

## Third-Party Opinion



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### Career Summary

Board Member, Global Compact Network Japan, Founder, Japan Sustainable Investment Forum.

Also, Chairman, Sustainable Management Forum of Japan, Senior executive director, The Japan Society for Global System and Ethics, and a member of some other academic societies.

National committee member for ISO/TC207, SCI, SC4, A judge for the Environmental Communication Award by the Ministry of the Environment, Japan Government (MoE) and a member or the convener of some other committees of MoE. He wrote many books and articles. He had graduated from the Tokyo University, Faculty of Law.

Over almost a decade Furukawa Electric has been beset by a number of problems that might have damaged its reputation in society or caused its employees to lose heart. However, the company has succeeded in business for 130 years because the hard work of its managers and employees has allowed it to continue providing added value to society in some shape or form, supported by some good luck along the way, such as a steady supply of raw materials.

The 21st century has been referred to as the post-industrial age<sup>(note 1)</sup> and the focus now has switched to knowledge. Rather than depending on a steady supply of raw materials, the foundations for the next giant leap forward will be built through continued creativity and innovation.

I believe that “proactive CSR” involves revitalizing and reforming these foundations and management systems.

In 2010, Keidanren made a major revision to its Charter for Corporate Behavior and removed the description of corporations as “economic entities designed to pursue profits”, which had been an ever-present concept until that time. It replaced this with the role of creating added value and generating employment. Creating profits is essential to achieving this role, but profits are the means and not the ultimate goal.

Happily, Furukawa Electric's founding spirit, basic philosophy, management philosophy and action guidelines are all in agreement with the revised Charter for Corporate Behavior. The challenge lies in making this part and parcel of the company's organization and corporate culture, and I believe innovation is necessary to achieve this.

The Sustainability Report could be described as a finished version of what previous reports have aimed for. Its focus is on the company's track record and its aims and goals over the next year or two. However, during FY2014 four major developments occurred in relation to the report, as follows: the EU issued a revised directive draft

strengthening companies' obligation to disclose non-financial information; GRI issued the G4 Sustainability Reporting Guidelines<sup>(note 2)</sup>; the IIRC announced its Integrated Reporting Framework<sup>(note 3)</sup>; and the Financial Services Agency published the Japanese version of the Stewardship Code<sup>(note 4)</sup>. I will omit the details, but essentially these developments are linked by the need for a long-term perspective and long-term success. In the world of investment, outside Japan there has already been a major shift towards ESG investment<sup>(note 5)</sup> from a long-term perspective.

From this perspective, the latest report could be seen as a conservative CSR report and from next year onwards there is a need to incorporate a new direction with a focus on a long-term perspective and long-time success. This would also assist the disclosure of information targeting ESG investment, which prioritizes a long-term perspective.

Incorporating a long-term perspective into the report is “easy to say”. However, it is not easy to incorporate perspectives from 2030 or 2050. However, I am convinced that taking on this challenge will lead to corporate innovation.

I believe it is important to think about how your own company will develop by 2030 and 2050 and to imagine the ideal future vision for your company under the following environmental restrictions: by around 2030, procurement of mineral resources will become difficult and by 2050 mineral resources will be almost depleted or extremely expensive; Japan will need to have made CO<sub>2</sub> reductions of at least 80%; the population of Japan will fall below 100 million and Japan will become a super-aged society; South Korea and China will also become aged societies.

For this reason, I believe it is necessary to carry out a “backcast” from these dates and consider what needs to be achieved by 2030 or 2020. In the medium-term management plan for next three years, it will be essential to draft a target plan that includes not only forecasts but also “backcasts” from the long-term vision.

When we consider the long-term vision, it goes without saying that some items require long-term policies and plans. For example, when procuring raw materials there is a need to consider CSR from the highest point upstream, in other words excavation. In order to do this, there is a need for policies and plans that take into account matters such as biodiversity and human rights.

There is also a need to develop long-term policies and plans for the development of alternative raw materials, and for reuse and recycling. When we consider Japan's population trends, diversity policies are an essential part of human resource policies. Without long-term policies and plans, devotion and hard work alone will not be enough to impress investors.

Companies around the world have shown a great deal of interest in the United Nations' Post-2015 Development Agenda<sup>(note 6)</sup>. All of the twenty or so targets to 2030 that are currently being discussed require business solutions, and this will also lead to opportunities for business. This requires a long-term and broad perspective.

Luckily, I have learned from seeing the commitments made by Furukawa Electric's top executives and from attending hearings that the company recognizes the issues I have raised here and is making efforts to make the necessary preparations. All that is left now is to put this into practice.

**(note 1) Industrial capitalism:**

This refers to capitalism that creates profits through industrial activities based largely on the industries established as a result of the industrial revolution. It is widely argued that in future the source of profits will shift away from “goods” and towards “people (knowledge)”.

**(note 2) GRI's G4:**

The fourth version (G4) of the globally applied CSR reporting guidelines published by GRI (Global Reporting Initiative).  
<https://www.globalreporting.org/>

**(note 3) IIRC Integrated Reporting Framework:**

The Integrated Reporting Framework was published in December 2013 by the IIRC (The International Integrated Reporting Council) after many years of discussions. The framework encourages reporting on long-term development using integrated financial and non-financial information.  
<http://www.theiirc.org/>

**(note 4) Financial Services Agency's Japanese version of the Stewardship Code:**

This is the name given to the Principles for Responsible Institutional Investors published by the Financial Services Agency in February 2014. The Principles have been given the subheading “to promote the sustainable growth of companies through investment and dialogue”.  
<http://www.fsa.go.jp/en/refer/councils/stewardship/20140407.html>

**(note 5) ESG investment:**

This is a form of investment that prioritizes non-financial information, including E (Environment), S (Society) and G (Governance), as a way of measuring of corporate value in addition to financial information. It is a form of investment based on the idea that ESG is a risk factor for companies and at the same time it can provide returns by improving corporate value in the long-term.

**(note 6) United Nations' Post-2015 Development Agenda:**

As the deadline for achieving the United Nations Millennium Development Goals (MDGs) approaches, a broad debate has begun with a view to formulating international development targets after 2015 (post-2015). Discussions have been carried out not only at the United Nations but also involving industry and NGOs. The plan is to adopt the goals at the United Nations General Assembly in September 2015.  
<http://www.mofa.go.jp/policy/oda/mdg/>