





Nippon Steel's ESG Materiality and KPIs

Concerning initiatives in ESG materiality, Nippon Steel steadily promotes their execution and follow-up by checking the Key Performance Indicators (KPI) to assess outcome, and strives to contribute to sustainable social development, as well as maintenance and improvement of our corporate value.

Process to identify materiality



Materiality KPIs and status of major initiatives

Materiality	Key Performance Indicator (KPI)	Major Initiatives and Achievements in FY2020 (including some results in FY2019)	Page	
1. Safety, environment, and disaster prevention				
(1) Safety and health	<ul style="list-style-type: none"> Accident frequency rate of 0.10 or less Zero fatal accident 	<ul style="list-style-type: none"> Prevention and risk reduction of accidents, based on safety risk evaluation Promotion of disaster prevention aimed at prevention of repeated disasters (thorough adherence to the six company-wide compliance requirements and promotion of greater machine safety) Acquisition of ISO45001 for management systems of occupational health and safety (OH&S) to enhance safety level 	<ul style="list-style-type: none"> Accident frequency rate: 0.09 Number of fatal accidents: 0 <p>p. 45</p>	
(2) Environment	<ul style="list-style-type: none"> Promotion of the Carbon Neutral Vision 2050 (CO₂ emission reduction) 	<ul style="list-style-type: none"> Target in 2030: 30% reduction Vision for 2050: Carbon neutral 	<ul style="list-style-type: none"> March 2021: Announced the Nippon Steel Carbon Neutral Vision 2050, based on the results of the Zero-Carbon Steel Commission's review, and specific roadmap and technical issues were disclosed. April 2021: A "Zero-Carbon Steel Project" was established to promote the vision. <p>pp. 15–23</p>	
	1) Promotion of climate control measures	Contribution by "Three Ecos"	<ul style="list-style-type: none"> Implementation of "Eco Process" 	<ul style="list-style-type: none"> JISF's Commitment to a Low-Carbon Society's CO₂ emission reduction target (down 3mn tons-CO₂ from Business As Usual (BAU) in FY2020 vs. 2005) Promotion of Eco Process (enhancement of energy efficiency) <p>p. 25</p>
			<ul style="list-style-type: none"> Maintaining high-level effective use of energy 	<ul style="list-style-type: none"> Effective use of byproduct gas (coke oven gas, blast furnace gas etc.) and waste gas <p>pp. 30, 43, 44</p>
			<ul style="list-style-type: none"> Promotion of adopting advanced energy-saving technology 	<ul style="list-style-type: none"> Adoption of high-efficiency power generation equipment and oxygen plant; regeneration burner in reheating furnace <p>p. 42</p>
			<ul style="list-style-type: none"> Enhancement of "Eco Products" 	<ul style="list-style-type: none"> In the proposal of the next-generation vehicle structure concept "NSafe™-AutoConcept" (a body design solution that achieved a weight reduction of approximately 30%), the solution concept in the field of electrification vehicles and next-generation mobility was added, and the lineup was strengthened. Acquired the "Eco-Leaf" environmental labels for three products: tin, tin-free steel and laminate steel <p>pp. 29, 31</p>
<ul style="list-style-type: none"> Contribute with "Eco Solutions" 	<ul style="list-style-type: none"> Transfer and dissemination of the world-leading energy-saving technology to help CO₂ emission reduction globally <p>p. 32</p>			
2) Contribution to construction of a circular economy	<ul style="list-style-type: none"> Realization of zero emissions within the company Recycling of waste generated in society 	<ul style="list-style-type: none"> Reduction in final disposal amount: 263,000 tons (FY2025 target) Establishment of a waste plastics recycling system to expand its collection volume <p>p. 33</p>		
3) Promotion of environmental risk management	<ul style="list-style-type: none"> Air environment preservation Water environment preservation 	<ul style="list-style-type: none"> NOx and SOx; Keep low-level emissions 	<ul style="list-style-type: none"> Installation of equipment that reduces SOx and NOx emissions; shifting to low-sulfur fuel; adoption of low NOx regenerating burners <p>p. 35</p>	
		<ul style="list-style-type: none"> Maintaining of lower discharge levels than voluntary targets in chemical substances VOC (volatile organic compounds): 1,106 tons/year (down 30% vs. FY2000) Benzene: 172 tons/year (voluntary target, along with the government target) 	<ul style="list-style-type: none"> Continual efforts based on the voluntary reduction plan <p>p. 37</p>	
		<ul style="list-style-type: none"> Recycling of water; high-level stable use of recycled water 	<ul style="list-style-type: none"> Water treatment, recycling and reuse of freshwater used by the company <p>p. 35</p>	
(3) Disaster prevention	1) Elimination of disaster risks and group-wide sharing of effective measures	<ul style="list-style-type: none"> Zero serious disaster-related accident 	<ul style="list-style-type: none"> Prevention of recurrence via corporate-wide implementation of measures against risks emerged from the accidents Risk assessment to detect new disaster risks; execution of measures from hard/soft aspects to reduce risk and control residual risk Self-monitoring (auditing) by those in charge of disaster prevention in steelworks; and management by the head office management through interviews <ul style="list-style-type: none"> Serious disaster-related accidents: 0 <p>pp. 45–46</p>	
2. Quality				
(1) Quality control and guarantee	<ul style="list-style-type: none"> Systemization and automation aimed at more credibility in testing and inspection 	<ul style="list-style-type: none"> Automatic input of inspection results from testing/analytical devices and measurement devices <p>p. 46</p>		
(2) R&D and intellectual property management	<ul style="list-style-type: none"> Strategic R&D, aimed at sustainable growth Protection and use of intellectual property 	<ul style="list-style-type: none"> Creation of the Digital Innovation Division as a planning division to tackle company-wide issues of utilization of information telecommunication technologies (ICT) (April 2020) The ninth consecutive year of being named as one of the world's most innovative companies in the Top 100 Global Innovator 2021; award in intellectual property and patent areas 	<ul style="list-style-type: none"> R&D expenditures: ¥65.3bn (consolidated) Number of patents: app. 32,000 (14,000 in Japan and 18,000 overseas) <p>Integrated Report pp. 51–54</p>	
(3) Solution that result in customer satisfaction	<ul style="list-style-type: none"> Number of awards from customers, government, and institutions 	<ul style="list-style-type: none"> Received the 53rd Ichimura Prize Industry for Distinguished Achievement; the 2019 MEXT Minister's Award "Prize for Science and Technology (Development Division)"; the 47th Iwatani Naoki Memorial Award 	<ul style="list-style-type: none"> Number of awards from customers, government, and institutions: 9 <p>pp. 31, 64</p>	
3. Production				
(1) Stable production and supply	<ul style="list-style-type: none"> Initiatives for more stable production and supply (hardware and software) 	<ul style="list-style-type: none"> Relining of the #2 blast furnace of the Muroran Works; operation of #6 CGL of the East Nippon Works Kimitsu Area Standardization of operational skills of veteran workers and active use of experts <p>pp. 30, 58</p>		
4. Human resources, and diversity & inclusion				
(1) Respect for human rights			pp. 47, 48	
(2) Diversity & inclusion	<ul style="list-style-type: none"> The number of female employees in management positions: at least 2 times, (vs. 36 in FY2020), and 3 times as target in 2025; at least 4 times, and 7 times as target by 2030 The ratio of paid holidays taken: 75% or higher Health management with the aim of maximizing employees' performance up to 65 years of age 	"Human Resources, Diversity & Inclusion"  pp. 47–54	<ul style="list-style-type: none"> Number of women in managerial positions: 45 (in-house employment in FY2021) Ratio of women in hiring: 31% of office staff; 12% of operators; 17% in overall (FY2019-2021 average) The ratio of paid holidays taken: 60% (FY2020) <p>pp. 49–54</p>	
(3) Human resource development	<ul style="list-style-type: none"> Promotion of measures to develop human resources 		<ul style="list-style-type: none"> Hours of training and education: 780,000 hours/year (27 hours/person, year) <p>pp. 55–56</p>	
5. Harmony with local communities and society				
(1) Environmental preservation/creation activities in communities	<ul style="list-style-type: none"> Green space development to contribute to the local environment 	<ul style="list-style-type: none"> Tree planting activities by new employees in steelworks Funding for green space development and maintenance 	<ul style="list-style-type: none"> Greenery space: 830ha Expenses for green space development and maintenance: ¥2.6bn <p>pp. 39, 42</p>	
(2) Activities mainly in the support of education, sports, and arts	<ul style="list-style-type: none"> Ongoing promotion of hosting plant visits 	<ul style="list-style-type: none"> Proactively accepting plant visits by shareholders, investors, and junior high/elementary school students 	<ul style="list-style-type: none"> Number of plant visitors: app. 130,000 (FY2019 results; almost no implementation in FY2020 due to the COVID-19 pandemic) <p>p. 60</p>	
	<ul style="list-style-type: none"> Continual execution of corporate philanthropy in the support of music via Nippon Steel Arts Foundation 	<ul style="list-style-type: none"> Support of music activities via presentation of Nippon Steel Music Awards and operation of the Kioi Hall 	<p>p. 60</p>	
6. Corporate value enhancement and profit distribution				
(1) Securing of profit and enhancement of corporate value	<ul style="list-style-type: none"> ROS of 10% (FY2025 plan target) ROE of 10% (FY2025 plan target) 	"Management of cash flow and balance sheet"  Integrated Report pp. 61–64	<ul style="list-style-type: none"> ROS of 2.3% ROE of -1.2% Base bonus amount: ¥1.05mn Tax payment (consol.): ¥26.7bn Dividend per share: ¥10/year <p>Integrated Report pp. 61–64 pp. 83–88 pp. 103–104 Fact Book "Wages and Bonuses" section</p>	
(2) Profit distribution	1) Payment of salary to employees of the company and related/subcontracting companies	<ul style="list-style-type: none"> Bonus payment amount Revised amount of salary (Revision in the personnel management system in April 2021 in line with an extension of the retirement age to 65 years; plan to disclose the actual results from FY 2022) 	"Operating and financial performance"  Integrated Report pp. 83–88	
	2) Appropriate tax payment	<ul style="list-style-type: none"> Tax payment (consol.) 		
	3) Dividend payment to shareholders	<ul style="list-style-type: none"> Dividend payment according to the dividend policy of about 30% in consolidated payout ratio (FY2025 plan target) 		
Thorough implementation of compliance				
Adhering to laws and regulations as a base of all activities		"Corporate Governance"  Integrated Report pp. 89–102	Integrated Report pp. 89–102	