



Third-party Opinion on the Subaru CSR Report



Mr. Toshihiko Goto

Chief Executive Officer, NPO Sustainability Forum Japan
Director, Global Compact Network Japan
Founder, Japan Sustainable Investment Forum
Director, Green Finance Organization
Chairman, Sustainable Management Forum of Japan
Director, Association for Resilience Japan
Member of the EPE Subcommittee of the Japanese National Committee for ISO/TC207. Chair and member of various committees of the Ministry of the Environment, including Environmental Information Disclosure Platform Development Working Group (Chair), Tripartite Round Table on Environmental Business (TREB) of the Tripartite Environment Ministers Meeting among China, Japan and Korea (Head), Environmental Communication Award (Juror), Review Committee of Manual & Guidance for Environmental Reporting Guidelines 2018 (member), and Review Committee on Encouraging Private Enterprise to Adapt to Climate Change (member). Former GRI Board Member. Graduate of the University of Tokyo Faculty of Law.

Reading the 2018 CSR Report

It is no exaggeration to say that the automobile industry is in the midst of an era of unprecedented uncertainty.

Moves toward banning the sale of cars that run on fossil fuels are no longer a risk, a matter of uncertainty, but reality in a number of countries. Various cases of misconduct have occurred amid this situation. Corporate culture cannot be reformed overnight, but I earnestly hope that Subaru will turn this series of crises into a superb opportunity to resolve the problems that it faces. One thing that is absolutely necessary is to establish a medium- to long-term vision that identifies what your company aspires to be. I regard the Six Priority Areas for CSR as the preconditions for this. Furthermore, I feel that a change is necessary in the conceptual approach to design which is a precondition for those preconditions. Rather than the product-out approach that seems dominant in most of Japan's manufacturing sector, it needs to be shifted to the outside-in approach that puts the starting point at social implementation. I believe that Subaru's specific areas of focus in the six priority areas have a great affinity to the outside-in approach, so I hope that your company will be thorough in putting them into practice.

Another suggestion would be to tap into the Sustainable Development Goals (SDGs), as pursuing thorough adherence to them will tackle social issues in the process. Diversity is the wellspring of true innovation that means creative destruction and new connections.

In this sense, while I believe that the new mid-term management vision STEP is headed in a very positive direction, I think that 2025 is too soon to be the target year. I hope that you will look at what kind of company Subaru wants to be when you celebrate the 150th anniversary of its founding, for example, and then use backcasting method to work out where you want to be in 2040, even if you only express this in qualitative terms. In doing so, I believe that diversity will be crucial, incorporating the perspectives of young people, women, and foreign nationals, among others. Going forward, I believe that a medium- to long-term vision will also be essential to address the recommendations of the Financial Stability Board (FSB) task force TCFD.

I felt that Subaru's governance was a little weak on risk management. Risk management has three steps: identifying, assessing, and tackling risk. However, your risk management seems to involve tackling risk and it is hard to tell whether the identification and assessment steps are carried out regularly.

While the standard of Subaru's environmental initiatives is quite high, I am concerned about the rising number of accidents. I hope that you will look properly at this in the simultaneous company-wide general self-inspection. It is also difficult to tell whether environmental risk management has been integrated with the EMS.

While it is good to see that you have set targets for reducing CO2 by 2030, I hope that you will go further than this and consider the targets to be certified as science-based targets (SBT) and/or signing up to RE100. You could also start these initiatives in overseas operation at first.

While Subaru has almost reached the limits of 3R initiatives, the main focus is on output in the form of reducing waste to zero. The circular economy approach common in Europe attaches importance to the input side, focusing on resource efficiency. I hope that you will consider incorporating these keywords.

I believe that you should also consider integrating your Green Procurement Guidelines with your Supplier CSR Guidelines to create CSR Procurement Guidelines.

I would imagine that Subaru is moving forward with efforts to promote AI and the IoT, but there is no information about this. I hope that you will cover this in future, as I believe that proactive initiatives could serve as radical environmental protection measures. In addition, I believe you need to consider a kind of committee in regards to AI and ethics, as the use of AI in cars is likely to raise ethical issues in the future.

While Subaru deserves praise for its human resources and diversity-related initiatives, I would like to add that it is vital to fundamentally increase the number of women employed and to enhance your diversity management capabilities.

Response to the Third Party Opinion

Thank you for providing your opinion concerning the CSR Report 2018.

We have announced our intention to enhance our CSR initiatives with the establishment of our 6 Priority Areas for CSR. This process has provided us with an excellent opportunity to take a fresh look at what society expects of Subaru and what we ourselves should value.

Reflecting this intention in our new mid-term management vision STEP and giving thorough consideration to earn the trust of society through our efforts to enhance CSR, our executive team and employees are working as a cohesive whole to ensure that we contribute to the affluent society through our business.

You have bestowed some measure of praise on the Subaru Group for selecting the 6 Priority Areas for CSR and for the approach adopted in doing so. On the other hand, you have pointed out that we should confront head-on the social issues that have been growing of late and ceaselessly endeavor to achieve qualitative improvements in target-setting and actions from a variety of angles.

In particular, we are aware that further strengthening our diversity initiatives is a challenge of critical importance, given that the development of our business relies on the diversity of markets. Accordingly, we plan to devote considerable energies to this area. Furthermore, as we regard climate change as one of the most crucial global issues, we intend to undertake appropriate environmental initiatives from a medium- to long-term perspective. To this end, we have already begun formulating a new action plan: the Subaru Action Plan for the Environment.

Taking into account the views of various stakeholders, we intend to reflect on these matters and your other comments, and then address as many of them as possible. At the same time, we will continue to strive to disclose information in a timely and appropriate manner, so that we can secure the full understanding of all our stakeholders.

The automobile industry is facing a period of epochal transformation, of a kind seen only once in a century. Based on a sensitive perception of environmental changes and social expectations, we aim to promote CSR initiatives, contribute to the creation of a sustainable society, and be a company that people trust.

Yasuyuki Yoshinaga
Chairman of the Board; CSR Committee Chair
Subaru Corporation