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# **Overview of Materiality and Identification Process**

Based on the Three Corporate Principles, which have served as MC's core philosophy since its inception, MC identified a set of Key Sustainability Issues in 2016 as mileposts for proactively realizing "triple-value growth" through the simultaneous generation of economic, societal, and environmental value. While responding to the requests of all stakeholders, MC has worked to address various societal issues through its business activities and has contributed toward the sustainable development of society as well as value creation.

After reaching the seven-year point since the establishment of

the Key Sustainability Issues, stakeholder expectations of companies regarding issues such as climate change have grown even higher, and the issues that companies must address have evolved. Against this backdrop, in order to further raise our corporate value over the medium to long term, we conducted a review of our Key Sustainability Issues from the perspective of their importance to our business activities. The revised "Materiality" was announced in Midterm Corporate Strategy 2024 as a set of crucial societal issues that we will prioritize through our business activities, toward the strategy's goal of continuous creation of MCSV.

#### **■** Materiality Identification Process

# 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 ISO26000 and the SDGs.



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

. Through interviews and questionnaires with a variety

of stakeholder groups, MC determined each issue's

• The Corporate Staff Section and every Business Group

evaluated and prioritized each theme to determine its

degree of importance to stakeholders.



# 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.



#### Identifying the Key Sustainability Issues

MC re-examined 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



Importance to MC (risks and opportunities)

#### edefining our Materiality

In conjunction with the establishment of Midterm Corporate Strategy 2024, we redefined our former "Key Sustainability Issues" as "Materiality."

Realizing a Carbon-Neutral Society and Striving to Enrich Society Both Materially and Spiritually



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- In order to further strengthen our efforts to address societal issues which have become
  increasingly important in recent years such as "respect for human rights," "coexistence/
  co-creation with stakeholders," "natural capital and biodiversity/circular economy,"
  "human capital and DE&I (diversity, equity and inclusion)," and "governance," we updated
  and revised the former "Key Sustainability Issues" as our new "Materiality."
- With the aim that all employees will work together to address the eight material issues,
  we have divided them into the categories of "Pursuit through Business" and "Pursuit by
  the Organization as a Whole," which advocates for the overarching concepts of "Realizing
  a Carbon-Neutral Society and Striving to Enrich Society Both Materially and Spiritually"
  and "Striving to Serve as a Platform for Generating Triple-Value Growth," respectively.

## MC's Materiality

MC regards its Materiality as a guideline for the continuous creation of significant MCSV, as we aim to create this value by strengthening the MC Group's collective capabilities to address societal challenges.

Materiality related to societal challenges

		Issues	Overview
Realizing a Carbon-Neutral Society and Striving to Enrich Society Both Materially and Spiritually		Contributing to Decarbonized Societies	Contribute to the realization of decarbonized societies by striving to reduce GHG emissions, while providing products and services that support decarbonization during the transition period.
		Conserving and Effectively Utilizing Natural Capital	Recognizing the earth itself to be our most important stakeholder, strive to maintain biodiversity and conserve natural capital, and work to create circular economies while reducing our environmental footprint.
		Promoting Stable, Sustainable Societies and Lifestyles	Promote sustainable societies and lifestyles of the future through businesses in a diverse range of countries and industries, while fulfilling our responsibility to provide a stable supply of resources, raw materials, products, services, etc., in line with the needs of countries and customers.
	0	Utilizing Innovation to Address Societal Needs	Create businesses that help to address societal needs while working to spur major industry reforms that are supported by business innovation.
		Addressing Regional Issues and Growing Together with Local Communities	Strive to contribute to the development of economies and societies by addressing issues facing countries and regions, while seeking to grow together and collaborate with diverse stakeholders, regions and communities.
		Respecting Human Rights in Our Business Operations	Respect the human rights of all stakeholders involved in promoting our diverse operations worldwide, and pursue solutions for value chain-related issues, while considering the local conditions in each country.
Striving to Serve as a Platform for Generating Triple-Value Growth		Fostering Vibrant Workplaces that Maximize the Potential of a Diverse Workforce	Recognizing that our human resources are the great assets of our businesses, foster a diverse and versatile talent pool that drives efforts to generate triple-value growth throughout our organization, and also seek to develop an organization where diverse human resources share common values and grow together while furthering their connections and inspiring one another to excel.
	@ @ o	Realizing a Highly Transparent and Flexible Organization	While swiftly responding to changes in the business environment, strive to realize effective governance on a global, consolidated basis and maintain/strengthen a sound organization that is transparent and flexible.

### Representative Action Plans for Each Material Issue

To effectively achieve the creation of MCSV, each Section/Business Group establishes "Action Plans," which serve as mid term plans related to the relevant material issues for each business or initiative, and tracks their progress through annual reviews. MC has thereby established a mechanism to confirm how our Materiality serves our business strategies, initiatives and organizational management that lead to the creation of MCSV.

Materiality	Typical Action Plans	Relevant SDGs*
Contributing to Decarbonized Societies	Doubling Renewable Energy Power Generation Capacity     Implementation of Next-Generation Energy Supply Chains     Supply of Mineral Resources to Promote an Electrified Society     CCUS Initiatives	7
Conserving and Effectively Utilizing Natural Capital	Promotion of a Circular Economy     Assessment of Environmental Dependencies and Impacts	6 sarrais 7 → 12 sarrais CO 13 sarrais 15 s
Promoting Stable, Sustainable Societies and Lifestyles	Fulfilling Our Responsibility for Ensuring a Stable Energy Supply to Support the Transition Period     Ensuring a Stable Supply of High-Quality Metallurgical Coal     Sustainable Food Supply	2 ***   3 *******   6 *******   7 *******   8 *********   9 **********   12 *******   15 ********   15 **********   15 **********
Utilizing Innovation to Address Societal Needs	Building a Cross-Industry Digital Ecosystem     Reduction of Food Waste     Providing Solutions for Wasteful, Inconsistent, and Burdensome Practices by Optimizing the Entire Supply Chain through Digital Technology     Contributing to the Realization of a Carbon-Neutral Society through Technological Innovation	7
addressing Regional Issues and Growing Together with ocal Communities	Creating Self-Sustained Decentralized Communities     Development and Management of Smart Cities     Providing Solutions for Regional Transportation Challenges through     On-Demand Mobility Services	4 mars.    Comparison   Compari
Respecting Human Rights in Our Business Operations	Implementing Human Rights Due Diligence for Business Activities     Ensuring the Safety of Employees	1 8 minutes 10 minutes 16 minutes
ostering Vibrant Workplaces that Maximize the Potential of a Diverse Workforce	HR Strategy     Strengthen Engagement     Data Utilization	5 mm.   8 mm.mm.   10 mm.   (\$\displays)
Realizing a Highly Transparent and Elexible Organization	Incorporating Global Intelligence into Management     Flexible Organizational Restructuring     Transparent and Effective Operation of the Board of Directors	5 16

<sup>\*</sup> The 17 global development goals adopted as a global agenda at the UN summit held in September 2015, forming the core of "The 2030 Agenda for Sustainable Development.

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