

## External Assessment

### Overseas

#### Inclusion in the FTSE4Good Global Index, a Socially Responsible Investment Index

KDDI is included in the FTSE4 Good Index Series, which is the representative socially responsible (SRI) index in the world. The FTSE4 Good Index Series was developed by FTSE Russell, which belongs to the London Stock Exchange Group. The number of companies selected after the index review in June 2017 is 883 (of which Japanese companies make up 148). This index is widely used as a standard for selecting investees by institutional investors who focus on the social responsibility and sustainability of companies.



FTSE4Good

#### Inclusion in MSCI Global Sustainability Indexes, a Socially Responsible Investment Index

KDDI is included in the MSCI Global Sustainability Indexes, which is one of the global SRI indices (as of June 2017). MSCI Global Sustainability Indexes were developed by a US company, MSCI Inc., that selects companies with strong Environmental, Social and Governance (ESG) performance.



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#### Inclusion in Euronext Vigeo World 120

As of June 2017, KDDI is included in the Euronext Vigeo World 120 sustainability evaluation indices, selected by NYSE Euronext, the world's biggest stock exchange group, and Vigeo which evaluates companies' performance in social responsibility.



#### Inclusion in SRI Indices (Ethibel Sustainability Index Excellence Global label)

KDDI is included in the Ethibel Sustainability Index Excellence Global label from the socially responsible investing promotion group Forum ETHIBEL, based in Belgium. This brand is composed from a corporation that displays high performance from the view of social responsibility, and as a corporation that is among those with the best CSR initiatives in its industry, KDDI was selected for the Ethibel PIONEER Investment Register, the highest grade in the index. (March 2017)

Furthermore, we have continuously been selected for Ethibel Excellence since 2013.



### Japan

#### Inclusion in SRI Indices (Morningstar Socially Responsible Investment Index)

KDDI is included in the Morningstar Socially Responsible Investment Index (MS-SRI), which is the first socially responsible investment index in Japan (As of January 2017). The MS-SRI is a stock index of 150 socially exceptional companies selected by Morningstar Japan K.K. from listed domestic companies.



#### Selected as "Nadeshiko Meigara" for Five Consecutive Years

KDDI has been selected as a "Nadeshiko Meigara" for being a company that proactively promotes women in the workplace for five consecutive years since 2012.

Nadeshiko Meigara is a joint undertaking by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select and introduce companies that proactively promote the advancement of female employees as attractive stock.



#### Winner of the Gold Award in the PRIDE Index

KDDI won the highest Gold award in the PRIDE Index which evaluates the efforts of companies concerning sexual minorities including LGBT. The PRIDE Index was established by a private organization, work with Pride, with the aim of promoting the creation of



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LGBT friendly workplaces in companies.

\* In July 2015, KDDI started applying au family discount and various services based on the "condition that the users are family members" to same sex partners upon presentation of an official partnership certificate

### Ranked 3rd Overall in CSR Company Ranking

KDDI was placed third overall in the 11th CSR Company Ranking announced by TOYO KEIZAI INC. This is a ranking of "companies that are trusted" by a wide range of stakeholders. 1,400 domestic companies were analyzed with scores assigned for "utilization of human resources," "environment," "corporate governance and social nature," and "finance" based on the findings of a survey conducted in 2016.

KDDI was highly appraised particularly for "utilization of human resources" and "corporate governance and social nature".

### Winner of the Minister of the Environment Gold Award in Low Carbon Cup 2017

KDDI's "Tribrid Base Stations That Make Use Of Renewable Energy" won the Minister of the Environment Gold Award out of a total of 951 organizations across Japan in the Low Carbon Cup 2017 organized by the Japan Network for Climate Change Actions.

The award was given in recognition of KDDI's efforts to transfer technology to developing countries in addition to installing 100 Tribrid Base Stations in Japan, which can reduce CO<sub>2</sub> emissions up to 30% annually compared to base stations that only use commercial power.




### Other External Assessment

Survey/Award	Evaluation
CDP2016	Top Domestic Telecommunications Carrier
19th Environmental Management Survey organized by Nikkei Inc.	Ranked 8th by Industry
Environment Human Development Award sponsored by the Ministry of the Environment	Incentive Award
Awards for Companies Promoting Experience-based Learning Activities sponsored by the Ministry of Education, Culture, Sports, Science and Technology (MEXT)	Selection Committee Special Award
"2016 Chiyoda-Ku System For Action Plan To Give Consideration To Global Warming" organized by Chiyoda-ku, Tokyo	Special Award
2017 Commendation On Instructional Materials For Consumer Education organized by the National Institute on Consumer Education (NICE)	Award of Excellence <a href="#">Link</a> Page_26 KDDI Smartphone and Mobile Phone Safety Classes (classes for juniors)
2017 Data Centre Solution Awards*	Data Centre Energy Efficiency Project of the Year <a href="#">Link</a> Page_111 TELEHOUSE Data Center Services

\* Won by TELEHOUSE EUROPE

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## Scope 1 and Scope 2 FY2015 Greenhouse Gas Emission Verification Statement



**Assurance Statement related to KDDI Corporation's GHG Emissions for the fiscal year 2015**

**Terms of Engagement**  
This assurance statement has been prepared for KDDI Corporation.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by KDDI Corporation (hereafter called as the Organisation) to assure its greenhouse gas (GHG) emissions data for the fiscal year 2015, that is, 1 April 2015 to 31 March 2016, (hereafter referred to as "the Report"). The Report relates to the GHG emissions data from the activities of the Organisation and its consolidated subsidiaries in Japan and overseas.

**Management Responsibility**  
The Organisation's management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with the Organisation.

Ultimately, the Report has been approved by, and remains the responsibility of the Organisation.

**LRQA's Approach**  
Our verification has been conducted in accordance with ISO 14064-3:2006 *Specification with guidance for validation and verification of greenhouse gas assertions* to provide limited assurance that GHG emissions data as presented in the Report have been prepared in conformance with the Organisation's in-house reporting procedures.


To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- reviewed processes related to the control of GHG emissions data and records;
- interviewed relevant staff of the Organisation responsible for managing GHG emissions data and records;
- visiting site to establish whether the in-house procedures have been effectively implemented; and
- verified historical GHG emissions data and records at an aggregated level for the fiscal year 2015.

**Level of Assurance & Materiality**  
The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgment of the verifier.

**LRQA's Opinion**  
In this verification, the Organisation properly calculated only CO<sub>2</sub> from the energy source out of the GHG emissions. Since the other GHGs are not calculated, they are not included in the target of verification. In other respects, based on LRQA's approach nothing has come to our attention that would cause us to believe that the total GHG emissions disclosed in the Report as summarised in Table 1 below are not materially correct and the Report has not been prepared in conformance with the Organisation's in-house reporting procedures.

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**LRQA's Recommendations**  
The Organisation should establish and review its reporting procedures with expanding the calculation range of GHG emissions and adding group companies, and continuous improvement is recommended. Also the Organisation should continue improving the quality assurance and control systems with internal self-verification particularly across its group companies in Japan and overseas.

Signed: *Wataru Kawamura*  
Wataru Kawamura  
LRQA Lead Verifier  
On behalf of Lloyd's Register Quality Assurance Limited  
Japan Business Centre, Queen's Tower A, 10<sup>th</sup> Floor  
2-3-1 Minatomirai, Nishi-ku, Yokohama 220-6010, Japan

Dated: 20 March 2017

LRQA reference: YKA4005450

**Table 1. Summary of KDDI Corporation's GHG emissions FY 2015**

Scope of GHG emissions	Tonnes CO <sub>2</sub> e
Direct GHG emissions (Scope 1)	97,784
Energy indirect GHG emissions (Scope 2, Market-based)	1,294,969

Note 1: Scope 2, Market-based is defined in the GHG Protocol Scope 2 Guidance, 2015. "Market-based" includes Location-based calculation (in the guidance) partially.

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Due to inherent limitations in any internal control, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weaknesses or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.  
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## Scope 3 FY2016 Greenhouse Gas Emission Verification Report

Scope3 Greenhouse gas emission verification report

Messrs. KDDI Corporation

June 28, 2017  
Waseda Environmental Institute



Waseda Environmental Institute, (hereinafter, WEI) made verification of the calculation results for greenhouse gas emission for Scope3 in the period from April 1, 2016 to March 31, 2017 that KDDI CORPORATION (hereinafter, KDDI) reported on website.

- Scope of the verification**  
KDDI requested WEI to verify the accuracy of following greenhouse gas emission information.
  - Scope3 greenhouse gas emission
    - It is based on Basic Guideline Ver2.1 on greenhouse gas emission calculations through supply chain.
    - All Scope3 greenhouse gas emission ranging from Category 1 to Category 15
- Verification methods**  
WEI conducted following activities for verification, based on the requirements of ISO14064-3, to give the limited assurance.
  - Interview to the parties in charge of identifying and calculating the greenhouse gas emission
  - Confirmation of methods of collecting, totalizing, and analyzing information used to determine the greenhouse gas emission of KDDI
  - Sample audit of source data for checking the accuracy of greenhouse gas emission
- Conclusion**  
According to the verification activities and process conducted, the evidence showing that the claim of greenhouse gas emission was as follows was not found.
  - It lacks accuracy remarkably and does not indicate the greenhouse gas emission data in the scope properly.
  - It is not prepared according to the greenhouse gas emission calculation method provided by KDDI.

Greenhouse gas emission validated

Scope3	4,697,389t-CO <sub>2</sub>
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Note Direct greenhouse gas (GHG) emissions include the amount emitted by an overseas subsidiary.  
Energy indirect greenhouse gas (GHG) emissions are calculated using utility-specific emission factors.

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## KDDI Corporation Integrated Report 2017 (Detailed ESG Version) Third-Party Opinion



**Masahiko Kawamura**

Alterna Research Institute - President and Chief ESG Analyst

NLI Research Institute - Visiting ESG Analyst

Kawamura earned his master's degree from the Kyushu University Faculty of Engineering in 1976, and joined Mitsui Ocean Development & Engineering Co., Ltd. (MODEC). He entered NLI Research Institute in 1988 and the Alterna in fall 2016. His areas of expertise are environmental management, environmental business, CSR management, and integrated reporting. He has served at various organizations, including the Sustainable Management Forum of Japan (Vice Chairman), BERG (Fellow), and Sun Messe Co., Ltd. (Adviser), and his published works include "Perfect Guide to CSR Management (CSR Keiei Paafekuto Gaido) (sole author), "New Trends in Integrated Reporting" (Tougou Houkoku no Shin-chouryuu) (co-author), and "Carbon Disclosure" (co-editor).

This opinion is intended to provide an evaluation and discussion of issues and expectations based on the information published in the KDDI Corporation Integrated Report 2017 (Detailed ESG Version), particularly with respect to the disclosure of CSR management information, as well as to the approach to CSR management and the details and results of initiatives. This is the second opinion, following the one from last year.

### 1. Disclosure of CSR Management Information

◆ The Integrated Report (Detailed ESG Version) expands on non-financial information, and is published as a companion to the Integrated Report, which focuses on financial information. In recent years, other integrated reports have included only a summary of the CSR and ESG information, but I highly evaluate this report for its reliable qualitative expansion on information disclosure. Employment and environmental performance data are easy to understand, and the disclosure of customer used rank (scope 3) CO<sub>2</sub> emission details are particularly worthy of appraisal.

◆ Unlike last year's report, the construct of this report is in accordance with KDDI's more distinct CSR System Diagram, making it easier to understand. That is to say, in addition to KDDI's CSR and the Material Issues for CSR, "CSR Initiative Through Business" (KDDI Products and Services) and "CSR Initiatives Supporting Operations" (KDDI Business Foundations) are also largely included. In particular, understanding of the essence of CSR is expressed in the latter, which conforms to the core subjects of ISO26000.

◆ As stated in the editorial policy, this report is centered on the KDDI company itself, but the boundaries of each subject are clearly stated as applying to the KDDI company alone or to the KDDI group, clearly defining the current scope of CSR management. As a global corporation, the issue from here out is how to expand the CSR to the whole group, including overseas bases.

◆ In the Targets, Results and Issues in Material Issues for CSR progress supervision table, self-evaluation and future issues are stated for each item, making it possible to evaluate from the view of PDCA. However, although policies, systems, activities, and results of each item are concisely described in the report, their issues and measures for resolution are not listed, so I would like to see this resolved in the future.

### 2. Details of CSR Management

◆ The KDDI's Approaches (Recognition of Social Issues, Risks and Opportunities, and Management), KPI, Stakeholders, and Future Issues for each of the four Material Issues for CSR (Governance x 1, Society x 2, Environment x 1) are described so that they are easy to understand. I expect to see these materialities lead to "Integrated Thinking" for creating value in the future.

◆ The materialities determined in 2008 are currently under review, and I believe that employing SDGs

that aim to solve social and environmental issues on a global level by 2030 is a good idea. However, as a corporation whose main market is domestic Japan, KDDI must also give consideration to drastic decreasing birthrate and population, that is the Japan's greatest social issues.

◆ In order to tackle the rapidly changing business environment, it is a necessity for KDDI to change from a homogenized organization to an organization that possesses many diverse viewpoints. Work reform is currently a management issue in Japan, and I can highly appraise KDDI for formulating the KDDI Group Human Rights Policy, LGBT response (redefining the definition of a spouse), hiring employees of foreign citizenship, creating systems to support a variety of working styles, and taking other actions from the viewpoint of diversity and inclusion.

◆ The new environmental conservation plan, KDDI GREEN PLAN 2017-2030, differs from past ones, and the fact that it was determined with a long-term perspective of 14 years is worthy of note. I believe that exceeding energy-saving goals and displaying CO<sub>2</sub> emission reduction goals in total amounts means a lot (KDDI (domestic): 7% reduction by FY2030 with comparison to FY2013).

◆ However, while this reduction goal satisfies the 7% industrial sector global warming countermeasure plan goals of the Japanese government, it does not achieve the 26% mid-term goal of Japan as a whole, including the household and transportation sectors. With an understanding of the various initiatives based on industry characteristics made up to this point, including reducing the power consumption at base stations, and with the Paris Agreement currently in effect, I expect to see a review of value goals during the execution of this new long-term plan.

◆ To this point, I would recommend an examination of SBT (Science Based Targets). This relates to the transition risks and financial impacts toward a low carbon economy by TCFD (Task Force on Climate-related Financial Disclosures), which has the attention of ESG investors. In addition, I believe that with CDP climate change, KDDI should not be content with topping the domestic telecommunications sectors in Japan, but must focus on the highest ranks of the "A list".

◆ At this point, I am veering away from this Integrated Report (Detailed ESG Version) to lastly express my opinion on what an integrated report should be based on the IIRC's International Integrated Reporting Framework.

◆ Typically, an integrated report is meant to comprehensively integrate the context of long-term and structural business environmental changes with financial and non-financial elements from strategic point of view and shows how corporate value is created (or avoids damage), in other words, recording "Integrated Thinking". ESG investors around the world are making efforts to remove carbon from their portfolios, making corporations that have a large amount of CO<sub>2</sub> emissions ineligible for investment. Due to this, I look forward to KDDI's long-term strategies and actions as a telecommunications company that represents Japan.

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### Our Response to the Third-Party Opinion



**Akira Dobashi**

KDDI Corporation  
Executive Officer, CSR Environment  
Sustainability  
General Manager, General Administration &  
Human Resources Division

I would like to express my deep appreciation for the valuable opinion about the Integrated Report 2017 (Detailed ESG Version).

In this year's report we followed the report from the previous fiscal year in strengthening transmission of ESG information to investors, making proactive, exhaustive efforts to disclose the information. In order to increase awareness of CSR management, we used the KDDI Group Philosophy and KDDI Code of Conduct as a basis and altered the report structures which conform to KDDI's CSR System, such as CSR Initiatives Through Business and CSR Initiatives Supporting Operations. In addition to promoting workstyle reform, we have also executed initiatives to strengthen and intensify CSR management, including establishing and publishing the KDDI GREENPLAN 2017-2030, a new environmental conservation plan that aims to reduce KDDI's CO<sub>2</sub> emissions by 7% by FY2030 with comparison to FY2013.

With regards to information disclosure, it was noted that the construct of this report was easier to understand and understanding of the essence of CSR is expressed. For CSR management, it was noted that our creating of systems to support a variety of working styles was worthy of high praise, and our exceeding energy-saving goals and displaying CO<sub>2</sub> emission reduction goals in total amounts mean a lot. We are pleased to receive such positive evaluations.

At the same time, we also received the suggestion to list the issues and measures for resolution in each subject in the report. With regards to our records of "integrated thinking" which states how corporate value is created (or avoids damage), we are discussing improvements with the aim to respond to expectations for genuine integrated thinking. In addition to promoting reliable and easy-to-understand disclosure of information required by stakeholders, I believe KDDI's business activities should continue to create value for our stakeholders and society, as well as promote CSR management that leads to the long-term creation of value for our corporation.

Moving forward, KDDI will value communication with our stakeholders as we work to accomplish SDGs and solve social issues that are unique to Japan, and continue to contribute to the development of a sustainable society.