MISA

Task Force on Climate-related Financial Disclosures (TCFD) Report

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Introduction

About MISA

Marubeni-Itochu Steel America Inc. (MISA) is a leader in global supply chain management, metal processing and building materials for residential and commercial projects. MISA has a fully integrated network of metal processing facilities and sales and service offices, with 2,700 employees strategically located in the United States, Canada and Mexico, with liaison offices in South America. Our products and services contribute to manufacturing around the world in industries including residential and commercial building construction, aerospace, aircraft, automotive, pump/valve manufacturing, machine shops, appliances, renewable energy, oil/gas, infrastructure, electrical and packaging industries.

MISA was created in 2001 from the merger of the steel divisions of two of Japan's largest general trading companies – ITOCHU Corporation and Marubeni Corporation. MISA is a wholly-owned subsidiary of Marubeni-Itochu Steel Inc. (MISI), which is 50% owned by Marubeni and 50% owned by ITOCHU. Our name is symbolic of a lean, responsive and flexible company which unites the strengths and skills of our subsidiaries and affiliates to meet the steel logistics and metal processing needs of our global customers.

About this Report

This is MISA's first climate-related risks and opportunities report. The scope of this report covers MISA and its subsidiaries. GHG emissions data is presented for the 2024 fiscal year ended March 31st, 2025.

In alignment with the requirements of California's Climate-related Financial Risk Act (SB 261), MISA has prepared this report in conformance with The Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (June 2017). We have adopted the TCFD framework to provide transparent and comprehensive disclosures on climate-related financial risks and opportunities.

All recommendations and disclosures within the TCFD framework, across its four core pillars, Governance, Strategy, Risk Management, and Metrics & Targets, have been compiled and included in this report.

Governance

Climate-related matters are overseen by both MISA's Board of Directors and its senior management. MISA's Board consists of Directors who are nominated and approved annually by our parent company, MISI, and MISA's existing board. These Directors hold formal meetings annually, as well as on an ad hoc basis, to approve policies, procedures, and capital expenditures in line with MISA's overall business strategy, including the execution of MISA's initiatives related to sustainable development. MISA's Board of Directors receives annual updates on MISA's environmental performance, including the GHG emissions associated with its operations, from MISA's Corporate Planning Department. Through this process, MISA's Board remains informed about the company's progress related to its environmental performance and MISI's GHG emissions reduction targets.

MISA's senior management oversees the implementation of MISA's environmental policies and practices. MISA's Chief Executive Officer is responsible for overseeing the establishment and operation of MISA's systems to enable tracking and regular reporting of environmental data and metrics across our locations. MISA's Compliance Committee, comprised of MISA's senior leadership team, has oversight of compliance with MISI's environmental policy and with applicable laws and regulations. MISA's Corporate Planning Team is responsible for compiling the company's environmental data and reporting this to MISA's Board of Directors and MISI. This year, the Corporate Planning Team oversaw MISA's first assessment of climate-related risks and opportunities, the results of which will be shared with MISA's Board of Directors and senior management and will inform the company's related strategy and risk management decisions. MISA's senior managers are responsible for executing these decisions and hold monthly meetings with divisional presidents and general managers to assess business performance and gauge progress against company goals and targets.

Risk Management

Identifying and Assessing Climate-related Risks and Opportunities

To align with both the TCFD Recommendations and California's SB 261 requirements, MISA engaged a third-party consultant in 2025 to conduct our first climate-related risk and opportunities assessment. Through this process, we identified and scored climate-related physical and transition risks and opportunities based on their likelihood and potential impact.

To identify and evaluate the potential impacts of climate-related physical and transition risks and opportunities we conducted scenario analysis that incorporated low, medium, and high emission trajectories over short, medium, and long term time horizons.

Informed by this analysis, MISA is now able to assess and prioritize identified climate-related risks and opportunities and consider their potential impact on our business operations and strategy.

Physical Risk Assessment:

To conduct the climate-related physical risk assessment, MISA used the climate scenarios from the Intergovernmental Panel on Climate Change (IPCC): Low Emissions (SSP1-1.9), Middle-of-the-Road (SSP2-4.5), and High Emissions (SSP8-8.5). The physical risks were examined across three time frames: Short Term (2030-2040), Medium Term (2040-2050), and Long Term (2050-).

We assessed 10 chronic and acute risks across all of our sites. Exposure scores to each hazard were ranked from 0 to 100, with 100 indicating the highest level of risk.

The results of the assessment indicate that, when looking at both acute and chronic physical risks in the high emissions scenario, MISA is exposed to low risks in the short term across all hazards, low to moderate risks in the medium term for the heatwave, heat stress, and temperature variability hazards, and high risks in the long term for the heatwave, heat stress and wildfire hazards. The assessment also showed moderate to high risk exposure to water stress for select locations under the long term, high emissions scenario. Overall, under the long-term, high emissions scenario, MISA's composite company risk score is moderate.

Transition Risks and Opportunities Assessment:

To conduct the climate-related transition risk assessment, MISA used scenarios from the Network for Greening the Financial System (NGFS): Current Policies (3°C warming), Delayed Transition (below 2°C warming), and Net Zero 2050 (below 1.5°C warming). The transition risks were examined across three time frames: Short Term (2026-2029), Medium Term (2030-2035), and Long Term (2035-2050).

Transition risks and opportunities were assessed based on the TCFD's categories of Policy & Legal, Market, Technology, and Reputation, alongside opportunities related to resource efficiency, energy source, products/services, markets, and resilience. Quantitative data from forecasts on future energy mixes, carbon pricing, and energy pricing was incorporated to support our analysis.

The results of the assessment indicate that MISA faces low to medium transition risks across all time frames and scenarios evaluated, with the exception of technology risk. As a part of the emissions-intensive steel industry, MISA may face pressure from stakeholders to decarbonize its operations and supply chain, though as a processor and fabricator MISA anticipates less pressure than our steel manufacturing peers. Our highest risk exposure is expected under the Net Zero by 2050 scenario, where we anticipate medium to high technology transition risks as the company will need to adopt low-carbon and carbon removal technologies, a process that may be challenging due to internal policies and external factors like costs and supply constraints.

Our analysis revealed some transition-related opportunities for MISA, including improving resource efficiency through decarbonization planning, which could lower emissions and may reduce operational expenses.

Managing Climate-Related Risks and Opportunities

MISA's parent company, MISI, has established a group-wide risk management policy and framework to evaluate and respond to risks within the group companies. MISA manages risks by applying this framework, in which Risk Reporting Criteria for each major risk are established from both quantitative and qualitative perspectives. MISA's CEO is responsible for risk management and serves as the Company's Risk Management Officer. Our management team and employees from the relevant departments responsible for each major risk assess and manage these risks, and when there is a possibility that a risk may materialize, they promptly report it to the CEO and consider and implement appropriate countermeasures.

MISA's first climate-related risk and opportunities assessment represents a foundational step in understanding how various climate-related physical and transition risks may impact the organization across different scenarios and time frames. This initial work provides insights that will inform our risk management, business continuity, supply chain management, and product innovation processes.

Given the uncertainties in predicting long-term climate and regulatory patterns, MISA recognizes that the full scope of climate-related impacts requires ongoing analysis. Therefore, MISA will continue to assess these risks and implement mitigating efforts into our strategy. We are committed to completing biennial climate risk assessments, ensuring alignment with the most current scientific data and scenarios and California SB 261 reporting requirements. This process will allow us to continuously monitor and refine our understanding of climate-related risks and opportunities. This sustained effort will ensure that climate considerations remain up-to-date and are progressively integrated into our strategic planning, capital allocation, and financial forecasting processes.

Strategy

Climate-Related Risks & Opportunities and their Associated Impacts

Physical Risks

The following table outlines MISA's identified climate-related physical risks for the 10 acute and chronic perils under the High Emissions scenario from our assessment.

◆ Low Risk Exposure ◆ Moderate Risk Exposure ◆ High Risk Exposure

		Risk Exposure Over Time (under High Emissions scenario)		
Risk	**Risk Type**	**Short-term**	**Medium-term**	**Long-term**
Flood	Acute	◆	◆	◆
Heatwave	Acute	◆	◆	◆
Heavy Precipitation	Acute	◆	◆	◆
Wildfire	Acute	◆	◆	◆
Changing Precipitation	Chronic	◆	◆	◆
Heat Stress	Chronic	◆	◆	◆
Hydrological Variability	Chronic	◆	◆	◆
Sea Level Rise	Chronic	◆	◆	◆
Temperature Variability	Chronic	◆	◆	◆
Water Stress	Chronic	◆	◆	◆

MISA's initial climate-related risks and opportunities assessment has enabled a better understanding of our high-priority physical risks, including increases in heat stress, heatwaves, and wildfires, which could pose increasing threats to MISA's operations and supply chain stability under a high emissions scenario in the medium and long term. We recognize that these risks may reduce operational efficiency, strain electrical grids, and potentially raise operational costs, while also negatively affecting employee health and productivity levels.

This understanding will inform the development of our resilience measures, including adaptation, mitigation, and emergency preparedness strategies for our higher risk sites. To mitigate any immediate risk, MISA has comprehensive property insurance for all major sites to cover potential losses or damages from extreme weather events.

Transition Risks and Opportunities

The following tables outline MISA's identified climate-related transition risks and opportunities under the Net Zero by 2050 scenario from our assessment.

Low Risk Exposure Moderate Risk Exposure High Risk Exposure

Risk	Description	Time Horizon	
Introduction of carbon price or carbon tax	MISA's compliance-related costs are expected to remain low in the short and medium term, increasing in the long-term as carbon prices are projected to rise significantly under Net Zero by 2050.	Short-Term	
		Medium-Term	
		Long-Term	
Mandatory climate reporting requirements	Costs associated with mandatory climate reporting are projected to increase over time, elevating long-term risk to medium in alignment with evolving reporting requirements.	Short-Term	
		Medium-Term	
		Long-Term	
Exposure to litigation	New climate policies expected to be introduced under this scenario could lead to penalties for insufficient disclosure or non-compliance, as well as increased scrutiny of climate-related claims. However, the gradual rollout of these policies allows MISA ample time to adjust its climate strategy, resulting in low overall litigation risk in the short, medium, and long term.	Short-Term	
		Medium-Term	
		Long-Term	
Transition costs associated with adopting lower emissions technology	MISA may experience challenges in adopting low-emissions technology due to internal challenges and high external costs, particularly in the medium and long term.	Short-Term	
		Medium-Term	
		Long-Term	
Evolving consumer preferences	Customer demand for low-carbon steel is expected to increase due to corporate sustainability goals and compliance with environmental regulations. Because MISA does not produce steel itself, MISA will need to work closely with our steel producers to ensure that they are producing low carbon steel. The impact remains low in the near-term but will increase to medium in the medium- and long-term as demand from customers for low-carbon steel products increases over time.	Short-Term	
		Medium-Term	
		Long-Term	
Supply chain disruptions	Warming is limited under Net Zero by 2050 to 1.5˚C. As result, supply chain impacts are expected to be similar to present day conditions, with minimal disruption anticipated for MISA.	Short-Term	
		Medium-Term	
		Long-Term	

Risk	Description	Time Horizon
Expectations from key stakeholders to decarbonize and damage to brand if efforts are deemed insufficient	MISA may experience loss of revenue or reputational damage if the company's climate policies are deemed insufficient and not aligned with a net-zero future, particularly post 2030 when coordinated action becomes imperative to meet net-zero goals, elevating impact to medium in the medium- and long-term.	Short-Term Medium-Term Long-Term
Stigmatization of steel sector	The steel sector, as a major emitter of CO_2, is expected to face scrutiny from both investors and governmental bodies in the transition to a net-zero economy. As a processor, fabricator, and supply chain manager, MISA has lower emissions than primary steel producers which will reduce immediate scrutiny in the short-term. In the medium- and long-term, expectations around decarbonization will increase.	Short-Term Medium-Term Long-Term

Opportunity	Description
Resource efficiency	– Pursue strategies that reduce emissions and operational costs, such as energy efficiency or renewable energy sourcing – Engage suppliers to improve their operational efficiency and emissions intensity
Resilience	– Improve resilience against MISA's most material climate-related physical risks (e.g., extreme heat, wildfire) by implementing measures such as upgrading cooling systems, enhancing emergency response plans, and retrofitting critical infrastructure with heat- and fire-resistant materials. – Leverage MISA's strong supply chain management expertise and existing partnerships to continue delivering products to clients worldwide with minimal disruptions
Products/services	– Attract new clients and access new markets for low-carbon steel products – Become a preferred supplier for organizations seeking to reduce their embodied carbon by expanding offering of low-carbon steel products

Our analysis shows that our current strategy demonstrates strong resilience against identified transition risks in the short-term. In the medium- and long-term MISA may experience future impacts primarily related to:

- **Policy and Legal Risks:** Increased costs associated with carbon taxes or emissions trading schemes.
- **Technology Risks:** The requirement for further adaptation to low-carbon production technologies to remain competitive.
- **Reputational Risks:** Potential for reputational risk if the company doesn't meet decarbonization ambition expectations.

To mitigate these transition risks and seize upon transition risk opportunities, MISA will monitor and maintain compliance with any mandatory climate-related reporting requirements and regulations and will continue to find innovative ways to reduce emissions in our fabricating and processing operations to establish ourselves as a leading provider of low carbon steel products.

MISA endeavors to reduce emissions from our operations through initiatives to improve energy efficiency at our plants, logistics optimization, and utilizing renewable energy. We support the sustainability goals of our customers by providing product transparency documents such as Environmental Product Declarations and other information such as total embodied carbon or recycled content percentages. In March 2024, MISA's ClarkDietrich subsidiary, the largest manufacturer of cold-formed steel framing products in North America, introduced a new line of low embodied carbon (LEC) steel framing products. These new offerings made ClarkDietrich the first company to offer LEC cold-formed steel framing products across the entire United States, giving architects and engineers greater freedom in designing sustainable buildings and meeting the growing number of projects with LEC requirements.

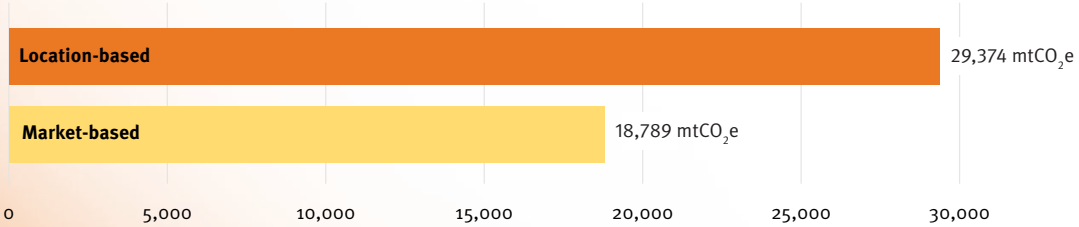
MISA recognizes that this was our inaugural climate risk assessment and we are committed to continuously strengthening our strategic resilience. In addition to furthering the initiatives outlined above, we plan to increase internal engagement with key stakeholders to encourage and facilitate the adoption of effective resilience measures for top climate-related risks and opportunities, with a particular focus on medium and long-term risks.

Metrics & Targets

MISA is committed to consistently tracking our GHG emissions, and we have conducted Scope 1 and 2 GHG inventory assessments since 2022 in alignment with the GHG Protocol methodology. We are also preparing to measure our Scope 3 emissions to better understand our overall GHG emissions footprint.

Summary of MISA's Scope 1 and Scope 2 Emissions:

MISA's FY24 Scope 1-2 emissions are disclosed below. In 2024, MISA's ClarkDietrich subsidiary purchased 31,728 MWh of renewable energy certificates, covering 100% of its electricity use and helping to reduce our market-based Scope 2 emissions.



GHG Emissions Reduction Targets

MISA is committed to reducing our Scope 1 and Scope 2 emissions by 50% by fiscal year 2030 compared to a 2020 baseline year. This target is aligned with that of our parent company, MISI.