

Third-Party Views on Sustainability Report 2007



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MC is an icon that symbolizes “international business.” At the same time, it is involved in a wide range of activities, including resource development. My comments will focus on the horizontal axis of business internationalism and diversity and the vertical axis of CSR promotion and challenges.

In Japan, it is common to confuse statutory requirements with CSR. This company, however, is not bound by domestic ways of thinking. The report contains a clear statement about the company’s understanding of CSR and the requirement for CSR to move forward on an international level: “Our CSR activities are programs that go well beyond our legal requirements and obligations; activities that take into account the perspectives of all stakeholders.” I think the report does a good job of highlighting activities with NGOs around the world. Furthermore, the global human resources development that it reports is an example of how the company’s internationalism has helped to promote CSR.

On the other hand, one of the CSR challenges raised by internationalism is how to incorporate CSR in the supply chain. The company has identified this as a priority issue, but has not necessarily charted a clear course forward. I look forward to seeing what it will do in the future.

An example of how diversity helps to promote CSR can be found in the environment reviews conducted for companies in which MC has invested, and also its environment and CSR surveys for investment proposals. The report talks about sustainable forest management, but I think that MC would achieve even greater levels of CSR if it were able to put those experiences to work in solving cross-sector issues.

On the other hand, diversity also raises some CSR challenges, including the difficulties encountered in defining the boundaries of information disclosure. One question in particular is the degree to which investments should be incorporated in the report. The report does not necessarily make a clear statement on this. I think in the future that the company will need to give more thought to this question in light of stakeholder requirements and other issues. All companies contribute to the development of society through their business activities. However, when it comes to the environment, companies cast a “shadow” on society in some form. While it may be impossible to eliminate the shadow, CSR constitutes an attempt to minimize it. In closing, I would like to offer my heartfelt respect for the efforts made by MC as reported in this volume and to express my expectations for further achievements in the future.

Response to Third-Party Views



Osamu Namekawa
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People commonly say that they have a hard time understanding what general trading houses do and how their business models operate. I think the biggest reason for this stems from the incredible diversity of the businesses that trading houses undertake. In the past, you could explain what trading houses did very simply: “They are companies that import and export a broad range of materials and merchandise and are involved in many aspects of international and domestic trade.” Today, however, trading house investments are more global in nature and span an even wider range of industries and sectors, including resource development. Within this, their business models generally try to construct a value chain by which they are able to offer added value, like information and services, in conjunction with commercial transactions. The majority of trading house earnings comes from the returns generated by these sectors. Given this situation, we are keenly aware of how



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Japan generally has a low level of awareness of developing country issues, but I think it is wonderful how much this company understands and how much it is doing, particularly with things like the Global Coral Reef Conservation Project and with social contribution activities in countries and communities throughout the world.

The report talks a lot about social contribution, but I would also like to see it place more emphasis on what it is achieving through its core businesses. Given the resource and energy issues (particularly “peak oil”) that we are facing, I think there needs to be more description of its views and thinking as a company involved in the energy industry. Global warming is an urgent issue, and while by the nature of its business the company’s CO2 emissions are not all that large, I would urge it to communicate what it is doing about global CO2 emissions through its businesses and the large impacts that they have.

The report provides a very easy to understand explanation of the company’s philosophy, guidelines and organizations, but one of the questions that keeps coming back to me is: “So what does this all add up to?” What is the company’s view of its results and what does it think it needs to work on next? For instance, what is the company’s view on the fact that 27 people took advantage of its Volunteer Leave Program? What does it want to do about this going forward? I think there need to be more dynamic descriptions of these aspects.

There is also room for further clarity in the way the data is presented. For example, while I think environment reviews are a wonderful idea, the report gives no information on the percentage of subsidiaries for which they have been conducted. Similarly, there are raw numbers for female managers, but no percentages. This is an area to which it should give further thought because of the potential for misunderstandings depending on how the numbers are presented.

Also, I think it would be better if the descriptions of social performance discussed not only internal aspects but also took a broader view of the impact on the local communities where the company does business.

Trading houses by nature have a large role to play in sustainability because they develop resources and energy, move large volumes of goods and materials and, through their investments, move large sums of money. I hope that the company will clearly articulate its awareness of these facts and sense of responsibility, what it thinks it is uniquely able to do and how it plans to take real action.

difficult it is to appropriately communicate to our readers what it is that MC is doing, and the outside opinions on this report have indeed pointed to questions about diversity and internationalism.

In particular, the comment about where we define the boundaries of our investments and to what extent we disclose information ultimately leads to the never-ending quandary of “what constitutes important information to stakeholders,” and in this context, “how do you present environmental and social data.” This is something that we will need to continue to study and consider. There is also the problem of incorporating CSR into the supply chain, and we want to articulate a clear a path forward on this point because of how essential it is to the value chain business model.

Finally, I would like to add a bit of supplementary information to the feature stories in this report. The first point concerns the emissions trading business, which is one of our

core operations. Obviously, as a core operation, it must be profitable, but what we have also tried to do with this feature is communicate how we are using this business to contribute to the solution of global warming. Turning to the story on sustainable pulp production, we want to highlight real examples of how our philosophy of caring for the environment and addressing social concerns in our investments works in actual practice. The companies in which we invest form a key part of our operations—by including stories on the programs of our consolidated subsidiaries it is not our intention merely to trumpet investments that happen to be doing something good for the environment. I hope that you will be able to recognize this as you read these stories, and if you do not, I hope that you will support us as we try to communicate what we are doing in ways that are more easily understood.