

Third-Party Opinion

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Profile

After completing his master's degree from the Faculty of Engineering of Kyushu University in 1976, Mr. Kawamura joined Mitsui Ocean Development & Engineering Co., Ltd. (MODEC). In 1988, he joined NLI Research Institute. Mr. Kawamura specializes in environmental management, CSR, SRI, business continuity plans, and environmental business practices.

Mr. Kawamura is a member of the Sustainable Management Forum of Japan (SMF), Environmental Auditing Research Group and the Network for Sustainability Communication (NSC), among other organizations. He is also a member of the Ministry of the Environment's Environmental Communication Awards Review Working Group Committee.



About the CSR Reporting

This year marked the second in which Nippon Kayaku published an abridged print version (digest) as well as a more detailed online version of its CSR report. Last year, I recommended that Nippon Kayaku better clarify the relationship between both of these reports, and to that end, the company added to the print version a list of contents similar to that found in the online version. First, I would like to commend this change.

The special features of this report covered the topics of better tolerating energy risk and the group's Business Continuity Plan. Both topics address the timely theme of sustainability. Going forward, Nippon Kayaku will need to establish a more solid track record in Japan and implement measures at its major group companies outside of Japan.

I saw little progress in expanding the coverage of its reporting, despite pointing this out last year. In terms of the environment, the report covered Nippon Kayaku on a non-consolidated basis, while for society the coverage was expanded from a non-consolidated basis to include certain domestic and overseas group companies. Economically, the report covered the entire Nippon Kayaku Group on a consolidated basis. With advancements in globalization, I believe that the company should strive to expand its reporting coverage for the environment and society to include all consolidated subsidiaries. The report's message from the president clearly states the company will pursue CSR management around the world, and as such, I greatly look forward to Nippon Kayaku Group's future initiatives.

Individual CSR activities are reported according to the company's social responsibilities (to customers, society and employees) and environmental responsibilities, but the correlation between these activities and "the CSR Action Plan" remains somewhat vague. That is, individual activities tend to be overly enumerated within the main text. For example, as for employees, clearly stating at the start of the description that the fundamental goal for employees is to improve work-life balance will make individual reporting come alive.

In the context of the above, the fundamental goal of each CSR domain should be elucidated, while the order of how individual activities are published in the print version should be revisited. For example, as for customers, while it is important to introduce new products in the section on initiatives with customers, discussing the company's transparency guidelines with medical institutions or activities of the pharmaceuticals information center will go a long way toward heightening credibility and contributing to risk management practices. As for the section on the environment, the company should also mention its soil contamination investigations performed in conjunction with the building demolitions.

About the Content of the CSR Report

The year 2010 represented the start to the Nippon Kayaku Group's CSR management. It was during this year when Nippon Kayaku launched its CSR Management Committee to examine CSR on the management level and established a CSR department within the Corporate Planning Division. Three years later, Nippon Kayaku formulated a CSR Action Plan as part of its efforts to rebuild its CSR philosophy and create a variety of systems during the first phase of its CSR management.

Nippon Kayaku has stated that it will formulate a new mid-term action plan in 2013 that is tied in with its new mid-term business plan. This marks the second phase of the company's CSR management, following the first phase when it established a solid foothold in Japan. As such, I would like to make several recommendations.

First, I would like Nippon Kayaku to re-examine the definition of CSR and its implementation items. ISO26000, which stands as the

international bible on CSR so to speak, defines CSR as “the responsibility of an organization for the impacts of its decisions and activities on society and the environment.” In particular, I would like Nippon Kayaku to recognize that human rights and employment issues will continue to grow in importance with the expansion of its businesses globally.

Secondly, I would like Nippon Kayaku to set its own unique key performance indicators (KPI) based on the seven core subjects and 37 issues of ISO26000 as well as run the plan-do-check-action (PDCA) cycle. This will also play a role in the re-examination of its CSR implementation items, but more importantly it will help visualize CSR by quantitatively assessing CSR activities that have until now tended to be viewed in qualitative terms. The company will also need to link this up with its Mid-term Corporate Master Plan for the environment running until 2020.

Finally, I would like the company to draw greater attention to enhancing stakeholder value. Ultimately, CSR management leads to this, which will help heighten corporate value as well. I believe that Nippon Kayaku’s CSR management is making steady progress toward this goal. As a result, I have high expectations for the entire Nippon Kayaku Group in the next stage and beyond.

