SDGs and Business to Overcome the COVID-19 Pandemic
Actions by Companies and Organisations in Japan
July 2021, Japan
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1. Introduction

1.1 Objectives of this report

The Global Compact Network Japan (GCNJ) and the Institute for Global Environmental Strategies (IGES) have been conducting questionnaire surveys since 2015 on awareness of the SDGs and related initiatives among GCNJ member companies and organisations. Beginning in 2016, survey results have been compiled into "SDGs and Business" reports. One feature of this series is the inclusion of changes over time in SDGs awareness and initiatives among GCNJ members. In addition, a specific theme is examined each year, and interviews and case studies on related topics are included in the latter half of the report.

The implementation period for the SDGs began in January 2016, and we are now a third of the way to the 2030 deadline for achieving them. However, according to a report published by the UN in 2019, while some progress on the SDGs has been made, we are far from being on track to achieving them, with regression on targets such as inequality, climate change and biodiversity. In an attempt to turn this situation around, the UN launched the Decade of Action to deliver on the SDGs in 2020. However, the COVID-19 global pandemic that began in the first year of this decade has caused over two million deaths and is still wreaking havoc around the world.

In a June 2020 video message, UN Secretary-General António Guterres stressed that while there has been much debate about the need for a "new normal" in the post-COVID recovery, our situation was far from normal even before the pandemic. Guterres asserts that the time has come to create decent work for all as the basis for an environmentally sound, inclusive and resilient recovery, and that to do so, it is important to use the 2030 Agenda for Sustainable Development, with the SDGs at its core, as a guide. As this message shows, along with a global sense of urgency, momentum is growing worldwide to make our societies more sustainable.

In this report, we review the progress made by GCNJ members on addressing the SDGs over the past five years, this time including the impact of the COVID-19 crisis on people and businesses. In doing so, we will examine where we stand today and where we need to strengthen our efforts to achieve the SDGs. For the first time, we have also included contributions from five members of the GCNJ SDGs Task Force. The SDGs Task Force is made up of volunteer members of the Board of Directors, member companies and organisations, and the GCNJ Secretariat that meets regularly to promote the SDGs within the GCNJ. In this report, the Task Force members shared their thoughts on the future of corporatons and society and the role of the Global Compact from the standpoint of private companies, a consultant and an expert. The second half of this report includes interviews with leaders from ten companies and organisations. Our aim is to share how the top management of companies and organisations has dealt with the issues of people's safety, management and sustainability in the face of the COVID-19 pandemic and in the context of the Decade of Action to achieve the SDGs. We hope this report will show where we are, as well as where we want to be, in building a new society.

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1.2 Overview of research

This report examines the ways in which companies and organisations are working towards the realisation of the SDGs. It is based on desk research, questionnaires and interviews with GCNJ member companies and organisations.

Desk research consisted of collecting information on SDGs and business from UN agencies, governments, local governments, industry associations, non-profit organisations and research institutions.

Questionnaire surveys have been conducted annually since 2015 targeting GCNJ members (376 companies/organisations), who are asked to answer questions in an online format. This year, questions were asked to track trends over time in terms of awareness of the SDGs, status of initiatives, and future plans, as well as questions on SDGs-related initiatives in the context of the COVID-19 pandemic in line with this year’s designated topic. The survey was carried out between 1 September and 6 November 2020, and responses were received from 208 companies and organisations (56% response rate). Of the companies and organisations that responded to the survey, 65.9% have sales exceeding 100 billion JPY (Figure 1) and 73.6% operate in global markets (Figure 2). Accordingly, the results of this questionnaire may be regarded as representing the current situation of large corporations in Japan, excluding the results specifying companies’ sales volume. It should also be noted that GCNJ members are companies and organisations that have endorsed the Ten Principles of the UN Global Compact and are making efforts to realise them. Therefore, they are considered to be more advanced in their efforts to address the SDGs than the typical Japanese company or organisation.

In addition to desk research and the questionnaire survey, this year online interviews were conducted with members of top management at ten companies and organisations. The GCNJ Secretariat invited members to apply for the interview spots, and the GCNJ SDGs Task Force selected the executives to be interviewed.

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Figure 1: Sales of respondent companies/organisations (n=208)

- Less than 2.5 bil. JPY: 12.0%
- 2.5 bil. - less than 25 bil. JPY: 9.6%
- 25 bil. - less than 100 bil. JPY: 8.2%
- Over 100 bil. JPY: 65.9%
- Non-Profit Organisations: 4.3%

Figure 2: Markets of respondent companies/organisations (n=208)

- Domestic-Local: 8.2%
- Domestic-National: 14.4%
- International-Regional: 3.8%
- International-Global: 73.6%

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GCNJ membership as of 1 September 2020.
2. Global and National Developments on the SDGs

2.1 Global developments on the SDGs

Throughout the year 2020, which marked the start of the Decade of Action to achieve the SDGs, the COVID-19 pandemic wreaked havoc around the world. According to the SDGs Report 2020 published by the United Nations Department of Economic and Social Affairs (UN DESA), the COVID-19 pandemic stalled or set back progress towards achieving the SDGs in many areas. For example, the report estimated that global poverty would increase for the first time in decades, with an additional 71 million people falling into extreme poverty during 2020. It also showed that disruptions to healthcare and limited access to food and nutrition services could lead to hundreds of thousands more deaths of children under five and tens of thousands more maternal deaths in 2020. More than 370 million children came to be without school meals in spring 2020 due to school closures, and as more families fall into extreme poverty, more children are at risk of child labour and human trafficking.

Inequality has also increased during the pandemic. According to Oxfam’s “The Inequality Virus” report, since the beginning of the pandemic, the world’s 10 richest people have increased their wealth enough to prevent anyone on the planet from falling into poverty due to the virus and to pay for vaccines for everyone. It also warns that while the world’s richest 1,000 people regained losses suffered due to the pandemic within nine months, it could take the world’s poorest people 10 years or more to recover. There is also a gap in access to vaccines between developed and developing countries, and the UN is calling for fairer distribution.

In this context, the importance of using the COVID-19 pandemic as an ‘opportunity’ to build a more sustainable, resilient and just world and transforming the current financial, economic and political systems that cause so many problems, has been emphasised in various forums. The World Economic Forum held in June 2020 noted the need to use COVID-19 as an opportunity for a ‘Great Reset’ of old capitalism and to transform our systems. The UN High-level Political Forum on Sustainable Development (HLPF), held online in July, also highlighted the need to “build back better” as we recover from the pandemic, with the 2030 Agenda as our guide. Furthermore, the Ministerial Meeting on the “Online Platform” on a sustainable and resilient recovery from COVID-19, which Japan hosted in September with the participation of 96 countries, emphasised the need for a “redesign” of more sustainable and resilient socio-economic systems to build back better from COVID-19. In the area of human rights, the UN Business and Human Rights Forum was held online in November and reiterated that respect for human rights in business activities should be at the heart of corporate contributions to the 2030 Agenda. The forum also pointed out that promotion of due diligence is essential to further embed the concept of respect for human rights, which many companies have incorporated into management policies, into corporate activities and to put the concept into practice.

COVID-19 has not only had major economic and social impacts, but has also led to a rethinking of the relationship between humans and nature. The G20 Environment Ministers Meeting and Agriculture and Water Ministers Meeting, chaired by Saudi Arabia in 2020, addressed the relationship between zoonotic diseases and wildlife species in the context of the COVID-19 global pandemic. Likewise, issues caused by human activity, such as the climate crisis and biodiversity loss, were addressed at the G20.

On the issue of climate change, the slowdown in economic activity during the COVID-19 pandemic temporarily reduced greenhouse gas emissions. However, a study was released showing that at the current rate of emissions, the carbon budget will be exhausted in less than a decade if we are aiming to limit temperature increase to 1.5°C above pre-industrial levels. Extreme weather events were observed in many parts of the world during 2020, and concerns have risen over the impact of “complex disasters”, those involving both the COVID-19 pandemic and climate change-related disasters, on people’s lives and ecosystems.

The scientific journal Nature has also warned about the risk of sudden collapse of entire ecosystems if ongoing climate change increases risks to biodiversity and leads to a scale

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7 Global Carbon Project (2020) https://www.globalcarbonproject.org/carbonbudget
of species extinctions that exceeds nature’s limits. The Dasgupta Review, commissioned by the UK Government, pointed out that while people and economies depend on nature, including biodiversity, this demand exceeds the goods and services nature can supply, and is therefore unsustainable (See column below).

In response to this situation, nations are stepping up their actions. In September of 2020, China announced a target of zero greenhouse gas emissions by 2060, and in October, Japan and South Korea announced they would do the same by 2050. The UK announced substantially more rigorous 2030 emissions reduction targets in December. Following the inauguration of President Biden in January 2021, the United States formally returned to the Paris Agreement the following month. It is hoped that initiatives in decarbonisation by large greenhouse gas emitters such as the US, EU, China, Japan and South Korea will bring the world closer to achieving the 1.5°C target. On the other hand, some countries maintain plans for fossil fuel production for various reasons, which has been identified as a challenge that threatens the achievement of the Paris Agreement’s 1.5°C target.

Developments in the corporate and financial sectors also merit mention. In recent years, as corporations have become more committed to the SDGs, there has been a growing debate about the ‘impacts’ of their efforts. For example, the United Nations Development Programme (UNDP) is developing the SDG Impact Standards for assessing and certifying the effectiveness of projects and investments in achieving the SDGs, with the aim of increasing the flow of private finance towards the SDGs. These standards could be launched during 2021 at the earliest. Three types of standards will be available: for corporations, bonds and private equity funds. Draft versions of each type were released in 2020.

In addition, in March 2020 the United Nations Environment Programme Finance Initiative (UNEP FI) launched a tool for banks to measure the impact of their loan portfolios, and in October 2020 issued user guide explaining the tool in detail. This tool helps banks to analyse the impacts associated with their retail (consumer financing and business banking) and wholesale (corporate finance and investment banking) portfolios, and can therefore be used to set targets as required by the Principles for Responsible Banking. Other notable developments include the start of the Task Force on Nature-Related Financial Disclosures (TNFD), a nature version of the TCFD; the launch of the publication of the Climate Transition Finance Handbook by the International Capital Markets Association (ICMA); the development of taxonomy and other green finance initiatives in Singapore and Hong Kong; and the World Economic Forum’s review of the role of boards in promoting stakeholder capitalism and ESG.

This robust activity on the SDGs is expected to continue in 2021. The UN Guiding Principles on Business and Human Rights (UNGPs) will reach the ten-year mark since their adoption by the UN Human Rights Council in June 2011. The UN launched the UNGPs 10+ Project in July 2020 and plans to publish a roadmap in June 2021, indicating a course of action leading up to 2030. It will also be an important year for climate change and biodiversity. In April 2021, the US President Biden will host a climate summit. In November, the 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC), postponed due to the pandemic, will be held to discuss measures for decarbonisation and adaptation from various perspectives, including Article 6 of the Paris Agreement, on which no agreement has been reached. In addition, over the course of 2021, the Intergovernmental Panel on Climate Change (IPCC) is due to publish its Sixth Assessment Report (AR6) in three parts, which could wield a major impact on international decision-making on climate change measures. Likewise, COP15 of the Convention on Biological Diversity (CBD), postponed due to COVID-19, will discuss the post-2020 global biodiversity framework and set new targets for the period up to 2030.

2.2 National developments on the SDGs

COVID-19 has had a tremendous impact on people’s lives, livelihoods and work in Japan. In this context, a variety of initiatives related to the SDGs are being carried out at the national government, local government, private company and civil society levels, including responses to problems that have emerged as a result of the pandemic.

In December 2020, the SDGs Promotion Headquarters, which serves as the control tower for implementation of the SDGs in Japan, held its ninth meeting and formulated the "SDGs Action Plan 2021: To ‘build back better’ from the COVID-19 Crisis and Social Transformation in a New Era”. The basic idea behind this plan is that society-wide behavioural changes are required to realize a flexible yet resilient "with-COVID" or "post-COVID" society that has achieved the SDGs and maintains a virtuous cycle between the economy and environment. The plan stresses the need for government, corporations and individuals to start working for change from their respective standpoints. Key issues to be addressed include: (1) countermeasures to cope with infectious diseases and preparedness for the next crisis, (2) growth strategies through business and innovation for a building back better, (3) regional revitalisation driven by the SDGs, creating a virtuous circle between economy and environment, and (4) accelerating action through realising individual potential and strengthening ties.

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8 UNDP Representative Office in Japan (2020) https://www.jp.undp.org/content/tokyo/ja/home/presscenter/events/2020/event_sdg_impact_1204.html
The SDGs Promotion Roundtable is set up under the SDGs Promotion Headquarters and its members include representatives of government, NGOs, non-profits, experts, the private sector, international organisations, and various groups. The December 2019 revised version of the SDGs Implementation Guiding Principles states that the Roundtable is to consider holding issue-specific subcommittees. Four subcommittees were established in 2020: Environment, Education, Public Relations, and Progress Management and Monitoring. Each of the subcommittees is to meet once or twice before March 2021, with a view to culminating in a roundtable meeting scheduled for the summer of 2021.

Respect for, protection of, and promotion of human rights is designated as an important element in achieving the SDGs. In this context, the Government of Japan supports the Guiding Principles on Business and Human Rights and has been working to formulate a National Action Plan (NAP) on Business and Human Rights since November 2016, led by the Ministry of Foreign Affairs. In April 2019, a framework was set up for the development of the plan including an Advisory Committee and a Working Group. Work was performed within these two bodies, resulting in the formulation of the Action Plan on Business and Human Rights (2020-2025) in October 2020. This plan includes government measures related to business and human rights, and also mentions expectations for companies to adopt human rights due diligence. Stakeholder members who participated in the working group welcomed the development of a NAP and commented on the need for further strengthening and awareness-raising.

One notable environment-related development was Prime Minister Suga’s declaration in a policy speech on 26 October 2020 that Japan would aim to achieve a carbon-neutral, decarbonised society by 2050. Immediately after the declaration, Suga ordered reviews of the “Plan for Global Warming Countermeasures”, “Basic Energy Plan” and the “Long-term Strategy under the Paris Agreement”.

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12 Information on meetings of each subcommittee can be found on the Japan SDGs Action Platform: https://www.mofa.go.jp/mofaj/gaiko/oda/sdgs/index.html
and concrete deliberations are underway within the administration. In November, the House of Representatives and the House of Councillors adopted a resolution declaring a state of climate emergency. Likewise, the Ministry of Economy, Trade and Industry (METI) and other relevant ministries worked together to formulate the “Green Growth Strategy Through Achieving Carbon Neutrality in 2050” in December. This strategy sets forth decarbonisation of the electric power sector as a major precondition, while other sectors will be addressed through electrification, switching to hydrogen and CO2 capture. At the beginning of this year, the Ministry of the Environment (MOEJ) and METI both began deliberations on carbon pricing.

In the context of financial administration, the Japanese version of the Stewardship Code (revised) was published by the Financial Services Agency (FSA) in March 2020. The revised code includes provisions on the consideration of sustainability issues, stewardship activities by corporate pension funds, and the disclosure of reasons in voting decisions. There has also been increased focus in Japan on impacts as the next step in ESG investment and financing. A task force set up by the ESG Finance High Level Panel of the MOEJ released its “Basic Approach to Impact Financing” in July, and has since been working on the development of a “Green Impact Assessment Guide”. In addition, there is a growing debate on the nature of the transitions that countries are making to decarbonise and reduce carbon emissions. METI published its “Basic Guidelines on Climate Transition Finance” in March and its “Climate Innovation Finance Strategy 2020” in September. METI, the FSA and the MOEJ are currently co-organising an investigative commission to formulate the “Basic Guidelines on Transition Finance”.

At the local administration level, the Cabinet Office has been selecting SDGs Future Cities and Municipal SDGs Model Projects since 2018. SDGs Future Cities refer to cities and regions that propose outstanding initiatives to achieve the SDGs, and Municipal SDGs Model Projects refer to leading initiatives to be implemented within SDGs Future Cities. In 2020, 33 new SDGs Future Cities and 10 new Municipal SDGs Model Projects were selected (a total of 93 prefectures and municipalities have been selected as SDGs Future Cities since FY2018). One of the features of this system is that each SDGs Future City formulates a three-year SDGs Future City Plan outlining three years of concrete initiatives, along with priority goals, targets and their KPIs, and regularly evaluates progress on efforts. In addition, a questionnaire survey on the SDGs was conducted for local governments nationwide. The draft results of the survey have been made public.\(^\text{15}\)

In the context of decarbonisation at the local administration level, the number of local authorities that have declared their commitment to net-zero CO2 emissions by 2050, or “zero carbon cities”, is rapidly increasing. As of 16 March 2021, 320 local governments, including 33 prefectures, have done so, representing a population of over 102 million people. The MOEJ has requested a budget for a “Zero Carbon City Renewable Energy Support Package”, as the government plans to provide various kinds of support. Likewise, the Cabinet Secretariat has set up a “National-Local Decarbonisation Council” to discuss ways in which relevant ministries, agencies and local governments can work together.

In terms of developments in the industrial sector, the Japan Business Federation released its “The New Growth Strategy” in November 2020. The period “.\(^\text{16}\)” in the title implies a full stop to growth strategies to date with the presentation of this new strategy. The strategy is based on a rethinking of “shareholder supremacy” and the redefining and reaffirmation of the “sampo yoshi” (“three-way satisfaction”) management philosophy (“good for the seller, good for the buyer, and good for society”). It sets forth “sustainable capitalism” as a new form of capitalism and describes an ideal vision for 2030. In addition, it proposes the “Action Toward 2030: Growth Strategy” including actions required for growth through digital transformation (DX), way of working reforms and regional revitalisation, based on backcasting from 2030, the year in which the SDGs are to be achieved. At the individual company level, as of 8 March 2021, the number of companies endorsing, certifying and committing to TCFD, SBTi and RE100 is the highest in the world for TCFD (342/1,791 organisations) and the second highest for SBTi and RE100 (91/615 companies for SBTi and 50/291 companies for RE100), as decarbonisation efforts are spreading, especially among major companies.\(^\text{16}\)

As explained above, Japan is seemingly making progress in a number of ways in relation to the SDGs. At present, however, the wealth gap is widening due to the impact of the COVID-19 pandemic, and the number of people driven to unemployment, poverty and suicide is increasing. Moreover, issues involving the Olympic Games have drawn global attention to the low level of awareness on gender equality in Japan. Guidelines have been published to help companies address these issues through management, and it is hoped that these will be used as references to bolster efforts to address specific SDGs-related issues on which Japan faces serious problems or lags behind.\(^\text{17}\)

\(^{14}\) See the website of the Office for the Promotion of Regional Revitalization, Cabinet Office, http://www.kantei.go.jp/jp/singi/tiiki/kankyo/teian/sdgs_followup.html


\(^{16}\) Ministry of the Environment, “List of Companies engaged in TCFD, SBTi and RE100 (as of 8 March 2021)” (http://www.env.go.jp/earth/ondanka/datsusankokei/ datsusankokei_mat01_39_20210308_.pdf)

3. Current State of Initiatives on the SDGs by GCNJ Companies and Organisations

–Developments over the past five years and initiatives during the COVID-19 pandemic–

As noted in the Introduction, this is the fifth volume in the SDGs and Business series of reports, the first having been published in 2016. As the Decade of Action to achieve the SDGs commenced in January 2020 and calls were being made for accelerated action on the SDGs, concerns were also on the rise that spread of COVID-19 would have global impacts leading to setbacks in efforts made to date. We questioned whether GCNJ member companies and organisations had been able to make progress in their efforts to address the SDGs. Thus, this chapter presents the results of a questionnaire conducted to survey progress made by GCNJ member companies and organisations in addressing the SDGs over the past five years and the impact of COVID-19 on this progress. Table 1 shows the number of responses, the number of organisations targeted and the response rate for each year. The “-” (hyphens) shown in some tables below indicate response options that were not available in that year. Although 2020, was a difficult year for all companies amidst the pandemic, the response rate remained at the same level as in previous years, with a record 208 responses.

Table 1: Number of responses and response rate for questionnaire survey

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of responses</th>
<th>Number of organisations targeted</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>147</td>
<td>233</td>
<td>63.1%</td>
</tr>
<tr>
<td>2017</td>
<td>163</td>
<td>254</td>
<td>64.2%</td>
</tr>
<tr>
<td>2018</td>
<td>180</td>
<td>287</td>
<td>62.7%</td>
</tr>
<tr>
<td>2019</td>
<td>186</td>
<td>335</td>
<td>55.5%</td>
</tr>
<tr>
<td>2020</td>
<td>208</td>
<td>376</td>
<td>56%</td>
</tr>
</tbody>
</table>

Q. Which step indicates current progress on the “SDG Compass”?

Table 2: State of progress on SDG Compass

<table>
<thead>
<tr>
<th>Step</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1: Understanding the SDGs</td>
<td>53.5%</td>
<td>42.9%</td>
<td>30.6%</td>
<td>18.8%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Step 2: Defining priorities</td>
<td>22.2%</td>
<td>27.6%</td>
<td>28.3%</td>
<td>25.8%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Step 3: Setting goals</td>
<td>11.1%</td>
<td>13.5%</td>
<td>16.7%</td>
<td>26.3%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Step 4: Integrating</td>
<td>9.1%</td>
<td>8.0%</td>
<td>12.2%</td>
<td>15.1%</td>
<td>27.4%</td>
</tr>
<tr>
<td>Step 5: Reporting and communicating</td>
<td>4.0%</td>
<td>8.0%</td>
<td>12.2%</td>
<td>14.0%</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

Firstly, to get the full picture, let’s look at the progress made in each step. In the 2016 survey, more than half of respondents were on Step 1, “Understanding the SDGs”, with around 25% on Step 3 or beyond. In 2020, the highest percentage of respondents (27.4%) selected “Step 4: Integrating”, with 68.3% on “Step 3” or beyond. Moreover, respondents selecting Step 4 or Step 5 increased significantly compared to 2019, indicating that companies and organisations have indeed made progress over the past five years, including during the past year. Yet, with less than ten years remaining until the 2030 deadline for achieving the SDGs, further progress is required.

When we asked companies and organisations which guidelines and tools they refer to, it was clear that the SDG Compass is still the most referenced, even after more than five years since its publication (Figure 3). Looking at respondents by size, 83.9% of companies with sales exceeding 100 billion JPY refer to the SDG Compass. Meanwhile, only 56.3% of companies and organisations with sales under 100 billion JPY, including non-profit organisations, responded on using it as a reference. The SDG Compass helps organisations understand not only how to tackle the SDGs, but also business management for survival going into the future, and thus should be a reference for everyone, both for-profit and not-for-profit organisations, and regardless of scale of business.16

3.1 State of initiatives according to the SDG Compass

The SDG Compass is a five-step corporate action guide that explains how companies can address the SDGs through their core business. It was published by the UN Global Compact, GRI and the World Business Council for Sustainable Development (WBCSD) in September 2015, when the SDGs were adopted. This chapter looks at the progress made by GCNJ member companies and organisations in addressing the SDGs over the past five years, following the five steps of the SDG Compass (Table 2).

16 An unofficial Japanese translation of the SDG Compass by GCNJ and IGES is available for download at the following URL: https://ungcjn.org/sdgs/files/SDG_COMPASS_Jpn.pdf
3.2 Step 1: Understanding the SDGs

We will now have a look at the status of initiatives at each step. In terms of awareness of the SDGs, the level of awareness among CSR divisions has been high since 2016. For top management, awareness was under 30% in 2016, and promoting leadership was a major challenge. However, from the following year onwards, top management’s awareness of the SDGs steadily increased, and by 2020, awareness was so well established that it surpassed that of the CSR division. At this point, if members of management in organisations do not understand the SDGs, it may be necessary to point out the delay in awareness.

Awareness on the SDGs is finally starting to climb among middle managers and employees, indicating that the SDGs are beginning to take root throughout organisations. However, as both still remain below 50%, further penetration is required to make implementation of initiatives on the SDGs effective. Meanwhile, the low level of established awareness in stakeholders, such as affiliates (11%), could pose a challenge to promoting the SDGs through partnerships. Raising the level of awareness on the SDGs from a value chain perspective is required.

Table 3: Level of awareness on SDGs

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well known by CSR division</td>
<td>83.7%</td>
<td>85.9%</td>
<td>84.4%</td>
<td>77.4%</td>
<td>84.1%</td>
</tr>
<tr>
<td>Well known by top management</td>
<td>27.9%</td>
<td>36.2%</td>
<td>59.4%</td>
<td>77.4%</td>
<td>85.1%</td>
</tr>
<tr>
<td>Well known by middle management</td>
<td>5.4%</td>
<td>9.2%</td>
<td>18.3%</td>
<td>32.8%</td>
<td>43.8%</td>
</tr>
<tr>
<td>Well known among employees</td>
<td>—</td>
<td>8.0%</td>
<td>16.7%</td>
<td>21.0%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Well known across affiliated companies and other stakeholders</td>
<td>2.7%</td>
<td>2.5%</td>
<td>4.4%</td>
<td>7.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Do not know</td>
<td>11.6%</td>
<td>6.7%</td>
<td>2.8%</td>
<td>2.2%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Q. What activities are in place to raise awareness on the SDGs in your company/organisation? (multiple responses)

<table>
<thead>
<tr>
<th>Activity</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training (including e-learning)</td>
<td>24.5%</td>
<td>30.7%</td>
<td>39.4%</td>
<td>53.8%</td>
<td>63.0%</td>
</tr>
<tr>
<td>Communication on website</td>
<td>24.5%</td>
<td>31.3%</td>
<td>43.9%</td>
<td>56.5%</td>
<td>70.7%</td>
</tr>
<tr>
<td>Communication in company newsletter (print media)</td>
<td>27.9%</td>
<td>40.5%</td>
<td>51.7%</td>
<td>61.3%</td>
<td>70.7%</td>
</tr>
<tr>
<td>Message from the top</td>
<td>27.2%</td>
<td>39.9%</td>
<td>55.6%</td>
<td>65.1%</td>
<td>74.5%</td>
</tr>
<tr>
<td>Launch of a specific organisation</td>
<td>1.4%</td>
<td>1.8%</td>
<td>7.8%</td>
<td>13.4%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Orientation for new hires</td>
<td>—</td>
<td>22.7%</td>
<td>36.1%</td>
<td>43.5%</td>
<td>54.8%</td>
</tr>
<tr>
<td>Management training</td>
<td>—</td>
<td>14.7%</td>
<td>23.9%</td>
<td>35.5%</td>
<td>41.8%</td>
</tr>
<tr>
<td>Linked to performance reviews</td>
<td>—</td>
<td>0.6%</td>
<td>1.7%</td>
<td>1.6%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Inclusion in corporate charter/code of conduct</td>
<td>—</td>
<td>3.7%</td>
<td>5.0%</td>
<td>14.5%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Mentions at management policy explanatory meetings</td>
<td>—</td>
<td>16.6%</td>
<td>31.7%</td>
<td>39.8%</td>
<td>51.0%</td>
</tr>
<tr>
<td>Distribution of promotional items, like SDG badges, to employees</td>
<td>—</td>
<td>—</td>
<td>26.7%</td>
<td>44.6%</td>
<td>51.4%</td>
</tr>
<tr>
<td>Promotional posters, etc.</td>
<td>—</td>
<td>—</td>
<td>10.0%</td>
<td>14.0%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Participation in external seminars</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>54.3%</td>
<td>56.7%</td>
</tr>
<tr>
<td>Other</td>
<td>20.4%</td>
<td>21.5%</td>
<td>23.9%</td>
<td>20.4%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>
In terms of perceptions of the SDGs, each year more and more companies and organisations are choosing to focus on increasing corporate value on sustainability, increasing company value to society, strengthening multi-stakeholder partnerships and creating new business opportunities. On the other hand, very little change has been seen in responses on social and market stability and response to investors. Although more detailed research is required on this point, it seems that many companies and organisations view the SDGs and sustainability in relation to their business activities and organisational management (Table 5).

Table 5: Awareness on SDGs
Q: How are the SDGs viewed in your company/organisation? (multiple responses)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase corporate value on sustainability</td>
<td>78.9%</td>
<td>76.7%</td>
<td>82.2%</td>
<td>87.6%</td>
<td>92.3%</td>
</tr>
<tr>
<td>Strengthen multi-stakeholder partnerships</td>
<td>60.5%</td>
<td>54.6%</td>
<td>59.4%</td>
<td>68.8%</td>
<td>71.6%</td>
</tr>
<tr>
<td>New business opportunities</td>
<td>59.9%</td>
<td>57.7%</td>
<td>69.4%</td>
<td>69.4%</td>
<td>71.6%</td>
</tr>
<tr>
<td>Stabilise society and markets</td>
<td>57.1%</td>
<td>51.5%</td>
<td>58.3%</td>
<td>53.8%</td>
<td>58.2%</td>
</tr>
<tr>
<td>Increase company’s value to society</td>
<td>—</td>
<td>74.2%</td>
<td>80.0%</td>
<td>82.3%</td>
<td>90.4%</td>
</tr>
<tr>
<td>Recognise its importance, but still seeking clear objective</td>
<td>—</td>
<td>19.6%</td>
<td>9.4%</td>
<td>7.0%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Respond to investors</td>
<td>—</td>
<td>29.4%</td>
<td>27.2%</td>
<td>30.6%</td>
<td>33.7%</td>
</tr>
<tr>
<td>Not important</td>
<td>4.8%</td>
<td>1.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>4.8%</td>
<td>4.3%</td>
<td>5.0%</td>
<td>4.8%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

3.3. Step 2: Defining priorities

On which of the SDGs are GCNJ member companies and organisations focusing their activities (Table 6)? As of 2020, 76% of respondents were focusing on Goal 13 (climate action), followed by Goal 8 (decent work and economic growth) and Goal 12 (responsible consumption and production), both at 75%. Compared to 2017 when data was first collected, focus on all of the goals has risen, with three in particular—Goal 9 (industry, innovation and infrastructure), Goal 11 (sustainable cities and communities) and Goal 17 (partnerships for the goals)—growing by about 30%.

The increase in those working on Goal 9 may be partly due to the fact that many GCNJ members are in the manufacturing sector, but also because more companies, including those in the service and financial sectors, are seeking to contribute to the SDGs through their core business and innovation. Increased focus on Goal 11 may be due to more widespread implementation of the SDGs by local governments alongside an increase in the number of companies and organisations addressing local issues. Meanwhile, Goal 17, which increased by 33% compared to 2017, shows that there has been increased collaboration with diverse actors to find solutions to the environmental and social challenges covered by the SDGs.

On the other hand, Goal 1 (no poverty) and Goal 2 (zero hunger) remained low priority areas of focus between 2017 and 2020. This may stem from the fact that companies view these two goals as being appropriate only for companies and NGOs engaged in international cooperation. However, the eradication of poverty and the protection of human rights are fundamental values that underpin the SDGs. For Japan, access to food for those living in relative poverty and vulnerable groups is an urgent issue, and more companies are expected to make positive contributions going forward (as some companies may be causing poverty problems through their core business activities, such as procurement, these links also need to be re-examined).

Fewer than 40% of companies and organisations have chosen to focus their activities on Goal 14 (conserve and sustainably use oceans) and Goal 15 (protect and sustainably use land), which are closely linked to biodiversity issues. Goal 2 also involves issues such as land use and access to genetic resources, and increased efforts are required to contribute to biodiversity issues.

Table 6: SDGs given priority
Q: What goal(s) within the SDGs has your company/organisation selected for focusing its activities? Please choose all that apply. (multiple responses)

<table>
<thead>
<tr>
<th>Goal</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 1</td>
<td>17%</td>
<td>21%</td>
<td>24%</td>
<td>20%</td>
</tr>
<tr>
<td>Goal 2</td>
<td>15%</td>
<td>23%</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Goal 3</td>
<td>50%</td>
<td>64%</td>
<td>65%</td>
<td>69%</td>
</tr>
<tr>
<td>Goal 4</td>
<td>29%</td>
<td>39%</td>
<td>44%</td>
<td>47%</td>
</tr>
<tr>
<td>Goal 5</td>
<td>44%</td>
<td>52%</td>
<td>54%</td>
<td>59%</td>
</tr>
<tr>
<td>Goal 6</td>
<td>30%</td>
<td>37%</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Goal 7</td>
<td>46%</td>
<td>57%</td>
<td>59%</td>
<td>62%</td>
</tr>
<tr>
<td>Goal 8</td>
<td>60%</td>
<td>65%</td>
<td>65%</td>
<td>75%</td>
</tr>
<tr>
<td>Goal 9</td>
<td>39%</td>
<td>59%</td>
<td>59%</td>
<td>69%</td>
</tr>
<tr>
<td>Goal 10</td>
<td>21%</td>
<td>32%</td>
<td>39%</td>
<td>45%</td>
</tr>
<tr>
<td>Goal 11</td>
<td>34%</td>
<td>51%</td>
<td>55%</td>
<td>63%</td>
</tr>
<tr>
<td>Goal 12</td>
<td>51%</td>
<td>62%</td>
<td>69%</td>
<td>75%</td>
</tr>
<tr>
<td>Goal 13</td>
<td>63%</td>
<td>72%</td>
<td>73%</td>
<td>76%</td>
</tr>
<tr>
<td>Goal 14</td>
<td>23%</td>
<td>26%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Goal 15</td>
<td>34%</td>
<td>40%</td>
<td>35%</td>
<td>39%</td>
</tr>
<tr>
<td>Goal 16</td>
<td>24%</td>
<td>31%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Goal 17</td>
<td>29%</td>
<td>43%</td>
<td>53%</td>
<td>62%</td>
</tr>
<tr>
<td>None</td>
<td>11%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Do not know</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
A closer look at the partnerships in Goal 17 shows that partnerships with employees, customers, suppliers, shareholders/investors and local authorities have increased by more than 20% compared to 2016 (Table 7). Of these, partnerships with employees were the most prominent at 83.2%. This number is likely due to the fact companies must first gain the understanding and cooperation of employees in all things they do, whether reforming ways of working, promoting diversity management, or developing new business and products. Increased collaboration with customers and suppliers can be attributed to a growing awareness of the importance of resolving environmental and social issues in the value chain, as pointed out in the SDG Compass, as well as more advanced initiatives related to the human rights issues of suppliers and the use of resources and reduction of CO2 emissions throughout the life cycle. Likewise, increased collaboration with shareholders and investors is likely due to the recent rise in ESG finance, which has created more opportunities for engagement. See above for discussion of partnerships with local authorities.

Another noteworthy finding is that the percentage of respondents reporting “none” to this question fell from 23.8% in 2016 to 3.8% in 2020. It seems that the importance of partnerships in tackling the SDGs is now widely recognised.

Table 7: Partnerships in the past year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>53.1%</td>
<td>54.0%</td>
<td>59.4%</td>
<td>71.0%</td>
<td>83.2%</td>
</tr>
<tr>
<td>Customers</td>
<td>36.1%</td>
<td>33.7%</td>
<td>36.1%</td>
<td>46.8%</td>
<td>56.7%</td>
</tr>
<tr>
<td>Consumers</td>
<td>16.3%</td>
<td>17.8%</td>
<td>16.7%</td>
<td>17.2%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Suppliers</td>
<td>34.7%</td>
<td>38.0%</td>
<td>46.1%</td>
<td>54.8%</td>
<td>57.7%</td>
</tr>
<tr>
<td>Shareholders/</td>
<td>15.0%</td>
<td>21.5%</td>
<td>26.7%</td>
<td>33.3%</td>
<td>38.5%</td>
</tr>
<tr>
<td>investors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government/governmental organisations (including JICA, etc.)</td>
<td>29.9%</td>
<td>25.8%</td>
<td>33.9%</td>
<td>37.1%</td>
<td>38.0%</td>
</tr>
<tr>
<td>local governments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local governments</td>
<td>—</td>
<td>26.4%</td>
<td>37.2%</td>
<td>44.6%</td>
<td>48.6%</td>
</tr>
<tr>
<td>Foreign governments/ local governments/ governmental organisations</td>
<td>18.4%</td>
<td>19.6%</td>
<td>24.4%</td>
<td>21.0%</td>
<td>23.1%</td>
</tr>
<tr>
<td>UN/international organisations</td>
<td>26.5%</td>
<td>26.4%</td>
<td>32.2%</td>
<td>29.6%</td>
<td>34.1%</td>
</tr>
<tr>
<td>NGOs/NPOs</td>
<td>44.9%</td>
<td>41.7%</td>
<td>51.7%</td>
<td>47.3%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Academia</td>
<td>21.8%</td>
<td>23.3%</td>
<td>28.9%</td>
<td>31.2%</td>
<td>34.6%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>7.5%</td>
<td>4.9%</td>
<td>5.6%</td>
<td>8.6%</td>
<td>10.6%</td>
</tr>
<tr>
<td>None</td>
<td>23.8%</td>
<td>23.3%</td>
<td>14.4%</td>
<td>6.5%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

3.4 Step 3: Setting goals

The SDG Compass recommends setting ambitious goals. An “ambitious goal” is one that is significantly above the projected performance relative to the baseline, or one without a clear path to achievement. The SDG Compass hopes that setting such goals will encourage innovation and creativity. The setting of ambitious goals is fundamentally linked to the setting of timeframes for the achievement of goals. Thus, it is important that these timeframes be long enough to allow for the setting of goals that represent major turning points in the creation of a future that is significantly different from the present.

Therefore, looking at the state of plans among GCNJ member companies and organisations, we see that the number of companies and organisations with plans for long-term (5-10 years) initiatives or plans up to 2030 increased from 12.9% in 2017 to 33.2% in 2020 (Table 8). If the 2020 results are organised by amount of sales, 38.3% of companies with sales of 25 billion JPY or more reporting having long-term (5-10 year) initiatives or plans up to 2030, compared to 15.2% of companies with sales of less than 25 billion JPY and non-profit organisations. It is evident that companies with large sales volume are putting more emphasis on initiatives from a long-term perspective. On the other hand, small and medium-sized companies in particular are lacking in the practice of creating medium- to long-term management plans, likely making it difficult for them to plan long-term initiatives. However, we hope more companies will consider how they can contribute to long-term goals at the national and local government level, as Taiyo Jyuken did when it set its goals in connection with Yokohama City’s action plan to combat global warming. Detail efforts of Taiyo Jyuken is described in one of the interviews in the Putting into Practice section of this report.

Table 8: State of initiatives in medium to long-term plans

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plans in place up to 2030</td>
<td>8.0%</td>
<td>10.0%</td>
<td>14.5%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Long-term initiatives in place (5-10 years)</td>
<td>4.9%</td>
<td>5.0%</td>
<td>7.5%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Medium-term initiatives in place (3-5 years)</td>
<td>41.1%</td>
<td>37.2%</td>
<td>46.2%</td>
<td>39.9%</td>
</tr>
<tr>
<td>Short-term initiatives in place (annual, 1-2 years)</td>
<td>17.2%</td>
<td>21.1%</td>
<td>17.7%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Do not know</td>
<td>28.8%</td>
<td>26.7%</td>
<td>14.0%</td>
<td>13.0%</td>
</tr>
</tbody>
</table>
3.5 Step 4: Integrating

The measures outlined so far—raising awareness, promoting partnerships and taking a long-term perspective—play key roles in integrating the SDGs into management. In addition, the development of organisational structures is also an essential element in integrating the SDGs into management. In a question on the main actors involved in promoting the SDGs within organisations, we saw an overall increase in actors directly connected to management, namely CEOs, boards of directors, management executive committees and management and planning divisions (Table 9). Meanwhile, the value for CSR departments fell by around 15% from 77.3% in 2017. This does not imply that companies simply changed the actor in charge of promoting the SDGs. Rather, many companies have upgraded departments responsible for SDGs and sustainability issues, or integrated IR, PR and sustainability functions into corporate planning, in their efforts to develop integrated organisational approaches.19

Particularly noteworthy is the increase in the percentage of CEOs, from just 8.0% in 2017 to 26.4% in 2020. When viewed in combination with the frequency of discussions on CSR/SDGs in the boardroom, we see that by 2020 these discussions have become the norm (Table 10). It is a welcome trend that an increasing number of companies and organisations view the involvement of management as essential to communicating a serious commitment to the SDGs both inside and outside their organisations.

Table 9: Main actors in SDGs promotional activities

| Q: Who are the main actors in SDGs promotional activities within your company/organisation (multiple responses) |
|---|---|---|---|---|---|
| 2016 | 2017 | 2018 | 2019 | 2020 |
| CEO | 8.0% | 14.4% | 18.8% | 26.4% |
| Board of directors | 2.0% | 4.9% | 6.1% | 9.1% | 12.5% |
| Management executive committee | 4.1% | 8.0% | 5.6% | 16.1% | 19.7% |
| Management and planning division | 17.2% | 25.0% | 38.2% | 35.1% |
| CSR division | 68.0% | 77.3% | 70.6% | 59.7% | 62.5% |
| IR division | 6.7% | 5.0% | 12.4% | 10.6% |
| New business development | 1.8% | 6.1% | 6.5% | 5.8% |
| Business division | 7.5% | 5.5% | 11.7% | 12.9% | 13.0% |
| Cross-cutting projects | 6.7% | 9.4% | 8.1% | 7.7% |
| General affairs division | 1.6% | 1.4% |
| Legal division | 22.0% | 19.7% |
| PR division | 15.1% | 17.3% |
| None in particular | 11.6% | 7.4% | 15.0% | 1.6% | 1.0% |
| Other | 12.3% | 3.3% | 19.9% | 19.2% |

Table 10: Frequency of discussion in board of directors’ meetings

| Q: How often does your company/organisation discuss and evaluate policies and strategies related to CSR/SDGs at meetings of your Board of Directors (or corresponding committee)? |
|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 |
| Discussed as necessary | 39.9% | 53.9% | 61.3% | 68.8% |
| Discussed as part of normal agenda | 8.0% | 16.1% | 15.1% | 16.8% |
| Not included in Board of Directors’ meeting agendas | 12.3% | 12.8% | 10.8% | 3.8% |
| Discussed in subordinate committees | 16.6% | 0.0% | 0.0% | 0.0% |
| Do not know | 4.9% | 5.6% | 3.8% | 3.4% |
| Other | 18.4% | 11.7% | 9.1% | 7.2% |

What types of initiatives are GCNJ companies and organisations promoting? We asked about the status of efforts on topics considered to be representative of the environmental and social issues related to the SDGs (Table 11). In the 2020 results, the most common response of “actively engaged” was for telecommuting and working from home. It is clear that these efforts were part of the response to the COVID-19 pandemic that will be discussed later.

Compared to 2019, the four areas that showed an increase of 10% or more in “actively engaged” responses were: climate change (GHG reduction), climate change (adaptation) and disaster prevention, TCFD compliance, and diversity/women’s advancement. The survey was conducted between 1 September and 6 November, while Prime Minister Suga announced Japan’s intention to be carbon neutral by 2050 on 26 October. This shows that even though the carbon neutral declaration likely had little effect on responses, there has nevertheless been significant progress on initiatives in GHG emissions reduction, adaptation and disaster prevention, and TCFD over the past year (with the percentage of “actively engaged” companies and organisations expected to increase even more next year).

In terms of the combined total of “actively engaged” and “somewhat engaged” responses, an increase of more than 10% was seen for TCFD compliance, plastics, diversity/women’s advancement, regional revitalisation and link to local government SDGs, and technology (e.g. AI, IoT) and SDGs, themes that are highly compatible with those attracting attention in recent years.

On the other hand, initiatives to address domestic poverty and labour issues for foreign workers and technical interns remain few. This suggests that poverty and human rights issues are not perceived to be that relevant to companies and organisations.

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19 For details, see CEO interviews in the Putting into Practice section of this report and case studies in last year’s report.
Table 12: Inclusion of SDGs in information disclosure

Q. Of information released/disclosed over the past year by your company/organisation (including reports and online sources), how was SDGs-related information included? (multiple responses)

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Expression of issue recognition by leaders</td>
<td>43.6%</td>
<td>61.7%</td>
<td>71.5%</td>
</tr>
<tr>
<td>Reflection on priority issues and policies</td>
<td>35.0%</td>
<td>50.6%</td>
<td>60.8%</td>
</tr>
<tr>
<td>Mapping of CSR activities</td>
<td>33.1%</td>
<td>57.2%</td>
<td>53.2%</td>
</tr>
<tr>
<td>Declaration of SDGs goal of focus</td>
<td>17.8%</td>
<td>27.2%</td>
<td>36.6%</td>
</tr>
<tr>
<td>Connections to business</td>
<td>27.6%</td>
<td>52.8%</td>
<td>59.7%</td>
</tr>
<tr>
<td>Announcement of launch of new project</td>
<td>4.9%</td>
<td>7.8%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>9.2%</td>
<td>5.6%</td>
<td>3.2%</td>
</tr>
<tr>
<td>No information included</td>
<td>28.2%</td>
<td>11.1%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>
In reporting and communicating, "SDG-washing", when organisations act as if they are addressing the SDGs when in fact they are not, must be avoided. We asked respondents if they had heard of SDG-washing and found that awareness was high among GCNJ companies and organisations, reaching 87% in 2020 (Figure 4). We also asked respondents to write free responses on how they were going about avoiding it. The following box shows some typical answers.

### Examples of efforts to avoid SDG-washing

- ✓ We have created a system by which employees first consult the SDG/ESG Promotion Department, thus creating an atmosphere where employees do not fall into the SDG-washing trap.
- ✓ Internal information dissemination to ensure that careless labelling does not take place and that the SDGs are not used in advertising/promotion to increase sales; internal training to ensure that people understand the nature of the SDGs.
- ✓ Identifying key CSR themes, linking them to the SDGs, and reporting on annual performance in terms of specific progress.
- ✓ Presentation of medium- to long-term direction and concrete solutions and KPIs for shared issues.
- ✓ Disclose information on the SDGs only after verification of the actual situation / Do not mention SDGs if the activities are irrelevant.

### 3.7 Challenges in addressing the SDGs

In terms of challenges faced in addressing the SDGs, some have changed since 2016 and others have not (Table 13). Areas that have changed include ‘low societal awareness’, ‘undefined method for internal deployment’, ‘limited commitment by top management’ and ‘unclear government policy, lack of government involvement’, all of which have seen a decrease in responses.

On the other hand, ‘low understanding among middle management’, ‘low understanding among general employees’, ‘unclear evaluation methods such as quantitative indicators’ and ‘lack of resources (finance, capability, technology, etc.)’ were continuously identified as challenges between 2016 and 2020. As for the level of understanding among middle management and general employees, awareness on the SDGs has begun to increase, as discussed in Section 3.2. In addition, discussions on quantitative indicators and other evaluation methods are underway not only in Japan but also internationally, and it is hoped that these issues will be resolved in the future.

### Table 13: Challenges in promoting SDGs

<table>
<thead>
<tr>
<th>Q: What are the main challenges in working on SDGs? (multiple responses)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low societal awareness</td>
<td>63%</td>
<td>47%</td>
<td>28%</td>
<td>17%</td>
<td>23%</td>
</tr>
<tr>
<td>Low understanding inside company</td>
<td>66%</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Undefined method for internal deployment</td>
<td>66%</td>
<td>52%</td>
<td>44%</td>
<td>43%</td>
<td>36%</td>
</tr>
<tr>
<td>Limited commitment by top management</td>
<td>31%</td>
<td>31%</td>
<td>19%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Low understanding among middle management</td>
<td>—</td>
<td>47%</td>
<td>48%</td>
<td>42%</td>
<td>47%</td>
</tr>
<tr>
<td>Low understanding among general employees</td>
<td>—</td>
<td>40%</td>
<td>47%</td>
<td>41%</td>
<td>46%</td>
</tr>
<tr>
<td>Low understanding of directors</td>
<td>—</td>
<td>20%</td>
<td>18%</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>Unclear evaluation methods such as quantitative indicators</td>
<td>52%</td>
<td>47%</td>
<td>43%</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>Lack of resources (finance, capability, technology, etc.)</td>
<td>33%</td>
<td>25%</td>
<td>27%</td>
<td>41%</td>
<td>39%</td>
</tr>
<tr>
<td>Unclear government policy, lack of government involvement</td>
<td>30%</td>
<td>18%</td>
<td>9%</td>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>Appropriate partners cannot be found</td>
<td>10%</td>
<td>4%</td>
<td>3%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>8%</td>
</tr>
</tbody>
</table>
3.8 Business continuity planning and basic policy on COVID-19 responses

We will now look at responses to questions specific to the COVID-19 pandemic. First, we asked respondents about business continuity plans (BCPs). A BCP refers to a plan that sets out methods and means to ensure the continuation or early recovery of a business while minimising damage in the event of an emergency, such as a natural disaster. When asked whether they had prepared a BCP to deal with pandemics, such as COVID-19 or new strains of influenza, 92% of companies with sales over 100 billion JPY answered "Yes" (Table 14). Meanwhile, the figure for companies and organisations with sales of under 100 billion JPY, including non-profit organisations, was 60.6%. Some of the executives interviewed mentioned having reviewed their BCPs after the start of the COVID-19 pandemic, and it appears that such companies and organisations are not few.

When asked about basic policy on pandemic response, including BCPs, most companies and organisations included elements such as ensuring the safety of employees and their families, prevention of secondary infections, and early recovery and continuation of business activities (Figure 5). Likewise, roughly half of respondents also have policies in place on fulfilling commitments in local communities and supply chains. From the perspective of the SDGs, if companies simply change the areas in which they operate or the suppliers from which they source, there is a concern that people living in such areas may be left behind in a crisis. Ideally, more companies and organisations will take steps during normal times to prevent this from happening.

Table 14: Status of BCP preparation

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales under 100 bil. JPY</td>
<td>60.6%</td>
<td>39.4%</td>
</tr>
<tr>
<td>Sales over 100 bil. JPY</td>
<td>92.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

3.9 Changes in medium- and long-term planning in the wake of the COVID-19 pandemic

Another question, which asked about changes to medium- to long-term planning, revealed that changes were occurring particularly at the level of management strategies and action plans, followed by reviews of business portfolios (Figure 6). Not all companies and organisations have experienced positive changes, as some industries were negatively affected by the pandemic, putting the survival of their business at risk. Nevertheless, tracing the causes of the outbreak and the spread of the novel coronavirus has provided us an opportunity to reconsider the current state of society and the position of companies and organisations within it. It is thus hoped that contributions to the SDGs will be taken a step further, as suggested by the following discussion of recognition by top management and strengthening of initiatives.
3.10 Changing perception of sustainability/SDGs by top executives

Of total respondents, 47.1% reported a change in perception of sustainability/SDGs at the top as a result of the COVID-19 pandemic (Figure 7).

When respondents that chose “Yes” were asked what specific perceptions had changed, 17 responded that changes were related to sustainability/SDGs/ESG, and 15 responses concerned remote work and reformed ways of working. Likewise, six responses involved the role of the business or product (such as perception as an essential business), four said changes were related to business continuity, four mentioned human rights and poverty, three referred to supply chain management, and two mentioned digital transformation. Some specific answers are given in the box below. Meanwhile, we assume that some of the companies/organisations that answered “No” have always attached great importance to sustainability/SDGs and have maintained their commitment in spite of the pandemic.

Q. Has there been any change the way sustainability/SDGs are perceived among the top management of your company/organisation as a result of the COVID-19 pandemic?

![Figure 7: Changing perceptions in response to the COVID-19 pandemic](image)

3.11 Working to grow stronger in "with-COVID" and "post-COVID" times

In terms of efforts to strengthen companies and organisations during with-COVID and post-COVID times, 92.3% or most respondents were promoting work style reforms (Figure 8). It is worth noting that this may largely be a response to the government’s stay-at-home requests. However, it is also notable that many companies and organisations have reviewed their performance evaluation systems (67.8%) and strengthened measures on information leaks, personal information and security (56.7%) in order to make the new ways of working take root. In addition, we can infer that reviews of company-wide crisis management systems and reinforcement of weak links in supply chains have been carried out from the perspective of business continuity.

On the other hand, responses for “address human rights/labour issues arising at suppliers” were low at 12.0%, suggesting the need for more efforts to ‘leave no one behind’.
3.12 Summary of survey results

In this chapter, we have followed the steps of the SDG Compass to see how GCNJ member companies and organisations have tackled the SDGs over the past five years, and what changes have been made during the COVID-19 pandemic. On the whole, the following conclusions can be reached:

- GCNJ companies and organisations have made some progress in integrating the SDGs into management. This can be explained in terms of the level of penetration of the SDGs throughout organisations, efforts to address the SDGs through core business, improvements in organisational structures, and efforts from a long-term perspective.

- Progress has been made on initiatives that address climate change, circular economy including plastics, work style reforms, diversity/women’s advancement, and regional revitalisation and partnerships with local administration-led initiatives on the SDGs. On the other hand, there has been less progress on tackling social issues such as poverty and human rights, and in addressing biodiversity.

- Methods to measure and evaluate initiatives on the SDGs remain a major issue. With less than 10 years remaining until the deadline for achieving the SDGs, it is imperative to accelerate the debate both domestically and internationally, as the appropriate evaluation of projects and investments that contribute to the SDGs is key to accelerating their implementation.

- The various social problems revealed by COVID-19 pandemic have made the leaders of companies and organisations more aware of the SDGs. The pandemic has also led to the establishment of new ways of working and the strengthening of business continuity.
This chapter consists of five contributions from members of the GCNJ SDGs Task Force. Based on the results of the questionnaire survey in the previous chapter, they discuss the future of business and society and the role of the Global Compact from a diverse array of perspectives, such as corporations, the consultant and the expert.

The Global Compact’s significance in achieving the SDGs from the perspective of the SDGs Task Force

Masahiro Kawatei
GCNJ SDGs Task Force Leader
Hakuhodo DY Holdings Inc.

The Decade of Action started from 2020 following a political declaration at the SDG Summit in 2019. However, the global COVID-19 pandemic worsened, and UN Secretary-General Guterres said at the remote 2020 High-Level Political Forum that the clock had been turned back due to the pandemic, making the achievement of the SDGs even farther off. Yet, he also called for the SDGs to be used as inspiration to overcome the pandemic and build a sustainable society. Since the adoption of the SDGs, Mr. Arima, Chairman of the Board of the Global Compact Network Japan (GCNJ), has been calling on us to “see the SDGs as an opportunity, not a risk”. I believe that the COVID-19 crisis has tested our ability to view the SDGs this way.

In the roundtable discussions run by the SDGs Promotion Headquarters of the Japanese Government, the issue of publicity has been raised as a necessity to accelerate the penetration of the SDGs into Japanese society. As one of the measures to address this issue, a public relations subcommittee was established within the roundtable to promote discussion, and the Japan SDGs Action Promotion Council was established as the parent body of a public-private partnership campaign to spread information and calls for concrete action.

This voluntary organisation was established by the following: Ministry of Foreign Affairs of Japan / Cabinet Office / Financial Services Agency / Ministry of the Environment / Ministry of Economy, Trade and Industry / Nippon Keidanren (Japan Business Federation) / Japan Association of Corporate Executives / Global Compact Network Japan / Junior Chamber International Japan / Japan Civil Society Network on SDGs / SDG-SWY / Next-Generation Platform for Promoting SDGs / Regional Revitalization SDGs Public-Private Collaboration Platform / Kanagawa Prefecture / Keio University SFC Research Institute xSDG Laboratory. It aims to achieve the SDGs by overcoming the COVID-19 pandemic and promoting the Decade of Action. Many companies have agreed to join the initiative and have begun to take action.

“Many companies use the SDGs icon in their reports and wear a pin on their suit. While it is good to show commitment to the SDGs, what are the guidelines on this? Given that the SDGs were adopted by the UN, what sort of information is the Global Compact (GC) in Japan sending out?” When I attend sessions on the SDGs, I am increasingly asked these questions, especially recently. The adoption of the SDGs has raised expectations on the social responsibility of companies in their core business. We are very grateful that the GC, which was launched at the UN headquarters in 2000, is attracting attention.

The SDGs Task Force, an organisation that promotes the SDGs within the GCNJ, aims to provide opportunities and tools to support Japanese companies in gaining a deeper understanding of the SDGs and incorporating them into their management strategies. Volunteer members of the board of directors, member companies and the secretariat meet regularly to carry out activities. The first step in this process was the translation into Japanese of the “SDG Compass”, which was published in late 2015. Since 2016, we have conducted corporate surveys to understand the actual state of initiatives in Japanese companies towards achieving the SDGs, and to continue sharing and disseminating this information.
Our COVID-19 pandemic experience and the ideal society and corporations of the future

Tadashi Arimoto
GCNJ SDGs Task Force Member
ESG Promotion Department, Japan Airlines Corporation

Aviation has played a role in the development of global society by facilitating the rapid movement of people and goods. However, that very movement is now linked to the spread of COVID-19.

Our mission as an airline is to deliver our passengers to their destinations safely, and safety implies protecting lives. This is the most important requirement of an airline. In the wake of the COVID-19 crisis, we had to go beyond our traditional responsibility of ensuring safety and security in air travel and stop the movement of people. Meanwhile, we had to ensure the movement of medical personnel, medical cargo and daily commodities in order to maintain the social infrastructure under these circumstances. The need to respond to the pandemic and to secure necessary means of transport, to stop operations and simultaneously not to stop them, is applicable to the response to the global warming issue of whether to operate aircraft, even at the cost of emitting CO2.

Thus, it seems to me that the mission of airlines and the response to various social challenges are interrelated, even though they may be contradictory to the 17 SDGs and even the 169 targets. This is a further reminder that it is very important for corporations to consider these issues as their own and continue to find comprehensive solutions in order to survive in the future.

By drastically reducing the number of flights we operate in the face of risks posed by the COVID-19 pandemic, we have had more time for the people who support our flights, such as pilots, cabin crew and ground staff. This made our employees have more time to think more deeply about our company’s raison d’être and social issues. This has led us to think about what we can do and to take action. I am confident that we will find these experiences useful after overcoming the pandemic.

The SDGs are becoming even more important for living in these new normal times. It is of utmost importance that each and every one of us thinks and acts from the perspective of the SDGs (SDGs mindset), and that we view the
COVID-19 pandemic not only as a crisis, but also as an opportunity.

In the future, it will be increasingly difficult for corporates to grow sustainably on their own. Recognising that there are some problems that we cannot solve by ourselves, we must set concrete goals, create roadmaps and declare our intentions, while also acquiring knowledge and cooperation from others. The COVID-19 pandemic has made me highly aware of the fact that collaboration between corporates that complement each other is linked to accelerating efforts to achieve the SDGs.

Can we truly integrate the SDGs into management?

Hiroshi Tomita
GCNJ SDGs Task Force Member and SDGs Subcommittee Co-Manager
General Manager, Cre-en Inc.

Achievement of the SDGs, considered difficult even before COVID-19, has been rendered even more difficult due to the global pandemic. On the other hand, the present sense of crisis has also resulted in major changes to people’s sense of values around the world, as people have had the chance to focus consumption on what they really value and governments to make climate change an essential policy.

As the results of this study show, more and more companies are integrating the SDGs into their management. As a consultant, I have seen this marked trend in my work with companies. However, many companies have not fully grasped the aforementioned worsening social conditions and changes in values, which are preconditions for business.

I believe that in order to embrace these changes, the SDGs must be integrated into management according to three approaches. The first is to integrate the SDGs into values. For many companies, making expanding profits their goal prevents them from expressing their raison d’être. Even when they have formed ideas on their reason for existence, these are rarely taken into account in decision-making processes such as product design and investment. It is becoming increasingly difficult to make real contributions to achieving the SDGs and to gain approval from customers when values do not match society’s expectations. As such, it is essential for companies to re-think their purpose and to make their social and environmental value more visible, using such methods as measuring impacts and internal carbon pricing.

The second approach is integration into the business model. The SDGs make us more aware of how environmental resources can become a constraint on management capital. They can also be a strong driver for forming partnerships with new stakeholders and giving rise to open innovation. In other words, we must switch to a more competitive business model that takes into account not only internal but also external capital. However, many companies fail to make this connection and focus on management of the indicators required by external reviews. To manage competitive advantage well, companies need to take a holistic view of the resources that create value in the management of key indicators.

The last approach is the integration of strategy into time horizons. The world is now aiming to transform our societies by the target year of 2030. In these uncertain times, a long-term social vision, established by the will of many, is an important perspective for strategic planning. By backcasting the above values and business model from a long-term ideal vision, we can strategise to build companies that are truly needed by society.

Answering these questions is crucial to the sustainable growth of companies, and is the minimum social change required to achieve the SDGs. With less than a decade to go before 2030, I hope that many companies will deepen their understanding of what it means to integrate the SDGs into their operations and take action.
4. The Future of Business and Society -Contributions from SDGs Task Force members-

Achievement of the SDGs, considered difficult even before COVID-19, has been rendered even more difficult due to it is difficult to know when the pandemic will subside, I would like to hope it will at some point. History has shown that societies change dramatically following a pandemic, but the reality seems to be that changes that were already underway before the pandemic.

Even before COVID-19, the current age was referred to as the VUCA era. The explosive industrialisation of the post-World War II era, population explosion, the negative effects of globalisation, and so on, have all reached their limits making a paradigm shift inevitable. COVID-19 has just accelerated this paradigm shift.

The paradigm that has prevailed since the beginning of modernity, presupposed on limitless “growth” and “progress”, is coming to an end. This paradigm, based on the assumption that the earth’s environment and resources are also limitless, is causing all manner of problems, from the climate crisis and resource depletion, to biodiversity loss and an increase in animal-borne infectious diseases, among others.

The global population of 2.5 billion in 1950 is on its way to reaching 10 billion by 2050, and it is clear that the Earth’s carrying capacity will not last with a business-as-usual approach.

Faced with this situation, human society adopted a new paradigm in 2015 as a starting point.

The new paradigm is the sustainable development underpinning both the SDGs and the Paris Agreement. When translated into Japanese, “sustainable development” (the old paradigm) sounds wrong. At the very least, the translation should use the Japanese words for sustainable “evolution (or progression)”.

Starting with the scientific revolution in the West, we have built a great industrial civilisation based on the idea that humans manage nature, and yet human activities have vastly exceeded planetary boundaries. The concept of symbiosis, where humans and nature are one and the same, with humans being just one member of nature, must form our base going forward. It is an old idea in the East, and evidently was the same in the West for the ancient Celtic civilisation. For Japanese society, it is a matter of using “Western talent” but exercising a “Japanese spirit”.

So, how has COVID-19 has accelerated the paradigm shift?

Many countries are working to move towards a green recovery, as seen in the European Green Deal and EU Circular Economy Action Plan. The key concept is decarbonisation and the recycling of resources. Likewise, the United States, China and many other countries are working to implement major changes based on similar concepts.

It would not be an exaggeration to call our industrial civilisation since the industrial revolution a fossil fuel civilisation. Decarbonisation implies a major transformation of the socioeconomic system. We must transform our system of extracting resources from the environment and using fossil fuels as fuel and resources to produce industrial products, which we use and then dispose—in other words, extracting resources, making products and selling them as a system of transfer of ownership.

The buzzwords Maas, PaaS, XaaS, subscription business, sharing economy, and shift from possession to utilisation are just a few examples. So, what about Japan?

For the time being, the declaration of carbon neutrality by 2050 was made, but this call for decarbonisation still lacks substance. Nuclear power is being discussed as a “base load power source”, which is an obsolete term, but there is no public debate about small reactors. Rather, the debate mainly revolves around light water reactors, which historically started as plutonium producing reactors, and will never pay for themselves. Not to mention there are breakdowns in the fuel cycle, making it pointless. There are also high hopes for CCS, premised on the use of

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VUCA is an acronym for Volatility, Uncertainty, Complexity and Ambiguity.
fossil fuels, but its feasibility on the Japanese archipelago is questionable due to poor ground conditions.

Even conservatively calculated, solar and wind power alone have the potential to generate of 2 to 2.5 times Japan’s total energy use. Yet utilisation of renewable energies has been slow to take off due to conflicts of interest with vested interests.

In the area of resource recycling, the 3Rs are still based on the premise of waste, with an overemphasis on recycling, and there has been little movement to change the business model. The solution to plastic waste cannot be found in this model alone.

Inevitably, if companies are constrained by trends in Japan, they will be ousted from the marketplace. They will not survive unless they change their strategies to anticipate global trends.

Global companies, domestic companies and citizens alike should form partnerships to influence local governments. Fortunately, in Japan, numerous municipalities have announced their intention to become zero carbon cities, reaching 332 municipalities with a total population of 105.16 million (as of 22 March 2021). Partnerships on carbon neutrality could also lead to business opportunities. The Ministry of the Environment’s concept of a regional circular and ecological sphere is also interesting.

Thinking beyond the SDGs (Undercurrents and Bird’s Eye View)

Mari Iizuka
GCNJ SDGs Task Force Member
Doshisha Business School, Doshisha University

One of the features of this study is the longitudinal observation of penetration of the SDGs into companies since their inception in 2016. As of 2020, awareness of the SDGs is spreading from the management level of companies to employees. The fact that companies and all of people who make up companies have lifted their gaze to global issues and are talking about the SDGs is a truly remarkable achievement that will go down in the history of Japanese management.

But wait. With so much talk of the SDGs, people inevitably have a lot of questions. The UN-led SDGs also have security implications for Japan. I also believe that Japan, as a nation and as a society, is standing on the edge of a precipice due to the rapidly declining birth rate and population, and that the only way for it to recover is for the remaining members of society to share this major objective, pool their resources and bring about social innovation.

But while the SDGs are indeed important, for better or worse, the Japanese, as a nation, respond to crises with collective action and are highly influenced by the “atmosphere” around them. When national, regional and local governments, business associations, educational institutions and the media all work together to promote the SDGs under the imperial standard of the United Nations, I am worried that this may lead to a “cessation of thinking” or, conversely, that there will be no criticism of activities to address the SDGs. (As shown in Figure 4, many respondents in this survey were concerned about SDG-washing).

Focusing on the relationship between companies and the SDGs, we have come up with three types of criticism that companies could potentially face.

● Criticism Type 1: “Making a mountain out of a molehill”
  To raise money for ESG finance, very minor activities on the SDGs are exaggerated.

● Criticism Type 2: “Get-out-of-jail-free card”
  SDGs are used as a cover to pardon stakeholders that are not fulfilling their responsibilities.

● Criticism Type 3: “Dangerous deeds”
  Companies taking the lead to do things in areas where they should not be involved under the guise of the SDGs. In the long term, this will harm society as a whole.

In reality, the above three types may often occur in combination, but Type 1, “Making a mountain out of a molehill”, is a simple problem that will end if discovered. The more serious are likely Type 2, “Get-out-of-jail-free card”, and...
Type 3, “Dangerous deeds”. First, we should think about why companies would be criticised in the first place, for doing something good for the world, like the SDGs. There is an inherent problem for companies that lies within the SDGs themselves.

In the first place, the 17 SDGs are a set of goals and classifications created by the United Nations, made up of national governments, for national governments. Nevertheless, in our increasingly globalised society, the power of corporate giants is essential to the success of the SDGs, both for the UN and for humanity. This may be the wrong way to look at it, but the SDG Compass, which is central to this study, can been seen as a measure made through the diligent efforts of the UN to encourage companies to participate in the SDGs, which are deeply government-oriented. (This is not to deny the value of the SDG Compass. It is clear from this study that the SDG Compass has had a significant positive impact on the management of Japanese companies, including leading them to take a long-term view, to engage in backcasting, and to broaden their antennae to global issues.)

The fact that the SDGs are aimed at governments poses two problems for companies. Firstly, in relation the ‘Get-out-of-jail-free card’ type of criticism, the 17 goals are a very broad assortment and, although details are specified, they do not thoroughly address the responsibilities of individual companies towards their stakeholders. There is inevitably some laxity in terms of a company’s responsibility to its stakeholders in difficult business environments.

Secondly, and related to criticism type 3, “Dangerous deeds”, as a matter of course, the SDGs designed for governments include areas where governments and civil society should take the lead, where companies are unsuited to respond. Awkward practices can become bad practices, leading to inefficiencies in society. If a company is ambitious and committed to the SDGs, there is a danger that, in the name of the SDGs, it may enter into areas where companies should be regulated, or engage in SDG activities that threaten democracy (or lead to corruption, depending on your point of view).

So where does that leave us? This is a troubling situation for Japanese companies. At least in the case of large corporations in Japan today, if they do not incorporate the SDGs into their management, they will be seen as stragglers. (Also, as noted above, Japanese society is on a precipice.) But the SDGs were never intended for businesses in the first place. And the more a company brands itself with an image that is seen as good for society, like the SDGs, the more that image will come back to haunt them when things go wrong, causing the company to be attacked by society. What can be done?

In addition, the SDGs have a clear deadline of 2030. Considering the lifecycle of the SDGs (a social commodity) in our country, it is unclear whether they will continue to be as powerful as they are now after the Olympic Games and Osaka Expo (2025), events on which national prestige (and budget) hangs, are over. How should we deal with the SDGs in this context?

It is against this backdrop that we have begun work on "Thinking beyond the SDGs". It is our intention to confirm the undercurrents flowing beneath the SDGs, and to take a bird’s eye view of where they are headed. Then, we will look at how, for the remainder of the decade, we can dynamically step to the beat of the SDGs and make them a force for good, for our companies and for society. Below I outline my personal views related to the SDGs on three points: the COVID-19 pandemic, the new UNGC strategy and hints for management.

1. The COVID-19 pandemic

The UN and various other organisations have made predictions on how the COVID-19 pandemic will affect the 17 SDGs. As the pandemic is ongoing, impacts will arise over the short, medium and long term. In order to provide more clarity to those reading this report, I have included the following abridged version of a table (compiled in November 2020 by Mitsuru Omori of the Japan Research Institute, based on UN reports). There are no right answers, and the table is designed merely to stimulate thinking on this matter. In addition, in 2021, the UNGC published its strategy for the period up to 2023, indicating five of the 17 goals (5, 8, 13, 16 and 17) that the UNGC will give particular focus. We have highlighted those sections for further discussion. Moreover, the percentage of companies giving priority to each goal, also shown in Table 6, has been added to this table.

In thinking about the post-COVID SDGs, I think that five points are important: (1) the progression of DX, (2) widening disparities, (3) global human consciousness, (4) the sharpening of stakeholder orientation (social orientation), and (5) the expanded concept of wellbeing.
Firstly, the digital transformation (DX) is irreversible and shows the potential to facilitate the resolution of SDG issues by involving people around the world. Secondly, if a system of aggregating international opinion goes online, it could have an impact on the current UN-centred international governance system, and may weaken the UN or change the way it functions. In addition, the nature of capitalism itself could change if the voices of stakeholders are more easily aggregated and tracked in various ways, or if online shareholder meetings become the default. (At the same time, DX raises questions about growing inequality and what it means to be human.) In other words, the progression of DX foreshadows a major shift in the way the UN, capitalism and corporations “play the game” concerning the SDGs.

Likewise, in terms of disparity, if disparities that have been further widened by the pandemic become fixed and society is unable to function properly, the SDGs will be difficult to achieve in the long term. As evidenced by Black Lives Matter and other movements, the UN and the people of the world need to work harder to achieve the goals on inequality and human rights.

Let us not forget the profound effect that the COVID-19 pandemic has had on the inner workings of our minds. In a survey of 2,000 people conducted by this author in June 2020 immediately after the state of emergency was lifted, on the subject of “wellbeing and telecommuting”, many people said that they felt more strongly about being useful to society. If you think about it, the pandemic has caused people all over the world ‘hunker down’ and reflect. It also forced us to think about death and the meaning of our lives. In addition, infectious diseases that cross borders have strengthened a “global human consciousness”.

### Table 15: Impact of COVID-19 pandemic on each of the SDGs, weighting in the new UNGC strategy and ratio of priority initiatives of responding companies

<table>
<thead>
<tr>
<th>Goal</th>
<th>Keyword</th>
<th>Impact of COVID-19 (1) <em>added by authors</em></th>
<th>New UNGC strategy (2)</th>
<th>Ratio of priority initiatives (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Poverty</td>
<td>Stagnating economic development</td>
<td>C Follow</td>
<td>20%</td>
</tr>
<tr>
<td>2</td>
<td>Hunger</td>
<td>Supply chain interruption, worsening economic access to food</td>
<td>C Follow</td>
<td>24%</td>
</tr>
<tr>
<td>3</td>
<td>Health and welfare</td>
<td>Damages to health, and negative influence on mental health</td>
<td>C Follow</td>
<td>69%</td>
</tr>
<tr>
<td>4</td>
<td>Education</td>
<td>Development of distance learning infrastructure Short-term educational gaps due to lockdowns</td>
<td>C Follow</td>
<td>47%</td>
</tr>
<tr>
<td>5</td>
<td>Gender equality</td>
<td>Greater freedom in ways of working Domestic violence (burden on women*)</td>
<td>A Lead</td>
<td>59%</td>
</tr>
<tr>
<td>6</td>
<td>Water and sanitation</td>
<td>Global acceptance of hygiene for infection prevention</td>
<td>B Cooperate</td>
<td>34%</td>
</tr>
<tr>
<td>7</td>
<td>Energy</td>
<td>Lower demand for power due to stagnating activity</td>
<td>B Cooperate</td>
<td>62%</td>
</tr>
<tr>
<td>8</td>
<td>Ways of working</td>
<td>Greater freedom in ways of working Increased unemployment (burden on the vulnerable*)</td>
<td>A Lead</td>
<td>75%</td>
</tr>
<tr>
<td>9</td>
<td>Industrial and technological infrastructure</td>
<td>Changes in level of resilience demanded</td>
<td>B Cooperate</td>
<td>69%</td>
</tr>
<tr>
<td>10</td>
<td>Inequality between people and nations</td>
<td>Negative impact on income growth rate Reduced mobility of immigrants and spread of virus in developing countries</td>
<td>B Cooperate</td>
<td>45%</td>
</tr>
<tr>
<td>11</td>
<td>Community building</td>
<td>Changes in ideal communities and building structures for infection control</td>
<td>C Follow</td>
<td>63%</td>
</tr>
<tr>
<td>12</td>
<td>Responsible production and consumption</td>
<td>Danger of food supply chain disruption and preference for the “disposable”</td>
<td>B Cooperate</td>
<td>75%</td>
</tr>
<tr>
<td>13</td>
<td>Climate change</td>
<td>Lower GHG emissions due to stagnant economic activity (sensitisation to global warming*)</td>
<td>A Lead</td>
<td>76%</td>
</tr>
<tr>
<td>14</td>
<td>Sustainable use of oceans</td>
<td>Preference for disposable containers Recovery of marine resources due to reduced demand for seafood</td>
<td>B Cooperate</td>
<td>38%</td>
</tr>
<tr>
<td>15</td>
<td>Sustainable use of land</td>
<td>Restoration of natural environment due to slowed human activity</td>
<td>C Follow</td>
<td>39%</td>
</tr>
<tr>
<td>16</td>
<td>Peace and justice (inclusion)</td>
<td>Concerns about increase in domestic violence and child abuse (growing importance of inclusion and diversity*)</td>
<td>A Lead</td>
<td>41%</td>
</tr>
<tr>
<td>17</td>
<td>Partnerships</td>
<td>Decline in ODA investment and international cooperation Unilateralism? (DX progress*)</td>
<td>A Lead</td>
<td>62%</td>
</tr>
</tbody>
</table>

Sources: (1) Omori, M. (Japan Research Institute, 13 Nov. 2020), (2) UNGC Strategy 2021-2023, (3) Prepared by authors based on this research study.
belief that (in the words of the Roman Catholic Pope) "we are all in the same boat", with nowhere to escape. In this context, the desire to be of service to society has grown stronger, as has the desire for wellbeing (health and happiness in the positive sense—including individual, corporate, social and global), which involves more than just human rights in the legal sense. These are the undercurrents of the SDGs, which will eventually emerge as a great wave and shape the future world.

2. New UNGC strategy

Let us turn now to the UNGC’s new strategy (2021-2023). The UNGC was originally founded out of concern for the negative implications of globalisation, and has focused on human rights, labour, the environment and anti-corruption. Its philosophy is humanistic and sustainability-based. When the SDGs came about, "leaving no one behind" was in line with these humanistic principles to date, but as I mentioned earlier, it has not necessarily been easy for corporations to apply the SDGs.

Then came the pandemic. Disparities, which impact death rates, have become a matter of life and death, with women and the vulnerable suffering the most. We are reminded of the importance of human rights, diversity and inclusion by the tragedies occurring before our eyes. Our awareness of being "all in the same boat" with no escape demands a shrewder response to climate change.

In this context, the UNGC has formulated its own new strategy. This new strategy has classified the 17 SDGs into three groups and weighted them. These groupings were developed by the UNGC in the context of its relationships with other UN organisations and do not imply a weighting of the SDGs for individual companies. However, even so, these weightings represent conclusions reached by the UNGC, the UN agency that deals with the relationship between companies and the UN, after analysing its own position and special characteristics. We believe that this strategy can serve as a reference for Japanese companies in carrying out SDG activities in the future, so we present it below.

- **Group A (priority goals), “Lead and Shape”**
  - SDG 5: Gender equality, SDG 8: Decent work and economic growth, SDG 13: Climate action, SDG 16: Peace and justice (inclusion), SDG 17: Partnerships

- **Group B, “Cooperate with Others”**
  - SDG 6: Water and sanitation, SDG 7: Energy, SDG 9: Industry, innovation and infrastructure, SDG 10: Reduced inequalities, SDG 12: Responsible consumption and production, SDG 14: Life below water

- **Group C, “Follow and Amplify”**
  - SDG 1: No poverty, SDG 2: End hunger, SDG 3: Good health, SDG 4: Education, SDG 11: Sustainable communities, SDG 15: Life on land

Again, the UNGC’s main focus is narrowed to gender, labour, climate change, justice (inclusion) and partnerships. The other goals are divided into areas where the UNGC will not take the lead, but rather cooperate or follow.

These five priority goals reaffirm the humanistic, sustainability-based principles on which the UNGC was founded. At the same time, these groupings can be interpreted as discouraging companies from taking the lead in advocating SDGs in unsuitable areas, discussed above as “dangerous deeds”. The message is that companies should first fulfil their responsibilities to their stakeholders and embody the GC principles in their management on their own true playing fields (Figure 9).

I would like to point out two words in particular that appear in the UNGC’s new strategy and support its framework. They are "ecosystem" and "responsible", and will be discussed in the next section.
3. SDGs and the management transition

How do the SDGs affect management? Figure 10 shows key words used to roughly capture the changes in management and organisations in the period prior the SDGs, the pre-COVID early period of the SDGs, and post-COVID latter period. (While perhaps an oversimplification, it is intended to give a general idea of the flow of events.)

First, in the period prior to the SDGs, when companies were operating on the GC Ten Principles alone, CSR departments were largely responsible for responding to the negative implications of globalisation and running the “defence” of organisations. They were using “tactics” rather than strategies, and only certain parts of organisations were involved.

In the early period of the SDGs, organisations were “shining the light” on global issues as business opportunities, and companies went on the “offence” for the SDGs, with efforts like CSV becoming the topic of discussion. Partly due to the influence of ESG finance, the SDGs came to be positioned as a strategy involving multiple departments (and entire organisations), including top management, corporate planning and human resources.

In the late period of the SDGs, organisations were facing the ultimate question: focus on delivering value to stakeholders and ethics (being “responsible”). The undercurrents were reaffirmation of humanistic + sustainability-based principles; expanded concept of wellbeing.

The SDGs and transition of management

Figure 10: The SDGs and transition of management
So, what will happen in the post-COVID late period of the SDGs? The following three points could give us some clues.

1. Scrutiny of the company’s value and ethical “responsibility” to its stakeholders

As glimpsed in the UNGC’s new strategy, the role of companies in society will be increasingly scrutinised going forward. In the post-SDGs era, companies will be held even more responsible to their stakeholders. The ultimate question will be: how much value have companies delivered to stakeholders—shareholders, employees, customers, suppliers, industry, civil society, governments and the planet—and how ethical have companies behaved (have they acted “responsibly”)? This will be the most fundamental. It will be essential for companies to maintain the focus on global social issues that they nurtured through the SDGs, and also to scrutinise their relationships with stakeholders to develop firm footholds to embody the principles of the SDGs.

2. Strategies based on the philosophy of wellbeing

I mentioned earlier that being “responsible” will be the most fundamental, because at the end of the day, strategies are based on philosophy and principles. The humanistic and sustainability-based principles that form the bottom line of the Global Compact and the SDGs are, in other words, human rights, human dignity and measures to address global warming. However, since the pandemic, these concepts seem to have expanded even more. In this age of revolutionary technologies such as AI, labour is no longer only about management versus workers, and human rights are not just legal rights. In a sense, human rights have been upgraded to more fundamental and philosophical questions, such as how we can be happier in our work, and how we can lead brighter lives within the global ecosystem. I believe that a philosophy and management perspective focused on wellbeing (for individuals, organisations, society and the planet) will become more important, as human beings are no longer viewed in terms of their economic value or as “human capital”, and the earth is no longer viewed in terms of its material value.

3. Ecosystems (strategic involvement and engagement)

One of the two pillars of the UNGC’s new strategy, alongside being “responsible”, is the concept of the “ecosystem”. This term evokes the cleverness of Apple, but it might be easier to understand if we interpret it as strategic involvement and engagement. I mentioned earlier, DX is changing the way consensus is built and “the way we play the game”, but the progression of DX is also making it remarkably easier to form ecosystems. In order to increase the positive influence of companies for the good of society, it will be important for companies to take advantage of DX to build systems that successfully involve other players in the SDGs agenda, and consciously engage themselves in the moves of other players. As the ways of playing the game have changed, developing the ability to be strategically involved and engaged will be an asset for companies in the post-SDGs era.

Finally, I would like to discuss involvement with GCNJ. GCNJ provides an excellent platform for companies to step to the beat of the SDGs and build their capacity to get involved and engaged. Particularly in Japan, thanks to the efforts of our predecessors, the GCNJ is not merely a UN-supervised body, but also a forum that boasts a number of active subcommittees. It has also grown independently as a meeting place for a wide range of organisations, including NGOs. We would encourage everyone to get actively involved, not only as a forum for learning and information gathering, but also as a place to work for good and build the capacity to get involved and engaged in the context of the SDGs.

Referenced sources:
The global COVID-19 pandemic and the resulting lockdowns have stalled or set back progress on the social dimension of the SDGs. Meanwhile, on the environmental side, the negative impacts on nature from CO2 emissions and air pollution have temporarily seen a significant decrease. This is a clear indication of how human economic activities are placing a burden on the environment. To restate the current world situation in extreme terms, if we stop our economies, societies will be destroyed, and if we mobilise our economies, the environment will be destroyed. We are in a difficult predicament. Moreover, it is always the weaker members of society that bear the greater burden and sacrifice.

From another perspective, most infectious diseases, including COVID-19, are zoonotic and include a range of illnesses such as yellow fever and tick-borne encephalitis. Environmental degradation is a main cause, and the risk of infectious diseases will increase as climate change progresses. Furthermore, as the world transitions to a decarbonised and resource efficient society, a “just transition” is needed to ensure that those working in affected industries are not left behind. For this reason, inclusive and sustainable development serves as a guiding principle. This is also why there have been calls for a great reset, a better recovery, a green recovery and a redesign.

Efforts to achieve the SDGs, which were not on track in the first place, must be increasingly accelerated in order to recover from the setbacks caused by the COVID-19 crisis. Finally, we introduce some of the key points from the UN Global Compact’s annual Progress Report on the GC Ten Principles and SDGs, while making some comparisons to the survey results of GCNJ members that were discussed in Chapter 3, and look ahead to actions required in the period of just under ten years leading up to 2030.

The latest version of the GC Progress Report was published in June 2020. The status of initiatives on the SDGs and high and low priority goals are as follows.

- Of total respondents, 84% are taking concrete action to promote the SDGs. Of these, 46% have integrated the SDGs into their core business strategy, 61% have developed products and services that contribute to the SDGs, and 37% have designed business models that contribute to the SDGs.
- The SDGs with the highest priority were, in order, Goal 8 (decent work and economic growth: 65%), Goal 3 (health and well-being for all: 55%), Goal 12 (responsible consumption and production: 54%), Goal 13 (climate action: 54%) and Goal 5 (gender equality: 53%).
- The lower priority SDGs were, in order, Goal 14 (life below water: 13%), Goal 2 (zero hunger: 18%), Goal 15 (life on land: 21%) and Goal 1 (no poverty: 22%).

The state of GCNJ members’ initiatives as viewed through the lens of the SDG Compass shows that 47.4% are working on Step 4 and Step 5. While not an exact comparison, descriptions in the SDG Compass suggests that there is no difference between Japan and global trends, as integration into management is considered to be the same as integration into core business strategy. For the most part, both the top five high and low priority SDG goals also overlapped. (The highest priorities for GCNJ members were Goal 13 (76%), Goal 8 (75%), Goal 12 (75%), Goal 3 (69%) and Goal 9 (industry, innovation and infrastructure: 69%), while the lowest priorities were Goal 1 (20%), Goal 2 (24%), Goal 6 (34%), Goal 14 (38%) and Goal 15 (41%).)

As many of the GCNJ’s members are major companies with global operations, this similarity is perhaps to be expected. The point, however, is not to suggest that we should rest easy and continue to work as is. Rather, the Decade of Action requires us to raise our ambitions for the SDGs and bring about even greater impacts. This point is made throughout the GC Progress Report, including in the opening remarks by Lise Kingo, former CEO and Executive Director of GC.

Turning to the individual goals, for the lower priority goals 1 and 2, certainly efforts can be made within core business to contribute to addressing human rights issues among our suppliers and business partners. In addition, relative poverty is an issue in the Japanese context, and companies can make contributions in this area by re-examining employment conditions and working environments, for example employing single parents who are willing but unable to work. In fact, many companies are creating new services by reviewing their pay systems, setting up day-care centres in their offices and promoting the employment of women with children. Many GCNJ members are working on diversity and women’s advancement, and now that the pandemic has caused us to rethink ways of working, we hope that measures will be taken not only to change the system for the people inside organisations, but also to be inclusive of and make the

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most of diverse human resources outside of organisations.

The internal and external perspective in relation to organisations can also be applied to Goals 14 and 15. As COVID-19 has focused attention on rethinking the relationship between people and nature, a global target for 2030 will be developed at the Biodiversity COP in 2021. In the future, policies that incorporate elements of nature, as well as finance that takes into account impacts on nature and biodiversity, are expected to increase. Although the effects of nature degradation and biodiversity loss are difficult to see, what was once considered to be an external issue for organisations will now have to be seen as an internal one, as in the case of marine plastics.

Goals 12 and 13, which are of high priority both in Japan and globally, are goals that had not been moving in the desired direction even before COVID-19. On climate change, policies on carbon neutrality have finally been established both domestically and internationally, and there have been numerous announcements on zero carbon cities by local authorities. While this study revealed that many welcomed the government’s policy, the success of carbon neutrality and limiting temperature increase to 1.5 °C will depend on how targets are translated into action.

Including challenges associated with these individual SDGs, the GC Progress Report sets out the following business benchmarks required by the Decade of Action. Companies may wish to refer to these benchmarks when setting their medium- and long-term goals.

- Gender balance at all levels of management
- 100 per cent of employees earn a living wage
- Science-based emissions reduction targets in line with a 1.5°C pathway
- Net-positive water impact in water-stressed basins
- Zero waste to landfill and incineration
- 100% resource recovery, with all products and materials recovered and recycled or reused at end of life
- Zero discharge of pollutants and hazardous materials
- Land degradation neutrality, including zero deforestation
- 100% of raw materials sourced sustainably according to the highest possible standards
- Zero instances of bribery

The GC Progress Report also calls for raising ambition on the SDGs and for change at the systems level to bring about greater impacts. The systems referred to in the report are the following seven areas: energy, natural resources and basic materials; industrial manufacturing; food, beverage and consumer goods; healthcare and life sciences; mobility and transportation; telecommunications and technology; and financial services. The key to achieving system-level change is a business environment that promotes action on the SDGs (e.g. enhanced customer and consumer demand, appropriate regulatory and market signals), clear metrics (at individual and sectoral levels) and collaboration at all levels—at the industry level, sector level and across sectors. The specific ways in which these elements work and how transformations can be achieved will need to be examined in the future.

Finally, we would like to share a statement on the importance of leadership taken from the context of the interviews we conducted with top executives in the preparation of this report. We hope this report will help all to see where we are today and where we want to be in the future, as the deadline for achieving the SDGs approaches in less than ten years.

“To seriously deliver on sustainability outcomes, organisations need to focus on making their sustainability efforts sustainable. This is not a question of strategy, policy or process, but fundamentally a question of leadership and people. If an organisation is a collection of individuals working together for a common purpose, and a corporate culture is a manifestation of the shared beliefs and behaviours of individuals, then embedding and identifying employees and leaders throughout the organisation who are motivated to drive sustainability and have the skills and experience to do so is the surest path to long-term success:...boards and top management have a great opportunity to put sustainability at the heart of the leadership culture of the organisation. How companies develop and select the leaders of tomorrow will have an ongoing impact on our collective progress towards sustainability goals.”

Table 16: Comparison of the state of UNGC and GCNJ initiatives

<table>
<thead>
<tr>
<th>Integration of SDGs and management</th>
<th>UNGC</th>
<th>GCNJ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 8 (65%)</td>
<td>Goal13 (76%)</td>
<td></td>
</tr>
<tr>
<td>Goal 3 (55%)</td>
<td>Goal 8 (75%)</td>
<td></td>
</tr>
<tr>
<td>Goal12 (54%)</td>
<td>Goal12 (75%)</td>
<td></td>
</tr>
<tr>
<td>Goal13 (54%)</td>
<td>Goal 3 (69%)</td>
<td></td>
</tr>
<tr>
<td>Goal 5 (53%)</td>
<td>Goal 9 (69%)</td>
<td></td>
</tr>
<tr>
<td>Goal14 (13%)</td>
<td>Goal 1 (20%)</td>
<td></td>
</tr>
<tr>
<td>Goal 2 (18%)</td>
<td>Goal 2 (24%)</td>
<td></td>
</tr>
<tr>
<td>Goal15 (21%)</td>
<td>Goal 6 (34%)</td>
<td></td>
</tr>
<tr>
<td>Goal 1 (22%)</td>
<td>Goal14 (38%)</td>
<td></td>
</tr>
<tr>
<td>Goal16 (24%)</td>
<td>Goal15 (41%)</td>
<td></td>
</tr>
</tbody>
</table>
Putting into Practice: Executive Interviews

*The SDG initiatives of the companies and organisations introduced here, as well as the titles of persons interviewed, were compiled by the authors of this report based on information available at the time of interviews conducted in November and December 2020. Please refer to the websites of the respective companies for a complete picture of their initiatives and recent updates.

- Masao Asami
  President and Representative Executive Officer, EBARA Corporation
- Kenta Tsukamoto
  Representative Director and President, COMANY Inc.
- Takeshi Shimotaya
  Executive Director, The Global Alliance for Sustainable Supply Chain (ASSC)
- Hideya Takashima
  President and CEO, Sapporo Breweries Limited
- Jun Aoki
  Executive Officer and Chief Social Value Creation Officer, Shiseido Company, Limited
- Kazushi Shimizu
  Representative Director and President & CEO, Sumitomo Riko Company Limited
- Yuki Kawahara
  President and Representative, Taiyo Jyuken Co. Ltd.
- Katsuhiro Teramoto
  Representative Director, President & CEO, Nabtesco Corporation
- Akiyoshi Hiraoka
  President & CEO, CHO, Nihon Unisys, Ltd.
- Michiyo Morisawa
  Japan Head, PRI Secretariat
Putting into Practice: Executive Interviews

Supporting our globe with technology and passion towards sustainable societies

Masao Asami
President, and Representative Executive Officer
EBARA Corporation

Our management policy and the “EBARA Way”

Our Group was founded in 1912 as a start-up company at a university that manufactured Inokuchi-type volute pumps. Throughout Japan’s modernisation, post-war reconstruction, period of rapid economic growth, and as the times have changed towards a more sustainable, diverse and inclusive society; we have continued to provide the products and services required by each era through our three main business: Fluid Machinery and Systems, Environmental Plants, and Precision Machinery. At the top of the Group’s business ethics framework is our founding spirit of “Passion and Dedication.” The embodiment of the “EBARA Way,” including this spirit, is our long-term vision “E-Vision 2030” and our “E-Plan 2022” medium-term management plan, which were formulated in February 2020.

“E-Vision 2030” and “E-Plan 2022”

According to UN population projections, the global population will increase from 7.7 billion in 2019 to 10.9 billion by 2100, mainly in Asia and Africa. Running parallel to population increase, global warming is advancing, bringing about increased concerns over abnormal weather conditions, more severe natural disasters, rising sea levels, and the depletion of food and water resources. In the future, many parts of the world are expected to experience changes similar to those that occurred during Japan’s period of rapid economic growth. In our E-Vision 2030, we set out a vision for the future of our Group according to our mission, “Technology. Passion. Support our globe”. This vision is based on our desire to support the creation of sustainable societies that evolve in a more technologically advanced and efficient way than past periods of rapid economic growth. Typically, manufacturers focus on how to sell what they already have. At EBARA, our starting point is the outcomes expected by the recipients of our products, and we aim to enhance both social and environmental value and economic value. In terms of social and environmental value, we aim to reduce greenhouse gas emissions by the equivalent of roughly 100 million tonnes of CO₂, to provide water to 600 million people worldwide, and contribute to the development of ICAC5 by rising to the 14Å (angstrom, one ten-billionth of a meter) challenge for miniaturisation of semiconductors. In terms

Founding Spirit : Passion and Dedication
Both the employees and the company shall strive for growth with passion and dedication to bring forth originality and ingenuity, rather than simply fulfilling the task at hand.

Corporate Philosophy
We contribute to society through advanced technologies and high-quality services relating to water, air and the environment.

CSR Policy
We conduct all our business in a highly ethical manner and build good relationships of trust with all stakeholders.

Management Policy
E-Vision 2030: Vision for 2030
E-Plan 2022: Medium-term Management Plan (2020-2022)

Footnote:
5 An acronym used within the EBARA Corporation to stand for IoT, Cloud, Artificial Intelligence (AI), Car (automatic driving), and 5th Generation Mobile Communications System (5G).
of economic value, we aim to achieve a ROIC of at least 10.0% and turnover on the scale of one trillion JPY.

However, it is difficult to suddenly start practicing our ideal for 2030. Thus, we have compiled what we need to achieve in the first three years into our E-Plan 2022 based on backcasting from our ideal vision and issues that were clarified in the review of our previous medium-term management plan. The plan has a three-pronged approach: to ensure that profitability of existing business is improved as necessary, to grow where necessary, and to explore, test, and nurture new business that capitalises on EBARA’s strengths. In terms of growth initiatives, for example, if we increase our current share of standard pumps by 5%, we will be able to deliver water to 600 million people in Africa, Latin America, and other regions in need of a stable supply of water. An example of a new challenge is our investment in Real Tech Fund. This fund supports start-ups that aim to solve challenges facing societies in Southeast Asia. We decided to invest in this fund in the hope that our investment would translate into opportunities for new business and partnerships that would contribute to societies in Southeast Asia. We would like our employees to gain a wide range of experience through real communication with start-up companies so that they will return to serve as leaders in internal start-ups in the future.

**Our COVID-19 response and the importance of messaging from government**

In terms of our response to the COVID-19 pandemic, our Group is recognised as an essential business for maintaining various systems in society, including waste treatment and water infrastructure. As a result, we have emphasised communication with employees to prevent infections while also maintaining our business operations which support society, industry, and in turn, us, our families, our customers, local authorities, and our suppliers. Specifically, we aim to have 70% of our office staff working from home, while manufacturing and other technical staff work in shifts. Furthermore, viewing the COVID-19 crisis as an opportunity to reform our working environment, human resources systems, and IT systems to provide an optimal balance between health and efficiency, we have accordingly promoted both telecommuting and remote working. Knowing that new viruses may emerge even after the COVID-19 pandemic concludes, we need to work harder than ever to realise greater well-being and safe, secure, and sustainable societies that will evolve due to ICAC5. In this sense, Prime Minister Suga’s declaration of carbon neutrality by 2050 has given businesses a clear direction to head in and has given employees a vision of what a future society might look like. When it comes to policies on energy and national resilience, it would make it easier for us to contribute if the government would clearly state, “This is what we are going to do, and we want companies to follow along.”

**Enhancing structures to promote sustainability**

We are also working to strengthen our structures for promoting sustainability. In addition to a Sustainability Committee, which is chaired by myself and comprises all the executive directors, we have added a function to the Corporate Planning Department to promote sustainability management. We also integrated IR, SR, and PR under the Corporate Planning Department to enhance information disclosure and ensure greater consistency. Close communication, both internally and externally, is crucial to our public relations activities. Furthermore, we have expanded ESG information on our website, and as a result, received high praise and won various awards.

I had a series of meetings with investors in North America and Europe in the autumn of 2020, and what they had to say was very clear. In particular, European investors are highly aware of green investment. They explained to me quite explicitly that the possibility of investing would depend on how we were contributing to ESG issues via our business. As for our governance, seven of our ten directors are independent directors. Of the remaining three internal directors, I am the only one in charge of business execution, so I do all the explaining concerning business execution at board meetings. I work with a sense of urgency and awareness of the fact that we are a company with designated committees and that I am fully responsible for the execution of business.

Based on my fundamental belief that a great future only awaits us if we challenge ourselves, I feel that our Group can contribute to creating a sustainable society by taking on a variety of challenges. We have many like-minded employees, and we will continue to make these contributions while enhancing our company’s structures by appointing leaders who aim to move in the same direction.

**Climate change response**
Reducing greenhouse gas emissions by the equivalent of about 100 million tonnes of CO₂

**Deliver water**
Deliver water to 600 million people

**ICAC5 evolution**
14Å challenge

Examples of E-Vision 2030 goals and the SDGs
Promoting the SDGs and responding to the COVID-19 crisis with people-focused management

Kenta Tsukamoto
Representative Director and President
COMANY Inc.

Our company’s core values are “humanity and fraternity”, and we place value on heart-to-heart relationships in our management. Our corporate philosophy is based on the idea that being of service to the world is what makes us a true company. There was a time when companies were only interested in making money. While making money is important, that money-making must not have any negative impacts on other areas of society. Since first encountering the SDGs, we have felt global support for all we have said and done. Our corporate philosophy and the SDGs are highly compatible, and our employees quickly came to identify with and support the approach of the SDGs. Our business is in partitions, which are used everywhere in the environments in which we work, learn and live. In running our business, we are not only concerned with partitions for creating environments and spaces, but also with the development of people. The actions of people will determine the future of our planet. We want to create environments that contribute to the minds of the people living there, for a sustainable future for our planet.

In 2018, we announced the “COMANY SDGs Declaration”. Since then, we have been ranked among the top listed companies in the Hokuriku area that people want to work for (4th and 2nd place). In fact, the number of students who come to us mentioning SDGs as a keyword is increasing. They are not merely interested in income or their careers, or in gaining stability by working for a listed company. In addition to our commitment to the SDGs, we are also actively involved in support for Cambodia, as well as disaster volunteer work. More and more students want to work with us because they can relate to our work, even if it seems far from profitable. Of course, we ask them not only to volunteer, but to engage in both social contribution and business activities. In fact, our company does not separate social activities from our business activities. If there are people in need, the humanitarian thing to do is to help them. When business is involved, we get paid for it. When there is an earthquake, we go to help people in need. When an employee comes back from volunteering having been told “thank you”, he or she begins to understand that this is the foundation of business. That employee can then begin to talk about what it means to be truly helpful to others in his or her own words, not merely just saying that the customer comes first. Developing human resources in a company is not about having employees memorise management principles. It is about having them experience what it means to be useful to others and to society in a real sense, to have a positive influence on those around them, and to grow as individuals.

Using our COVID-19 response as a springboard

When all kinds of problems began to arise in the COVID-19 crisis, we were able to complete the development of a product used to protect against exhaled droplets in one week. The idea came from an employee who had volunteered in a disaster area. The energy that comes from following one’s conscience is many times more powerful than any order coming from a boss. The speed by which we have been able to develop our business in response to the pandemic, not only in regards to this anti-droplet product, would have been unthinkable in the past. Office environments are changing and meetings are now held online, even when employees go to the office. In the past,
the trend was toward open offices that were not separated, but now the demand for private offices is on the rise as people are increasingly wary of noise around them or of having others watching. As companies do not have enough rooms when conference rooms are occupied, the demand for solo workspaces (where individuals stay in one room and focus on online meetings and work) has increased. Thus, we immediately developed a product called the "Remote Cabin." We also launched an anti-bacterial and anti-viral coating service for overall spaces. This coating applies an air-catalyst technology that has a lasting effect of inactivating viruses. We continue to receive many enquiries about it.

In the COVID-19 pandemic, when I communicate with managers of other companies about the SDGs, I find discussions follow two different patterns. The manager of one company will say there is no need to worry about the SDGs in the midst of this difficult situation, while the other will argue that the SDGs and a sustainable environment are important now more than ever. Personally, I think that we must be sustainable. The SDGs remind us that a company is only as good as its planet. When we think about the future of the company and raise the layers, it is inevitably connected to the future of the planet.

Implementation of the SDGs and the importance of like-minded partners

In fact, implementation of the SDGs in management brings a global perspective to decision-making. Naturally, we need to create a positive impact on society in our business activities, but we also need to understand that sometimes there are negative impacts on the environment and to think about how we can turn these into positive impacts. For example, we are currently working on ISO certification. As we insert the issues, risks and opportunities in each department into our annual management plan, we link them with particular goals of the SDGs each item contributes to, as well as the SDGs that are negatively impacted. When making investment decisions, we used to make assessments based on economic benefits, but now we look at how energy or waste issues are related. If an initial investment is high, but the project is more energy efficient and creates less waste, we will now make a different decision looking at the overall picture. I think this is what implementing the SDGs is all about. We created a business model that we call the "COMANY SDGs ∞ (Mobius) Model" to maximise our corporate value by implementing the SDGs in management and providing solutions to social issues, thereby operating "a business management which contributes to the well-being of everyone involved".

In order to further promote the SDGs, we believe that national governments, local authorities and investors need to work together to strengthen partnerships. To do this, I think it is important for us to work with people whose principles, ideas and visions we share. In collaboration with like-minded partners, we can develop relationships that are not about profit and loss, but about playing to each other’s strengths without wavering on our beliefs. Such partnerships will ultimately bring excellent business gains to both parties. As awareness and momentum surrounding the SDGs grow, we would like to further increase opportunities for dialogue.

Seeking to strengthen universal peace in larger freedom

To provide opportunities for the material and spiritual well-being of all our employees, and through our joint efforts, contribute to the advancement of society and humankind.

COMANY SDGs ∞ (Mobius) Model
There are limits to what individuals and companies can do on their own to promote sustainable supply chains. Therefore, in Europe and North America, NGOs are taking the lead in setting up international initiatives and partnerships with companies to create initiatives for discussing solutions to social and environmental challenges. In my own work in Europe, I realised that it is not easy for Japanese companies to participate in such initiatives with some barriers and limitations. With the exception of certain sectors such as palm oil, I found there to be a lack of understanding among Japanese companies of the importance of such initiatives and partnerships.

I have always had an interest in solving environmental problems and was involved in the business of tackling environmental issues at my former company. In 2007, I decided to enter graduate school in the UK in hopes of finding more ways to contribute. I studied environmental science, environmental management, carbon offsetting and waste management, and then also did an MBA in the UK to translate this knowledge into a business setting. Subsequently in 2010, I started my own company in London, specialising in solutions to sustainability/CSR challenges. Based on the belief that companies must also tackle issues aside from the environment, my company has been working to bridge the gap between Japan and Europe on sustainability by informing Japanese companies about policies in the EU and European companies’ best practices in CSR and sustainability. In 2011, the UN Guiding Principles on Business and Human Rights were released. While European companies were actively learning about human rights issues through the UN Forum on Business and Human Rights and various trainings and struggling to take action, there were initially few Japanese companies participating in such learning opportunities and taking action. We have worked to disseminate relevant information to Japanese companies and raise awareness through the Japanese media and seminars.

ASSC has been developing Self Assessment Questionnaires (SAQs) and conducting social audits to support Japanese companies in their CSR procurement. However, the pandemic has made it impossible for us to conduct on-site audits, so we have begun to conduct remote audits online. Companies need to work together, with the understanding of their suppliers, to improve their code of conduct in their factories related to environmental and social issues. However, when there is a lack of understanding of their code of conduct, workers may be subjected to discrimination and exploitation, as well as situations that amount to forced labour. This is why, together with our members, we have introduced the ASSC Workers Voice grievance mechanism and the “Genba-wise” smartphone app to take workers’ voices.

Since its establishment, ASSC has utilised networks in Europe, North America and Asia to share international information with Japanese companies and support their actions to build sustainable supply chains.

The COVID-19 pandemic has affected supply chains in various ways. In the apparel industry, for example, demand is down and the burden of cancelled orders is affecting the supply chain all the way upstream. Japanese companies are looking at Tier 1 companies in the supply chain, but seem to fail to consider the situation of more vulnerable people upstream, such as cotton farmers. Furthermore, trading companies are involved in supply chains in Japan, making it difficult for clothing brands to ascertain issues in the supply chain themselves. Likewise, trading companies cannot act without instructions from brands, creating a situation where action is at a standstill for both of these reasons. The key to overcoming this situation is a commitment from corporate management to promote sustainability, as well as collaboration between trading companies and brands on actions to resolve issues. We have raised the discussion on these Japan-specific issues and are working in cooperation with Cotton 2040, a global initiative to promote sustainable cotton, to get Japanese apparel brands involved. We are also planning to set up an initiative in Japan to promote sustainable cotton. This initiative will promote discussion on the issue and sharing of information from around the world on cotton in Japan, as well as transmit information from Japan.

Using an app to take workers’ voices

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Establishment of a hotline through the introduction of ASSC “Genba-wise” app as one of grievance mechanisms

Emotional survey
Users (workers) can tap their mood for the day. Allows for early identification of factories with a large number of “ANGRY” or “SAD” taps.

Consultation
This section lists questions about issues in the workplace. If any of the answers apply to a worker, selecting them here enables a consultation to be conducted smoothly.

Hotline function
This function enables workers to have consultations via chat. The content of the chat can be deleted after it has been posted (management will keep a record).

Function of the ASSC “Genba-wise” app

app, which serve as elements of supplier management.

If this mechanism is used in a way that gains workers’ trust, it will enable them to communicate their views and complaints, as well as information on human rights violations, leading to opportunities for remedy. The COVID-19 pandemic has made people recognize the importance of this more and more. ASSC will continue to do our best to pick up the voices of these vulnerable workers and to improve working conditions.

An environment that supports the actions of Japanese companies

The international trend to promote human rights due diligence initiatives in line with the UN Guiding Principles on Business and Human Rights is growing stronger. In the background of this trend are the formulation of the Guiding Principles on Business and Human Rights in 2011, the creation of national action plans mainly in Europe, the enactment of the Modern Slavery Act in the UK in 2015, and legislation being put in place, first in France, to urge companies to undertake human rights due diligence. Some globally-operating Japanese companies have already undertaken human rights due diligence, as well as disclosure of their efforts, from the perspective of legal compliance. Japan also formulated a National Action Plan in October 2020. If the Japanese government can follow the international trend and include legislation on human rights due diligence in this National Action Plan, I believe Japanese companies will be able to make further progress in their initiatives.

Companies will need to set not only medium-term business plans but also long-term targets in line with the goals of the SDGs. There is an international expectation that companies make a backcasting from their long-term targets, set milestones, and disclose the achievement of their targets. Companies generally tend to avoid disclosing negative information such as missed targets, but leading companies in other countries disclose negative information as well as information on why they did not achieve the targets and how they will implement it in the future. With regard to human rights due diligence, it is also necessary to plan initiatives within the context of long-term goals.

However, there are limits to what a single company can do on its own. Partnerships with NGOs and other companies are essential to achieving the SDGs, which are founded upon human rights. ASSC, through our partnerships with companies, will continue to support the actions of Japanese companies in building sustainable supply chains.

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2 A law that aims to ensure that companies have processes in place to identify and eradicate the risk of human rights abuses, such as forced labour and human trafficking, in their supply chains, and to disclose this information.
Corporate philosophy

Sapporo Breweries has always aimed to "remain unflagging in our commitment and enthusiasm for traditional craftsmanship since the founding of the original Kaitakushi Beer Brewery, providing value that enriches the lives of our customers through all of our initiatives." This is the management philosophy and raison d'etre of Sapporo Breweries. Sapporo Breweries' strength lies in our many long-beloved products. I believe this is the result of basing our marketing style on our management principles that encourage customers to discover joy in our products for themselves, without us pushing our products on anyone.

Our founding spirit, connected to the SDGs

The start of our manufacturing business was in 1876. At that time, Sapporo's population was under 3,000, and we started from scratch in this unsettled land. The business faced a series of challenges. The idea was to create an agricultural industry in the uncharted land of Hokkaido, and to create a value-added product from agricultural produce, which led to the brewing of beer. The first Japanese craftsmen, trained in Germany, imported hops from the USA and malt from Europe to brew beer. However, as the main objective was to promote agriculture, they began to devise their own methods of cultivating ingredients that could withstand the cold, snowy climate. They began to work together with growers on selective breeding to improve the crops.

By 1880, all barley for brewing was grown in Hokkaido. By 1881, all hops were grown in Hokkaido. Today, the largest growing area for beer barley is the Kitami Abashiri area in the Okhotsk region. Because the land there is covered by accumulated volcanic ash, in the past soil was easily blown away with the wind. Today, however, the people who cultivate the land tell us that because they have been working with Sapporo Breweries for 40 years on improving the soil, soil no longer flies away even when strong winds blow, and the use of chemical fertilisers and pesticides have also been reduced.

In short, the spirit of traditional craftsmanship that we have cultivated for more than 140 years since our founding is naturally linked to the SDGs. This is what we tell our employees. We also tell them that we should try even harder from here on to take actions that lead to creating a sustainable society.

"To be somebody's first company, somebody's first shining star"

In order to materialise our management principles, over the next five to ten years, we aim to become "a brand / company that creates the future of alcoholic beverages and people with stories which move the hearts of customers". We ask each and every one of our employees in each respective position maintain a "Be KAITAKU", or "pioneering" spirit towards "moving the hearts" of people.

We have made "Be somebody's first shining star" the key phrase of our activities. The "somebody" could be a customer, a family member, a community member, an employee, a shareholder or any variety of stakeholder, but something for every individual employee to decide. Human beings are happiest when we bring joy to someone. Our social nature is built into our DNA. Make someone else happy and let us become happy ourselves. For me, that somebody is our employees. I have always said, "I won't leave anyone behind", and the SDGs say very much the same thing.

Response to COVID-19

There is one thing I have been continually telling our employees since I took over as President in January 2017. It is that health and safety come first. Work comes after that. I have repeatedly told them that if they are healthy, they can do anything. And in
In the midst of the COVID-19 crisis, this message has remained the same. We were quick to act. We announced the suspension of shop-floor activities very early on. This was shortly before the state of emergency was declared. This pandemic seems to have made employees realise that the company President actually meant it when he said that health and safety come first.

We also operate under the idea that we do the best that can be done now, and that there is always something that can be done. Restaurants are facing very hard times. The nature of our response is continually changing. Early on, we collected information on hygiene practices from the Ministry of Health and Welfare's website and shared this know-how with restaurants. Subsequently, we responded to a variety of situations at different restaurants and were able to assist in changing business models. As an example, there is a restaurant district along a street on the west side of Kanda station, which is closed to vehicles after 5 pm. One of our sales representatives, who loves the Kanda area, lobbied the authorities and converted that street into open-air outdoor seating. What made me happiest was that he also approached other breweries, saying that he would talk to the authorities himself. Sapporo Breweries has been supported by the restaurant market, so we will continue our efforts to support the restaurants.

**Priorities in COVID-19 times**

In the wake of COVID-19, opportunities and the momentum to work together are becoming more and more important. Concerns around “division” (i.e. taking care of oneself is good enough) exist even in the international context. How can we bring about more collaboration? How can we come together around shared values? We want to create a brighter society, full of smiles. That is our priority.

**Working together on solutions**

Let us look at logistics from a collaborative perspective. The challenges of logistics are closely linked to the challenges of food loss.

In the past, we used to indicate best-before dates as early or mid-month. This meant that lots had to be sorted by differing times of the month, which meant more storage space in the warehouse. It also meant that trucks spent more time in the warehouse when they were being loaded. It was more work and took more time.

In addition to selective breeding our own beer barley, which is resistant to changes in aroma and taste, Sapporo Breweries was the first in the industry to extend the shelf life of its beer by implementing measures to avoid the deterioration of quality, such as establishing a method of production that does not expose the beer to oxygen during the production process, transporting at a controlled temperature, and preventing vibration during transport. A longer shelf life means less waste. In addition, the labelling of best-before dates with only the year and month eliminates the need for shelf-life management beyond the month. We also expect that our improvements in logistics based on more efficient warehouse operations will lead to shorter waiting times for trucks and less CO2 emissions from idling.

The key is collaboration. There is the shipper, Sapporo Breweries, and then there is the logistics company that transports the product, which is delivered to the retailer, where the customer buys the beer. Results cannot be produced in dealing with logistics challenges unless all actors in the logistics process work together. When manufacturers work hard, creating a positive chain of events in the industry, everyone is happy. If everyone shares a little of the burden, extra room is made for everyone.

Alcoholic beverages are not a necessity, but a luxury. Without a promising and hopeful society, alcohol is not a good choice. We need a society full of smiles. Based on a spirit of collaboration, we intend to make many people smile through our core business.

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**Reducing food loss by extending shelf life**

Extended shelf life of beer products* from 9 months to 12 months

*Domestically manufactured canned and bottled products

Reducing food loss by extending shelf life
Realising "a Better World" by adding culture (C) to ESG

Our mission is “Beauty Innovations for a Better World”. Beauty has different meanings in different countries and regions, but the basic concept is a positive one. We want to make the world a better place through beauty. With this in mind, a few years ago we included the phrase “a better world” in our mission. This “better” has environmental, social, cultural and governance dimensions. Many refer to ESG management, to which we have added “culture” to form ESCG management.

In terms of E (Environment), we are committed to reducing our environmental footprint, developing sustainable products and promoting sustainable and responsible procurement in order to create a richer global environment where beauty can be truly enjoyed. In terms of S (Society), we aim to advance a society that embraces diversity through respect, and supports lives of beauty. In addition to the issues of gender equality and respect for human rights, we are expanding our activities to empower, through the power of beauty, the elderly and people suffering skin problems caused by serious illnesses. The G (governance) aspect of our business is to ensure that we achieve our medium- and long-term goals in the environmental and social fields, even when our management structure changes. In addition to governance, C (culture) is a mechanism inherent in our organisation. In other words, since its foundation, Shiseido has long had a corporate culture based on pursuing social value, and this culture has continually been passed on to our employees. If anything, we have taken the ESG perspective for granted. In addition, as a Japanese beauty company, we have been actively communicating our sense of beauty to the world. This sense of beauty and values pursued within the Japanese culture, based on virtues such as “truth, goodness and beauty”, involves not only external beauty, but also internal beauty. I believe that in these current times, when people harbour concerns over the impacts of the COVID-19 pandemic, climate change and other issues, it is the right time for each and every businessperson to adopt a forward-thinking mindset and to step up work in ESCG management.

Putting "People First" is key to smooth transition to telecommuting in the COVID-19 crisis

In the period between the start of the spread of the COVID-19 in Japan and the first state of emergency declaration, we transitioned to telecommuting to put the health and safety of our employees first. We were able to make this transition quickly due to the organisational reforms and other measures we had previously put in place.

While implementing our VISION 2020, a transformation project launched in 2015, Shiseido put the idea of "People First", which we consider to be one strand of our DNA, at the forefront as we worked on various personnel and organisational reforms to enable employees to have vitality and a sense of fulfilment in their work. For example, we renovated our offices to make employees feel proud to work for us and to look forward to coming to work on Mondays. We were changing our ways of working by creating an office where people could choose the space that best suited their work on any given day. Employees no longer had their own desks, and we reduced the amount of paperwork that each employee had handled to about one fifth, an amount that could be fit into a single small locker.
We also implemented reforms in our human resources system to help each employee fulfill his or her potential and bring out their vitality. The biggest challenge facing Japanese companies today is innovation. In order to create innovation, each employee must be able to think freely and to bounce ideas off others without fear of opposition. To do this, we needed to move away from membership-style lifetime employment and seniority-based ranking systems. Leaving behind a world where people were too watchful of their surroundings to do anything innovative, we needed to shift towards a job-based system, a world where people with the skills to fill necessary roles could do so without restraint and to the best of their ability. In undergoing this major transformation, we conducted training for all managers. Having undergone these office renovations and HR system reforms made the transition to telecommuting much smoother. Likewise, our measures to improve one-on-one communication between supervisors and subordinates came in handy in supporting and evaluating each employee when working from home.

Collaboration with other companies is key in the medium to long term

The values and behaviour of consumers will change irreversibly due to the COVID-19 pandemic. In the medium to long term, I think there will be four changes.

1) Increased awareness of health and hygiene: "Beauty" will develop as part of the concept of health, and we will be called upon to provide a new kind of value through collaboration with other companies and mergers and acquisitions.

2) Value for money: There will be an increased focus on how to get more value for money by spending less. Surplus in the industry will fall in the long run, so we need to find creative ways to increase productivity.

3) More online and remote working: business models are changing, and industries that used to be labour-intensive will become more digitally driven.

4) Increasing corporate interest in the public good and sustainability: With the shelf life of the competitive advantage becoming shorter, there are many things that cannot be done by just one company. In addressing issues like climate change, we will come to work via partnerships and coalitions and to learn from the most capable people and companies. For example, the 30% Club Japan, which aims to increase the ratio of women on corporate boards to 30% by 2030, is working together with companies across Japan. Within the Keidanren, individual companies and industries are being called upon to break down barriers and work together to tackle similar issues by exchanging best practices and mentoring each other. We also need to keep up to date with the latest practices of leading companies overseas to fill in the gaps in our own company. Interestingly, the use of digital technology during the pandemic has actually made it much easier for CEOs to meet with each other. Collaboration and alliances between companies will become stronger and stronger.

Pursuing both economic and social value

In 2020, Shiseido received the Social Value Award at the Nikkei SDGs Management Grand Prix. In addition to the "People First" programmes mentioned above, Shiseido's culture of placing importance on social value and our philosophy that company and business activities are made possible by sustainability in society, contributed to this recognition. The growth of a company can only be sustainable when a virtuous cycle exists in which economic and social value are mutually enhanced. While economic value is necessary for the survival of a business, we believe that social value is what makes a company needed by society. For instance, sustainability issues and the SDGs are becoming increasingly important factors in customers' choices of products and services. Likewise, employees increasingly want to join a company not because it is a trillion-yen company, but because it provides some value to society. I believe that if a company does not properly engage in sustainability practices, the company's existence itself will not be tolerated.

When we first embarked on our organisational reforms, we started by creating a video representation of what kind of company we wanted to be. Transforming a company means changing the organisation, but the truth is that people do not change so easily. It is hard enough to change yourself, much less other people. However, while it is not easy, you can awaken the innate qualities of the people in an organisation. People do adjust to the atmosphere of a place, creating a new place, is tantamount to a company transformation.
Enhancing corporate value and public value even during the COVID-19 crisis

Kazushi Shimizu
Representative Director and President & CEO
Sumitomo Riko Company Limited

Sumitomo Riko’s vision

The Sumitomo Riko Group has set our corporate vision to be a “Global Excellent Manufacturing Company,” a corporation that contributes to the safety, comfort, and environment of people, society, and the Earth. In May 2018, we released the “Sumitomo Riko Group 2022 Vision (2022V)” as our mid-term business vision. Under the 2022V plan, the Group aims to use its core competencies in “polymer materials technology” and “comprehensive evaluation technology” to achieve further growth in our existing businesses, as well as to research and develop materials and technologies that create new value, aiming to create social value by developing products and services in the four areas of automotive (mobility), infrastructure and housing environment, electronics, and healthcare. We believe that the creation of social value is only possible by improving both corporate value (financial targets) and public value (non-financial targets). In 2029, our Group will celebrate its 100th anniversary, and we aim to be an indispensable part of society at that time. Thus, we ask our employees to approach their work in the spirit of our Management Philosophy as well as “Shinyo-kakujitsu,” “Fusu-furi” and “Banji-nissei” embraced in the Sumitomo Spirit. We aim to always be worthy of trust and to be sincere in all our businesses.

Our growth and contribution to society during the COVID-19 pandemic

In terms of the business environment, in July last year we announced our annual earnings estimate at a loss of 7.2 billion yen in operating profit. However, when we published our financial results in February of this year, we forecasted a recovery to an annual operating profit of five billion yen. This can be attributed to the fact that we did not have to carry out any large-scale personnel cuts, but rather shut down the company when there was no work to be done, allowing everyone to take a break. In addition, we took the opportunity to rethink improvements in factories that we had been unable to do in normal times, resulting in improved productivity and
ways of working. The improvements are an accumulation of extremely small steps. For example, we always talked about the need to completely separate the paths of forklifts from people to ensure safety in our factories, but changing factory layout was very difficult while production continued. So, we took the opportunity to stop everything and start all over again. In the business unit, most of our employees who were posted overseas returned to Japan, but advances in IT and the development of local staff’s capability kept work flowing. Our first quarter results, which were our biggest worry, were ready on time. From the standpoint of business continuity throughout the supply chain, we once again thoroughly enforced rules throughout all companies in accordance with the Subcontract Act. At the same time, even when we had to change the production site of one of our overseas locations due to the continuous shutdown of operations, we were able to ship quality-assured products from the new location. I feel that this succession of events has led to considerable growth.

One of our contributions to society during the COVID-19 crisis has been our Body Motion Sensor, a unique technology that enables the simultaneous measurement of vital data such as heart rate and respiration. Using this technology, a research and development team including Osaka University are developing a system to detect early signs of respiratory deterioration. There is great concern over sudden changes in the condition of patients with COVID-19 infections. With this system, it will be possible to monitor patients online at all times, allowing those caring for patients to respond quickly without having to keep making rounds of the hospital. Alternatively, with increasing strain on the number of hospital beds across the country, this technology could lead to safer recuperation at lodging facilities or at home. This technology contributes to reducing the risk of severe infections due to sudden changes in condition and also helps to reduce the risk of infection among healthcare workers. These efforts have been the focus of our contributions related to the current COVID-19 pandemic.

Body Motion Sensor that measures biometric data such as heart rate and respiration

In anticipation of support from investors and government

Unlike the automotive sector, which is our mainstay, the healthcare sector into which our Group has newly entered, is not yet at a stage where sufficient profits can be generated. However, we are operating our business with the hope of contributing to society and believe that we must be actively involved in creating public value through our business. I hope that investors will recognise these efforts and give us positive ratings. I would also like to emphasise our strong commitment to environmentally-friendly vehicles in the automotive sector. We manufacture fuel hoses for petrol cars, and people sometimes say to us, “What will happen when everyone switches to electric cars and your hoses aren’t needed anymore?” However, even the ultimate eco-car, run on a fuel cell, will still need hydrogen fuel hoses to carry the hydrogen. Likewise, electric cars, which are mainly motor and battery powered, of course use a lot of anti-vibration rubber to provide stability and comfort. We also offer a wide range of technologies, products and solutions, including a new range of products for battery cooling. In consultation with our customers, car manufacturers and suppliers, we strive to find ways to make cars more comfortable to drive, lighter, more fuel-efficient and more environmentally friendly. We would like to highlight each one of these activities for investors’ further understandings.

In order for eco-friendly vehicles to become widespread, wide-scale infrastructure, such as charging stations and hydrogen stations, is required. This is an area where we would like to see a strong commitment from the national government. In Japan, regulations are so strict that compared to the one billion yen required to set up a single hydrogen station, a petrol station can be built for around 100 million yen. A petrol station used to cost about one billion yen, but became much cheaper to set up once they were more common. China is making a lot of progress under the leadership of its government, and if Japan does not look ahead and make the necessary changes, I am worried that we will be left behind in the world.

Looking to the future

Under the Sumitomo Spirit, which is the foundation of our Group’s management, we focus on creating social value by working to provide solutions to social issues through our business activities, and by engaging in new business with a view to what the future will bring. The COVID-19 pandemic has changed the world dramatically, and demand has also changed considerably. As such, we have begun to consider new strategies for our next mid-term business vision. We are not yet at a stage where I can talk about specifics, but we have no intention of changing our basic philosophy of combining corporate value with public value, and we are discussing the direction in which the business as a whole should move while maintaining this balance. For example, we intend to strengthen our efforts in decarbonisation and introduce these types of initiatives into our activities overall.
Being the person that comes to mind when help is needed

Taiyo Jyuken is a construction company based in Yokohama, Japan, with solar power and the home renovation business as our mainstay. Our mission is “to enrich our customers’ homes through our work, just as the earth is enriched by the blessings of the sun”. We strive in our work to make a good impression on our customers and to make them feel happy that they chose Taiyo Jyuken. That is why we believe in putting forth +1% effort on top of our one hundred percent.

We aim to be a company that is needed by the community and to contribute to society through our core business. In 2013, we were awarded the highest level of certification as a company that contributes to the local community by the city of Yokohama. Furthermore, in 2019, we were selected as one of only five companies to receive “Premium Certification”, an honor even higher than the highest level of certification. Our contribution to the SDGs through the installation of solar panels and utilisation of vacant houses was what led us to this recognition.

The opportunity to begin contributing to the local community came in our second year of operation. The business environment was harsh, and when I reflected on the situation, I realised that although we were a local company, we did not have a single job in the local area. I felt something had to be done, so I started to take part in local clean-up activities and neighbourhood associations. Gradually, the people of the town began to recognise me. I also began to notice the problems faced by the local community and got involved in providing solutions through our business. We learned that to get involved with the community, we must first go out and get to know the town ourselves. Currently, I serve as a team leader of the Yokohama South team of Green Bird, a certified non-profit that organises community clean-up activities. I am also active as a board member of the certified non-profit Shimin Sector Yokohama, the representative director of the YOKOHAMA Living Lab Support Office, and a district coordinator for the Yokohama SDGs Design Center.

Utilisation of vacant houses for decentralised disaster management during the COVID-19 crisis

I often go to various places as a disaster recovery volunteer. In Kumamoto, I witnessed problems like a collapsed local community hall that was intended to be a community evacuation centre but could not be used, and evacuation centres that were located too far away for people to reach. While noticing the difficulty of evacuation and the vulnerability of homes, I also knew that the number of vacant houses was increasing. Thus, the idea of turning vacant houses into bases for disaster prevention came to mind.

Opening up a part of our company to the community as an “Urban Design Centre” is another reason why we have a strong connection with the local community. As we became more integrated into the town, I felt strongly about providing a place where townspeople could gather and relax, so we opened up part of our office. It is also used by local administration and neighbourhood associations. When we opened up our company, people began to bring up problems faced by the town, and we began to work together to find solutions. Nowadays we get a lot of enquiries, such as on the day after a typhoon. We are very grateful we are the people who come to mind, and who people contact when problems arise. Now, solutions to the problems of the local community have taken shape in the form of our vacant house project.

Preparing for earthquakes

Vacant house → Community evacuation site

Turning vacant houses into bases for disaster prevention
for disaster prevention was born. If vacant houses could be used as disaster prevention bases, they would be particularly useful for a decentralised evacuation during the COVID-19 pandemic and also as emergency shelters for pets. Accordingly, in collaboration with a local company, we installed solar panels and an earthquake-proof shelter at a vacant house. We have also done the same in the vacant houses that we rent, providing a decentralised source of energy at the time of disasters.

The ground floor of the “YWai Hiroba”, which serves as an example of utilisation of vacant houses, serves as a community space and is free of charge for the local community to use. The second floor is occupied by businesses that want to connect with the community and that pay us rent for the space. We once did a DIY project with local people using this community space. This led to the creation of a new activity during the pandemic that we called “Solar Crew”: The aim of the project is to renovate vacant houses across Japan hand in hand with local people, converting these houses into spaces for learning, playing, working and lodging. We involve local people in the creation stage (SDG Goal 12: responsible consumption and production), and work together to create “sustainable communities” (SDG Goal 11).

On the other hand, the pandemic has made it more difficult to install solar panels on welfare evacuation shelters. Originally, we had set the goal of installing solar panels at 432 welfare evacuation shelters in Yokohama by 2030, contributing to 19,440 kW (12.15% of the total target for solar panel installation in Yokohama), and we involved people with disabilities in the installation. However, during the COVID-19 pandemic, even relatives are unable to visit family members in welfare facilities, and we have been unable to continue operations. In order to cover these losses, we began to work with new power producers and suppliers on installations under the “Zero Yen Solar” scheme led by Kanagawa Prefecture. The “Zero Yen Solar” scheme allows customers to install solar panels for zero yen and purchase the electricity produced. We have also done the same in the vacant houses that we rent, providing a useful for a decentralised evacuation during the COVID-19 pandemic and also as emergency shelters for pets. Accordingly, in collaboration with a local company, we installed solar panels and an earthquake-proof shelter at a vacant house. We have also done the same in the vacant houses that we rent, providing a decentralised source of energy at the time of disasters.

Taking our work to the world stage and expanding our partnerships

When our company started working on the SDGs, we were connecting our existing activities to a few of the SDGs. However, when asked about our company goals for 2030, we were unable to answer. That is when I started to seriously study the SDGs. The difficult part was linking the SDGs, which are global goals, to our company’s goals. However, after reading the city of Yokohama’s action plan on global warming, we were able to identify the city’s solar goals and link them to our company goals. Then, we were able to hold discussions among employees and develop a 10-year business plan.

In 2019, we took to the stage at a side event of the UN High-level Political Forum on Sustainable Development in New York to share our SDGs efforts with the world. It was a great opportunity for us to review our initiatives to date in depth, and it gave our employees a boost of confidence. The people of our community were very pleased about this presentation. Likewise, we were able to expand our network with like-minded companies.

We would like to continue to work closely with the town and local administration. In particular, we would like to work with local care homes and social welfare councils that are aware of the community’s problems and activities. In our energy business, we have set goals that we cannot achieve on our own, so we intend to work hand in hand with other businesses in Yokohama. We believe the goals for solar energy set by the local administration will be achieved by companies like ours. We are grateful if the administration shares information on our activities because this leads to the greater credibility of our company.

To date, we have communicated our goals and progress in relation to the SDGs in our SDGs Report. From 2020, we began holding an annual “Local SDGs Conference” to engage in dialogue with our stakeholders. We will continue to communicate our efforts to the world through our reports and conferences, while remaining close to our local community.
Top-down and bottom-up approaches to ESG challenges

ESG initiatives in The Nabtesco Way

Nabtesco was born from the merger of Teijin Seiki and Nabco in 2003. Nabtesco’s business expands to a wide range of fields, including industry, daily life and the environment, with a focus on motion control technology that moves and stops objects with precision. Precision reduction gears for industrial robot joints, brake systems for railway vehicles, flight control actuation systems for aircraft flight control, travelling units for excavators—many of our products function in less visible areas, but their reliable performance supports the safety, security and comfort of people around the world, as well as the infrastructure of our society.

In 2012, ten years after the merger, we established “The Nabtesco Way”, consisting of our corporate philosophy, the Nabtesco Promises and our Action Guidelines, in order to enhance the cohesive power of our organisation, which had expanded along with business growth. The Nabtesco Way is a code of conduct shared by each and every employee that forms the basis for approaching work and decision-making. Through its implementation, we seek to meet the expectations of our stakeholders. In our medium-term management plan, which began in 2017, we have made “focus on solving ESG issues” one of our commitments. Specifically, we have established our materiality and have been working on solutions for each of them.

One good example of one of our initiatives is our response to climate change. Alongside setting targets for reducing CO₂ emissions in 2020, 2030 and 2050, based on 2015 emissions, we have established concrete measures, such as the introduction of solar power systems. Progress towards our targets, along with other environmental indicators, is reported monthly at executive board meetings. Furthermore, with the aim of becoming a resilient organisation for sustainable growth, we place great importance on Business Continuity Power (BCP). As such, we have promoted acquisition of Resilience Certification (Certification for Organisations Contributing to National Resilience) for all domestic Group production sites. We also offer a diverse array of training menus, including BCP awareness seminars and development courses, so that our clients can benefit from the BCP know-how we have acquired.

We try to quantify these efforts as much as possible so that they can be visualised as outputs. These are some of the ways in which we are working to “focus on solving ESG issues”.

Katsuhiro Teramoto
Representative Director, President & CEO
Nabtesco Corporation

[Corporate Philosophy]
The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation.

[Nabtesco’s Promises]
1. Value close communications with our customers worldwide
2. Value each individual’s spirit of challenge and innovation
3. Continue to expand our business and profit
4. Continue to reinforce our sense of ethics and highly transparent business activities
5. Value the environment and promote harmony with local communities and cultures

The Nabtesco Way Conceptual Diagram, “Corporate Philosophy”, “Nabtesco’s Promises”.

An example of resilience certification

Putting into Practice: Executive Interviews
Awareness of the SDGs

What are the SDGs? From the perspective of Japan, for example, Chapter Three of the Japanese Constitution, “Rights and Duties of the People”, already contains elements of the SDGs, such as non-discrimination on the basis of race, creed, gender, etc., rejection of slavery, and freedom from poverty. Of course, the constitution does not mention CO2 emissions as it is more than 70 years old. However, we recognise the SDGs to be an extension of the ideas that Japanese people have long protected and nurtured. They also add in contemporary issues and giving us new insights. I believe that the SDGs express the will of the people of the world regarding how we are to live on one planet.

COVID-19 as the impetus for improving ways of working and BCP

In the early days of the pandemic, we did not know how the COVID-19 was transmitted or how to respond to it. We not only encouraged hand washing and wearing masks, but also adopted a rotating work scheme and encouraged employees to work from home as much as possible. Even after the first state of emergency ended, we did not immediately call off telecommuting. Instead, we set up a response policy based on maintaining management functions by striving to continuously provide products and services, while placing the highest priority on the safety and health of all stakeholders, including employees, customers and suppliers. This policy continues today. Alongside this policy, our move to online operations was accelerated, but the transition has been smooth because we had already been moving online in various ways as part of our work style reform initiative started in 2017. This move was a part of the ways of working reforms in our company and had nothing to do with our COVID-19 response. It is not so much that COVID-19 changed our approach, but rather that it proved we were moving in the right direction with our reforms.

We also created a smart bonus system to reduce overtime work. The costs saved by reducing overtime work are returned to the employees who cooperated in the reduction, rather than considered company profit. We are now seeing the results of our work style reforms, such as established telecommuting, overtime reduction and increased use of paid leave.

When it comes to business continuity planning (BCP), we had originally envisioned natural disasters such as earthquakes, floods and other water-related disasters. Even as South East Asia was facing issues with malaria and dengue fever, the fact that we were not paying attention to infectious diseases has been a point of reflection for us. Based on our experiences during the present pandemic, we incorporated infectious diseases in our BCP planning, including what should be done first if something similar happens again. The pandemic has also given us the opportunity to rethink our BCP in order to be prepared for any eventuality.

Top-down and bottom-up responses

At the beginning of the Suga administration, the Japanese government declared its aim to achieve carbon neutrality by 2050 towards stopping temperature increase below 1.5℃. Applying this to Nabtesco, a simple calculation shows that we need to reduce our CO2 emissions by more than double. We have a long-term target for a 2℃ scenario, but I have also ordered a simulation of the investment and workforce required to achieve 1.5℃ target. The results of this study will be available by about the middle of 2021. We feel that management needs to be very conscious of the issue of climate change.

At certain times, such as in the case of our climate change response, I give directives. However, in many cases, such as on human rights issues or BCP, various departments or employees become aware of an issue and raise it from the bottom up. Recently, based on the opinion of one employee who wanted to do something to help society, we began producing face shields for medical professionals. This is an example of using our 3D printer technology to contribute to the community, led by the Production Innovation Division.

I want all of our employees to feel confident that all the work they do contributes to society. Without the parts and components that we make, trains and planes would not run and our social infrastructure would come to a halt. We provide products that are indispensable to society in the spirit of ensuring the safety and security of society. We will continue to work together to create a better world by applying our technology and know-how to solutions for our society.
The corporate philosophy of the Nihon Unisys Group is to “work with all people to contribute to creating a society that is friendly to people and the environment”. This year marks the 62nd anniversary of our founding. As a systems integrator, we are proud of the contribution we have made to Japan’s information society and to providing solutions to our customers’ management issues.

Contributing to society through a "business ecosystem"

In recent years, we have advocated the idea of “business ecosystems”. This is based on the idea that the Nihon Unisys Group can only do so much on its own, but that by creating an ecosystem, we can achieve great things. By bringing together the strengths of a wide range of companies from different industries and working together, we are able to take on the challenge of solving major social issues that no single company or organisation can achieve alone.

Social issues that await solutions and areas of focus

Our focus is in areas where solutions to social problems are needed, and where we can make the most of the assets (e.g. capital, know-how) of the Nihon Unisys Group, as well as the assets of participating stakeholders. To be more specific, every year Japan suffers disasters that are said to occur only once every 50 or 100 years. Rather than dealing with “climate change”, it is necessary to deal with the “climate crisis”. It is also important to create resilient communities where people can live safely and securely even in the face of an epidemic. As regional
development is not leading to regional revitalisation, addressing the inequality between urban and rural areas is also a major challenge. At the heart of our work is the desire to create a diverse and inclusive society where everyone can express their individuality and live with respect for others. We are drawing up scenarios for the future, looking ten years ahead to 2030, the deadline for achieving the SDGs.

Healthy sense of crisis and excitement about the future as the driving force

The driving force behind the concept of a business ecosystem is a sense of crisis and the desire to use this sense of crisis as a springboard to do more exciting work.

As a systems integrator, we typically take action upon customer request. On the other hand, IT and digital technologies can not only be used to change business processes, but also to provide new added value. We envisaged a situation where the customer does not have an answer, meaning they have no way of making a request to us. If customers are not coming to us with requests, we realised that if we could show them some possibilities first, we could inspire each other and challenge ourselves to create new added value together. This kind of work is more exciting for both our employees and our customers.

This was around the time when the words ‘start-up’, ‘venture’ and ‘open innovation’ were emerging. Up to that point, companies carried out thorough risk checks to ensure that they would never fail. While this may be necessary, it is not exciting. It is more exciting and easier to take on challenges when we allow room for failure and learning from failure. We often say that the KPI for success is the number of failures. The corporate culture has changed, as has the way our customers have come to view us. They used to think that we performed our work diligently enough, but something was missing. Now they see us as a company that is working to stay a half a step ahead, and that works with them.

Using the power of digital to change the world, even during the COVID-19 crisis

In the process of reforming our corporate culture, we fostered independence and initiative. The proposal-oriented business structure that resulted was a key factor in our response to the COVID-19 crisis. Our employees took the initiative to do what they could to help society and our customers who were suffering as a result of the pandemic.

Not only do we provide telecommuting tools free of charge, but we also provide free visualisation tools that can monitor what is happening in various places. These are helping to support airports, companies and other sites where disruptions have occurred. These tools can also be used in the event of other disasters unrelated to COVID-19.

We also created a system to distribute coupons digitally, using blockchain, between smartphones. Restaurants were facing a difficult situation due to stay-at-home requests. We aimed to help with the shortage of funds by providing restaurants and hotels free of charge with a mechanism to distribute electronic tickets for pre-paid reservations. The same mechanism is also being applied to facilitate advance bookings to avoid overcrowded situations.

We also observed difficulties faced by essential workers, such as those working in supermarkets, during the stay-at-home period. We thought that a system for placing orders using AI would help them in their work and also reduce food loss. Likewise, during the pandemic, we have sped up work on a major project of the Cabinet Office to create a platform for medical workers. Our employees are taking the lead in these initiatives.

Why ESG investment?

ESG investment has been around for a long time, but it is not about attracting investment by applying a CSR/CSV way of thinking as is often thought. ESG is important because it is connected to the SDGs and is about creating new markets. The question is whether or not companies can discover business opportunities with ESG. Investors essentially look not only at the strength of the company, but also at the growth of the market itself, and invest where the positioning is promising. Companies that do not position themselves in this way will be forced to operate in shrinking markets or markets with penalties, and will be abandoned by investors.

An exciting future that we "WANT"

Going forward to the year 2030, the target year of the SDGs, we would like to contribute to realising a sustainable society by further developing business ecosystems and providing a platform that can visualise, show and match services, products, companies and users that enable solutions to social challenges through the power of digital technology, as ‘digital commons’. At the same time, we believe that providing solutions to social problems and the SDGs will be difficult to achieve if we view it as something we ‘MUST’ do.

It is more exciting and rewarding to engage in daily work with a sense of ‘I want to do this’ than a sense of ‘I ought to do this’.

In the same way, we want our efforts to solve social challenges to grow out of something we ‘WANT’ to do, not something we ‘MUST’ do. When people engage in activities with passion and enjoyment, amazingly many people are drawn in to work together. When we work together to solve social issues and contribute to society with a sense of excitement, behavioural change also takes place. I believe that each and every one of us changing our behaviour can be a major force for change in society. This is why I hope that as many employees as possible will be inspired to approach their work in this way.

Let us find out what we ‘WANT’. Let us have a corporate culture that enables us to make what we ‘WANT’ a reality. If one company cannot do it alone, then let us involve various companies to create a business ecosystem and develop it into the digital commons. If we let our ‘WANTS’ shine through and light our way, we can create an exciting future where everyone lives happily.

This is the message I always give to my employees.
Detailed corporate disclosure essential for investment: reporting as a learning opportunity

ESG during the COVID-19 crisis

In terms of the impact of the COVID-19 pandemic on ESG initiatives, social issues, the “S” within ESG, have begun to receive more attention. There are gaps between companies, even within the same sector, that have been able to respond and those that have not, in terms of how they utilise their employees and the work environments in which employees are placed. Further, it is important not only to be able to respond, but to be able to respond quickly. The ability to respond when something happens is linked to the evaluation of a company’s future growth and crisis management capacity.

Green recovery from the COVID-19 crisis and commitment to Net Zero

Meanwhile, the EU and other countries are promoting a post-COVID-19 “green recovery”, which incorporates green elements in economic remedies and other measures. In the background of these efforts are commitments already made by the UK and the EU in 2019 to be carbon neutral by 2050, the so-called Net Zero commitment. The European Green Deal was also announced in December 2019. The European Green Deal is a climate change policy designed to bring about behavioural change in all stakeholders towards net zero. It will likely lead to behavioural change not only for companies, but also for investors.

In October 2020, Prime Minister Suga declared that Japan will be carbon neutral by 2050, signaling a move in the direction of a decarbonised society. Likewise, measures have been proposed by various ministries and agencies towards realising a decarbonised society. It will be important not only to develop new technologies, but also to make use of existing technologies and to promote renewable energies. The direction investors move in is also important. Where Japan’s limited assets can be directed and utilised will be important as well. Japan does not have an adequate mechanism for asset owners to invest in the creation of a decarbonised society. We need to change this.

Long-term investments that promote corporate sustainability strategies

Long-term investment provides important support for companies with long-term sustainability strategies in place. A company’s financial information, along with corporate ESG information, is used to assess its sustainability and growth. Materiality (key issues) is a dynamic and evolving concept. Materiality changes due to changes in laws and policies, risk-related changes, and changes in societal expectations and norms. Engagement happens when an investor, after having invested in a company thinking it was a good investment, approaches that company having judged that it is not keeping pace with changes. This engagement takes place when the need arises to suggest improvements in the corporate behaviour of an investee, to improve potential returns or to reduce risk.

As I mentioned, materiality is a dynamic concept, evolving with changes in law, policy, societal expectations and norms. With the creation of the Stewardship Code and the Corporate Governance Code, materiality has changed significantly. It is evolving even further after the declaration of decarbonisation policy. For long-term investors like pension funds and insurance companies, looking at ESG issues is a way to manage risk and generate income. It is important to consider the future of the beneficiaries who pay into pension funds and to look at this type of responsible investment and ESG from the perspective of fiduciary responsibility.

Detailed corporate disclosure is essential

In order to achieve a decarbonised society, it is important that operating companies establish and implement mid- to long-term reduction targets in their business strategies. In the area of climate change, publication of the TCFD recommendations has created a globally-shared framework for disclosure. In order for stakeholders to be able to assess how companies are planning for the transition to a sustainable economy, disclosure with a more long-term perspective, and in line with TCFD recommendations, is ideal.

Likewise, investors must possess the capacity to evaluate their investments to determine whether they are headed towards decarbonisation, so educating them on the impacts of climate change is important. Investors and banks need to be knowledgeable, consider scenario analysis as part of their investment portfolio and investment and lending decisions, and engage with operating companies. This requires operating companies to report accurately on their emissions. Mandatory disclosure is required in addition to voluntary disclosure by
companies. In the UK, companies listed on the London Stock Exchange have been required to report their emissions in their annual financial reports since 2013.

In other countries, companies and investors have made progress as a result of policies and regulations, and Japanese companies with overseas investors have responded accordingly. However, I hope that the number of companies that accurately report their emissions and disclose their reduction targets will increase, bearing in mind that Japanese investors are also taking action. This is an issue that urgently needs to be addressed.

Medium- and long-term planning of the Principles for Responsible Investment (PRI)

The Principles for Responsible Investment (PRI), which drive ESG investment, were launched in 2006 as a framework to encourage institutional investors to invest for the long term. We believe that taking ESG issues into account in the investment decision-making process can drive value change. Ten years after its launch in 2016, the PRI announced its plans for the next ten years, and we have now reached the halfway point in our activities. Broadly speaking, there are three main areas of activity.

We believe in the importance of "responsible investors", and therefore are working to empower asset owners. We see the need to support the incorporation of ESG issues, foster a community of active owners and increase the number of investors taking on leadership roles.

The existence of “sustainable markets” is important, as they challenge the barriers to a sustainable financial system. We also believe that ensuring meaningful data is widely available in markets is essential.

Concerning “a prosperous world for all”, in 2015, two major frameworks with global implications were established: the Sustainable Development Goals (SDGs) and the Paris Agreement. The PRI believes it is important to work towards achieving these goals, and addressing them is one of our key priorities for the next ten years.

Hope for public pensions following GPIF

The role of public sector pensions is important in promoting initiatives in Japan. GPIF becoming a signatory to the PRI and its ESG initiatives have had a significant impact on Japanese companies. Unfortunately, however, for quite a long time, there have been no other public pension funds to follow the GPIF. Pension funds have large assets and are operated from a long-term perspective; thus, they can wield major impacts if investment mechanisms change.

In December 2020, the Federation of National Public Service Personnel Mutual Aid Associations announced its intention to promote ESG investment. This is a welcome move. If other pensions are to change, the will of the people is key—the people who will receive these pensions in the future. We need to get people who are currently paying into their pensions interested, but the challenge is the lack of widespread education on finance and investment in Japan. Each one of us must think about what kind of money movements are necessary to achieve the kind of world we aim for. I hope that members of the corporate sector will take a similar interest in corporate pensions.

Reporting as a learning opportunity

We often hear about resistance to reporting and the burden of it, but companies can make new discoveries in the process of reporting. This is true not only for companies, but also for investors. Transparency is enhanced when investors endorse and sign the PRI and engage in reporting. There needs to be more focus on what investors are doing across Japan. Responsible investment is essential to tackle environmental challenges and move towards a society that can achieve the SDGs. We need money to go to companies that work hard, and we need to put in place the mechanisms to make this happen.
Annex:
Overview of the Sustainable Development Goals
Report 2020

The original text is available here.
The world was off track to end poverty by 2030. Covid-19 causes the first increase in global poverty in decades. Natural disasters exacerbate poverty.

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Covid-19 is an additional threat to food systems. Small-scale food producers are hit hard by the crisis. Comprising 40%—85% of all food producers in developing regions.

Ensure healthy lives and promote well-being for all at all ages.

The pandemic has interrupted childhood immunization programmes in around 70 countries. Illness and deaths from communicable diseases will spike.

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Progress towards inclusive and equitable quality education was too slow. Inequalities exacerbated by COVID-19. In low-income countries, children’s school completion rate is 79% in richest, 34% in poorest. 20% of households in low-income countries have basic handwashing facilities critical for COVID-19 prevention.

Overview
Overview

Some countries experience a funding gap of 61% for achieving water and sanitation targets.

Despite progress, billions still lack water and sanitation services.

Achieve gender equality and empower all women and girls.

Women bear additional duties and burdens during the pandemic.

Ensure access to affordable, reliable, sustainable, and modern energy for all.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Women are on the front lines of fighting the coronavirus.

Women already spend about three times as many hours in unpaid domestic and care work as men.

Global economic growth was slowing down.

The world faces the worst economic recession since the Great Depression.

COVID-19 could cause the equivalent of 400 million job losses in second quarter of 2020.

3 billion people worldwide lack basic handwashing facilities at home & it is the most effective method for COVID-19 prevention.

Women represent 25% in leading public agencies, 33% in local government, 30% in law enforcement.

Women account for 70% of health and social workers, 25% in national parliaments, 36% in local government (2020).

Fewer girls are forced into early marriage & more women are in leadership roles.

Cases of domestic violence have increased by 30% in some countries.

Energy efficiency improvement rate falls short of 3% needed.

Energy efficiency improvement rate is increasing.

Share renewables of total energy consumption is 17%.

Financial flows to developing countries for renewable energy are increasing.$21.4 billion in 2018 compared to $15.8 billion (2017).

1 in 4 people lack safely managed drinking water.

8.8 billion people lack safely managed sanitation services.

1.6 billion workers in the informal economy risk losing their livelihoods.

The Sustainable Development Goals Report 2020

Overview
**Overview**

**Before Covid-19**

**Covid-19 Implications**

**Income Inequality**

Income inequality was falling in some countries

- The Gini index measures income inequality and ranges from 0 to 100, where 0 indicates that income is shared equally among all people, and 100 indicates that one person accounts for all income.


**The most vulnerable groups are being hit hardest by the pandemic**

- Older persons
- Persons with disabilities
- Children
- Women
- Migrants
- Refugees

**Global recession could squeeze development aid to developing countries**

- Resource flows for development:
  - $420 billion (2010)
  - $271 billion (2018)

- 54% of countries with data have a comprehensive set of migration policies.

**Make cities and human settlements inclusive, safe, resilient and sustainable**

**Before Covid-19**

- The world’s urban population living in slums rose to 24% in 2018.

**Covid-19 Implications**

- Over 90% of COVID-19 cases are in urban areas.
- Air pollution caused 4.2 million premature deaths in 2018.

- 47% of population are within 400 metres walking distance to open public spaces.

**Ensure sustainable consumption and production patterns**

**Before Covid-19**

- The world continues to use natural resources unsustainably.

**Covid-19 Implications**

- The pandemic offers an opportunity to develop recovery plans that build a more sustainable future.
**Overview**

### Before Covid-19

Global community shies away from commitments required to reverse the climate crisis.

#### Covid-19 Implications

- **Ocean acidification continues to threaten marine environments and ecosystem services**
  - A 100–150% rise in ocean acidity is projected by 2100, affecting half of all marine life.

- **Conserve and sustainably use the oceans, sea and marine resources for sustainable development**
  - Global marine key biodiversity areas covered by protected areas increased from 30.5% in 2000 to 44.8% in 2019.

- **Serve fisheries contribute to GDP**
  - In small island developing states in Oceania, the global average least developed countries, it is estimated that 1.5% of GDP is contributed by sustainable fisheries.

### Covid-19 Implications

- **COVID-19 may result in a 6% drop in greenhouse gas emissions for 2020**
  - Still short of 7.6% annual reduction required to limit global warming to 1.5°C.

- **Surveys and provisions under international law**
  - 60% of countries have prison overcrowding, risking the spread of COVID-19.

- **Wildlife trafficking disrupts ecosystems and contributes to the spread of infectious diseases**
  - The world is falling short on 2020 targets to halt biodiversity loss. Over 31,000 species are threatened with extinction, and biodiversity continues to decline.

### Climate Change continues to exacerbate the frequency and severity of natural disasters

- Floods, massive wildfires, hurricanes, and droughts affect more than 39 million people in 2018.

- 127 countries have adopted right-to-information or freedom-of-information laws.

### The Sustainable Development Goals Report 2020

- 97 countries signed the Agreement on Port State Measures, the first binding international agreement on illegal, unreported and unregulated fishing.

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- 2019 was the second warmest year on record. Global temperatures are projected to rise by up to 5°C by 2100, affecting half of all marine life.

- The global homicide rate has declined slowly, translating to 440,000 homicide victims worldwide (2015) and 450,000 (2018), corresponding to 5.9 and 5.8 per 100,000 population, respectively.

- The world is falling short on 2020 targets to halt biodiversity loss, with only 30.5% of forest areas protected or managed effectively.

- The equivalent of 370,000 pangolins were seized globally (2014–2018).

- The global rate of land on earth is degraded, affecting some 3.2 billion people, driving species to extinction and intensifying climate change.

- Only a third of 113 countries were on track to achieve their national target to integrate biodiversity into national planning.

- The number of people fleeing war, persecution and conflict exceeded 79.5 million, the highest level ever recorded.

- COVID-19 implications further threaten global peace and security. 5.9% of countries have prison overcrowding, risking the spread of COVID-19.
Before Covid-19

- Children are regularly exposed to multiple forms of violence. Nearly 8 in 10 children (1-14 years)
- An estimated 379 million children missed school meals because of school closures during the pandemic.
- The global gains in reducing child labour are likely to be reversed for the first time in 20 years.
- 80-year-olds are dying from coronavirus at 5X the average rate.
- Existing patterns of discrimination may be entrenched by the crisis.
- Remittances to low- and middle-income countries—an economic lifeline for many poor households—are projected to fall.
- Fixed-broadband subscriptions per 100 inhabitants in 2019: Developed countries 33.6, Developing countries 11.2.
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- International funding for data and statistics was $500 million in 2017, only 0.06% of what it needs to be.

Covid-19 Implications

- Only half the level it needs to be.
- Remittances to low- and middle-income countries—an economic lifeline for many poor households—are projected to fall.
- The well-being of millions of children and youth will be affected by the crisis.
- The global gains in reducing child labour are likely to be reversed for the first time in 20 years.
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