

Third-party Opinion on the SUBARU Sustainability Report



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Profile

Graduated from Hitotsubashi University Faculty of Law in 1989 and joined the Development Bank of Japan in the same year. After appointments as Chief Representative for the Frankfurt Office, Head of the Environmental and CSR Department, Head of the Economic & Industrial Research Department, and Executive Officer and Deputy Chief Research Officer of the Industrial Research Division, he was appointed to his current position in 2021.

He has been working for many years in the fields of environmental finance planning and industrial research, including the creation of the DBJ's environmental ratings-based financing program. At present, he holds many public posts, including as a temporary member of the Ministry of the Environment's "Central Environmental Council" and a temporary member of the Ministry of Economy, Trade and Industry's "Industrial Structure Council." His many other accomplishments include writing third-party opinions for CSR reports and giving lectures on materiality analysis, ESG and SDGs. He has also co-authored works including "Renewable Energy and New Growth Strategy" (Energy Forum 2015), and "How to Tackle Climate Change Risk" (coauthored with the Kinzai Institute for Financial Affairs, Inc., 2014).

As its new name suggests, Sustainability Report 2021 has transitioned from an in-depth and comprehensive report on CSR to one that conveys the significance of various activities in an encompassing format that leads to value creation for the Group. It retains its two-part structure with an introduction that provides an overview of CSR activities and a progress report on a wide range of initiatives. However, the report has taken a new approach and places greater emphasis on the introduction.

The first standout feature is the revamped CSR concept diagram of the Subaru Group's CSR. The value creation model for a company "delivering happiness to all" set forth in the mid-term management vision "STEP" has the Six Priority Areas for CSR created by multiplying the three STEP priorities, emphasizing the unity between CSR and business. In particular, the focus on the importance of human capital in terms of "individual growth" indicates SUBARU's emphasis on employee involvement, which I will discuss below.

The Message from the President makes a strong impression – clearly stating that the essence of SUBARU-ness lies in both resolving social issues and achieving growth by leveraging the strengths of SUBARU's businesses. The discussion of SUBARU's commitment to zero fatal road accidents with technologies such as EyeSight in advance of the Japanese government's green growth strategy and of the issue of achieving carbon neutrality in 2050 through a medium- to long-term product strategy centered on electrification technology adds depth to a specific and detailed explanation of SUBARU-ness as a differentiating factor.

The flow of the introduction, including the section on the CSR promotion organization and highlights from the Six Priority Areas for CSR, is smooth and makes SUBARU's approach to value creation easy to understand. The presentation of the scalability and flexibility of SUBARU's concept of the Six Priority Areas for CSR is particularly impressive. While the term

materiality is not used, the Six Priority Areas for CSR are clearly key issues for the Subaru Group. The current debate on materiality concerns the relative merits of focusing on issues that directly impact the sustainability of business models, mainly with investors in mind, versus anticipating the impact of a wide range of social issues. Responding flexibly to changes in the external environment instead of thinking rigidly is preferable, and SUBARU's approach of adjusting component themes embodies dynamic materiality. Examples that demonstrate the latest initiatives include the addition of "enhancing and strengthening the Group's teleworking environment" and "community support activities in the event of a disaster or pandemic" to the themes of empathy and coexistence, and the addition of "respecting the human rights and diversity of all people" and "acquisition of new knowledge by proactively recruiting people from outside the SUBARU Group" to diversity.

These components of the introduction alone could be the core content of an Integrated Report. Since SUBARU is transforming its Annual Report into an Integrated Report, the changes above represent the transformation of Subaru Group disclosure.

The discussion of CSR activities in the latter part clearly shows the attitude of steadily promoting effective initiatives. In particular, "Environment Action Plan 2030" lays out milestones for the long-term vision for 2050 that demonstrates SUBARU's leadership as an automobile manufacturer, with a superbly structured presentation of its strategy for transitioning to carbon neutrality, fleshed out with reference to specific products. At the same time, the perspective on both risks and opportunities is realistic and convincing, including recognition that overall profitability both upstream and downstream places limits on the deployment of electrification technology, and the attitude of emphasizing the added value of SUBARU-ness even with electric vehicles. In addition, SUBARU has made steady progress in its

recent efforts to promote human rights, and executes well-defined due diligence for human rights and has conducted training on “business and human rights” for all employees in relevant departments. As with quality issues, SUBARU displays a conscientious commitment to employee involvement in new challenges and the high level of awareness that enables that. SUBARU is focusing on diversity and creating a more diverse organization, and would do well to emphasize this unseen strength at some point.

As mentioned above, SUBARU’s disclosure system is likely to change significantly in the future, so I would like to share three suggestions for SUBARU to consider in connection with that. The first is a structural technique for efficiently conveying the vast amount of information in latter parts to readers. I would suggest aligning information in latter parts with the Six Priority Areas for CSR to seamlessly guide readers from the first part to related content. Next, I would once again suggest a more systematic disclosure of human capital, which was emphasized in value creation as “individual growth.” The progress of SUBARU’s initiatives in this area are readily apparent, as evidenced by the “Subaru Health Declaration,” but disclosure should go a step further and focus on the quality of human capital. Similarly, I would like to ask SUBARU to continue considering the appropriateness of KPIs for managing progress in the Six Priority Areas for CSR.

The disclosure of sustainability information has entered a new stage with the transition to an Integrated Report, and I look forward to further evolution in the future.

Response to the Third-Party Opinion

Thank you for your opinion concerning our Sustainability Report 2021.

We upgraded our existing disclosure system in FYE March 2022. Sustainability Report is the new name for our former CSR Report, and our integrated report is its core. The Subaru Group will fulfill its social responsibilities as it works to earn the trust of society. Aiming for sustainable growth, we will more clearly communicate our desire to contribute to a happy and sustainable society.

In addition, the Subaru Group aims to deliver happiness to all by evolving the value we provide in the form of “Enjoyment and Peace of Mind” to help achieve a happy and sustainable society. We would like all stakeholders to deepen their understanding of the Subaru Group’s unchanging values, its strengths, and the business model that backs our ideals, and we have formulated a new value creation diagram that includes financial and non-financial elements to tell our story of long-term value creation. It appears in this report as a conceptual diagram titled “Subaru Group’s CSR” and shows that employee growth will be the driving force of the Subaru Group’s CSR initiatives in tandem with the mid-term management vision “STEP.” We have also incorporated the idea of developing people who can think and act on their own in response to various changes. This has included introducing a new personnel system that actively supports people who take on challenges.

The Subaru Group is promoting the Six Priority Areas for CSR globally, centered on the SUBARU Global Sustainability Policy formulated in April 2020, and we are inculcating the relevant ideas and mindset throughout the Group. Therefore, we do not need to deepen the Six Priority Areas for CSR as a discussion of materiality, and each employee can take a bird’s-eye view of how their work impacts society and Group profits. Thus, we are enhancing our ability to flexibly respond to contemporary issues from the perspective of the Six Priority Areas for CSR.

I am encouraged that you evaluated SUBARU as providing easily understood information about the development of its information disclosure system and the thoughts and initiatives related to the Subaru Group’s value creation. In addition, I am pleased that you think we have a specific and detailed message about the pursuit of SUBARU-ness when it comes to improving safety performance through the next-generation EyeSight, aiming for zero fatal traffic accidents* in 2030 and strengthening our dynamism while working to achieve carbon neutrality in 2050.

On the other hand, you gave us suggestions for the future, such as examining the appropriateness of KPIs, more systematic disclosure of human capital, and structural ideas for efficiently transmitting vast amounts of information. While discussing goals and plans within the PDCA cycle, we will enhance the quality of information provision including the progress of the new personnel system. We will also improve the information disclosure system to facilitate reader understanding and access to the report.

The Subaru Group wants to deliver happiness to all. We want to make our customers smile, and we also want to make our stakeholders, society, and the entire planet smile. It has been some time since it was first said that the automobile industry is in the middle of a once-in-a-hundred-year transformation. While this is a period of major change, we will continue to take feedback from our stakeholders seriously and actively promote CSR initiatives with SUBARU-ness at the center.

* Reducing to zero the number of fatal accidents occurring while a driver or passenger in a SUBARU vehicle and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a SUBARU vehicle.

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SUBARU CORPORATION