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This year, supplies of energy, resources and food tightened more than ever before, causing modern society to confront severe bottlenecks. As I suggested in my comments to this report last year, the difficulty of the situation cannot be overcome through conventional CSR activities. Corporate solutions must now be developed and implemented for the social and environmental challenges that have emerged, requiring both management transformation and business innovation. In thinking through the prospects for a company's outward-looking, strategic CSR, we can outline three overall areas:

- (1) Fulfilling responsibilities for the future (management that does not abandon future generations);
- (2) Development of strategies in accordance with the natural principles of ecosystems (management that does not abandon the environment); and
- (3) Business models/management that does not abandon the weak.

Our children and future generations will evaluate the true quality of corporate management against these criteria.

1. Strengths of the 2008 report

In *Sustainability Report 2008* from the Hitachi Chemical Group, I recognize the company is stepping up its efforts toward the next stage of CSR management based on the perception of the challenging times described above. Improvements from last year's report include the following:

- The approach of Hitachi Chemical and responsibilities to stakeholders that the company wishes to fulfill are clearly stated in the Editorial Policy and pages for stakeholders.
- The top priority and other high priorities of the CSR Action Plan are clearly stated and the message from General Manager Hayashida of the CSR Office is more substantial and specific in line with these priorities.
- Hitachi Chemical's carbon management strategy for

addressing global warming, which has captured worldwide attention, is mapped out clearly and explained in a special topic in an easy-to-understand manner.

- More faces and more individuals appeared in the report. This is not yet enough, but I appreciate that the report is becoming as much about people as about things.

2. Points where further effort and improvement are needed from two aspects

I would like to suggest some points that need improvement from the perspectives of report content and structure, and CSR communication strategy.

- Report content and structure

The top issue and other priority issues are clearly identified, but not necessarily integrated effectively in the structure of the report. It is appropriate to focus on the carbon management strategy as a priority issue in a special topic.

However, it is not clear where to find details on how the top priority and other priorities are being addressed.

Overall, I felt that, just as in last year's report, global perspectives, especially those from Asia, are not visible enough.

In addition, I could not readily see in this report how the products and services of Hitachi Chemical are bettering the lives of customers or society.

- CSR communication strategy

This year again, I suggest it may be time to review the overall CSR communication strategy. Is it really necessary to publish an extensive, printed CSR report?

What do you want to communicate to specific target audiences (stakeholders)? What are the most effective methods and media to do so? I recommend that you examine these issues as soon as possible and reflect the results in future CSR communications.



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1. The Significance of CSR Reports

“Corporate Social Responsibility” (CSR) means that a company, as one member of society and a good citizen, should respond to society’s needs in its business activities. The purpose of a CSR report is to identify and arrange for the benefit of stakeholders information regarding the company’s business activities: (1) so to communicate that information to the stakeholders; (2) receive their feedback; and (3) thereupon reflect that feedback in future years’ business activities. In this sense, the report itself is one key part of CSR management.

I have read every CSR report of the Hitachi Chemical Group, starting with the 2005 edition. I appreciate that these reports disclose and clearly explain the CSR management process, including a self-evaluation of the achievements of the previous year, and also that priority issues for the following year(s) are set out to ensure action in those areas based upon the evaluation. In addition, the issues raised in the third-party opinions of the previous year’s report are adequately addressed in the following year. For example, in response to a third-party comment last year suggesting, “*Is this not just a something-for-everyone approach?*,” in this year’s report important topics were separately handled as special topics or “Close Up” articles, aiming to present an in-depth description that reinforces the overall focus. In the future, I also would like to see a report which shows a continuous process of improvements with in-depth analysis of those topics that were low-rated in the “self-evaluation” portion.

2. Compliance

Most recently publicized incidents of corporate misconduct can be attributed to an insensitivity to changes in the social environment. Compliance should be understood as a form of risk management by ensuring that business activities are aligned with changes in the social environment. This, in turn, requires insight into societal needs and demands, namely, seeking to understand these needs and demands as a part of CSR. The Hitachi Chemical Group broadens the definition

of compliance beyond mere adherence to laws and regulations so as to “include corporate ethics and employee conduct based on the ethical values and conscience of each individual,” and positions this understanding at the core of CSR. I believe this is an accurate understanding of the true relationship between compliance and CSR.

Modern society demands substance in corporate compliance, including an effectively functioning system and its penetration into individual worksites located across the organization and globally. I expect that the Hitachi Chemical Group will continue to work on specific initiatives based upon this perspective of compliance so as to respond to societal needs and demands, and will include in its reports the content and evaluation of these initiatives, as well as an action plan for the following year based on that evaluation, for purposes of ongoing stakeholder review.

3. Diversity Management

“Improvement of the working environment for ease of work” is taken up as one of the priority issues for this current year. An open working environment facilitates identification of risks and encourages their correction at an early stage. This is also significantly helpful and effective in promoting compliance that simultaneously serves as risk management for the company.

Furthermore, “Diversity Management” is indispensable for creating a sound working environment in the years to come. The promotion and establishment of diversity requires a continuously repeating cycle of processes, moving from raising the awareness of every single employee to the issues, to the creation and implementation of effective mechanisms to achieve the goals. Ongoing efforts are necessary into the future. Thus, in next year’s report, I would like to see discussion of concrete activities and their progress regarding measures for improvement of employee awareness, work trends and work procedures, in addition to further enhancement of training and support for women employees.