

## Third-Party Comments on Sumitomo Trust's 2009 Corporate Social Responsibility Report

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For many companies, 2009 was a year in which the true value of CSR was tested. With the global economic changes due to the financial and economic crisis which emerged last year (2008), many companies experienced the vicious circle of worsened earnings, shrinking operations and employment cuts. Cost cutting has also led to a move to limit CSR activities in many cases. For example, there is a growing trend to trim down the number of pages and to temporarily suspend issuance of CSR reports, etc.

In contrast to this overall trend, Sumitomo Trust added about 20% more pages to its report compared to last year. And this does not only pertain to the increase in quantity. For instance, two of the three Opening Feature Articles cover the specific CSR business activities of Environmentally Friendly Property and Socially Responsible Investment (SRI). Furthermore, Business Innovation, which is the first of the Five Paths for Enhancing Corporate Value upheld in the CSR report each year, also described advancement of particular CSR business activities.

These include emission rights products and services utilizing its trust functions, preferential rate loans for houses equipped with solar power generation systems, investment in a fund to buy contaminated land, charitable trusts for environmental preservation and socially beneficial endeavors, and various SRI products.

Many of these were also introduced in last year's report. But each year they are given more details as financial products and services. Thus the report gives more depth to the content, resulting in more pages. In short, this means that the CSR activities of Sumitomo Trust is taking roots and developing further.

There are many words in English that signify the Japanese word *sekinin*: responsibility, obligation, liability, duty, etc. Of these, responsibility is used in Corporate Social Responsibility. Why is that? Probably, other words express a sense of obligation, but responsibility signifies both a voluntary response and resolve to bear the consequences.

Companies should not consider CSR as only a cost burden, but as an activity to undertake results from their main business, since the main business itself is an activity to respond to society. When held in this light, we find out that companies owe their existence to the society, and not the other way around. Therefore, CSR with substance is called for in times like this where we are confronted by social upheavals and turmoils. Companies cutting down their CSR report virtually admit that their activities had

been mere appearances, not to mention companies which easily cut employment.

Of course, the solution does not lie in simply boosting CSR-related costs. The issue is whether there is a solid focus on establishing CSR as a pillar of management strategy with due consideration to long term earnings enhancement, whether resources are properly allocated with an eye to the future, and whether the management strategy responding to society contributes to employee morale and job satisfaction.

This report at least communicates a strong spirit of response to society buffeted by the financial and economic crisis in its stance of taking up CSR. The spirit reminds me of a Japanese proverb meaning "we can tell a truly strong grass only when strong wind blows."

There are also issues that need to be addressed in this report. Amid this confusion in the society, customers' standards over their selection of companies not only involve their discernment of true CSR, but also evaluating sustainability of earnings. In response to that viewpoint, this report explains "Cost Management and Cost Reduction" and "Reinforced Risk Management." However, the argument of how these factors support profitability is not sufficient enough.

On this point, I would hope for ingenuity to go a step further. For example, why not disclose a financial and accounting-based calculation of the total cost-effectiveness of CSR activities (including estimated contribution to earnings)? The relationship between CSR and profitability should be evaluated from a long term perspective, not a short term perspective swayed by the immediate economy. I think that is the very theme a trust bank should pursue.

Another point which caught my attention was the opening Message from Management. I am not trying to find fault here, but same as last year, the message itself is accurate yet a little stiff, including the photo of the three managers. If CSR is already positioned as a pillar of management strategy, it may be a good time to change from a structure led by top managers. Instead, how about fully pushing ordinary front line employees who meet customers on a regular basis to the fore?

Of course, it is vital that top managers inspire confidence. On the other hand, I would like them to be a little bit more approachable. Here is a suggestion: why don't they all write a Love Letter at Sixty to the society?