

Third-Party Opinion



Yoshinao Kozuma
Professor Emeritus, Sophia University

1. The Path to Achieving Carbon Neutrality by 2050

Achieving carbon neutrality by 2050 has become a common goal for our industrial society, and in February 2022 the Sanki Engineering Group expressed its commitment to that objective by announcing its Carbon-Neutral Declaration and launching a full-scale initiative for realizing a decarbonized society by 2050.

In reviewing the actual results more than a year after this declaration, Sanki Engineering has achieved a 34% reduction in its Scope 1 and 2 emissions from levels in fiscal 2020, ahead of the target year of 2030, and is now on course to fully meet its interim target of a 40% reduction by fiscal 2025. The Group has also achieved a 36% reduction in Scope 3 emissions, exceeding its interim target of a 10% reduction by fiscal 2025 toward the final deadline of fiscal 2050. Scope 3 emissions account for as much as 99.9% of the Sanki Engineering Group's total emissions, and it is no exaggeration to say that the path to CN depends on its strategy for reducing Scope 3 emissions. Moreover, since 91% of these emissions fall under Category 11, reducing use-phase emissions of facilities and plants constructed by the Group is essential for transitioning to a decarbonized society. Through the SANKI YOU Eco Contribution Points program, the Group links its contributions to customer CO₂ reductions with financial support for afforestation projects. The Carbon-Neutral Declaration for 2050 reminds us of how helpful this program has been for the Group's carbon risk management.

Sanki Engineering's achievements for this fiscal year also included being recognized as an A-list company by the CDP and updating its TCFD scenario analysis to a 1.5°C scenario. Both of these are major achievements that deserve recognition.

Meanwhile, investors are increasingly demanding that companies announcing their declarations for achieving carbon neutrality by 2050 concretely explain the process of attaining the goal with a transition plan, so Sanki Engineering should formulate and publicly disclose its own plan as soon as possible.

2. Response to Human Rights Risk

Along with the formulation of its human rights policy in April 2022, Sanki Engineering also expressed its plans to implement human rights due diligence. This year, the Group clearly stated that its entire supply chain will be subject to due diligence and that the corporate ethics hotline and other contact points will also receive reports of violations from the supply chain.

Considering the growing number of orders received outside Japan, Sanki Engineering's management stance of pursuing high standards in fulfilling its duty of care across the supply chain is highly commendable. I expect the Group to concretely implement human rights due diligence to further strengthen its response to risks associated with business activities in the years to come. It will also need to provide information on the contact points for reporting from the supply chain on its English language website.

3. Enhanced Quality of Information Disclosure

This fiscal year, the Group has continued to disclose important new information. For example, it has explained its management resources in greater detail in the diagram of its value creation process, providing a more solid picture of the management resources that constitute the Sanki Engineering Group's business model. In addition, while governance information tends to be limited to an explanation of facts, this year's report includes a dialogue between the president and an external director, which vividly conveys the state of the governance system from the latter's perspective. These are all beneficial efforts in terms of enhancing the quality of information disclosure.

4. Future Considerations

As for information on the gender wage gap, which became a statutory disclosure requirement under the revised Act of Promotion of Women's Participation and Advancement in the Workplace, the gap disclosed by the Group seems somewhat large compared to the average in Japan, according to the OECD. This might require disclosing additional information, including the Group's measures for closing the gap. With regard to the pending issue of improving the employment rate of persons with disabilities, it is desirable to strengthen measures not only on a non-consolidated basis but also and especially on a consolidated basis, given that the statutory employment rate will be raised in stages starting in 2024.

Response to Third-Party Opinion

We are deeply grateful for your valuable insights on the SANKI REPORT 2023.

This was the 12th year since we began publishing an integrated report, and we appreciate your evaluation of issues, such as our policies and initiatives for achieving carbon neutrality and the enhanced quality of our information disclosure. Going forward, we will endeavor to disclose concrete information, including our transition plan for achieving the 2050 carbon neutrality goal, while steadily promoting the sustainability management of the Sanki Engineering Group.

We will work to make improvements in the areas you pointed out, including closing the wage gap between men and women and raising the employment rate of disabled persons. We are resolved to make the best use of the SANKI REPORT to further advance our business activities and help realize a sustainable society.

Takeshi Terazaki Executive Officer and General Manager, Management Planning Office