

Third-Party Review



Masahiko Kawamura
Director/Chief Researcher Alterna
Research Institute, Alterna
Visiting Researcher, NLI Research
Institute

Profile

In 1976, completed master's degree at Kyushu University's Faculty of Engineering. After working at MODEC, Inc., joined NLI Research Institute, where he was primarily engaged in research on environmental management, environmental business, CSR management, integrated reporting, and climate change adaptation. Now works as a CSR/ESG consultant and serves as Vice Chairman of the Sustainable Management Forum of Japan. Books authored include *Carbon Disclosure*, *New Trends in Integrated Reporting*, *Perfect Guide to CSR Management*, and *Integrated Thinking and ESG Investment*.

1. Reporting Method

Globalization of Initiatives and Reports

I offer my opinion again this year, but this time I will cover CSR in its entirety including social reporting. First, the overall composition of the report has been arranged in the format of a sustainability report.

Notably, in the Top Interview, President Yoshio Shimo discusses the company's Corporate Mission, its slogan, and the expectations it contains, and he also clarifies the Company's direction including the business of Hino Motors as the "three goals." His last point — where he states that the question of "How can we create the future?" is more important than asking "How will the future change?" — indicates the Company's motivation for achieving a sustainable society.

Each article addresses the "three goals," and interviews with young employees have been included to allow the reader to sense the dynamism unique to Hino Motors.

Next, matters to be reported on about the environmental aspects of ESG information are fairly well established, and specific goals and their status are clearly described for each of the six challenges of the Hino Environmental Challenge 2050, established in October 2017. However, from the viewpoint of PDCA for the 2020 Environment Initiative Plan, each challenge and corrective measure needs to be described.

For the social and governance aspects as well, the concepts, activity reports, and directions of the activity for each item are described and the Company's desire to communicate details about the activities to the reader is tangible. However, in the future, to communicate the progress of activities in a manner more easy-to-understand, the activity assessment should be quantified as much as possible, and improvements to counter aging and related assessments are required. Therefore, it is vital that the Company establish KPIs and target scores and spread the awareness of CSR risk.

All in all, defining the CSR concept and system, and establishing a system of CSR management on a global scale including supply chain management, is imperative. If these tasks are done, globalization not only of the "reporting method," but also of the "content of the report," will progress, and we can expect further improvement in the overall report.

2. Content of Report

Definition of CSR and Review of System

First, as a company that hopes to expand its business globally and approach consolidated sales of ¥2 trillion, global CSR standards should be reflected in a timely manner, such as ISO26000 or GRI standards, in its CSR approach.

The definition of CSR according to ISO26000 is "Responsibility for corporate decision making and the impact of business activities on the environment and society" in order to help realize a sustainable society, and this definition was also adopted in the GRI standard. The areas in which initiatives are to be taken have been organized as seven "core themes" targeting the company's own business as well as its supply chain.

As for the relationship with the SDGs, it is first necessary to identify positive and negative impacts of the business using value chain mapping. Since this will also lead to identifying "CSR materiality" in terms of both risks and opportunities, the Company says they will address it. I sincerely hope that prompt action is taken.

Above all, a positive impact is one that leads to creating shared value (CSV) and solves social problems by means of the company's core business (the company's strength). CSV forms the core part of this report and is cited starting in the Top Interview. It can be assessed by how clearly and easily understandably it is stated.

With the megatrends of the global environment and international community, ESG investors who have a long-term perspective evaluate the impact of business activities, long-term strategies, and sustainability of business models in terms of both risks and opportunities. Therefore, a review of the definition and system of CSR is strongly recommended.

Today, in this epoch-making post-2015 era, and spurred on by the emerging "sustainability revolution" epitomized by the Paris Accord, I hope that Hino Motors' practice of CSR and CSV management leads to further value creation and prevents from being damaged.