

Conversation between ESG Specialist and MARUI GROUP

MARUI GROUP’s Approach toward ESG

MARUI GROUP’s co-creation corporate culture of actively incorporating customer input has been extended to include gathering feedback from long-term investors. Such investors consider environmental, social, and governance (ESG) concerns in measuring corporate value. We thus invited ESG specialist Hiroko Tokuda to discuss the present state of and future direction for ESG at MARUI GROUP.

Hiroko Tokuda

ESG Specialist,
Investment Research Group & Responsible Investment Group
Tokio Marine Asset Management Co., Ltd.



Atsuko Toida

General Manager, CSR Promotion Department
MARUI GROUP CO., LTD.



Asumi Kantake

Chief Manager, Investor Relations Department
MARUI GROUP CO., LTD.



From left: Asumi Kantake, Hiroko Tokuda, and Atsuko Toida

Investor Perception of ESG

Tokuda: In September 2015, the Government Pension Investment Fund of Japan, which manages the world’s largest asset portfolio, became a signatory to the United Nations Principles for Responsible Investment, a set of principles that places emphasis on ESG concerns. Accordingly, the importance of ESG is being re-acknowledged in Japan.

Tokio Marine Asset Management also believes that it is crucial to consider ESG factors in judging the corporate value of companies over the medium-to-long term. We are currently working together with the dedicated CSR divisions of the Tokio Marine Group in order to develop systems for clearer incorporation of ESG factors into investment processes. In addition, in response to the 2014 adoption of Japan’s Stewardship Code, we began ramping up efforts to bolster cross-division coordination within Tokio Marine, including establishing databases of interactions with companies so that this information may be shared.

Approach toward ESG as a Company

Kantake: From my perspective as a representative in charge of investor relations, or IR, at MARUI GROUP, it seems as though the way that institutional investors view IR has been changing substantially over the past one or two years following the introduction of the Ito Review, Japan’s Stewardship Code, and Japan’s Corporate Governance Code. At MARUI GROUP, we established the Investor Relations Department as a dedicated IR organization in 2015, and we have been acting in earnest to step up interactions with investors through means such as formulating the MARUI GROUP Corporate Governance Guidelines (➡️📄P101-102). Nevertheless, I still cannot help but feel that our efforts are a bit lacking in terms of disclosure of non-financial information.

Toida: In terms of CSR, the role companies play in society is a topic that has been gaining more attention since the 2011 Great East Japan Earthquake. Therefore, we

have been transmitting information about the advances in MARUI GROUP’s CSR activities through our main business. However, I often find myself wondering how we can get investors to better recognize this information as CSR-oriented. For this perspective, I have begun organizing the initiatives we have conducted to date based on the concept of ESG, and rethinking what type of information we should seek to communicate accordingly. At the moment, I am adopting an approach aimed at raising MARUI GROUP’s reputation from a global standpoint, which has included examining evaluations of the Company by overseas ESG evaluation institutions.

Tokuda: The level of disclosure expected by ESG evaluation institutions is increasing. For institutional investors, meanwhile, I think it is important to prioritize information, first determining what information is truly important for judging particular companies, and then asking these companies to supply this information.

Toida: Recently, society has been placing additional emphasis on the importance of manufacturing operations that consider the entire supply chain. The Group, as well, has been working to enhance its CSR procurement initiatives, which help us to fulfill our social responsibilities across the supply chain. To this end, we established and disclosed the MARUI GROUP Procurement Policy in spring 2016. At the moment, we are visiting the factories we use to confirm on-site conditions, and we plan to formulate future measures together with our business partners.

Tokuda: As an investor, I think initiatives such as those you speak of are of great importance. In the future, I would like MARUI GROUP to actively disclose information on risks, such as how it views the social and environmental risks seen across the supply chain and the other business risks it faces, and how it intends to address these risks.

ESG Conversations between Investors and Companies

Kantake: MARUI GROUP published an integrated report titled *Co-Creation Management Report 2015* last year.



We then held explanatory forums about this report on an experimental basis with the aim of better communicating the voices of employees at the frontline of operations to investors (➡️📄P102). The integrated report includes contents such as a comment from a junior member of our shoes sales staff and an introduction of the profession change system that allows for movement of personnel between our various Group companies and divisions, which all feature unique job descriptions. Prior to holding the explanatory forums, however, we were doubtful as to whether investors would have an interest in such topics. However, these forums proved immensely popular, with more investors attending than seen at past financial results briefings. Attendees expressed great interest even with activities that we advance simply as a standard part of operations. This experience reaffirmed my belief that, if we do not actively communicate such information, our efforts will remain invisible to investors.

Tokuda: MARUI GROUP’s profession change system is something that you do not often see at other companies, and I have great interest in this system as an institutional investor. I am particularly interested because, from the perspective of medium-to-long-term growth, the development of a workplace environment in which employees are empowered to work energetically is a matter of importance to companies.

Kantake: The “E,” “S,” and “G” of ESG are all elements of operations that should contribute to income. This experience taught me the importance of sharing information on our daily work activities, the Company’s growth, and our roadmap for this growth with people outside MARUI GROUP.

Shared Vector of Companies and Investors

Tokuda: Corporate cultures are important to consider in analyzing and evaluating companies. MARUI GROUP has a corporate culture of incorporating input from customers as well as from institutional investors.

Kantake: Actually, the reason the Company established the Investor Relations Department was the idea that we should listen to investor input as we do to customer input. We report on the details of IR activities at meetings of the internal Medium-Term Management Visionary Committee, which employees are able to attend on a voluntary basis (➡️📄P63 Activities of the Medium-Term Management Visionary Committee in the Corporate Culture of Co-Creation Management). At the moment, a wide range of Group members are engaging in discussions with investors to help contribute to improved corporate value.

Tokuda: That is a spectacular approach. It is important than ever for both companies and investors to work to close the gap between one another in order to improve corporate value. At Tokio Marine Asset Management, we aim to contribute to the promotion of a prosperous society and spur economic development through responsible investment and asset management. MARUI GROUP’s co-creation management principle of co-creating customer happiness through its business activities seems very similar to this philosophy. If society does not prosper, we cannot hope to realize long-term returns. In terms of the value of their existence to society, I feel that companies and institutional investors share the same vector.



Hiroko Tokuda
ESG Specialist, Investment Research Group & Responsible Investment Group
Tokio Marine Asset Management Co., Ltd.
www.tokiomarineam.com/about_us/pri.html

Ms. Tokuda completed a degree at the Graduate School of Finance, Accounting and Law, Waseda University, and has served as an inspection committee member of the Securities Analysts Association of Japan. In her current position, her work pertains to responsible investment and socially responsible investment funds. She has also been a member of the Ministry of the Environment’s Investigation Commission for Creating and Invigorating Markets for Promoting Green Investment and Investigation Commission for Investment in Consideration of Sustainability Issues, as well as a judge for the Nikkei Annual Report Awards.