

Third-Party Comments

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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.

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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.