

### Takeshi Mizuguchi

Professor, Faculty of Economics,  
Takasaki City University of  
Economics



COVID-19 highlighted the significance of social issues in ESG. The direct challenges companies must address are focused on countermeasures for preventing employees from contracting the disease and protecting their operations from the deteriorating economic conditions. Given the continued focus on creating a healthy and safe workplace as a CSR activity, while I trust you have taken sufficient measures to address those challenges, I believe it would have been good to cover them in the report. Also, the fact that there are some who could not afford to take action against the infectious disease shines light on the problem of economic inequality. Your company fully understands the concept of an “inclusive economy,” as is shown in regard to your supply chain as partners. I encourage further development of this philosophy and communication of your commitment as a global enterprise to address economic inequality as a material social issue.

The concept of a “green recovery” has been advocated across the world to link efforts to recover from COVID-19 by establishing this type of economy. Specifically, the European Commission has started to implement aspects of the Green Deal Program it announced in December 2019, which will accelerate the shift toward a green economy.

Your company has been proactive in this regard, such as by formulating the Long-term Vision of Greenhouse Gas Emissions Reduction toward 2050 and announcing support for the recommendations of the TCFD last year. Another major step forward was making public the results

of the scenario analysis based on the recommendations of the TCFD. I highly value the ambitious vision of targeting an 80% reduction in CO<sub>2</sub> emissions in cement production by 2050. Responding as a third party, however, I wondered why the base year is 2000, or 20 years ago. That said, what counts is the level of a reduction rather than the base year. I recommend obtaining an objective evaluation at the global level through, for instance, Science Based Targets (SBT).

The Special Feature section reported on efforts in biomass and waste heat power generation. That report made me realize your strong commitment to addressing the issue of climate change. The use of palm kernel shell (PKS) is somewhat controversial. While PKS is an effective use of waste generated by squeezing palm for oil production, you do not face the conflict of generating power from burning palm oil, which is also used as food. Moreover, importing PKS from Indonesia and Malaysia raises the other issues of whether the renewable fuel can be used in those countries and of CO<sub>2</sub> emissions during its transport to Japan. I recommend discussing this with an environmental NGO that has broad knowledge in the field. The use of domestically produced biomass should also be explored.

The concept of a circular economy will also play a central role in the green economy as well as zero carbon. “Recycling waste and by-products into alternative raw materials and fuels for cement” such as the Ecocement system, is a commendable initiative that contributes to both zero carbon and a circular economy. However, duly pointed out in the scenario analysis based on the TCFD, the volume of coal ash produced at coal-fired power plants will decline in the future, and so I expect you will consider alternative measures. The Materials Recovery Complex initiative, presented in the Environmental Business section, is attractive for creating a circular economy. I look forward to its early commercialization.

The explanation of the assessment of biodiversity at the limestone quarries is very clear and easy to understand. In order to improve the reliability of this assessment, I suggest having it evaluated by an international environmental NGO that specializes in the field.

### Response to Third-party Opinion

Managing Executive Officer, Vice-Chairperson of the CSR Management Committee

### Hideaki Asakura



I am grateful to Mr. Mizuguchi for his valuable comments on the Taiheiyo Cement Report 2020. We are honored by your strong recognition of the formulation of our Long-term Vision of Greenhouse Gas Emissions Reduction toward 2050 and published results of the scenario analysis based on the recommendations of the TCFD as an effort to contribute to the shift toward a green economy. Given the growing importance of a circular economy, we are encouraged that you highly value the vital role the cement industry plays in recycling waste and by-products into alternative raw materials and fuels for cement, and we look forward to the early realization of our original Materials Recovery Complex initiative. On the other hand,

you point out that we have our CO<sub>2</sub> emissions reduction target evaluated at a global level and explore the use of domestically produced biomass. You also suggest that we disclose our efforts to address social issues as part of ESG in connection with the spread of COVID-19, and we will sincerely respond to these recommendations.

As for this report, we will continue improving the content so that it can be more easily read and understood by all of our stakeholders.