

## Identification of Materiality

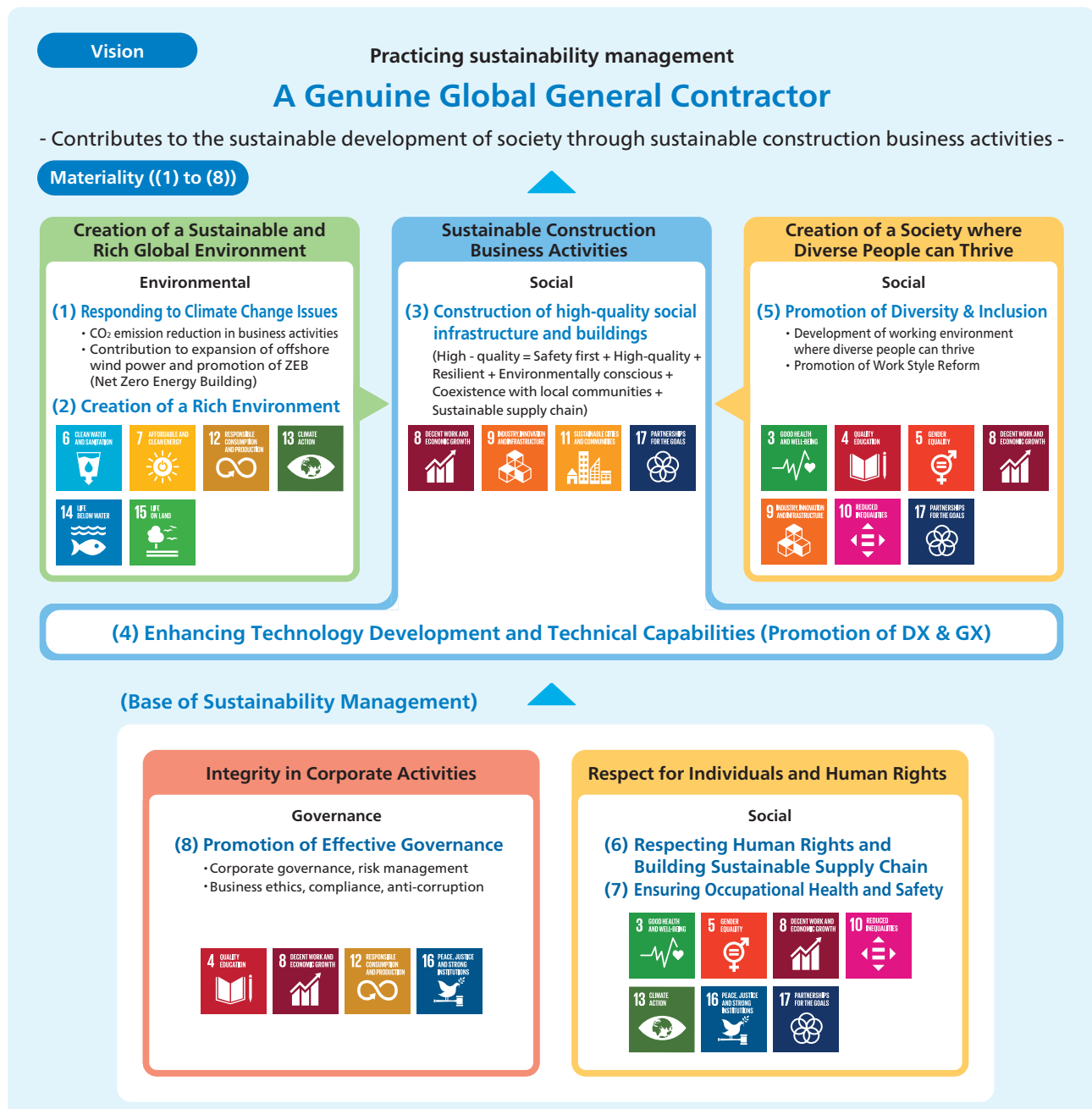
Under the Medium-Term Management Plan (FY 3/24 - FY 3/26) announced in May 2023, Penta-Ocean Construction Group set a goal to aim for: A genuine global general contractor who practices sustainability management and contributes to sustainable social development through sustainable construction business activities. To work towards the above goal, we promote our core business growth strategies and sustainability management with focus on ESG (Environment, social and governance), as two inseparable elements of our corporate management.

In promoting sustainability management, we will pursue two distinctive goals of medium- to long-term corporate growth and sustainable development of society. To this end, we have identified materiality, or material business issues, to be addressed as important management issues. More specifically, we have identified the followings as our eight materiality issues;

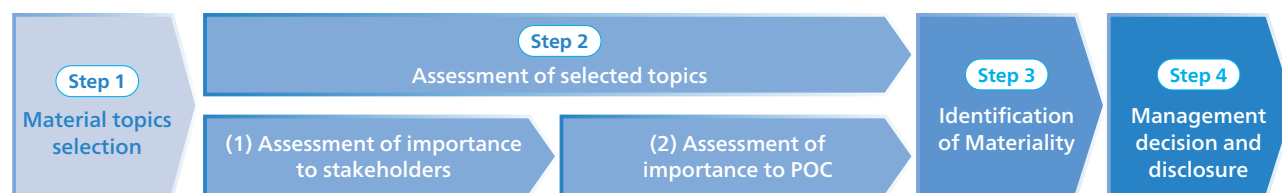
1. Responding to climate change issues 2. Creation of a rich environment 3. Construction of high-quality social infrastructure and buildings 4. Enhancing technology development and technical capabilities 5. Promotion of diversity and inclusion 6. Respecting human rights and building sustainable supply chain 7. Ensuring occupational health and safety 8. Promotion of effective governance

For each of the issues above, we established specific policies, structures and metrics to assess the implementation progress.

### 》POC Group's Materiality (material business issues)



## » Materiality identification process



### Step 1

#### Material topics selection (October – November 2022)

We selected 23 social and environmental issues to be considered through the analysis of various international ESG frameworks including SASB and GRI standards, and the assessment of items identified as material by our construction industry peers at home and abroad, while receiving feedback from outside experts.

### Step 2

#### Assessment of selected topics (November 2022 – March 2023)

##### (1) Assessment of importance to stakeholders

Based on various types of information including questionnaires received from clients, ESG surveys and reports from international organizations and NGOs, we analyzed the level of interest of our stakeholders in each issue and conducted a comprehensive evaluation of their importance to stakeholders.

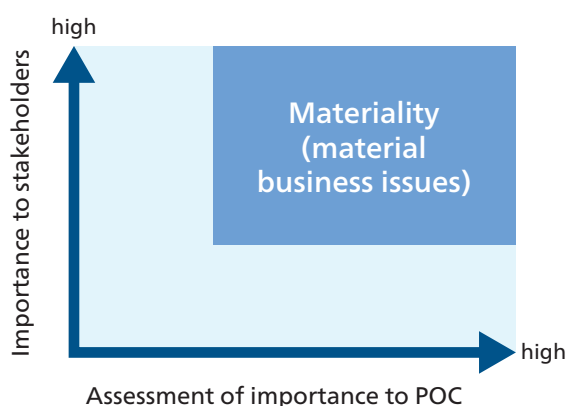
##### (2) Assessment of importance to POC

We established a team consisting of members selected from the Civil Engineering Divisions Group, the Building Construction Divisions Group, the International Business Unit, as well as administrative staff, branch office staff, and staff from other departments related to each issue, to study their material impact on our business. By involving outside experts to provide us insights through dialogue meetings, we deepened our understanding of the 23 issues identified in step1, and discussed risks and opportunities that we shall focus on from medium- to long-term perspectives, as well as their importance to our businesses.

### Step 3

#### Identification of materiality (March 2023 – April 2023)

In accordance with the results of Step 2, materiality issues were plotted based on the two axes assessment: importance to stakeholders and importance to POC.



### Step 4

#### Management decision and disclosure (May 2023)

- After review by the management, the eight materiality issues and their characterization were presented and discussed at the CSR Committee in May 2023.
- Upon the approval by the Board of Directors, the above materiality issues were disclosed in time with the announcement of the Mid-term Management Plan (FY 3/24 - FY 3/26).

## » Monitoring of progress of materiality-related initiatives

Progress of materiality-related initiatives is reported to and discussed at the CSR Committee on a regular basis. Excess and lack of initiatives is reviewed from the viewpoints of policy, system and strategy to improve initiatives. Monitoring results are reported to the Board of Directors, where in-depth discussion is conducted to ensure that sustainability initiatives will lead to the enhancement of our corporate value in the medium- and long-term.

## Materiality (example initiatives and indicators)

	Goal to aim for	Materiality	Examples of initiatives
Environmental	Creation of a Sustainable and Rich Global Environment	(1) Responding to Climate Change Issues	<ul style="list-style-type: none"> <li>• GHG reduction in construction activities Scope 1: Use of low-carbon fuel (efficiency improvement), construction efficiency improvement Scope 2: ZEB conversion of on-site offices (energy-saving, use of renewable energies) Scope 3: Use of low-carbon concrete, promotion of ZEB conversion of buildings, CO<sub>2</sub> absorption by blue carbon in coastal areas etc.</li> <li>• Contribution to the promotion of ZEB conversion of buildings (energy saving, use of renewable energies)</li> <li>• Contribution to the expansion of renewable energy supply through offshore wind power</li> </ul>
		(2) Creation of a Rich Environment <ul style="list-style-type: none"> <li>• Creation of aquatic environment</li> <li>• Promotion of resource recycling</li> <li>• Promotion of resource recycling</li> <li>• Conservation of biodiversity</li> <li>• Effective use of water resources</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of resource recycling Recycling of construction generated soil and construction sludge, improvement of dredged soil using Calcia stabilizing material (made from steel slag) and Watoru mud stabilization material (made from paper sludge ashes), and food recycling business (composting of food waste)</li> <li>• Absorption of CO<sub>2</sub> by blue carbon and Calcia modified soil in coastal areas Creation and conservation of seaweed beds and tidal flats, use of Calcia modified soil (dredged soil)</li> </ul>
Social	Sustainable Construction Business Activities	(3) Construction of High-quality Social Infrastructure and Buildings <ul style="list-style-type: none"> <li>• Ensuring quality</li> <li>• Coexistence with local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Gaining trust of clients through reliable safety and quality backed by technology Demonstrating collective strengths by inter-departmental collaboration and front-loading initiatives Sharpening competitive edge by originating third-party alliance at home and abroad</li> <li>• Sustainable construction (safety first, high-quality, resilient, environmentally conscious, coexistence with local communities, sustainable supply chain)</li> </ul>
		(4) Enhancement of Technology Development and Technical Capabilities (promotion of DX & GX)	<ul style="list-style-type: none"> <li>• Sources of competitiveness, three areas of focus (DX, GX, Resilience)</li> <li>• Promotion of DX (streamlining design, construction and management, informatization with clients and subcontractors)</li> <li>• Promotion of GX initiatives (development and implementation of technologies to contribute to achieve Carbon Neutrality)</li> <li>• Technology development with a view to diversifying needs and large-scale projects</li> </ul>
	Creation of a Society where Diverse People can Thrive	(5) Promotion of Diversity & Inclusion <ul style="list-style-type: none"> <li>• Human resources development</li> <li>• Work Style Reform, securing future workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Securing, developing and empowering diverse human resources (women, non-Japanese) Development and management of inclusive workplace environment Improving employee education and training Promotion of work-style reform (conforming to overtime hour cap) Preparing for life events of employees (flexible work style and career plans)</li> <li>• Providing support to subcontractors for promoting work-style reform and securing workers</li> <li>• Development of Harassment Helpline (domestic and overseas, in-house and external)</li> </ul>
	Respect for Individuals and Human Rights	(6) Respecting Human Rights and Building Sustainable Supply Chain	<ul style="list-style-type: none"> <li>• Formulation of Human Rights Policies and providing training thereof (from FY 3/2024)</li> <li>• Implementation of Human Rights Due Diligence (from FY 3/2024)</li> <li>• Formulation of Sustainable Supply Chain (SSC) policy and providing training thereof (from FY 3/2024)</li> <li>• Development of Human Rights Helpline (domestic and overseas, in-house and external)</li> </ul>
		(7) Ensuring Occupational Health and Safety	<ul style="list-style-type: none"> <li>• Undertaking activities of occupational accidents prevention in cooperation with subcontractors</li> <li>• Spreading POC Standard (Safety and quality first) across offices at home and abroad</li> <li>• One-on-one training by senior employees of the Safety and Quality Control Education</li> </ul>
Governance	Integrity in Corporate Activities	(8) Promotion of Effective Governance <ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Risk management</li> <li>• Business ethics and compliance, anti-corruption</li> <li>• Information security and personal information protection</li> <li>• Tax governance</li> <li>• Transparent information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Providing education on sustainability to raise employees' awareness</li> <li>• Continuous improvement of corporate governance (Directors' assessment of the internal control system and the effectiveness of the Board of Directors)</li> <li>• Providing compliance training (domestic and overseas)</li> <li>• Development of Compliance Helpline (domestic and overseas, in-house and external)</li> <li>• Implementation of information security training (domestic and overseas)</li> <li>• Formulation of Business Continuity Plan (BCP) and implementation of disaster drills (major earthquakes, tsunamis)</li> <li>• Conducting timely and appropriate information disclosure, IR activities for institutional investors, site tours for individual shareholders, etc.</li> </ul>



For other indicators related to ESG, please refer to the ESG Data sheet.

	KPI	FY 3/24 result
ent tion by blue	• CO <sub>2</sub> emission (Scope 1, 2): 50% reduction (by FY 3/2031, vs. FY 3/2020)	288 kt-CO <sub>2</sub> (35% reduction)
	• CO <sub>2</sub> emission (Scope 3): 30% reduction (by FY 3/2031, vs. FY 3/2020)	2,952 kt-CO <sub>2</sub> (32% reduction)
	• Percentage of vehicles using additive to improve fuel economy: 100% (by FY 3/2031)	14%
	• Percentage of eco-friendly construction machinery: 100% (by FY 3/2031)	2%
	• Number of orders for ZEB buildings	8
d construction	• Output from constructed offshore wind farms	0 MW
oil, etc. , d soft soil)	• Sales from resource recycling businesses	¥6,967 million
	• Construction waste recycling rate: 95% or higher	99.6%
	• Number of violation of environmental laws and regulations: Zero	0
	• Development of blue-carbon related technologies: Confirmation of CO <sub>2</sub> absorption effect (FY 3/26), application to actual projects (FY 3/31)	10
iatives	• Number of commendations (commendations from the Minister, the Director of regional development bureaus, Nikkenren and JSCE awards)	25
	• Score of projects awarded by the government: Average 80 points or better	81.6 points
	• Private clients satisfaction survey "Satisfied" or better*: 95% or higher	Civil engineering: 98.3/Building construction: 100 (%)
	• Numbers of cases of non-conforming product handing*	Domestic: 27/Overseas: 0
ion sharing hat cts	• R&D expenses	¥3,142 million
	• Number of external publications (papers, press releases)	174
	• Number of patents and utility models held	685
apanese, etc.) ng future ernal)	• Ratio of new female career-track employees: 25% or higher	20.2%
	• Ratio of female employees in managerial positions: 15% or higher (by FY 3/2036)	5.0%
	• Turn over rate within 3 years of joining: 5% or lower	12.7%
	• Ratio of employees with disabilities: 2.7% or higher (by FY 3/2026)	2.76%
	• Implementation status of "8 site-closures per 4 weeks" (calculated based on the number of site closures/the number of project closures)	57.0%/64.1%
	• Implementation status of "8 days off per 4 weeks"	92.6%
	• Childcare leave acquisition rate (male)	99.0%
	• Construction Career Up System registration rate of subcontractors: Primary subcontractors:100%, second-tier subcontractors: 90% (FY 3/26)	Primary subcontractors: 98.9%/Second-tier subcontractors: 72.5%
	• Construction Career Up System registration rate of skilled workers: Primary subcontractors:100%, second-tier subcontractors: 90% (FY 3/26)	Primary subcontractors: 89.7%/Second-tier subcontractors: 78.7%
/2024) om FY 3/2025) external)	• Number of consultations received by the Harassment Helpline	Domestic: 21/Overseas: 0
	• Human rights training participation rate: 100%	100%
subcontractors oad ication Office	• Number of consultations received by the Human Rights Helpline	Domestic: 1/Overseas: 0
	• Frequency rate	Domestic: 0.97/Overseas: 0.20
	• Severity rate	Domestic: 0.06/Overseas: 0.22
ernal) ills utional	• Number of fatal accidents (domestic and overseas): Zero	Domestic: 0/Overseas: 1
	• Sustainability training participation rate: 100%	100%
	• Number of serious violations of laws and regulations: Zero	0
	• Compliance training participation rate: 100%	100%
	• Number of consultations received by the compliance helpline	Domestic: 24/Overseas: 58
	• Information security training participation rate: 100%	100%
	• Number of serious information-related incidents: Zero	0
	• Percentage of officers and employees participating in BCP training: 100%	100%

\* Quality management system