

## A Message from the Chief Environment and Sustainability Officer

In April 2019, the MOL Group established the position of executive officer responsible for sustainability promotion, who conducted the overall management and advancement of the preparation and implementation of strategies that help achieve the SDGs. At that time, the New & Clean Energy Business Division, one of the sales divisions, was responsible for initiatives addressing environmental issues on which the Company places particular importance. This structure tended to make our sustainability and environmental measures business-oriented rather than based on broader and more comprehensive approaches. To correct this, in April 2020 the aforementioned position was replaced by chief environment and sustainability officer (CESO), a new role and position that enables the management and advancement of sustainability and environmental issues from a higher viewpoint. Our aim in creating this new position is to increase our efforts toward realization of the SDGs through environmental strategies and businesses in a way that is more coordinated with Rolling Plans. In addition to the new position, we also established a new team within the Corporate Planning Division that is solely

tasked with promoting sustainability and environmental initiatives. In this way, we have built capabilities that will more closely align the advancement of business management strategies and sustainability. As CESO, my mission is to oversee the preparation of strategies and the implementation of measures while making sure that all internal organizations involved in sustainability efforts are on the same page. These organizations include a project team that spans the Company laterally, which was formed two years ago to embed the SDGs into internal operations; the Environmental Management Committee, which was instituted in fiscal 2019; and the Technology Department, which is responsible for developing the new technologies that play a critical role in reducing the environmental impact of marine transport. With respect to restoring the local natural environment that was damaged when a Capesize bulker chartered by MOL, the WAKASHIO, ran aground and spilled oil off Mauritius, I will hold discussions with a broad range of internal and external stakeholders and support the MOL Group's sustainable initiatives from a long-term viewpoint.

### As a company with clients in an extremely wide range of industries, rapidly sensing and meeting society's expectations is something that comes naturally to MOL.

At present, society is urging companies, central government agencies, municipal authorities, and other key entities to take extremely wide-ranging, large-scale steps in response to the SDGs and such issues as climate change mitigation. These social issues are long-term challenges for the human race and may at first seem overwhelming. However, I believe that society's changing and growing expectations should not be unduly feared as risks. Indeed, such expectations are in a sense inevitable. If we look at the situation from the perspective of a marine transport company trying to cater to the

needs of society and customers, it is only natural for the company to address these needs by advancing strategic initiatives that are long-term and sustainable.

As well as serving as CESO, I am the director general of the Dry Bulk Business Unit. In this business unit, we are experiencing firsthand the major changes that the world is undergoing. Until now, we have achieved differentiation by meeting the needs of customers and by anticipating and offering solutions to their problems. For example, we have taken steps to ensure operational safety—the foundation of

our business—enlarge vessels and develop vessels capable of transporting large volumes of cargoes even in shallow ports. In other words, our efforts have mainly been within the scope of traditional marine transport. Increasingly, however, our customers are grappling with such questions as how best to approach problems arising from the environment and sustainability and what type of action should be taken. In response, we must promptly devise ways of reflecting the changing needs of customers. Given that we do business with a wide range of industries, recognizing environmental and social

needs and incorporating them into business strategies is a necessity. However, this adaptive approach is an inherent part of our corporate culture. Therefore, in response to the many different multifaceted issues that MOL faces in relation to environmental and social needs, it will actively communicate with customers and value chain partners, including shipyards and other suppliers, to formulate measures aimed at overcoming such significant issues. I believe that these efforts represent nothing less than the first phase of our sustainability initiatives.

### Embedding Sustainability Issues (Materiality) into day-to-day operations is the main task we face at present.

Looking back over the Group's measures to date, the identification of Sustainability Issues (Materiality) was a great stride forward. In fiscal 2019, we identified the positive and negative factors for society in our value chains and then determined priority Sustainability Issues. In the past, our Rolling Plans have tended to focus on economic and financial value. Thanks to our recent identification of Sustainability Issues, however, I think we have been able to show more clearly that we view ESG issues as inseparable from business management and essential for the continuation of MOL. I believe that we have also been able to underscore our proactive attitude to tackling ESG issues.

In addition, with respect to environmental issues, we are making progress across a variety of other fronts. For example, the Group has been stepping up the pace of initiatives aimed at the "Promotion of environmental strategies and development of the emission-free business into a core business," which is one of the three core strategies of our Rolling Plan. Furthermore, we have been steadily implementing measures pursuant to stricter regulations on SO<sub>x</sub> emissions introduced in 2020. With the strong commitment and active participation of our management team, we have also recently established and announced MOL Group Environmental Vision 2.0. As for social and governance issues, while there is no such thing as absolute perfection, we have been taking steps to strengthen compliance and governance. In particular, we have been

focusing efforts on reforming the culture of our organization since 2014, when certain of our car carrier shipping transactions were found to be in violation of regulations.

Meanwhile, we are still only at the halfway stage in making all of our employees fully aware of the Groupwide goals associated with the Sustainability Issues (Materiality) and incorporating these goals into day-to-day operations. In tackling initiatives, the Group has specified indicators for the measurement of progress toward some of its major goals. The "4 Zeroes" established to promote operational safety are an example of this approach. In many areas where we have not set out KPIs, however, I believe that employees unknowingly take steps toward the resolution of Sustainability Issues when striving to meet customer needs properly. Therefore, among employees we need to inculcate the concept of Sustainability Issues so that they come to mind naturally during day-to-day operations. To achieve this, we must cultivate a mindset whereby each employee is able to grasp changing needs of customers and society, see how these needs are linked to our Sustainability Issues, and deeply understand the linkage with day-to-day operations. In other words, while utilizing the new KPIs that we will set out going forward, I would like employees to clearly feel the degree of achievement and their own contribution in relation to Sustainability Issues as they carry out day-to-day duties.

### As CESO, I want to heighten our corporate value by ensuring that internal organizations are advancing in unison based on a shared medium- to long-term vision.

I believe my role as CESO is twofold. First, I must actually advance sustainability initiatives in-house. Second, I have to properly explain these initiatives to external stakeholders. With respect to in-house advancement, in fiscal 2019 we were able to establish benchmarks in the form of Sustainability Issues (Materiality). To implement specific measures, however, we still need to convert Sustainability Issues into forms that can be understood in the context of and incorporated into each business and project. As I explained earlier, while focusing on the embedding of Sustainability Issues into day-to-day operations, I will ensure that internal organizations are advancing in unison based on a shared medium- to long-term vision, thereby heightening our corporate value. Moreover, I aim to build the MOL Group's reputation by explaining the process and its outcome to external stakeholders.

For many years, I have been engaged in the Dry Bulk Business Unit. However, I was also keen to test my abilities in a corporate field, and I therefore relish the prospect of tackling my new role. While I have direct involvement in frontline operations as director general of the Dry Bulk Business Unit, I combine this viewpoint with a business executive's Companywide perspective, which stems from my positions as chairperson of the Investment and Finance Committee, member of the Executive Committee, and director. The contrasting nature of my frontline and executive positions allows me to absorb and offer opinions from a variety of standpoints. Making full use of this advantage, I will ensure that we keep the parts of our legacy that need to be kept while reforming those that require updating. Through these efforts, I will evolve the MOL Group's sustainability toward a new level.

As CESO, I will step up our contribution to the SDGs through environmental strategies and businesses.

Toshiaki Tanaka

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Chief Environment and Sustainability Officer