

Third-Party Review



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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. Strongly Conveying Ideas and Actions

As in years past, I will share my perspectives on overall CSR management. First, the Sustainability Report is organized in narratives, making it easy to read. Furthermore, photos are used effectively throughout the report, and the writing is clear and concise. The ideas and actions behind the theme "Conveying" are discernable.

I am particularly impressed with the explanation of the concrete steps that Hino is taking, using its core strengths, as the SDGs are reviewed with outcome levels. Furthermore, the interviews with multiple young employees, which has become an annual feature of the report, covers timely topics and bolsters Hino's aura of vitality.

Regarding the ESG information, Hino's strong record on the environment provides content that makes the report very thorough. The objectives, achievements and issues related to the 2020 Environment Initiative Plan, a part of the Hino Environmental Challenge 2050, which is a challenge to achieve zero emissions, is written very clearly. Going forward, I expect active engagement from Hino on the issues covered in the report.

Concerning social issues, the related activities and rationale behind them are noted and conveyed enthusiastically. Going forward, aging assessments should be quantified as much as possible, and it is critical to ensure that the topics are clarified. For governance, in addition to explaining Hino's approach to governance, I would like to see the inclusion of deliberations that the Company is undertaking on CSR and Sustainability.

Last year, I noted the imperative of establishing a system of CSR management on a global level. In response, efforts are underway, including the establishment of a specialized department. In the future, I would like to see such efforts accelerated by strengthening coordination with overseas facilities.

Regarding supply chains, under "Social," the report includes the Supplier CSR Guidelines and General Meeting for Suppliers in Japan and overseas. However, in consideration of expanding overseas production and procurement, going forward, this is an area where I would like to see this made a management-level issue to further strengthen these efforts.

A new topic in this year's report is "respect for human rights." As this forms the bedrock of "the way we work" from the perspectives of labor, safety and health, I would like to see Hino develop a globally shared perspective on human rights and strengthen its efforts in this area. This is a key measure to address supply chain risk.

2. Improving CSR in a Time of Change

The content of this year's Sustainability Report goes beyond CSR management, and in some ways, it is beginning to take the form of an integrated corporate report that strategically aims for long-term value creation. In general, for CSR and creating shared value (CSV), there is almost no recognition of a timeline. However, Hino has established Hino Environmental Challenge 2050, which incorporates a long-term timeline, and the medium to long-term strategy, Challenge 2025. The target for achieving the SDGs is 2030.

There are likely several factors at work here. One is that new vehicle technologies encompassed in the term "CASE" have driven the world's automotive industry toward a critical turning point. Specifically, as climate change policies evolve and vehicles become electrified, global tech companies have leveraged AI and IoT to enter the automotive market. Another factor is the change in the perspectives in value as customers transition from placing importance on vehicle ownership to vehicle use. Demands for new ways to use vehicles are on the rise.

This trend is not limited to personal vehicle use, but has extended to commercial vehicle use, as well. Traditional business models cannot accommodate these changes and instead risk holding back the industry. On the other hand, social issues impacting the automotive industry, including aging populations, labor shortages and depopulation, are becoming more acute. Therefore, it is now, when the financial resources are available, that Hino must leverage this crisis to engage in strategic structural reforms to prepare for the next generation.

This is made clear in the Top Interview. To achieve the Four Value Propositions, Hino must strive to create a new platform for moving people and goods. Thus, the thinking that "making good products is good enough" must be abandoned. For example, viewing the value proposition from a "Total Support" stance that considers the entire life of a vehicle would be an excellent point of focus. While providing excellent value to customers, this would help address social issues and contribute to progress in achieving the SDGs.

As Yoshio Shimo indicated, "Sustainability" is a keyword for this generation and should be a point of shared global awareness. For Hino, this is founded on the proper manifestation of CSR and a system architecture that expands throughout the entirety of Hino's value chain. I am looking forward to continued improvements in Hino's CSR efforts.