



Task Force on Climate-Related Financial Disclosure (TCFD) Summary

Introduction

In our 2020 Sustainability Report, we expressed our support for the Task Force for Climate-Related Financial Disclosure (TCFD) and its mission, including alignment with the TCFD recommendations.

TCFD has developed recommendations for voluntary climate-related financial disclosures that are designed to be consistent, comparable, reliable, clear and efficient, and provide decision-useful information. The TCFD recommendations, published in 2017, include eleven climate-related disclosures in four main areas: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets.

We recognize that our investors, financial providers, customers and other stakeholders increasingly seek more transparency on our climate-related risk management practices and associated transition plans. By aligning with TCFD, we aim to establish a robust framework for our businesses to further evaluate climate risks and opportunities and increase transparency regarding our actions over medium (2025 – 2030) and long term (2031 to 2050).

Our Approach

Our approach included the following activities:

1. Refresh of our risks and opportunities

The Sr. Vice President of SHE&S convened a cross-functional group of internal representatives from key functions including Finance, Legal, Investor Relations, Risk Management,

Research, Supply Chain, Manufacturing, and Business Segment leaders (collectively the “Working Group”), along with an outside consultant expert in the development of the TCFD, to refresh our list of climate risks and opportunities in a workshop setting.

2. Climate scenario selection

The Working Group reviewed publicly available and widely accepted climate scenarios (i.e., sets of likely climate-related impacts given certain rises in global average temperatures) to identify the most appropriate scenarios for our climate scenario analysis. We identified two different climate scenarios (RCP 2.6 – Aggressive mitigation scenario and RCP 6.0 – Intermediate mitigation scenario) to assess the potential impacts and opportunities to our business.

3. Climate scenario analysis

The Working Group participated in a series of workshops to qualitatively assess potential impacts of the climate risks and opportunities identified. The Working Group developed and ranked an exhaustive list of potential climate risks and opportunities relevant to Cabot. The Working Group then agreed upon the key risks and opportunities and categorized them according to the TCFD guidance as illustrated in its Climate Scenario Risks and Opportunities Matrix.



TCFD Climate Scenario Risks and Opportunities Matrix

The following table provides a high-level summary of Cabot’s TCFD climate scenario analysis based on the outcome of this first phase of work.

Cabot’s High Level Climate Scenario Risks and Opportunities Matrix ¹ :			Potential Impact on Business							Potential Financial Impacts				Potential Opportunities		
Type	Climate-Related Risks	Time Horizon*	Inability to remain competitive	Regulatory operational curtailment	Reduced production capacity	Increased operating costs	Reputational damage	Reduced demand for products	Fines and other regulatory impacts	Revenue	Expenditures	Assets	Capital Costs	More efficient production processes	Emergence of new technologies	Increased market share
Transition	Policy and Legal															
	Risk of regulatory change (carbon pricing)	Short term				X			X		X		X			
	Technology															
	Risk of technology disruption impacting competitive position	Medium term	X					X		X		X	X			
	Opportunity to reduce resource consumption	Medium term									X		X	X	X	
	Opportunity for new technology enabling use of sustainable feedstocks	Long term								X			X		X	
	Opportunity to reduce water consumption	Medium term									X		X	X	X	
	Market															
	Risk of decreased availability of raw materials	Long term	X	X							X					
	Risk of product alternatives	Medium term	X					X		X						
Opportunity for products with low environmental impact	Medium term								X			X		X	X	
Reputation																
Risk of perceived inadequacy of climate action	Medium term						X	X	X							
Acute																
Risk of inversions	Medium term	X	X						X	X						
Risk of hurricanes	Medium term	X		X					X	X	X	X				
Risk of flooding	Medium term	X		X					X	X	X	X				
Chronic																
Risk of drought	Long term	X	X		X				X							

¹ Prepared as of November 30, 2021; not intended to be considered a full disclosure of the results as aligned with TCFD guidance.