Third-party Opinion on the Subaru CSR Report

Executive Officer, Deputy Chief Research Officer, Chief Manager, Sustainability Management Office, Corporate Planning & Coordination Department, Development Bank of Japan Inc. (DBJ)

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 and Manager of the Environmental and CSR Division, he was appointed to his current position in 2017. He has been working for many years in the field of environmental finance planning, including creation of DBJ’s environmental rating-based financing program. At present, he supervises the bank’s industrial research activities.
He holds many public posts, including a temporary member of the Ministry of the Environment’s “Central Environmental Council” and a member of the Ministry of Economy, Trade and Industry’s “TCFD Consortium Planning Committee.” He also writes third party opinions for CSR reports and gives lectures on ESG and SDGs.

Reading the 2019 CSR Report

The 2019 CSR Report is the first report on your company’s CSR activities since they were revamped following the July 2018 formulation of the new mid-term management vision STEP. As I read through it, I noticed a number of points that highlight the direction of change that your company aims to achieve.
First, it is symbolic in the top message from the President that he describes CSR as “enhancing the quality of management and operations through our core business” and “management itself.” Indeed, throughout the whole report I gained a powerful sense that your company aims to present CSR as part of its business strategy. Supporting this are the newly established 6 Priority Areas for CSR. The Message from the President explains these priority areas at length, positioning them as a unique concept aimed at utilizing the strengths of the business to strike a balance between solutions to social issues and the growth of the group. I believe that this approach, in which the head of the company explains its new concept of CSR in conjunction with STEP, is extremely effective in conveying that CSR is an integral part of Subaru’s business strategy. Next, there is the level of commitment seen in the disclosures about “Changing the Culture”, which is one of the key topics in this report. Your company’s sincere efforts to achieve its goal of becoming a company where people can say whatever they want really comes across, including in the disclosure of the employee attitudes survey. Coupled with the Message from the President, the commitments made by the Deputy President, who holds ultimate responsibility for manufacturing sites, and the Chief General Manager of Japan Sales and Marketing Division, who has control over points of contact with customers, suppliers, and society as a whole, plainly demonstrate your company’s willingness to dedicate the whole organization to working on this issue. In fact, before writing this opinion, I had the opportunity to visit the Gunma Plant and I was struck by the thorough efforts that had been made to revitalize communication throughout the company, right down to shop floor level. These included setting aside a time for exchanging information during changeovers between day shifts and night shifts, and having a manager located right beside the inspection process. I believe that the report would be even more persuasive if you were to introduce some of these initiatives.

On a related note, I believe that providing specific details of CSR briefings, CSR workshops, and other such initiatives to ensure that CSR permeates the whole organization is beneficial content suggestive of change.

Overall, I gained a very clear sense that your company is striving to inform a wide range of readers that it is tackling the topic of CSR head-on and demonstrate its willingness to engage seriously with the task of changing ways of thinking and developing systems to promote CSR as an integral part of its core business. I would like to mention a few points of my hopes for the future in this regard.

First, I recommend establishing a stronger overall storyline. In a few places in this report, I noticed duplications between sections and weaknesses in relating them to each other, such as the connection between the explanation of the Six Priority Areas and continuous toward CSR initiatives. As such, I felt there was room for improvement in establishing a storyline. I believe that one factor contributing to this is the lack of specific explanations about the relationship between CSR and business strategy. Because your company has declared CSR to be an integral part of management, it would be desirable to present the growth strategy based on its long-term vision and develop a story that follows an orthodox value creation scenario, talking about CSR (the priority areas) as a non-financial element supporting this. It would likely be helpful if you think about investors in particular when doing so.

Along with the universal theme of “Quality Reforms” emphasized in this report, another thing that is essential for ascertaining the long-term outlook is your company’s opinion on the environmental changes surrounding the automotive industry, such as changes in mobility arising from advances in CASE and the resultant impact on powertrains. Focusing on themes such as information on Subaru Digital Innovation—which is included in STEP—and responses to electrification, and bolstering value creation scenarios based on these would, I believe, help to enhance the report.

I also hope that your company will enhance content relating to human capital, which is the common thread running through these themes, while incorporating such perspectives as diversity. Now that your company has embarked on a new direction, I look forward to seeing further enhancement of your CSR Report.
Thank you for your opinion concerning our 2019 CSR Report.

The automobile industry is facing a period of epochal transformation, of a kind seen only once in a century. Subaru will itself evolve in the face of this major structural change, and must also address the changing external environment. We at Subaru, management and employees alike, feel the need to achieve growth for the realization of a sustainable society. Aiming to contribute to the solution of social issues and achieve resonance with society through our business, we have led the way in striving to “Change the Culture” and “Quality reforms”, which are the biggest priorities in STEP, our mid-term management vision for the period through to 2025.

We are pleased that you have recognized that this direction of change is based on our positioning of CSR as part of our business strategy and our perception that CSR is management itself. We are also very encouraged that you have praised our level of commitment to “Change the Culture”.

At the same time, you have advised that we should bear diversity in mind and enhance our value creation scenarios. Your suggestions include establishing a stronger storyline that brings CSR together with our business strategy and encompasses our efforts to respond to the environmental change surrounding the automotive industry, as this is essential for ascertaining the long-term outlook.

We are aware that responding to environmental changes affecting the automotive industry is a challenge to which we must devote all our energies. Most notably, in the field of initiatives to combat climate change, which is a global problem, we have provided society with new products that combine outstanding environmental performance with the kind of high dynamic quality that only Subaru can offer. Furthermore, we have announced a new operational capital alliance with Toyota Motor Corporation, which will further enhance joint development of EVs that combine both companies’ strengths and our efforts towards electrification by means of the Toyota Hybrid System (THS). We also believe that we can contribute to solving major social issues including climate change by building relationships that will last into the future.

We regard diversity as something that we should spare no effort to promote globally within the entire Subaru Group. We cherish everyone working for the group as irreplaceable assets who help Subaru to achieve a sustainable society. We intend to step up our endeavors to promote diversity initiatives that will offer diverse ways of working, so that employees can make the greatest possible contribution through their diverse viewpoints.

While taking on the challenges presented by these changes, we will never neglect our cherished brand principle of “Enjoyment and Peace of Mind”, which sums up Subaru’s unique personality. We will ensure that everyone in the Subaru Group is aligned in their focus as we continue striving to map out Subaru’s distinctive approach to CSR with a view to the future, so that we progress step by step toward our goal of transitioning from being a company making things, to a company making people smile.

Tomomi Nakamura
Representative Director of the Board
President and CEO
Chairman of the CSR Committee
Subaru Corporation