

Third party verification report for the “NGK Group CSR Report 2011”

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1. Scope, purpose and subject of verification

NGK Spark Plug Co., Ltd. (hereinafter referred to as the organization) has prepared the “NGK Group CSR Report 2011” and the website information directly related to the report. TÜV Rheinland Japan Ltd. (hereinafter referred to as the verification body) has been commissioned as an independent third party to implement a specific and agreed-upon verification process with the purpose to confirm;

- Rational calculation methods and the reliability of environmental reporting, performance indicators and accounting information as well as the validity of statement including social reporting
- Completeness of the report disclosing important environmental issues
- Reporting including social activity without intention to mislead readers

The purpose of this verification is to report the results including verification opinions.

2. Verification process

The following verification process has been performed based on the agreement with the organization.

- (1) Outline of the environmental performance indicators: Process overview to figure out the environmental performance indicators and items for data collection were learned and examined.
- (2) Process of data collection, calculation and reporting: As basic information pertaining to environmental performance indicators and environmental accounting indicators, the data collection process and the calculation method were examined.
- (3) Accuracy of data: For the environmental performance indicators and the environmental accounting indicators, the accuracy of data and reliability of calculations have been assessed by comparing selected data with basic information, and confirming their consistency.
- (4) Correctness of reported information and completeness of important issues: Information indicated in the report has been confirmed by interviews with responsible persons, on-site visit and comparison between internal and external information.

Our verification process includes document verification of the organization’s draft report, on-site verification for overall data aggregation, verification of contents of the report, verification of sampled-site data aggregation process and confirmation of the organization’s final draft that includes corrective action implementation. The detail of our verification process including required corrective actions, implemented corrective actions by the organization, and reporting is disclosed in our home page (<http://www.tuv.com/>).

As the result of above-mentioned processes, the verification body judged that it had obtained reasonable information to conclude.

Ministry of Environment’s “Environmental Reporting Guidelines, and Environmental Reporting Standard”, and GRI’s “Sustainability Reporting Guideline” were considered during the verification process however, the statement does not imply certification or compliance with these guidelines.

* Visited site for the verification: Headquarters, Headquarters plant and Komaki Plant of NGK Spark Plug Co., Ltd., and Nakatsugawa Plant of NTK Ceramic Co., Ltd.

* Sampled sites: Ceramic Sensor Co., Ltd. and Komaki Plant of NTK Ceramic Co., Ltd.
(Focal points of verification: data aggregation in waste and CO₂)

3 . Conclusion

The verification process has been performed as planned, and it was confirmed that corrective actions requested during the verification have been properly implemented. As a result, the audit team concludes that the “NGK Group CSR Report 2011” covers and correctly provides important environmental information based on the Ministry of Environment’s “Environmental Reporting Guidelines.”

4. Verification opinion

【 General evaluation 】

The verification body could fully understand the intention of the transition to the CSR report in a process of improving the promotion scheme while CSR promotion office was established. The structure consisting of “management”, “social reporting” and “environmental reporting” that was introduced along with the transition is considered adequate. In addition, the way of thinking which is the base of CSR promotion activity is reflected in disclosure as “CSR policy 10 principles” that are important information for the editorial policy and promotion activity are taken into account as the key reporting structure.

Editorial policy (p1) describes the “reporting process” and explains that information disclosure has been implemented steadily through the specific examination process without deviating, which is valuable. In that process, the organization makes positive efforts to deal with the voices of stakeholders in risk communication with residents near its plants, improvement activity through internal/external survey, preparation for the third party audit and the like, and shows its positive attitude to disclosing information in a way that readers can easily understand. Such efforts are regarded as the base of CSR promotion activity and information disclosure and should be well evaluated.

As good news, the organization was awarded for the encouragement prize in environmental reporting of the 14th Environmental Communication Award hosted by the Ministry of Environment and Global Environmental Forum. Further continual improvement is expected while maintaining the practice of information disclosure that has been cultivated by the organization for long time as expectation toward the organization’s CSR promotion activity and information disclosure from society has been increasing.

【 Environmental activities 】

Hopeful technology, in an era of environmental management, has been continuously raised as the special feature 2 (p7-8) in the report, which provides expectations of featuring eco-products and R&D. With this point in mind, challenges from now on would be how to express the environmental performance of products continuously and systematically with their advancedness taken into account. It is hoped that the report describing the ambition and the future vision of the company will be appealing to readers even more.

Although the report has been renewed as the CSR report this year, establishing the system to collect data swiftly from subsidiaries overseas as well as taking international and social initiatives are essential for the organization as a global company which is required to provide the environmental information. Furthermore, it is vital for the localized management to implement environmental activities quickly and globally along with the organization’s environmental policy.

As for remaining issue of the “shift to achievement from process” in controlling target, positive efforts and improvement from initiatives represented in the “eco-vision 2015” have been observed. It is strongly hoped that performance and achievement including reviewing priority in terms of business management are to be appropriately managed once the final goal has been determined in the “eco-vision”.

【 Social activities 】

Regarding subsidiaries overseas, although cultural exchange activities in Mexico, Brazil and Thailand are still mainly reported, the organization has been trying to make its report what the global company’s report should be like. How to deal with various stakeholders is challenging and essential both in domestic and overseas, and participation of stakeholders is also important. The “basic way of thinking” and “CSR policy” are equally adopted for the reporting structure, which enables to see the standpoint in dealing with stakeholders. In fact, considering employees as stakeholders is meaningful, as the organization took the “voice” of its employees engaged in the important process. Therefore, the report gives readers a feeling of familiarity.

Positive attitude is expected in utilizing the 2011 CSR report in order to raise awareness of employees and to communicate with stakeholders while making such a “portable and easy-to-read” digest version that was mentioned at the time of receiving the encouragement award. Moreover, it is anticipated that such a stage where the organization should consider creating a roadmap –CSR vision- that realizes CSR policy in implementing CSR promotion activity will come. It is expected that the organization is aware of intentions and strategy of top management and is taking effective promotion activities in accordance with appropriate processes.

【 Environmental accounting 】

Data collection and calculation process of the environmental accounting has been positively maintained and has shown the results with the trend of environmental activity reflected. It is confirmed that the way of aggregating data regarding the environmental accounting items related to asset retirement obligation is also determined. Environmental investment and its effectiveness have gained attention even more in an era where strengthening restriction on energy and environment and implementing international accounting standard are anticipated. It is hoped that the organization will make use of its experience and know-how in determining investment and managing effectiveness. Not only to Japan, but the knowledge and experiences including environmental performance management the organization has are expected to be disseminated to sites overseas.