

## TCFD Endorsement and Response

In May 2019, Mazda declared its support for the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)<sup>1</sup> and joined the TCFD Consortium,<sup>2</sup> showing its commitment to strengthening its efforts to address climate change. In addition, in February 2021, the Company announced that it would endeavor to achieve carbon neutrality throughout the entire supply chain by 2050. Mazda's major initiatives to address climate change in accordance with the TCFD recommendations<sup>3</sup> are as follows.

### Governance

- a) Board's oversight of climate-related risks and opportunities
- b) Management's role in assessing and managing climate-related risks and opportunities

Taking on the challenge of achieving carbon neutrality by 2050, we have assigned a director to oversee Mazda's decarbonization strategy and executive officers to be in charge of carbon neutrality. In 2021, Mazda formed a specialized team (hereinafter referred to as Specialized Team) dedicated to carbon neutrality matters. At its head is the Corporate Strategy Office working closely with the Specialized Team composed of members involved in products, manufacturing, purchasing, logistics, sales and recycling. Under the supervision of the officers in charge of decarbonization, the Corporate Strategy Office leads the team to formulate and promote strategies from a Life Cycle Assessment (LCA) perspective for responding to risks and opportunities selected based on Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA) scenarios and trends, while also considering the investment and expenses required for such initiatives and response schedules. Strategies<sup>4</sup> are deliberated over at the Executive Committee Meetings attended by the Representative Director and President. Product and technology development plans for realization are deliberated by the Product Planning and Design Committee, which is composed of executive officers and above.

### Strategy

- a) Climate-related risks and opportunities identified over the short, medium, and long term
- b) Impact of climate related risks and opportunities on business, strategy, and financial planning
- c) Resilience of strategy taking into consideration climate-related scenario

We have identified major risks and opportunities based on scenarios from the IPCC and the IEA, government policies, regulatory and industry trends.

#### Major Risks

Transition Risks	Policy and Legal	<ul style="list-style-type: none"> <li>Stricter regulations on fuel economy and exhaust gas emissions, carbon pricing, including introduction of carbon tax</li> </ul>
	Technology	<ul style="list-style-type: none"> <li>Increase in resources to develop electrification technologies, including electric drive system or batteries</li> </ul>
	Market	<ul style="list-style-type: none"> <li>Rise in raw material prices for electrification and weight reduction and tight procurement of semiconductor components</li> <li>Energy price spikes and supply instability due to tight fossil fuel and renewable energy supplies caused by political conditions and market forces</li> </ul>
	Reputation	<ul style="list-style-type: none"> <li>Implications on investment decisions considering ESG by investors</li> </ul>
Physical Risks	Acute	<ul style="list-style-type: none"> <li>Damage by torrential rain, production halts caused by supply chain disruptions</li> </ul>
	Chronic	<ul style="list-style-type: none"> <li>Greater impact from frequent and severe natural disasters, flood damage from high tide</li> </ul>

#### Major Opportunities

Opportunities	Resource Efficiency	<ul style="list-style-type: none"> <li>Efficient use of raw materials through thorough material recycling</li> </ul>
	Energy Source	<ul style="list-style-type: none"> <li>Stable reception of carbon neutral electricity by promoting the expansion of demand and supply of electricity</li> <li>Diverse selection of renewable energy sources</li> </ul>
	Products and Services, Markets	<ul style="list-style-type: none"> <li>Deployment of products that suit each region through building block strategy and multi-solution</li> <li>Diversification of products that adapt to next-generation automobile fuels (alternative fuels such as biofuels, synthetic fuels, etc.)</li> <li>Expansion of market opportunities through deployment of product that suit each region and diversification of products</li> </ul>

## Concrete Initiatives

### ■ Driving Development of Electrification Technology

As we assume electrification and EV ratios for Mazda production vehicles to be 100% and 25% respectively as of 2030, we plan to deploy products based on “Skyactiv Multi-Solution Scalable Architecture” that can accommodate electrification solutions, as well as to introduce from 2025, Mazda’s unique platform exclusive for EVs, which can accommodate EV models in various vehicle sizes and body types. Between 2022 and 2025, we will launch 5 hybrid models, 5 plug-in hybrid models, 3 EV models based on the “Skyactiv Multi-Solution Scalable Architecture.” These will be introduced in stages mainly in Japan, Europe, the U.S., China, ASEAN countries. Furthermore, from around 2026 to 2030, we will introduce multiple models using the Skyactiv EV platform.

### ■ Carbon Neutral Electricity Promotion Subcommittee’s Initiatives in the Chugoku Region

In November 2021, Mazda participated in as chair company and began activities as part of the Carbon Neutral Electricity Promotion Subcommittee, which was set up as one of the special subcommittees under the Chugoku Region Carbon Neutrality Promotion Council, established by the Chugoku Economic Federation. In cooperation with member partners, we will discuss issues such as how to expand the supply of electricity derived from renewable sources.

### ■ Development of Vehicles That Use Next-Generation Biodiesel Fuels

Mazda strives to establish an entire biofuel value chain - from the production and supply of raw materials to the use of carbon-neutral next-generation biodiesel fuels - as a “local production for local consumption” model within the Hiroshima area. In August 2020, the Company confirmed that such fuels had the same performance as petroleum-derived diesel oil and began to use them for company-owned vehicles equipped with diesel engines.

## Risk Management

- a) Process for identifying and assessing climate-related risks
- b) Process for managing climate-related risks
- c) Status of integration of climate-related risk management processes into overall risk management

We have identified major risks and opportunities based on scenarios from the IPCC and the IEA, government policies, regulatory and industry trends. Sharing progress and issues of initiatives in a bi-weekly meeting, the Specialized Team works to identify risks and conduct assessment processes. Strategies discussed during the meeting are deliberated over at the Executive Committee Meetings attended by the Representative Director and President. Physical risks are managed within the emergency risk management system of Business Continuity Plan (BCP).

## Metrics and Targets

- a) Metrics used to assess climate related risks and opportunities
- b) Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions and the related risks
- c) Targets and performance in managing climate-related risks and opportunities

To take on the challenge of achieving carbon neutrality throughout our entire supply chain, it will be essential to understand the GHG emissions of Scope 1, 2 and 3. In addition, it is possible that more stringent carbon pricing, including the introduction of carbon taxes, could impact finances. In order to run eco-friendly operations more effectively throughout the Mazda Group and its entire supply chain, Mazda is driving the establishment of an EMS or Environmental Management System, including ISO14001. Regarding suppliers, we request that partners formulate plans to reduce GHG emissions during our monthly liaison meeting.

### ■ GHG emissions of Scope 1, 2 and 3

For information regarding FY March 2021 results, calculation methods and boundaries, visit the below URL:  
[https://www.mazda.com/globalassets/en/assets/sustainability/download/2021/2021\\_125-129.pdf](https://www.mazda.com/globalassets/en/assets/sustainability/download/2021/2021_125-129.pdf)

### ■ Major Metrics and Targets:

Products	By 2030, 100% of Mazda production vehicles will be electrified, and 25% of Mazda’s product lineup will be EVs. (metrics: EV production ratio)
Manufacturing	By 2035, achieve carbon neutrality for Mazda factories worldwide. (metrics: Decarbonization ratio)

\*1 TCFD: Task Force on Climate-related Financial Disclosures

A private sector organization set up by the Financial Stability Board (FSB), in response to the request from the G20 Finance Ministers and Central Bank Governors.

\*2 An organization established in Japan, aimed at holding discussions regarding climate change on effective corporate information disclosure and efforts for leading disclosed information to appropriate decision-making on investment by financial institutes and other entities. The Ministry of Economy, Trade and Industry, the Financial Services Agency, and the Ministry of the Environment participate in the consortium as observers.

\*3 Source: <https://tcfcd-consortium.jp/en/about>

\*4 As of June 2022, deliberated 2 times at the Executive Committee Meetings.