



# ❖ SDGs and Business for the Future:

Actions by Private Companies in Japan



## Supporting Companies, Organisations and Groups

### [Private Companies]

- ANA HOLDINGS INC.
- Osaka Gas Co., Ltd.
- OMRON Corporation
- Kyokuto Kaihatsu Kogyo Co., Ltd.
- Kirin Holdings Company, Limited
- INPEX Corporation
- Konica Minolta, Inc.
- Sumitomo Forestry Co., Ltd.
- Daikin Industries, Ltd.
- Dai Nippon Printing Co., Ltd.
- DSM Japan
- TEIJIN LIMITED
- Tokyo Electron Limited
- Tokio Marine Holdings, Inc.
- TOTO LTD.
- Nissay Asset Management Corporation
- Japan Food Ecology Center, Inc.

- Nestlé Japan
- Hakuholdo DY Holdings Inc.
- Patagonia Japan
- FUJI OIL HOLDINGS INC.
- Fuji Xerox Co., Ltd.
- Sumitomo Mitsui Trust Holdings, Inc.
- Sumitomo Mitsui Financial Group, Inc.
- Yamaha Corporation
- Yamaha Motor Co., Ltd.
- euglena Co.,Ltd.

### [Organisations and Groups]

- Junior Chamber International Japan
- Japan Securities Dealers Association
- Volunteers group to think about social challenges (Ajinomoto Co., Inc., FUJIFILM Corporation, Fuji Xerox Co., Ltd.)

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## Abbreviations

CEO.....	Chief Executive Officer	JICA.....	Japan International Cooperation Agency
CO2 .....	Carbon Dioxide	MDGs .....	Millennium Development Goals
CSR.....	Corporate Social Responsibility	NGO .....	Non Governmental Organisation
CSV .....	Creating Shared Value	OECD .....	Organisation for Economic Co-operation and Development
DJSI.....	Dow Jones Sustainability Index	ODA.....	Official Development Assistance
EICC .....	Electronic Industry Citizenship Coalition	PRI.....	Principles for Responsible Investment
ESG.....	Environmental, Social and Governance	RBA.....	Responsible Business Alliance
GCNJ .....	Global Compact Network Japan	SDGs.....	Sustainable Development Goals
GPIF .....	Government Pension Investment Fund	TCFD .....	Task Force on Climate- related Financial Disclosures
GRI.....	Global Reporting Initiative	UNGC.....	United Nations Global Compact
HLPF .....	High-level Political Forum	VNR.....	Voluntary National Reviews
IGES.....	Institute for Global Environmental Strategies	WBCSD.....	World Business Council for Sustainable Development
IR.....	Investor Relations		
ISO.....	International Organization for Standardization		
JBIC.....	Japan Bank for International Cooperation		

# 1. Introduction

Over two years have passed since the adoption of the 2030 Agenda for Sustainable Development with the Sustainable Development Goals (SDGs) at its core, and actions in Japan toward achieving the SDGs have gained momentum. Companies have approached the SDGs as good opportunities to improve management and have launched a wide array of initiatives. In 2016, the Global Compact Network Japan (GCNJ) and the Institute for Global Environmental Strategies (IGES) conducted a questionnaire survey and interviews mainly for GCNJ members. Results were released in April 2017 in a report entitled, “SDGs and Business in Practice—Early Actions by Japanese Private Companies”.<sup>1</sup> This year’s report is a continuation of this research.

The previous report showed, along with substantial data, that (1) most of the SDGs-related initiatives of Japanese companies were at the stage of utilising SDGs as checklists to identify the consistency of existing corporate missions and business with them, and (2) a group of leading companies that have endeavored in the past to engage in sustainability management and initiatives related to the Millennium Development Goals (MDGs) view the SDGs as a “business opportunity” and have used them in the marketing and branding of the company and major products, leading to increased profit and enhanced corporate value. The report sent out the message that companies will be called upon in the future to scale up existing initiatives and further integrate the SDGs within each business division as core business.

As the first report revealed trends in and an overview of the SDGs-related initiatives by companies at that time, it evoked many responses both in Japan and overseas.<sup>2</sup> However, while the previous report presented some hints on how to incorporate the SDGs into core business, it stopped short of presenting approaches in a holistic and organised form. Moreover, following publication, the authors received requests to also address responses to the negative impacts of corporate activities.

Accordingly, to address the above demands, between September 2017 and March 2018, GCNJ and IGES again conducted a survey questionnaire and interviews for mainly GCNJ members and compiled results into this report. The chapters that follow first include a review of trends involving the SDGs both in Japan and internationally, with secular changes in corporate initiatives presented. Next, approaches to integration of SDGs into core business are examined, focusing on the “organisations” that enable sustainability and the SDGs embedded into business operations and management, and the “corporate activities” that contribute to solving social problems (Table 1 lists the items examined from these two aspects). Finally, the knowledge gained from this series of surveys and analyses is compiled in the conclusion. Moreover, this report addresses responses to negative impacts in its main body, and a collection of case studies on corporate initiatives are included at the end of this report for the reader’s reference.

Table 1: Items examined on SDGs and core business

I. Aspects of organisations	II. Aspects of corporate activities
(1) Corporate philosophy and vision	(8) Core business (capturing and expanding business opportunities)
(2) Understanding and commitment of top management	(9) Core business (addressing management risks)
(3) Medium and long-term management plan and goal setting	(10) Social business with small profit/Philanthropic activities associated with core business
(4) CSR division, executive committee	(11) Improving market environment
(5) Mechanism to facilitate solutions to social problems	
(6) Reward system	
(7) Understanding of middle management and business units	

<sup>1</sup> GCNJ/IGES (2017), “SDGs and Business in Practice—Early Actions by Japanese Private Companies”, [http://ungcjin.org/sdgs/pdf/elements\\_file\\_2966.pdf](http://ungcjin.org/sdgs/pdf/elements_file_2966.pdf). The English edition was released in June 2017 and is available at the following URL: [http://ungcjin.org/sdgs/pdf/elements\\_file\\_3032.pdf](http://ungcjin.org/sdgs/pdf/elements_file_3032.pdf).

<sup>2</sup> Specifically, the report received coverage in over 20 domestic media and led to public-speaking requests from various groups. Further, the report was addressed in the UNGC International Yearbook, the website of the WBCSD (World Business Council for Sustainable Development) and the SDG Knowledge Hub operated by the IISD (International Institute for Sustainable Development), a Canadian research institute.

## 2. Overview of Research

This report is based on a review of the current status of efforts by companies and organisations in Japan, with focus on GCNJ members, to promote sustainable business initiatives and contributions aimed at realising the 17 goals outlined in the SDGs.

Fact-finding research on the SDGs implementation status, using on-line questionnaires for GCNJ members, was initiated in 2015, with the current report covering the third survey. The 2017 survey was conducted for GCNJ members (total 254 companies and organisations<sup>3</sup>) on the state of actions on SDGs for each SDG goal, challenges faced by SDGs-related initiatives and future directions. The survey was conducted between 1 September and 2 October 2017 and gained 163 responses from companies and organisations. The survey was divided into two parts, with one part containing identical questions asked yearly to follow changes over time and another part with questions specific to the survey year. Results of the former are compiled in Chapter 4 and the latter are utilised for discussion in Chapters 5 and 6. Further, a portion of questions were designed to be identical to those of a survey conducted annually for United Nations Global

Compact (UNGC) signatory companies.<sup>4</sup>

Additionally, between October 2017 and March 2018 interviews were conducted with 30 companies/organisations engaged in leading initiatives. Companies interviewed included 15 of 69 companies that had already begun initiatives and indicated willingness to publicly release the content of these initiatives, as well as a total of 15 companies/organisations among those selected as ESG stocks of the Government Pension Investment Fund (GPIF)<sup>5</sup> and GCNJ non-members. Moreover, consideration was given to differences in company scale, industry type and location of headquarters in selecting companies for interviews.

Approximately 80% of GCNJ members (below referred to as “members”) that responded to the survey can be classified as large corporations, with 75% of respondent companies posting gross sales of over JPY 100 billion (Figure 1); moreover, 79% indicated engagement in global markets (Figure 2). Accordingly, it is necessary to bear in mind when reviewing survey results that small and medium-sized enterprises are generally not included.

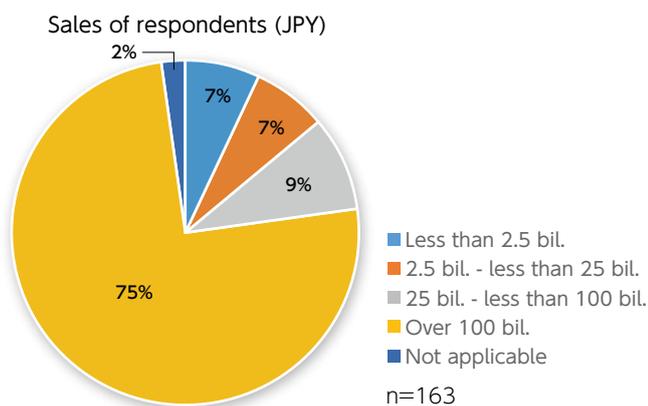


Figure 1: Sales of respondent companies/organisations

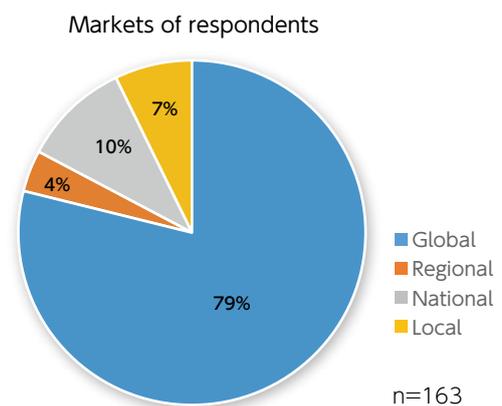


Figure 2: Markets of respondent companies/organisations

<sup>3</sup> 2GCNJ member numbers as of 1 September 2017.

<sup>4</sup> UNGC (2017a), "Progress Report: Business Solutions to Sustainable Development". <https://www.unglobalcompact.org/library/5431>.

<sup>5</sup> Stocks selected with environmental, social and governance criteria. Refer to the column on page 4.

# 3. SDGs-related Business Trends in Japan and Internationally

## 3.1 International trends

In 2017, the world has further seen dynamic activities on the SDGs.<sup>6</sup> This section will examine international trends in corporate initiatives on the SDGs, focusing on UNGC-related activities.

During the UN General Assembly in September 2017, the UNGC held a Leaders Summit. CEOs from companies engaged in pioneering activities around the world, such as Paul Polman, CEO of Unilever, gathered for dynamic discussions. Aside from company representatives, other members of the international community including leaders from civil society, academia, government and the United Nations assembled to participate in networking and sharing of best practices related to SDGs implementation. Moreover, individuals that have promoted links between the SDGs and local level business were recognised as Local SDG Pioneers. Ten business leaders from around the world, including the CEO of Total, a French oil company and the CEO of Turkcell, a Turkish telecommunications company, were selected and recognised for their achievements.

New tools were also released at the Leaders Summit. These included the “Blueprint for Business Leadership on the SDGs”<sup>7</sup>, which explains how top management can engage in SDGs implementation, and the “Business Reporting on the SDGs: An Analysis of the Goals and Targets”<sup>8</sup>, which compiles a list of existing business indicators that can be used to respond to the 169 targets of the SDGs. These tools are outputs of the Action Platforms<sup>9</sup> established by UNGC towards achieving the SDGs and contain a wealth of information and hints for companies to promote the SDGs. Between 20 and 40 companies actively participate in each platform, and hopes are high that new business ideas contributing to the SDGs will be generated from them. As of the writing of this report (February 2018), Japanese companies such as Sumitomo Chemical and Fuji Xerox are participating in the platforms.

In the Asian region, an SDGs-related event was held in August 2017 in Tokyo, jointly sponsored by the GC Local Networks of Japan, China and Korea. Attended by Lise Kingo, Executive Director of UNGC, this event focused on the theme, “Transform Our World with SDGs”. The results of awareness surveys in each country, particularly concerning Goal 5 (gender equality) and Goal 12 (consumption and production), were released and related discussions were held. The importance of promoting the SDGs above and beyond differing nationalities and standpoints, was reconfirmed.<sup>10</sup>

## 3.2 Trends in Japan

Next, trends in Japan will be explored. The Government of Japan has worked to enhance opportunities to advance the SDGs, including conducting a Voluntary National Review (VNR) at the High-level Political Forum (HLPF), held at the UN Headquarters in New York in July 2017, and utilising the Japanese celebrity Picotaro at government-sponsored events. The government’s SDGs Promotion Headquarters also established the “Japan SDGs Award” to recognise companies and organisations carrying out outstanding initiatives that contribute to achievement of the SDGs. The first awards ceremony was held in December 2017. Winners attract considerable attention and have the SDGs Award presented to them directly by the Prime Minister, which could provide considerable motivation for Japanese companies and organisations engaging in SDGs-related initiatives.<sup>11</sup> The Japan SDGs Award is expected to continue next year and beyond.

At the ministerial level, discussions took place within the Ministry of the Environment (MOE) on revision of the Fifth Basic Environment Plan. A course of action was revealed in August 2017 to realise integrated improvements in the environment, economy and society utilising the concepts of the SDGs. (This plan was decided by the Cabinet in April 2018.) The MOE again as a sequence of those in 2016 held stakeholders’ meetings to share information on pioneering SDGs-related initiatives by companies and local governments. The Cabinet Office has decided to select about ten leading initiatives by local governments as

<sup>6</sup> See GCNJ/IGES (2017) for trends up to 2016.

<sup>7</sup> UNGC (2017b), “Blueprint for Business Leadership on the SDGs”, <https://www.unglobalcompact.org/library/5461>.

<sup>8</sup> UNGC (2017c), “Business Reporting on the SDGs: An Analysis of the Goals and Targets”, <https://www.unglobalcompact.org/library/5361>.

<sup>9</sup> Other than the Blueprint for SDG Leadership and the Reporting on the SDGs platforms, UNGC has also established Action Platforms on the topics of innovation, finance, low-carbon and resilient development and health. See the UNGC website for details: <https://www.unglobalcompact.org/sdgs/action-platforms>.

<sup>10</sup> GCNJ 9<sup>th</sup> China-Japan-Korea Roundtable Conference, <http://ungcjin.org/activities/topics/detail.php?id=222>.

<sup>11</sup> Shimokawa, a town in Hokkaido, received the SDGs Promotion Headquarters Chief (Prime Minister) Award. Companies highlighted in the previous report were also recipients: Saraya Co., Ltd. and Sumitomo Chemical Company, Limited, received the SDGs Promotion Headquarters Vice-Chief (Minister for Foreign Affairs) Award and ITO EN, LTD. received the SDGs Partnership Award.

“Local Government SDGs Model Initiatives, and to provide financial support for local government initiatives aimed at achieving the SDGs. Future cooperation between local governments and local companies is expected based on this initiative. In addition, Japan International Cooperation Agency (JICA) began accepting applications from September 2017 for the “SDGs Business” survey projects, which aim at addressing issues in developing countries through businesses that contribute to achieving the SDGs.

Trends in the industrial sector include the revision of the Japan Business Federation’s Charter of Corporate Behavior in November 2017, the biggest accomplishment throughout the year. The SDGs are central to the revised Charter, which aims to maximise innovative technologies such as IoT, AI and robotics to achieve a balance between economic growth and addressing various social issues, including health and healthcare, agriculture and food, environment and climate change, energy, safety and disaster prevention and human and gender equality, in order to create societies where each and every person has a comfortable and active life. The more than 1,600 members of the Japan Business Federation are representatives of Japan, and their adherence to the spirit of the Charter and the voluntary actions it contains could wield considerable influence.

Similar trends to review charters and vision statements are evident in other industrial organisations. The Japan Chemical Industry Association formulated a vision in May 2017 aimed at achievement of SDGs in Japan’s chemical industry. Further, in September 2017 the Japan Securities Dealers Association established the “Council

for Promoting the SDGs” as an advisory body to the Association Chairman. Taking into account the content of the SDGs, concrete activities in the areas of poverty, hunger, global environment, ways of working reform, women’s participation and education support for the socially vulnerable are being considered. It is likely to function as promotion of ESG investment.

Thus, amidst global trends, actions to promote SDGs-related initiatives in Japan have gained momentum. Government and industrial groups are advancing environmental improvements to boost the SDGs-related initiatives of companies, which will make it even harder in the future for companies to survive business competition without addressing the SDGs. Incorporating SDGs into business strategy and plans is becoming a mandatory course, not an optional one, for companies.

Meanwhile, social issues in Japan have gained considerable attention, such as corruption in accounting and inspections by companies, long work hours, and suspension of contracted employment. Further, according to the Global Gender Gap Report<sup>12</sup>, an analysis of the state of gender inequality in countries of the world released at the 2017 World Economic Forum, Japan has a low ranking of 114th and has fallen behind in related initiatives. Japan’s ranking on relative poverty rate is poor at second from last among developed nations, pointing to a major social problem.<sup>13</sup> Both issues are closely related to the SDGs and efforts to make improvements within companies are possible. While initiatives in the environmental arena are one of the strengths of Japanese companies, further effort on social issues is anticipated.

<sup>12</sup> World Economic Forum (2017), “The Global Gender Gap Report 2017”, [http://www3.weforum.org/docs/WEF\\_GGGR\\_2017.pdf](http://www3.weforum.org/docs/WEF_GGGR_2017.pdf).

<sup>13</sup> OECD (2017), “OECD Economic Survey of Japan”, <http://www.oecd.org/eco/surveys/Japan-2017-OECD-economic-survey-overview-japanese.pdf>.

**Column: Trends in ESG investment which strongly links to SDGs**

ESG investment is investing that takes into consideration not only conventional financial information, but also the three Environment, Social and Governance factors. It has garnered attention in recent years on the stock market. The amount of ESG investments managed exceeds JPY 2.5 quadrillion globally and accounts for one quarter of total investments. In Europe where ESG investing is particularly in demand, ESG investments account for 52.6% of total investments.<sup>14</sup>

In international trends in ESG, the final report of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board was released at the G20 Summit held in Germany in July 2017. The TCFD is a task force comprised of financial authorities from around the world specially launched by the Financial Stability Board. The report called for companies to disclose information on climate change risks and opportunities, and on the strategies being formulated to address them. It appears likely that actions to disclose information related to climate change in annual reports will make progress.

In Japan, GPIF significantly contributes to accelerating the flow of ESG investments. GPIF is one of the world's largest public pension institutions and is an investing institution that annually manages assets equivalent to approximately JPY 157 trillion. After signing the Principles for Responsible Investment (PRI) in September 2015, GPIF's rate of ESG investments that stood at 0.2% in 2012 rose to 35.0% in 2017, approaching the level of global trends.<sup>15</sup> Additionally in July 2017, based on information disclosed by companies, GPIF adopted three stock indices (2 broad, 1 thematic (participation of women)) that take ESG factors into account when including stocks. GPIF has used these indices to begin investment on a JPY 1 trillion scale and will expand to JPY 3 trillion over the next three to five years. In November 2017, GPIF called for applications for an environmental index, as expansion of ESG investments is expected to continue in the future.

The questionnaire survey conducted for this report asked whether selection of ESG stocks by GPIF had influenced companies' SDGs initiatives. A total of 43% of respondents replied that it had influenced them, while 24% said there was no influence and 33% stated they did not know. In free response sections and interviews, some companies replied that the stock selection was a result not an objective, while others replied that realistically money was moving so their level of commitment to initiatives in ESG would change, reflecting differences in reactions. Indirect financing such as bank financing is still mainstream in the business world in Japan. However, as indirect financing is also included in the TCFD framework, the state of affairs surrounding ESG has the potential to drastically change in the future.

Q: Following selection by GPIF of its ESG investment index, were there any changes in your company's SDGs-related initiatives (including future plans)?

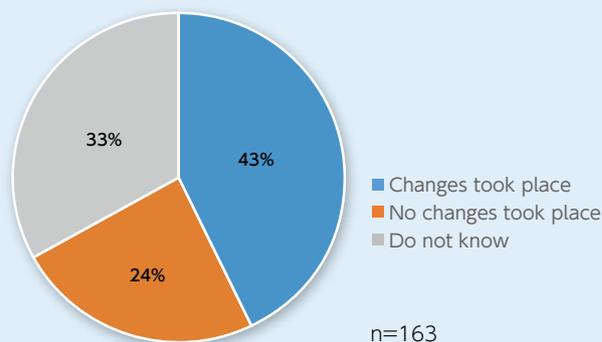


Figure 3: Changes in initiatives due to GPIF's ESG investment index selection

<sup>14</sup> Global Sustainable Investment Alliance (2017), "2016 Global Sustainable Investment Review" [http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR\\_Review2016.F.pdf](http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf).

<sup>15</sup> Japan Sustainable Investment Forum (2017), "Third Sustainable Investment Survey in Japan", <http://japansif.com/171030.pdf>.

# 4. Changes in the State of SDGs-related Initiatives as Seen in Yearly Comparisons

## Awareness on SDGs

This chapter will examine changes in initiatives on SDGs in companies based on a yearly comparison. When working to promote the SDGs within a company, awareness within the organisation is an important starting point. According to survey results, the level of awareness on SDGs has risen annually (Figure 4) and “do not know” responses have decreased year-by-year. Awareness on the part of top management, an issue discussed in the previous report, has risen to 36%, nearly twice the 2015 value. Meanwhile, although permeation to middle management has increased slightly, awareness levels have stagnated and remain at a low 9%, making increasing the level of awareness among middle management an ongoing issue.<sup>16</sup>

## Companies' perception of SDGs

Referring to questionnaire survey results from 2016 and 2017 (Figure 5), this section will examine how companies perceive the SDGs. Some items cannot be compared because new response options were added to the 2017 questionnaire. However, it is striking that over 70% of respondents have approached the SDGs from the perspective of business-minded corporate value. Further, a 29% value for the newly created “respond to investors”

item shows that companies are using the SDGs as an approach to information disclosure and a lingua franca with investors. Likewise, 20% of companies chose the response “recognise its importance, but still seeking clear objective”. This reveals a gap in the time that companies require to discover the relevance of the SDGs—holistic and interrelated development goals that are not legally binding—to the corporate activities of their companies.

## Main actors in promotional activities on SDGs

The previous report revealed that the majority of companies had made connections between core business and the 17 goals of the SDGs and were at the stage of implementing checklists. What changes have taken place over the year that has passed since then? While there has been no change in CSR divisions predominantly serving as the main actor in promotional activities on SDGs, when options were added in 2017, it became evident that management and planning divisions as well as CEOs are also involved (Figure 6).

## State of progress on SDG Compass<sup>17</sup>

An examination of the level of progress on the five steps of the “SDG Compass” (Figure 7) has shed light on the

Please select the applicable status of SDGs awareness in your company/organisation.  
(multiple choice, \*newly added response options in 2017)

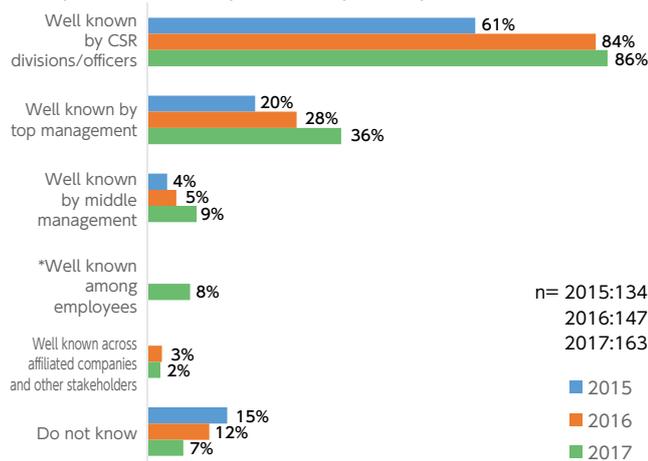


Figure 4: Level of awareness in organisations

Q: What is important for your company/organisation to address and engage in the SDGs?  
(multiple choice, \*newly added response options in 2017)

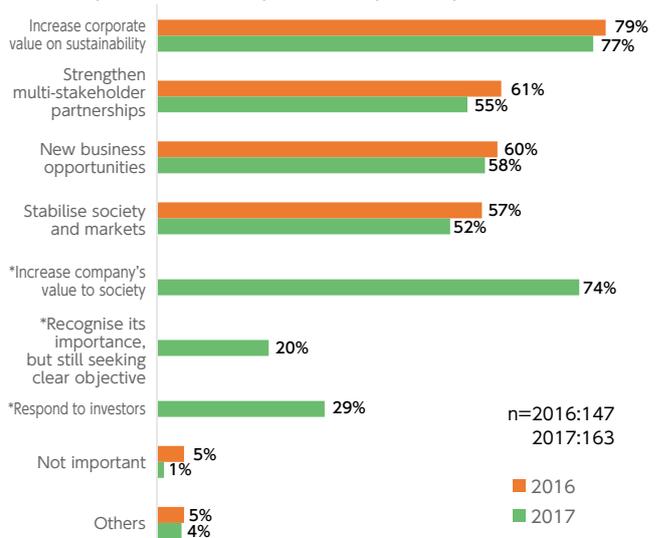


Figure 5: Perception of SDGs

<sup>16</sup> The results of a similar survey released by CSR Europe in the spring of 2017 showed that awareness among middle management is sluggish, revealing a situation identical to Japan's. The report is accessible at the following URL: <https://globescan.com/the-sustainable-development-goals-sdgs-the-value-for-europe/>.

<sup>17</sup> The SDG Compass, written by GRI (Global Reporting Initiative), UNGC and WBCSD, provides guidelines for corporate actions on SDGs and is used by many companies as a reference when engaging in the SDGs. The Japanese version was released by GCNJ and IGES in March 2016 and is available at the following URL: [http://www.ungcjin.org/sdgs/pdf/SDG\\_COMPASS\\_jpn.pdf](http://www.ungcjin.org/sdgs/pdf/SDG_COMPASS_jpn.pdf).

state of incorporation of the SDGs into management. In 2016, 54% of companies indicated they were on Step 1, "understanding the SDGs". In 2017, Step 1 responses declined while responses for Step 2, "defining priorities" (28%), Step 3, "setting goals" (13%), and Step 5, "reporting and communicating" (8%) increased, showing steady progress on SDGs-related initiatives. Nonetheless, the number of companies falling under Step 3 or above remains few. These figures point to a state of affairs in which only a limited number of companies have set goals and are at the stage of ascertaining impacts, while most companies are struggling to find ways to incorporate the SDGs into management.

**Challenges in implementing initiatives on SDGs**

Lastly, a comparison of secular changes in recognition of challenges (Figure 8) shows that responses on "low social recognition" and "unclear government policy, lack of government involvement" have gone down significantly in 2017. Previously mentioned government-led initiatives have become more widely known, likely influencing these figures.

The broad "low understanding inside company" response was divided into three separate responses covering, "middle management", "general employees" and "directors" in the 2017 survey. Accordingly, a 47% response rate for "low understanding among middle management" was remarkable. This is the downside of the previously mentioned present state of awareness, making improved understanding among middle management a pressing issue.

The item of utmost concern was the "undefined method for internal deployment". As seen in the progress on the SDG Compass, companies are still searching for ways to engage in the SDGs.

As shown above, most companies have the intent to engage in SDGs-related initiatives through business in order to enhance corporate value. Nevertheless, challenges remain in integrating the SDGs into core business. Chapters 5 and 6 will examine approaches for integrating the SDGs into core business activities, providing concrete examples.

**Q: Who are the main actors in SDGs promotional activities within your company/organisation (multiple choice, \*newly added response options in 2017)**

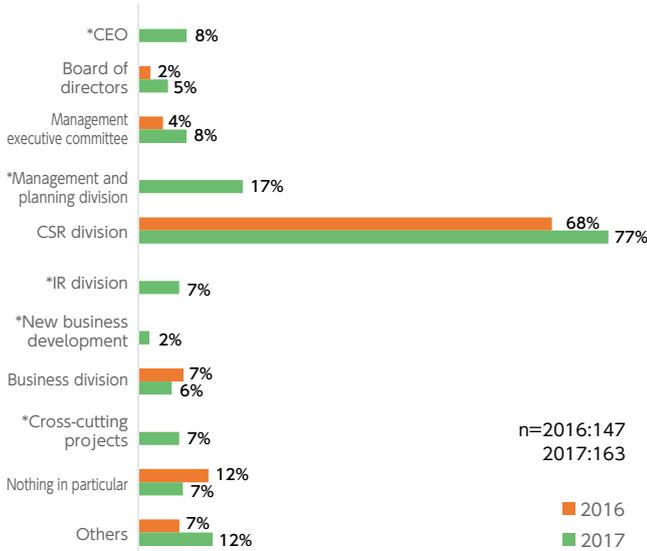


Figure 6: Main actors in SDGs promotional activities

**Q: What are the main challenges in working on SDGs? (multiple choice, \*newly added response options in 2017)**

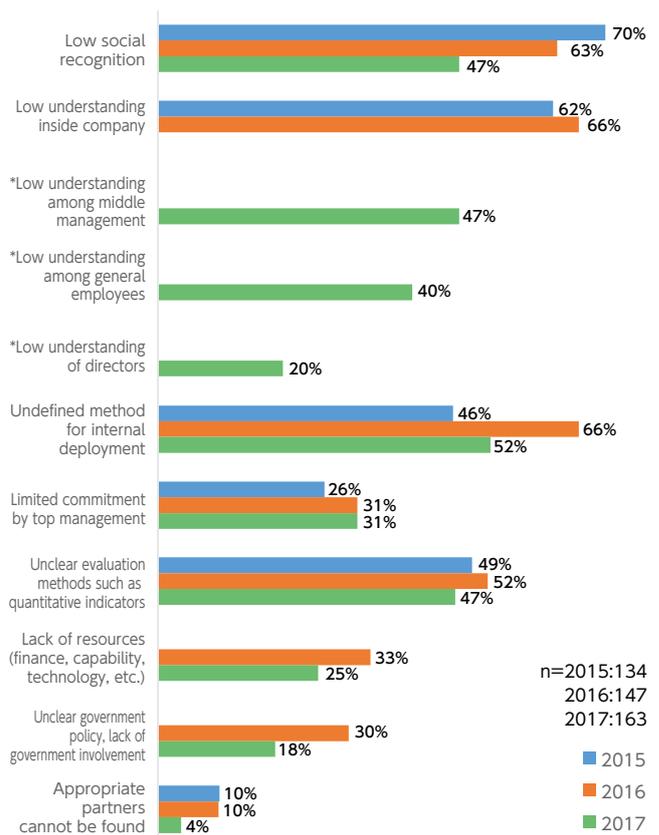


Figure 8: Challenges in promoting SDGs

**Q: Which step indicates current progress on the "SDG Compass"?**

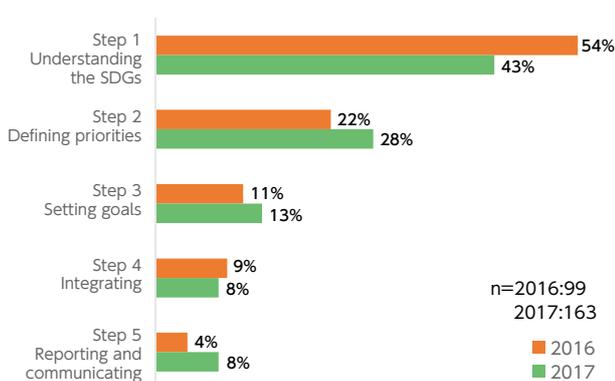


Figure 7: State of progress on SDG Compass

# 5. Integrating SDGs into Core Business I: Organisations

In the report entitled, “SDGs and Business in Practice—Early Actions by Japanese Private Companies,” jointly published by GCNJ and IGES in April 2017, we defined “Integrating SDGs into the core business” as the integration of sustainability and SDGs into corporate management strategies (incorporation into strategies and plans and implementation as core business), in combination with the concept of CSV (Creating Shared Value). That is to say, integration of SDGs into core business must be examined from two perspectives—both the “organisations” that enable sustainability and the SDGs become embedded into management, and the “corporate activities” that contribute to solving social problems.

First, a framework for examining “organisations” is presented. Here, incorporation of the SDGs into core business is the reformation of organisations toward practicing sustainable management that corresponds to the direction sought by the SDGs. Therefore, the components of organisations, namely, their “philosophy,” “leadership,” “strategy,” “structure,” “system,” and “people,” must be examined (Figure 9)<sup>18</sup>.

“Philosophy” is a company’s reason for existence that forms the basis of the organisation and influences the other five components. “Leadership” refers to the understanding, intention and commitment of top management related to SDGs. “Strategy” involves the examination and analysis of external and internal environments based on a corporate philosophy, vision and mission to establish business objectives, and the demonstration of concrete measures and plans to achieve these objectives. “Structure” calls for examination and

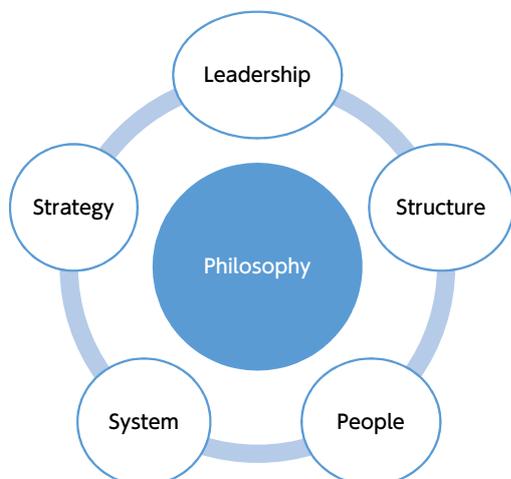


Figure 9: Components of an organisation

determination of a sustainability strategy within the organisation and requires attention to be paid to the management of performance. “System” corresponds to mechanisms that affect both individuals and the organisation such as company regulations that comply with laws and codes of conduct, as well as remuneration schemes, personnel and other systems. “People” represents the skills and awareness of employees. This report deals in particular with understanding of SDGs on the part of middle management and business units. These six components are all indispensable to companies. When they function together like gears in a machine with Philosophy at the centre, actual corporate activities are carried out in society.

This chapter will examine the following items concerning the components of organisations.

- Philosophy (1) Corporate philosophy and vision
- Leadership (2) Understanding and commitment of top management
- Strategy (3) Medium and long-term management plan and goal setting
- Structure (4) CSR division, executive committee
- System (5) Mechanism to facilitate solutions to social problems  
(6) Reward systems
- People (7) Understanding of middle management and business units

Moreover, unless otherwise mentioned, the below-mentioned business case studies refer to the collection of case studies at the end of this report. Other sources, including the “GCNJ/IGES Interview Series: SDGs and Business for the Future”<sup>19</sup> released on the GCNJ website, are indicated in footnotes.

## Philosophy

### (1) Corporate philosophy and vision

A corporate philosophy is the most basic concept that supports a company’s action plan and reveals the company’s mission in society, or more specifically its reason for existence. Further, a management vision concretely depicts the ideal future of the company. Corporate philosophy and vision statements incorporate the commitment of management and form the key mainstays that ensure the company’s mission in society spreads through to employees.

In interviews, the view was voiced that all 17 goals of the SDGs can all be applied to corporate activities somehow because of the wide scope of the three aspects of sustainability—environment, economy and society.

<sup>18</sup> The idea for Figure 9 is from Peter Doyle (1994), “Marketing Management and Strategy”.

<sup>19</sup> GCNJ/IGES Interview Series: SDGs and Business for the Future, <http://uncgcnj.org/sdgs/archive/index.html>.

However, when companies decide to contribute to SDGs via their business, goals and targets to which they can contribute become evident when they return to the starting points of their corporate philosophies and visions to confirm what their companies exist to do in society, as shown in the case study below.

**Business Cases in Point**

Since the 1970s, Fuji Xerox has proposed new ways of working and achieving fulfillment in work and life under the slogan, "From Hustle to Beautiful". Following careful consideration of the corporate philosophy and the role it should play in society, from among various social issues, Fuji Xerox designated the promotion of Goal 8 (Decent Work and Economic Growth) as a major goal.

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At the critical juncture of its 150th anniversary, Nestlé stipulated its reason for existence in society and settled on areas of focus for creating shared value, as well as ways to relate these to the SDGs. Further, the company formulated three long-term objectives running up to 2030 to serve as support for achievement of the SDGs and as guidelines for the achievement of 42 commitments up to 2020.<sup>20</sup>

**Leadership**

**(2) Understanding and commitment of top management**

The SDG Compass states that the leadership of top management and executives is key to integration of sustainability goals into business. Further, as already pointed out in survey results for 2015 and 2016, the degree of commitment of top management greatly influences the progress of SDGs, and the speech and actions of top leadership are essential.<sup>21</sup>

What factors are key to gaining headway in recognition at the top management level? Questionnaire survey results in 2017 (Figure 10) showed that 77% of board members or corresponding committee members are considering policies and strategies related to CSR and/or the SDGs. Of these, 48% of companies, irrespective of frequency, have brought CSR-related agenda items before their boards of directors. These results are considered to factor into raised recognition of SDGs among management.

Interviews revealed top management participation in interviews, dialogues and other events to be an effective method. Reasons for effectiveness could include a heightened understanding on the part of top management gained through preparation for speaking at public forums,

Q: How often does your company/organisation discuss and evaluate policies and strategies related to CSR/SDGs at meetings of your Board of Directors (or corresponding committee)?

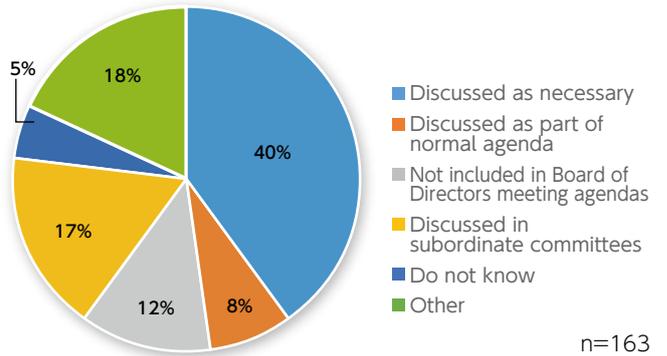


Figure 10: Frequency of discussion of CSR/SDGs in top-level committees

and increased opportunities to directly hear the opinions of others at these forums. Further, some interviewees stated that recognition had increased due to IR information sessions for investors, compliance with the Stewardship Code that makes up the Principles for Responsible Institutional Investors, and due to remarks from external directors.

Moreover, initiatives at the industrial association level have served as a boost for recognition of SDGs by top management and the development of initiatives. For example, incorporation of the SDGs into the Charter of Corporate Behavior of the Japan Business Federation (Keidanren) provided the motivation for member companies to promote SDGs-related initiatives. This trend is particularly strong in companies where top management serves as directors for the Japan Business Federation.

**Business Cases in Point**

Owing to the fact that Hakuodo DY Group created the official Japanese language icons for the SDGs and produced a video for a public service announcement in cooperation with the United Nations Information Centre in 2016, the company received a visit from Thomas Gass, United Nations Assistant Secretary-General, in October 2017. Mr. Gass stated, "The Hakuodo DY Group's philosophy on 'Sei-katsu-sha Insight' is linked to the SDGs philosophy of 'leaving no one behind'". He engaged in opinion exchange with company president Hirokazu Toda on a vision for achieving the SDGs and corporate initiatives to promote understanding on SDGs.<sup>22</sup>

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Takuya Nakata, President of Yamaha<sup>23</sup>, recognises the importance of incorporating the SDGs into management and business activities, and shared his own ideas on the subject in a UNGC CEO interview.<sup>24</sup>

<sup>20</sup> Nestlé Japan case study, [http://www.ungcjin.org/sdgs/archive/1802\\_nestle.html](http://www.ungcjin.org/sdgs/archive/1802_nestle.html).  
<sup>21</sup> Survey results for 2015 are accessible at the following URL. Also, 2016 survey results are published in GCNJ/IGES (2017). [http://ungcjin.org/common/frame/plugins/fileUD/download.php?type=contents\\_files&p=contents\\_file\\_178.pdf&token=0cc5015a26017b3e2d8db92992f25b4afc61af36&t=20180117175837](http://ungcjin.org/common/frame/plugins/fileUD/download.php?type=contents_files&p=contents_file_178.pdf&token=0cc5015a26017b3e2d8db92992f25b4afc61af36&t=20180117175837).  
<sup>22</sup> Hakuodo "UN Assistant Secretary-General visits to discuss the SDGs", <https://www.hakuodo-global.com/news/un-assistant-secretary-general-visits-to-discuss-the-sdgs.html>.  
<sup>23</sup> Yamaha case study, [http://ungcjin.org/sdgs/archive/1801\\_yamaha.html](http://ungcjin.org/sdgs/archive/1801_yamaha.html).  
<sup>24</sup> CEO interviews conducted by UNGC were based on surveys targeting CEOs on sustainability conducted jointly by UNGC and Accenture, as well as personal interviews in addition to questionnaire surveys. This large-scale survey covered over 1,000 people in over 100 countries. Survey results are published every three years in report form. The latest report is available at the following URL: <https://www.unglobalcompact.org/library/4331>.

**Strategy**

**(3) Medium and long-term management plans and goal setting**

Most companies in Japan have formulated and released medium-term management plans that are key to company strategy. Meanwhile, few companies have published long-term management plans. GCNJ survey results (Figure 11) show that most companies have medium-term (3-5 years) plans related to the SDGs, with this figure rising from 33% in 2016 to 41% in 2017. These results can be interpreted to imply that over 40% of companies have plans for medium-term initiatives on the SDGs, and can be evaluated from the perspective of ensuring effectiveness.

**Q: Please indicate the status of your company/organisation's business planning related to the SDGs.**

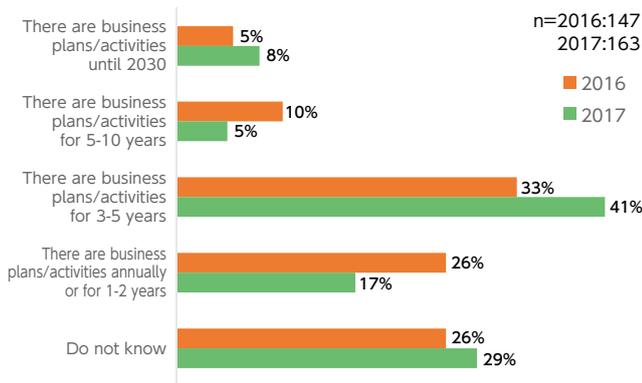


Figure 11: State of initiatives in medium to long-term plans

The extent to which medium-term plans are connected to sustainability initiatives is also significant. A company's medium-term management plan and its CSR/sustainability priority issues are generally managed separately. As middle managers in charge of on-site work give priority to achieving the objectives of the medium-term management plan, linking initiatives to solving social problems through business activities is problematic unless there is a movement to integrate the two. A few companies interviewed exhibited a trend linking the work of business units with sustainability initiatives.

Regarding methods for goal-setting, Japanese companies are highly conscious of the need to achieve goals that have been set without fail. Moreover, many objectives are formulated using an incremental approach, with the tendency to release objectives over about three years. Meanwhile, some companies included "goals", "targets" and "commitments" with uncertain attainability, setting their medium-term objectives based on a vision of society to be pursued (outside-in approach).<sup>25</sup> The companies with these types of goals recognised that if unable to achieve their goals, they would be expected to explain their reasons and demonstrate remedial measures, as

a form of information disclosure going forward. For responses to the SDGs and climate change that require long-term efforts, as well as in relation to ESG, this type of stance will be required even more in the future.

**Business Cases in Point**

In the past, the various departments in Sumitomo Forestry received a notification on budget from the corporate planning department and a separate budget request relating to CSR from the CSR Promotion Office. With separate budget objectives for business activities and environment/CSR objectives, it was difficult for activities to be productive. Thus, the system was changed due to the encouragement of the CSR Promotion Office, and budget requests were made using one notification from 2016. As a result, when the headquarters carried out SWOT analysis<sup>26</sup> on the business environment, they took environment and CSR aspects into consideration and were able to set goals.<sup>27</sup>

In the drafting of its CSV Commitment released in February 2017, Kirin conducted in-depth discussions with its overseas group companies and domestic operating companies. When defining the term "commitment", they received the following comment from their overseas counterparts: "Japanese people are very serious and have a strong tendency to set targets with the prerequisite that they must be achieved. A commitment is not a promise—it is a leap or an ideal. We'd like to see higher targets set that are not mere extensions of efforts to date."<sup>28</sup>

**Structure**

**(4) CSR divisions and executive committees**

What sort of internal processes are companies engaging in to insert SDGs into management plans? Many Japanese companies have set-up special departments to deal with CSR, CSV or sustainability in order to formulate and implement sustainability strategies as an organisation (hereafter called CSR divisions). CSR divisions engage in initiatives to garner internal understanding and take the lead on progress management for CSR activities. Further, in some cases CSR divisions utilise their networks to create opportunities for interviews for top management. Meanwhile, leading foreign companies in sustainability initiatives such as Nestlé and DSM have not set up CSR divisions. Progress on sustainability initiatives is managed within each business division (with public relations departments in charge of information dissemination on initiatives).

The SDG Compass asserts that setting up sustainability committees at the board of directors level, "allows time for strategic discussions dedicated to sustainability priorities,

<sup>25</sup> As discussed in the opening of the SDG Compass, goals are "priorities" and "aspirations". Targets are points to work to achieve or benchmarks, and commitments represent promises or resolution.  
<sup>26</sup> An analytical method to assist in development of strategies based on factor analysis of external and internal environments in business and marketing into the four categories of Strengths, Weaknesses, Opportunities, and Threats.  
<sup>27</sup> Sumitomo Forestry case study, [http://ungcjin.org/sdgs/archive/1801\\_sumitomo.html](http://ungcjin.org/sdgs/archive/1801_sumitomo.html).  
<sup>28</sup> Kirin case study, [http://ungcjin.org/sdgs/archive/1801\\_kirin.html](http://ungcjin.org/sdgs/archive/1801_kirin.html)

which can be especially valuable in the early stages of business integration.” In several companies where interviews were conducted, committees established at the management level were reported to be involved in decision-making.

### Business Cases in Point

The person in charge of CSV strategy at Kirin reported that CSV activities are not carried out in one's own style. They require keeping an antenna raised to quickly collect information from around the world in order to reflect global standards on the advancement of CSV initiatives. Kirin's Group CSV Committee, which underwent renewal in 2016, discusses the direction of the CSV policy, strategy and plan for the entire group and monitors the state of implementation of each company's CSV commitment. President of Kirin Holdings, Yoshinori Isozaki, serves as the committee chairperson and the presidents of major operating companies and executives in charge of strategy in Kirin Holdings sit as committee members. The committee is a forum for confirming the state of progress of the CSV strategy and sharing information on issues across the group as well as the success stories of group companies.<sup>29</sup>

## System

### (5) Mechanisms to facilitate solutions to social problems

The creation of mechanisms within a company to facilitate solutions to social problems while creating economic value through business is extremely important in the integration of SDGs into core business. Further, these mechanisms foster the thinking power and creativity of employees, and lead to deeper recognition of the meaningfulness of their work and the role played in society. During interviews, respondents shared accounts of mechanisms to facilitate better product development for people and the environment, mechanisms to facilitate more sustainable business plans and investment decisions, and mechanisms to facilitate the creation of business that contributes to solving social problems.

### Business Cases in Point

Based on product life cycle assessment, DSM provides ECO+ solutions—products that are environmentally friendly, and People+ solutions—better products for people's lives. A closer examination of requirements for raw materials conducted through this initiative consequently led to the avoidance of business risk.

DSM has also adopted a system of “internal carbon pricing” that is utilised in internal decision-making. For investment decisions, one plan is prepared that includes 50 Euros/CO<sub>2</sub>-t pricing, and one that does not. In so doing, future business risk is examined and investments are moved in the direction of low-carbon technologies and energy sources.

Nestlé Japan runs an awards programme called the “Innovation Awards”, an initiative in which all employees participate as individuals. Employees come up with potential problems faced by customers and solutions to them, then engage in trials and verification. Results are submitted to the contest and winning ideas are expanded in company strategies. Funds are available within the company for testing out ideas.

### (6) Reward systems

SDG Compass recommends integration of sustainability goals and remuneration schemes as one method of firmly embedding sustainability goals within organisations. However, only 9.5% of companies responding to the UNGC questionnaire have linked the remuneration of executives to performance in sustainability.<sup>30</sup> Further, in Japan only 14% of companies utilise medium-term indicators in remuneration schemes for top management, indicating insufficient incentives for top management to enhance corporate value over the medium to long-term.<sup>31</sup> Thus, it is difficult to say that initiatives to link remuneration schemes to sustainability and medium to long-term assessment have become widespread globally. However, in addition to adding incentives at the individual level, remuneration schemes are an effective tool for sending messages to investors that place emphasis on medium to long-term initiatives. The three case studies below show examples of remuneration schemes targeted at middle and top management that involve sustainability and ways of working.

### Business Cases in Point

In 2017, OMRON revised its compensation structure for directors and executive officers by adding sustainability evaluation based on the Dow Jones Sustainability Index (DJSI) to medium to long-term performance-based compensation. Furthermore, the revision was made, so higher the position in the company, greater the responsibility for medium- to long-term performance. (For example, the ratio of compensation for our CEO was revised from 1:1:1 to 1:1:1.5 for base salary, short-term performance-based compensation and medium to long-term based compensation respectively.<sup>32</sup>)

<sup>29</sup> Kirin case study, [http://ungcjp.org/sdgs/archive/1801\\_kirin.html](http://ungcjp.org/sdgs/archive/1801_kirin.html)

<sup>30</sup> UNGC (2017a), <https://www.unglobalcompact.org/library/5431>.

<sup>31</sup> Corporate System Division, Ministry of Economy, Trade and Industry (2017), “Guidebook for Introducing Incentive Plans for Sustainable Corporate Growth as Board Members’ Compensation to Encourage Companies to Promote Proactive Business Management”, [www.meti.go.jp/press/2017/09/20170929004/20170929004-1.pdf](http://www.meti.go.jp/press/2017/09/20170929004/20170929004-1.pdf).

<sup>32</sup> OMRON, “Compensation for Directors”, <https://www.omron.co.jp/about/corporate/governance/compensation/>.

The bonus evaluation system of DSM for its top 300 employees takes into consideration both financial revenue and the level of achievement of sustainability goals, with a higher percentage geared to sustainability goals the higher up the status in the company (For example, the ratio for the CEO is 1:1 for financial revenue and sustainability goals.)

Related to Goal 8 (Good Jobs and Economic Growth), Sumitomo Forestry revised its personnel system to reduce long working hours and improve productivity. Specifically, productivity improvement objectives were incorporated into the performance evaluations of managers, with the number of overtime hours of subordinates influencing bonuses.<sup>33</sup>

## People

### (7) Understanding of middle management and business units

In general, middle management is in the position to gather teams to carry out the work of executing business plans. Financial objectives linked to business performance, such as sales and profit, are tied to the individual's performance. Further, business units and their activities are directly connected to the company's sales and revenue, and are referred to as profit centres. Accordingly, in order for companies to incorporate the SDGs in their core business, it is essential for middle management and business units to turn their attention in the direction of sustainability within their work.

As shown in the secular changes in Chapter 4, understanding on the part of middle management remains low despite three years having passed since the adoption of the SDGs. Topics previously discussed, including (3) Medium and long-term management plan and goal setting, and (5) Mechanism to facilitate solutions to social problems, are suitable initiatives to enhance the understanding of middle management and business units because they facilitate discussion among relevant parties and detailed investigation. Aside from these methods, interviews revealed that internal training and award schemes were being utilised by CSR divisions to actively encourage middle management and business units.

### Business Cases in Point

TEIJIN conducts discussions on the topic of the SDGs in CSR trainings for newly-appointed section and department heads. The company expects section heads to take leading roles in business operations looking ahead to 2030, and department heads to come up with more concrete business

ideas as the persons in charge. Also, creation of new business is promoted at meetings for directors in charge of CSR and the R&D department.<sup>34</sup>

At Dai Nippon Printing Co., Ltd, the CSR and environment-related department got the business unit involved in exhibiting at the Eco-Products exhibition using the SDGs as a theme. This exhibit gave the company the opportunity to take notice of not only the functions and technologies of its products and services, but also the array of ways in which the company can contribute to global goals for societies. The company was also able to further cooperation with external partners and product development using hints from the SDGs.

Every year OMRON holds an awards event for employees called The OMRON Global Awards (TOGA), an initiative designed to further promote the OMRON Principles. In TOGA, a team-based theme is first declared and then a whole team engages in activities based on that theme. It is a global initiative with an aim for all employees across the world to be resonated with the OMRON Principles.<sup>35</sup>

This chapter has taken a look at measures to incorporate the SDGs into core business from the perspective of "organisations". For most Japanese companies, incorporating the SDGs which is a relatively new initiative, requires them to work in multiple ways to address the six components of organisations. In order for companies to refine their initiatives to be effective along with their core business, companies must utilise their existing strengths and engage in organisational reform with a mind toward innovation.



<sup>33</sup> Sumitomo Forestry case study, [http://ungcjin.org/sdgs/archive/1801\\_sumitomo.html](http://ungcjin.org/sdgs/archive/1801_sumitomo.html).

<sup>34</sup> Teijin case study, [http://ungcjin.org/sdgs/archive/1801\\_teijin.html](http://ungcjin.org/sdgs/archive/1801_teijin.html).

<sup>35</sup> OMRON, "Initiatives that support the implementation of our Management Philosophy", [https://www.omron.co.jp/sustainability/omron\\_csr/idea/practice/](https://www.omron.co.jp/sustainability/omron_csr/idea/practice/).

## 6. Integrating SDGs into Core Business II: Corporate Activities

This chapter will address approaches for integrating the SDGs into core business from the perspective of “corporate activities”, including contributions made through core business ((8) Capturing and expanding business opportunities, (9) Addressing management risks), (10) Social business with small profit/Philanthropic activities associated with core business, and (11) Improving market environment. Prior to presenting these approaches, a framework for consideration is shown as follows.

When engaging in the SDGs, companies are expected to first make contributions via their core business activities, which are directly linked to the creation of corporate value. Chief examples include the development and diffusion of environmentally-friendly technologies, and improved access to education utilising ICT. Efforts to reduce the environmental burden of corporate activities and tackling the human rights and labour issues of suppliers also fall into this category.

Meanwhile, companies, as “public entities of society”, are also actively involved in social contribution activities, such as making donations and engaging in volunteer work, referred to as traditional CSR. For instance, although sending volunteers and donations to a natural disaster-stricken area is not directly linked to core business, companies engage in such activities voluntarily as a way of contributing to society.<sup>36</sup>

In reality, social contributions and contributions carried out through core business activities cannot be cleanly divided into two categories. While there are business activities that make great social contributions but not much of a profit, there are also philanthropic activities that relate in part to business activities. For instance, business in microinsurance targeting low-income groups in developing countries corresponds to the former, while forest preservation activities by a beverage manufacturer corresponds to the latter. Initiatives such as these that fall somewhere in between social contributions and core business activities are often designated in management strategies as types of footholds to be gained when engaging in business in a new region or field of business.

These types of contributions can also be viewed from two other perspectives. They can be viewed as ways to capture or expand business opportunities, or as responses

to management risk (Relating to the above examples, ways to capture or expand business opportunities include the development and diffusion of environmentally-friendly technologies, improved access to education utilising ICT and microinsurance. Likewise, reducing the environmental burden of corporate activities, tackling the human rights and labour issues of suppliers and forest preservation activities correspond to risk management.)

Furthermore, the improvement of market environment relates to activities overall. Examples include creation of regulations or standards and creation of norms within an industry, as well as participation and involvement in initiatives that promote protection of the environment and human rights. While improvements to market environments are sometimes favourable for management leading to expansion of business opportunities, the opposite is also often the case. Accelerated introduction of renewable energies due to limits on the use of coal following the adoption of the Paris Agreement in 2015, is one example. Figure 12 depicts the relationships among various approaches.

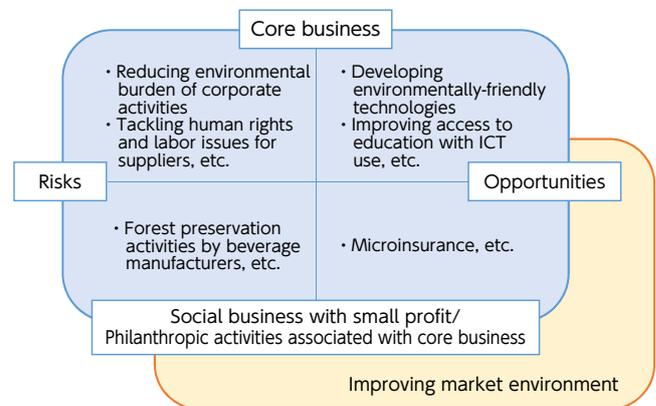


Figure 12: Dimensions of corporate activities to integrate SDGs into core business

### (8) Core business: Capturing and expanding business opportunities

Much has been said about the potential for SDGs-related initiatives to open up business opportunities for companies. It was pointed out at the 2017 World Economic Forum that achievement of the SDGs could bring about at least USD 12 trillion of economic value and

<sup>36</sup> Genuine social contribution is more strongly geared to enhanced reputation and human resource development rather than business opportunity or risk. While recognising the importance of this type of contribution, the authors of this report did not include it as a topic of exploration due to the report's main focus being the incorporation of SDGs into core business.

the creation of a maximum of 380 million jobs. Further, the CSR Europe report calculated business opportunities for Goal 4 (Education), Goal 5 (Gender Equality), Goal 7 (Energy) and Goal 11 (Sustainable Cities) to be over EUR 75 trillion.<sup>37</sup>

Here, we will have a look at which SDGs companies are focusing on (Table 2). The 2017 survey showed that 85% of GCNJ members are engaged in SDGs-related initiatives. Meanwhile, UNGC survey results were 75%.<sup>38</sup> A comparison by goals showed that Japanese companies are focusing on the following goals, in order from the largest percentage of responses: 13 (Climate Change), 8 (Decent Work and Employment), 12 (Consumption and Production), 3 (Good Health and Well-Being), 7 (Energy), and 5 (Gender Equality), with the top four goals exceeding half of respondents. Meanwhile, the order for UNGC signatory companies overall was: Goal 8, 3, 5, 12, 9 (Industry and Technological Innovation), and 13. Compared to UNGC survey results and when examined from a global perspective, Japanese companies were found to be highly engaged in implementing the SDGs with the goals being addressed overlapping considerably. Moreover, the level of engagement of Japanese companies for Goals 2 (Hunger: 15%) and 1 (Poverty: 17%) was found to be extremely low.

Table 2: SDGs being addressed by goal

Q: What goal(s) within the SDGs has your company/organisation selected for focusing its activities? Please choose all that apply? (multiple choice)

GCNJ survey (n=163)		UNGC survey	
13 (Climate Change)	63%	8 (Decent Work/ Employment)	49%
8 (Decent Work/ Employment)	60%	3 (Good Health/Well-being)	49%
12 (Consumption/ Production)	51%	5 (Gender Equality)	45%
3 (Good Health/ Well-being)	50%	12 (Consumption/ Production)	42%
7 (Energy)	46%	9 (Industry/Technological Innovation)	40%
5 (Gender Equality)	44%	12 (Climate Change)	39%

Of the 17 goals, GCNJ members considered Goals 3, 5, 4, 1 and 7, in that order, to have positive impacts on their companies (Table 3). Goals that overlap with the focus of companies, namely Goals 3, 5 and 7, are recognised as business opportunities and thus have likely been addressed in initiatives.

Table 3: Positive impacts of SDGs on companies by goal

Q: Which SDGs do you consider to have a positive impact on your company/organisation's business? (multiple choice)

2017 Ranking	Goal	No. of Responses
No. 1	3 (Good Health/Well-being)	62
No. 2	5 (Gender Equality)	43
No. 3	4 (Education)	33
No. 4	1 (Poverty)	32
No. 5	7 (Energy)	19

Meanwhile, views voiced in interviews revealed that even when existing initiatives could be tied to goals or targets, linking the SDGs to business opportunities was difficult. The needs of national governments, along with companies, citizens and international organisations were brought together to formulate the SDGs. As such, it is important for companies to reexamine the SDGs as a list of issues (i.e. business opportunities) that require engagement both domestically and overseas, and to coordinate and strengthen initiatives in the direction of goals and targets for which contributions are feasible while developing corporate management and business strategies that make the most of company strengths. This approach can be depicted as: SDGs = contribution to solving social problems = creation of innovation and sustainable management practice.

### Business Cases in Point

Konica Minolta identified a shortage of nursing staff and the increasing burden of nursing care as key issues faced by Japan's super-ageing society. The company collected data on the actual status of nursing care services and identified issues based on the data obtained. It then developed the "Care Support Solution®" to transform nursing care workflow. This solution significantly reduced the amount of nursing staff physical activity and working hours, leading to improved work productivity, enhanced service and improved quality of nursing care for residents.

Kirin, amidst plummeting domestic hops production due to the ageing population of producers, is working to enhance the quality and stable procurement of Japanese hops. Kirin produces a distinct beer with Japanese hops and aims to promote community revitalisation in production areas. The company's initiatives are not limited to community revitalisation, but also are designated as a major marketing strategy and a game-changer in the beer market through the expansion of craft beer.

<sup>37</sup> Frost & Sullivan and GlobeScan (2017), "The Sustainable Development Goals (SDGs): The Value for Europe", [https://www.csreurope.org/sites/default/files/uploads/FS\\_WP\\_Sustainable%20Development%20Goals\\_05112017\\_RD\\_0.pdf](https://www.csreurope.org/sites/default/files/uploads/FS_WP_Sustainable%20Development%20Goals_05112017_RD_0.pdf)

<sup>38</sup> UNGC (2017a), <https://www.unglobalcompact.org/library/5431>.

**(9) Core business: Addressing management risks**

Goals that have had negative impacts on companies were recognised by GCNJ members to be Goals 8, 13, 12, 7, 3 and 9 (Table 4). As goals of focus were 13, 8, 12, 3, 7 and 5, there was greater overlap for goals regarded as having negative impacts, compared to those thought of as wielding positive impacts (Table 3). Accordingly, this implies that companies are engaging in the SDGs more to respond to management risks than to capture or expand business opportunities (this point requires further investigation though).

**Table 4: Negative impacts of SDGs on companies by goal**

**Q: Which SDGs do you consider to have a negative impact on your company/organisation's business? (multiple choice)**

2017 Ranking	Goal	No. of Responses
No. 1	8 (Decent Work/Employment) 13 (Climate Change)	75
No. 2	12 (Consumption/Production)	72
No. 3	7 (Energy)	64
No. 4	3 (Good Health/Well-being)	62
No. 5	9 (Industry/Technological Innovation)	59

There are increasing numbers of companies engaging in CSR procurement as a management risk response in accordance with the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, related to Goals 8 and 12. This can also be seen as a response to an increasing number of human rights violations and environmental destruction and deterioration taking place along supply chains and leading to disruptions in management. At the same time, companies belonging to supply chains with multiple levels can increase their chances of being selected as a trading partner by actively engaging in sustainable procurement.

Moreover, at present the costs of reducing greenhouse gas emissions to mitigate climate change, relating to Goals 13 and 7, are high. However, some companies are introducing renewable energies in advance to enhance their ability to respond to future introduction of policy on carbon pricing.

The 169 targets of the SDGs also serve as a list of long-term risks related to sustainability. It is important, both to the companies themselves and to society, for companies to refer to this list and take early action to determine management risks for their companies. These types of actions will not only serve as selling points externally, but also have the potential to lead to benefits and business opportunities.

**Business Cases in Point**

In an effort to strengthen the management of its supply chain for all food related services, including the perspectives of environmental protection and human rights protection, the ANA Group was the first Japanese company to take part in the Bluenumber Initiative from January 2017. This initiative, which aims to link producers and consumers to ensure traceability and transparency through "visualisation" of supply chains, registers all people and organisations involved in "food" with an ID, including those at the distribution stage.

Fuji Xerox has set up a generous support system for young employees from rural areas working at Fuji Xerox of Shenzhen, manufacturing site in China (e.g. CSR suggestion box, continuing education schemes and psychological counseling by phone or in-person). As a result, the employee turnover rate fell to only 1/3 the average in Shenzhen despite high employment mobility in the Chinese market, leading eventually to quality improvement and benefits compared to costs.

**(10) Social business with small profit/Philanthropic activities associated with core business**

Social business activities with small profit, or philanthropic activities associated with core business, have to date been viewed as a cost in most cases. However, rising recognition of ESG issues today enables companies to make the most of their fields of expertise and engage in strategic activities, not merely as a cost, but also as an investment in future business and a response to medium and long-term management risk. As such, it is important for top managers themselves to take their stories, and explain the significance and outlooks of activities to relevant parties.

Nevertheless, there are temporary costs involved in such activities. If funding support can be received from JICA, JBIC, government organisations or international organisations, the hurdle for companies is lowered considerably. A company that has utilised JICA schemes stated that without funding, activities would have been problematic, or at least would have taken a considerably longer period to implement.

**Business Cases in Point**

In November 2016, Yamaha's support initiated in January 2016 for the introduction of instrumental music education in Viet Nam's compulsory education was selected as an official project under the "Public-Private Initiative to Disseminate Japanese-Style Education Overseas (EDU-Port Japan)" of Japan's Ministry of Education, Culture, Sports, Science, and Technology. Based on this

initiative, the Ministry of Education and Training of Viet Nam plans to introduce instrumental music education in the revision of the country's course guidelines for planned after 2019. The company expects an expanded market for instruments when the students that enjoy music education play instruments in the future.<sup>39</sup>

Tokio Marine Group, in cooperation with its customers, donates a portion of funds from reduced paper use in contracts in a scheme the company created to contribute to environmental preservation activities both in Japan and overseas. To date, the company has carried out mangrove tree-planting in excess of 10,000 hectares in nine countries in the Asia-Pacific region. Not only has this project generated over JPY 35 billion in economic value and impacted 1.25 million people, it has also contributed to preservation of the global environment and biodiversity and improved the quality of life of people living near project areas. The project's CO2 absorption and fixation results (Tokio Marine Group achieved a carbon neutral status for four consecutive years up to 2016) and contribution to lessening potential damages from tsunamis and storm tides, has led to an enhanced reputation in the area.

### (11) Improving market environment

In the current state of SDGs-related initiatives and ESG investment, companies that play a part in sustainability must make improvements to market environments in order to survive. In addition to the setting of rules, such as regulations and standards, the creation of leading norms in industry and various initiatives are also included in this category.<sup>40</sup>

For instance, although EICC is a voluntary code for manufacturers and major suppliers in electronics-related fields, the scheme now wields such great influence that business cannot be conducted without it. The UK's Modern Slavery Act and California's Transparency in Supply Chains Act are examples of the type of legislation that EICC works toward. For companies in the electronics sector, environmental and human rights considerations in procurement are already imperative. Further while EICC has recently changed its name to the RBA (Responsible Business Alliance), its influence is extending to sectors

other than electronics.<sup>41</sup> PRI, an initiative that advocates the inclusion of ESG factors in the decision-making processes of institutional investors, has also exerted strong influence.

Regardless of their activities at the global level, the national level or the local level, companies are expected to share their experiences and knowledge and make active contributions to market improvements. Involvement in market improvement gives companies the chance to show their engagement ahead of others, thereby capturing business opportunities and responding to management risks. With regards to international initiatives, Japanese companies to date have often waited for regulations and reports to be discussed and established in Europe or North America, only later agreeing to them. In the future, Japanese companies will be called upon to contribute to the formation of global trends as they expand their business and contribute to sustainability.

### Business Cases in Point

Nestlé has participated in forums for debate among corporate leaders, such as forums for creating international regulations like the SDGs and ISO, as well as the World Economic Forum, and has actively contributed input and engaged in information dissemination. Further, the company has brought these discussions home and utilised them in its goal setting and strategy creation.<sup>42</sup>

The Japanese company Daikin has collaborated with national governments, international organisations and other companies in the industry to introduce an index and labels to appropriately evaluate energy performance in emerging nations where air conditioner use is on the rise. The company has provided support for the widespread use of R32, a next-generation refrigerant, and has realised widespread expansion of its core business in air conditioners while contributing to ozone layer protection and global warming mitigation.

At the local level, the Japan Food Ecology Center, when launching a food waste recycling project, made an active contribution to promoting the revision of laws and regulations by providing materials to a government council.

<sup>39</sup> Yamaha case study, [http://ungcjin.org/sdgs/archive/1801\\_yamaha.html](http://ungcjin.org/sdgs/archive/1801_yamaha.html).

<sup>40</sup> The SDG Industry Matrix published by the UNGC introduces international initiatives and principles by sector and is a good reference. The Japanese translation is available at the following URL: <http://ungcjin.org/activities/topics/detail.php?id=204>.

<sup>41</sup> Refer to the following website for details on RBA: <http://www.responsiblebusiness.org/>.

<sup>42</sup> Nestlé Japan case study, [http://www.ungcjin.org/sdgs/archive/1802\\_nestle.html](http://www.ungcjin.org/sdgs/archive/1802_nestle.html).

The previous chapter defined what it means to integrate SDGs into core business. While integration of the SDGs into core business activities is to be aimed for, this chapter shows that social business with small profit, philanthropic activities associated with core business and improvements to market environments are also important in conjunction with efforts to create sustainable societies. Merits for companies that engage in SDGs-related initiatives, as outlined in the SDG Compass, including “strengthening stakeholder relations”, “keeping the pace with policy developments” and “stabilising societies and markets”, can be attained through the various corporate activities covered in this chapter.



## 7. Conclusion

Up to this point, this report has given an overview of trends and secular changes both in Japan and internationally and has examined the integration of SDGs into core business from the two perspectives of “organisations” and “corporate activities”. Lastly, the knowledge gained from this series of surveys and inquiries is compiled herein.

### **Domestic and international trends involving the SDGs**

International trends include the development of a wide array of tools for companies to refer to when engaging in SDGs-related initiatives. From among the UNGC Action Platforms, companies from around the globe have participated in the Blueprint and SDGs Business Reporting platforms and assembled tools for contributing to the SDGs. In order for Japanese companies make full use of these tools, it is important not only that they be translated into Japanese, but also that they are incorporated in a manner that is meaningful for the companies themselves. Companies cannot merely wait for these tools to bear fruit—it is also important for companies themselves to get involved in action platforms.

The activities of the Japan Business Federation and GPIF have had an especially large impact domestically. They have raised the bar for initiatives throughout the industrial sector and at the same time served as a boost for companies engaged in pioneering initiatives. The adoption of ESG indices by GPIF has turned the attention of IR divisions and top management in the direction of long-term growth and has enhanced understanding of related SDGs.

### **Changes in the state of SDGs-related initiatives as seen in yearly comparisons**

In last year’s report, a low level of understanding among top management and low awareness in society were specified as challenges faced in the implementation of SDGs-related initiatives by companies. However, this year’s research showed improved understanding among top management and a decrease in responses citing low societal recognition as a challenge. Yet, the level of understanding among middle management has remained at an extremely low 9%.

A total of 74% of GCNJ member companies recognised the relationship between SDGs and corporate value, while 85% were engaged in some form of SDGs-related initiatives. Companies that do nothing are now exceedingly few and overall progress was evident on the steps of the SDG Compass. Meanwhile, over 50% of companies

cited the method of deployment within the company to be a challenge. Likewise, when the number of companies remaining on Step 1, “understanding the SDGs” and Step 2, “defining priorities” are added up, they total over 70% of respondents, showing that many companies are still searching for ways to integrate the SDGs into core business.

### **Approaches by companies to integration of SDGs into core business**

Chapters 5 and 6 discussed ways of integrating the SDGs into core business and examined 11 items categorised into the two aspects of “organisations” and “corporate activities”. As shown below, these items are interrelated and it is clear that in many cases one initiative will have multiple effects (e.g. improvements to internal company structures and the enhanced understanding of middle management, risk response and improvements to market environments).

As companies are increasingly expected to engage in the SDGs as business opportunities, Goal 3 (Health and Well-being), Goal 5 (Gender Equality) and Goal 7 (Energy) are recognised as business opportunities and initiatives are being advanced. Meanwhile, more effort has been put into goals perceived to be linked to negative impacts for companies (i.e. management risks). Meanwhile, even when existing business contributes to solving social problems, it may not be recognised as an SDGs-related initiative. However, it is essential that companies not merely connect the SDGs to company business. Rather, companies should consider the social issues and management risks involved in the SDGs as seeds of business and work to grow them in ways that strengthen and expand existing business and lead to developments in new business.

Effective measures to boost this type of approach could include the adding of incentives through the creation of mechanisms within a company, targeting either the organisation or individuals, to facilitate solutions to social problems. In particular, efforts are required to create mechanisms, processes or assessment schemes that directly connect the mission or performance objectives of middle managers with low level of SDGs awareness, to corporate activities that involve the SDGs.

Additionally, initiatives to improve market environments can become a means of changing risk into opportunity. If a competitive environment is created in which a company can make the most of its strengths to contribute to sustainability, the end result is growth of the company.

To this end, effective methods include the building of cooperative relationships with government and international organisations, involvement and participation in a variety of initiatives and the creation of new trends.

Further, social business with small profit and philanthropic activities associated with core business become the means to capturing new business opportunities. Yamaha's support for the introduction of musical instrument education in Viet Nam is a prime example.

In order for these types of activities to be considered as investments, not costs, companies must steadfastly incorporate elements of the SDGs into medium and long-term plans and strategies. Medium and long-term objectives and commitments should ideally be ambitious, not limiting them to readily achievable. It is essential that these types of plans or objectives are based on clear corporate philosophy and vision, and are treated as tools to work toward realising the company's ideals.

When the goals or targets of the SDGs are integrated into a planning system with the corporate philosophy on top, the roles of private companies in society becomes clearer and this helps employees become motivated and strongly committed to their work. The leadership and communication of top management has an especially important role to play in this process.

### **Importance of dialogue and partnerships**

Staff in charge of CSR and sustainability at leading companies in SDGs-related initiatives have continually promoted dialogue both within the company and externally, involving top management, business units and middle management. Within their companies, top management and employees alike view the SDGs as their "own work" and have arranged systems and institutions within the organisation to create business.

Talks and interviews with top management, release of CSR and integrated reports and communication with stakeholders at IR information sessions all fall within the scope of a company's external dialogue. Specifically, in 2017, many leaders from the United Nations and overseas companies visited Japan and engaged in dialogue with the top management and executives of Japanese companies. This type of dialogue provides Japanese companies with good opportunities to reconfirm the significance of their sustainability activities to date, and gives them momentum going into the future. It is also a chance for companies to promote a deeper understanding of their activities among persons outside the company. Ideally companies will get actively involved in these types of dialogues going forward.

It is evident in the case studies presented in this report that companies have developed a variety of partnerships, with governments, international organisations and NGOs,

to promote the incorporation of SDGs into core business. The potential response of a single company to increasingly complex social issues is limited. Accordingly, it is essential for companies to further engage in dialogue with relevant parties both internally and externally to build partnerships that take advantage of each party's strengths.

### **Importance of corporate philosophy**

A corporate philosophy is a company's reason for existence, and a company should be able to find one of the 17 goals or 169 targets of the SDGs that corresponds to its philosophy. When companies with high sustainability assessments advance initiatives to incorporate SDGs into core business from both perspectives of "organisations" and "corporate activities", corporate philosophy is firmly embedded at the core of these initiatives. Companies that are presently searching for SDGs-related initiatives should first return to their corporate philosophies and contemplate the roles they could play in building sustainable societies. They can then refer to the SDG Compass and this report to deliberate on concrete initiatives.

### **Remaining issues**

This report has aimed to provide hints for companies engaging in SDGs-related initiatives based on the results of surveys that targeted a wide range of industries. However, the report has not ventured into other areas, such as addressing each of the goals of the SDGs and industry-specific issues. The issue of poverty in Japan has become more serious and substantive improvements to the issue of gender equality are hard to find. These are grave issues linked to a decline in Japan as a whole. Research and investigation must be advanced to determine how companies view these issues as management risks or business opportunities linked to real problem-solving and what types of initiatives they are promoting.

Furthermore, the relationship between the SDGs and ESG is an issue that should be more thoroughly explored. Disclosure of financial information is merely the public release of a "business report card" from past to present, and non-financial information is an important factor in measuring future performance. Companies are expected to increasingly move towards management focused on the SDGs and ESG in the future. Studies on ideal approaches to highly effective long-term management with consideration of these points will have great significance. Meanwhile, from the perspective of achieving the SDGs and corporate value, the timely creation of assessment methods that further incorporate elements of the SDGs is anticipated from those assessing ESG.

Nearly half of respondents to the questionnaire selected "unclear evaluation methods such as quantitative indicators" as a challenge faced. Following corporate activities to incorporate the SDGs into management, ways of measuring and demonstrating the specific level of

contribution to the goals and targets of the SDGs being addressed represent another issue that remains to be examined.

### In conclusion

The preamble of the 2030 Agenda reads as follows: “This Agenda is a plan of action for people, planet and prosperity. It also seeks to strengthen universal peace in larger freedom. We recognise that eradicating poverty in all its forms and dimensions, including extreme poverty,

is the greatest global challenge and an indispensable requirement for sustainable development.” As core elements of the Agenda, the SDGs provide opportunities for returning to our roots as global citizens. Companies are called upon to engage in true sustainable management based on their respective company missions. This report is designed to serve as a reference to companies engaged in SDGs as their core business, and the governments, international organisations, NGOs and researchers that support them.

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Source: United Nations Information Centre

# Annex: SDGs Initiatives by Companies

## List of case studies <sup>1</sup>

- ANA HOLDINGS INC.
- Osaka Gas Co., Ltd.
- OMRON Corporation
- Kyokuto Kaihatsu Kogyo Co., Ltd.
- Kirin Holdings Company, Limited
- INPEX Corporation
- Konica Minolta, Inc.
- Sumitomo Forestry Co., Ltd.
- Daikin Industries, Ltd.
- Dai Nippon Printing Co., Ltd.
- DSM
- TEIJIN LIMITED
- Tokyo Electron Limited
- Tokio Marine Holdings, Inc.
- TOTO LTD.
- Japan Food Ecology Center, Inc.
- Nestlé Japan
- Hakuholdo DY Holdings Inc.
- Patagonia Japan
- FUJI OIL HOLDINGS INC.
- Fuji Xerox Co., Ltd.
- Sumitomo Mitsui Trust Holdings, Inc.
- Sumitomo Mitsui Financial Group, Inc.
- Yamaha Corporation
- Yamaha Motor Co., Ltd.



Network Japan



\* The SDGs-related initiatives described in this section introduce merely a part of each company's activities. Please refer to the respective websites of companies for more comprehensive explanations on initiatives.

More detailed information can also be found on the GCNJ website, "GCNJ/IGES Interview Series: SDGs and Business for the Future" (<http://www.ungcjin.org/sdgs/archive/index.html> Japanese only). (On the case page of the companies seen at the website, the individual URL of the interview article is listed.)

QR Code for accessing  
the "GCNJ/IGES Interview Series"



<sup>1</sup> A joint research report by GCNJ and IGES released in April 2017, contains the case studies of a total of 11 companies (AEON CO., LTD.; Ajinomoto Co., Inc.; ITOCHU Corporation; ITO EN, LTD.; LIXIL Corporation; OMRON Corporation; Saraya Co., Ltd.; Sompo Holdings, Inc.; Sumitomo Chemical Company, Limited; Sysmex Corporation; Takeda Pharmaceutical Company Limited). [http://ungcjin.org/sdgs/pdf/elements\\_file\\_3032.pdf](http://ungcjin.org/sdgs/pdf/elements_file_3032.pdf)

## ANA HOLDINGS INC.

### Taking action on SDGs as "the wings within ourselves"

As a responsible global corporation, the ANA Group attaches great importance to the SDGs. Based on dialogue with stakeholders, priority issues (Materiality) for the ANA Group were determined to be CO2 emissions control, human rights, diversity & inclusion (D&I), and community-building in both the domestic and overseas locations serviced by ANA. A variety of initiatives are underway.

Specifically, the ANA Group was the first Japanese company to take part in the Blunumber Initiative, run by the Blunumber Foundation worldwide. This initiative, which aims to link producers and consumers and ensure traceability and transparency through "visualisation" of supply chains, registers all people and organisations involved in "food" with an ID, including those at the food distribution flow. Through these activities, the ANA Group aims to strengthen the management of its supply chain for all food related services, including in-flight meals, and thereby contribute to environmental protection and respect for human rights. These activities enable ANA to continue to provide passengers with safe, reliable food products, and to contribute to achievement of the SDGs by supporting producers.

Making the most of its position in the airline industry that provides physical links between people and things that are far apart, the ANA Group engages in working toward solutions to a variety of social issues through

transportation support. ANA not only provides support for transportation of experts and relief supplies to disaster-stricken areas, it also contributes during the recovery stage. By creating opportunities for leaders in disaster recovery all around in Japan to meet face-to-face to share knowledge and experiences on recovery and disaster prevention and reduction, ANA contributes to building resilient communities. Likewise, it implements the "Blue Wing Program", providing support along with its customers for air travel by social entrepreneurs working on projects that address social issues. Also, the company is engaged in supporting air travel for experts and medical practitioners involved in the GHIT Fund (Global Health Innovation Technology Fund) that promotes the development of medicines for developing countries. The ANA Group aims to provide "the wings within ourselves" to accelerate innovation in an interconnected world.



Blunumber Initiative: Visualisation of the supply chain

## Osaka Gas Co., Ltd.

### Engaging in climate action and building resilient energy infrastructure

The Osaka Gas Group aims to promote climate change mitigation initiatives and the creation of resilient energy infrastructure to address Goal 13 (Climate Action) and contribute to the utmost extent to achieving the SDGs. The group aims to reduce CO2 emissions by a total of approximately 70 million tons between 2017 and 2030, as outlined in its "Long-Term Management Vision 2030", formulated in March 2017. This corresponds to about 2% of Japan's CO2 emissions reduction target, and includes reduction contributions by customers in the value chain. (The previous target was subject to reduction of only CO2 emissions from business activities within the group, but the "Long-Term Management Vision 2030" expanded the scope of reduction.)

In order to achieve this target, building a resilient energy infrastructure, also affecting achievement of Goal 9 and Goal 11 of the SDGs, is essential. The Osaka Gas Group has accumulated know-how on disaster prevention and reduction since the Great Hanshin Earthquake. For instance, as a prevention measure to minimise disaster damages, the company has been working to promote

the widespread use of polyethylene (PE) pipes that are earthquake-resistant with its superior flexibility, and do not rust even underground. PE pipes are used for all new low-pressure pipelines, with a total extended length of PE pipes exceeding approximately 15,000 km as of March 2017. The company has also improved the earthquake-resistant capacity and safety of natural gas provision equipment in customers' homes, namely achieving a 100% diffusion rate of microcomputer-controlled meters that automatically shut off natural gas when a major tremor is detected (corresponding to a seismic intensity of 5). Additionally, the company has contributed to advancing initiatives in disaster prevention within the natural gas retail sector. For instance, at the first "Company-wide General Disaster Prevention Drill" (September 2017) following full-scale liberalisation of the gas retail market in April 2017, a sector-wide disaster response together with another retailer was conducted for the first time. Kansai Electric Power, a new retail enterprise in the sector, participated in the drill, and confirmed its intent to cooperate in the event of a large-scale disaster.

As set forth in the company's "Long-Term Vision 2030", Osaka Gas aims to increase its ratio of overseas energy projects in Southeast Asia and other regions. It is expected Osaka Gas will provide its knowledge not only in natural gas provision, but also in technologies and know-how related to disaster prevention accumulated in business activities in an earthquake-prone country.



2017 Company-wide General Disaster Prevention Drill

## OMRON Corporation

GCNJ/IGES Interview Series : [http://www.ungcnj.org/sdgs/archive/1712\\_omron.html](http://www.ungcnj.org/sdgs/archive/1712_omron.html)

### Practicing Omron Principles through promoting sustainability and contributing to SDGs

The OMRON Principles are made up of its Mission, "to improve lives and contribute to a better society" and its Values, "Innovation driven by social needs, Challenging ourselves, and Respect for all." Following the 2-year sustainability project with a main objective to accelerate the practice of the OMRON Principles that were revised in 2015, OMRON announced sustainability issues and goals in 2017. Sustainability goals are integrated into the company's "VG2.0 medium-term management plan", a plan developed by backcasting from 2030, the year for achievement of sustainable society through the SDGs. Specifically, both financial goals and sustainability goals are set for each of the four business domains in the VG2.0 (factory automation, healthcare, mobility and energy management). Top-level management from business domains joined together to engage in a series of extensive discussions on where to set sustainability goals (i.e. on sales, shares, GDP, or healthy life expectancy). Accordingly, goals were set, so social values generated by the business would be maximized. The sustainability goals adopted, regardless of being qualitative or quantitative, were to be measurable within the company. For example, in healthcare business, the sales number of blood pressure monitors was set as a sustainability goal. OMRON interprets that the sales number represents

the social value to customers with high blood pressure. Reaching out to those should be considered that OMRON in contributing to treating cerebrovascular and cardiovascular disease, which in turn is contributing to Goal 3 of the SDGs (Good Health and Well-being).

While understanding on sustainability goals differs by business, employees have been able to link their own work to global social issues, using SDGs framework, and to view the social value generated as something of their own. OMRON's initiative serves as a leading example of the integration of management and sustainability.



Overview of the VG2.0 Medium-Term Management Plan and Links to SDGs

## Kyokuto Kaihatsu Kogyo Co., Ltd.

### Contributing to SDGs by creating healthy communities through the environmental sanitation business

Kyokuto Kaihatsu Kogyo manufactures special purpose vehicles including concrete pump trucks, concrete mixer trucks and refuse collection trucks, and handles manufacturing and sales of recycling facilities. For its main business in the special purpose vehicles, the company is planning business expansion to emerging nations in Southeast Asia and so on, amidst the shrinking market in Japan. In the region, waste generated along with increasing populations and economic growths has created

social problems. The company's products and services have a large role to play in responding to the demand for waste management. However, compared to developed countries, the concept of waste itself is still developing in the region. Thus, to both gain a foothold in overseas expansion and contribute to society, the company is implementing initiatives like the cooperation with the Republic of the Sudan described below.

Infrastructure improvements have not been advanced in Sudan due to the continuing civil war, and worsening environmental sanitation has especially become a serious problem. Waste is scattered everywhere in the capital city, Khartoum. Further, water contaminated by dumping of waste has seeped into the soil, and it is creating a health hazard for the people drinking the same. Accordingly, the company has supplied refuse collection and transport trucks to the Ministry of Environment of Sudan through an ODA project with JICA, and has carried out instructions in operation and technical guidance to address social problems caused by waste generation. This initiative not only concerns Goal 11 (Sustainable Cities and Communities), but also contributes to Goal 6 (Clean Water and Sanitation) and Goal 3 (Good Health and Well-being). Kyokuto Kaihatsu Kogyo expects to continue to

contribute to building resource-recycling and sustainable societies in the future.



Vehicle supplied to the Republic of the Sudan and its instruction in operation

## Kirin Holdings Company, Limited

GCNJ/IGES Interview Series : [http://www.ungcjin.org/sdgs/archive/1801\\_kirin.html](http://www.ungcjin.org/sdgs/archive/1801_kirin.html)

### Addressing social issues and creating business opportunities with domestic hops

The CSV Commitment released by Kirin Holdings in 2017 not only applied the SDGs all the way to the target level, but also established a concrete story, commitment, approach and outcomes. For example, SDG Target 2.3 is geared to “double the agricultural productivity and the incomes of small-scale food producers”. Kirin has committed to, “work on improving the quality and stable procurement of Japanese hops and brew unique beers that can only be made by using Japanese hops, while contributing to the revitalisation of key producing areas”. As such, the company is implementing the following initiatives.

Production of hops domestically in Japan has plummeted due to a decrease in producers that has gone hand in hand with an ageing population and the impacts of global warming. With the price of domestic hops double that of hops produced overseas, the market was in a state of natural decline. As Kirin altered the direction of its policy to the CSV strategy, it searched for ways to utilise the aromatic and fresh domestic hops to keep it from dying out. Accordingly, it bought the entire quantity of hops from Tono City in Iwate Prefecture, one of the few hops-producing areas in the country, and launched the “Kirin Ichiban Toretate Hop” draft beer. It also opened outlet stores in Daikanyama and other areas where people can enjoy craft beers made with domestically produced hops. Additionally, Kirin is assisting the city of Tono in its town planning, collaborating on the Tono Beer Experience

project that aims to convert Tono, the “home of hops” into the “home of beer”. One outcome of community revitalisation activities has been the addition of five young persons over the last two years that are newly working in the field of agriculture. A brighter future for hops cultivation is expected.

Amidst a consumer shift away from beer, Kirin reports that young women at its directly managed craft breweries are paying JPY780 for one glass of beer (360 ml) and even enjoying refills. Kirin not only considers this initiative to play a role in community revitalisation in raw material-producing areas, but also to be one of its major marketing strategies and a game-changer in the beer market through the expansion of craft beer. Kirin is engaged in ambitious initiatives to create new beer culture while contributing solutions to social issues and breaking into new markets.



ENJOY! HOP - hops to bring out the best in our beer

## INPEX Corporation

### Contributing to the creation of a brighter future for society through our effort to realize stable energy supply

The business activities of INPEX are closely related to Goal 7 of the SDGs on energy and Goal 13 on climate change. As such, in 2017 INPEX incorporated the SDGs perspective and took four steps (1. Issue identification and gap analysis, 2. Stakeholder dialogues, 3. Issue prioritisation and 4. Management review) to review key sustainability issues (materiality). The SDGs are referred in the top message from the President and CEO, showing the company’s commitment to contributing to sustainable development.

INPEX has long recognised the importance of actions to reduce greenhouse gases and has released a Position Paper compiling its ideas and initiatives on climate change. In this paper, the company establishes the pillars of its initiatives to achieve the reduction of greenhouse gas emissions in oil and natural gas development, the expanded provision of natural gas (the fossil fuel with the lowest environmental load) in response to meeting energy demand, and promotion of renewable energy projects. Concrete examples of projects include the start of commercial operation of the First Unit of the Sarulla geothermal power plant in Indonesia in March 2017, and of the Second Unit in October of the same year. This plant boasts the world’s largest-scale output. Not only has INPEX contributed to curbing greenhouse gas emissions in Indonesia with its striking economic growth, but also to

the stable energy supply. The company has also engaged in development of local infrastructure such as the roads, bridges and waterworks of the area surrounding the power plant, and provided livelihood support to local residents. Further, in relation to respecting human rights which forms the basis of the SDGs, the INPEX Group formulated and released a Human Rights Policy and is working to see its human rights management thoroughly carried out. In the area of diversity, the company has made efforts to make environmental improvements at sites and workplaces, actively employs women and disabled persons and assists in the reemployment of retirees, implementing management in harmony with the SDGs.



Second unit of the Sarulla geothermal power plant

## Konica Minolta, Inc.

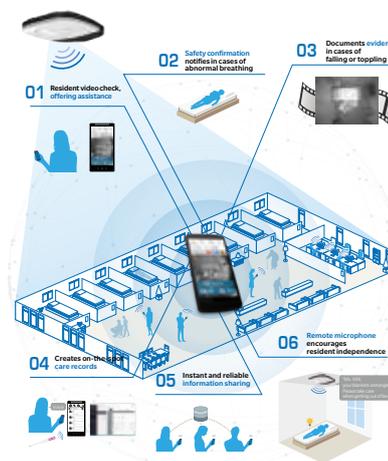
GCNJ/IGES Interview Series : [http://www.ungcjin.org/sdgs/archive/1801\\_konicaminolta.html](http://www.ungcjin.org/sdgs/archive/1801_konicaminolta.html)

### Supporting customer transformations as a “Digital company with insight into implicit challenges”

In its “SHINKA 2019” Medium Term Business Plan launched in 2017, Konica Minolta indicated the pathway it would follow as a “digital company with insight into implicit challenges”. Further, the company is expected to link its business with the SDGs as it incorporates business that contributes to solving social issues into its corporate DNA. The company has put particular emphasis on social innovation and has taken unique actions to enhance nursing and primary care in an ageing society and to realise personalised healthcare for cancer in the area of biohealthcare. A specific example from the nursing field is introduced below.

Konica Minolta identified a shortage of nursing staff and the increasing burden of nursing care as key issues faced by Japan’s super-ageing society. In order to collect data on the actual status of nursing care services, company employees visited workplaces. Based on the data obtained, issues related to workflow were identified, such as fragmentation of workflow due to calls from patients using a nurse call button. To address these issues, Konica

Minolta developed the “Care Support Solution®” to transform nursing care workflow. This system enables nursing care staff to accurately ascertain the condition of a patient on a smartphone. In the event of an accident, video is recorded enabling modifications to rooms



Features of the “Care Support Solution®”

according to the movement of patients and promoting continual improvements in on-site care. This solution significantly reduced the amount of nursing staff physical activity and working hours, leading to improved work productivity, enhanced service, lower turnover rates among nursing staff and most importantly, improved

quality of nursing care for residents. In this matter, Konica Minolta will continue to engage in raising issues and planting the seeds for the next business opportunity to contribute to a new social issue and to create positive impacts that may have been at first unexpected through initiatives to address SDGs and social issues.

## Sumitomo Forestry Co., Ltd.

GCNJ/IGES Interview Series : [http://www.uncgjn.org/sdgs/archive/1801\\_sumitomo.html](http://www.uncgjn.org/sdgs/archive/1801_sumitomo.html)

### Linking the SDGs to business and utilising them as communication tools

With its roots in managing the forest surrounding the Besshi copper mine, Sumitomo Forestry inherited the philosophy of “sustainable forestry” in its business activities. As a result, the idea of sustainability has been a cornerstone of management and the consciousness of employees. With expanded overseas businesses and increasing links to other countries, the company considers the SDGs to be goals it must work to achieve as a global company.

For example, one of the company’s CSR Material Issues is to “continue to procure wood and materials that take sustainability and biodiversity into consideration”. The company’s CSR Mid-term Plan which is based on this issue, is considered to contribute to Goal 12 (Responsible Consumption and Production), Goal 13 (Climate Action) and Goal 15 (Life on Land). Amidst decreasing global forest area, Sumitomo Forestry has continued to implement the inspection of suppliers based on the Sumitomo Forestry Group Procurement Policy. In 2017, the company without delay complied with the Japan’s Clean Wood Act and promotes procurement of wood from sustainable forests. Meanwhile, forests in Japan, particularly plantation forests, have not been well maintained due to a declining and ageing forestry workforce, raising growing concerns about forests becoming devastated. Sumitomo Forestry has contributed to the maintenance of forest environments through use of domestic timber and expansion of its

consulting services on forestry management for local governments. By continuing these initiatives, the company has advanced the increased handling of timber that utilizes sustainable forest resources.

These links between SDGs and business are expected to help employees better understand how their daily work is related to global social issues. Sumitomo Forestry intends to continue to utilize the SDGs as a communication tool that enables each and every employee to personally relate to global social issues previously considered to be far-removed, and to experience a feeling of contributing to these global issues through their daily work.



Forestry management and use of wood

## Daikin Industries, Ltd.

GCNJ/IGES Interview Series : [http://www.uncgjn.org/sdgs/archive/1801\\_daikin.html](http://www.uncgjn.org/sdgs/archive/1801_daikin.html)

### Business expansion and contributions to sustainability through strategic market creation

Air conditioners make people’s lives more comfortable and improve a quality of life, but their fluorocarbon refrigerants contribute to global warming and considerable energy consumption during use account for significant impacts on the ozone layer and climate change. In emerging nations where air conditioning use is on the increase, it is essential to provide support for the development of appropriate performance evaluation mechanisms, regulations and technicians in order to promote the diffusion of products with excellent environmental performance, despite the higher price. Daikin has established a variety of activities toward this purpose.

For example, since fiscal 2013 Daikin has supported the Indian government in the introduction of an index and labeling system for the proper evaluation of energy performance. Together with the Ministry of Economy, Trade and Industry (METI), the Energy Conservation Center, Japan and other Japanese manufacturers, Daikin explained the effectiveness of a method of performance evaluation called CSPF to the Indian government. Likewise, the company provided support from a technical standpoint for the establishment of a system, including provision of instruction on measuring methods to the evaluation organisation. As a result, in fiscal 2015 a new voluntary energy label system was launched that used CSPF as

the evaluation standard for properly evaluating inverter products. In the ASEAN region, Daikin collaborated with the Japan Refrigeration and Air Conditioning Industries Association to promote understanding on CSPF and provide support toward the introduction of a standardised version of the system in all countries.

Moreover, the company reports that it is not easy to convert refrigerants into new one that are already widely used. In order to promote the use of R32, a next-generation refrigerant with low global warming potential, Daikin has offered free access in emerging nations to a total of 93 R32-related patents since 2011. In 2015, access was extended to all countries including developed nations. Subsequently, Daikin cooperated on and participated in METI and JICA programmes, as well as UN-led projects, in India, Thailand and Malaysia, where it provided technical information, support for conversion to R32 and technical instruction. Cumulative sales of R32 air conditioners by the Daikin Group have exceeded 10 million units worldwide.

Through strategic improvements to the market environment, Daikin has made contributions to ozone layer protection and global warming mitigation as it has realised widespread expansion of its core business in air conditioners.



Air conditioner affixed with new energy label based on index for proper evaluation of inverters

## Dai Nippon Printing Co., Ltd. GCNJ/IGES Interview Series : [http://www.uncgcnj.org/sdgs/archive/1802\\_dnp.html](http://www.uncgcnj.org/sdgs/archive/1802_dnp.html)

### Developing new ways of contributing to the SDGs and solutions to social issues with the EcoPro 2016 exhibition

In the “DNP Group Vision 2015,” made up of the company’s corporate philosophy, business vision and guiding principles, the DNP Group depicts a future sustainable society, namely a prosperous society where the SDGs have been realised. The SDGs first began to permeate the company when it exhibited at EcoPro 2016 in December of that year. Prior to this exhibition, awareness on SDGs within the company was not high. Under the leadership of the CSR and Environment Department, the company used SDGs as the global common language to promote a shared understanding on how one’s work can contribute to solving global social issues such as climate change and human rights, and is connected to creating better societies. Consequently, employees realised that the company’s products and services, in addition to having advantages related to function and technology, could also contribute in various ways to the goals of global societies, thereby enhancing their motivation towards work.

One example is an application for household budget-tracking called, “Receipi!”. This application not only automatically records spending when a receipt is photographed on a smartphone, but also is equipped with a function to suggest recipes based on purchased food items. When this application was exhibited as a method for reducing food loss at the EcoPro exhibition, the company formed a connection with the person in charge of food loss in Shizuoka Prefecture and the application came to be utilised as a public relations tool for the prefecture.

At present, the company maintains an awareness of the relevance of SDGs in many departments, including packaging, a business unit closely related to the end user, as it works to identify customer issues and engage in activities linking issues to products. Further, DNP is working on “upcycled products”, paper products remade from excess paper from packaging plants. DNP seized the opportunity to make the SDGs well-known within its company through the EcoPro exhibition, then expanded promotion of products and services based on greater awareness of their contributions to solving social issues raised in the SDGs. Additionally, in cooperation with external partners, the company has developed initiatives to enhance motivation and generation of ideas for development of products and services.



DNP booth at EcoPro 2016 that highly promoted the SDGs

## DSM

GCNJ/IGES Interview Series : [http://www.ungcjin.org/sdgs/archive/1802\\_dsm.html](http://www.ungcjin.org/sdgs/archive/1802_dsm.html)

### Providing sustainable solutions for people and the earth

Within its global business in the areas of science-based health, nutrition and materials, DSM pursues sustainability based on the three P's: People, Planet and Profit. The company's main SDGs-related efforts are focused on three areas and five goals: nutrition (Goals 2 and 3), climate change and energy (Goals 7 and 13), and circular and bio-based economy (Goal 12). The company emphatically considers the provision of solutions to address climate change and energy issues as business opportunities, and considers strategies to respond to global competition in the low-carbon market.

In an effort to contribute to sustainability, DSM provides ECO+ solutions, products that are environmentally superior to existing products, and People+ solutions, better products for people's lives. At each stage, from provision of raw materials to recycling, Eco+ products measure and evaluate environmental impacts (e.g. CO<sub>2</sub> emissions, resource consumption, disposal), and People+ products measure and evaluate the state of people's health, work environments and community development. Together, these products are referred to as Brighter Living Solutions and currently account for 60% of DSM's product portfolio. Via these initiatives, not only has awareness within the company and the direction of business come together, but requirements for raw materials have also

been more closely examined, consequently leading to the avoidance of business risk.

DSM has also adopted a system of "internal carbon pricing". For investment decisions, one projection is prepared that includes 50 Euros/CO<sub>2</sub>-t pricing, and one that does not. In so doing, future business risk is examined and internal decision-making is moved in the direction of low-carbon business and investments. This system enables both management and finance departments to be involved in sustainability within the workings of the company and is important in that it gives management a real sense of carbon pricing.



Brighter Living Solutions (Eco+ & People+)

## TEIJIN LIMITED

GCNJ/IGES Interview Series : [http://www.ungcjin.org/sdgs/archive/1801\\_teijin.html](http://www.ungcjin.org/sdgs/archive/1801_teijin.html)

### Uniting healthcare and IT for community-based healthcare

Since establishing its Corporate Philosophy in 1993, the Teijin Group has actively worked to contribute to sustainability through selection of social issues highly relevant to its business and advancement of initiatives that make the most of its unique solutions. The SDGs are highly compatible with the Teijin Group's corporate philosophy. The company provides solutions needed by society by focusing on the three areas of "environmental value", "safety, security and disaster mitigation" and "demographic change and increased health consciousness" towards realising an "enterprise that is essential to tomorrow's society", according to its long-term vision.

VitalLink, the Teijin Group's multidisciplinary collaboration and information sharing system, is a leading initiative that unites healthcare and IT. In Japan's super-ageing society, the creation of comprehensive community healthcare systems is required. Within a community healthcare system, the sharing of information among a patient's multiple healthcare professionals (e.g. primary physician, visiting nurse, pharmacist, care manager and care worker) is essential. However, conventional methods of information sharing do not allow sharing in real time

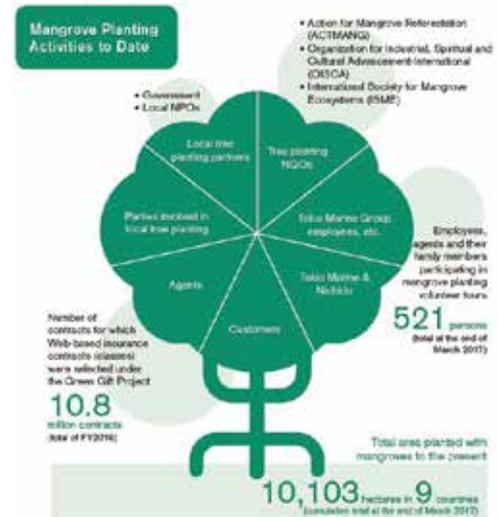
and information exchange is time-consuming. This system enables viewing of information and input patient's data using computers, smartphones and tablets, creating an environment whereby a patient's information can be easily confirmed and shared at any time or place. It also enables the consolidated management of scattered vital data, making it easier to apprehend chronological changes. Support for the creation of this comprehensive community healthcare system, in which medical and nursing care are integrated by multidisciplinary information sharing and seamless cooperation, is linked to the provision of higher quality care to patients and the enhanced productivity of medical and nursing practitioners. Through this



Conceptual diagram of the comprehensive community healthcare system



resilience to natural disasters with only insurance. Thus, the initiative aims to reduce potential tsunami damages by planting mangrove trees (and to measure the effects). Further, local residents earn livelihoods by engaging in tree-planting work, leading to an improved reputation locally. Mangroves have CO<sub>2</sub> absorption and fixation capacity, and due to the considerable contribution of this initiative, Tokio Marine Group achieved a carbon neutral status for the fourth straight year starting in 2013 (in 2013, the company won the Environment Minister's Award for Global Warming Prevention Activity in the category of international contribution). Multi-stakeholder mangrove tree-planting activities that include insurance customers have not only given rise to rich ecosystems, protected biodiversity and provided marine products and forest resources to people living in surrounding areas. These initiatives have also created the multi-benefits of reduced tsunami and storm tide risk, support for the livelihoods of local residents and mitigation of climate change.



Achievements in mangrove planting

## TOTO LTD.

### Taking a bird's eye view of ESG within management and promoting sustainable procurement

Within its business activities, TOTO considers CSR management to be management using CSR initiatives that bring the TOTO Group Corporate Philosophy to life. By taking a bird's eye view of the ESG (Environment, Society and Governance) fields, TOTO is working to strategically integrate business and CSR activities. Within this framework, the company has considered links to the SDGs.

In 2017, TOTO reviewed the "TOTO Global Environmental Vision" looking forward to the next 100 years. In addition to the conventional idea of "environment", it designated "social themes" with strong relevance to business as materiality. The company aims to further improve its corporate value by working to integrate management and CSR.

A particular initiative of focus for TOTO is the establishment of its Sustainable Raw Material Procurement Standards in 2010. The company has worked with suppliers to promote procurement of raw materials and wood-based material that takes sustainability into consideration. For the soil and stone raw materials used in domestic factories for the company's major products, surveys are conducted that cover standards required by TOTO, such as "reforestation in surrounding areas once mining is complete" and "initiatives to prevent contamination of rivers and lakes during mining and crushing". In some cases, compliance and sustainability are confirmed based on interviews conducted through trading companies.

Additionally, suppliers and production sites are visited when necessary to verify facts, and in 2016 all mines were found to satisfy the standards of the company. Further, the company has set target values for percentage of legal and recycled material in wood-based material used for products produced in domestic factories. In 2016, the company achieved values of 90% legal wood and 9% recycled material.

Through these initiatives, TOTO aims to achieve a balance between the "sustainable use of resources" and "stable procurement" based on creation of supply chains that give consideration to human rights, labour and compliance, as well as environment and ecosystems.



TOTO Global Environmental Vision

## Japan Food Ecology Center, Inc.

GCNJ/IGES Interview Series : [http://ungcjn.org/sdgs/archive/1802\\_fec.html](http://ungcjn.org/sdgs/archive/1802_fec.html)

### Food recycling business and actions to expand markets to contribute to sustainable development

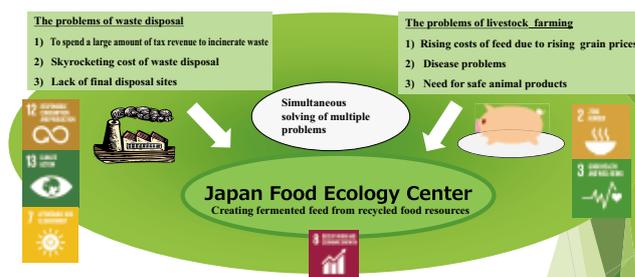
Target 12.3 of the SDGs addresses food loss and waste. In Japan, an annual 28 million tons of food waste is generated, and the majority of this waste is treated by incineration at a cost of JPY40,000-50,000 per ton. Meanwhile, livestock farming, including pig farming, relies on imported grain for feed and the costs for feed are high. The activities of the Japan Food Ecology Center (J.FEC) have been built upon the issues of waste disposal and livestock farming.

The food waste handled by J.FEC consists of unsold items from supermarkets and convenience stores and manufacturing loss (e.g. surplus cooked rice) at food factories. Waste is collected from over 170 food-waste producing enterprises in the Kanto area. Waste is simultaneously measured and content is automatically ascertained to confirm the absence of any extraneous material. It is then sorted, shredded, sterilised and put through a fermentative process, resulting in the manufacture of a liquid fermented feed.

There are multiple benefits generated by this process. First, the cost of incinerating food waste with its high water content is reduced. Accordingly, energy consumption and CO2 emissions are also reduced. Next, liquid feed is about 50% lower in price than standard composition powdered feed, and it prevents pneumonia in pigs caused by powder dust. Also, this liquid feed produces pork that is tender, has sweet-tasting fat and is low in cholesterol (thus it is sold as a brand of pork). Furthermore, data on

the content of waste ascertained during measurement is sent to waste-producing businesses as feedback to assist in waste reduction efforts.

However, there are few food recycling enterprises such as J.FEC that are making profits. This situation is caused by the fact that competitors are local governments. In some cases, they use tax money to give corporations discounted incineration services as part of efforts to attract companies to their areas. Moreover, in order to create similar set-ups suited to different regions, expert knowledge combined with knowledge on local economies, laws and licensing is required. Based on the view that it is essential for all companies to engage in sound recycling to create a mature market for the sake of the global environment and the growth of companies, J.FEC is committed to engaging in information dissemination and support for other companies.



Background of the Japan Food Ecology Center's business

## Nestlé Japan

GCNJ/IGES Interview Series : [http://www.ungcjn.org/sdgs/archive/1802\\_nestle.html](http://www.ungcjn.org/sdgs/archive/1802_nestle.html)

### Schemes to solve social problems through creation of innovations

Since 2011, Nestlé Japan has conducted the Innovation Awards, an initiative in which all employees participate that originated in Japan. This practice encourages those in all departments to remember that everyone is working for someone else and that everyone has "customers". This scheme promotes a process by which employees are encouraged to discover customers' unrealised problems and implement solutions (innovations). Participating employees come up with potential problems faced by customers and solutions to them, then themselves engage in trials and verification, with funds available in the company for testing out their ideas. Outstanding results are awarded with a JPY one million prize, and winning ideas are implemented organisationally the following year.

The NESCAFÉ Connect service was also born from an environment in which each employee's ideas are heard. NESCAFÉ Connect is an IoT service jointly developed with Sony Mobile Communications to address the issue

of loneliness among the elderly. Users set up coffee machines (NESCAFÉ GOLDBLEND BARISTA i) and special-purpose tablets in their homes. When talking to the character inside the tablet screen to make a coffee, the machine starts to brew coffee, and the information is sent automatically to the pre-registered distant family etc. via the free dialog application LINE. When recipients send back a reply message, the character read it aloud for the



NESCAFÉ Connect User Concept

user, and also it is available to initiate search engines by voice operation. All these features are designed for easy use even for elderly people. The price of this service is JPY 500 per month as a tablet usage plus coffee subscription fee, and this establishment of the business scheme also secures long-term commitment.

Nestlé Japan recognises that in order to provide fundamental solutions to social issues, the company itself, its partners and its customers must all move in the direction of value, namely practicing CSV (creating shared value) and ensuring that internal company workings are such that they naturally contribute to addressing SDGs through core business.

## Hakuhodo DY Holdings Inc.

GCNJ/IGES Interview Series : [http://www.uncgcn.org/sdgs/archive/1802\\_hakuhodo.html](http://www.uncgcn.org/sdgs/archive/1802_hakuhodo.html)

### Promoting an array of social actions to spread happiness among *sei-katsu-sha* and society

The Hakuhodo DY Group's CSR is based on the fundamental concept to aim to "create and spread happiness among *sei-katsu-sha* (a term coined by the company to express the holistic person) and society." It is comprised of efforts by each and every employee as they work together with industry, groups and the media in the course of their core daily work, and the provision of support for autonomous efforts by employees as individual *sei-katsu-sha*. The Hakuhodo DY Group's twin philosophies, *Sei-katsu-sha* Insight and Partnership, are the basis for the company's CSR work. Areas and topics being addressed by employees expand every year. A total of 87 activities are introduced on the Group's Japanese language website, each with the applicable 17 Sustainable Development Goals (SDGs) icons affixed to it. Among these, TAP PROJECT JAPAN is one approach to addressing global issues.

TAP PROJECT JAPAN is a joint project between the Japan Committee for UNICEF and volunteers from the Hakuhodo DY Group that seeks to use the power of design to realize a future where children all over the world can access clean water. Activities were launched in 2009. In addition to collection of donations at restaurants and cafes, programs to raise awareness about water are carried out every summer. Donations collected to date have contributed to support projects for children that do not have access to safe, clean water in the island nation of Madagascar in Southeast Africa. From the start of activities through March of 2017, 45 wells and water supply facilities and 146 toilets have been installed in 48 elementary schools.

In 2017, the 9th year of the project, a total of 85 young employees participated as volunteers in a feature event called "Road to Water"<sup>3</sup>. Various issues related to water are not only connected to Goal 6 of the SDGs (Clean Water and Sanitation), but are also important topics linked to other social goals. In Madagascar as well, water issues are tied to other issues. For example, the work involved in going to wells to draw water robs children of opportunities to grown and learn. This event aimed to get people living in Japan interested in the various issues surrounding water. Furthermore, bringing together employees with diverse specializations and strengths in creative, digital, PR and promotions to address a social issue, the event created an opportunity for each employee to grow.



TAP PROJECT JAPAN

<sup>3</sup> Held at T-SITE GARDEN GALLERY in Daikanyama over a four-day period from August 21–24, 2017.

## Patagonia Japan

GCNJ/IGES Interview Series : [http://www.ungcjin.org/sdgs/archive/1801\\_patagonia.html](http://www.ungcjin.org/sdgs/archive/1801_patagonia.html)

### Using business as a tool for change

The concept of sustainability is clearly reflected in the mission statement of Patagonia. The company considers business as not an aim, but a tool, and the company's role is to provide solutions to environmental problems. Patagonia Japan focuses on the four areas of: (1) responsible consumption, (2) nature preservation, (3) appropriate agriculture, and (4) energy shift. It engages in a variety of initiatives. Here, an initiative related to responsible consumption is introduced.

A Patagonia initiative that seeks to change the present state of mass consumption and mass disposal is the "Worn Wear: Better than New" initiative. This programme partners with departments specialising in repair and encourages customers to use their products over the long-term, providing an easy method of recycling for products that cannot be repaired. The company also operates a special blog where people can share memories of Patagonia products they have had repaired or have been using for years. By making high quality and repairable products, Patagonia aims to curb customer consumption

and get customers to use the company's products longer. Understanding that one company alone cannot change society, Patagonia intends to engage diverse stakeholders, including other Japanese companies and NGOs, in collaboration to address social issues through business.



Worn Wear Repair Event #3: Patagonia in Shibuya, Tokyo

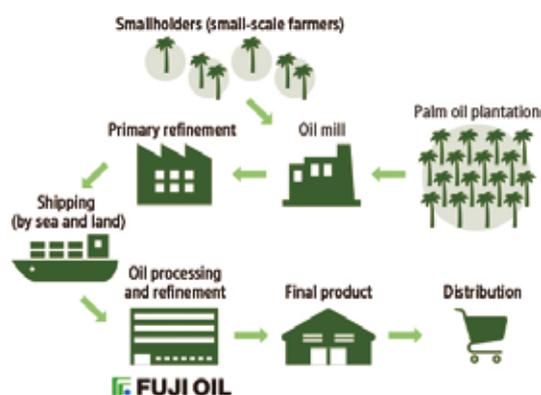
## FUJI OIL HOLDINGS INC.

### Initiatives that address environmental and human rights issues through sustainable procurement of palm oil

Under the leadership of company president Shimizu, the Fuji Oil Group takes a stance on contributing to society with "healthier and happier living through food". A part of this effort is shown in its business in soy beans, with a 60-year history. In the past, the soy business was continually in the red, but the company believed that soy could make up for insufficient protein available to the world's people in an escalating global population. Thus, the company considered continuing in the soy business to be its mission in society. It has continued to pursue and propose possibilities for using soy in foods.

Additionally, in recent years the company has focused its efforts on initiatives in palm oil, a main raw material. As palm oil is low-cost and easy to process compared to other vegetable oils, it is widely used in foods and chemical substances and has the largest production volume among oil materials used worldwide. Meanwhile, environmental issues caused by development of palm plantations and human rights issues such as child labour and forced labour are problems of concern. As such, the Fuji Oil Group is promoting sustainable procurement as its social responsibility.

In March 2016, Fuji Oil established the "Responsible Palm Oil Sourcing Policy" as the view of the group in its entirety, and has strengthened its system of handling certified oil based on the RSPO<sup>4</sup>, which it joined in 2004. Moreover, the company works in other ways to promote the sustainable procurement of palm oil. It works together with the NPO called TFT (The Forest Trust) to ascertain traceability, and shares the abovementioned policy with suppliers (extraction



The Fuji Oil Group's position in the palm oil supply chain

<sup>4</sup> RSPO (Roundtable on Sustainable Palm Oil) is a non-profit organisation based on cooperation among palm oil producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social/development non-governmental organisations (NGOs).

plants) in an effort to improve its supply chain. Likewise, it engages in support for small-scale farms on the island of Borneo in Malaysia (pairing up with a local NGO called “Wild Asia” for a four-year educational support programme aimed at improved productivity and working environments). Small-scale farmers receiving assistance have reported back on the

benefits of the project, including reduced use of pesticides and fertilizers as well as increased profits. The Fuji Oil Group is committed to working with related NGOs and companies to expand and strengthen the sustainable procurement of palm oil to address human rights and environmental issues.

## Fuji Xerox Co., Ltd.

GCNJ/IGES Interview Series : [http://ungcjin.org/sdgs/archive/1802\\_fujixerox.html](http://ungcjin.org/sdgs/archive/1802_fujixerox.html)

### Strengthening engagement and achieving returns based on Employee Assistance Programmes

Since the 1970s, Fuji Xerox has proposed new ways of working and achieving fulfillment in work and life under the slogan, “From Hustle to Beautiful” followed by “New Work Way”. The company has designated the achievement of the SDG 8 (Decent Work and Economic Growth) as its major goals.

As part of these efforts, Fuji Xerox has engaged in capacity building for its employees at its manufacturing site, Fuji Xerox of Shenzhen, since fiscal 2006. In China, mobility in employment is high and many young people from rural areas come to work at factories, creating a demand for measures to promote the mental and physical well-being of workers. Accordingly, a programme to support employees was set up in stages, including a system for stating opinions (e.g. CSR suggestion box, opinion exchange using the intranet), a system for continuing education (geared to workers on production lines and foremen, as well as training for new hires), and a system to support psychological and mental stability (e.g. psychological counseling by phone or in-person, seminars on psychological health).

Based on the conviction that QCD (quality, cost, and delivery) cannot be maximised without CSR, the content of activities evolved over time. As a result, while there was some fluctuation in employee numbers, a turnover rate of 1/3 the average in Shenzhen was maintained, leading eventually to quality improvement and benefits compared

to costs. This initiative is a good example of the returns that can be gained by treating employees and their families well, leading to a higher engagement with the company.

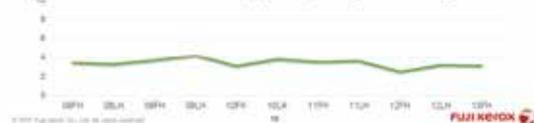
In January 2015, Fuji Xerox of Shenzhen launched a programme to address the issue of children that have been left in poor rural villages when both parents go to work in industrial areas, whereby a fractional amount is deducted from monthly paychecks and donated. Approximately 2,500 people or 40% of total employees have registered. The company also carries out support including counseling and workshops on parent-children relations and the establishment of a hotline.

#### The effect of EAP at Fuji Xerox of Shenzhen

- Provide care and capacity building opportunities for workers.
- Created trust between the factory management (both Japanese and Chinese) and workers.



- As a result, turnover rate of the company is kept at only 1/3 of the average of Shenzhen.



Employee support programmes at Fuji Xerox of Shenzhen

## Sumitomo Mitsui Trust Holdings, Inc.

### SDG initiatives as a management strategy

Sumitomo Mitsui Trust Holdings has compiled a Sustainability Policy containing six items to contribute to building sustainable societies, and determined the relevance of each item to the SDGs. Policy item 1, to “Contribute to solving social and environmental problems through business” and item 6, to “Participate in and contribute to the community” are geared towards the SDGs in the planning phases and are inseparable at the practical level.

The company’s sustainability initiatives within business involve the provision of products and services that contribute to solving environmental and social problems

addressed by the SDGs, utilising the expertise and function of a trust bank. In so doing, the company not only contributes to the formation of societies sought after by the SDGs, but also simultaneously boosts the group’s performance overall and improves corporate value. Activities involve five major themes: climate change, natural capital, environmentally friendly property, sustainable investment and the super-ageing society. Details on initiatives are available in the company’s ESG/ CSR Report. Each of the SDGs is not only utilised as a standard to examine the validity of the social value of products and services, but also as a principle to raise the level of operations, management and information

disclosure in order to positively influence (impact) the achievement of each goal.

In providing value to communities, the group carries out an array of community and contribution initiatives in communities where it has office branches. Providing value is necessary as a social license to operate a business and supports the soundness of the company's business foundation. The SuMi Trust Bank in particular promotes what it refers to as "With You Activities" and actively publishes content on its blog to further strengthen ties with communities. The value provided to the community

by each activity is categorised according to the SDGs. From here on, the company plans to carry out analyses on the impacts of activities on communities.



Sustainability initiatives in business

## Sumitomo Mitsui Financial Group, Inc.

### An open-innovation base to address social issues

The Sumitomo Mitsui Financial Group (SMFG) has identified the three themes of "environment," "next generation," and "community" as medium to long-term priority issues that form the core of CSR activities, and has formed a vision for SMFG to aspire to for 2030. Also, these three themes are organised according to the various goals of the SDGs to which they contribute through the business activities of group companies.

As part of SMFG's initiatives, an open-innovation base named "hoops link tokyo" was established in Shibuya in central Tokyo on 1 September 2017. Here, company representatives ranging from startups to major corporations, both domestic and international players, as well as people from government, academic research institutes and non-profits gather to work to create new businesses and services, and to revitalise existing businesses and services linked to addressing social issues. Activities are unquestionably well-matched with the concept of the SDGs

and expectations are high for the array of innovations that will come forth from this forum in the future.



hoops link tokyo

## Yamaha Corporation

GCNJ/IGES Interview Series : [http://www.uncgjn.org/sdgs/archive/1801\\_yamaha.html](http://www.uncgjn.org/sdgs/archive/1801_yamaha.html)

### Promoting music and sustainable wood procurement

Yamaha's initiatives related to the SDGs focus on Goal 4 (Quality Education). One of the company's main objectives is the promotion of music education and lifelong learning in countries around the world through business. Yamaha's school project carried out in Malaysia, Indonesia, Russia and Vietnam, aim to provide a large number of children the opportunity to experience the enjoyment of playing instruments. Among this project, an effort to support the introduction of instrumental music education in Vietnam's compulsory elementary and junior high school education, was selected as an official project under the "Public-Private Initiative to Disseminate Japanese-Style Education Overseas (EDU-Port Japan)" of Japan's Ministry of Education, Culture, Sports, Science, and Technology. Instrumental music education offers many merits from an

educational perspective, including opportunities for self-expression, cooperation with others and the development of a sense of responsibility. Based on this initiative, the Ministry of Education and Training of Vietnam plans to introduce instrumental music education in the revision of the country's course of study for elementary and junior high schools planned after 2019. Yamaha is cooperating in trials at school clubs, the development of teaching materials and teacher training.

Yamaha has focused efforts in sustainable wood procurement related to Goal 12 and Goal 15 of the SDGs, in order to prevent and reduce any negative impacts on society. Yamaha employs traceability surveys and rigorous risk assessment to ensure that illegally logged

wood is not mixed into the wood the company procures. It implements a JICA-supported project in Tanzania to create a business model for the sustainable use of the African blackwood, used as a material for woodwind instruments. Prior to the project, Yamaha found that the local forest management was not enough to ensure sustainable timber utilization. For instance, much of the timber from felled trees was discarded, and transport was inefficient. Through cooperation with a local NGO, the project has aimed to create a system for stable provision of FSC-certified wood, review and improve processing and distribution processes, enhance the utilization rate and profitability of wood material and restore profits created to the local community. This initiative is closely linked to

poverty alleviation, employment creation and sustainable natural resource procurement.



Support activities for the introduction of instrumental music education in Vietnam

## Yamaha Motor Co., Ltd.

### Contributing to the development of sustainable societies through business activities based on corporate philosophy to “offer new excitement”

Yamaha Motor Group has made its highest-ranking objective to “offer new excitement and a more fulfilling life for people all over the world”, under the global slogan “Revs Your Heart”, adopted in 2013. “Rev” not only refers to the speed of the company’s engines, but also to moving people’s hearts, making the slogan perfect for a company with its core business in the manufacturing of engines. Since the company’s founding, it has engaged in business in over 200 countries and regions, with a ratio of overseas sales at approximately 90 percent.

The company has done business in Africa since the 1960s. Its sales of outboard motors there began with support for instruction in Japanese-style fishing methods. Then, the company developed human resources for aftercare services and built a system for provision of parts, winning the company a high level of trust. The company also supported the start-up of a boat factory based on technology transfer in FRP (fiber-reinforced plastic) boats. This series of initiatives were linked to the creation of new markets while contributing to the development of local industry, expanding employment opportunities and enhancing the standard of living.

Yamaha Motor has firmly rooted awareness in its corporate culture on “contributing to society through business”. The Yamaha Clean Water Supply System developed to address social issues in developing countries exemplifies this awareness. As the set-up is simple, running costs are nearly non-existent and maintenance is easy, the

system is run autonomously by community members. The programme has reported positive changes and tangible values for results, including a reduction in diarrhea and fevers due to improved environmental sanitation and increased time for women and children, liberated from the hard labour of drawing and carrying water, to engage in studies and housework. This initiative contributes not only to Goal 6 (Clean Water and Sanitation) of the SDGs, but also to Goal 4 (Quality Education) and Goal 3 (Good Health and Well-being), and realises the product’s slogan: “improving the water will improve people’s lives”.

The aim to “offer new excitement and a more fulfilling life for people all over the world” has been firmly built into Yamaha Motor. The company is committed not only to its major business at present, but also to succeeding in future areas of business.



Yamaha Clean Water Supply System water purification equipment installed in Senegal



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