



## Second Sumitomo Electric Group Stakeholder Dialogue

# Theme Toward the Further Promotion of the Environmental Management of the Sumitomo Electric Group

In the second stakeholder dialogue held at the Tokyo Head Office of Sumitomo Electric, we invited three experts with outstanding knowledge about corporate environmental management, and exchanged opinions on the effective and sustainable environmental management of the Sumitomo Electric Group. We will use the valuable opinions received at the dialogue for further promotion of our environmental management.

### Outline of the Stakeholder Dialogue

**Date:** March 7, 2011 (Mon.) **Venue:** Tokyo Head Office of Sumitomo Electric Industries, Ltd.

#### Guests:

**Prof. 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.

**Mr. Sadahiro Tanaka** General Manager, Environmental Affairs Division, Toyota Motor Corporation

Mr. Tanaka entered Toyota Motor Co., Ltd. (current Toyota Motor Corporation), and took the current post after serving as General Manager, General Admin. Dept of Global Purchasing Planning Division, Group Leader, the CSR Office of CSR & Environmental Affairs Division etc.

**Dr. Michiyo Morisawa** Japan Director, Carbon Disclosure Project

After working for the mitigation of settlement risk among financial institutions at Citibank, etc., Dr. Morisawa started the research of environmental studies in 2003. When CDP expanded its operation to include more countries in the world in 2006, she joined CDP as a person in charge of Japan. Ph.D. in environmental studies at the University of Tokyo.

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

#### Participants from Sumitomo Electric:

Shigeru Noda (Managing Director)

Safety & Environment Dept. : Akinobu Kohara (General Manager), Toshio Matsutomo (Manager of the Energy Saving Office)

CSR Promotion Office of HR & Administration Dept. : Kazunori Tokuda (Manager), Tatsuro Yoshida (Senior Manager), Kazumasa Mitsuhashi (Assistant Manager)



Prof. Yoshinao Kozuma, Dr. Michiyo Morisawa, Mr. Sadahiro Tanaka (from left)

### Schedule

- 1 Opening remarks and explanation of the purpose
- 2 Presentation on the environmental management of the Sumitomo Electric Group
- 3 Exchange of opinions
- 4 Summary and closing remarks

#### Glossary

\* Carbon Disclosure Project (CDP)

Collaborative project of institutional investors to request companies to establish their strategies against climate change and publish specific data on GHG emissions.

\* Connected Reporting Framework (CRF)

A reporting scheme recently developed in the United Kingdom that integrates financial and non-financial information in the disclosure.



## Exchange of Opinions

**Fukushima** : Firstly, would you mention the subjects on the environmental management of the Sumitomo Electric Group in which you are interested?

### Demands for the Sumitomo Electric Group in its environmental management

**Tanaka** : I have an impression that Sumitomo Electric has incorporated the concrete environmental policy into its business activities and is making steady efforts. On the other hand, the explanation of the Company's social contribution through its main business seems to be insufficient. I would like to ask how Sumitomo Electric will chiefly contribute to the sustainable development of society through its main business in the future.



**Morisawa** : I work for Carbon Disclosure Project (CDP)\*, a British NGO, and Sumitomo Electric cooperates in the information disclosure initiative of CDP. As I also work as the Japan manager of United Nations Principles for Responsible Investment (PRI), I have chances to observe the activities of the company from various aspects. I especially appreciate its commitment to modal shift involving other companies in Japan. I hope that the commitment is disclosed even more actively as a best practice for other companies. I would also like to ask how the company will address the increase in its greenhouse gas emissions in foreign countries and respond to environmental laws and regulations in the future.



**Kozuma** : I think that the environmental management of the Sumitomo Electric Group is more advanced in comparison with other material manufacturers. I assume that it is the first Japanese company that addressed the Connected Reporting Framework (CRF)\*, which was introduced from its CSR Report 2010. For environmental management in these days, it is a crucial question to which level of the supply chain or lifecycle is handled. I would like to know the opinion of Sumitomo Electric about this issue.



**Noda** : We believe that Sumitomo Electric is disclosing its environmental management data wherever possible. Nevertheless, as a consequence, the disclosed data may be difficult to understand. We should communicate the data in a way that people outside our company can understand them more easily.



**Morisawa** : When your company enhances the disclosure of overseas components in the future, it will be better not to exclude data for the reason that the performance has not reached 100% but to present the achievement rate at that point and the target rate to be achieved in the future.

### The role of environmental management in the future society

**Fukushima** : What do you think about the opinion that, in the environmental management of Sumitomo Electric, it is unclear what contribution the company makes to society?

**Matsutomo** : Until now, the environmental department has not joined discussions of how to use our technologies for social contribution in our company. We will consider involving the department from the R&D stage when, for example, we discuss our approach to the low-carbon society.

**Tokuda** : As we are a material manufacturer, it is inevitable to pay attention to customers first. We tend to try to contribute to society through customers. As to research and development, our *NEXT Center* established in 2010 engages in the proposal of new business areas as well as research and exploration for the acquisition of necessary fundamental technology. While the sales group, which has direct contact with customers, has joined the discussion, CSR Promotion Office will support the environmental department in participating in it as a contact point for society.



### Relationship with the management plan, target setting and boundaries

**Fukushima** : With respect to long-term commitment, the core of Sumitomo Electric's environmental conservation activities is the "Action ECO-21" campaign, and its Phase IV is set to be until 2012. What do you think about this period setting? In addition, what is your opinion about the relationship between absolute and intensity\* targets when setting targets?



**Kozuma** : The span of a corporate management plan is 10 years at the longest. It will be impossible to make a super long-term plan for environmental issues in spite of such a period setting for the management plan.

**Morisawa** : I think that it depends on the strategy of the company whether it gives priority to absolute or intensity targets as its long-term targets, and either type of targets is acceptable. When the data are disclosed, on the other hand, both absolute and intensity targets should be presented because intensity data may highlight your superiority over the companies that have entered the market later, like Chinese and Indian companies.

**Glossary** | \*Intensity

An indicator of the efficiency of activities, based on the amount of the factors (raw materials, energy, services, time required, waste, etc.) used/discharged to achieve a certain amount of outcomes in such activities as production, sales and life.



**Tanaka** : When business activities cover extensive areas as in the case of Sumitomo Electric, it may be difficult to select the denominator of the intensity. As to the period setting, in consideration of the current economic circumstances, a foreseeable period will be three years or less.

**Matsutomo** : We set both absolute and intensity targets. However, intensity targets are set only in our production units. We think that the targets on office work and sulfur hexafluoride (SF<sub>6</sub>) emissions should be absolute values. Potential causes of an increase or decrease in absolute values are wide ranging, it is difficult to make an assessment based on absolute values at the field level. The activities are evaluated based on intensity.



**Noda** : To perform environmental management linked with the medium-term plan, a common period is applied to both VISION 2012 and Action ECO-21. The goal for environmental management is also set to be 2012 although the global financial crisis has caused a significant delay in part of the plan. Environmental and manufacturing activities are linked with business management. We have already started to discuss the medium-term plan for the next period internally, and the committee members representing our divisions and departments are now discussing specific subjects.

**Fukushima** : With respect to boundaries\*, what do you think about the issue of consistency with the boundaries of consolidation for financial reporting?

**Morisawa** : The boundaries for reporting emissions can be based on financial management, business management, stock holding and other criteria. CDP recommends the use of the boundaries of consolidation if financial management is selected as the basis for the boundaries of reporting.

**Kozuma** : The original idea came from the demand for the disclosure of how much environmental impact is actually covered in the boundaries of consolidation. Although boundaries are important, there is also the issue of scope\* and I think the scope of disclosure will expand in a more multi-layered way.

## Establishment of overseas bases for environmental management

**Matsutomo** : I find it difficult to grasp environmental laws and regulations in foreign countries. It took one year to make a checklist of them in China. While we somehow managed the task in China, we now have to do it in Southeast Asia. We have issued an instruction to conduct a survey, but we are not sure where to begin.

**Tanaka** : Toyota appoints persons in charge of environmental issues or information collection in the regional headquarters and other sites to send information to the head office. Nevertheless, our basic goal is that environmental issues are handled autonomously within each country/region.

**Noda** : Sumitomo Electric also performs relatively advanced safety audits. The knowledge achieved from them is used for environmental activities and quality control. Concerning the establishment of bases, we consider forming the Manufacturing

Management & Engineering Unit in each region to serve as the base. We plan to establish two bases in China and one in ASEAN countries and assign a dedicated team with a small number of members in each of the bases.

**Kohara** : As the employees do not understand the Japanese language, we employ videos for education. We are also using local languages in danger-prediction activities to make them closer to the common level. It is actually difficult because the sense of people is different between countries.



## Expectations from the environmental management of the Sumitomo Electric Group in the future

**Tanaka** : While it is essential to pursue both economic and environmental benefits, it may be better to highlight the unique features of Sumitomo Electric related to coexistence with society such as the action plan, which will facilitate further development. Society has great expectations from your company.

**Morisawa** : With a history of over a century, Sumitomo Electric has been a top runner that played a role in the high economic growth of Japan. I hope that your company continues to exercise leadership over Asian companies on environmental aspects as well.

**Kozuma** : I hope that your company promotes advanced initiatives, such as CRF, step by step. To enhance response to global environmental regulations, it may be necessary to ask for public support.

**Noda** : Although the time was limited, we received many opinions from the guests who are active in the front lines of the respective fields. I was impressed with a new way of thinking many times. We would like to add these perspectives to our future activities. Thank you everyone.

### After the Stakeholder Dialogue



**Shigeru Noda** Managing Director

We have been committed to environmental management as one of the key issues in management, and the exchange with the experts from outside our company was very meaningful. Our activities, such as CRF and joint modal shift with other companies, received unexpectedly high evaluation, and we would like to place even more emphasis on them. We will respond to the indications and advice given in the dialogue, such as disclosure of information in a more proper and easy-to-understand way, promptly in the CSR Report for this fiscal year wherever possible, while some issues including those related to our basic approach and the matter of boundaries are difficult to improve in a short term. This dialogue enhanced our awareness of coexistence with society and initiatives from a global perspective. We will specifically discuss these subjects to improve and strengthen our environmental management.