

# Special Feature

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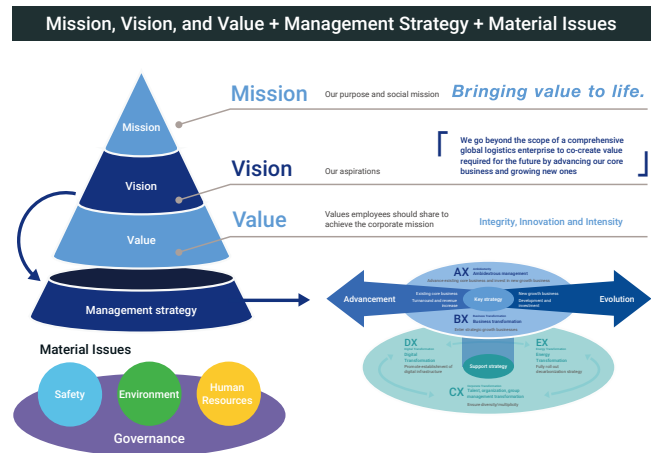
# Material Issues as the Basis of Management

— Safety, Environment, and Human Resources —

The NYK Group is working to promote Groupwide awareness of three material issues that are deeply connected to its business. We are promoting discussion to increase such awareness internally.

## Material Issues of the NYK Group

The NYK Group has positioned Safety, Environment, and Human Resources as its three material issues, with governance underlying them. These issues relate directly to our business, so employees are broadly aware of their importance. As we implement ESG management, our material issues form the core of management. The Group has formulated a specific management strategy to realize the new vision of the medium-term management plan announced in March 2023. The figure on the right presents the relationship between our Mission, Vision, and Value, as well as our management strategy, material issues, and governance.



## Process for Identifying Material Issues

To realize its mission statement, the NYK Group has identified material issues by ascertaining stakeholders' expectations and placing importance on the changing social impacts of its business activities. In the first fiscal year of the medium-term management plan, we identified more specific key themes associated with our material issues with a view to further advancing them. The ESG Strategy Headquarters took the lead in drafting the contents, which was discussed over multiple sessions with the ESG Strategy Committee. Thereafter, said proposals were submitted to the Board of Directors via the Management Meeting for confirmation and discussion regarding their appropriateness. In the process of careful discussion by many employees and members of lower, middle, and upper management, in addition to directors, the material issues, which have already penetrated the organization, are grasped more deeply by the Group's employees as they take more personal ownership of them. To realize our target state for 2050, we will continue to discuss material issues and identify key themes.

### Process for Identifying Material Issues

#### (1) Identify key themes

The ESG Strategy Headquarters takes the lead, and the key themes that the NYK Group should engage with are determined through comprehensive consideration, discussion, and selection, making reference to the medium-term management plan, ISO 26000, GRI Standards, SASB, ESRS, the SDGs, and other companies.

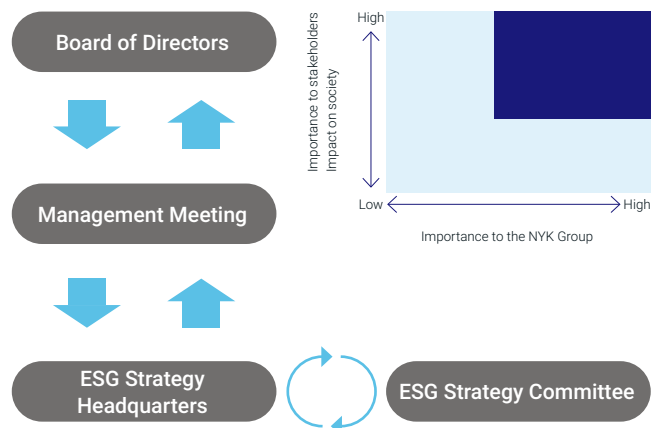
#### (2) Establish importance

After discussions by the ESG Strategy Committee, which includes external advisors, the importance of the themes is evaluated with respect to both the Group and its stakeholders.

#### (3) Confirm appropriateness

The ESG Strategy Headquarters submits a report, which is discussed at the Management Meeting and then discussed and approved by the Board of Directors.

Note: Going forward, the ESG Strategy Committee will continuously discuss the contents of material issues and key themes.





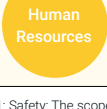
## Material Issues' Vision and Key Themes

In the identification process for making the material issues more specific for the new vision announced in the medium-term management plan, the NYK Group has formulated Material Issues' Vision and has set key themes to realize them. Governance is positioned as the foundation, and upon this foundation specific initiatives are determined for realizing the vision.

Material issues	Material Issues' Vision	Key themes
	The NYK Group supports logistics sites with expert knowledge, skills, and experience based on a high level of safety awareness, and continues to be an organization where people create safety and safety protects and nurtures people's lives and livelihood.	<ul style="list-style-type: none"> <li>Prevent serious accidents and incidents</li> <li>Maintain and enhance safety awareness</li> <li>Compliance with occupational health and safety</li> </ul> <ul style="list-style-type: none"> <li>Operational risk response</li> <li>Strengthen cyber security</li> </ul>
	The NYK Group will continue to be a force that supports the sustainable development of the Earth and humanity by taking a leading role in solving environmental issues on a global scale through continuous co-creation of necessary value for the future beyond the scope of a comprehensive logistics company.	<ul style="list-style-type: none"> <li>Promotion of decarbonization</li> <li>Climate change risk response</li> <li>Preservation of marine and biodiversity</li> </ul> <ul style="list-style-type: none"> <li>Prevention of air pollution</li> <li>Sustainable supply chains</li> </ul>
	The NYK Group encourages all employees to vigorously bring their best and authentic selves to work and to perform at their full potential, enabling us to remain a good corporate citizen implementing social sustainability initiatives.	<ul style="list-style-type: none"> <li>Enhancing employee engagement</li> <li>Ensuring diversity and inclusion</li> <li>Leveraging the capabilities of our people (all employees) to take on challenges as the NYK Group</li> <li>Co-creating to achieve our mission of "Bringing value to life"</li> </ul> <ul style="list-style-type: none"> <li>Respecting for human rights affected by our business activities</li> <li>Co-existing with local communities</li> <li>Fostering ethical workplaces</li> </ul>
<b>Foundation: Governance</b>		

## Non-Financial Targets (KPIs) and Performance

Based on its material issues, the NYK Group has set numerical targets on non-financial KPIs and announced them in the medium-term management plan together with its financial indicators, return on invested capital (ROIC), net income, and ROE. Looking ahead, to monitor the progress of the key themes for realizing Material Issues' Vision, the Group will continue to examine and discuss setting more specific KPIs, such as those to heighten safety awareness (Safety), provide detailed GHG reduction targets (Environment), and utilize engagement surveys (Human Resources).

Material issues	Target	FY2021	FY2022
	Number of major accidents: 0 accidents	1 accident	2 accidents
	Net-zero emissions from oceangoing shipping by 2050 Reduction in GHG emissions from shipping of at least 30% (vs. FY2021) by FY2030	Environmental management indicator: +2.7% (vs. FY2015)	Environmental management indicator: -6.6% (vs. FY2021) Environmental management indicator: -4.1% (vs. FY2015) GHG emissions from shipping: -5.5% (vs. FY2021)
	Women manager ratio of 30% by 2030 (non-consolidated and consolidated)	Non-consolidated: 14.0% Consolidated: 25.9%	Non-consolidated: 13.7% Consolidated: 25.2%

Note 1: Safety: The scope of application for the number of major accidents is currently under examination.  
 Note 2: Human Resources: Consolidated information disclosed in the annual securities report in June 2023

## Identification of Relevant SDGs Related to the Group's Businesses

In conducting the identification process for material issues, we matched the NYK Group's current businesses with the Sustainable Development Goals (SDGs) to re-identify the 10 most relevant SDGs. We will continue contributing to the achievement of these SDGs through our business activities.



# Practical Steps for Resolving Frontline Material Issues

The NYK Group has positioned Safety, Environment, and Human Resources as the three material issues to be addressed via its various activities, with governance underlying all. We work to impress these issues firmly on employees to ensure they retain their authenticity. In this section, we will present practical steps taken on our front lines to address the elements of each issue.

## Material Issue: Safety

## Protecting Valuable Employees for Sustainable Growth

### Holding the First Joint Meeting for Sharing Safety Measures

In March 2023, the First Joint Meeting for Sharing Safety Measures was held with 19 members of NYK and Yusen Logistics Co., Ltd. (YLK), at YLK's Narita Logistics Center. The objective of the meeting was to share safety and quality management initiatives with Group employees who did not have direct experience at frontline logistics work-sites and to foster deeper collaboration on safety and quality through discussions based on observations and case studies.

For example, the YL Group operates over 2,500 forklifts all over the world. Any accident with a forklift poses a high risk of fatal injury, thus we must prioritize safety

over everything else. On the other hand, we learned for the first time that there is a high risk of fatal injury at sea as well, and different measures are being taken from those of YLK. This made us reaffirm the importance of ensuring the safety of our employees.

### Working to Ensure Safety Utilizing the Y.E.S. Quality Management System

With regard to ensuring safety and quality management, the YL Group has included the wording "consistently high quality of service" in its management philosophy. Furthermore, to realize the Yusen Logistics Group Quality Policy, the YL Group also established the Yusen Excellence System

(Y.E.S.) in April 2020 as a global quality management framework to help ensure safety.

Y.E.S. consists of the Y.E.S. concept, which is a required quality standard, and a method, which describes specific measures for meeting the standard. It is updated as necessary based on actual frontline incidents, and a PDCA cycle is executed.

To minimize safety risks is our top priority because safe working environments for employees are essential. We are committed to working on initiatives across the YL Group to enable valuable employees to maximize their capabilities without safety concerns, along with accumulating and sharing knowledge, which contributes to smoother logistics, the lifeblood of the global economy.



At YLK's Narita Logistics Center



The First Joint Meeting of Sharing Safety Measures

#### ▶ Committed to Quality

[https://www.yusen-logistics.com/jp\\_en/about-us/our-quality](https://www.yusen-logistics.com/jp_en/about-us/our-quality)



#### ▶ No Growth without Safety

Commitment to Safety Rooted in Our Corporate Culture

[https://www.nyk.com/english/esg/does/stories/detail\\_04.html](https://www.nyk.com/english/esg/does/stories/detail_04.html)



#### Profile

### Makoto Sasaki

Quality Management Team Quality & Performance Improvement Group,  
Yusen Logistics Co., Ltd.

**Material Issue: Environment****Urgent Climate Change Response**

Decarbonization is more than just a response to climate change; it is also the NYK Group's growth strategy. The Decarbonization Group was launched in April 2023 and is engaged in formulating specific policies for reducing greenhouse gas (GHG) emissions, designing systems for the Company and Group companies, and implementing a PDCA cycle. Through steady progress, we will control carbon risk, which increases with the transition to a decarbonized society, realizing a decoupling of economic growth and



A Climate Fresk workshop

environmental impact that will lead to increased corporate value.

We promote various measures to help all employees fully understand the importance of reducing GHG emissions. To achieve this, we held the Climate Fresk\* workshop for personnel responsible for collecting GHG emissions data in each head office department. Group discussion and learning about the causal relationship between the rising concentration of GHG in the atmosphere and climate change, as well as the impacts on people and life on earth, encourages people to take personal responsibility for reducing GHG emissions. We will continue to plan a broad range of awareness-raising initiatives, such as internal study sessions, as we work toward net-zero emissions.

\* A climate change education workshop. Participants learn interactively about climate change and causal relationships using 42 cards based on the latest IPCC report.

**Profile****Yohei Mozumi**

Decarbonization Promotion Team, Decarbonization Group

**Material Issue: Human Resources****35,000 Group Employees to Work Positively Together**

In response to the increasing importance of human capital management, the HR Design Team was set up in July 2022 to plan and execute personnel measures tightly linked to our business strategy. Under the medium-term management plan, the Company has advocated a strategy of supporting ambidextrous management and

business transformation, with our 35,000 employees vigorously bringing their best to work and take on the Group's challenges. Moreover, building our organization based on diversity and inclusion (D&I) is essential for reflecting diverse perspectives in decision-making and encouraging Group employees to take on challenges and innovate. Therefore, in April 2023, the team was also given responsibility for D&I promotion functions. After its launch, the team conducted the first Groupwide global engagement survey and has developed several measures to support employees' career development and work-life balance. The team still has a long to-do list, and we are

making a united effort to be a company that encourages employees' passion and motivation by respecting each person's individuality.

We aim to increase the ratio of women managers to 30%, one of our KPIs, at Group companies. We will start by making a Groupwide effort on clear gender diversity targets, with the ultimate aim of fostering an inclusive corporate culture based on mutual respect, where people with different backgrounds and experience can work vigorously together. We will continue to implement measures that encourage passion and motivation among Group employees and set corresponding KPIs in due course.

**Profile****Hiromi Uchida**

HR Design / Diversity &amp; Inclusion Team, Human Resources Group