



❖ SDGs and Business in Practice

Early Actions by Japanese Private Companies



Network Japan



Supporting Companies, Organizations and Government Agencies (in Alphabetical order)

[Private Companies]

- AEON CO., LTD.
- Ajinomoto Co., Inc.
- ITOCHU Corporation
- ITO EN, LTD.
- LIXIL Corporation
- Mandom Corporation
- Nissha Printing Co., Ltd.
- OMRON Corporation
- Saraya Co., Ltd.
- Sompo Holdings, Inc.
- Sumitomo Chemical Company, Limited
- Sumitomo Mitsui Financial Group, Inc. / Sumitomo Mitsui Banking Corporation
- Sysmex Corporation
- Takeda Pharmaceutical Company Limited

[NGOs]

- Japan Civil Society Network on SDGs
- Save the Children Japan

[Ministries and Agencies]

- Ministry of Economy, Trade and Industry of Japan
- Ministry of Education, Culture, Sports, Science and Technology of Japan
- Ministry of Foreign Affairs of Japan
- Ministry of the Environment of Japan
- Japan International Cooperation Agency (JICA)

June 2017, Japan

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Abbreviations

CO2.....Carbon dioxide	NGO Non Governmental Organization
COP21 21st Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC)	ODA..... Official Development Assistance
CSR.....Corporate social responsibility	PDCA..... Plan-Do-Check-Act
CSVCreating shared value	SDGs..... Sustainable Development Goals
ESG.....Environmental, social and governance	TCFD.....Task Force on Climate-related Financial Disclosures
EUEuropean Union	UNDP United Nations Development Programme
G7.....Group of Seven	UNEP United Nations Environment Programme / United Nations Environment
GCNJ.....Global Compact Network Japan	UNEP FI.....UNEP Finance Initiative
GRI.....Global Reporting Initiative	UN ESCAP....United Nations Economic and Social Commission for Asia and the Pacific
HLPFHigh-level Political Forum	UNGC.....United Nations Global Compact
IGESInstitute for Global Environmental Strategies	WBCSD World Business Council for Sustainable Development
JICA.....Japan International Cooperation Agency	
KPIKey Performance Indicator	
MDGs.....Millennium Development Goals	

Since the emergence of the SDGs, Global Compact Network Japan (GCNJ) has been ambitiously promoting activities to link SDGs with business actions based on implementing the United Nations Global Compact (UNGC)'s Ten Principles, related to the protection of human rights, labor issues, environmental protection, and anti-corruption. I feel that the world is moving fast, with SDGs becoming a keyword from last year. In 2016, GCNJ was actively involved in a range of policy processes, such as inputs to G7 Summit and participating in G7 Environment Ministers Meeting, providing comments to Japan's SDGs Implementation Guiding Principles at its Roundtable, attending Stakeholders' Meeting organized by the Ministry of the Environment of Japan, all of which were opportunities for discussion with stakeholders. What has become clear from these experiences is that the private sector is expected to play a major role achieving SDGs. I believe that GCNJ should function as a platform for Japanese private companies.

The question is how to scale-up actions by private companies. First of all, the top, middle and bottom layers of each company need to fully understand and have a good sense of the SDGs as being an important tool for companies and society. The next step would be to integrate the SDGs into corporate strategy and business actions. I hope that this report will be a helpful guide for companies to accelerate their actions on SDGs.

Now in 2017, we are facing uncertainty about the prospects for the social and economic landscape, but we would like to work together to transform the world by 2030 by bringing a "human face to the global market", a proposal advocated by the former UN Secretary-General, Kofi Annan.

Finally, I would like to express my sincere gratitude to our collaborators including GCNJ member companies and organizations, non-GCNJ members, as well as to our joint partner, IGES.

June 2017

Toshio Arima
Chairman of the board
Global Compact Network Japan



IGES and GCNJ recently joined together to conduct research on the current status and features of Japanese business actions on SDGs, making use of a questionnaire and face-to-face interviews. This is the second time that IGES has collaborated with GCNJ, following a project to develop a version of SDG Compass translated into Japanese. IGES only has limited experience with this kind of research targeting business actions on SDGs, but thanks to GCNJ's networks with key leading companies across a range of issue areas, we were able to engage in this opportune and significant research topic. Taking this opportunity, I would like to express my sincere gratitude to Mr. Toshio Arima, Chair of the Board of GCNJ, to other GCNJ colleagues, as well as to the collaborating companies, government ministries and agencies, and all the other organizations involved.

IGES will soon celebrate its 20th Anniversary, and over the years, we have been making concerted efforts to carry out action-oriented and innovative policy research so that the outcomes of that research can be translated into practical policies and actions. We believe that IGES should actively pursue its social mission to be an *agent of change* in collaboration with various stakeholders. In this context, I have come to realize that it is even more necessary for us, including state and non-state actors such as businesses and research organizations, in both developed and developing countries, to collaborate and work together to effectively and smoothly implement the Paris Agreement and the 2030 Agenda for Sustainable Development which include SDGs, adopted in 2015.

In light of this, there is a growing need for the business sector to create a shared value, generating both corporate as well as social values at the same time, and seek future business opportunities by integrating SDGs-related actions into corporate strategies. Based on the understanding of the concept of planetary boundaries, it is ever-more crucial for engaging stakeholders with a view to co-designing and co-producing possible pathways leading to the creation of a decarbonized, resource-efficient, and circular business model. I very much hope that more and more business stakeholders will actively engage in these kinds of activities, and I am sure that this report will prove to be useful in the further promotion of such activities.

June 2017

Hironori Hamanaka
Chair, Board of Directors
Institute for Global Environmental Strategies



1. Introduction

In 2015, the international community adopted two landmark global frameworks for action: the 2030 Agenda for Sustainable Development, which includes the Sustainable Development Goals (SDGs), as well as the Paris Agreement, which lays out the architecture for post-2020 climate change mitigation efforts. Comprised of 17 goals, 169 targets and 230 associated indicators, the SDGs represent a remarkable achievement of multilateral cooperation, outlining a series of comprehensive and far reaching global measures crucial for realizing a prosperous, sustainable and equitable future for all. In this regard, an important hallmark of the SDGs is the concept of “leave no one behind”. Differing from past development agendas such as the Millennium Development Goals (MDGs), the SDGs are concerned with issues faced by both developing and developed countries alike. Similarly, implementation of the Goals is recognized not only as the responsibility of national governments, but of a range of stakeholders including businesses, local governments, non-governmental organizations (NGOs), and academia, all of whom are considered equal partners in delivering on the SDGs. Whilst various actors around the globe are leading campaigns in support of the 2030 Development Agenda, the private sector plays an especially vital role, promoting the business case for sustainability in line with the demands of citizens and consumers. Indeed, SDG initiatives led by private companies in Japan and abroad are increasingly garnering attention.

Released approximately around the same time as the adoption of the SDGs, the report “SDG Compass: A Guide for Business Action on the SDGs”¹ authored by the United Nations Global Compact (UNGC), the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD) is recognized as an important resource for information on company-led actions on the SDGs (a Japanese version of the report was published in March 2016). As outlined in the report, a growing number of companies are incorporating the SDGs into their core business model; among overseas corporations in particular, previous perception on corporate social responsibility is now shifting towards understanding sustainability

and climate change as key drivers of future revenue and earnings growth. Accordingly, several companies are progressively incorporating the SDGs into their management strategies and mid-term plans, whereas an advanced few are moving forward with implementing the SDGs as a primary business objective.²

Against this backdrop, there remains some uncertainty about the level of recognition Japanese companies attach to the SDGs — including the extent to which implementation plans are being developed — as well as those specific issues informing such initiatives. Public recognition about the SDGs in Japan is still low, and many companies continue to face difficulties in approaching the SDGs as a business opportunity. These challenges underline the need for further research about the knowledge, attitude and practices of various Japanese companies in relation to the SDGs, which serves as the basis of this report. Targeting concerned managers and staff from a cross-section of organizations that have expressed interest in the SDGs — including those exploring the potential of launching future initiatives, and those that have committed to actions yet face difficulties in carrying them out — as well as external stakeholders from government and other groups seeking to support these campaigns. This report seeks to clarify the main factors driving Japanese businesses to consider the SDGs, illustrating with examples of successful companies that are leading efforts in this space.

The report first provides an overview of current domestic and international trends related to private sector engagement on the SDGs. Next, it outlines SDG-related actions of Japanese companies based on the findings of an online survey which targeted a total of 233 GCNJ member and associated companies/organizations (as of 2 September 2016, hereafter referred to as “GCNJ members”). Results of separate interviews with 10 companies, related organizations and agencies including GCNJ non-members, are then introduced. This serves as a springboard for discussion on the merits and incentives for business action on the SDGs, including various tools and methods for making this possible, presented with examples and references to the SDG Compass already

¹ SDG Compass: (English) <http://sdgcompass.org/> (Japanese) http://sdgcompass.org/wp-content/uploads/2016/04/SDG_Compass_Japanese.pdf

² This report defines “integrating SDGs into the core business model” as the management concept called Creating Shared Value (CSV) that aims to solve social problems through corporate business activities by achieving balance between social value and value for corporations, advocated by Michael E. Porter of Harvard University, in combination with integration of sustainability/SDGs into corporate management strategies (incorporation into plans and strategies, implementation as a core business objective).

being utilized by many companies. Such discussion provides a lens through which selected issues faced by Japanese companies are examined. Lastly, by evaluating such conditions, the report reviews the current status of SDGs-related actions carried out by Japanese companies as well as the distinguishing features of these initiatives, offering recommendations on potential roles and expectations of respective stakeholders in delivering on

the SDGs, especially through project implementation.

Developed through joint research undertaken by GCNJ and IGES, this research report supports these findings with concrete examples and observations aimed at guiding the acceleration and promotion of SDG-related initiatives by companies and relevant stakeholders, both in Japan and abroad, now and into the future.

Sustainable Development Goals (SDGs)



Source: United Nations Information Center

Goal 1.	End poverty in all its forms everywhere
Goal 2.	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3.	Ensure healthy lives and promote well-being for all at all ages
Goal 4.	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5.	Achieve gender equality and empower all women and girls
Goal 6.	Ensure availability and sustainable management of water and sanitation for all
Goal 7.	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8.	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9.	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10.	Reduce inequality within and among countries
Goal 11.	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12.	Ensure sustainable consumption and production patterns
Goal 13.	Take urgent action to combat climate change and its impacts
Goal 14.	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15.	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16.	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17.	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

2. Overview of research

Accordingly, the objective of this report is to assess international business trends related to the SDGs with a view towards better understanding the current state of SDG-related actions conducted by domestic industries in Japan. Making use of both primary and secondary research methods, the report was prepared in the following manner: first, information on relevant trends and corporate activities related to the SDGs in Japan and abroad were collected via a literature review of reports issued by prominent business networks such as the UNGC and WBCSD, as well as United Nations conferences and summits.

Second, a survey targeting GCNJ members (a total of 233 companies/organizations³) was conducted to better ascertain the status of current actions on SDGs led by the Japanese business sector, clarify any issues that arise in relation to SDG implementation, and determine future research directions. In addition, interviews were conducted with domestic companies and their responsible staff tasked with carrying out leading SDG-related initiatives. The survey was circulated online over the period of 2-21 September 2016, during which time 147 companies/organizations

provided responses. Upon review of the survey results, a total of 10 companies — including 9 of 37 businesses that have already launched SDG initiatives — indicated that they were willing to publicly release the contents of initiatives. In addition to selecting one GCNJ non-member company, the sample also featured seven organizations, including NGOs and related offices, such as the Japan International Cooperation Agency (JICA); interviews were conducted with these stakeholders between December 2016 and February 2017 with consideration given to differences in the scale, and type of business under review.

Approximately 80% of GCNJ members that responded to the survey can be classified as large corporations, with 70% of these companies posting gross sales of over JPY 100 billion (Figure 1); moreover, 71% of surveyed members indicated engagement in global markets (Figure 2). However, it is also necessary to bear in mind when reviewing these results that the profile of targeted companies varies widely from the distribution ratio by scale based on the Ministry of Economy, Trade and Industry's (METI) classifications, and that small and medium-sized enterprises are generally not included.

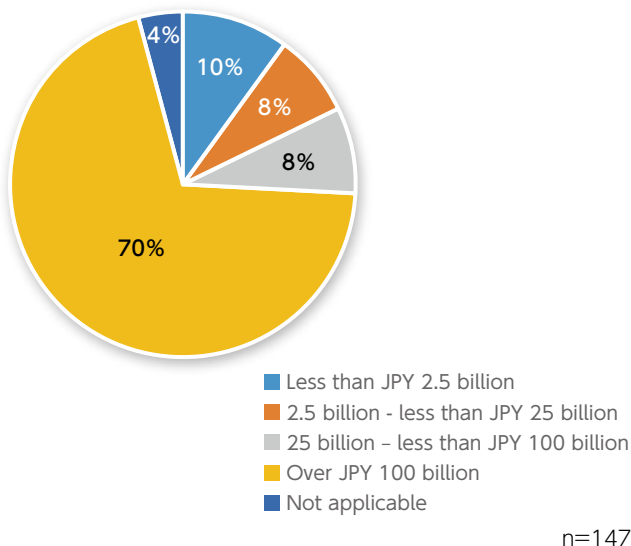


Figure 1:
Sales of respondent companies/organizations

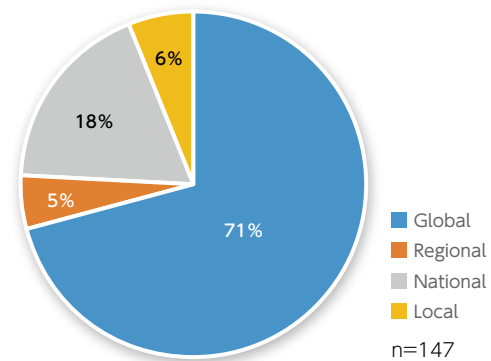


Figure 2:
Markets of respondent companies/organizations

³ GCNJ member numbers as of 2 September 2016.

3. Trends concerning business actions on the SDGs

3.1. Trends concerning SDG-related actions in Japan and overseas

Following the adoption of the SDGs in 2015 and the early entry into force of the Paris Agreement in 2016, many countries are already making efforts to incorporate the SDGs into their domestic and foreign policy agendas. For instance, at the G7 Summit held in May 2016, G7 member countries agreed to promote international cooperation on implementation of the SDGs. Moreover, at the G20 Summit held in September of the same year, a resolution was put forward reaffirming support for the 2030 Agenda for Sustainable Development and the Paris Agreement. Likewise, a number of countries are spearheading initiatives aimed at integrating the SDGs into national plans and establishing responsible organizations to initiate and support such strategies. Local authorities have also started working toward realization of the SDGs, sometimes in partnership with the private sector. In the business sphere, SDG-related activities are becoming increasingly dynamic, varying widely in scope and purpose. These range from discussions on corporate actions based on the UN Guiding Principles on Business and Human Rights — a framework intrinsically aligned with the SDGs — consultations on green and ESG (Environmental, Social and Governance) investments, reviews of recommendations issued by the Task Force on Climate-related Financial Disclosures, following its launch at the G20 Finance Ministers and Central Bank Governors meeting, dialogues on carbon pricing and optimal internal procedures for company-wide adoption, and growing engagement in the RE100 Initiative⁴ to promote 100% adoption of renewable energies (RE), among many others.

Despite this momentum, two historic events of 2016 prove likely to shape international cooperation in the years to come. In June 2016, the results of a national referendum on European Union (EU) membership — aptly named Brexit — determined that the UK would choose to leave the European bloc; and, in November of the same year, Donald Trump emerged as the winning

candidate in the US presidential election. In the midst of growing economic disparity across the globe, these developments hold serious implications for pluralism and continued economic integration. For instance, President Trump's doctrine of "America First" is premised on a distrust for multilateral institutional bodies such as the United Nations, and he has staffed much of his administration with those of similar views — including Scott Pruitt, widely recognized as a climate change skeptic, as Administrator of the US Environmental Protection Agency. On the contrary, the SDGs were explicitly written with a view towards addressing global scale problems, built upon the objective of "leaving no one behind"; in this context, much of the 2030 Development Agenda attaches importance to domestic issues, including but not limited to Goal 8 (Decent Work and Economic Growth). Taken together, the extent to which these trends will impinge on international efforts to promote a favorable environment for enhanced SDG action still remains to be seen.

Status of SDG-related actions at the global level

In light of the above, how far has the international community advanced with regard to the implementation of SDG-related actions and the measurement of progress? To answer this question, it is necessary to look to the UN-established High-level Political Forum (HLPF), which serves as a framework for monitoring the delivery of the 2030 Development Agenda. This organization will continue to play a central role in evaluating the SDGs well into the future.⁵

Moreover, Voluntary National Reviews (VNR) have been instituted by the HLPF; reviews are planned for Goals 1 (poverty), 2 (hunger), 3 (health), 5 (gender equality), 9 (infrastructure) and 14 (oceans) in 2017, and Japan is one of the countries involved in the process. Meetings of the Inter-agency and Expert Group on SDG Indicators (IAEG-SDGs) have frequently been organized to discuss data requirements for effective SDG measurement. Although deliberations on global indicators and management of country data for reporting on SDG progress have moved forward among respective

⁴ A business initiative whereby companies declare to convert to 100% renewable energies for company energy supply. As of February 2017, 87 companies have signed on, <http://there100.org/companies>

⁵ The HLPF was founded as an organization to replace the Committee on Sustainable Development (CSD) in "The Future We Want" outcome document of the United Nations Conference on Sustainable Development (Rio+20) held in 2012.

countries, a comprehensive international agreement has yet to be reached. Aside from HLPF and IAEG-SDGs, SDGs-related meetings have also been held around the globe. In the Asian region for instance, SDG Week was organized in November 2016 sponsored by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), providing an opportunity for the sharing of knowledge and experiences highlighted by a range of diverse initiatives aimed at realizing the SDGs.

SDG-directed actions have also advanced at the national-level, both in developed and developing countries. For instance, among G7 countries, incorporation of the SDGs into national plans was reported at the G7 Environment Ministers Meeting held in May 2016 as well as at the HLPF organized in July of the same year. Accordingly, because social, economic and environmental sustainability initiatives have been well underway in many European countries since the 1990s, these states were among the first to incorporate SDGs into their existing national plans and strategies. For example, concurrent with its adoption of the Goals, Germany determined that its existing National Sustainable Development Strategy would serve as the overarching framework guiding SDG implementation; in January 2017 the country announced concrete domestic measures aimed at achieving the SDGs.⁶ The German government has also established multi-stakeholder dialogue forums on the SDGs comprising local governments, industry and NGOs. Moreover, the government of Switzerland was the first to establish an inter-ministerial working group on the SDGs tasked with performing gap analysis on alignment of the Goals with existing domestic policies aimed at clarifying priority issues and corresponding action measures.⁷

Developing countries, on the other hand, are supporting various initiatives to incorporate the SDGs into domestic policies based on previous experiences with the Millennium Development Goals (MDGs). For example, a number of countries in Asia are adopting participatory approaches, soliciting the inputs of diverse stakeholders in deliberation processes with a view towards integrating SDGs into national plans and policies. Accordingly, as the Philippines reported at the 2016 HLPF, such an approach was used to conduct a gap analysis designed to examine how domestic targets and measures could be harmonized with SDG goals and indicators towards identifying priority issues for action. Further, the country

has indicated its intention to launch a government-managed website on the SDGs which would be used for purposes of monitoring national implementation in the near future.⁸ Moreover, the Government of Indonesia, widely recognized for the leadership efforts of its previous President in promoting MDG-related initiatives, expeditiously restructured its former MDGs bureau focus on the SDGs and subsequently assimilated the Goals into its 2015-2019 Mid Term National Development Plan, in addition to preparing a National SDGs Action Plan and National SDGs Road Map for the years 2016-2030.⁹ The country has also facilitated cooperation between UNDP and civil society to advance the formulation of action plans on the SDGs at the regional level.¹⁰

In sum, international actions to promote the SDGs — including partnerships between different actors working on the Goals — continue to increase in frequency and number; this expanded development space reflects a growing convergence between the human and environmental sustainability agendas comprised under the SDGs. At the same time, however,

a large percentage of the general public remains uninform ed about the Goals. Private enterprises in particular urgently require information about how business practices must adapt in order to most effectively deliver on the SDGs. Addressing these knowledge



gaps represents a major challenge for international stakeholders working to implement the 2030 Development Agenda.

Status of SDGs-related actions in Japan

In May 2016, the Government of Japan — seeking to promote mutual cooperation among respective administrative bodies with a view towards guiding integrated implementation of the 2030 Development Agenda — initiated deliberations on aligning domestic policies with the SDGs, thereafter launching the

⁶ Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, <http://www.bmub.bund.de/en/>

⁷ Switzerland Federal Department of Foreign Affairs, <https://www.eda.admin.ch/agenda2030/en/home/actualite/news.html/content/agenda2030/en/meta/news/2017/2/erste-umsetzungsschritte-schweiz>

⁸ Sustainable Development Knowledge Platform, <https://sustainabledevelopment.un.org/hlpf/2016/philippines>

⁹ Indonesian Ministry of National Development Planning (BAPPENAS), [http://www.asia-pacific.undp.org/content/dam/rbap/docs/meetTheSDGs/Opening%20-%20Country%20Reflections%20-%20Indonesia%20\(by%20Mr.%20Jusuf\).pdf](http://www.asia-pacific.undp.org/content/dam/rbap/docs/meetTheSDGs/Opening%20-%20Country%20Reflections%20-%20Indonesia%20(by%20Mr.%20Jusuf).pdf)

¹⁰ United Nations Development Group (2017), <https://undg.org/indonesia-promoting-inclusive-approaches-to-localize-the-sdgs/>

“Sustainable Development Goals (SDGs) Promotion Headquarters” within its cabinet under the Chairmanship of Prime Minister Shinzo Abe. Accordingly, all government ministers and heads of related agencies are affiliated members of the Promotion Headquarters.

Table 1: Eight priority areas in the Japanese government’s SDGs Implementation Guiding Principles

1. Empowerment of All People
2. Achievement of Good Health and Longevity
3. Creating Growth Markets, Revitalization of Rural Areas, and Promoting Science Technology and Innovation
4. Sustainable and Resilient Land Use, Promoting Quality Infrastructure
5. Energy Conservation, Renewable Energy, Climate Change Countermeasures, and Sound Material-Cycle Society
6. Conservation of Environment, including Biodiversity, Forests and the Oceans
7. Achieving Peaceful, Safe and Secure Societies
8. Strengthening the Means and Frameworks for the Implementation of the SDGs

Following its establishment, the Headquarters held “SDGs Roundtable Discussions” in September and November 2016 aimed at facilitating an exchange of views on the formulation of guidelines for SDG implementation between government officials and representatives from a range of organizations including public interest groups, experts, the private sector and international agencies. Several rounds of public consultations on the topic were also conducted. Based on these processes, Implementation Guidelines for the SDGs were issued in December 2016. As indicated in the final document, the overarching vision of the guidelines is to “serve as a forerunner to a future that is sustainable, resilient, leaves no one behind and realizes comprehensive improvements to the economy, society and environment”, in line with five proposed implementation principles: 1) universality, 2) inclusiveness, 3) participatory approach, 4) integrated approach, and 5) transparency and accountability. Discussions continue to take place on the guidelines and a stocktaking of progress made on the SDGs is planned in Japan by 2019. In addition, eight priority issues, together with concrete measures for achieving respective SDGs and targets are highlighted. These include priority issues concerning the

business case for SDG implementation, such as innovation, infrastructure and energy development. At the same time, several methodological issues can be observed. For instance, because quantitative indicators are not specified for all items, the manner by which progress will be qualitatively assessed stands as an important future challenge for consideration.¹¹

Since the formulation of the Guidelines, there have been a number of examples of domestic measures taken up by Japanese government ministries and agencies on the SDGs. Firstly, the Ministry of the Environment has advanced discussions on its Fifth Basic Environment Plan based on the 2030 development framework: stakeholder consultations sponsored by the ministry have been established with the aim of promoting information-sharing on the SDGs, specifically with regard to various actions carried out by different implementing bodies in the private sector. This has proven to be a valuable forum for evaluating pioneering industry practices and is scheduled to continue through 2017. Second, the Ministry of Education, Culture, Sports, Science and Technology, aiming to promote equal opportunities in educational sphere, revised national curriculum standards with a view towards fostering the required skills and competencies for the 21st Century; in line with its inputs into the SDGs Implementation Guiding Principles (Annex), the Ministry intends to support enhancing the capacity of teachers towards this aim.¹² In addition, following international investment trends, METI is currently deliberating on guidance aimed at facilitating effective dialogue between the investors and corporations on the promotion of ESG investments, evidenced by the establishment of its “Study Group on Long-term Investment (Investment evaluating ESG factors and intangible assets) toward Sustainable Growth”.¹³

With regard to Japanese initiatives at the international level, JICA — the country’s main development assistance agency — has an active history of supporting countries with efforts to achieve the MDGs; accordingly, in September 2016 the organization released a position paper focused on addressing the SDGs. The paper sets out ten goals which are adopted as priority issues; these include those that continue to carry forward MDG-related actions such as eradication of hunger and promotion of primary education for all, as well as emerging issues such as the advancement

¹¹ For instance, the “Creating a Society Where All 100 Million Are Taking Active Parts: Reforming Ways of Working” is a domestic measure related to SDG 8 (decent work and employment). The indicators put forth in the “Japan All 100 Million Taking Active Parts Plan” are given as indicators for SDG target 8.5 (by 2030 achieve full and productive employment and decent work for all men and women, including for young people and persons with disabilities, and equal pay for work of equal value). SDGs Guidelines for Implementation, “Concrete Measures to Achieve Sustainable Development Goals (SDGs) (appendix table)”, <http://www.kantei.go.jp/jp/singi/sdgs/dai2/siryou2.pdf>

¹² Ibid, p. 2.

¹³ Ministry of Economy, Trade and Industry, “On Establishment of the Study Group on Long-term Investment (Investment evaluating ESG factors and intangible assets) toward Sustainable Growth”, http://www.meti.go.jp/english/press/2016/0822_03.html

of clean energy and mitigation of climate change.¹⁴ Moreover, in February 2017, JICA developed its “Survey for businesses on addressing developing country challenges (SDGs Business)” with a view towards exploring potential areas of cooperation with private sector actors working on the SDGs.¹⁵ In line with SDG 17 (Partnerships for the Goals), this initiative fields solicited proposals from Japanese private enterprises which are considering applying company products, technologies and expertise towards the startup or expansion of SDG-related businesses. Accordingly, JICA has accumulated information on local conditions and needs of developing countries, as well as available networks technologies and capabilities to support the promotion of projects and interventions in targeted areas. Thus, through strategic efforts to enhance the business and investment climate, JICA is working to catalyze cooperation between both developing country governments and Japanese private enterprises towards attainment of the SDGs.

While the Government of Japan certainly merits praise for establishing the SDGs Promotion Headquarters, issuing guidelines for SDG implementation and launching relevant ministerial-led initiatives, the manner by which it intends to carry out monitoring and evaluation of progress on the SDGs remains an open question. Furthermore, upon examining the contents of Prime Minister’s address on January 20, 2017¹⁶ to the Japanese Diet on priority areas for SDGs achievement, it becomes clear that although references are made to several thematic areas which correspond with the 2030 Development Agenda — for instance, “Nation-building with dynamic engagement of all citizens (i.e., working style reforms, empowerment of women)”, “Energy Conservation, Renewable Energy, Climate Change Countermeasures, and Sound Material-Cycle Society”, and, “Conservation of Environment, including Biodiversity, Forests and the Oceans” among them —

Table 2: Goals that JICA plays the key role

1. zero hunger
2. health
3. education
4. water/sanitation
5. energy
6. economic growth
7. industry/infrastructure
8. sustainable cities
9. climate actions
10. forests/biodiversity

explicit mention of other Goals was limited at best. Taking this into account, it will be necessary to closely observe the extent to which domestic measures and contributions to international development efforts are carried forward.

Ultimately, however, the formulation of concrete SDGs targets remains highly advantageous for Japanese businesses looking to determine their future course of action in the sustainability field: government and related implementing bodies play a key role in fostering an enabling environment for these enterprises. Potential interventions in this regard include organizing business seminars on SDGs initiatives, preparing guidelines, and offering incentives and awards for business activities linked with the attainment of the SDGs.

3.2. Status of SDG-related actions by non-Japanese companies

Foreign businesses are also actively involved in efforts to promote the SDGs. For instance, international organizations and initiatives including the UNGC and UN Environment’s Finance Initiative (UNEP-FI), business networks such as WBCSD, as well as leading global corporations such as Unilever and IKEA have demonstrated their commitment to advancing implementation of the SDGs.

Status of business actions on the SDGs at the global level

Led by the UNGC and WBCSD, various initiatives to encourage the promotion of SDG-related actions by companies have begun. The UNGC and WBCSB have also been instrumental in formulating guidelines for effective advocacy of the SDGs; a forum for sharing good practices and lessons learned is now also in the process of being established.

To date, UNGC’s “SDG Compass” has become widely utilized by many relevant international stakeholders. The Compass offers steps from which companies can generate value by incorporating the SDGs into operations management (see Figure 3 below for each step), illustrating with examples of potential business opportunities. In addition, the “Local SDG Pioneers Campaign”¹⁷ was launched under the auspices of the UNGC as a forum for information sharing and knowledge exchange on SDG-related actions led by businesses. A key feature of the Campaign is its

¹⁴ JICA SDGs position paper, “Toward Achieving Sustainable Development Goals” (8 September 2016), https://www.jica.go.jp/aboutoda/sdgs/ku57pq00001qfok2-att/JICA_torikumi_e.pdf

¹⁵ JICA press release, “New establishment of the survey on businesses to address developing country issues (SDGs Business) scheme” (February 2017), https://www.jica.go.jp/press/2016/20170217_01.html

¹⁶ Prime Minister’s Office, Policy Speech by Prime Minister Shinzo Abe to the 193rd Session of the Diet (20 January 2017), http://japan.kantei.go.jp/97_abe/statement/201701/1221105_11567.html

¹⁷ UN Global Compact, “Meet the 2016 Local SDG Pioneers”, <https://www.unglobalcompact.org/sdgs/sdgpioneers/2016>

bestowal of the “Pioneer” award targeting selected individuals recognized for their contribution to promoting sustainable business activities around the world. For instance, at the UNGC-sponsored “Leaders’ Summit” held in June 2016, the first 10 recipients of the award were announced, including a representative of the company Novozymes.¹⁸ Moreover, the UNGC, in cooperation with KPMG released the “SDG Industry Matrix”¹⁹ in 2016; a resource referenced by many companies, the Matrix provides a compendium of documented SDG initiatives conducted by industry. Similar awareness-raising initiatives are also well recognized, such as the Business Call to Action²⁰ led by the United States Council for International Business (USCIB)²¹ and a multinational consortium of major donor organizations.

In addition, many corporate bodies, consulting companies and think tanks are developing their own studies as well as sharing relevant data on the SDGs. Among these, the research report “Better Business, Better World”, released by the Business and Sustainable Development Commission²² at the Annual Meeting of the World Economic Forum in Davos, Switzerland in January 2017, has attracted international attention. The report indicates that progress on the SDGs has the potential to open USD12 trillion of market value for companies working in the areas of food and agriculture, urban development, energy and materials, and health and well-being, whilst creating upwards of 380 million new jobs by 2030. Moreover, the report recommends five fields for the design of future business models: “sharing economy”, “lean service”,²³ “circular economy”, “big data and artificial intelligence”, and “new social enterprise models”.^{24 25}

Similarly, along with growing interest in ESG investments, international financial groups are also showing interest in the 2030 Development Agenda. For instance, the Principles for Responsible Investment (PRI) network, which comprises over 1,500 signatory organizations, has accumulated capital reserves



equivalent to 60 trillion USD. Working in cooperation with UNEP-FI and the UNGC, PRI is focusing on the development of innovative financial products with potential to leverage public and private investment towards vital infrastructure projects aligned with SDG objectives. In October 2016, the World Bank and BNP Paribas (headquartered in Paris) joined forces to launch the “SDGs Everyone” campaign, which includes issuing bonds for promoting corporate initiatives aimed at achieving the SDGs.²⁶ Embedded in the campaign is a financial approach that considers sponsoring those companies contributing to SDGs as linked with ESG investments, evaluating both the potential for short-term profits among those companies receiving funding, as well as mid- to long-term corporate value propositions (i.e., businesses that demonstrate a clear understanding for promoting ESG investments, or is attempting to realize ESG investments).

Set against international trends led by corporate groups and investors, many individual companies have also begun unrolling their own SDG initiatives. Among these, multinational corporations such as Unilever, Ericsson and the Tata Group are widely recognized as forerunners, linking both internal and SDG targets with a view towards achieving measurable impacts. Research also corroborates that the SDGs are attracting increasing attention from the private sector. For instance, according to a 2016 survey conducted

¹⁸ UN Global Compact, “Meet the 2016 Local SDG Pioneers”

¹⁹ SDG Industry Matrix: (English) <https://www.unglobalcompact.org/library/3111> (Japanese) <http://www.ungcjp.org/activities/topics/detail.php?id=204>

²⁰ Business Call to Action, <http://www.businesscalloaction.org/>

²¹ USCIB Business for 2030: Forging a path for Business in the UN 2030 Development Agenda, <http://www.businessfor2030.org/business-sdgs/>

²² This commission was announced at the World Economic Forum in January 2016 by Unilever CEO Paul Polman and former UN Deputy Secretary General Mark Malloch-Brown.

²³ In the service sector, the lean production method is a management method for exhaustive and optimized process management that enables large scale reductions in work time and inventory quantity. The report asserts that this method can also be utilized for work efficiency improvements in key services, such as healthcare. The lean production method is introduced in “Natural Capitalism: Creating the next Industrial Revolution” (2001) by Paul Hawken, L. Hunter Lovins and Amory B. Lovins as the core production method of Toyota Motor Corporation.

²⁴ A business model with a focus on social and environmental impacts. For instance, a Kenyan web coding school (Moringa School) cooperated with Hack Reactor, a US coding trainer, to develop and identify students with high development capacity and pool future talent by conducting a top-ranking web development training.

²⁵ Business and Sustainable Development Commission “Better Business, Better World: The report of the Business & Sustainable Development Commission” (2017), <http://report.businesscommission.org/uploads/BetterBiz-BetterWorld.pdf>

²⁶ World Bank “World Bank Launches Financial Instrument to Expand Funding for Sustainable Development Goals” (2017), <http://treasury.worldbank.org/cmd/htm/World-Bank-Launches-Financial-Instrument-to-Expand-Funding-for-Sustainable-Development.html>

SDG Industry Matrix

The SDG Industry Matrix is a tool used to support business efforts aimed at promoting action on the SDGs. Organized according to nine industry classifications, including food/beverages/consumer products, manufacturing, and financial services, among others, the tool highlights cross-cutting climate change countermeasures, provides case studies on various SDG business initiatives and specifies guidelines for implementation, based on companies' existing commitments to UNGC's 10 principles. A Japanese version (comprising a series of four excerpts in line with the three industry types listed above, and listing broader priority issues such as climate change) was also released based on a translation jointly conducted by GCNJ and KPMG AZSA Sustainability.

(Examples)

Food, Beverages, Consumer Goods:

- Certification schemes: Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Roundtable on Sustainable Palm Oil (RSPO), etc.
- Good practice principles: Fair trade, Roundtable on Sustainable Biomaterials (RSB), Rainforest Alliance, etc.

Industrial Manufacturing:

- Good practice principles, standards, etc.: Automotive Industry Action Group (AIAG), Electronic Industry Citizenship Coalition (EICC), etc.
- Partnerships, cooperation: Green Industry Platform, Cement Sustainability Initiative (CSI), etc.

Financial Services:

- Good practice principles, initiatives: Equator principles, UNEP FI & the Principles for Sustainable Insurance (PSI), UN-supported Principles for Responsible Investment (PRI), Green Bond Principles, etc.
- Partnerships, collaborations: Banking Environment Initiative, The Investment Leaders Group (ILG), The Portfolio Decarbonisation Coalition, Global Partnership for Financial Inclusion, etc.



by PricewaterhouseCoopers (PwC) targeting 986 companies around the world²⁷, **“71% of respondents had begun making preparations to engage on the SDGs, 13% had developed tools to measure the impact of their business on the SDGs, and 41% indicated their intention to incorporate the SDGs into business strategies within five years, providing testimony that many companies are advancing initiatives”**. Further, in line with the “Global Opportunity Report 2016”²⁸ — a UNGC research report surveying 5,567 corporate managers around the world — of the CEOs subject to the study, 32% of CEOs indicated that they were well-informed about the SDGs, with 23% stating that they were in the process of considering measures to address the Goals. A couple of important points can be noted here. First, although stated awareness on the SDGs at the managerial level was limited to 32%, the UNGC report also discloses that recognition of the SDGs on the part of other employees remains significantly

lower, with a mere 5% of middle managers indicating an awareness about their companies' plans to address the SDGs. In point of contrast, according to the latest WBCSD report (October 2016)²⁹, which documents the status of information disclosure and reporting by companies on the SDGs, 54 out of 163 member companies cite the SDGs in relevant CSR reports (including integrated reports).

Status of SDG-related actions by Japanese companies

According to the abovementioned PwC report, awareness of the SDGs among Japanese companies was high overall, with only one company out of 37 (2.7%) indicating unfamiliarity with the Goals.³⁰ At the same time, however, companies which answered that no measures have yet been taken on SDGs (including those companies that do not recognize the SDGs) accounted for nearly 40% of respondents, revealing that Japanese enterprises have fallen considerably

²⁷ PwC (2016), “Make it your business: Engaging with the Sustainable Development Goals”, https://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research_FINAL.pdf

²⁸ DNV GL AS, UNGC and SUSTAINIA, “Global Opportunity Report 2016” (2016), <https://www.globalopportunitynetwork.org/the-2017-global-opportunity-report.pdf>

²⁹ WBCSD, “Reporting Matters Communicating on the Sustainable Development Goals WBCSD 2016 REPORT” (2016), <http://www.wbcsd.org/Projects/Reporting/Resources/Reporting-Matters-2016>

³⁰ PwC (2016)

behind international trends stated above.³¹ In addition, the latest report³² — looking at the aggregate market value top 100 Japanese companies — further examines the extent to which the SDGs are cited in CSR reports (including integrated reports), revealing that 38 of 100 companies make explicit reference to the SDGs. In considering these survey results, it is clear that while the level of interest in the SDGs among Japanese companies remains comparable to WBCSD member companies, general understanding about the need to take business action on the SDGs remains insufficient. Such findings are also reflected by a study carried out by IGES in November 2016,³³ wherein a key word search was conducted in both annual and CSR reports of several leading domestic companies engaged on

the SDGs; ultimately, although SDG references in these reports significantly increased from 2015 to 2016, direct mention of the SDGs were largely found in opening remarks and sections introducing CSR activities. As a result, it remains difficult to state with any certainty whether SDGs initiatives have been fully mainstreamed among these Japanese companies.

In conclusion, although there exists a variety of research results on the level of importance Japanese businesses attach to the SDGs, field studies sampling large numbers of Japanese companies have yet to be conducted, resulting in an unclear picture of the status of private sector actions on the SDGs.

³¹ PwC (2016)

³² Cre-en Incorporated (2016), "Survey results on state of SDG disclosure", <http://www.cre-en.jp/library/column/161027/>

³³ Ikuho Miyazawa, Mizuki Kato and Tetsuya Ishii (2016), "Current state and issues in SDG utilization seen in corporate reports", http://www.iges.or.jp/jp/sdgs/sdgs_update/20161121.html

4. The status of SDG-related actions by Japanese private companies

4.1. The current state of implementation and leading case studies

What types of initiatives, and to what extent is the project level implementation among Japanese corporations that have already begun putting the SDGs at the core of their business, have been carried out? In line with the 5 Steps (Figure 3) presented in the “SDG Compass”, the following sections evaluate the status of SDG-related actions led by major companies in Japan.

Figure 4 shows the present level of progress of 99 companies and organizations that responded that they had read the SDG Compass and used it as a reference for implementation. Over half (54%) are still on Step 1, “Understanding the SDGs”, with 22% on Step 2, “Defining priorities”, and around 10% remaining on Step 3, “Setting goals”, and Step 4, “Integrating”. Next is a look at the level of awareness among corporations on the SDGs and the characteristics of different initiatives according to each step. Moreover, selected case studies of companies are introduced as appropriate for illustrating the various implementation methods used.



Figure 3: Five steps shown in the SDG Compass³⁴

Source: “SDG Compass” English version (2015), p. 5

Q: (To those who read and refer to SDG Compass)
Which step indicates current progress?

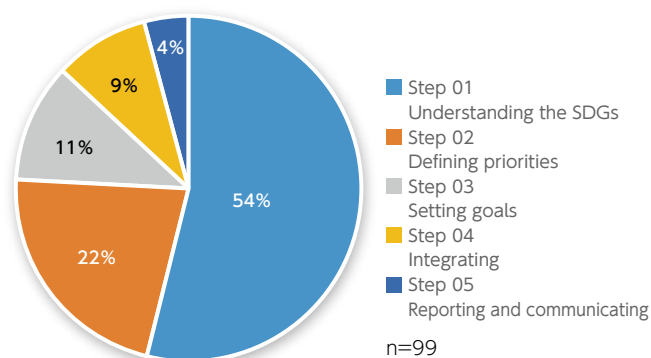


Figure 4: Progress on SDG Compass (Responses only from companies/organizations that refer to SDG Compass)

4.1.1. Step 1: Understanding the SDGs—why SDGs?

When the awareness level on SDGs is compared over time, the response, “mainly established among those in charge of CSR”, shows a striking increase from 61% to 84% (Figure 5).

These figures are thought to be a consequence of advancing initiatives in the CSR sector following adoption of SDGs at the UN General Assembly in September 2015. Further, the awareness level among top management increased by 8%.

Additionally, as there were a few responses for “established among stakeholders including affiliated companies” in 2016, this shows that the target for raising awareness is more far-reaching than when first examined. Meanwhile, low awareness (4-5%) among middle managers about the SDGs implies a major issue as convincing these managers of significance of the SDGs is often the first obstacle faced by corporate CSR staff.

While the awareness level of CSR staff has reached 84%, the awareness of top management is still only 28%.

³⁴ SDG Compass, p.5, http://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf

While expectations for the role of business in delivering on SDGs are high, it is pertinent to examine the actual perception of corporations on SDGs. Figure 6 shows the results of GCNJ member and non-member responses.³⁵ GCNJ members most often replied (79%) that they perceive SDGs implementation as “improvement of corporate value related to sustainability”, followed by “stronger relationships with stakeholders” (57%) and “new business opportunities” (57%). Compared to responses of non-members, GCNJ members are companies and organizations committed to the UN Global Compact’s 10 Principles. The efforts of GCNJ in carrying out promotional activities are also a factor, and the reality that many corporations consider the SDGs linked to improving corporate value is also evident. Considering that in many cases CSR was discussed from the view of risk management, it seems apparent that companies in Japan consider this as an incentive to engage on the SDGs.

Q: Please select the applicable situation about SDGs awareness at your company/organization (multiple choice).

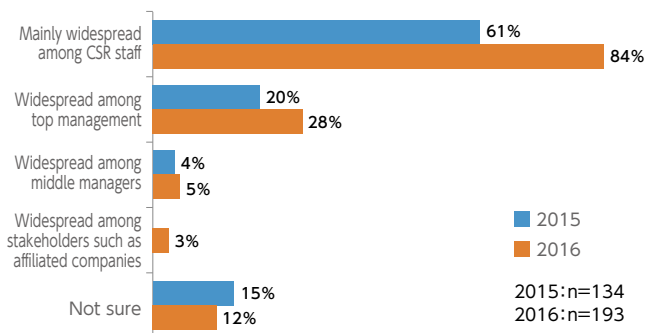


Figure 5: Awareness in the organization (2015 vs. 2016)

Q: How are SDGs recognized in your company/organization?

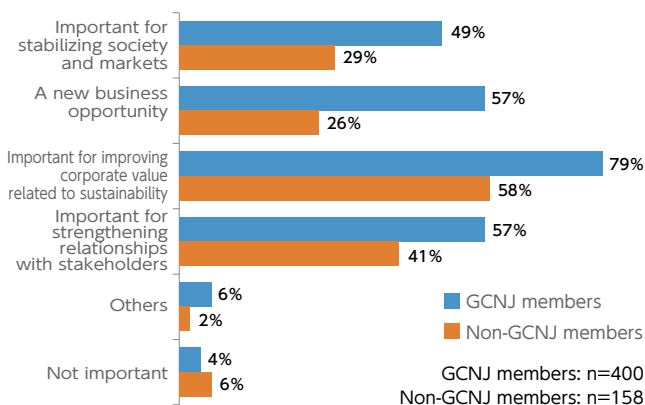


Figure 6: Recognition of SDGs

4.1.2. Step 2: Defining priorities—mapping SDGs with existing corporate missions and business

Managers and CSR staff that understand the SDGs have resolved to implement them, and as a next step carry out mapping to look at consistency or gaps between existing corporate missions /business objectives and the 17 goals. Most corporations do not perceive the SDGs as entirely new concepts, rather approaching them as international criteria used to support current programs and practices.

The SDGs, made up of 17 goals and 169 targets, aim to address an extremely broad range of social, economic and environmental issues. Business action on the SDGs is becoming ever more necessary. As of September 2016, most Japanese companies cited climate change (Goal 13), energy (Goal 7) and sustainable consumption and production (Goal 12)

The top 3 priorities of Japanese companies are the climate change, energy, and sustainable consumption and production (SCP) goals.

— goals closely related to Japan’s domestic issues — as primary priority issues. Goal 13 (Climate Action), including value chains, was regarded as 5th priority in 2015, but was chosen as the number one influential issue in 2016 (Table 3). The official adoption of the Paris Agreement at COP21 in December following the 2015 survey is thought to have had a major impact with regard to this response. Further, the rise of Goal 8 (Decent Work and Economic growth) to 5th place exhibits a change in awareness on the corporate side communicated in the recent “Work-style reforms” put forth by the government and private sector.

Table 4 shows the top three goals said to have the greatest impact for the top 10 industry sectors with a large number of responses. Of interest is the fact that the number one goal, Goal 13, did not necessarily make it into the top three goals by industry sector. For instance, the top goal for the electronics industry was Goal 3 (good health and well-being), and the top goal for the construction industry was Goal 11 (sustainable cities and communities), with the distinctive features

³⁵ For data on GCNJ non-members, the author carried out a comparison based on “Research report on initiatives to address societal issues (SDGs, etc.) and approaches to partnerships among international organizations, government and the industrial sector”, a compilation the results of a questionnaire survey carried out by the Business Policy Forum, Japan, a cooperating group.

of each industry appearing due to differences among businesses. As outlined in Step 2 of the SDG Compass, “Defining priorities”, it appears that many companies are identifying the sphere of influence of SDG-related risks and opportunities throughout the value chain, then defining priority issues for engagement on the SDGs in line with existing business practices.

However, it should be noted that important issues such as Goal 14 (Conservation of Marine Resources), Goal 15 (Conservation of Biodiversity), Goal 16 (Peace and Justice), and also Goal 17 (Partnerships), were not given as priority issues by companies targeted in the survey.

Table 3: Goals with the greatest economic, environmental and social impact (multiple choice)

Q: Please explain the impacts of your company (including value chain) /organization's business on the economic, environmental and social aspects for each SDG.

(The right-hand column indicates the number of responses)		2015		2016	
Rank	SDG	Number of responses	SDG	Number of responses	
1 st	Goal 9	61	Goal 13	66	
2 nd	Goal 3	54	Goal 7	62	
3 rd	Goal 12	53	Goal 12	60	
4 th	Goal 7	51	Goal 9	52	
5 th	Goal 13	44	Goal 8	49	

Table 4: Goals with the greatest economic, environmental and social impact in the top 10 industries (multiple choice)

	TOP 10	Electronics manufacturer (23)	Service industry (17)	Chemical (13)	Wholesale and retail trade (11)	Other products (8)	Finance / Insurance (8)	Machinery manufacturers (7)	Food (6)	Construction industry (5)	Information and telecommunications (5)	Glass and earth products (5)
1 st	Goal	3 (10)	9 (6)	13 (9)	7 (5)	8 (4)	4 (4)	9 (5)	6 (3)	11 (5)	3 (3)	13 (3)
2 nd	Goal	7 (9)	12 (6)	12 (8)	8 (5)	7 (3)	5 (4)	7 (4)	3 (2)	13 (5)	4 (3)	6 (2)
3 rd	Goal	9 (9)	3 (5)	3 (7)	9 (5)	12 (3)	7 (4)	3 (3)	12 (2)	7 (4)	7 (3)	7 (2)

Note: The numbers of () are the number of responses. In case of the same number of responses, they are listed in order of SDG goals. The distribution of industries follows the GCNJ definition.

Case Study 1

“Water and sanitation” business as its main issue – Case of LIXIL Corporation

LIXIL Corporation is promoting its business by incorporating global perspectives such as human rights and supply chain management, and bearing in mind the intention of new management and the influence of overseas consolidated companies that emerged from business merger integration in 2011. LIXIL focuses on its priority issue “Water and Sanitation”, which also is its core business, and has established a dedicated business unit “Social Sanitation initiatives” to commercialize an existing social project, “SATO (Safe Toilet)”. SATO is a simplified water-saving toilet that uses a small amount of water to open and close the valve of the drain port. By commercializing SATO, LIXIL is promoting this business as an SDGs business rather than a charity.



Working on the commercialization of SATO

4.1.3. Step 3: Setting goals—determining the relevance to the SDGs and selection of KPIs

Mapping is carried out on the relevance to existing businesses, and as soon as the company's materiality is identified, goal setting becomes the basis for moving through the PDCA (Plan-Do-Check-Act) cycle. Figure 7 shows the level by which SDGs are incorporated into business plans. While companies integrating the SDGs into short-term (annual, 1-2 years) and mid-term (3-5 years) plans have reached a certain level of 26% and 33% respectively, plans for initiatives up to 2030 or over the long-term (5-10 years) remained under 10%. Further, 26% of companies provided "Not sure" responses, revealing that there is still great variance when it comes to progress on incorporation of the SDGs into business plans and determination of concrete business goals within these plans. However, a portion of leading Japanese companies have already linked company priority business with individual SDG goals

and are deliberating on the establishment of KPI (key performance indicators). Some companies have plans to release results in the near future, or have already released them publicly within their CSR reports.

Q: What plans do you have for future SDG-related actions?

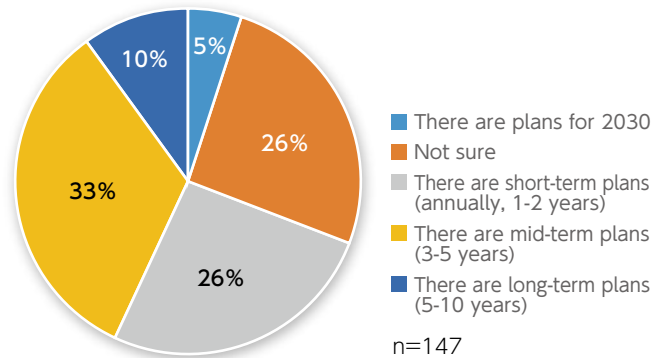


Figure 7: Status of SDG-related actions under mid-to-long term plan (multiple choice)

Case Study 2

Connecting KPI with SDGs - Case of Sompo Holdings, Inc.³⁶

In response to the international trends such as the adoption of the SDGs and the Paris Agreement, Sompo Holdings, Inc. redefined "Group CSR Materiality" in April 2016 based on the following four steps.

- Step 1: Analysis based on various guidelines
- Step 2: Dialogue with multi-stakeholders
- Step 3: Engagement within Group companies
- Step 4: Identification on materiality and promotion of actions

Sompo Holdings, Inc. developed its Group's CSR-KPIs in line with new materiality such as disaster preparedness, health and welfare, global environmental issues, empowering community and society, and supporting diversity and inclusion, to promote actions through PDCA-cycle and further improve performance. For example, CSR-KPI for the ratio of female employees in managerial positions was set for FY2016 with a target of 30% by the end of FY2020. Moreover, the Group's new Medium-term Management Plan was launched in FY2016 to transform its business structure to provide services under a "security, health, and wellbeing".



Lectures on SDGs at Group's Council for CSR Promotion



SDGs Seminar

³⁶ Sompo Holdings CSR Communication Report 2016 http://www.sompo-hd.com/~media/hd/en/files/csr/communications/pdf/2016/e_report2016.pdf

4.1.4. Step 4: Integrating—spreading and promoting SDGs in companies

In order to encourage action on the SDGs, the level of implementation among all companies is illustrated in Figure 8. It is evident that first, persons in charge of promoting the SDGs carry out initiatives aimed at diffusing knowledge throughout the company, such as via trainings and company newsletters. In addition, importance is attached to messages from top management. Meanwhile, it is notable that only a mere 1% of companies have launched a dedicated unit to engage in SDGs, while 20% of companies are not engaged at all. As can be read from Figure 8, a distinguishing characteristic of Japanese companies is that SDGs are first initiated and implemented by relevant persons in charge within the company across the organization through a so-called bottom-up approach. It is only when awareness is raised among the executive-level and implemented straight from the top revolving around the PDCA cycle, that SDGs disseminate to other members of staff, such as middle managers, as well as external stakeholders, including affiliated companies.

Accordingly, how are the leading companies targeted for interviews promoting SDGs in their companies and what sort of actions do they carry out to integrate them into management? Actions can be divided into two types, top-down and bottom-up, based on distinguishing features. Further, partnerships are indispensable for implementation.

Q: What kind of activities are you doing to improve awareness of SDGs within your company/organization?

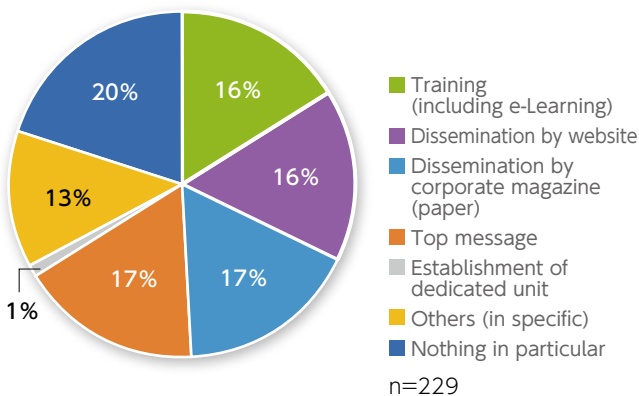


Figure 8: Status of efforts to promote SDGs in your company/organization (multiple choice)

Table 5: Features of efforts for in-house promotion of SDGs

Approach	Features
Top-down Approach	<ul style="list-style-type: none"> ● Presence of leaders highly receptive to international trends (mainly Chief Sustainability Officers) ● Disseminating commitment to SDGs by top management itself
Bottom-up Approach	<ul style="list-style-type: none"> ● Internal awareness on SDGs under the leadership of CSR or environmental department ● Strong inspiration by business staff in the field of developing countries

1) Top-down Approach:

In the background to the launch of forerunning initiatives by many leading companies is an effective top-down approach. Of the companies targeted for interviews, there were several examples of companies with a deep understanding and strong commitments by top management. Further, SDGs were not used as a mere checklist tool in existing business. Rather, reconfirming corporate missions utilizing SDGs led to gaining understanding from top management.

Another important factor is the existence of leaders who are highly receptive to international trends. A trend seen in companies such as Saraya Co., Ltd. and Ajinomoto Co. Inc., with existing strong commitments at the top for implementing MDG-related initiatives, was that business and managerial experience overseas on the part of company leaders or CSR directors comprised an important factor. In many cases, international trends emphasizing sustainability as a business opportunity has led to the advancement of initiatives in their own companies. Regarding trends in management, there was a tendency for family owned private companies to create systems relatively easily with active enthusiasm at the top. However, in non-family owned private companies, the larger the corporation, the greater the tendency for SDG implementation to be swayed according to the receptivity of directors in charge of various international trends. As is made clear from the case studies on Saraya Co., Ltd. and the later-mentioned Sumitomo Chemical Company Ltd., communication on commitments among corporate leaders with investors and with employees, especially in their own words, is also enormously important. In addition, many companies such as Sampo Holdings, Inc., have held “Group CSR promotion headquarters” meetings, spanning group companies and SDGs study sessions targeting all executives and above, as a means to enhance understanding among top management. In so doing, they have used group newsletters and existing portal sites to enable SDGs and

company activities to reach employees both in Japan and overseas. Saraya Co., Ltd. has a practice whereby top management communicates thoughts gained from

participating in international conferences as well as information about international trends that are relevant to the company's business.

Case Study 3

Accelerating Actions on Sustainability - Case of OMRON Corporation

In response to growing global trends to create sustainable society, Omron has been strengthening and promoting company-wide sustainability approach under the initiative of Sustainability Office. Omron decided to include SDGs in its Medium-term Management Plan and also clarified social issues to be focused through its core business such as healthcare businesses, and industrial automation business. By utilizing SDGs as an effective communication tool with society, Omron is emphasizing our mission of solving global social issues through business. At the same time, it clarified important issues to be expected by stakeholders and tries to strengthen its management base by developing systems to implement PDCA-cycle in a proactive manner. Omron aims to improve its sustainable company value by correlating its company-wide actions on sustainability to SDGs and disseminating strategically to stakeholders.



Healthcare Business
(Globally providing accurate and easy-to-use home medical equipment, health care service, and examination equipment for medical institutions)



Industrial Automation Business
(Supporting innovation for manufacturing which contributes globally to product quality, safety and the environment)

Case Study 4

SDGs as a business opportunity! - Case of Saraya Co., Ltd.

As a new business opportunity, Saraya Co., Ltd. is utilizing the SDGs for its marketing. SARAYA has been working on solving social issues through its core business since the company started its actions towards achieving the MDGs. SARAYA is working on the SDGs by utilizing the knowledge and networks gained from such experiences. Specifically, SARAYA is applying the SDGs as a marketing tool (cause marketing*) by linking its products, such as Yashinomi Detergent, with social issues (forest conservation, hygiene improvement), which leads to the branding of products and corporate as "hygiene SARAYA". As a result, this has led to increased sales of main products and the acquisition of a high external evaluation of the investor relations (IR) (it gained the environmental rating twice from the Development Bank of Japan Inc. and SMBC). Meanwhile, another factor behind the company's efforts was risk management against the boycott against palm oil and forest conservation which received strong public opinion.

*Cause marketing: A marketing method which aims to promote product/service sales, and improve product brands and corporate image.



President Yusuke Saraya



Uganda Project

2) Bottom-up Approach:

There are many examples of bottom-up approaches within companies aimed at driving broader actions and initiatives. These include the creation of systems whereby employees share ideas on linking business and the SDGs, and vote on ideas, as well as referencing the SDGs in knowledge questions for company promotion

examinations. With these approaches, enhancing the ownership and enthusiasm of each and every employee is key to promoting diffusion within a company. Further, there are examples of improved understanding on SDGs among top management and employees based on the strong voice of those in charge on site in developing countries.

Case Study 5

Everyone's SDGs proposals became a tree – Case of Sumitomo Chemical Co., Ltd.³⁷

Sumitomo Chemical initiated two projects in an effort to achieve the SDGs, to actively contribute as a “Solution Provider” using the power of chemistry to solve various issues for the creation of a sustainable society. The first is to visualize the contribution to sustainability and to improve awareness among employees. Sumitomo Chemical established the Sumika Sustainable Solutions Identification Committee within the company, which certifies the Company's products and technologies that contribute to the SDGs, such as global warming measures or environmental impact reduction, as “**Sumika Sustainable Solutions**”. It also promotes the development and dissemination of these certified products. For example, the heat-resistant separator for lithium-ion secondary battery “PERVIO®” was certified as a product corresponding to “SDG goal 7 (energy) and goal 13 (climate change)”.

The second is the global project “**Our Sustainable Tree**”. This was an initiative whereby the executives and employees of all group companies think about “What they can do in their own work and personal lives to realize a society with hope for the future” and share their ideas via a dedicated website. Sumitomo Chemical asked each person to select one theme from the 17 SDG goals and submit it, from June to October 2016, resulting in 6,005 posts. This meant that each employee brought up their idea with management and promoted their own thinking, thereby strengthening ownership of these products among employees.



Sumika Sustainable Solutions certified product: the heat-resistant separator for lithium-ion secondary battery



Case Study 6

Local Action Opens Eyes - Case of ITOCHU Corporation's Organic Coffee³⁸

ITOCHU's local subsidiary in charge of coffee business in Central America has been making efforts toward both attaining autonomy for farmers and producing high quality coffee by combining measures such as opening an exhibition farm in company-owned land and providing guidance on farming methods, supporting acquisition of Rainforest Alliance coffee farm certification, purchasing premium beans that meet standards, and distributing organic fertilizers. As a part of this initiative, the local subsidiary President consulted a Japanese person who had implemented community-based activities on how to support farmers, and it was found that she had had an activity plan for livelihood improvement together with farmers. Then, the President proposed cooperation to make her dream come true and asked the Japanese woman to join the company to be in charge of this plan. In this way, it can be said that community-based human resource commitment is an important factor to extract challenges and obtain consent from the management.



Coffee Business in Central America

³⁷ Sumitomo Chemical CSR Report 2016 https://www.sumitomo-chem.co.jp/english/csr/report/docs/csr_report_e2016.pdf

³⁸ ITOCHU Corporation Documentary Report Project on Supply Chains Vol.2 Coffee from Central America https://www.itochu.co.jp/en/csr/supply_chain/reportage/back_number2.html

Engaging in partnerships

SDG Compass introduces a survey conducted in 2014 targeting 38,000 corporate executives, managers and opinion leaders. Of these, 90% responded that their corporation could not effectively respond to sustainability issues independently.³⁹

While some have pointed out that cherry-picking of corporate SDG initiatives is taking place, there are increasing expectations for cooperation with corporate partners. Figure 9 shows the partners that corporations consider to be important. A major difference from the previous survey is that while responses on the “company itself” engaging in initiatives decreased

considerably, there was a rapid increase in responses on “customers”, “suppliers and buyers”, “consumers”, and “stockholders/investors”. Further, the ratio of responses on “NGOs/NPOs” remained high. The context for stockholders and investors to appear for the first time this fiscal year is the fact that ESG responsible business practices have been attracting attention. Additionally, it could be interpreted as a heartfelt appeal to stockholders and investors from CSR departments that are aspiring to improve corporate value by integrating CSR and management. Responses on “customers” and “suppliers and buyers” show that increasing emphasis is placed on value chain responses that take the life cycles of products and services into consideration. Meanwhile, responses confirm that national and local governments, as well as public institutions remain the most important partners and that expectations toward governments are even higher.

Japanese companies with increasing overseas expansion are actively promoting cooperation with multiple stakeholders including companies within the value chain, industry leaders, as well as government and civil society organizations. Of the companies that participated in interviews, many are actively advancing initiatives in

Aside from government, the proportion of customers, suppliers and buyers and NGOs/NPOs as important partner is rapidly increasing. This shows that real actions have begun on SDGs.

developing countries, including Ajinomoto Co., Inc., Saraya Co., Ltd., Sysmex Corporation and LIXIL Corporation, and they have received support from international aid organizations such as JICA private sector support, BOP (Bottom of the Pyramid) business⁴⁰ support and the United States Agency for International Development (USAID). Although the amount is not large, receiving support from external organizations is considered to be linked to improving projects and raising corporate value. For corporations, partnerships with NGOs and international aid organizations that have expertise on CSR, are very valuable. On the other hand, for NGOs in Japan, where the culture of donating is not well rooted in society, partnerships with companies are essential both for raising awareness as well as from a financial standpoint. JICA, in the midst of other efforts in society toward realizing the SDGs, considers partnerships with private enterprises to be essential based on the recognition that they can potentially lead to the improved quality of JICA itself and/or government-provided development assistance (such as ODA). As such JICA has launched a private sector support scheme using the SDGs as a common language for action. Further, companies in the actual project planning stage have obtained introductions both from JICA and various NGOs which have played a bridging role, especially to local consulting companies and other actors well-respected in local networks. In this manner partnerships with a variety of stakeholders can support a project’s success both by opening further opportunities and building linkages with concerned stakeholders.

Q: Who do you think are important partners for promoting SDGs in your company/organization? (multiple choice)

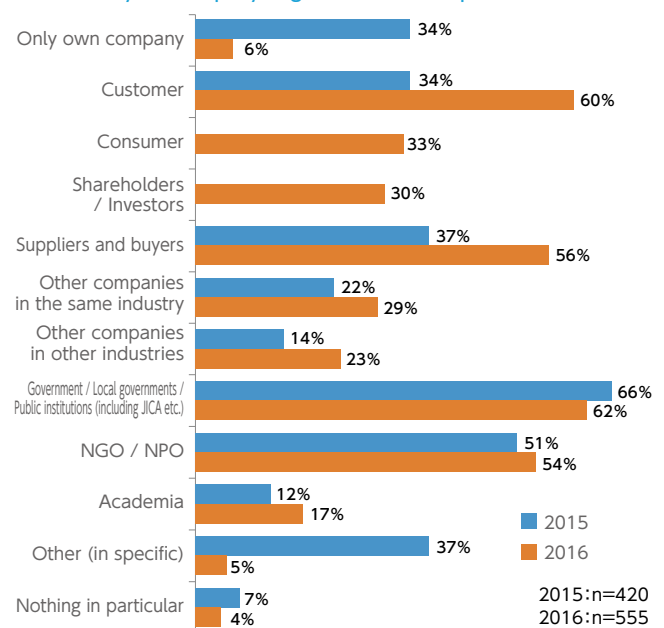


Figure 9: Important partners for promoting SDGs

³⁹ SDG Compass, p.24.

⁴⁰ Concept advocated by Professor Prahalad of the University of Michigan in the US whereby population distribution by global income groups are shown as a pyramid, and business pursued targeting the lowest level.

Case Study 7

Effective engagement in partnership – Case of AEON CO., LTD.⁴¹

Aeon is utilizing several internationally agreed certification systems operated by the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC) and the Forest Stewardship Council (FSC). Aeon is making best use of these systems, giving more corporate value to its products.

In addition, Aeon thinks that the most important partner is the customer, so the company is trying to build new relationships with its customers by simply communicating the activities that Aeon has been working on. Aeon believes that this will lead to true CSV (Creating Shared Value), and so is promoting partnership “with customers”. One example is the “Aeon Cheers Club” with activities as a human resource development for the next generation, providing opportunities for environmental learning and experiences for children ranging from first to ninth-grade students. In this activity, children living near Aeon stores come together about once a month to participate in various activities related to the environment with the support of store employees. Based on the globalization of business as the group grows, Aeon will need to contribute to the realization of a sustainable society not only in Japan but also across Asia. With this in mind, Aeon believes that it is necessary to engage in these activities particularly for customers in Asia, and prioritize the activities through dialogues and collaborations with a diverse range of stakeholders.



Aeon Cheers Club activities



TOPVALU Green Eye
MSC certified salt salmon



4.1.5. Step 5: Reporting and communicating

One development that is increasingly becoming mainstream is disclosure of not only non-financial activities related to sustainability, but also of financial information, such as trends in global ESG investments and recommendations on the release of information regarding climate change measures by the TCFD (December 2016). Accordingly, the SDG Compass states, **“Aligning your company’s reporting and communication with the SDGs means both discussing performance in the context of the expectations set by the SDGs, and also aligning disclosures with the language of the SDGs to ensure a common dialogue among stakeholders”**. In this context, aligning information disclosure with SDGs is a key element on two fronts, investor relations and dialogue with all types of stakeholders including customers.

An example is Sampo Holdings, Inc., that fully utilized SDG Compass in its CSR Communication Report. This effectively demonstrated the internal sequence of events in a review of CSR priority issues, and followed the Compass guidelines for action, as well as formulation of CSR-KPI. Likewise, ITO EN, LTD., in addition to its Integrated Report, comprehensively shows on every page of its Sustainability Report how companies can put the SDGs to use. Based on the universally applicable nature (universality) of SDGs that include both domestic and international arenas, this report, which effectively displays the relevance of SDGs to business, could be used as a reference for other companies when tackling domestic issues and strengthening overseas expansion in the future. Further, ITO EN, LTD., has communicated both inside and outside the company, introducing ranking systems such as the Fortune magazine ranking and external reviews, aiming to improve corporate value, improve employee motivation and also acquire necessary human resources.

⁴¹ Aeon Environmental and Social Report 2016 https://www.aeon.info/export/sites/default/common/images/en/environment/report/e_2016pdf/16_data_en_a4.pdf

Case Study 8

Reinforcement of CSR/CSV corporate strategy by referencing SDGs – Case of ITO EN, LTD.⁴²

ITO EN has been looking at a wide range of international standards such as SDGs, ISO 26000, GRI and CSV concepts, and then explaining in simple terms how to conduct CSR/CSV corporate strategy in a new era of sustainability. First of all, SDG targets were tied to the seven core subjects of ISO26000, and they were consolidated in relation to GRI.

After showing how to contribute to SDGs in an integrated report, ITO EN published a sustainability report dedicated to SDGs as a separate volume (including an English version). This report is particularly interesting as it covers the relation between SDGs and business, and also between SDGs and CSR/CSV activity system, by mapping SDGs to each business in a consistent value chain following the company's characteristic “from tea plantation to used tea leaves”. By effectively showing the relevance between domestic business and SDGs, both the domestic and international aspects of the SDGs are reflected accurately. It is believed that all companies can refer to this report regardless of the overseas business ratio. In addition, this sustainability report introduces external evaluations including being ranked number 18 in the Fortune magazine of September 1, 2016, “The Fortune 2016 Change The World List”. In addition, organizing the contents taking ESG into consideration is linked to responding to ESG evaluation of the growing number of investors.



Kitsuki Tea Garden, Oita



Value chain

In this way, ITO EN is promoting its CSR/CSV corporate strategy referring to SDGs, and with this as the main axis, the company focuses on activities to create shared values with society using its core business. So this also features “strengthening the power of dissemination” not only by practicing CSV but also disseminating such efforts both in Japan and abroad. Strengthening the power of dissemination leads to corporate value improvement, corporate branding, employee motivation improvement, and even excellent talent acquisition. In the interview, the company's efforts were explained as follows; “**For ease of understanding, ITO EN's efforts can be based on the Omi merchant's business spirit of “Sampo yoshi (“all good in three directions” with the three directions in this philosophy referring to the trinity comprising the seller, the buyer, and the society)”. However, it is difficult to try and use the Omi merchant's business philosophy of “Intoku-zenji” when explaining this internationally, so the best way to understand how the company disseminates its work is to call it a “disseminating-type of Sampo yoshi”.**”



ITO EN Group's CSR/CSV and SDGs

⁴² ITO EN Sustainability Report 2016 <http://www.itoen.co.jp/eng/csr/pdf/2016/cr/all.pdf>

Case Study 9

Strengthening communications with SDGs as a common language – Case of Ajinomoto CO., Inc.

The Ajinomoto Group works on SDGs by taking advantage of its experience in achieving the MDGs. Since 2009, the Ajinomoto Group has contributed to three social issues through business. Linking its efforts to the SDGs, the Ajinomoto Group uses SDGs as a common language with society to promote its work. Furthermore, at the center of its medium-term management plan is the Ajinomoto Group Creating Shared Value (ASV) which was set up to promote the social aspects of SDGs throughout the entire value chain from suppliers to consumers. SDGs can be utilized as a checklist for risk management, leading to improved corporate value, thereby improving the company’s competitiveness and leading to excellent talent acquisition.

The interviewee explained **“While European and American competitors are improving the corporate value through collaboration with the United Nations and efforts on sustainability, SDGs are goals to work on in order to maintain competitiveness”**. In addition, Ajinomoto’s work on SDGs was the only Japanese example included in the SDG Industry Matrix “Food, Beverage & Consumer Goods”.



Health diagnosis in Plan area



Ghana project



Signed a Memorandum of Understanding with USAID and JICA

4.2. Implementation challenges faced by Japanese companies

Although companies have strengthened initiatives toward realizing the SDGs, a number of issues still remain. Figure 10 reveals the results of a survey on various issues faced by companies in promoting SDG related initiatives. For example, “social awareness has not risen” is an issue faced

63% of Japanese companies cited “societal awareness has not risen” as an issue faced.

by 63% of Japanese companies. Likewise, while a low level of understanding within the company stands as a challenge, new responses were also observed, such as, “lack of resources” and “weak government guidelines and involvement”. The former is the reverse side of considering specific measures or actions, and the latter shows the limits of companies acting alone.

Even the advanced companies in SDGs that were targeted for interviews often noted the problem of communicating the significance of SDGs and the

Q: What are the main challenges in working on SDGs? (multiple choice)

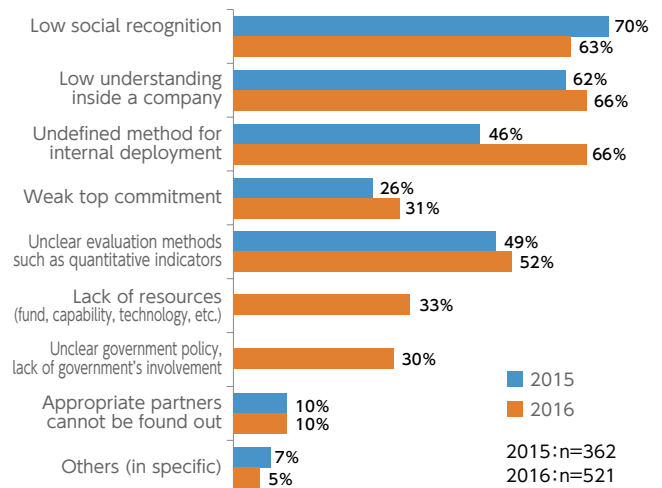


Figure 10: Major challenges in promoting SDGs

difficulty that top management faces in explaining to employees via internal newsletters or other means. A primary factor mentioned was that SDGs are seen as an extension of MDGs and are often communicated in the context of international development. Thus, the fact that they are international goals that include addressing local issues in Japan is not accurately communicated. Further, many shared the opinion that companies do not

know how to contribute to the Japanese government's Guidelines for Implementation, and that they would like to see visualization of an implementation scheme that Japanese companies can participate in and guidelines to boost corporate actions. Accordingly, CSR staff could more easily explain the significance and merits of engaging in SDGs to top management and employees.

Another point that emerged was the existence of **domestic local gaps in information**. Last year's survey indicated that commitment at the top continued to be key in promotion of SDGs, but this year's survey brought up another interesting point. Even among GCNJ members considered to have understanding of top management and relatively high motivation to promote the SDGs, in actuality gaps in implementation also exist. Figure 11 shows the results of a comparison of the state of implementation going forward, divided into capital regions (Tokyo, Kanagawa, Saitama and Chiba) and outside regions. While many companies (37%) in the capital region replied to have "mid-term plans", a striking 35% in other regions provided "Not sure" responses. This shows a time lag in actions to incorporate SDGs into mid-term corporate plans in areas outside the capital area. At present, numerous seminars and symposiums related to SDGs are held mainly in Tokyo, pointing to a large gap in the amount of information. Ideally, future awareness on SDGs will be raised and mechanisms to facilitate and forums to stimulate actions will be created.

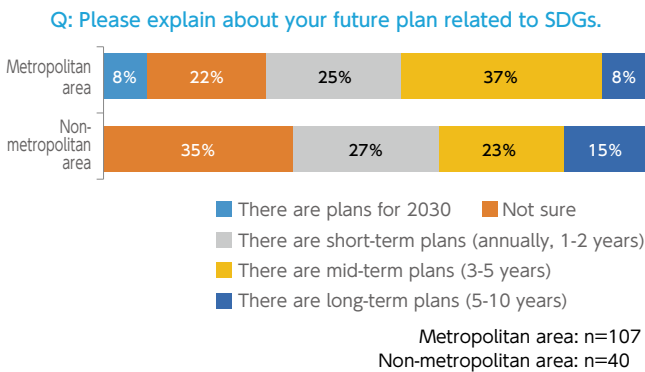


Figure 11: Future SDGs efforts (Metropolitan area vs. non-metropolitan area)

Thus, it is clear that challenges faced by Japanese companies in the process of implementing SDGs are diverse, some originating internally and some originating in society as a whole. Further, initiatives by leading non-Japanese companies and Japanese companies can be divided into three types according to their distinguishing features: 1) aiming to put

SDGs at core business, the "core business type", 2) implementing SDGs from the perspective of cost reduction and risk management within the company, the "risk management, cost reduction type", and 3) promoting enhanced communication in Japan and overseas utilizing SDGs as a communication tool, the "reputation focus type".⁴³ Figure 12 organizes the distinguishing features of initiatives based on differences in the initiatives of leading non-Japanese companies and Japanese companies, taking into consideration the level of enthusiasm (horizontal axis) in goal-setting toward sustainable development targeted by SDGs and traditional business goals (vertical axis) such as pursuit of profit.

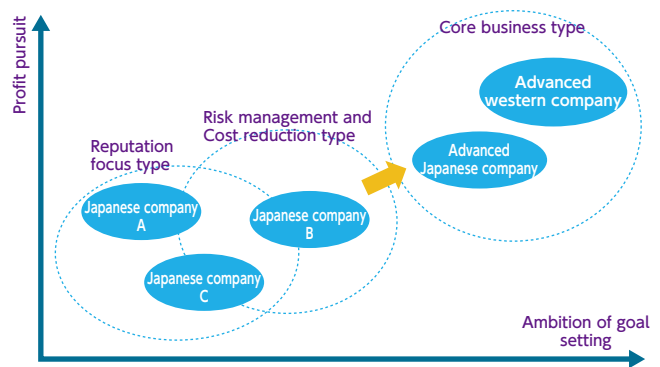


Figure 12: Image of SDG-related actions by Japanese and non-Japanese companies

Source: Author's revision based on "Reinforcement of business actions to realize a sustainable society: Challenges and Solutions" (2016)

For instance, initiatives that position SDGs in the branding of main products aimed at improving corporate values are designated as "core business type", while initiatives that link SDGs to existing business and select priority issues are "risk management, cost reduction type". Likewise, initiatives that actively incorporate SDGs into CSR and other reports and engage in strategic communication are designated as "reputation focus type". From the classifications and designations in Figure 12, it is evident that most Japanese companies are designated as "reputation focus" and "risk management, cost reduction" types, while a portion of leading companies have begun the shift to the "core business" type that treats SDGs as core business. Moreover, it should be noted that company initiatives do not evolve unilaterally from "reputation focus" to the "core business" type. Rather, approaches vary and depending on company scale and industry type, in some cases companies focus on a major product as a way of directly engaging in core business activities related to the SDGs. In other cases,

⁴³ See classifications in IGES (2016) "Enhancing business action to realise sustainable societies: challenges and solutions"

companies advance in a bottom-up fashion from “risk management, cost reduction” or “reputation focus” type to the “core business” type. So, how do Japanese companies overcome the issues they face and shift towards a core business type model? Case studies

on Sysmex Corporation and Takeda Pharmaceutical Company Limited below contain hints on effectively overcoming such issues and engaging in SDG management as a core business objective.

Case Study 10

Effectively Connecting its Business with SDGs - Case of Sysmex Corporation

Sysmex has been putting SDGs at the core of business rather than as part of CSR since SDG Goal 3 (to ensure healthy lives and promote well-being for all at all ages) aligns with its business. Sysmex has a mission “Shaping the advancement of healthcare”. as stated in the “Sysmex Way”, Sysmex Group’s corporate philosophy, which smoothly links to SDGs as well as the Ten Principles of the UN Global Compact. Therefore, Sysmex has been promoting actions by effectively connecting its business with these international targets. Sysmex has been actively expanding overseas with overseas sales of more than 80%. Specifically, Sysmex focuses on medical infrastructure development in emerging countries with economic development. In 2016, Sysmex Proposal for Laboratory Quality Control Support Project in the Republic of Namibia was adopted as JICA’s Collaboration Program with the Private Sector for Disseminating Japanese Technology. At the survey hearing, it was emphasized that Sysmex will adopt a consistent stance to contribute to society through business development.



Support Project in Namibia

Case Study 11

Towards Creating and Sustaining Value through CSR - Case of Takeda Pharmaceutical Company Limited

Takeda focuses on materiality in line with its strategic roadmap, which sets out steps for realizing Takeda’s vision for sustainable growth, and formulated a Strategic Roadmap KPI (FY2016) for achieving the roadmap, with the evaluation items of the Dow Jones Sustainability Index (DJSI) informing the discussion on materiality. Takeda’s discussion of materiality is informed by international frameworks such as SDGs, by which it assesses society’s demands and expectations while striving to see how these relate to business activities. Takeda strives to engage in activities to promote a sustainable society. By creating and preserving value through CSR, it builds trust with society, reinforces its reputation, and further develops the business.

Takeda has also developed an Action Mapping for SDGs. By sharing with a wide range of stakeholders, Takeda utilizes it in discussing new partnerships and future focused areas for achieving SDGs.



Global Measles Vaccination for Children, in partnership with the United Nations Foundation

As seen in Figure 13 below, this survey clearly revealed a desire to learn from the examples of overseas companies concerning problem-solving. Also evident is the aim to learn about SDG implementation methods from overseas examples and to enhance international competitiveness by doing so. Moreover, the aforementioned SDG Industry Matrix introduces numerous good practices by companies overseas and could serve as a reference.

Q: Are you interested in business activities on SDGs by non-Japanese companies?

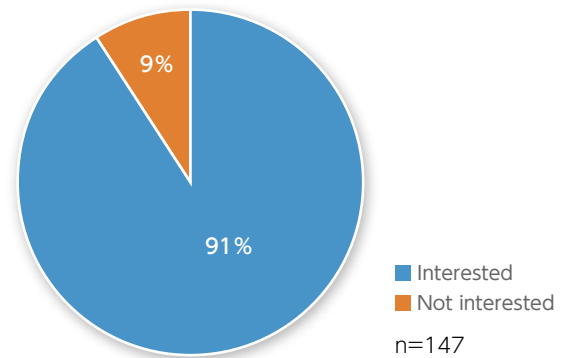


Figure 13: Degree of interest in cases by non-Japanese companies

5. Future pathways—moving from “checklists” to “core business”

5.1. Distinguishing features from cases and future pathways

Based on survey results on the actual conditions of SDG-related actions by Japanese companies as stated above, the current status and background, as well as challenges faced by companies and their responses, were examined in light of international trends. As a result, three main points were discovered concerning the overall picture and distinguishing features of the state of SDG implementation by Japanese companies.

Most Japanese companies are utilizing SDGs as “checklists” for existing corporate missions and business

Survey results reveal that most targeted companies have begun SDG-related initiatives and are taking action. Further, the awareness level on SDGs among CSR staff rose strikingly from 61% to 84% (Figure 5). Meanwhile, although familiarity among top management is on the rise, it is still limited to 28%, and awareness is stagnating at 4-5% among middle managers, revealing major issues involved in the smooth promotion of the SDGs. Further, gaps in awareness levels between GCNJ members and non-members also touch on an interesting trend. While over half of GCNJ members view the SDGs as “improvement of corporate value related to sustainability (79%)”, and “new business opportunities (57%)”, only 26% of non-members view SDGs as “new business opportunities” (Figure 6). The SDGs are goals that respond to wide-ranging diverse issues and can be realized only when all stakeholders

cooperate. Accordingly, there needs to be a broad appeal to GCNJ non-member companies concerning the importance of SDGs. First, it is important for CSR staff in these non-member companies to gain a solid understanding on SDGs.

In actuality, the SDG initiatives of most Japanese companies are at the stage of utilizing checklists to judge the consistency of existing corporate missions and business with SDGs. Also, the main problems heard from persons concerned in these companies are that, compared to their own awareness, there is a low-level of recognition about the SDGs in society (this is compounded by the feeling that their own initiatives are not linked to improved social value), and that the vision and direction of the Japanese government with regard to achieving the SDGs remains unclear. It seems there is a strong trend among consumers and customers regarding levels of awareness. In other words, companies are keenly aware of their reputations in society (consumer backing, the eye of the investor, employee awareness-raising, recruitment of highly aware human resources). Based on this motivation, the role of government, NGOs/NPOs, international organizations and research institutes in raising societal interest is considered vital and expectations are even greater for them as important partners in SDG implementation.

A group of Japanese companies have started taking actions to incorporate SDGs into “core business”

Among cases of Japanese companies subjected to interviews, a group of leading companies that have to date endeavored sustainability management and MDG-related initiatives view the SDGs as a “business opportunity” and make use of the SDGs in marketing and the branding of the company and major products, linking them to increased profit and improved corporate value. Most of these did not take a “checklist” approach, but characteristically aimed to improve corporate values with SDGs as a trigger.

Further, a distinguishing feature of Japanese companies carrying out advanced initiatives is the large impact of leadership exhibited by executives in SDG promotion, including CSR directors and top leaders with overseas experience. Reasons include high interest in overseas trends in global companies, and a particularly



strong awareness on ways to enhance international competitiveness from the perspective of overseas expansion. However, not all companies have such leaders, and in order to raise awareness among other top management, along with the power of leaders, bottom-up initiatives should be advanced to bring out the ideas of each and every employee. While some Japanese companies have already started to take action, from here on they should scale up existing initiatives and further integrate the SDGs within each business division as a matter of core business.

Putting SDGs at core business: mixed bottom-up and top-down approach and voluntary actions by companies themselves are the “essentials”

Major companies in Europe and North America and in a number of emerging nations have raised corporate value and enhanced international competitiveness through sustainability management. In order for Japanese companies with the above characteristics to shift towards a position where the SDGs are integrated into core business practices, staff in charge of SDG promotion must first fully understand the significance of SDGs, and link SDGs to corporate value propositions. Next, a process for selection of priority issues must be created from the bottom up, including enhancing the understanding of top management. It is then necessary to create a process and implementation scheme for the top-down running of the PDCA cycle and carry out planning for penetration through the company. Accordingly, **a mixed bottom-up and top-down approach** based on the understanding of staff in charge and commitment from the top can be effectively applied in Japanese companies.

It is also important for top management not to simply limit their scope of activities to mere mentions in reports, but rather look at the issue from a mid- and long-term perspective and exhibit leadership and initiative to launch major directions. These must be communicated to employees in their own words, illustrating a sense of purpose and recognition of important issues. Meetings spanning group companies and study sessions targeting all employees at the executive director level and above are important. Likewise, the understanding of top management can be obtained by quantifying the business value of committing to the SDGs. In addition, deliberation on the PDCA cycle must go along with SDG initiatives, as well as the creation of an implementation scheme with mobility. For instance, much like how leading overseas

companies have set up sustainability departments or an ombudsperson under the direct control of top management, similar approaches are also feasible for the SDG initiatives of domestic companies.

Staff from interviewed companies carrying out advanced initiatives voiced the opinion that because SDGs are strongly related to daily life issues in both Japan and overseas, such as employment and labor problems, reduction of inequalities and energy conservation methods, routine efforts will contribute to internationally agreed upon goals. As such, awareness raising can be effectively supported by targeting employees and consumers. The SDGs, founded upon the “leave no one behind” principle, **indicate a future ideal society. In other words, they reflect the various needs of people. From the standpoint of this interpretation, engaging in SDGs is addressing people’s needs, and thus is linked to business opportunities.** Accordingly, the next necessary steps for staff in charge of SDG promotion — especially among those concerned about explaining the goals to top management and employees in other departments — is to frame how the SDGs offer profitable long term business opportunities, clearly communicating the risks of inaction to top management and employees. In so doing, responsible staff can work towards progressively advancing SDG initiatives forward.

Finally, it is also advantageous for **groups of companies promoting SDGs to work together in taking action.** For instance, ahead of the World Economic Forum Annual Meeting in January 2017, over 80 global corporations including Coca-Cola, Dong Energy, Sainsbury’s, Nestlé and Ikea, sent an open letter to the UK Prime Minister, calling on the government to deliver on SDGs and to clearly indicate how the UK government will contribute to realizing SDGs.⁴⁴ Likewise the WBCSD, together with a group of companies including Kellogg and Walmart, launched the WBCSD Climate Smart Agriculture Initiative to respond to climate change adaptation.⁴⁵ The initiative adopts goals to increase food supply by 50% and reduce CO2 emissions from agriculture by 50% by 2030. In Japan, groups of companies already promoting activities, including recommendations submitted by GCNJ in the process of formulation of Japan’s SDGs Guidelines for Implementation. In this manner, just as outreach activities by GCNJ were effective in improving awareness on SDGs, groups of Japanese companies taking action and serving as a bridge between groups of companies overseas, represent an important major step for driving the 2030 Development Agenda.

⁴⁴ Sustainable Brands, “Government and private sector partnerships—Top 80 companies send letter to UK Prime Minister” (16 Feb 2017), http://www.sustainablebrands.jp/news/us/detail/1188774_1532.html

⁴⁵ WBCSD and Climate Smart Agriculture (CSA), <https://sustainabledevelopment.un.org/partnership/?p=12273>

5.2. Recommendations to related stakeholders

In order for companies to further advance business actions on the SDGs, what is required of other stakeholders? Based on the results of this study, below are brief messages addressed at each type of stakeholder.

Governments (national and local) should serve as a guide and actively communicate a vision

Government organizations are fundamentally vertically structured, and yet related work is interrelated in a complex manner, which makes it difficult to see a clear vision and implementation scheme for a country’s policies. Many in the business world have said that it is difficult to know how the initiatives of companies contribute to government policies. As such, it is first essential to communicate a clear vision that is also connected to domestic issues. Further, many businesses were of the opinion that the government should consider to incorporate SDGs into school education and life-long education with a view towards influencing the attitudes and beliefs of general citizens and consumers. Similarly, awareness-raising targeted at young people, especially those enrolled in school, is also crucially important. However, it bears mention that there is a gap in accessibility to information on SDGs between different regions across the country. Ideas on closing this gap include initiatives aimed increasing the number of educational opportunities and awareness raising in major cities other than Tokyo (e.g. Osaka, Nagoya, Sapporo, Fukuoka). Further, in order to ensure that the SDGs are more widely recognized in regional areas, efforts will also be needed to include SDGs in the comprehensive plans of local governments.

Likewise, various actions are called for helping boost private sector initiatives. These could include designating corporate initiatives as contributions from business in the implementation of Japan’s SDGs Guidelines for Implementation, the establishment of a forum, such as an SDGs platform, to consolidate a point of contact with the

private sector for all government entities, and collection and dissemination of examples of company initiatives and their progress both domestically and abroad. Moreover, in addition to heightening the interest of concerned parties by holding relevant meetings and seminars to promote initiatives, consideration of other measures is worthwhile, such as an SDGs logo campaign, establishment of a public awards scheme and preferential treatment in the tax system.

Investors should create a trend to accelerate SDG promotion by companies

Investors play a major role in companies putting SDGs at the core of business. Based on the idea that investments in companies from a long-term perspective will prioritize investments in companies that have not only short-term profits but also corporate value over the mid- to long-term, trends in ESG investment and divestment from companies with a large percentage of fossil fuel related assets are increasingly active. Against this backdrop, it would be effective for investors to examine SDG initiatives and consider the long-term business risks for those companies that choose not to factor the SDGs into investment decisions, as communication on SDG initiatives from the aspect of information disclosure is gaining wider acceptance. Likewise, it is important for investors in Japan to also take actions aimed at facilitating the promotion of SDG initiatives.

International organizations and research institutes should disseminate information on leading practices and assessment methods

Expectations with regard to the role played by international organizations and research institutes in the promotion of the SDGs with companies are varied and multiple. These include, for example: 1) to identify major global, domestic and international trends and share relevant information on the significance to SDG initiatives, 2) to support the design of SDG action plans among companies via trainings and provide assistance on human resource development, 3) to monitor the progress of SDG initiatives by sharing good practices and examining and building quantitative assessment systems, and 4) to serve as an intermediary for linking companies and various actors via the networks of international organizations and research institutes. By continually implementing roles 1 to 4 in the PDCA cycle of company SDG engagement, these actors can serve to comprehensively support putting SDGs at the core of business. The survey questionnaire indicated that numerous Japanese companies express an interest in the practices of overseas companies. As such, UN business networks such as the UNGC and IGES and other research institutes can highlight flagship initiatives of Japanese companies, as well as document the practices of overseas companies in Japanese language.



Likewise, it would be effective to establish a platform for data collection regarding the issues and needs of Japanese companies, conducting continuous monitoring on the status of progress and implementation, and as well as developing a mechanism for wider dissemination of this information.

Civic society (NGOs/NPOs) should keep watch and strengthen partnerships

Survey results revealed that civil society (NGOs/NPOs) also has a wide role to play, particularly in outreach activities and implementation. Examples include engagement in the following three areas: 1) carrying out public awareness-raising activities in other parts of the country and expanding outreach activities for citizens to promote domestic SDG initiatives, with a view towards resolving local gaps in information, 2) monitoring corporate actions and their relevance to international norms and standards, cooperating with the private sector on problem-solving and related improvements, and 3) serving as a conduit for helping companies to advance initiatives overseas, in particular collecting relevant information, introducing local NGOs and consultants and providing continuous support for the implementation of activities. It is clear that Japanese companies have a great need for partnerships with NGOs in the context of promoting SDG initiatives. For this reason, civil society’s role should not be limited to

roles 1 and 2: actively assisting companies with regard to role 3 will also expand business opportunities for NGOs and foster mutual win-win relationships and partnerships.

Moving forward

Although this study mainly focused on those companies currently promoting SDG initiatives, and examining ways to put them into practice or addressing various challenges associated with implementation, certain limits on the universality of results must be taken into account. For instance, more case studies on differences in status of implementation according to company scale, implementation status of domestic companies related to individual SDGs such as energy, sustainable consumption and production, and diversity, as well as the existence of partnerships between companies in the same industry, can be considered useful for future research topics. We would like to express our gratitude to the companies that cooperated in this study and all persons involved. We hope that this study will provide Japanese companies useful guidance and suggestions for mainstreaming SDGs into their core business model with a view towards improving overall sustainability management, and thus serving as a practical resource for fostering a sustainable society that leaves no one behind.

GCNJ members and Associate members Survey on status of Japanese private companies on actions for SDGs implementation



Survey period: September 2, 2016 – September 21, 2016

1. Summary of survey implementation

- Purpose of the survey
 - Understand the status of GCNJ member companies and organizations on actions for SDGs implementation
 - Make it the basic material for awareness raising and PR activities of SDGs

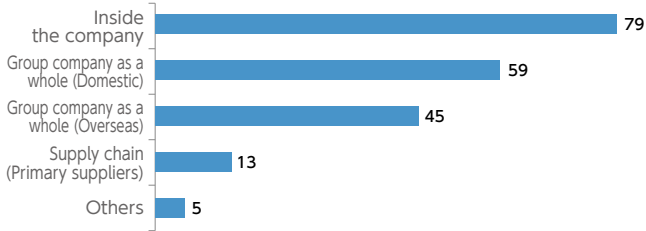
- Content and method of the survey
 - Survey target: 233 companies and organizations from GCNJ members and Associate members as of September 2, 2016
 - Survey method: Web questionnaire
 - Survey period: September 2, 2016 – September 21, 2016
 - Survey contents: Status of actions for each SDG target, challenge in SDGs implementation and future direction
 - Response status: 147 organizations

- ◆ We would like to express our appreciation to Engagement First Inc., affiliated company of Members Co., Ltd., for cooperation in summarizing the results of this survey.

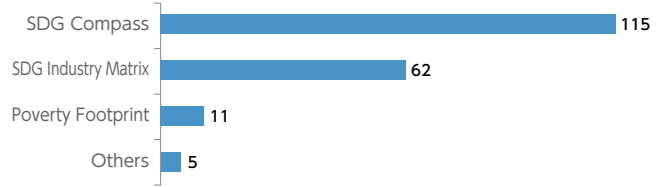
2. Survey result data

[Awareness of SDGs]

(For those who did not select "not in particular")
 Where do you target activities of raising awareness of SDGs within your company/organization?
 (multiple choice) (Required)

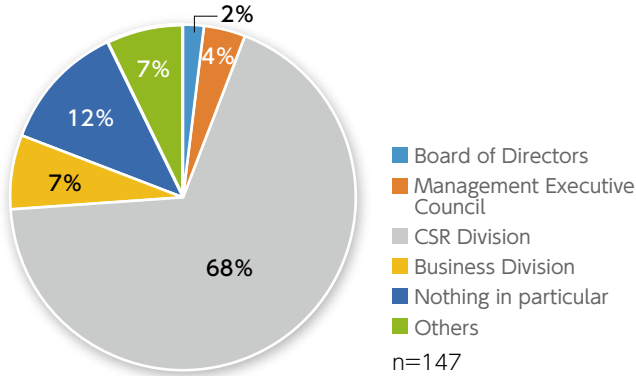


SDGs related tools you are interested in
 (multiple choice) (Required)



[Status and Challenges of SDGs implementation]

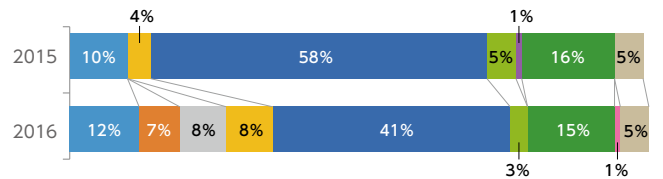
Which organization is the main body of SDGs promotion activities within your company/organization? (Required)



Where is the area that is developing SDGs related actions?
 (multiple choice) (Required)



Which do you think has the greatest impact to promote SDGs?
 (Required)



- Company
- Shareholder / Investor
- Customer
- Consumer
- Government, municipality, government group (including JICA etc.)
- NGO / NPO
- Academia
- All sectors are equally influential
- Others (specifically)
- Not sure

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