### **Overview and Identification Process of Key Sustainability Issues (Materiality)**

Simultaneous generation of economic, societal, and environmental value is essential for the MC Group's growth. From this perspective, in 2016 MC identified a set of Key Sustainability Issues (Materiality) as mileposts for proactively realizing the simultaneous generation of triple-value growth (including in financial terms) for the MC Group.

MC believes that our measures to address the Key Sustainability Issues will also help to achieve the Sustainable Development Goals (SDGs)\* related to each key issue. MC recognizes the role that companies are expected to play in order to achieve the SDGs. With this in mind, MC will make every effort to help make progress on the Goals.

\*The SDGs are a set of 17 global goals adopted at the UN summit held in September 2015 as the core of "The 2030 Agenda for Sustainable Development."

#### 1st Period: Identification of Management Issues

Process for Identifying the Key Sustainability Issues



# Creating a list of potential issues

In keeping with commonly used materiality setting procedures\*, MC compiled a list of around 80 potential issues that should be taken into account in order to achieve sustainable growth for the MC Group, which were based on international standards and goals such as ISO 26000 and the SDGs.

ISO 26000

SDGs

Other international standards and goals

Issue Issue Issue

Issue Issue Issue

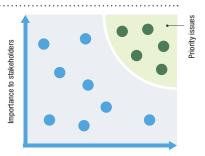
\*Referencing reporting guidelines such as those of the Global Reporting Initiative (GRI), an international NGO.



Gauging the importance of each issue based on internal and external perspectives

MC gauged the importance of each theme, in terms of both opportunities and risks, and selected priority issues based on the perspectives of MC's Business Groups as well as those of external stakeholders.

- Through interviews and questionnaires with a variety of stakeholder groups, MC determined each issue's degree of importance to stakeholders.
- Corporate Staff Section and every Business Group evaluated and prioritized each theme to determine its importance to MC.



Importance to MC (risks and opportunities)



#### Identifying the Key Sustainability Issues

MC reexamined the selected priority issues while incorporating the views of the Sustainability Advisory Committee. Following deliberations by the Executive Committee and the Board of Directors, the Key Sustainability Issues were determined.

 Harmony with local communities

Utilization of

- advanced technology
- Pollution prevention/ countermeasures
- Response to climate change
- Sustainable use of resources
- Expanded presence of developed countries
- Respect for human rights
- Work environmental/ labor issues
- Effective water use
- Response to increasing food demand
- Response to population fluctuations
- Response to geopolitical risks



#### 2nd Period: Incorporation into Business Strategy

Holding of Sustainability Dialogues and Meetings of the Sustainability & CSR Committee

MC holds Sustainability Dialogues followed by regular meetings of the Sustainability & CSR Committee to incorporate the Key Sustainability Issues into its business strategy. Participants discuss changes in the external environment surrounding each issue and examine how value creation by each business contributes to the growth of the MC Group overall. Additionally, ideas are exchanged on how to drive initiatives at the front lines of our business.

#### **Key Sustainability Issues (Materiality)**

In anticipation of the impact that climate change is expected to have on MC's business 13 canate Transitioning to a activities, MC is working to address these potential impacts, while at the same time actively Low-Carbon Society pursuing businesses that facilitate the transition to a low-carbon society and reducing greenhouse gas (GHG) emissions. MC will ensure the stable, sustainable procurement and supply of resources, raw materials **Procuring and Supplying** and other inputs in line with the needs of each country around the world. In addition, MC will in a Sustainable Manner consider environmental and social factors throughout our supply chains. MC will continue to take appropriate steps to address geopolitical risk while at the same time Tackling Evolving contributing solutions through its business for issues faced by each country and region, Regional Issues thereby supporting the development of economies and societies. Addressing the Needs of MC will stay on the pulse of major industrial shifts brought about by technological advances, Society though Business while continually creating innovative businesses that contribute to solutions for social issues. Innovation Recognizing the Earth as our most important stakeholder, MC works to ensure the continuity Conserving the of its business by preserving biodiversity, reducing its environmental impact and conserving **Natural Environment** the natural environment **Growing Together with** MC will contribute to regional development through its business and corporate philanthropy initiatives, and will aim to grow together with the regions and communities where it operates. **Local Communities** MC will work to develop human resources with advanced management capabilities who will **Fostering Our Employees** become the driving force behind corporate value creation by developing career opportunities **Maximum Potential** and workplaces where the members of its diverse workforce are able to grow as they share values in a spirit of mutual learning.

#### 3rd Period: Strengthening of Initiatives Through Goal Setting

Setting Goals for 2030

In 2019, MC formulated individual business goals so that each Business Group could autonomously promote initiatives around the Key Sustainability Issues. In 2020, MC reviewed these individual business goals to make them more specific and quantifiable,

taking into account the external environment and societal demands. The goals following the review and the main initiatives associated with them are as follows:



#### Transitioning to a Low-Carbon Society

- Aim to double renewable power generation capacity by the fiscal year ending March 2031 compared to the fiscal year ended March 2020 (from 3.3 GW to 6.6 GW). (In addition, aim to reduce existing thermal power capacity and switch to zero-emission thermal power, targeting 100% non-fossil by 2050.)
- Establish ammonia fuel supply chains for power generation
- Promote the commercialization of CCUS and hydrogen-related projects
- Promote initiatives around electric vessels (reducing environmental impact)



## Procuring and Supplying in a Sustainable Manner

- Reduce food waste by 50% (compared to the fiscal year ended March 31, 2019)
- Develop the recycled PET and eco-friendly material manufacturing businesses to achieve low-carbon and circular plastics



#### Tackling Evolving Regional Issues

- Advance coal/oil to gas projects as a pragmatic solution to reduce air pollution and transition to a low-carbon society (changeover from coal/oil to natural gas)
- Promote initiatives around autonomous ships (reducing crew stress and maritime accidents)
- Develop the Mobility Services Business
- Realize and manage valuable integrated urban development projects with accessibility and environmental friendliness

MC will continue striving for sustainable growth from a long-term perspective.

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