Materiality Identification and KPI Performance Evaluation Process

The Daigas Group identifies materiality to understand what impact the Group's activities have on the environment and society, as well as to conduct business while managing the probability of the impact and the impact itself. Materiality was identified for the first time in FY2014, and we have been implementing PDCA management since FY2015. Every year, we check the progress of each indicator and consider issues, as well as we manage indicators while revising them as necessary. In light of expectations from society, we reviewed and redesigned materiality when formulating a Medium-Term Management Plan and on other occasions.

Identification of Materiality

In formulating the Medium-Term Management Plan 2026, the Daigas Group identified materiality in light of experts' opinions and other factors, taking into account the progress of climate change countermeasures, changes in the business environment, and social trends related to sustainability.

Process of Materiality Identification (during the formulation of the Medium-Term Management Plan 2026)

Step 1

light of the progress of the Carbon Neutral Vision and Energy Transition 2030, we depicted sustainable lifestyles in the 2040s and analyzed the external settings, including the economic, social, and environmental ones.

Step 2

We considered medium- to long-term issues, risks, targets, and initiatives for each business domain.

We considered future financial impacts on the Group.

We asked experts for their opinions in additionto the analysis in STEP 1, and considered howwe should work on human rights due diligenceand respond to the TCFD and TNFD.

We considered impacts on society and the environment.

Step 3

We identified materiality based on both types of impacts by exchanging opinions with external experts.

Step 4

The Board of Directors approved and adopted the materiality.

Identified Materiality

1 Provide carbon neutral energy
2 Enhance the resilience of customers and society
3 Co-create advanced, diverse solutions that meet customer values
4 Create an environment that enhances value for employees and the company
5 Maintain and improve the soundness and flexibility of management foundation

Materiality Identification in the Past

2013 <Identification>

Step 1
Summarized the scope of impact according to the region and type of business
Step 2
Analyzed the level of importance and set temporary priorities (from the Group's perspective)
Step 3
Had the appropriateness checked by and engaged in dialogue with outside knowledgeable people
Step 4
Finalized the priorities and materiality
Step 5
Approved and decided by the CSR Promotion Council, the decision-making body for CSR matters
(Considered in accordance with the identification process in the fourth edition of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI))

2017 <Review>

Step 1
Evaluated the progress of materiality activities between FY2014 and FY2017
Step 2
Added priority items and considered the boundary
Step 3
Had the appropriateness checked by and engaged in dialogue with outside knowledgeable people
Step 4
Identified new materiality
Step 5
Approved and decided by the CSR Promotion Council, the decision-making body for CSR matters
(Referred to the GRI Standards in light of social trends, including the implementation of the Paris Agreement and the adoption of the SDGs)

2021 <Redesigning>

Step 1
Analyzed the external environment in 2030 in areas such as economy, society, and the environment
Step 2
Envisioned what each business domain aims to be in 2030 and considered risks→Considered future financial impacts on the Group
In addition to the analysis in Step 1, held interviews with external experts→Considered impacts on society and the environment
Step 3
Identified materiality based on both types of impacts
Step 4
Approved and decided at the Board of Directors
(In light of measures against global risks, contribution to the SDGs, and changes in the business environment and lifestyles due to the COVID-19 pandemic, considered the items of impacts on society and the environment and future financial impacts on the Group, using the GRI Standards as a reference)

KPI Performance Evaluation Processes

Outcomes of the initiatives related to sustainability indicators are reported and followed up on three times a year at each meeting within the sustainability promotion system*, and are evaluated and supervised by the Board of Directors. At Board of Directors meetings, discussions are held on whether medium- to long-term targets set for initiatives that are progressing smoothly are appropriate. In addition, regarding indicators whose targets are difficult to achieve, discussions are held on causes and solutions. These evaluation processes are used to improve initiatives and review plans for each business related to materiality. Furthermore, sustainability indicators achievement levels are reflected in the assessment of performance-linked remuneration of directors after the deliberation by the Advisory Committee on Remuneration, which is chaired by an Outside Director and made up of a majority of the Outside Directors.

*Please see P.19 for the sustainability promotion system.