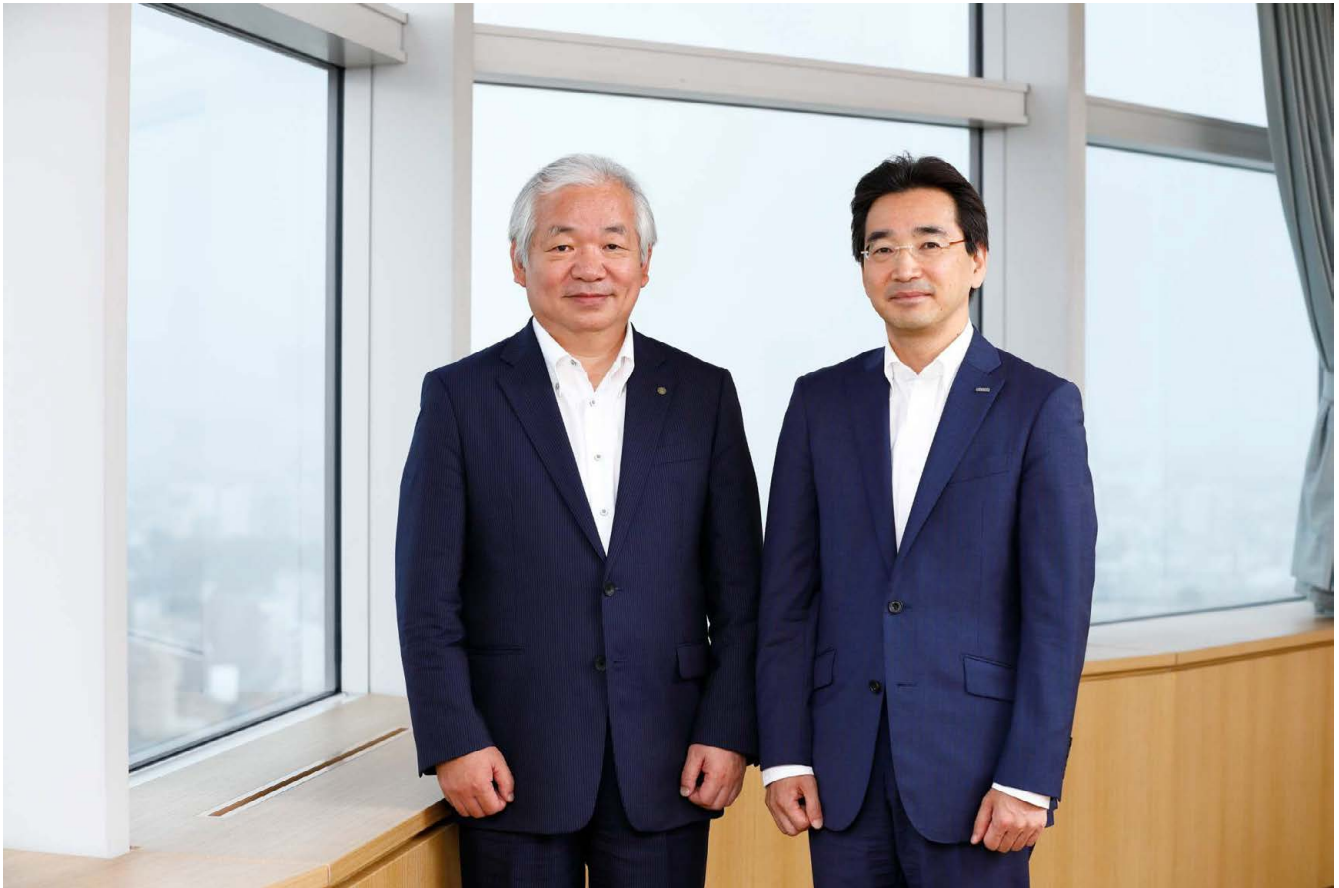


CSR Conversation

Learning from Model CSR Companies: OMRON's Integration of Business Goals and Sustainability Goals

Casio regards it as important to learn from the best practices of model CSR companies, in order to strengthen its own CSR management. In June 2018, Masaru Kaizaki, General Manager of the Planning Department in the Sustainability Office at OMRON Corporation, visited the Casio head office and talked with Noriaki Kimura, Manager of Casio's Environment and Social Planning Office in the Sustainability Promotion Department. Mr. Kimura asked Mr. Kaizaki about OMRON's highly regarded initiatives to strategically promote sustainability based on the OMRON Principles. They also had a broad discussion covering such topics as the CSR mindset and its dissemination within the company, and approaches to the SDGs.



The mindset that putting the OMRON Principles into practice = promotion of sustainability

Kimura Casio is preparing to publish an integrated report, in place of its traditional annual report, beginning in fiscal 2019. We still have a lot of issues to iron out and are proceeding by trial and error and we have a great deal still to learn. OMRON was one of the earliest adopters of the integrated report in Japan, right?

Kaizaki The first integrated report we published was the 2012 version. Before that, we had an annual report and a sustainability report. At first, we too fumbled around trying to integrate the two reports and ended up publishing a thick booklet. Later, we gradually improved the precision of integration.

Kimura The Japanese name of your old sustainability report more literally means “Corporate Report as a Public Institution,” which is a unique name. Did that have something to do with the OMRON Principles?

Kaizaki Yes. OMRON has a mission statement established by its founder, Kazuma Tateishi: “To improve lives and contribute to a better society.” Behind that is the idea that a business should create value for society—that is, that a corporation is an institution that serves the public. In 2015, we revised our corporate philosophy, but the mission has not changed and is still clearly stated the same way in the new OMRON Principles.

Kimura What prompted your company to revise its corporate philosophy?

Kaizaki As we accelerated our global expansion, there were fears in the company that the OMRON Principles were being overlooked out in the field. For the nearly 60 years since the company was established in 1959, our mission statement had been the guiding principle upon which OMRON relied. But it takes on meaning only if each and every employee applies it in his or her daily work. While the content of our corporate philosophy did not change greatly from what it had been, by revising its complicated system of principles, we aimed to convey the spirit of our mission statement globally, in a simpler, easier to understand form, with the hope that it would be put into practice.

Kimura Later, OMRON established a Sustainability Policy in 2017. Why did you formulate that policy?

Kaizaki Our Sustainability Policy is a revision of the CSR Policy that we already had. The content of the CSR Policy was similar to that of our Management Philosophy, which we had revised at the same time as the OMRON Principles, which made it difficult for employees to understand. So, we made the Sustainability Policy reflect the same meaning and content as declared by our Management Philosophy, based on the OMRON Principles. Namely, “We are committed to sustainably enhancing our long-term corporate value by putting the OMRON Principles into practice.” In other words, we arrived at the view that, for OMRON, putting the OMRON Principles into practice equals promotion of sustainability. Our Sustainability Policy is what sets that out clearly.

Linking contribution to the SDGs with the medium-term management plan



Masaru Kaizaki

General Manager of the Planning Department in the Sustainability Office at OMRON Corporation

Kimura In your Medium-term Management Plan VG2.0, which began in fiscal 2018, you established sustainability goals for each of four focus business domains—Factory Automation, Healthcare, Mobility, and Energy Management—and also tied them to the SDGs. I imagine it must have taken quite a bit of effort to develop a plan to this level. At Casio too, we think that it is essential to address the SDGs, and we would like to establish sustainability goals for each business division and integrate them with our business strategy, as OMRON has. When your company was discussing the new medium-term management plan, how did you foster understanding of the SDGs within the company?

Kaizaki It took numerous discussions to tie the concept of sustainability into VG2.0. We especially obsessed over establishment of social issues for 2020 by backcasting from our corporate vision for 2030 and the SDGs. There was continuity, as the SDGs and the social issues to address overlap in many respects with our focus domains. Since we claim in Our Mission a commitment to “contribute to a better society,” there was no arguing with the fact that the resolution of social issues would be a pillar of VG2.0 as well. And by taking the SDGs as a tool through which to give shape to the OMRON Principles, it was easy to obtain the understanding of management.

Kimura How did you establish the sustainability goals in the four focus domains?

Kaizaki First, our Sustainability Office came up with a list of “social issues for OMRON to address” in a future-oriented manner, as a springboard for discussion, after which we had each department consider them. Then we discussed how to tie these to the 17 SDGs and their 169 targets. In setting our goals, we paid close attention to whether they would lead to expansion of social value and whether they expressed positive content and were easy for employees to understand. Of course, we also focused on maintaining consistency with the medium-term management plan. Setting sustainability goals that differ from business goals would cause confusion in the field. Our sustainability goal for 2020 in the healthcare domain, for example, is blood pressure monitor sales of 25 million units per year. The reason we set the goal as a number of units rather than an amount of money or market share comes down to the idea that by selling of 25 million units we could provide the value of being able to measure blood pressure at home to 25 million patients. In its turn, that would help to resolve social issues, such as reducing medical costs and prolonging healthy lifespan by lowering the risk of conditions such as heart attacks and strokes.

Kimura In other words, you align your business goals with your sustainability goals. That must make it easy for people in the field to accept.

Kaizaki Exactly. By treating business goals and sustainability goals as two sides of the same coin, we can adjust our language accordingly, talking about sales and share percentage in terms of business performance and number of units in connection with social value. We make a thoroughgoing effort to get people in the company to understand that the two are inextricably linked and that each is one aspect of the OMRON Principles put into action.

The importance of receiving objective evaluation of one's own company's initiatives



Noriaki Kimura

Manager of Casio's Environment and Social Planning Office in the Sustainability Promotion Department

Kimura Another thing that caught my attention while reading your integrated report is that OMRON's compensation system for officers and directors is linked to medium- and long-term performance and that your company has now added sustainability evaluation to that. I admire your company for working under such a scrupulous strategy. What was your intention in basing the sustainability evaluation on the Dow Jones indicators, the DJSI?

Kaizaki We wanted to use the perspective of third parties as the yardstick. Given that society's evaluation is fundamental in sustainability, it is important to check whether one's own company's initiatives have reached a certain level from the viewpoint of a wide range of stakeholders including investors.

Kimura While the DJSI is an index with a high profile worldwide, it is also true that it is difficult for people on the outside to see the reason for the evaluation. Doesn't that create a problem in terms of acceptance by officers?

Kaizaki To be sure, the DJSI is a relative evaluation, and so even if OMRON tries hard, the results could end up different depending on other companies' initiatives. However, one's position in the global standing is also an important measure. With an internal index, we could probably make a system that is easier to understand, but that would also introduce the possibility of establishing targets that are that much easier to meet. I think that receiving an objective evaluation is, after all, the most important point.

Kimura It is true that your Integrated Report 2017, which compiles a series of initiatives into a story and communicates that to the world, has received high ratings socially.

Kaizaki In addition to winning a WICI Japan Award for Excellence in Integrated Reporting and the Nikkei Annual Report Award 2017, our report was also selected by the Government Pension Investment Fund of Japan as an "excellent integrated report" and the "most-improved integrated report." It seems that the key points for this recognition were the facts that we set non-financial goals for each business, demonstrated contribution to the SDGs through our business, and disclosed the fact that we incorporated sustainability evaluation by third parties into officers' compensation, among other things. Receiving such an evaluation has a sobering effect, making me feel that we must push our initiatives ahead even more and disclose information appropriately. A year has passed since we started our new system and already some goals themselves are starting to feel at odds with the current situation. I think that it is important to continually review our goals in light of social trends, without adhering too rigidly to them just because they were decided once.

Kimura I suppose that kind of flexibility is important. There is a general propensity to dislike quantification, because when goals are expressed in numbers they tend to become goals one is committed to meet. But I get the feeling that your company has done well overcoming that difficulty. In two more years it will be 2020, the target year for VG2.0. Have you already started to consider your next medium-term management plan?

Kaizaki We establish a long-term plan every 10 years, and so a project looking ahead to the next 10 years after 2020 will start sometime next year. However, we plan to establish longer-term goals during the current fiscal year just for our environmental goals, as the 2020 goals we have right now have not quite caught up to current social demands.

* DJSI: Dow Jones Sustainability Indices. An ESG index that evaluates and selects companies by looking at economic, environmental, and social performance in an integrated manner with a view to long-term enhancement of shareholder value.

Instilling awareness of CSR among employees

Kimura Employee awareness is extremely important in promoting CSR, but I often feel how difficult it is to instill awareness within the company. As something comparable to OMRON's mission statement, Casio has a corporate creed of "Creativity and Contribution." This is broken down in the Charter of Creativity, which we are reviewing right now, looking for a way to tie our corporate creed to actual practice.

Kaizaki Developing a system for actually putting a creed into practice is something I think any company would find challenging. At OMRON, every single employee can rattle off our mission statement, but as for whether they truly understand it and can put it into action, that is a high hurdle for sure. Although we set goals for each department and go through the PDCA cycle, I sometimes feel that there are differences in degree of commitment in the field to company-wide expectations. I think that the only answer is to keep working at it tenaciously.

Kimura I guess the most essential point is whether or not each employee fully understands and accepts an idea as valid. Since 2015, we have been holding CSR Leader Meetings with the aim of instilling awareness within the company. Each department chooses CSR leaders who gather periodically for CSR training at these meetings. At present, there are about 100 CSR leaders taking action at our head office. The number of people is still small and hasn't formed fully into a group that could lead the whole company strongly. Nevertheless, we hope to increase the number of people with experience as CSR leaders through rotation in the future and to gradually create a foundation for talking about CSR and SDGs as common terms.

Kaizaki I think that is a great initiative. That's like putting CSR evangelists into the company. To have continued to develop as many as 100 human resources for that is no mean accomplishment. In our case, we have an internal award system called TOGA, The Omron Global Awards, as a scheme for instilling awareness within the company. Employees around the world give presentations on how their own initiatives put the OMRON Principles into practice and contribute to the creation of social value. Qualifying trials are held in each area and 13 excellent themes are chosen. The final presentations are given in Kyoto, where our head office is, every year on May 10, which is our Founder's Day. The presentations are distributed online globally so that employees in every country can see them. In fiscal 2017, we had around 6,200 entries from over 51,000 people worldwide. OMRON has about 36,000 employees, so there are many cases of people participating in TOGA in groups of two or more.

Kimura Those are incredible numbers. So, employees chosen from around the world all get together for the final presentation?

Kaizaki Yes, and we create opportunities for employees from sites outside Japan to experience OMRON's origins while they are here, including visiting the Kazuma Tateishi Memorial Museum in Kyoto. Especially in the case of employees who were hired locally outside Japan, it is actually hard for them to see what kind of company OMRON really is and what it does, beyond their own department. We feel it is important to have such opportunities for them to deepen their understanding of OMRON and interact with other employees.

Kimura Do you have an incentive, such as a cash reward, for the winning groups?

Kaizaki Yes, but it is more remuneration for the effort it takes to win than encouragement to submit an entry. We also award medals and other prizes, but I have heard that for employees outside Japan, the chance to come to Japan itself is a considerable incentive. Since the winning of a TOGA award is entered into HR records, it might also have significance in that it becomes a mark of performance. While company officers make the final selection, the preliminary levels have been set up in such a way that anyone can vote through internal social media. We started TOGA in 2012, but at first we couldn't manage to get away from the idea of being concerned about business performance. After we revised the OMRON Principles in fiscal 2015, I feel that people finally started to get used to the new concept and the perspectives of "how can we practice innovation driven by social needs?" and "how can we solve social issues?" started to take root among the employees who participate.

Kimura That is quite a meaningful initiative, distinctive of OMRON. We too have a president's award system, but we haven't yet added ESG as a factor. You have given us a very big hint, and I hope to make use of it in the future.

Enhancing communication with the world outside the company to deepen CSR

Kimura As a form of engagement with the world outside the company, OMRON held an ESG Meeting in fiscal 2017. What led your company to start this initiative?

Kaizaki We have always taken an active approach to IR activities, but IR inevitably focuses on business performance, tending to neglect non-financial affairs. To remedy that, we established the ESG Meeting as a place for engagement focused on non-financial issues. During the first meeting, which was held in December 2017, the relevant company officers introduced initiatives in the human resources, manufacturing, and risk management departments. Even though it was the end of the year, over 160 investors, analysts, and others came to the meeting, which received higher marks than we expected. Although we are still figuring out how best to proceed, we plan to continue such meetings in the future.

Kimura I would definitely like Casio to think about holding such meetings, as well. Our publication of an integrated report might also become a step forward in the sense of establishing a foundation for management to communicate non-financial information to the world outside the company. Lastly, please share with us any opinions you may have of Casio's pursuit of CSR.

Kaizaki I think that Casio is conveying a forward-looking commitment to the environment. You have set out the goal of an 80% reduction in greenhouse gases in fiscal 2051 compared to fiscal 2014 as a long-term goal. OMRON's targets are still set in terms of intensity, and so we should re-establish our long-term goal in terms of total emissions in the future.

Kimura "An 80% reduction by fiscal 2051" is a goal that we set a while back, but the current goal reflects the fact that we changed the base year from fiscal 2006 to fiscal 2014 so as to make it an even more challenging goal. It will by no means be easy to achieve, and so we will have to increase our efforts amid the many issues that we still face.

Kaizaki Also, I think that actively incorporating voices from outside the company into your report—including by examining other companies' practices, like you are doing now, and by holding dialogues with outside experts—is a unique initiative. I also get the impression, from the fact that you visit suppliers and take the time to talk with them, that Casio values the supply chain.

Kimura I think that including dialogues in our report is also important in the sense of sharing voices from outside the company with members of the company. We intend to continue learning from diverse opinions in the future, in order to raise the level of our CSR efforts. Thank very much for this conversation today.