

Review of Materiality

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 FY2014.3, and we have been implementing PDCA management since FY2015.3. 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 Midium-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.

*Please refer to □□P.040 for details.

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 addition to the analysis in STEP 1, and considered how we should work on human rights due diligence and 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.

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 a work environment where employees and the company resonate and enhance each other
- 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 FY2014.3 and FY2017.3
- 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)

Comments from an Expert

Identification of Materiality at the Daigas Group

While the process for identifying materiality has not changed significantly from FY2021.3, when the previous Medium-Term Management Plan was formulated, relevance to corporate strategies is clearer this time. This can be attributable to the fact that materiality was identified with consideration given to medium- to long-term targets, including the Carbon Neutral Vision announced in January 2021 to achieve carbon neutrality by 2050. As with the last time, the Daigas Group adopted the idea of so-called double materiality, where both financial impacts and social and environmental impacts are taken into account. This approach can be considered appropriate as the Group engages in infrastructure-related businesses that have considerable social and environmental impacts.

The identified materiality has a limited number of elements, indicates overall directions, and is clearly aligned with “Key Strategy: the Three Commitments” in the Medium-Term Management Plan 2026. When it comes to KPIs that are linked with materiality, financial indicators are increasingly integrated with sustainability indicators with an eye on 2026, the target fiscal year of the Medium-Term Management Plan. Meanwhile, part of the targets are qualitative. Going forward, I expect the Group to improve accountability for such targets and fine-tune them.



Hidemi Tomita
CEO,
Institute for
Sustainability
Management