

[Features]
1 Dialogues with external experts

Initiatives and directions of CSR/SDGs expected of the Toyo Aluminium Group



We invited Mariko Kawaguchi, Chief Researcher of Research Division of Daiwa Institute of Research and Kanako Fukuda, General Manager of CSR Office of Sumitomo Chemical to discuss the issue of integration of CSR activities into business operations in the Toyo Aluminium Group. Participants, including responsible managers of headquarters and Group companies engaged in lively discussions, and developed better understanding of expectations about the Group and of general directions in which we should take.

Changing social trends

[Mizukami] First of all, I would like to ask business environments surrounding the Toyo Aluminium Group.

[Nakano] To respond to the social changes, we, at the Photovoltaic Headquarters, are engaged in operations consistent with social trends by contributing to dissemination of renewable energy by manufacturing and selling solar batteries and photovoltaic components.

[Yamaguchi] In the household products business at Toyo Aluminium Ekco Products (TEP), some transactions involving retailers are significantly affected by consumer trends. Specifically, as plastic wastes in the sea have recently become a big social issue, our early initiative of focusing on development of paper containers seems now to be flowing with the trend. Paper containers were considered to be more expensive than the plastic counterparts by consumers, but have recently been viewed as feasible options.

[Kusui] TEP may be sailing smoothly, but things are different at Powder & Paste Headquarters.

We experience certain difficulties in our efforts to manufacture environmentally friendly products, which will inevitably increase costs and decrease profits.

[Nakano] All we can do is to think what we should choose in this world of conflicting values and to take proper course of actions.

[Fukuda] Manufacturers are always required by customers to provide good and inexpensive products. However, manufacturing good products will require considerable costs for R&D and environmental measures. There may be limits a single company can do; but unanimous opinions of the entire industry or the entire supply chain would make a difference.

[Kawaguchi] Consumer awareness is changing. That is why environmental performances and effects should be disclosed to them in such manners as to facilitate their understanding. Even BtoB companies can do something direct to raise consumer awareness.

[Fukuda] In the case of BtoC, "C" is also within the company. Once employees are out of office, they are consumers.

Encouraging employees to understand our approaches would be an important way; as our efforts can be disseminated through their friends and neighbors.

[Kawaguchi] Furthermore, the topic of how to incorporate social impacts, including environmental values and social meanings, into core investment evaluations has become a major consideration among investors. SDGs may have something to do with the rising interests in ESG investments in these days. In Japan, the ESG investment market has dramatically expanded in recent years; and the ESG perspective is deemed more and more indispensable among far-sighted investors.

Supply chain management enabling risk reduction

[Yoshida] With the 2019 target of "integrating CSR activities into business operations" set for the Toyal Group, we now work energetically on it as the forth step in "SDG Compass." I would like to know your opinions about how to proceed with this initiative.

[Fukuda] Step 4 requires decisions on how to integrate SDGs into business operations and identify specific challenges, and how to make KPIs compatible with actual operations. SDGs present two aspects, "risks" and "chances"; no company can survive without properly handling risks; but if it can, the risks will turn into business chances. Successful integration of SDGs into business operations may lead to business or management strategies that can help us to grow as an enterprise.

[Kawaguchi] At present, SDGs dissemination campaigns are actively promoted by the Financial Services Agency, targeted at medium-to-small enterprises. One approach is to introduce the concept of SDGs through local financial institutions; and another is to incorporate them into suppliers of major companies. In the efforts to integrate into business operations, supply chain management is an inevitable factor.

[Kusui] At the Toyal Group, we have recently received an increasing number of customers' inquiries about risks associated with supply chains. We simply and honestly respond to those inquiries by checking the relevant facts



Supply chain management is crucial to integration of CSR activities to business operations

the suppliers; but I wonder how to handle them in the future.

[Fukuda] What is required now is to prove that there is no risk in supply chains. That has been an ordinary and accepted notion in the business world, but the dissemination and notification of the ordinarily accepted practice seems to have eluded BtoB companies. Because that is hardly discernable from outside, it should be emphatically presented to external parties.

[Kawaguchi] Supply chain management will reduce corporate risks. It is necessary to establish a proper governance system capable of handling any detected problem properly, and to check the system every year.

Toward integration of CSR activities and business operations

[Mizukami] Officer Yoshida mentioned that one of the primary targets in 2019 is to "integrate CSR activities into business operations." In this light, how would you try to realize the Sustainability Vision and important Material CSR issues in your actual business practices, and how do you think you can generate SDGs operations?

[Tada] We are starting with whatever we can right now. We are still working on the "positioning" stage; considering how SDGs operations can be positioned and how they can be developed. For example, in the foil business, oil used for the rolling operation is collected and re-used in the recycling system. As products that can contribute to alleviating environmental loads, we also manufacture and sell lithium-ion battery components. We would like to enhance development and order acceptance operations for products that can more effectively contribute to achieving SDGs.

[Aoki] Toyo Tokai Aluminium Hanbai plans to incorporate SDGs and CSR into the 2019 management policy, and establish KPIs to enhance the operations. We would also like to use these SDGs and CSR activities for public relations. There may be diverse activities in different organizations and individual workers; but what is most important as a company would be to enhance "shared understanding among all workers."

[Yamaguchi] I suppose, TEP's household products are mainly used by women at home; but, unfortunately, we have very few female workers.



SDGs represent the courage to challenge unsolvable problems.

We are now increasing new recruits not only fresh out of college but also mid-career. To encourage able workers to stay at the Company, we would need to introduce more flexible work styles.

[Fukuda] As expressed in Course of Action in Toyol Group, “4. Let’s learn from our mistakes,” without challenges and failures, it would be difficult to cultivate competent human resources. Regardless of sexes, employees should be given more “opportunities to learn from mistakes.”

[Kawaguchi] According to a certain study, companies with male and female employees at similar ratios generate high profitability in the long run. As the society is composed of the male and the female at similar ratios, companies with the same gender balance may be the most suitable to the society and end up with better profitability in the end. As a company-wide initiative, it would be important to involve not only the top management but also junior staff members expected to play a central role around 2030 for effective integration of SDGs into business operations.

In Conclusion

[Fukuda] You mentioned integration to business operations, which you have started tackling this year; and that is exactly what we, at Sumitomo Chemical, are wading through. SDGs represent the courage to challenge unsolvable problems. It may be difficult to find answers to SDGs, but I think the courage to face the challenges will be what we need most. The bottom-up approach is important, of course,

but what is crucial in this connection is the top management’s commitment to employees and external parties. It may take tremendous efforts to move the entire ship around, but we still need to move ahead, one step at a time.

[Kawaguchi] SDGs first draw public attention because of the fear shared by the general public. That is why it has aroused significant interests in the world, and is now changing the social values and economic models. While some companies may take it as “one of the commonplace booms,” others “take SDGs in a broader picture of the changing world, and have started working on changing work styles and business models”; in 2030, there may be a tremendous distance between them. The Japanese are good at thinking, “How,” but poor at thinking, “Why.” SDGs cannot be sustained for long without holding on to personal answers to “Why,” and backing them up with personal actions. When the top management and junior workers are able to think on their own, they will be able to accelerate things and deepen their insights. As I said earlier, if we could motivate the current junior workers expected to be in responsible positions in 2030, the target year for SDGs, and prepare systems for them to find their work more meaningful, they will be able to enjoy their work.

[Yoshida] Within the CSR Promotion Team carrying out cross-functional CSR activities, they frequently discuss what to be considered for whom. First, we would like to encourage employees to know more about the Company, and expand activities from there. As for integration into business operations, specifics should be more thoroughly discussed with staff members of the headquarters to produce tangible outcomes.

Dialogs with external experts made us recognize the importance of supply chain management.

As for risks, we will make bold responses properly, and link them to new business opportunities by sharing necessary information with stakeholders.

First of all, we will need to establish “Policies on Human Rights.”

“Human rights” have long been under our special consideration; we will not only be confined in mere legal compliance but also aggressively promote systems that can protect human rights. By following up on the dialog we have had, we will continue internal discussions to consider more advanced approaches in the light of SDGs.



In reply to the external experts’ opinions

Managing Executive Officer
Managing Executive Officer in charge of CSR Promotion Office (at the time of reporting)
Masahiro Yoshida



[Features] 2 Dialogues with Employees Headquarters’ directions contributing to achieving SDGs



In order to integrate CSR activities into business operations, the Toyol Group incorporates Material CSR Issues that have been established and Sustainability Vision aimed at the company’s centennial into the business operations, to promote and develop activities that can contribute to achievement of SDGs. We conducted internal dialogs with responsible persons in headquarters and Group companies, as well as the CSR Promotion Team, to exchange opinions and ideas about “how each headquarters should function” and “promising future markets,” etc., and discuss directions to be taken by respective headquarters.

Overview

[Date] March 15, 18, 27, and April 1, 2019

[Location] Toyo Aluminium K.K., Osaka Office; Toyo Aluminium Ekco Products Co., Ltd., Osaka Office; Toyo Tokai Aluminium Hanbai K.K., Osaka Office

[Participants]

□ Foil Headquarters

Senior Managing Executive Officer Director in Charge of Foil Headquarters
Hitoshi Tada
Business Strategy Office Motoki Furueda

□ Powder & Paste Headquarters

Senior Managing Executive Officer Director in Charge of Powder & Paste Headquarters
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▶ Photovoltaic Headquarters

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□ Toyo Tokai Aluminium Hanbai K.K.

President and Representative Director General Affairs Department
Masahiro Aoki
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□ Toyol Group, CSR Promotion Team

□ Toyo Aluminium K.K., CSR Promotion Office members

□ Secretariat: Toyo Aluminium K.K., CSR Promotion Office

Foil Headquarters

Many products contributing to SDGs are produced; in the healthcare field, for example, components of defibrillators, medical packing materials, in the food field, water/oil repellent packaging materials (used in yogurt container lids, contributing to reduction of wasted foodstuff); and in the energy field, external materials and positive-electrode materials for electric vehicles, etc.

[Business directions]

- Our water/oil repellent packaging materials, “TOYAL LOTUS™” and “TOYAL•ULTRALOTUS™,” were presented with internationally recognized academic awards for aluminum foils as innovative materials/technologies and protected by patents. This is a field in which significant growths can be expected.
- Electric vehicles are also expected to be more widely accepted both in Japan and abroad; and this will be a growing market.
- We will produce products that can contribute to solution of social issues through development of innovative technologies and materials, including introduction of continuous casting facilities, etc.
- As the scale of business is expanding, the total environmental loads tend to increase. Figures per production unit (in basic unit) may be reduced; but it is a significant issue to reduce the total loads. Within plants, more aggressive measures should be taken for recycling. In addition, more efforts could be made to establish recycling systems for aluminum foil already in the market.

Powder & Paste Headquarters

Our main products include aluminum paste used as raw material for automobile metallic painting, as well as water-based paint used in packaging materials, beverage cans, cellphones, etc. Because water-based paint is free of volatile organic solvent, it can be safely used and easily stored, will not cause harm to human bodies and thus contribute significantly to solving social issues.

[Business directions]

- With the increasing production quantities, the total CO₂ emission at production tends to increase (decreasing in basic unit), the CO₂ emission at uses of customers may be reduced by 60%. We will aim at CO₂ reduction not only at production but also within the entire value chain.
- At overseas bases, we will increase the number of locally hired employees or female recruits; and by dispatching Japanese engineers to overseas business sites, we will utilize diverse human resources and promote innovation.
- We would like to be “smart factories” where elderly and female workers can also work comfortably. Some work locations have already started lifestyle improvement programs to promote health-oriented management practices.
- We will dedicate ourselves to contribute more to achieving SDGs through cultivating in-depth dialogs with various stakeholders, including other Group companies, customers, and local residents, etc.

Photovoltaic Headquarters

The primary operations are performed for photovoltaic power generation deemed as renewable energy. In these business operations directly contributing to solution of social issues, we work on improving power generation efficiency of photovoltaic cells, reducing costs, and expanding installation sites, etc.

[Business directions]

- As the market share of renewable energy in the entire energy market is still about 1%, this particular business is expected to grow rapidly in the near future.
- At present, our business here is centered on solar power generation; but in the future, as implied in the name of “Photovoltaic Headquarters,” we may consider other renewable energy sources for our business options.
- After-use disposal of solar battery panels and other related issues need to be carefully considered in the future. Business opportunities in repair, reuse, maintenance, etc., should be sought not only in development of proprietary technologies but also in alliances with other companies
- We now plan to set CO₂ reduction targets in China, the primary production site.
- The ratio of female managers in the Photovoltaic Headquarters is high; and advancement of female workers should be more actively promoted. Particularly in China, empowerment of female workers is quite advanced; and highly capable workers, either male or female, are in important posts.

Household Products Headquarters

Our BtoC operations feature manufacture/sale of aluminium foil and paper containers used in daily necessities in our life, namely, household goods and packaged food products, etc. We can contribute to solving problems of plastic wastes in the sea through our products, and of recycling issues through our supply chains.

[Business directions]

- The relevant operations are promoted by setting plastic container reduction targets toward 2031.
- In order to reduce CO₂ emission at production, the Photovoltaic Headquarters also promotes introduction of solar battery panels to the plants, and plans to make gradual and steady switch-overs.
- We are promoting the recycling systems for aluminium/paper containers, and also developing technologies for complete dissolution of plastics coating of our paper products.
- As we primarily handle home products, measures should be promoted more actively for empowerment of female workers. We are planning to increase new recruits not only fresh out of college but also mid-career. We will also consider work-style reforms to present a system where female workers can be more empowered, so that it can be rolled out throughout the entire Group.

Wooden SDGs Badge produced of forest thinning residues

At the Toyal Group, the SDGs Badge is used to raise each employee’s awareness and motivation toward contributing to achieving SDGs. The biggest feature of the SDGs Badge in the Toyal Group is that it is produced of forest thinning residues. Forest thinning is important in that it will help trees grow healthy and contribute to protection of forests; wearing SDGs Badges is one way to express our concern about forest protection.



Toyo Tokai Aluminium Hanbai K.K.

This is a direct sales subsidiary in the Toyal Group, and engaged in global sales operations primarily for products of the Toyal Group, and other high-quality items that can contribute to solving social issues.

[Business directions]

- In order to contribute to achieving SDGs, employees’ awareness should be raised not only by the bottom-up approach promoted by CSR Promotion Team but also by the top-down approach definitively led by the top management. To that end, SDGs contribution targets are now incorporated into business plans, and further integrated in each employee’s targets and action plans.
- As the company is equipped with sales/trading firm functions, it can expeditiously grasp market needs through its marketing activities, and transmit them to the manufacturing functions to present good products to the society; it also plan to actively promote internal reforms (empowerment of diverse human resources and collaboration with various stakeholders).
- As for construction of recycling systems, it seeks to find ways to get fully involved by taking advantage of the sales/trading firm functions.
- A female worker recruited for clerical tasks was able to change her job category to a career-track post by taking advantage of a system made available for fulfilling employees’ career development. We would like to make managerial career-track posts more available.