Sustainability Management

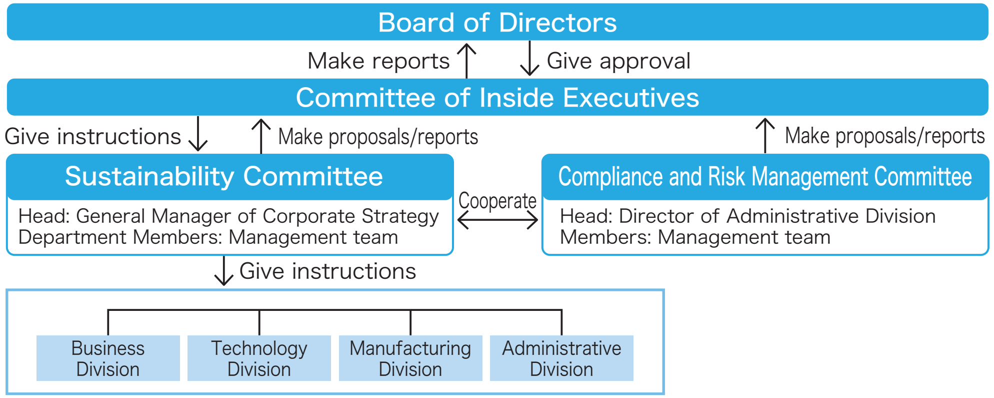
Nikko Group's framework for pursuing sustainability

The Nikko Group set up the Sustainability Committee in June 2023 in order to develop stronger governance over activities for sustainability that include efforts to address social/environmental issues. The Committee develops, promotes, and monitors strategies for resolving the material matters Nikko sets forth as it moves toward the realization of its long-term vision.

Please visit the websites below for details about our basic policies.

- The Nikko Group's basic sustainability policies (https://www.nikko-net.co.jp/sustainability/)
- The Nikko Group's basic human rights policies (https://www.nikko-net.co.jp/sustainability/sdgs.html)

Framework for pursuing sustainability



Governance structure

The Sustainability Committee plays a role in integrating discussions and facilitating prompt execution, while working collaboratively with the Compliance and Risk Management Committee. It is structured as shown below for its operation:

- Head: Executive Officer and Manager of Corporate Planning Department
- Members: Four of the management team members
- Organizers: Five members from the Corporate Planning Department and other relevant departments
- Frequency of committee meetings: In principle, four times a year

Responsibilities of the Sustainability Committee

1. Identifying material matters as a step towards our long-term vision
2. Gaining a precise understanding of risks and opportunities related to the material matters, setting targets and metrics (KPIs), and giving a clear direction of progress management
3. Drafting each medium-term management plan by using a backcasting approach, starting with long-term visions
4. Preparing structures geared to offer value to stakeholders
5. Working collaboratively with the Compliance and Risk Management Committee

Functions of the Committee

- Formulating the Basic Sustainability Policies
- Formulating the human rights policies and conducting human rights due diligence
- Formulating the anti-corruption (corporate ethics) policies
- Promoting activities to raise awareness across the Company based on the policies
- Formulating environmental policies (on decarbonization, recycling, water resources, and biodiversity)
- Applying the policies to supply chains through the procurement guidelines
- Enhancing human capital (engagement, diversity, support for employees' lives , health and safety)
- Facilitating continuous dialogues with stakeholders

Sustainability strategy, targets and metrics (KPIs)

The Nikko Group identified four material matters by examining social issues, and set specific targets and KPIs for each of these matters. With these targets and KPIs, we work on the priority fields listed below to actualize what Nikko aspires to be in the long term.

Environment

- Reduction of GHG emissions across each product life cycle
- Pursuit of product development geared to reduce waste and establish resource recycling
- Stronger management to reduce environmental impacts

Please refer to pages 37 and 38 for details about the process of identifying material matters and KPIs.

Society

- Improvement in employees' job satisfaction and women's career advancement
- Respect for diversity and enhancement of human capital
- Development of sustainable supply chains in collaboration with business partners (to address environmental, human rights, and safety issues)
- Remote-controlled plants and automated operations for labor reduction
- Repair/Replacement of aging infrastructure and quick recovery from a series of natural disasters

Risk management

We identify risks and opportunities associated with the material matters and regularly monitor them based on the KPIs we have set. We work collaboratively with relevant divisions to take measures that take account of our strengths and weaknesses, thereby minimizing risks and maximizing opportunities.

As for the overall risk management for business activities, we work to establish a stronger management structure and ensure quick responses across the Group through the Compliance and Risk Management Committee.