

On the Occasion of the Launch of Initiatives for the New CSR Core Categories

The Sumitomo Electric Group sets five CSR priority themes. Among them, the three themes of “promotion of diversity,” “prevention of global warming” and “promotion of CSR procurement” were selected as subjects for the fourth Stakeholder Dialogue, in which the respective managers in charge of the themes at Sumitomo Electric exchanged opinions with experts with outstanding knowledge on the themes.

■ Outline of the Stakeholder Dialogue

Date: June 4, 2014 (Wed.)

Venue: Osaka Works of Sumitomo Electric Industries, Ltd.

■ Schedule

1. Factory tour
2. Presentation on the background of the review of the CSR core categories
3. Exchange of opinions



Factory tour

■ Guests

Mr. Eiichiro Adachi

Counselor, The Japan Research Institute, Limited

Mr. Adachi specializes in socially responsible investment (SRI) and corporate social responsibility (CSR). He has participated in various projects organized by the Ministry of the Environment, the Cabinet Office, Government of Japan, etc., and is mainly engaged in industrial surveys and corporate evaluation from the perspective of CSR.

Professor Yoshinao Kozuma

Faculty of Economics, Sophia University

Prof. Kozuma specializes in environmental accounting theory and international accounting theory. He has served as chair and member of CSR- and environment-related review committees and study groups organized by Ministry of the Environment, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Agriculture, Forestry and Fisheries, Cabinet Office, Government of Japan, Japanese Institute of Certified Public Accountants, etc.

Facilitator

Mr. Takashi Fukushima (President, Sustainability Accounting Co., Ltd.)

Participants from Sumitomo Electric

Masatoshi Nakata (General Manager, Human Resources Department, HR & Administration Division),

Nobuya Oooka (General Manager, Safety & Environment Department),

Satoshi Maegawa (General Manager, Procurement Division),

Masahito Kasuga (Manager, CSR Promotion Office, HR & Administration Division)

Exchange of
Opinions

Theme / Commitment to the new CSR priority themes

【 Setting of the priority themes 】

Kasuga: Based on the new mid-term management plan VISION 2017, which was formulated in May 2013, we have reviewed the five CSR core categories to enhance the integration of CSR activities with business activities. The new five core categories are Products & Services, Supply Chain, Human Resources, Environmental Preservation and Social Contribution. Products & Services is included to highlight our social contribution through the main business. For each of the categories, a priority theme is selected (see P15). The priority themes for Human Resources, Supply Chain and Environmental Preservation are promotion of diversity, promotion of CSR procurement and prevention of global warming, respectively.



【 Promotion of diversity 】

Nakata: We adopted the Global HRM Policy as the Group's common policy to be applied worldwide in 2011. While our business has been promoted on a global



scale, the number of the overseas personnel appointed as executives was not large enough. To improve this situation, we established the Global Executives System in April 2014. We then set up a grade called “GL (global leader)” and appointed 24 officers and equivalents from overseas subsidiaries other than those of listed companies. In terms of promotion of female workers, our Japanese sites lag behind overseas ones. We focus on employment of excellent female workers in the recruitment of new employees for main career track in Japan.

Adachi: The companies that promote recruitment of women can be divided into those which have a definite purpose and those which just follow other companies to keep pace with the trend of the times. I think that the answer to the question why a company has to increase female workers depends on the type of the business.



Kozuma: The issues underlying the promotion of diversity are very complicated. In addition to constraints in companies, many factors generated by social systems prevent effective use of female workers. In a company with many overseas facilities like Sumitomo Electric, I assume that working conditions are different between Group companies in many



aspects. While the situation concerning women and minorities totally differs from country to country, is your company handling it on a global scale?

Nakata: We have surveyed the number of male and female workers in our Group on a global scale to obtain data, and worked to share information between different companies beyond national borders and cultures. The Sumitomo Electric Group will enhance the human resource recruitment system to promote diversity.



Kozuma: In EU, it is said that diversity should start from executives. Japan lags far behind in diversity of executives. Promotion of it is crucial to promote diversity of the whole company. How is the situation in your overseas Group companies?



Nakata: We have to encourage the promotion of appointing local staff to executives in overseas companies more actively. A major principle in our global policy is that we provide workplaces where all the employees can work actively regardless of race or gender. We will broadly and strongly publicize this as a solid policy of our Group in human resource management.

【 Prevention of global warming 】

Oooka: Our target for prevention of global warming is the reduction of CO₂ emissions by 5% in fiscal 2017 from the fiscal 2012 level. In the action plan established to meet this aggressive target, we aim to reduce energy consumption per unit of sales by 20% in 5 years. While our energy saving efforts have consisted mainly of equipment-related initiatives such as introduction of energy saving devices, we now recognize that issues related to productivity such as poor quality and equipment failure are all linked with energy saving. We plan to promote activities in cooperation of various sections while sharing this recognition with them.



Adachi: To meet the target of increasing sales from approximately 2,200 billion yen in fiscal 2012 to 3,000 billion yen in fiscal 2017, you need to increase sales by 40%. In this context, the target of reducing total emissions by 5% seems to be too aggressive. I wonder that the financial prospects may be inconsistent with the non-financial prospects.

Oooka: An aggressive target is necessary to remind our divisions of the need to eliminate energy loss. Just trying to balance out the manufacturing areas with low energy efficiency is not enough. We aim to make them aware of this fact to be thoroughly committed to energy saving activities.



Adachi: I understand energy consumption per unit of sale is greatly different between business segments at present. There must be differences between overseas factories as well. It will be convincing if you also have a plan to change business segments or improve overseas production sites with low energy efficiency to raise their energy efficiency to the level of the mother factories in Japan.

Kozuma: It is preferred to encourage related suppliers to take such measures at a similar pace. In addition, I would like to point out that expansion of the sales of existing environmentally conscious products that can help reduce CO₂ emissions may be more effective in contributing to prevention of global warming.



Oooka: We do have environmentally conscious products that can help customers save energy, reduce waste and improve productivity. Many of our products are parts, and we are making efforts to raise the ratio of sales of such environmentally conscious products. Nevertheless, we have calculated the contribution to reduction of CO₂ emissions only on some of our products.

Kozuma: Sales and reduction targets should be set even if they are rough ones. I think your factories, which have lots of basic technologies, are filled with hope.

Oooka: Thank you. There are still differences in awareness in some divisions. We will focus on the areas where the efforts have been insufficient in order to achieve results.

【 Promotion of CSR procurement 】

Maegawa: We request suppliers to comply with our CSR procurement guidelines. As we did not know how much the guidelines were actually followed, we surveyed suppliers to determine the situation in fiscal 2013. While we conducted a questionnaire survey of 122 main suppliers under the control of our Procurement Division, we plan to expand the scope to cover around 900 suppliers with which we have continuous business each month in fiscal 2014.



Kozuma: I suggest you consider the objective of such surveys as well as the objective of supply chain management and review the results to improve the accuracy of the survey. It is important to continue questionnaire surveys and feed back the results into the current supply chain management to constantly check the progress.

Adachi: As the Sumitomo Electric Group has diversified its business and engages mainly in B-to-B activities, the supply chain is not visible from outside. I recommend that purchased goods be clarified first and efforts related to the procurement of them be presented together with any problems in the upstream of the supply chain.



Maegawa: It would be ideal if our Procurement Division could develop a database with such information collected in a cross-sectional manner. So far, we only support divisions and operating companies in aiming at the same target on a specific subject when promoting initiatives on a division or operating company basis. I hope that we can eventually collect basic data that are common among the divisions and analyze them at the Procurement Division to prepare a comprehensive report and give feedback.



【 Overall CSR activities 】

Kozuma: I can see that cross-sectional operations are increasing rapidly in addition to independent duties of each section. You will be facing such challenges as how these operations should be managed, who should control them and how they should be coordinated.

Adachi: I believe such issues on CSR governance are common challenges for Japanese companies.

Kasuga: The CSR Committee chaired by the officer in charge of human resources and administration holds a meeting twice a year, which has been joined by staff from each division since the last meeting. Participation of divisions means participation of all of the organizations under them, whether in Japan or other countries. Our future challenge will be how we involve the whole Group and all employees in our CSR activities.

After the Stakeholder Dialogue

The dialogue was very fruitful with advice from the two experts concerning three of the CSR priority themes established last year based on VISION 2017. We will make use of the advice about the challenges for our CSR activities. At the same time, we will discuss how we should address the cross-sectional operations, which are increasing as our business activities are globalized, in the approach to the CSR governance of the whole Group. This is a common challenge for all of the themes.



Yoshitomo Kasui
Chair of
the CSR Committee
Managing Director