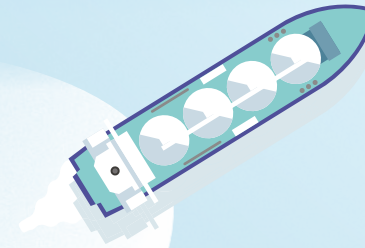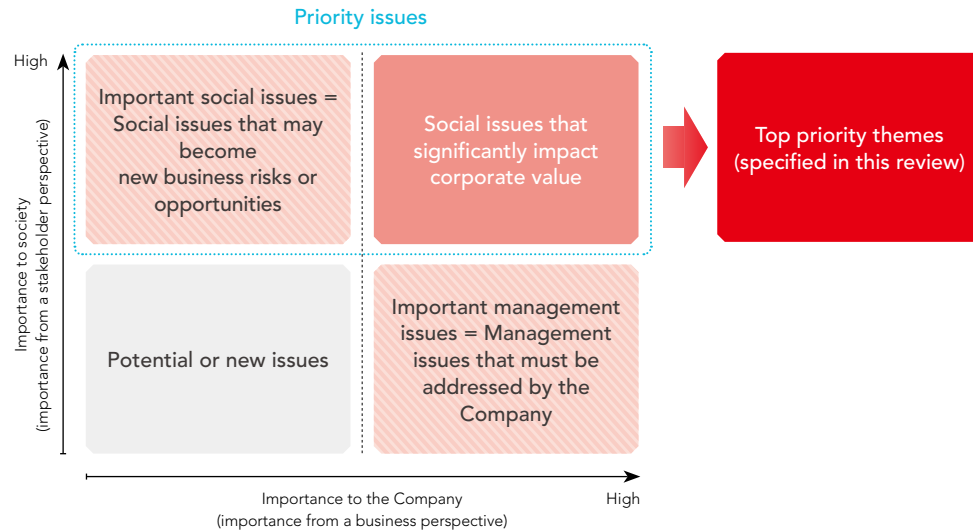# 02

The "K" LINE Group's Materiality

Materiality

In fiscal 2022, the "K" LINE Group reviewed its materiality and identified 12 new material issues across five areas. In this section, we explain the process for identifying materiality and provide an overview of the newly identified materialities.
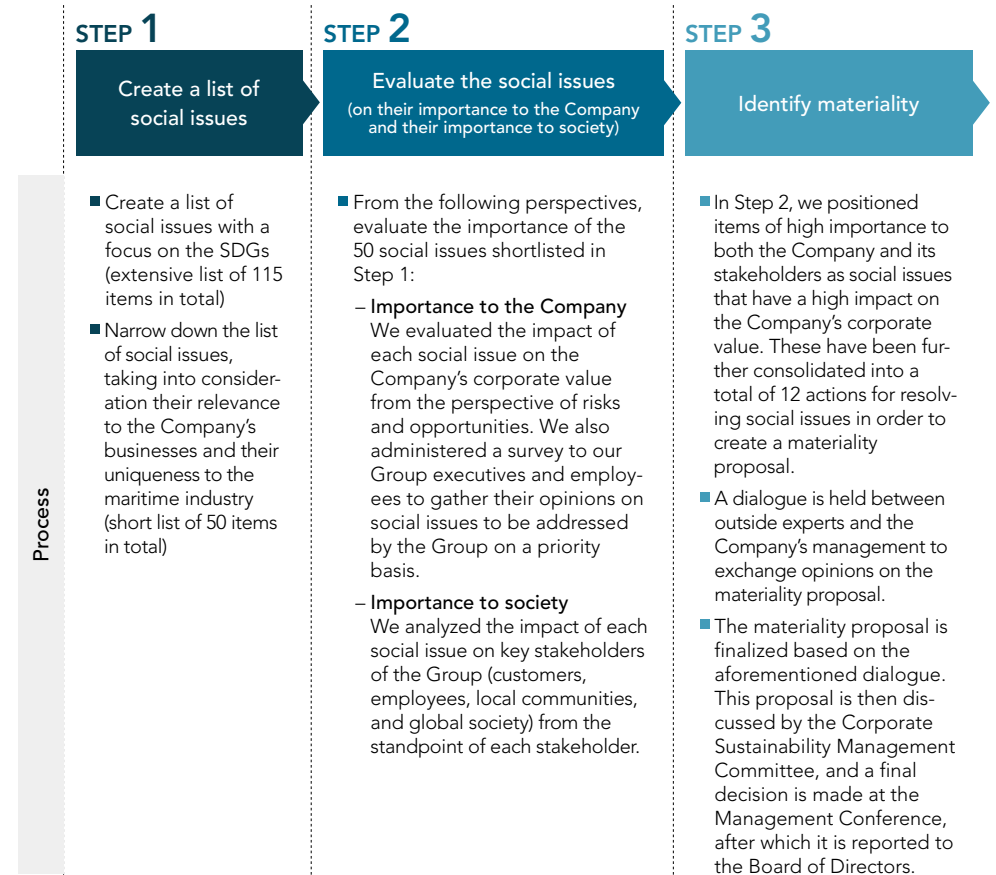
Process to Identify Materiality

Process to Identify Materiality

When identifying materialities, the Group referred to various sources of guidance related primarily to corporate social responsibility (CSR), including ISO 26000 and the OECD Guidelines for Multinational Enterprises. While considering Sustainable Development Goals (SDGs) and other social issues, we analyzed and evaluated materiality from the two perspectives of importance to the Company (importance from a business perspective) and importance to society (importance from a stakeholder perspective), in addition to factors such as their alignment with our business strategy and their impact on value creation.

Priority issues

High

Importance to society
(importance from a stakeholder perspective)

Important social issues = Social issues that may become new business risks or opportunities	Social issues that significantly impact corporate value	→	Top priority themes (specified in this review)
Potential or new issues	Important management issues = Management issues that must be addressed by the Company		

Importance to the Company   High
(importance from a business perspective)

Steps for Analyzing Materiality

We conducted materiality analysis using the following three steps:

STEP 1
Create a list of social issues

STEP 2
Evaluate the social issues
(on their importance to the Company and their importance to society)

STEP 3
Identify materiality

Process

STEP 1
■ Create a list of social issues with a focus on the SDGs (extensive list of 115 items in total)
■ Narrow down the list of social issues, taking into consideration their relevance to the Company's businesses and their uniqueness to the maritime industry (short list of 50 items in total)

STEP 2
■ From the following perspectives, evaluate the importance of the 50 social issues shortlisted in Step 1:
– **Importance to the Company**
We evaluated the impact of each social issue on the Company's corporate value from the perspective of risks and opportunities. We also administered a survey to our Group executives and employees to gather their opinions on social issues to be addressed by the Group on a priority basis.
– **Importance to society**
We analyzed the impact of each social issue on key stakeholders of the Group (customers, employees, local communities, and global society) from the standpoint of each stakeholder.

STEP 3
■ In Step 2, we positioned items of high importance to both the Company and its stakeholders as social issues that have a high impact on the Company's corporate value. These have been further consolidated into a total of 12 actions for resolving social issues in order to create a materiality proposal.
■ A dialogue is held between outside experts and the Company's management to exchange opinions on the materiality proposal.
■ The materiality proposal is finalized based on the aforementioned dialogue. This proposal is then discussed by the Corporate Sustainability Management Committee, and a final decision is made at the Management Conference, after which it is reported to the Board of Directors.

02 | The "K" LINE Group's Materiality

Material Issues and Related SDGs

These 12 material issues have been categorized into five areas, including safety / ship quality management, advancement of environmental technologies, digital transformation, and human resources—the four pillars of our functional strategy for a solid business foundation to realize the business strategies set forth in our medium-term management plan—and management base, which serves as the foundation of the four pillars. The Group positions materiality as a set of key issues to be addressed in order to realize its corporate principle and vision, contribute to solutions for social issues, and achieve sustained growth and improve corporate value under the medium-term management plan.

Our approach and initiatives for each material issue are described on the relevant pages for each theme in this ESG Data Book.

Category	Material Issues (Actions for Resolving Social Issues)	Related SDGs
Management base	Respect for human rights (P.63)	5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH / 10 REDUCED INEQUALITIES
	Reinforcement of corporate governance (P.77)	16 PEACE, JUSTICE AND STRONG INSTITUTIONS / 17 PARTNERSHIPS FOR THE GOALS
	Promotion and reinforcement of compliance (P.95)	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Safety / Ship quality management	Promotion of safety in navigation and cargo operations (P.58)	7 AFFORDABLE AND CLEAN ENERGY / 13 CLIMATE ACTION / 14 LIFE BELOW WATER
Advancement of environmental technologies	"K" LINE low-carbon and carbon-free transition (P.31)	7 AFFORDABLE AND CLEAN ENERGY / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 11 SUSTAINABLE CITIES AND COMMUNITIES / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION / 17 PARTNERSHIPS FOR THE GOALS
	Supporting the development of a low-carbon and carbon-free society (P.33)	7 AFFORDABLE AND CLEAN ENERGY / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 11 SUSTAINABLE CITIES AND COMMUNITIES / 13 CLIMATE ACTION / 17 PARTNERSHIPS FOR THE GOALS
	Reducing "K" LINE's impact on the sea and air to zero (P.36)	3 GOOD HEALTH AND WELL-BEING / 11 SUSTAINABLE CITIES AND COMMUNITIES / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 14 LIFE BELOW WATER / 15 LIFE ON LAND / 17 PARTNERSHIPS FOR THE GOALS
Digital transformation	Promotion of innovation (P.13)	7 AFFORDABLE AND CLEAN ENERGY / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 11 SUSTAINABLE CITIES AND COMMUNITIES / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION / 14 LIFE BELOW WATER / 15 LIFE ON LAND / 17 PARTNERSHIPS FOR THE GOALS
	Reinforcement of response to digital transformation (DX) (P.98)	7 AFFORDABLE AND CLEAN ENERGY / 8 DECENT WORK AND ECONOMIC GROWTH / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION / 14 LIFE BELOW WATER / 15 LIFE ON LAND / 17 PARTNERSHIPS FOR THE GOALS
Human resources	Diversity & inclusion (P.56)	5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH / 10 REDUCED INEQUALITIES
	Shaping of working environment and promotion of health management (P.44)	3 GOOD HEALTH AND WELL-BEING / 5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH / 10 REDUCED INEQUALITIES
	The securing and development of human resources (P.51)	5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH

Connection between Materiality and Corporate Principle, Vision, and Medium-Term Management Plan

"K" LINE's materiality is positioned as key issues to address in order to realize its corporate principle and vision based on the medium-term management plan, achieve sustainable growth, enhance corporate value, and contribute to overcoming social issues. Namely, we aim to ensure the sustainability of the "K" LINE Group, society, and the environment.

Corporate Principle
– K: Trust from all over the world –

As a logistics company rooted in the shipping industry,
we help make the lives of people more affluent.

Vision

As a partner trusted by all its stake-holders, we aim for sustainable growth and greater corporate value by supporting the infrastructure of the global community.

Charter of Conduct: "K" Line Group Companies

Code of conduct to be followed throughout the "K" LINE Group

Medium-Term Management Plan

Materiality

Key issues for the "K" LINE Group to address in order to realize its corporate principle and vision under the medium-term management plan:

Safety / Ship quality management	Advancement of environmental technologies	Digital transformation	Human resources

Management base