

SUSTAINABILITY AND MANAGEMENT FOUNDATION



Creating robust, people-friendly cities around the world.

04

Sustainability Governance	54
Stakeholder Engagement	56
Realization of Carbon Neutrality	58
Contribution to Recycling-oriented Economy, Early Restoration from Intensifying Disasters, Co-existence with Local Communities	63
Creation of New Customer Values	65
Human resource development and improvement in job satisfaction	67
Employee Roundtable Talk	71

Sustainability Governance

SUSTAINABILITY AND MANAGEMENT FOUNDATION

As the world faces a wide range of environmental and social issues, creating social and environmental values is imperative to ensure sustainable improvement in the corporate value of Nikko Group. We aim to realize the Group's vision of "Making the world a resilient and gentle place" through continuous dialogue with stakeholders.

Nikko Group Sustainability Basic Policies

Responsibility to society

- We will respect human rights and support their protection, enhance our corporate ethics and share them across the entire value chain, and practice fair business activities in order to realize a sustainable society.
- We will promote new workstyles and create diverse, healthy, safe, and secure workplaces that offer job satisfaction.
- We recognize our role as a market leader, and will contribute to the realization of a prosperous future and resilient society through the products, services, and solutions we offer.

Responsibility to global environment

- We will act as a company responsible for the future of the global environment by promoting the shift to decarbonized economy and striving to improve the efficiency of material recycling and prevent pollution so as to contribute to the preservation of biodiversity.

Sustainability promotion structure

Nikko Group established the Sustainability Committee in June 2023 to summarize the Group's discussions regarding sustainability and to further improve the quality and speed of implementation in cooperation with the Compliance and Risk Management Committee.

The Sustainability Committee is chaired by the Director and Manager of Corporate Planning Department and has four other members from the upper management including the Director and Vice

President supervising financial and human resources who chairs the Compliance and Risk Management Committee. The committee discusses Nikko's sustainability-related issues and report and make proposals to the Board of Directors. Its secretariat consists of five employees from the departments supervised by the committee chair and members. The committee meets four times a year as a rule. The roles and functions of the Sustainability Committee are as follows.

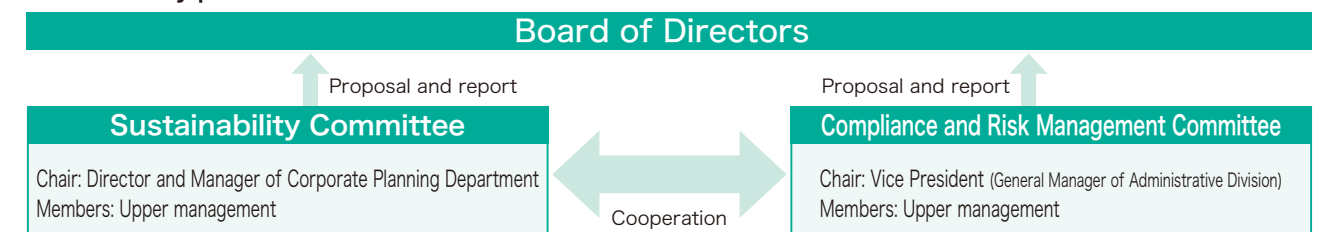
Roles

1. Identifying materiality for realizing the long-term vision
2. Identifying risks and opportunities of materiality and clarifying how to manage the progress (metrics and targets)
3. Preparing a draft of the Medium-Term Management Plan by backcasting from the long-term vision
4. Developing the structure for offering values to stakeholders
5. Cooperating with the Compliance and Risk Management Committee

Functions

1. Formulating the Sustainability Basic Policies
2. Formulating human rights policies and implementing human rights due diligence
3. Formulating anti-corruption (corporate ethics) policies
4. Promoting awareness-building activities based on the policies
5. Formulating environmental policies (decarbonization, material recycling, water resources, and biodiversity conservation)
6. Applying the policies to the supply chain (formulating procurement guidelines)
7. Enhancing human capital (engagement, diversity, life support, and health and safety)
8. Holding dialogues with stakeholders

Sustainability promotion structure



Cooperation between Sustainability Committee and other committees and taskforces

The five members of the Sustainability Committee have the following respective roles and cooperate with each other in the committee.

- Sustainability Committee members**
- Koichi Kawakami (chair): Corporate planning, DX, safety and health
 - Hiroshi Fujii: Financial, human resources, compliance and risk management (chair)
 - Tomomi Nakayama: Sales and overseas business
 - Kazuhiro Yamada: Manufacturing and procurement
 - Katsuhiro Kawamura: Development, GX (decarbonization)

Identification of materiality

Along with the formulation of the 2030 Vision, Nikko Group reviewed its materiality for sustainable creation of corporate values in 2022. We believe that solving material issues by bearing in mind “promoting self-reform to win the broad trust from society and fulfill our mission as a solutions partner that evolves with the customers” as stated in our Management Philosophy would lead to achievement of the 2030 Vision. The Group will set forth the most important KPIs for the following four materiality areas to raise

effectiveness and strengthen monitoring by the Board of Directors.

Nikko Group’s materiality	Reference
● Realization of Carbon Neutrality	P58
● Establishment of recycling-oriented society	P63
● Creation of New Customer Values	P65
● Human resource development and improvement in job satisfaction	P67

The business of Nikko Group is established on the relationship of trust with its stakeholders. The Group believes it is important to engage in active dialogue with all stakeholders to solve social issues through its business and raise its corporate value. Nikko Group aims to contribute to the sustainability of society and to achieve sustainable growth as a company, in line with the stakeholders’ understanding regarding the direction it is pursuing and the path of its value creation.

Value co-creation with stakeholders



Sustainability management at Nikko Group



Relationship with stakeholders and main channels of dialogue

	Relationship with stakeholders	Stakeholders' main interests	Main dialogue channels
Customers	Nikko Group is contributing to business expansion and productivity improvement at customers through the provision of products and services. At the same time, it contributes to the development of a prosperous society together with customers through the development of social infrastructure.	● Offering of high-performance, high-quality products ● Service structure that offers safety and security ● Ability to propose solutions to issues ● Response to technological innovation ● Early restoration from natural disasters	● Daily sales and service activities ● Various trade shows (holding the 2022 Nikko Messe and participation in N-EXPO 2022) ● Offering of plant operator training ● Journals (editing and publication of NAP NEWS and BP EYES) ● Nikko website (One Nikko Platform)
Employees	Employees are the most valuable asset of Nikko. We focus our efforts on building an organization and nurturing our human resources so that we can quickly respond to all changes surrounding our business to make sustained contribution to society. We will strive to develop a workplace environment that offers job satisfaction by responding to the expectations of employees, who have diverse attributes and values.	● Respect to basic labor rights ● Offering opportunities for growth and self-realization ● Equal opportunities and fair evaluation ● Creating a workplace that is very safe mentally ● Ensuring safe operations and consideration for natural environment ● Realization of work-life balance ● Securing of diversity and workstyle options	● Direct dialogue between the president and groups of employees ● Intranet ● Company newsletter (<i>Tombo</i>) ● Target setting and progress confirmation, evaluation feedback ● English and special skill training, autonomous and elective development seminars ● Campaign to improve operating efficiency ● Whistleblowing system ● Allotting shares with restriction on transfer