

Third-Party Opinion



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When I received the request for a third-party opinion from Yazaki Corporation, I knew of the company by name only, and the impression I got when I saw the report was of a plain, textbook-style manufacturing industry report. However, my eye was caught by the figures shown in the spread on Numeric Data for the Yazaki Group: 46 for the number of countries and regions where Yazaki operates, 596 for the number of sites, and 306,118 for the number of employees. I was also astonished that an unlisted company has 1.9 trillion yen in net sales, and was very interested in what kind of organization has some 300,000 employees in 46 countries. Then when I interviewed the person in charge of CSR, a picture emerged that is far from being a plain manufacturer. Yazaki is an extremely unique, ideals-based enterprise that practices management based on full social contribution.

The evidence for my evaluation of Yazaki's management as being based on full social contribution is that fact that it employs some 300,000 people in many countries including emerging countries and developing countries into which Japanese companies do not usually expand. We often hear that expanding factories into industrializing countries contributes to generating employment and developing the local community. However, the primary objective of expanding overseas is related to the needs of business, such as cost reduction and market development rather than generating employment. It seems that the primary objective in the Yazaki Group is to contribute to the local community by generating employment in the countries into which it expands.

One basis for this is the Special Feature article on the expansion into Serbia with a factory. In the Feature, the three values of employees, the community, and the future generation were identified as the objectives of the expansion. I can tell the seriousness of Yazaki's efforts from the interviews with

employees, the explanation of the impact activities such as popularization of employment contracts, active participation by women, development of the bus transportation system on Sabac, where the factory is located, and the initiatives to support local high school students. I can also tell that Yazaki gives the greatest consideration to the community when leaving areas based on the article showcasing the meticulous re-employment assistance efforts carried out when withdrawing from the Samoa business. The content of the report was like that seen in the social development reports of public development agencies, and it was a surprise that efforts tailored to meet local needs were conducted to a level that cannot be attained for purely business purposes.

Why does a private enterprise whose goal is the pursuit of profits make such exhaustive efforts? Does Yazaki practice similar society-first management in factories in other countries, and not only in Serbia and Samoa? Is it greenwashing*? Reading only these articles will surely tend to give rise to such suspicions.

An answer arises from careful reading of the statements from the management. The Message from the President clearly states that the main wire harness business generates considerable employment opportunities in the first place as it is labor-intensive, and that Yazaki engages in management to create employment that translates into solving the problem of poverty, eradicating hunger, and raising environmental awareness. There is also an expression of the intention to give "special consideration to areas where the Yazaki Group can make a contribution going forward."

Meanwhile, in the Chairman's discussion with an expert, he described the ideal mindset for expansion as follows: "I think the important things in running a global business are

*Greenwashing: advertising and giving the impression that a corporation gives more consideration to society and the environment than it actually does

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firstly to fully understand local needs and to think about what it is that we can do.” It is clear that the expansion into Serbia is only one example of this approach. We can also see the emphasis put on social development from the statement about teaching the value of cleanliness and entrenching the 5S culture in developing countries where an insanitary environment is the norm.

There are references to the Yazaki Group Corporate Policy throughout the statements from both the President and the Chairman, and we can appreciate that it serves as the foundation of management. In other words, rather than contributing to society in order to make profits, Yazaki is a company with a purpose of social contribution that runs a for-profit business in order to contribute to the world and to society.

Yazaki has been growing while leveraging the labor-intensive wire harness business which is indispensable in the growing automobile industry. However, the purpose of the organization is to expand employment and engage in community-based contribution in each place in line with the Yazaki Group Corporate Policy. This pursuit of employment is not limited to Yazaki’s overseas expansion but is the same in its development of new businesses in Japan in the nursing care, agriculture, and environment businesses. The reason for this goal was briefly touched on in the Chairman’s Discussion as well. Additionally, I heard in the interview that the expansion follows an extensive in-house debate in order to maintain employment during a period of contraction in factories in Japan, rather than just entering the fields because they are growing.

There were numerous examples of how Yazaki values employment and employees, including the fact that it holds large-scale summer camps for the children of employees in Japan and overseas every year, and the Adventure School system that permits prospective employees to do one year of non-work overseas activities. Management that so thoroughly values employees and society leads to a corporate culture with good morale. As a result, workplaces with strong employee motivation produce high-quality products in, which translates into business performance. This positive cycle is also evoked in the fundamental theory of CSR.

It is a great shame, thus, that these outstanding values and social contributions are not easily recognized from this report. The composition of the report is perfectly organized in accordance with the guidelines. However, because of the

uniqueness of Yazaki’s management approach, I suggest creating ways to showcase this unique nature of Yazaki.

Moreover, it is stated that Yazaki will consider specifying material issues going forward. However, I infer from the example of Yazaki’s expansion into Serbia that a framework for measuring social impact already exists.

Combining this social impact framework with the environmental management framework and supply chain management together with setting priorities in accordance with the Yazaki Group Corporate Policy while gathering and disclosing Group-wide information can form the foundation for a sustainability management strategy that is in line with the SDGs, which would be an interesting materiality analysis itself.

In the era of the SDGs, corporations are now undergoing much more scrutiny regarding their social activities as well as their profitability. The efforts of the Yazaki Group, which has valued social activities ever since it was established, are a model for the corporate management of the future. It is impressive to see the successes of the Yazaki Group in providing disclosure over the last few years despite being an unlisted company. It gives me hope that with Yazaki at the forefront, we can further promote business’ proactive and meaningful disclosure to their stakeholders as well as for society as a whole.