

Global Compact International Yearbook





The Sustainable Development Goals in

A critical aspect of the Sustainable Development Goals (SDGs) is to *leave no one behind*. Cooperation between governments and the private sector that goes beyond geographical borders is imperative for achieving this goal. The global mission to propel the world a step closer to achieving the SDGs is one that intermittently intertwines business and individuals from various walks of life. However, it seems Japan and her people are too shy to transmit such efforts to the world. As a leader in technological innovation – a critical driving force in achieving the SDGs – Japan has great potential to also be a leader in bringing the world together to move forward with this collective goal. Introducing pieces by the Japanese Ministry of Economy, Professor Jeffrey D. Sachs of Columbia University, and a joint report by IGES and GCNJ, this yearbook is the first attempt to offer an overview of the key players within Japan and the cross-country collaboration necessary for the country to grow into this role.







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By Yuko Ishikawa and Kana Kobayashi

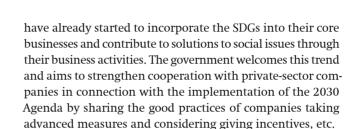
In May 2016, the Japanese government established a cabinet body, the Sustainable Development Goals (SDGs) Promotion Headquarters, to promote the SDGs. The Headquarters is composed of the Prime Minister as the Chief; the Chief Cabinet Secretary and Foreign Minister as the Deputy Chiefs; and all other ministers as the members. The SDGs Promotion Roundtable was established under the control of the Promotion Headquarters. At the roundtable meetings, a wide range of relevant people (e.g., administrative agency personnel, NGO and nonprofit personnel, experts, private-sector personnel, international organization officials, and various other organization members) exchange their opinions.

After the public comments and opinions of people in various sectors were sought at the meetings, the SDGs Implementation Guiding Principles were set in December 2016 in a manner that reflected these opinions and comments. The basic concept underlying the Implementation Guiding Principles is: "Aim to become a leader toward a future where sustainable and

resilient improvement of the economy, society, and environment is attained in an integrated manner while leaving no one behind." To enable the mobilization of extensive measures and resources in an effective and consistent manner in cooperation with all stakeholders, the government worked together with all relevant ministries and government agencies and set out matters such as the vision, priority issues (the core of efforts), implementation principles, promotion framework, followups, reviews, and individual measures. In addition, by using indicators simultaneously disclosed publicly to understand the progress, the government is scheduled to conduct the first follow-up by the end of 2019.

The Implementation Guiding Principles clearly stipulate the following contents regarding the cooperation with privatesector companies.

 Technologies and resources of private-sector companies are indispensable for sustainable development. Some companies



• Among other things, a variety of sustainability-oriented measures (e.g., ESG investment and social contribution bonds) taken by private-sector companies from the standpoint of business and human rights are important when the private sector is actively involved in solving public problems related to environmental, social, governance, and human rights issues. Furthermore, these measures are extremely important for Japanese companies to maintain their competitiveness in global markets without falling behind in meeting the evaluation criteria used by global investors because these investors are beginning to focus more on activities in these areas. The government will implement its policies to create the necessary environment and support the relevant activities of the private sector.

As described above, the private sector's sustainability-oriented measures have received special attention.

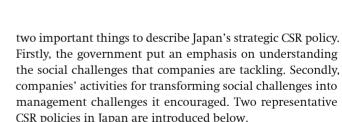
Japan's policy for CSR

With increased global business expansion, Japanese companies are now facing various challenges such as business and human rights, responsible supply chains, bribery, and so on. Taking a look at the domestic business environment, an aging society and a shrinking labor force are also significant issues for Japanese companies.

So, companies are trying to transform social challenges into management challenges to create sustainable corporate value and get ahead of the international competition. There are CSR policies in Japan are introduced below.

First, an initiative called CSR Forum Japan (the "Forum") was introduced. The Forum is a unique business initiative that began in 2004 and is supported by the Ministry of Economy, Trade and Industry (METI). Consisting of leading multinational companies and relevant organizations, the Forum is regarded as one of the most outstanding networks in Japan. The Forum fosters communication and cooperation with international organizations as well as implementing annual research projects. Last year, the research project focused on the cooperation between companies and stakeholders, including NGOs and nonprofit organizations and governments, for achieving the SDGs.

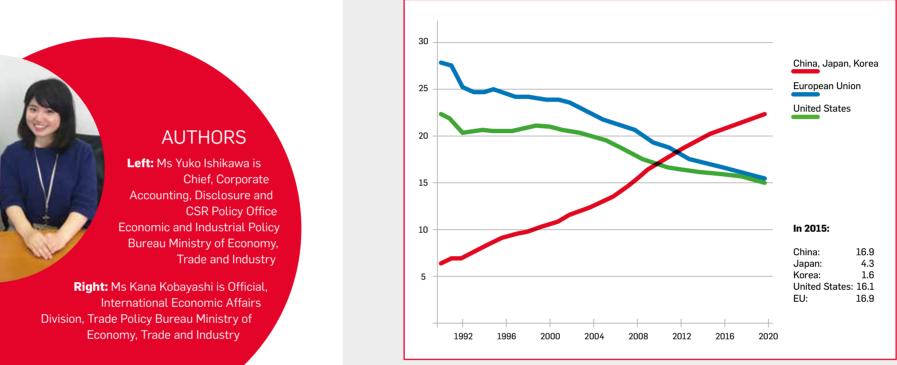
More specifically, the Forum conducted questionnaires and interview surveys with Japanese and European companies and analyzed the status of their activities in relation to corpo-



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Green Innovations



Shifting geo-economics – shares of world GDP (%)

Next, the EU-Japan Working Group on Corporate Social Responsibility will be introduced. While the globalization of business activities has been advancing, it has become indispensable to establish cooperative relationships on a global scale and to improve mutual understanding. Being aware of such issues, Japan and the EU agreed upon the establishment of the EU-Japan Working Group on Corporate Social Responsibility at the 16th EU-Japan Industrial Policy Dialogue, held in January 2013, and officially inaugurated this working group in October 2013. Last year, it was held in Brussels in November. Under the framework of the EU-Japan Corporate Social Responsibility Working Group, the Japan Business Council in Europe, CSR Europe, and the Council for Better Corporate Citizenship jointly held an EU-Japan Business Dialogue, bringing together around 70 people, including CSR personnel from companies in Japan and the EU and officials from DG GROW and METI. At the dialogue, participants had discussions focusing on the subject of "Contributing to global sustainability through col-

rate social issues, mainly the SDGs. The Global

Compact Network Japan's cooperation is highly

appreciated. The surveys revealed outstanding characteristics commonly seen among ad-

vanced companies such as: "Under remarkable

leadership by the top management, activities

to solve social issues have been included in

leads CSR discussions in Japan.

laboration and innovation."

management plans," "Activities to solve social

issues have been mainly conducted by not only

the CSR Division but also other business divisions,"

and "PDCA-based management is conducted when

partnerships with stakeholders are built." Based on

these analyses, the CSR Forum Japan gathers proposi-

tions submitted to companies, governments, etc., and

Some companies in Japan and the EU that have been deploying business worldwide made presentations about best practices of

contributheir the SDGs and general activities in the field of CSR. Participants exchanged views on the expected necessary efforts and related challenges. It was pointed out by participants the importance of promoting collaboration between governments, companies, and industries for the maximization of innovation; the need to create a dialogue platform composed of multistakeholders; the significance of convening business dialogues under the framework of the EU-Japan Corporate Social Responsibility Working Group on a continual basis; and other issues.

Although the globalization of business activities has been advancing, societies have been affected by companies in a more complex manner. Through the stated policies, we will push forward with our CSR initiatives in Japan by accurately recognizing the criteria that companies must comply with and that stakeholder expectations have significantly changed, and by maintaining close communication with stakeholders.

What are Japan's responsibilities and opportunities in this new era? There are three major places in the world where patents are being achieved, and these are the big innovation centers for the world economy. One is northeast Asia — Japan, South Korea, and China – the second is Western Europe, and the third is the United States. Japan is one of the most important scientific and technical centers of the world, so Japanese businesses need to lead the technologies for sustainable development.

For example, Toyota pioneered hybrid vehicles, and now it is pioneering fuel-cell vehicles and zero-emission electric vehicles. This can be part of a strategy for deep decarbonization, but it is also part of a strategy for prosperity, because if Toyota gets there first with the best cars, that will mean more prosperity for Japan. Being innovative for sustainable development will thus be the most important competitive strategy in the coming generation. The countries that achieve the green technologies, the green transport, the low-carbon energy, the low-energy buildings, the energy-efficient appliances, the green materials, and the waste-recycling systems will be the winners of the new world economy. Any country that continues as they are doing right now will lose in the end. We are all going to have to change directions.

We need to think seriously about the next 20 years, because that is when the future is going to be either made or lost. As Figure 1 shows, East Asia will be the key to success. The blue line is the European Union's share of the world economy, and the green line is the US share. The rising red line is the share of Japan, China, and Korea combined.

East Asia is now the world's largest economic grouping, and it will be the most success-

ful if there is good cooperation in this region. It is one thing to add the GDPs of the three countries together, and another for the three to cooperate closely to achieve sustainable development. I believe that if Japan, China, and Korea cooperate closely for sustainable development, the whole world can achieve success, so the region will have an extremely important role.

> Excerpt from: Jeffrey Sachs, "Japan's Role in Sustainable Development," The Tokyo Foundation, October 2016.

Jeffrey D. Sachs is Professor at Columbia University and Director of Columbia's Center for Sustainable Development and of the UN Sustainable Development Solutions Network.

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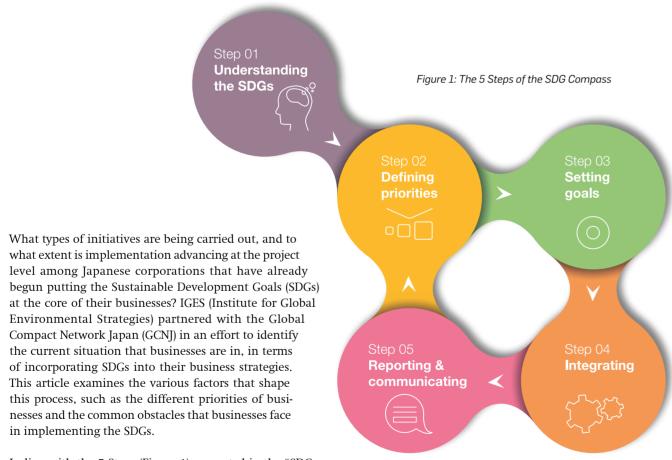


The Current Status of Actions for SDG Implementation by Japanese Private Companies

By Akiko Ueno (Deputy Representative, GCNJ Office),
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In line with the 5 Steps (Figure 1) presented in the "SDG Compass," the following sections evaluate the status of SDG implementation being led by major companies in Japan. More than half (54%) of the 99 companies and groups that responded are still on Step 1 ("Understanding the SDGs"), with 22 percent on Step 2 ("Defining priorities"), and around 10 percent on Steps 3 ("Setting goals") and 4 ("Integrating").

• Step 1: Understanding the SDGs

Although expectations for the role of business in delivering on the SDGs are high, it is pertinent to examine the actual perceptions of corporations on the SDGs. The GCNI members most often replied (79%) that they perceive SDG implementation to be an "improvement of corporate value related to sustainability," followed by the responses "stronger relationships with stakeholders" (57%) and "new business opportunities" (57%). Compared to responses from non-members, GCNI members are companies and groups committed to the UN Global Compact's Ten Principles. The efforts of the GCNJ in carrying out promotional activities are also a factor, and the reality that many corporations consider the SDGs to be 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 to be an incentive to engage with activities to implement the SDGs.

	2015	2016
Mainly established among CSR staff	61	84
Established among top management	20	28
Established among middle managers	4	5
Established among stakeholders such as affiliated companies	0	3
Others	15	12
	n=134	n=193

Table 1: Perceived awareness of SDGs within each company / organization according to its leaders / CEOs

Step 2: Defining priorities

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 more necessary than ever. As of September 2016, most Japanese companies cited climate change (Goal 13), energy (Goal 7), and sustainable consumption and production (Goal 12) — goals closely related to Japan's domestic issues — as priority issues. The official adoption of the Paris Agreement at COP 21 in December following the 2015 survey is thought to have had a major impact with regard to this response. Furthermore, the rise of Goal 8 (Decent Work and Economic Growth) to fifth 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 2 shows the top three goals that received the largest number of responses and were said to have the greatest impact for the top industry sectors. 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). 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 priorized.

3rd
Goal
9 (9)
3 (5)
3 (7)
9 (5)
2 (3)
7 (4)
3 (3)
.2 (2)
7 (4)
7 (3)
7 (2)

Table 2: Goals with the greatest economic, environmental, and social impact in the top industries (multiple responses acceptable)

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Step 3: Setting goals

Mapping is carried out on the relevance of the SDGs 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. Table 3 shows the level to which SDGs have been incorporated into business plans. Although companies integrating the SDGs into short-term (annually, 1-2 years) and mid-term (3-5 years) plans have reached a certain level (26% and 33%, respectively), plans for initiatives up to 2030 or over the long term (5-10 years) remain below 10 percent, Furthermore, 26 percent of companies provided "Not sure" responses, revealing that there is still great variance when it comes to progress on the incorporation of the SDGs into business plans as well as the development of concrete business goals within these plans. However, a portion of leading Japanese companies have already linked their company's business priorities with individual SDG goals and are deliberating on the establishment of KPIs (key performance indicators). Some companies have plans to release results in the near future, if they have not already released them publicly within their CSR reports.

Q: What plans do you have for future SDGs efforts?		
There are short-term plans (annually, 1–2 years)	26	
There are mid-term plans (3–5 years)	33	
There are long-term plans (5–10 years)	10	
There are plans for 2030	5	
Not sure	26	
	n=147	

Table 3: Status of SDG efforts (multiple choice)

• Step 4: Integrating

In order to encourage action on the SDGs, the level of implementation among all companies is illustrated in Table 4. 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. As can be read in Table 4, 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 at the executive level and implemented straight from the top — revolving around the PDCA cycle — that SDGs are disseminated to other members of staff, such as middle managers and external stakeholders, including affiliated companies.

Q: What kind of activities are you doing to improve awareness of SDGs within your company/organization?		
Training (including e-Learning)	16	
Dissemination by website	16	
Dissemination by corporate magazine (paper)	17	
Top priority message	17	
Establishment of dedicated organization	1	
Others (in specific)	13	
Nothing in particular	20	
	n=229	

Table 4: Status of efforts to establish SDGs in your company/ organization (multiple choice)

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• Step 5: Reporting & communicating

Even interviewed companies that are very advanced in their incorporation of SDGs in their business methodologies often noted the difficulties that top management faces in communicating the significance of SDGs and their related actions to employees via internal newsletters and other means. A primary factor mentioned was that SDGs are seen as an extension of the Millennium Development Goals 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. Furthermore, 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 as well as 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.

Although some have pointed out that cherry-picking of corporate SDG initiatives is taking place, there are increasing expectations for cooperation with corporate partners. A major difference from the previous survey is that, although responses about the "company itself" engaging in initiatives decreased considerably, there was a rapid rise in the number of responses about "customers," "suppliers and buyers," "consumers," and "stockholders / investors." Furthermore, the ratio of responses on "NGOs / NPOs" remained high. The context for stockholders and investors appearing this fiscal year is the fact that companies which incorporate responsible environmental, social, and governance 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.

Q: What are the main issues while working on the SDGs? (multiple choice)

ABOUT:

The Global Compact Network Japan (GCNJ), together with IGES (Institute for Global Environmental Strategies), conducted a survey of 233 GCNJ member companies and organizations, as well as face-to-face interviews with 17 companies (including one nonmember company) and external

organizations.

	2015	2016
Low social recognition	70	63
Low understanding inside a company	62	66
Undefined method for internal deployment	46	66
Weak top commitment	26	31
Unclear evaluation methods such as quantitative indicators	49	52
Lack of resources (fund, capability, technology, etc.)	0	33
Unclear government policy, lack of government's involvement	0	30
Appropriate partners cannot be found out	10	10
Others (in specific)	7	5
	N= 362	N= 521

Table 5: Major challenges in promoting the SDGs

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Global Compact Network Japan

As a Sustainability Leader in Japan

By Keisuke Ota, Representative Global Compact Network Japan

The Global Compact Network Japan (GCNJ) started in 2003 within the United Nations Information Centre (UNIC) with the participation of 11 companies. To implement activities led by member companies, the GCNJ became independent of the UNIC in 2008. Then, in 2011, the GCNJ became a general incorporated association to strengthen its organizational governance. During this process, more companies steadily joined the GCNJ as members. As of April 2017, the number of member companies and organizations was 241 (membership fees are charged). The member composition is characterized by large companies, which comprise 75 percent of all members. Other members are small- and medium-sized companies, schools, industry groups, NGOs, etc.

Mission

The GCNJ's mission is to realize a sustainable world by providing a platform for learning, collaboration, and communication to member companies and organizations aiming to integrate sustainability strategies into corporate management through practices based on the UN Global Compact's Ten Principles.

The GCNJ is a place where the top management of each organization takes the initiative in enhancing sustainability-based management; a place where not only companies but also a variety of sectors such as academia, NGOs, governments, and international organizations cooperate with each other or work together; and a place where information about Japan-originated ideas and activities are transmitted. It is also a place where we increase membership and scale-up our activities in Japan.

Activities and impacts

The GCNJ conducts a variety of activities. Some distinctive activities are explained below.

1. Working Group

We started this activity in early 2008 by setting up three working groups: "Supply Chain in Asia," "Global Warming," and "Case Studies." The number of working groups has reached 14 in 2017. They are "Supply Chain," "Environment Management," "GC Internal Promotion," "Reporting," "Kansai Area," "Human

Rights Due Diligence," "Human Rights Education," "Collective Business Actions for Tomorrow," "Anti-corruption," "Disaster Risk Reduction," "SDGs," "SRI/ESG," "CSV," and "WEPs." A cumulative total of 168 companies have participated in these working groups so far. Working group activities are planned and operated voluntarily by members. Working groups are the places for the learning, cooperation, and communication of output information. Output information created through these activities includes "A Vision of Desirable CSR Activity in the Supply Chain," "Business and Human Rights — Corporate Japan Rises to the Challenge," and "Sustainable CSR Procurement Self-assessment Tool" and is disclosed not only to GCNJ members but also via our website so that it becomes useful to society.

2. Training for Tomorrow's Management

This conference started in 2008 to help executive officers and general managers of member companies to consider "tomorrow's management," in which sustainability is integrated into management. It has gained popularity as a year-long training program, and a cumulative total of 70 companies have participated in it so far. Some of the program participants have actually become presidents after completing the program and put what they have learned at the seminar into management practice.

3. China-Japan-Korea roundtable

Three countries in East Asia have taken turns hosting the roundtable since 2009. Discussions on sustainability are held with annual themes from the respective perspectives of youths, academia, and businesses, and messages unique to East Asia are dispatched through strengthened economic cooperation between the three countries. In 2017, we held the roundtable in Tokyo under the theme of "Transform Our World with SDGs — Roles of East Asia."

4. Sustainable Development Goals

Since launching the Sustainable Development Goals (SDGs) Task Force, which comprises voluntary members, in 2015, we have planned and promoted various activities related to the SDGs. More specifically, we have held seminars, symposiums, media briefings, etc., as education and dissemination measures for SDGs in Japan. We have also cooperated in preparing the SDGs Implementation Guiding Principles by various means, such as via a joint announcement with civil society regarding the propositions submitted to the government, proposals made for the G7 Ise-Shima Summit, and opinions expressed at the SDGs Promotion Roundtable sponsored by the Japanese government. We have also conducted activities in cooperation with multistakeholders such as ministries, government agencies, NGOs, academia, and specialized organizations so that we

can function as an engine to help more companies implement the SDGs. In addition, we conducted an annual questionnaire survey on actual conditions of member companies, and we issued the SDGs and Business in Practice: Early Actions by Japanese Private Companies, a report introducing the survey results and actual examples from companies. The Japanese translation of SDG Compass and SDG Industry Matrix was well accepted by member companies. We received a comment saying that it was helpful for the preparation of management plans.

Commitment for the sustainable future

The UN Global Compact has also prepared the Global Strategy 2017—2020. As a result, the cooperation between the UN Global Compact and Local Networks will become stronger. Taking this opportunity, we are considering reviewing the significance of the Global Compact and the value of Network Japan. We need to inherit strong points that are unique to Japan and actively participate in activities if global cooperation is necessary. To this end, we must motivate member companies and organizations to understand the value. To "transform our world," as required by the SDGs, we need to "transform our organizations."

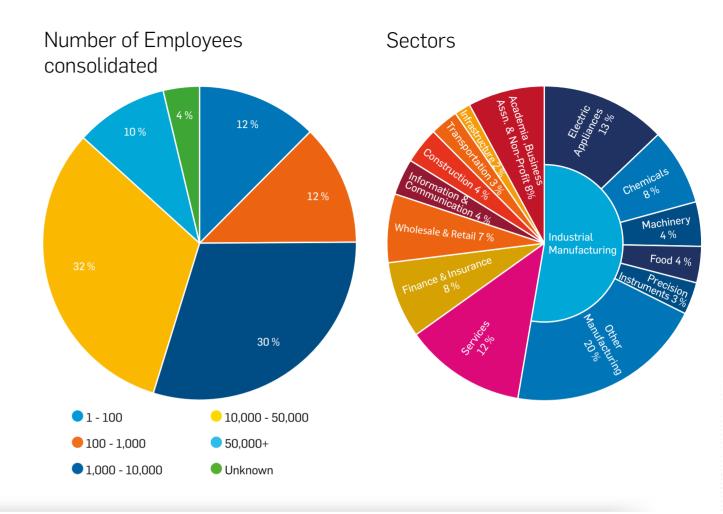
As a legacy of sustainability, a long-standing concept known as "Good for the seller, Good for the buyer, and Good for society (Good for all three sides)" exists in Japan. In the Edo period, a circulation-type society (e.g., a reuse-based/recycling-based society) had been formed. We have many things we can boast to the world. For example, 26,000 companies were founded more than 100 years ago. We will strive to inform the UN Global Compact and overseas Local Networks of these strong points while dispatching information from Japan and keeping in communication so that we can exert positive effects through cooperation toward the realization of the SDGs. •







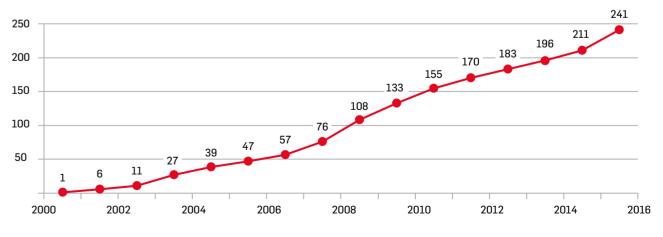
From just 11 participants in 2003 the Global Compact Network Japan (GCNJ) has grown to more than 240 companies (April 2017). 75 percent of all members are large companies. Therefore, having 1,000 or more employees is the norm. The GCNJ represents a huge variety of industry sectors with a focus on industrial manufacturing businesses.



Participants of the Global Compact Network Japan

	Number	Percent
Corporate	184	76.3
SME	39	16.2
Non-Profit	9	3.7
Academia	8	3.3
Business Assn.	1	0.4
Total	241	99.9

Number of Participants



Source: GCNJ, May 2, 2017

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THE TEN PRINCILES OF THE UNITED NATIONS GLOBAL COMPACT



HUMAN RIGHTS

1.

Businesses should support and respect the protection of internationally proclaimed human rights; and

2.

make sure that they are not complicit in human rights abuses.



LABOUR STANDARDS

3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4

the elemination of all forms of forced and compulsory labour;

5.

the effective abolition of child labour; and

ĥ

the elemination of discrimination in respect of employment and occupation.



ENVIRONMENT

7.

Businesses should support a precautionary approach to environmental challenges;

8.

undertake initiatives to promote greater environmental responsibility; and

9

encourage the development and diffusion of environmentally friendly technologies.



ANTI-CORRUPTION

10.

Businesses should work against corruption in all it forms, including extortion and bribery.

At the core of the Global Compact initiative are 10 principles for human rights, labour standards, the environment and eliminating corruption.

The Global Compact calls upon all companies to recognise these principles and to take steps to put them into effect.

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