustainability efforts. Its JFE Group Environmental Vision for 2050, released in 2019, was a particularly bold plan for a steel manufacturer that targeted achieving carbon neutrality by 2050, which had some skeptics doubting whether it was possible at the time. However, JFE has achieved a 17% reduction in FY2023, compared to its target of 18% for FY2024, confirming that the Group is definitely on course to attaining carbon neutrality by 2050. With regard to the Vision's first key strategy of reducing CO₂ emissions at JFE Steel, highly effective initiatives such as introducing electric-arc furnaces and starting the technological development for new experimental furnaces have been accelerated, raising the feasibility of a 30% reduction by 2030 and making the 2050 Road Map (P. 69) more persuasive. Similarly, in the second key strategy of expanding contributions to CO₂ emissions in society, the volume of reductions achieved in FY2023 was 11.53 million tonnes against the target of 12 million tonnes in FY2024, thus clearing the path to achieving the reduction target of 25 million tonnes by FY2030. The third key strategy of accelerating the offshore wind power generation business will test the Group's comprehensive strengths at all stages, including foundation, implementation, operation, and supply chain. JFE's proactive efforts should lead directly to increasing its corporate value. JFE also introduced its disaster prevention-related technologies such as tide embankments and slit dams as measures for adapting to climate change. From the perspective of developing Group-wide capabilities, I suggest that JFE devise a mechanism for incorporating comprehensive thinking into fieldwork, to constantly integrate its technologies with large-scale climate change mitigation measures such as offshore wind power generation.



Another aspect that caught my eye in this report was the disclosure of estimated figures for financial impact assessment in the TCFD scenario analysis. Disclosure of financial figures, even estimates, is an area of great interest to investors. Given the current lack of internationally standardized financial assessment methods, information disclosure ahead of other companies demonstrates management's strong commitment to combating climate change, and I encourage JFE to continue to lead Japanese companies in climate change mitigation. Furthermore, in light of this summer's heat wave, JFE may need to revise the 1.5°C and 4.0°C scenarios.

Looking ahead, I expect the same strong leadership in initiatives for a recycling-oriented society and biodiversity. Recycling-oriented initiatives are not limited to traditional onsite environmental actions such as in-house waste disposal and water resource management; they also encompass areas where the JFE Group can easily demonstrate its strengths, such as waste to-energy power generation and plastic recycling. A circular economy is not about in-house waste disposal, but about realizing a resource cycle that eliminates the concept of waste altogether. In particular, upcycling is an aggressive strategy for creating high value-added products and services from waste and byproducts, and I hope JFE's engineering technology will play an active role in this strategy.

With regard to biodiversity initiatives, the report suggests that the LEAP approach-based assessment had revealed a dependence and impact on natural resources during the mining of iron ore and coking coal. Fundamentally, mine development and mining are recognized as activities that not only generate serious environmental impacts but also pose significant risks for forced labor, forced displacement, and human rights violations affecting local populations. In some cases, they also pose business risks such as interruptions to mining activity. In the future, measures for biodiversity preservation are expected to become as stringent as those associated with climate change. I think the JFE Group will need to view its current social contribution activities such as biotopes as a starting point and formulate a strategy linked to its core business, from a perspective that includes its supply chain.

While climate change, resource recycling, and biodiversity represent different global environmental challenges, they are all attributable to the disruption of the harmonious circulation of the Earth's materials and energy. I believe that by keeping this idea in mind and strengthening interdepartmental coordination between those responsible for each area, you can accelerate the qualitative and quantitative development of your activities.

OHGISHIMA2050 is the perfect symbol of such an integration. The site is envisioned to include a new decarbonized energy supply center and recycling center, and I hope it will be developed into an integrated practice and testing ground for achieving carbon neutrality by 2050, implementing nature-positive initiatives and realizing a circular economy.

Executing the above activities will require creative ideas and communication skills to mobilize vertically structured organizations through flexible integration and networking; timely dissemination of information from the perspective of consumers, not suppliers; and DX skills to enhance execution. AI can never be the decisive factor for such an endeavor. The importance of human capital was emphasized in the Message from the CEO, and the key to attaining sustainability lies in our human capital policy—how we nurture human resources with the necessary talent, motivation, and practical skills while working with a sense of mission and joy.