

Hexion TCFD Index

Governance

Disclose the organization’s governance around climate-related risks and opportunities.

<p>a. Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>Hexion’s Board of Directors guides the company’s strategic planning regarding Environmental, Social, and Governance (ESG) risks and opportunities through quarterly discussions about various ESG topics and progress toward goals. These topics include climate change and greenhouse gas (GHG) emissions. The Board has overall responsibility for our sustainability efforts, vision, policy, and strategy, including climate-related matters.</p> <p>Hexion is working to incorporate climate-related issues into strategy and planning processes. For example, we have added a financial threshold to our capital expenditure process that, when surpassed, requires a GHG emissions estimate of the project, along with actions taken to minimize the impact. We are also building a mandatory GHG emissions assessment into our acquisition, divestiture, and overall business development process. Our Board will consider these emissions assessments when reviewing and guiding future business objectives, strategies, plans, and policies.</p>
<p>b. Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>Hexion utilizes a committee approach to develop our sustainability framework and corporate focus areas. Our Sustainability Steering Team consists of leaders from every Hexion business and function, thus ensuring input is received from, and flows back to each team in the organization. This functions to facilitate the integration of lifecycle thinking across Hexion. Within this Sustainability Steering Team exists a sub-group comprising leaders from our manufacturing, engineering, procurement, supply chain, and environmental health and safety (EHS) functions, focusing specifically on climate-related topics such as climate change and GHG emissions. Members of this sub-group were explicitly chosen due to their involvement in GHG emission management.</p> <p>Hexion’s Executive Leadership Team (ELT) serves as the higher-level sustainability committee within our company. Our Senior Vice President of Environmental, Health & Safety and Chief Sustainability Officer is responsible for providing our ELT and Chief Executive Officer with sustainability updates, and for ensuring timely and accurate climate-related information flows continually up to the Board level.</p>

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

<p>a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>When considering climate-related risks and opportunities, Hexion utilizes the following time horizons.</p> <ul style="list-style-type: none"> • Short-term: present-day – 2030 • Medium-term: 2030 – 2050 • Long-term: 2050 – beyond <p>In 2022, Hexion undertook a screening process to understand the climate-related risks and opportunities that might impact our business. Beginning with an International Summit in April, leaders were surveyed about input on the present and future state of Hexion's climate-related risks and opportunities. The survey identified 77 risks and opportunities, from which 43 aggregated risks and opportunities were evaluated. Some identified risks and opportunities are listed below.</p> <p>Risks</p> <p>Policy and legal: The nature of our business exposes us to potential regulatory burdens under carbon pricing schemes that may come into effect in the future. This would manifest as an additional operating cost. Additionally, in many countries where we operate, GHG emission-limiting legislation has been passed, proposed, or considered, including capping and trading emissions credits. Existing and future GHG legislation and regulation in the jurisdictions in which we operate could negatively impact our future results from operations through increased production costs.</p> <p>Input costs: Hexion has considerable exposure to input price volatility from carbon-intensive materials. In particular, rising energy, fuel, and feedstock prices could pose significant risks to Hexion's operations.</p> <p>Market: Hexion risks losing share-of-wallet with key customers if our emissions reductions do not meet the standards of customers seeking to decarbonize their supply chain.</p> <p>Physical-acute: Extreme weather events associated with climate change have the potential to result in production interruptions, particularly concerning our southern U.S. operations near the Gulf Coast. Such events could cause production delays, raw material supply delays, and other disruptions, negatively affecting our operations.</p> <p>Opportunities</p> <p>Sustainable products: Hexion sells various products that may see growing markets in higher-ambition climate scenarios. For example, our</p>
---	---

coatings and adhesives used in the building and construction market contribute to reduced emissions from building materials.

Energy efficiency: Taking advantage of existing and future opportunities for increasing our manufacturing plants' energy and material efficiencies would lead to a smaller GHG footprint, reduced regulatory exposure under carbon pricing mechanisms, and a competitive advantage relative to peers.

Of the risks and opportunities initially evaluated, ten underwent further review in our scenario analysis process. These risks and opportunities were assessed under scenarios that presented quantitative possibilities about what energy and emissions might look like in a low carbon transition limiting warming to well-below 2°C. Identified risks and opportunities were aggregated and assessed based on their potential financial impact.

b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Hexion incorporates climate-related issues into business, strategy, and financial planning. For example, global climate change legislation and regulations could negatively impact our results or limit our ability to operate our business. We are adding a financial threshold to trigger GHG emissions estimates of projects in our capital expenditure, acquisition, divestiture, and overall business development process. Other risk and opportunity integration into our business planning is ongoing. We have also announced, and our making progress against, a goal of 100% of our new products having at least one sustainable attribute by 2030.

As part of our 2022 scenario analysis process, select risks and opportunities were quantified under various climate scenarios. The annual costs of the risks and benefits of the opportunities relative to a 2030 business-as-usual scenario and the scenarios used are as follows.

Risks

Category	Specific Risk	Scenario(s) Used	Cost
Policy and legal	Carbon pricing	Bespoke, NZE	\$11MM
Input costs	Petrochemical feedstocks	STEPS, SDS	\$88MM
Market	Sustainable product demand	SBTi (WB2D, 1.5D), Bespoke	\$68MM

Opportunities

Category	Specific Opportunity	Scenario(s) Used	Benefit
Sustainable products	Cement	STEPS, APS, NZE	\$60MM
	Hexafloat	STEPS, SDS	<\$0.1MM
	OSB resin	STEPS, APS, NZE	\$35MM
	ArmorBuilt	RCP (2.6, 6.0)	<\$0.1MM
Energy efficiency	General	STEPS, NZE	<\$0.1MM

As part of our plan for transitioning to a low-carbon economy, in 2021, we announced a commitment to reducing GHG emissions by 20 percent by 2030. Our commitment encompasses reductions in Scope 1 and

	<p>Scope 2 emissions, direct and indirect GHG emissions from operations and consumed energy. Scope 3 emissions, associated with all other aspects of our business, are also being reviewed. We have set several corresponding targets and interim actions to help us meet our goals. A significant amount of our input costs are passed on to our customers; therefore, our value chain is incentivized to collaborate with us on GHG emission initiatives and opportunities.</p> <p>Additionally, we strive to protect against climate change throughout our business lifecycle by optimizing our processes, using natural resources efficiently, and enhancing our products and technologies with the latest innovations.</p>
c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>Hexion's 2030 GHG emissions reduction goal is aligned with our short-term time horizon, allowing us the opportunity to update our target and assess our strategy in the near future as we aim to remain resilient to climate-related risks and opportunities. In the future, we plan to evaluate strategy resilience, considering a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant, scenarios consistent with increased physical climate-related risks.</p>

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

<p>a. Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>To better understand risks and opportunities and support Hexion's future strategy, we initiated a process in 2021 to educate leadership on TCFD as a strategic planning platform to drive a greater understanding of potential climate-related risks and opportunities. Our annual risk assessment process leads this process in identifying and assessing climate-related risks. This process is conducted by our Internal Audit, Risk Management, and Legal & Compliance teams and comprises interviews with Senior Leadership and committee chairs, a yearly risk assessment survey, and a leadership top risks survey. More details of our most recent risk assessment process can be found in the Governance section of our 2022 Sustainability Report.</p> <p>Climate regulations and requirements change frequently and tend to become more stringent over time. As identified in Hexion's 2022 climate-related risks and opportunities screening process, there is advanced recognition that the nature of our business exposes us to potential regulatory burdens under carbon pricing schemes that may come into effect in the future. Due to this, our scenario analysis applied carbon pricing from two scenarios to consider existing and emerging regulatory requirements related to climate change.</p> <ol style="list-style-type: none"> 1) Business-as-usual: Carbon pricing that has been announced or enacted is applied to Hexion's emissions on a country level through 2050. 2) Net zero: Carbon prices considered consistent with achieving 1.5°C warming by 2100 are applied on a country level through 2050. <p>Other areas, such as customer commitments, were also projected using appropriate scenarios.</p> <p>To assess the potential size and scope of identified climate-related risks, Hexion screens risks for their likelihood of occurrence and overlays them with likelihood thresholds. The potential implications for Hexion's business are assessed using financial thresholds, and climate data is used to determine the immediacy of the risk or opportunity.</p>
<p>b. Describe the organization's processes for managing climate-related risks.</p>	<p>Using Hexion's annual risk assessment process results, we review and implement mitigation strategies related to the identified climate-related risks. Assessment results are presented to the full Board annually, and the Risk Committee subsequently receives an update on the risk and mitigation activities. To prioritize climate-related risks for mitigation, identified risks and opportunities are aggregated and assessed based on</p>

	<p>their potential financial impact. Materiality is determined by evaluating each risk in terms of likelihood, impact, and velocity.</p> <p>In our most recent assessment, subject matter experts (SMEs) generally indicated four levers Hexion could use to manage climate-related risks and capture opportunities.</p> <ol style="list-style-type: none"> 1) Alternative raw materials and technologies: SMEs identified inputs and technologies that could be substituted with low-emissions alternatives to help Hexion reach our climate commitments. 2) Supply chain engagement: Decarbonizing Hexion’s supply chain was identified by SMEs to decrease the lifecycle emissions associated with our products and create a competitive advantage on emissions relative to peers. 3) Climate initiative capital allocation: SMEs indicated the need for increased and sustained expenditure on climate-related projects to capture the opportunities presented by a transition to a low-carbon economy. 4) Energy and material efficiency: SMEs provided tangible ways that Hexion’s facilities could lower their material and energy consumption, reducing the company’s GHG footprint, exposure to carbon pricing, and operating costs.
<p>c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</p>	<p>Historically, Hexion has managed sustainability and climate change in the same way. As awareness of climate change and the impact of climate-related risks and opportunities have grown, we have undertaken steps to strengthen our ability to manage these impacts. This includes specific processes to identify, assess, and manage climate-related risks. Moving forward, Hexion will integrate these processes into our overall risk management process where applicable and sensible.</p>

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

<p>a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>Hexion’s policies, including our EHS Policy, and our Environmental Management System includes systems and procedures that govern environmental metrics such as GHG emissions and waste generation. We expect to continue making significant progress on waste reduction, energy efficiency, and other key sustainability metrics. Specifically, our climate-related metrics include the following.</p> <ul style="list-style-type: none"> • Water consumption • Waste consumption • Net energy consumption and production • GHG emissions • Net Scope 1 and Scope 2 carbon dioxide equivalent (CO₂e) emissions <p>Additionally, we are assembling our Scope 3 emissions as an additional metric to assess climate-related risks and opportunities per our strategy. We are also developing a methodology to identify low-carbon products and related opportunity metrics.</p> <p>To allow for trend analysis, we report data for historical periods for the following metrics: GHG intensity, Energy intensity, net Scope 1 and Scope 2 CO₂e, and energy reduction. See the Key ESG Metrics section of our 2022 Sustainability Report for more details about historical data.</p>																
<p>b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.</p>	<p>Hexion’s Scope 1 and Scope 2 emissions are presented below. Our emissions are calculated using eGRID and IEA factors in accordance with GHG reporting protocol. We leverage the Diligent tool to calculate emissions and ensure up-to-date factors are applied. We include facilities over which we have operational control. Our 2022 Scope 1 emissions decreased by 8.6% compared to 2021, and our Scope 2 emissions declined by nearly 10% over the same period. Scope 3 emissions are being assembled as an additional metric to be included in the future.</p> <table border="1" data-bbox="488 1541 1398 1801"> <thead> <tr> <th>Metric</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>155,952 MT CO₂e</td> <td>175,360 MT CO₂e</td> <td>164,244 MT CO₂e</td> </tr> <tr> <td>Scope 2 (location-based)</td> <td>105,491 MT CO₂e</td> <td>113,991 MT CO₂e</td> <td>103,036 MT CO₂e</td> </tr> <tr> <td>Scope 2 (market-based)</td> <td>101,393 MT CO₂e</td> <td>110,567 MT CO₂e</td> <td>100,832 MT CO₂e</td> </tr> </tbody> </table>	Metric	2020	2021	2022	Scope 1	155,952 MT CO ₂ e	175,360 MT CO ₂ e	164,244 MT CO ₂ e	Scope 2 (location-based)	105,491 MT CO ₂ e	113,991 MT CO ₂ e	103,036 MT CO ₂ e	Scope 2 (market-based)	101,393 MT CO ₂ e	110,567 MT CO ₂ e	100,832 MT CO ₂ e
Metric	2020	2021	2022														
Scope 1	155,952 MT CO ₂ e	175,360 MT CO ₂ e	164,244 MT CO ₂ e														
Scope 2 (location-based)	105,491 MT CO ₂ e	113,991 MT CO ₂ e	103,036 MT CO ₂ e														
Scope 2 (market-based)	101,393 MT CO ₂ e	110,567 MT CO ₂ e	100,832 MT CO ₂ e														



Hexion Inc.
180 East Broad Street
Columbus, OH 43215
hexion.com

Our emissions are also presented graphically in the Key ESG Metrics section of our 2022 Sustainability Report with historical data for trend analysis and comparison.
