

## Comments from Thought Leaders

Comments are made on the basis of information publicly available as of September 2020.



### Sachiko Kishimoto

Representative Director and Managing Director  
Public Resources Foundation

These comments focus on the sections of the Toray Group CSR Report 2020 entitled “Contributing Solutions to Social Issues through Business Activities” and “Social Contribution Activities as a Good Corporate Citizen.”

Established in July 2018, the Toray Group Sustainability Vision outlines the Group’s long-term commitment to sustainability. One of the Group’s basic management strategies is to pursue business expansion in growth areas by promoting Green Innovation businesses that help solve global environmental issues as well as resource and energy issues, and Life Innovation businesses that help improve the quality of medical care, reduce the burden on medical staff, and contribute to health maintenance, longevity, and personal safety. These businesses are treated as group-wide projects and generated combined net sales of 1,043.3 billion yen in fiscal 2019, accounting for 47% of the Group’s consolidated net sales. The Group has set key performance indicators (KPIs) for the contribution to reducing CO<sub>2</sub> in the value chain from using the Group’s products, and the volume of fresh water produced by the water treatment membranes it sells. By these measures, the Group is steadily improving its performance and its clear stance on balancing solutions to social issues with corporate growth is worthy of great commendation.

Toray Group is engaged in ongoing initiatives to contribute to society as a good corporate citizen, designating “science and technology promotion,” “environment and communities,” and “health and welfare” as priority areas. These include endowments to its foundations. The Group should be particularly recognized for involving its employees in environmental and science education as instructors.

Toray Group has rapidly responded to societal needs during the current COVID-19 pandemic by strengthening and expanding its framework for supplying nonwoven fabrics for masks, and manufacturing medical gowns in Japan. The Group is also seeking to coexist harmoniously with communities around the world, for instance by donating resources to address COVID-19.

When it comes to Social Activities as a Good Corporate Citizen, under the CSR Roadmap 2022, Toray Group is seeking to help solve global-scale social issues such as those addressed by the United Nations Sustainable Development Goals (SDGs). Moving forward, I hope that the Group will place a greater focus on collaborating with non-profits and non-government organizations in order to leverage its specialized strengths and have an even greater impact.

### Sachiko Kishimoto Profile

Graduated from, College of Arts and Sciences, The University of Tokyo. After working for a trading company and think tank, she pursued studies outside Japan and then in 2000 joined the Public Resource Center, which later became the Public Resource Foundation she established in 2013. She has served as the foundation’s Representative Director and Managing Director since it was established. The foundation promotes philanthropy by matching private and corporate endowments with exemplary non-profits and social entrepreneurs, as well as helping companies to pursue CSR and assess the impacts. Her recent published works include Giving Japan 2017.



## **Takeshi Mizuguchi**

Professor, Faculty of Economics

Takasaki City University of Economics

My comments focus on the numerical targets outlined in the long-term corporate vision through 2030, TORAY VISION 2030. I chose them because they stand out the most, particularly the first three KPI targets.

One of the three KPI targets is to contribute to CO<sub>2</sub> reduction in the value chain. For example, the Group supplies strong, lightweight carbon fiber that helps to improve fuel economy in aircraft and automobiles. This KPI is the amount of CO<sub>2</sub> emissions reduced, which is easy to understand and an excellent outcome.

The other KPI targets are to achieve fourfold and sixfold increases in sales revenue from Green Innovation and Life Innovation products, respectively. These are to be achieved by fiscal 2030, and are in comparison with fiscal 2013 levels. Green Innovation products span diverse categories ranging from materials made from bioresources to reverse osmosis membranes for efficient desalination. Toray Group is doing an excellent job contributing to sustainability from various angles. Because the Group has such a diverse range of products, it makes sense to set an integrated target such as sales revenue from Green Innovation products to align the direction of initiatives in the workplace.

However, caution is also needed in interpreting the KPIs. Of course, Green Innovation products have been screened to meet certain standards, so an increase in their sales revenue surely indicates an improvement. However, because this is an output-based KPI, I think it does not necessarily indicate the impact or outcome in terms of bringing the Group a step closer to a sustainable world. For example, in the Toray Group Sustainability Vision, which has a target year of 2050, the Group pursues a world where resources are sustainably managed, with reduced dependency on fossil fuel resources. These are excellent goals. However, because Green Innovation products are so varied, even a fourfold increase in overall sales revenue from those products does not provide any indication of the ratio of non-fossil fuel resources.

Toray Group also outlines various other sustainability targets. Going forward, I hope that the Group will invent the core technologies of the future (the likes of carbon fiber today) and establish specific, outcome-based KPIs for them.

## **Takeshi Mizuguchi**

### **Profile**

Graduated from Tsukuba University. Business Administration, Ph.D. After working at a trading company and an auditing firm, he became a lecturer at the Faculty of Economics of Takasaki City University of Economics in 1997, and was later appointed professor in 2008. His primary fields of research include the disclosure of non-financial information and responsible investment (ESG investment). He has chaired the Green Bond Review Committee and Positive Impact Finance Task Force of the Ministry of the Environment Government of Japan and Impact Investing Roundtable of the Financial Services Agency of Japan and Japan National Advisory Board of the Global Steering Group for Impact Investment.

His major publications include Responsible Investment: Changing the future with capital flows (Iwanami Shoten, Publishers), ESG Investment: A new form of capitalism (Nikkei Publishing Inc.), and The Era of Sustainable Finance: ESG/SDGs and the bond markets (author and editor, Kinzai).



## **Takeshi Shimotaya**

Executive Director

The Global Alliance for Sustainable Supply Chain (ASSC)

Established in 2017, the Toray Group Policy for Human Rights declares the Group's respect for international standards including the United Nations Universal Declaration of Human Rights and standards of the International Labor Organization. In fiscal 2019, the Group continued implementing human rights training in and outside of Japan based on its human rights policy, working to ensure that everyone is aware of its commitment to respecting human rights. It is very important for each employee, whether in or outside of Japan, to understand what it means to respect human rights as a basis for engaging in the Group's corporate activities. The Group is steadily embedding a respect for human rights throughout its organization.

Internationally, nations and corporations are advancing human rights initiatives based on the UN Guiding Principles on Business and Human Rights. European and other countries have issued national action plans and enacted laws that require conducting and reporting of human rights due diligence to prevent and mitigate the risk of human rights violations. Toray Group has issued a Statement on the UK's Modern Slavery Act and is implementing the initiatives in the statement. Human rights due diligence is central to such legislation and requires the identification of human rights risks including in supply chains, and prioritization of initiatives based on product-level and country-level human rights impact assessments. The Group currently operates the Human Rights Promotion Committees in Japan and the Global Human Rights Promotion Committee, under the direction of its Ethics and Compliance Committee. The human rights committees identify human rights issues and study and implement initiatives to address the issues. Going forward, there is a need to formulate, disclose, and execute plans for reducing the human rights risks that have been identified through human rights due diligence.

The UN Guiding Principles on Business and Human Rights place a greater onus on business enterprises to provide effective grievance mechanisms for persons who are directly or indirectly impacted by the enterprise's activities, particularly persons in vulnerable positions who are impacted more by the COVID-19 pandemic. The Group operates helplines for employees to file grievances and online avenues for business partners to submit grievances. In the future, I hope that the Group will disclose the details of these grievances and work toward building mechanisms for dealing with grievances identified in direct feedback from suppliers' workers.

### **Takeshi Shimotaya**

#### **Profile**

Takeshi Shimotaya held responsibilities in various areas with the plant management department at a heavy industries enterprise, including HR, general affairs, and health and safety. As the key person in charge of occupational health and safety, he compiled health and safety management principles and designed and implemented an occupational health and safety internal audit system. He established a new company engaged in an environment-related business, before moving to the United Kingdom in July 2007. In the UK, he received an MSc from the University of East Anglia in environmental studies, and an MBA from the University of Lancaster. He has been participating in the UN Forum on Business and Human Rights since 2013. The forum serves to communicate the importance of human rights in Japan as well as to collaborate with enterprises on human rights due diligence, adherence to the UK Modern Slavery Act, and solving supply chain-related issues.