

Third-party opinion on the JTEKT CSR Report 2015

Representative of the Workers Club for Eco-harmonic Renewable Society (NPO) **Tamio Yamaguchi**

Tamio Yamaguchi's profile

After 25 years at a newspaper company, Mr. Yamaguchi held a position as the manager of public relations at an environment venture company, chief editor of a publishing company's environmental magazine, and then freelanced. Now a part-time university lecturer, he also works as a corporate trainer on CSR topics. Since 2005, Mr. Yamaguchi has analyzed and reported on over 350 companies' CSR reports. (<http://csr-project.jp/>)

Workers Club for Eco-harmonic Renewable Society

A citizen's organization that considers from a global point of view how society and the natural ecosystem that should be passed on to future generations can live in harmony. The organization researches, supports and implements activities so that citizens, companies and government agencies will form a recycling-based society. Researching and Making Proposals regarding the Ideal CSR in CSR Workshops of Study Groups (<http://junkanken.com>)



I believe that the exchange of opinions during the process of reports being created is absolutely essential in order to write a third-party opinion. This year, such opinion-exchanging sessions were held at the kick-off meeting and when the first draft of the report was completed. In these sessions, I made comments on 46 items regarding the first draft, to which JTEKT responded by categorizing these into "Reflect in FY 2015 report", "Next fiscal year", "For the future" and "Response is difficult." I highly respect JTEKT's serious stance towards my comments and their efforts to steadily improve their reports. In the future, I hope JTEKT proactively engages in dialogue with other stakeholders and achieves stakeholder engagement.

JTEKT has been using the caption "NEW" to highlight new content since the FY 2013 report and this was again apparent in several places in this year's report, sending out the message that they paid careful consideration to including descriptions of their responses to social demands. For example, recently there have been numerous cases of violations against the Foreign Corrupt Practices Act of the U.S.A, Britain's Bribery Act and so forth, triggering a demand from society on globally-active corporations to strengthen their fair trade practices and this year, JTEKT has included a section on "Anti-corruption activities" in their report. Moreover, although the "NEW" entries of a report may increase, if important descriptions and indicators are omitted it may become difficult to evaluate however, thankfully, that is not the case with JTEKT's latest report.

Reading through this report, four points in particular leave a particularly strong impression. These are; (1) Extraordinary determination to protect employee safety, (2) Strengthening of compliance, (3) Proactive and ongoing initiatives for mental health countermeasures, and (4) Steady initiatives for reducing environ-

mental burden and disclosure.

In regards to the first point, the lost-day accident rate has increased since FY 2012 however concerning this point, the Message from the President contained a declaration that "ensuring the safety of our employees is our most important mission" and clearly stated an "awareness of a critical situation". Moreover, to materialize this message, JTEKT has formulated a safety vision and carried out safety training with participation by all directors, as well as safety awareness surveys. I believe that readers will surely be impressed if JTEKT is sensitive of the worsening trend and their top management, with an awareness of a "critical situation", displays leadership to roll out companywide activities.

In regards to the second point, it is clear that JTEKT is making efforts not to repeat the conduct recognized as a violation of the Antimonopoly Act in 2011 and is strengthening their response to both domestic and overseas situations. JTEKT is exhibiting just how serious a stance it is taking towards strengthening compliance with initiatives such as the aforementioned anti-corruption activities, obtainment of a written oath regarding legal compliance and proactively making their employees aware of the internal reporting consultation desks.

In regards to the third point, as I mentioned last year, the reported content is first-rate and sets an example for other reports. In my third-party opinion for last year's report I stated that, in the future, "the situation would inevitably change for the better" however, while total work hours and work outside of regular hours decreased in FY 2014, there has been an increase in high-stress individuals, number of employees receiving checkups for working long hours, number of work absences due to mental disorders and number of missed work days. Fortunately, the report contains details such as "number of people taking time off work

by age and reason", which are useful for analyzing the situation and formulating future measures. I feel that the fact that measures are being steadily implemented in this way is a sign that JTEKT is in a transition stage heading towards improvement.

In regards to the fourth point, JTEKT is steadily responding to the environmental issues demanded by society. Moreover, when disclosing information, JTEKT refers to a calculation standard stipulated by the GHG Protocol Initiative and the General Guidelines on Supply Chain GHG Emission Accounting of the Ministry of the Environment and Ministry of Economy, Trade and Industry. I hope JTEKT will continue to take this proactive stance and report from the perspective of "natural capital" and "risk and opportunity".

Finally, I would like to touch upon what I mentioned a little while back regarding "materiality choices and disclosure of the process thereof." Currently, the "PICK UP" segment in JTEKT's report describes typical examples of activities and achievements however I do not believe this can be considered true materiality as it does not express the stakeholders' perspectives. As I mentioned above, in the 46 comments I made, JTEKT categorized materiality as an item "For the future". However, more and more companies who refer to the fourth version of the GRI "Sustainability Reporting Guidelines 2013 (G4)" and IIRC (International Integrated Reporting Council) framework, which emphasize materiality choices, are steadily offering choices and providing disclosure. In the process of materiality choices, I believe that "stakeholder inclusion"(*), which is a reporting principle of G4, will be achieved. Both of these are important principles and will greatly impact the evaluation of a report.

* **Stakeholder Inclusion** An organization has a responsibility to identify stakeholders and rationally explain how they have responded to expectations and concerns.

Response to the third-party opinion

Corporate Planning Dept.

We would like to extend our sincere thanks to Mr. Yamaguchi for providing us with his valuable opinion at the kick-off meeting when creation of this report began, at the intermediate conferral and upon completion of the report.

In FY 2014, we continued to promote our JTEKT GROUP VISION and our mid-term management plan so that JTEKT may develop even more as a truly global company. In each business headquarters, we conducted results evaluation and plan renewal so that the entire JTEKT group could steadily promote renewal of our mid-term management plan. We will continue to pivot our activities around the mid-term management plan from next fiscal year. We will also continue promoting the familiarization of CSR within JTEKT by providing face-to-face communication and a *genchi genbutsu* spirit to establish the CSR mindset in all workplaces, including JTEKT group companies, and help employees become self-reliant in their activities.

Moreover, in regards to Mr. Yamaguchi's feedback on materiality, we also believe this a necessary point to advance to the next stage and will organize our internal systems including formulation processes. We also believe that "stakeholder engagement" and "environmental reporting from the perspectives of natural capital and risk and opportunity" to be important for the future and will investigate these further. We will also continue, as a manufacturing company, to contribute to regional vitalization through employment promotion, etc. from a CSR perspective whilst continuing our community-based initiatives.

We have edited this report while keeping in mind our broad range of readers, and endeavored to use straightforward expressions and provide supplementary explanations of in-house terminology. The "Message" column is intended as a communication tool to make readers feel closer to JTEKT and we have made efforts to keep it at a length which is easy to read. In regards to the "Details & Data" segment, we will continue to disclose information and further enhance content. Our goal is for our company's activities to be understood by our stakeholders and to remain a company trusted and appreciated by all.