Third Party Comment

For the past several years, I have been reviewing MUFG’s CSR reports from an external perspective. When a corporate group becomes as large as MUFG, CSR activities become increasingly diverse, requiring a major effort to grasp the big picture. Furthermore, if the report is going to be released externally as a summary of these activities, it is important to have a format that responds to the diverse interests of readers and recipients, and there must also be some kind of story to it.

Who Are the Stakeholders?

From that perspective, if we read the Highlights Edition and Full Report Edition that have become the regular approach in the past several years, we see that the Full Edition has increased in volume by about 10% from the previous year, and readers will notice that the overall CSR activities of the group are becoming well established. I feel it is safe to say that the quantitative and qualitative information presented in each story in the reports—such as detailed data on environmental impacts or employee initiatives—is generally introduced without overstatement.

The Highlights Edition is formatted to narrow its focus to three areas—“Efforts to Improve Customer Satisfaction,” plus the group-wide CSR priority themes of “Addressing Global Environmental Issues,” and “Nurturing Society’s Next Generation”—and it describes the features and achievements of the past year. The two CSR priority themes of “global environment” and “next generation” are important in terms of the broad geographical obligations of a global corporation, and in terms of social responsibility as a sustainable company. Also, it is noteworthy that “customers” are identified as the most influential among the wide range of stakeholders. The relationship between a corporation and each stakeholder is not the same. There can also be conflicts of interest between different stakeholders. A typical example is the divergence of interests between shareholders, employees, and customers when it comes to the distribution of profits.

The essence of CSR management could be described as minimizing the conflicts of interest between the diverse stakeholders in society and maximizing the “economic pie” of profit distribution. If the pie can be expanded, the conflicts among stakeholders can naturally be reduced. To expand the pie, the key is to increase the scale of business activity by attracting more customers and boosting profitability by improving customer satisfaction levels. MUFG’s CSR stories clearly reveal this orientation.

Evaluation of Governance, and Connection with Investor Relations

As an issue about further raising “customer satisfaction” in a way that contributes to greater corporate value, I would like to add one more point. Customer satisfaction involves the level of confidence in products and services provided by the corporation, but at the same time, that confidence is supported by the soundness of governance of the corporation itself. MUFG’s CSR is built upon its Corporate Vision and Principles of Ethics and Conduct, and by reading the details of the Full Report Edition, a reader will notice that MUFG sees corporate governance as its highest priority. However, I think it is also desirable to provide information that raises an understanding of governance in the Highlights Edition, which is accessed by many more readers.

In July 2014, to strengthen its governance structure, MUFG established a new Governance Committee, with a majority of members coming from outside the group. The knowledge of this multi-leveled governance structure with four committees—including the Nomination and Compensation Committee and other existing committees—is important information that will influence the satisfaction of not only investors but also customers.

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Related to that point is how to incorporate the perspective of the shareholder, which with the customer is among the most important stakeholders. The typical shareholder invests into corporations whose present share prices are undervalued, or corporations that have future prospects for improving corporate value. Corporations with a consistent management stance that puts customers first can be expected to increase corporate value steadily. However in general, there are many Japanese corporations that fail to link CSR to investor relations (IR) oriented toward shareholders. But if, as stated above, an increase in customer satisfaction leads to an increase in corporate value, CSR also corresponds to the interests of shareholders. The question is how to link or integrate CSR and IR together. Here too I look to MUFG for a leadership role.

**Integration of Financial and Extra-Financial Matters**

As I pointed out in my comments last year, the linking and integrating of CSR and IR overlaps with the international trend of integrated reporting, which encourages the merging of financial and extra-financial values. Indeed, in terms of efforts for this kind of integration, MUFG has already made some achievements.

A number of international trends are evident in integrated reporting. Among them, the financial industry edition of disclosure standards for extra-financial information in each industry, under the United States’ Sustainable Accounting Standards Board (SASB), calls upon financial institutions to disclose their contributions to business partners’ reductions of greenhouse gas emissions through their core businesses, investment and financing. I think it’s a good point that captures the essence of the financial industry, but as stated in the Full Report Edition, MUFG was engaged even before FY 2005 in such initiatives to reduce greenhouse gas emissions, and has disclosed the outcomes.