



Third-party Opinions



Mr. Toshihiko Goto

Chief Executive Officer, NPO Sustainability Forum Japan
Chairman, Sustainable Management Forum of Japan
Founder, Japan Sustainable Investment Forum
Director, Green Finance Organization
Director, Global Compact Network Japan

Chair and member of various committees of the Ministry of the Environment, including Eco Action 21 Guideline Revision Review Committee (Member), Environmental Information Disclosure Platform Development Working Group (Chair), Environmental Communication Award (Juror), and Tripartite Round Table on Environmental Business (TREB) of the Tripartite Environment Ministers Meeting among China, Japan and Korea (Head). ISO/TC207 Expert. Former GRI Board Member. Graduate of The University of Tokyo Faculty of Law.

Last year, in my Third-party Opinion, I talked about responding to the paradigm shift and the formulation of long-term goals in the form of “Goals and Aspirations”. Since June 2017, the paradigm shift has begun to manifest itself in specific events, such as the decision by the UK and France to ban the sale of petrol and diesel vehicles from 2040. I believe that we have reached the point where the automobile industry will be unable to ensure its future survival unless it revises its business model; that is to say, it must innovate (engage in creative destruction) to survive.

Following the Lehman Crisis in 2008, the G20 economies took the lead in establishing the Financial Stability Board (FSB), whose membership includes the finance ministries and central banks of those countries. In January 2016, the FSB set up the Task Force on Climate-related Financial Disclosures (TCFD), recognizing that the time had come when the risks and opportunities posed to industry by climate change and the consequent impact on the financial sector could no longer be ignored. The TCFD’s final report, Recommendations of the Task Force on Climate-related Financial Disclosures, was submitted to the G20 in July. One of the TCFD’s recommendations was that the financial sector should require companies to disclose scenario analysis information.

Scenario planning/analysis is just strategy formulation; at the very least, an interdepartmental team from the Head Office's corporate planning, finance and accounting, CSR and environment, IR, and purchasing departments should begin research and deliberations, with the assistance of external experts, if required. There are only three or four years left, so it is now or never.

Subaru's Environment Policies have been revised, based on the concept that "The earth, the sky and nature" are Subaru's fields of business. Until now, the prevailing approach to environmental measures across the globe has been that business activities come first, with companies seeking to internalize the external diseconomies (environmental destruction) of those activities as much as possible. As I perceive it, your company's new policy spells out the fact that the company is part of the environment, which is excellent.

Last year, I said that the EMS had reached its final version in its existing form. I also described the need to switch to ISO 14001:2015 and integrate it into the business management system. I wonder whether this will be considered in the voluntary action plan for the period through to FY2020. I hope that this aspect will be made more visible.

It is splendid to see that you are actually undertaking a variety of environmental initiatives, but I hope that you will consider RE100 (100% renewable energy) as a mitigation measure. Due to various constraints, efforts to promote widespread use of RE and reduce its cost are lagging behind in Japan, but in the U.S., it appears possible that solar power will be cheaper than grid power by the 2020s, so I would recommend that you consider advanced examples in the U.S. Adaptation measures will be considered in scenario analyses.

I think that you need to analyze why the overseas affiliates have higher CO₂ emissions than Subaru itself, even though their energy use is lower.

In Europe, listed large companies are obliged to formulate and publish a policy on the diversity of their board of directors, on the grounds that a lack of diversity demonstrates weakness in the area of innovation. It will likely take more than 20 years to consistently produce a certain number of female executives, for example, from within the company, even if you launch initiatives now. In the interim, I hope that you will at least make full use of women in committees focused on the environment, CSR, and risks, and also in decision-making.

Finally, I note that the report uses a larger typeface and has been edited to make it easier to read.

Response to the Third Party Opinion

Thank you for providing your opinion again this year on the Environment section of our CSR Report 2017.

You were kind enough to praise our Environmental Policies, which we revised last April, for spelling out the fact that the company is part of the environment. Partly in response to the revision of ISO14001, but also with the objective of making our corporate management more sensitive to the environment, we revised our Environmental Policies and are working to ensure that our environmental management is seamlessly integrated with our corporate management.

Climate change is the most important challenge faced worldwide today and it is closely linked to our company's business activities and products. Taking this very seriously, we will strive to implement the most proactive initiatives possible, while reflecting opinions from both inside and outside the company, in order to achieve more stable, resilient, and sustainable management.

Furthermore, in publishing this report, we will give consideration to ensuring that all our various stakeholders understand these activities initiatives of our company.

Going forward, we will continue our efforts to make an even greater contribution to the sustainability of society and promote specific activities to this end, including the matters you have pointed out for our consideration.

February 2018

Yoichi Kato
Subaru Corporation
Director of the Board
Corporate Senior Vice President
Environmental Committee Chair