

Investigative Research Report Concerning the Desirable State of
Efforts and Partnerships with International Organizations, the
Government, and the Industrial World Aimed at Resolving Social
Issues (Such As the SDGs)

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Chapter 1: Introduction

1.1 Objective of This Investigation

Since the holding of CSR Forum Japan in the fiscal year 2004, Business Policy Forum, Japan has continued to assume a variety of perspectives in taking up themes related to companies' efforts and progress toward CSR (corporate social responsibility), the state of Japanese companies within the global market, and the various tasks pertaining to CSR. In "Investigative Research Concerning International CSR Strategies for Strengthening the Competitiveness of Japanese Companies," the topic in the fiscal year 2015, we reported the difficulties Japanese companies face in connecting the social issues of developing nations to business opportunities in the process of promoting CSR in emerging nations. In particular, it has been discovered that identifying target social issues and selecting partners such as local non-governmental organizations (NGOs) are common challenges for Japanese companies (refer to report from FY 2015).

On the other hand, the Sustainable Development Goals (SDGs), which were adopted as new international targets in 2015, are common global targets regarding social issues on a global level, including not only developing nations, but advanced nations as well. The achievement of these targets requires, on an international level, the proactive efforts of not only nations, but of companies as well.

Concerning company efforts toward such global social issues, there is naturally a limit for efforts developed by single companies. It is thought that in order to implement such efforts more effectively, partnerships between companies, international organizations, the government, NGOs, and so forth are necessary.

Based on such an awareness of the issues, at CSR Forum Japan in the fiscal year 2016, the decision was made to consider the desirable state of efforts and partnerships with international organizations, the government, and the industrial sector aimed at resolving social issues (such as the SDGs).

In this investigative research, first, analyses were carried out regarding the state of companies' efforts toward social issues with a focus on the SDGs, as well as the state of partnerships based on the below items.

- Reports at CSR Forum Japan regarding companies and related organizations
- A questionnaire issued to Japanese and European companies, and
- Meetings with advanced Japanese and European companies, as well as related organizations

Then, based on these analyses, an attempt was made to make recommendations regarding the desirable state of companies' efforts toward social issues, as well as partnerships.

1.2 Background

In Japan, efforts toward CSR began to become generalized in 2003, which is said to be the first year of CSR. At the time, due in part to repentance regarding corporate scandals that occurred in the beginning of the 2000s, the matters of compliance, the environment, and social contributions were what could be called the traditional efforts of Japanese companies. Afterward, due to the influence of such policies as The Ten Principles of the UN Global Compact and the Global Reporting Initiative's G4 Sustainability Reporting Guidelines, to which many Japanese companies referred to create CSR reports, an awareness gradually developed regarding the breadth of the range of CSR targets.

In 2010, accompanying the publication of the handbook for ISO26000 (pertaining to social responsibility guidance), the broad concept of CSR was understood in the form of the handbook's seven core subjects. In ISO26000, social responsibility is defined as "the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior," giving more focus to the negative aspects brought about by the activities of organizations. Further, in "United Nations Guiding Principles on Business and Human Rights," which was adopted in 2011, the formularization regarding the negative impacts that businesses have on human rights became clearer.

On the other hand, concurrent with such movements, concepts such as strategic CSR and CSV (Creating Shared Value), which focused on the positive impacts that the activities of businesses have on society, also spread. As a result, the expectations placed on companies simultaneously headed in the direction of resolving social issues through business.

In its CSR strategy published in 2011, the European Commission defined CSR as "the responsibility of enterprises for their impact on society," and, as an element of this definition, positioned the concepts encompassing the components of "maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large"—that is, the positive impacts—and "identifying, preventing and mitigating their possible adverse impacts"—that is, avoidance of the negative impacts—as CSR.

In this way, amidst movements related to the development of CSR, the "2030 Agenda for Sustainable Development" was adopted at the General Assembly of the United Nations in September of 2015 as an agenda following in the footsteps of the Millennium Development Goals (MDGs), which were adopted in 2000. The 2030 Agenda includes the Sustainable Development Goals (SDGs) comprised of 17 goals and 169 targets.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

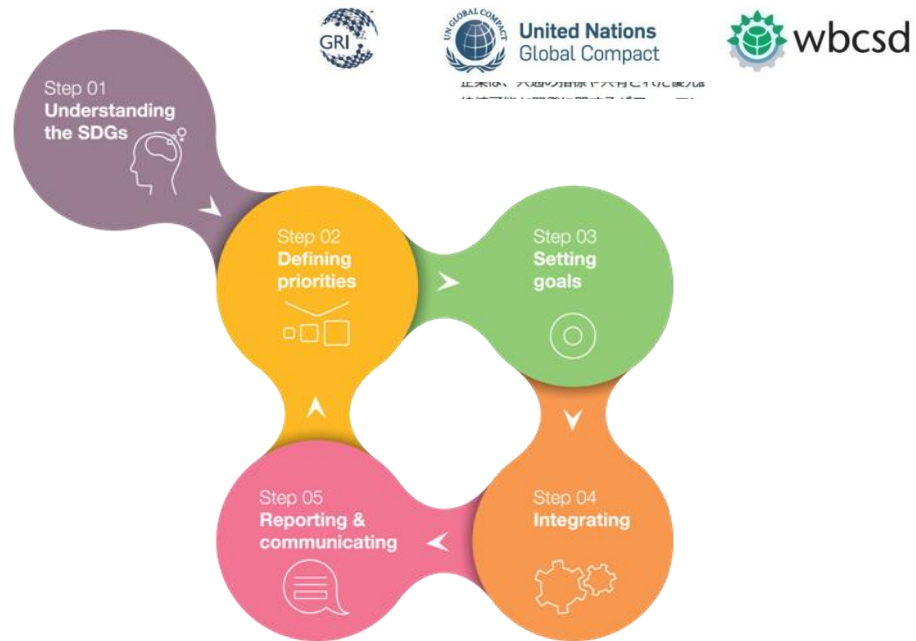


The 17 Sustainable Development Goals (SDGs)

Source: United Nations Information Centres homepage

While the MDGs were strongly associated with developed nations supporting developing nations and expectations toward companies were also included, there was a tendency to understand even related industries as having limited involvement. Conversely, for the SDGs, which are defined as common global targets including both developed and developing nations which are based on proposals by developing nations, it is not even necessary to refer to Goal 17, which mentions partnerships; the SDGs possess comprehensiveness that necessitates the involvement of all of the world's companies, and international society's expectations regarding corporate contributions toward the achievement of the SDGs are extremely high.

There are also various international activities being carried out to clarify corporate contributions to the SDGs. For instance, the SDG Compass is a tool that was jointly formulated by the World Business Council for Sustainable Development (WBCSD), the UN Global Compact, and the Global Reporting Initiative (GRI) to analyze and report the SDGs.



The Process of the SDG Compass

Source: SDG Compass Corporate Action Indicators for SDGs

At the same time, there are also expectations that efforts toward the SDGs will produce great economic effects, giving way to business opportunities for companies. At the 2017 World Economic Forum, an investigative team made up of the global leaders of the economic world carried out a report stating that "having companies achieve the UN's Sustainable Development Goals (SDGs) will generate at least \$12 trillion in economic value and create employment for up to 380 million people by 2030."

On the other hand, the road toward accomplishing the SDGs is not an easy one. Germany's Bertelsmann Foundation individually analyzes the current SDG achievement status of 149 countries around the world in its report "SDG Index & Dashboards." According to this report, Japan is positioned in 18th place, but even so, of the 17 goals, "the color green", which indicates achievement, is limited to the three items of "quality education," "clean water and sanitation," and "industry, innovation and infrastructure." In "color red", which indicates that achievement is far off, are the seven items of "no poverty," "gender equality," "affordable and clean energy," "climate action," "life below water," "life on land," and "partnerships for the goals."

In addition, in this evaluation, four Nordic countries occupied the top four spots, and all of the spots up to 10th place were European countries. As the SDGs are international targets, there is a tendency to think of them as mainly being issues for developing countries, but for Japan as well, it is necessary to put efforts toward social issues not only overseas, but also domestically.

SDG DASHBOARD



SDG Dashboard (Japan)

Source: "SDG Index & Dashboards" report, Bertelsmann Foundation

In response to such activities by international society, the Government of Japan, ahead of other countries, formulated and officially announced the Sustainable Development Goals (SDGs) Implementation Guiding Principles in December of 2016, setting forth the direction for Japan's efforts toward the SDGs.

The Outline of the SDGs Implementation Guiding Principles (provisional translation)

- Vision: Set out a vision for Japan to be the champion of sustainable and resilient society in which "no one is left behind." Japan intends to be a leader in creating a better future, in which the three dimensions of sustainable development, namely, economic, social, and environmental are improved in an integrated manner.
- Implementation Principles: (1)Universality, (2)Inclusiveness, (3)Participatory, (4)Integration, (5)Transparency and Accountability
- Follow-up cycle: Expected to conduct a first follow-up by 2019

[Eight Priority Areas and Policies]

(1) Empowerment of All People

■ Realization of Dynamic Engagement of All Citizens ■ Promotion of Women's Role in Society ■ Measures against Child Poverty ■ Assistance to People with disabilities for Social Participation and Self-reliance ■ Promotion of Quality Education

(2) Achievement of Good Health and Longevity

■ Measures against Antimicrobial Resistance ■ Enhancing Developing Countries' Health Sector and Improving Their Public Health and Measures against Infectious Diseases ■ Tackling the Issues Associated with Aging Populations in Asia

(3) Creating Growth Market, Revitalization of Rural Areas, and Promoting Technological Innovation

■ Creating Markets with Potentials ■ Revitalizing Villages around Seas, Mountains, and Farmlands ■ Improving Productivity ■ Science and Technology Innovation ■ Sustainable City

(4) Sustainable and Resilient Land Use, Promoting Quality Infrastructure

■ Creating Resilient Land and Promoting Disaster Risk Reduction ■ Water Resource Development and Measures on Water Circulation ■ Promoting Quality Infrastructure Investment

(5) Energy Conservation, Renewable Energy, Climate Change Measures, and Sound Material-Cycle Society

■ Introduction and Promotion of Renewable Energy ■ Measures against Climate Change ■ Establishing Recycling-based Society

(6) Conservation of Environment, including Biodiversity, Forests and Oceans

■ Measures against Environmental Pollution ■ Biodiversity Conservation ■ Sustainable Use of Forest, the Oceans, and Land Resources

(7) Achieving Peaceful, Safe and Secure Societies

■ Tackling Organized Crime, Human Trafficking, and Child Abuse ■ Peacebuilding and Assistance for Reconstruction ■ Promotion of the Rule of Law

(8) Strengthening the Means and Frameworks of the Implementation of the SDGs

■ Multi-Stakeholder Partnership ■ Mainstreaming SDGs in International Cooperation ■ Assisting Developing Countries to implement SDGs

Source: Sustainable Development Goals (SDGs) Promotion Headquarters homepage

Within those principles, the below content is stated with regard to private companies.

“For the achievement of the SDGs, it is critical that not only the public sector, but also the private sector contribute to solutions for the public agenda. Private technologies and resources are necessary for the success of the SDGs. In addition to conventional corporate social responsibility (CSR) activities, some companies have already begun engaging in activities that contribute to solutions to social issues by incorporating the SDGs into their core business. The Government of Japan welcomes this trend and will enhance cooperation with the private sector by sharing the good practices on advanced implementation measures and by giving incentives through awards and other means, with the goal of the further implementation of the 2030 Agenda. The government will also make efforts to create an environment conducive for companies in the private sector to foster innovation in their business.

“In particular, the private sector needs to implement sustainability-oriented initiatives such as “business and human rights,” Environmental, Social and Governance (ESG) investment, and social bonds, in order to proactively address public agendas related to environmental, social, governance issues and human rights. These initiatives are also critical for Japanese companies to maintain their competitiveness in the global market and to avoid falling behind in meeting global investor evaluation criteria, which increasingly focus on the ESG fields. The Government of Japan will implement policies to help companies meet these requirements and will support the private sector in conducting related activities.”

By their nature, companies are organizations with the primary purpose of pursuing profit, and do not set the resolution of social issues as their primary purpose. However, there have been investigations indicating that in recent years, in conjunction with issues such as corporate scandals and human rights violations, civil society's level of trust toward companies has fallen on a global level. From that angle as well, international society has viewed corporate efforts to resolve social issues such as the SDGs with increasing stringency. In particular, in a context where one can even see situations of companies' economic power growing to rival that of mid-sized nations, surely it is natural to find that the responsibility companies have toward society has grown to a comparable degree.

Meanwhile, among advanced companies, there have been some cases of companies transforming their business models with the intent of putting forth efforts to resolve social issues, and tying that in with the comprehensive improvement of corporate value including the development of new markets, the enhancement of productivity, and so forth. To companies, the resolution of social issues does not have to be simply social contributions separated from business; it can also be perceived as a new business opportunity. If companies stop adhering to business extending from convention and are able to accurately grasp these new business trends that accompany changes in world affairs, it is conceivable that in the future, they will be able to aim for improved competitive power.

As the SDGs in particular are comprehensive targets established for international society, there is a strong possibility that they will exert a great influence on future business needs. Needless to say, viewed from a medium- to long-term standpoint, the SDGs are something that companies should certainly be aware of, and cannot afford to ignore, for corporate management.

Against this background, we will analyze the current state of Japanese companies and, as benchmarks, of European companies, and starting from the next chapter, we will consider the direction for Japanese companies and the situation surrounding them.

Chapter 2: The Situation of Japanese and European Companies' Efforts and Partnerships Aimed at Resolving Social Issues (Such As the SDGs)

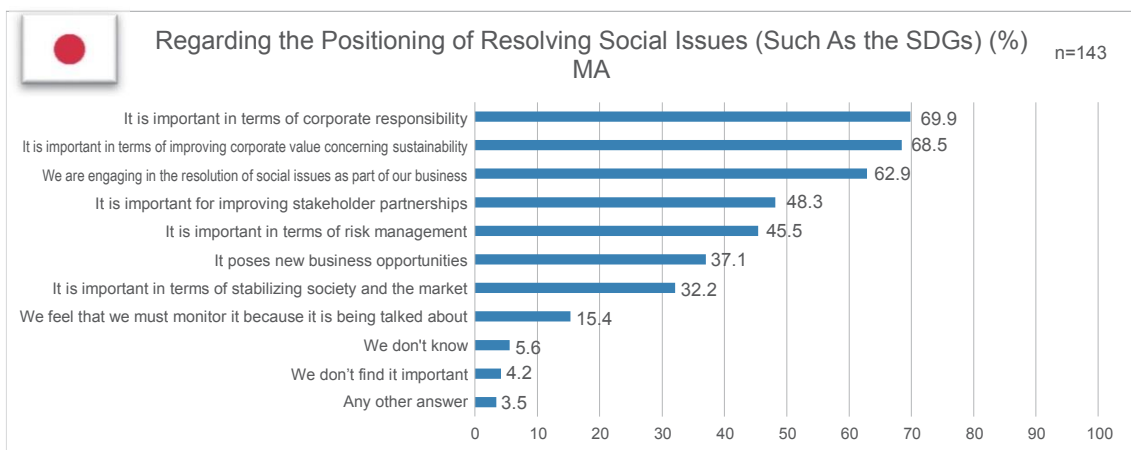
2.1 Comparison of Questionnaire Results for Japanese and European Companies

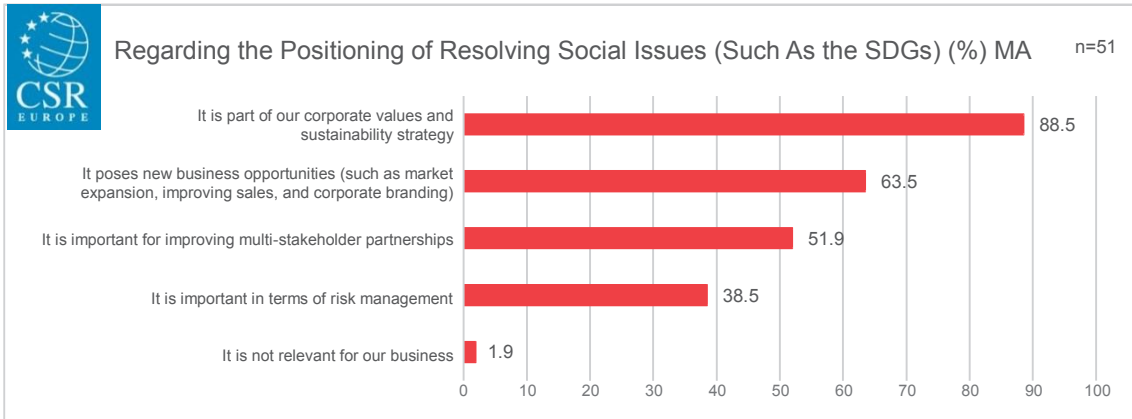
In order to grasp the situation and actual state of Japanese and European companies' efforts and partnerships with international organizations, the government, and the industrial world aimed at resolving social issues (such as the SDGs), we conducted a questionnaire, and received responses from 143 Japanese companies and 52 European companies.

A comparison of the response results is as follows.

[(1) Positioning of the Resolution of Social Issues (Such as the SDGs [Sustainable Development Goals])]

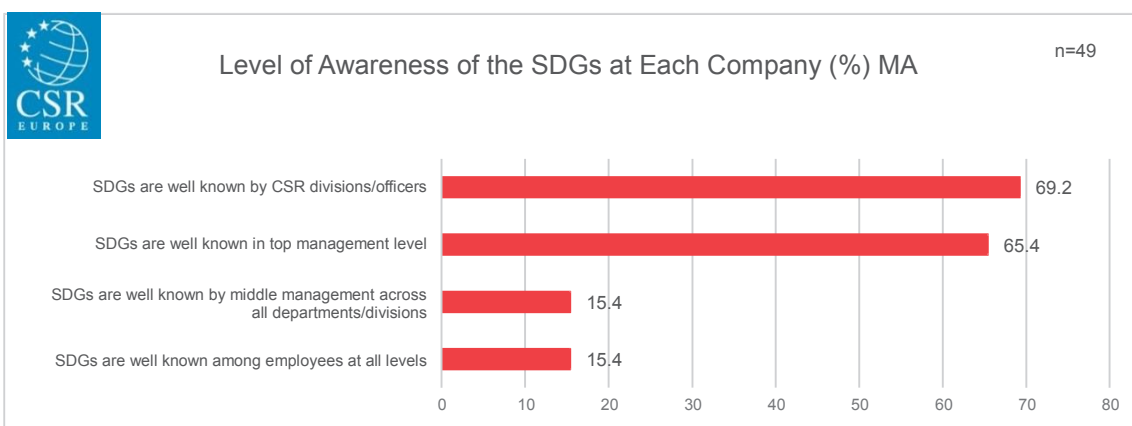
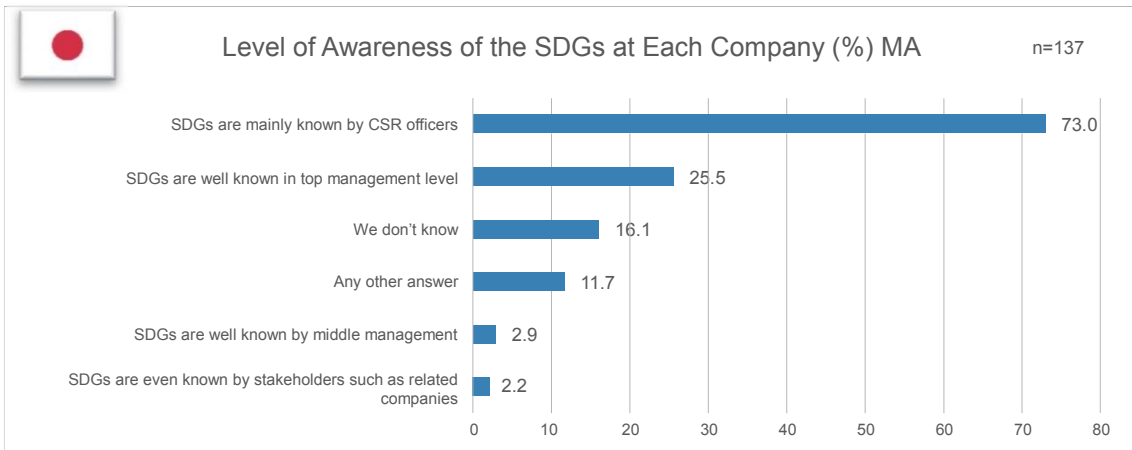
- Both Japanese and European companies were similar in that there was a high tendency to find social issues (the SDGs) to be important in terms of improving corporate value concerning sustainability. However, more European companies perceived the SDGs as business opportunities.
- In both Japan and Europe, there were a fair number of companies that felt the resolution of social issues was important for improving stakeholder partnerships, as well as companies that felt it was important in terms of risk management.
- About 4% of Japanese companies did not find the resolution of social issues important, and about 2% of European companies felt that the resolution of social issues was not relevant for their business. Both of these numbers were low.





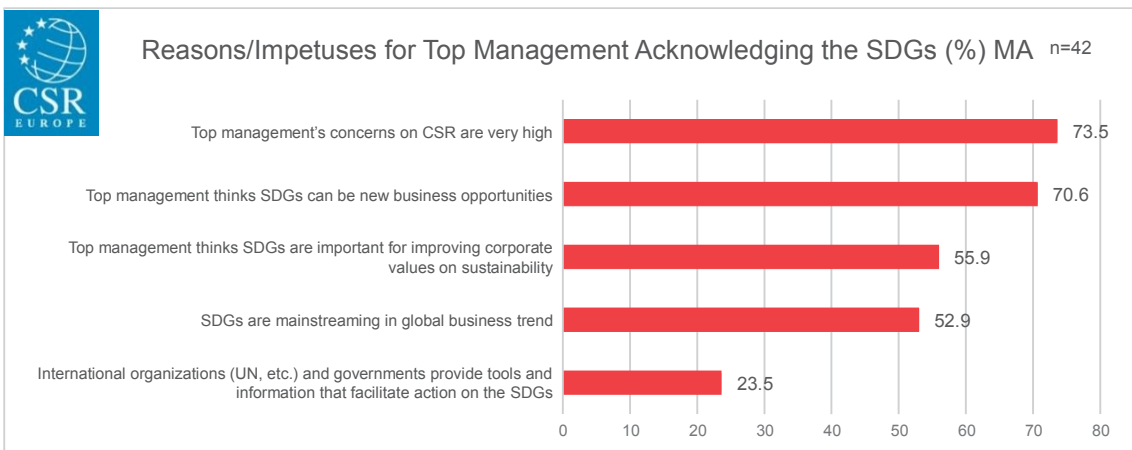
[(2) Level of Awareness of the SDGs]

- The highest proportion for both Japanese and European companies was SDGs being known by CSR divisions, but a defining characteristic of European companies is that a high level of SDG awareness was demonstrated not only by CSR divisions, but by top management as well.



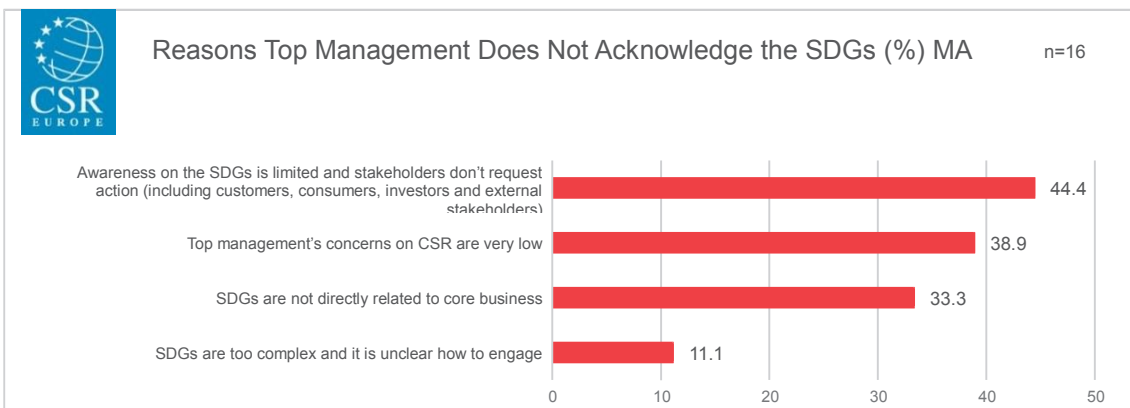
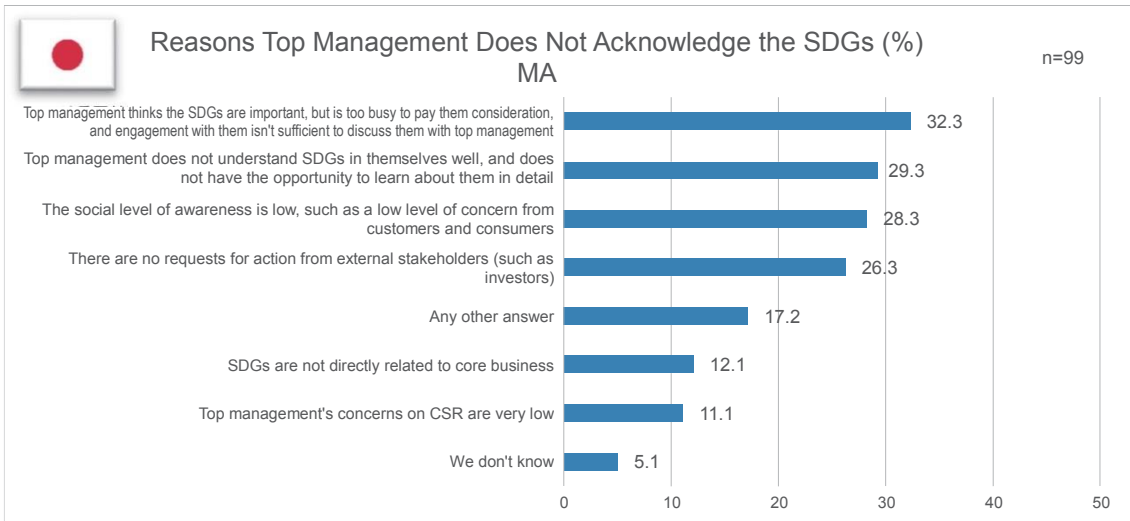
[(3) Reasons/Impetuses for Top Management Acknowledging the SDGs]

- Comparing the reasons/impetuses for top management acknowledging the SDGs, first, it can be cited that compared to Japanese companies, the top management in European companies had an elevated level of interest regarding items such as CSR from the start. In addition, it was evident that compared to Japanese companies, a high proportion of the top management in European companies perceived the SDGs as new business opportunities.
- While approximately 20% of Japanese companies responded that the reason for top management acknowledging the SDGs was that they were becoming mainstream in terms of global business trends, over 50% of European companies responded as such.



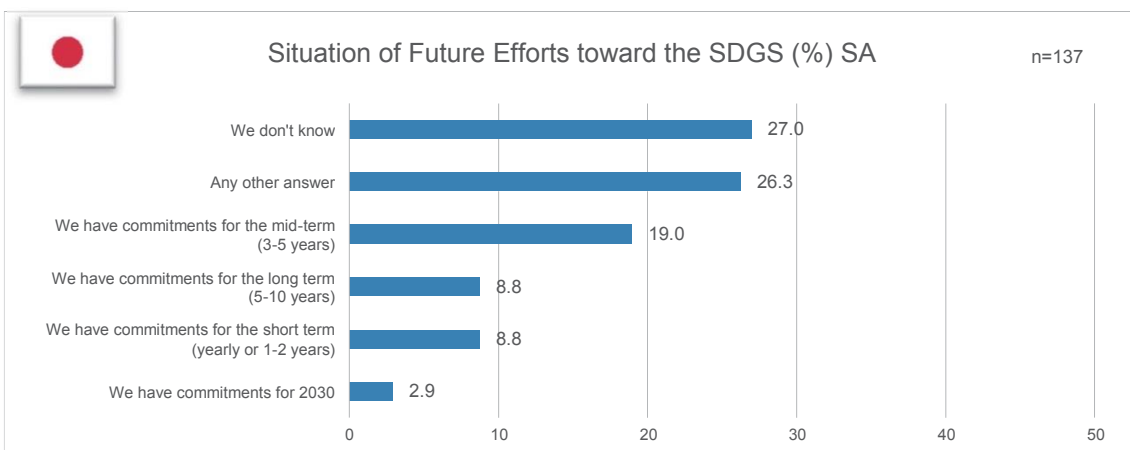
[(4) Reasons Top Management Does Not Acknowledge the SDGs]

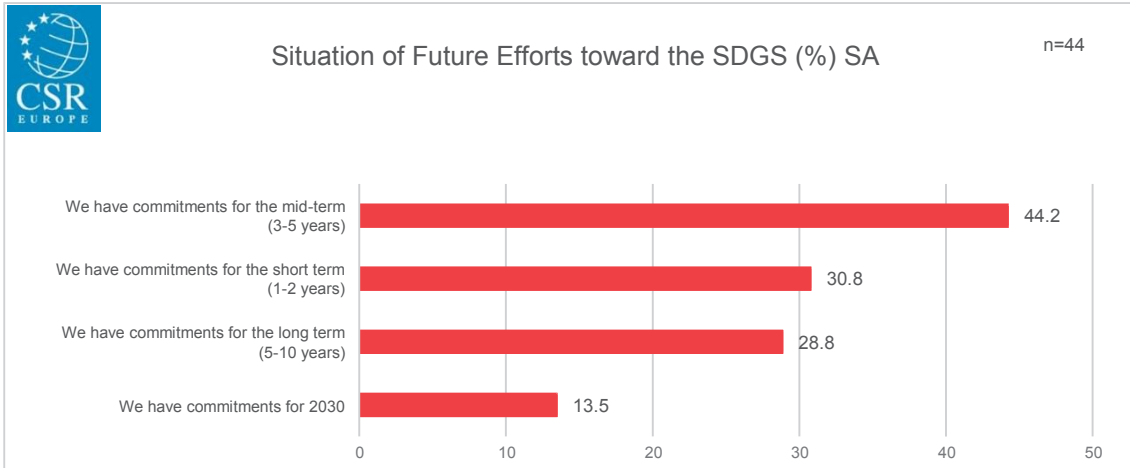
- At Japanese companies, the internal factor of SDG efforts within companies not being very far along was given as a major reason, but at European companies, a high proportion of responses cited that there were no requests from external stakeholders.



[(5) Situation of Efforts toward the SDGs]

- Japanese and European companies were similar in that there was a strong tendency to have medium-term commitments, but a higher proportion of European companies had medium- and long-term commitments.
- Approximately 14% of European companies responded that they plan to commit until 2030, the target year for achievement of the SDGs, indicating a high proportion compared to Japanese companies (with approximately 3%).





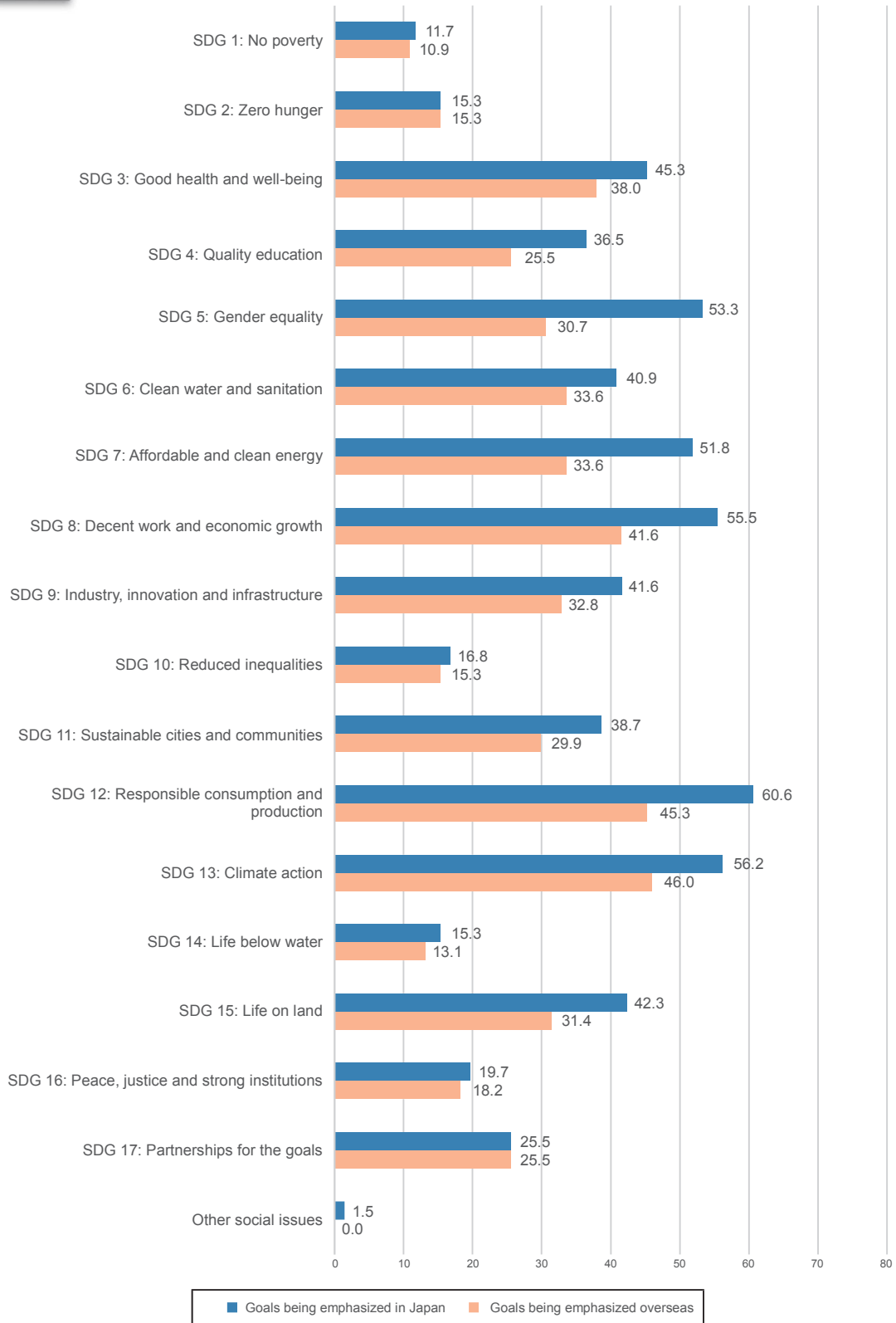
[(6) The SDGs Being Emphasized]

- In terms of the SDGs being emphasized, SDG 12 (responsible consumption and production) had the highest proportion for Japanese companies, followed by SDG 13 (climate action) and SDG 8 (decent work and economic growth). For European companies, SDG 3 (good health and well-being) was selected the most, followed by SDG 8 (decent work and economic growth) and SDG 13 (climate action). Both Japanese and European companies emphasized climate action, decent work and economic growth, and responsible consumption and production.
- In terms of SDGs that were not highly emphasized, SDG 14 (life below water) was common for both Japanese and European companies. As for points of difference, a defining characteristic is that the figures for SDG 1 (no poverty), SDG 2 (zero hunger), and SDG 10 (reduced inequalities) were extremely low for Japanese companies, but these items did not substantially differ from the other SDGs for European companies.



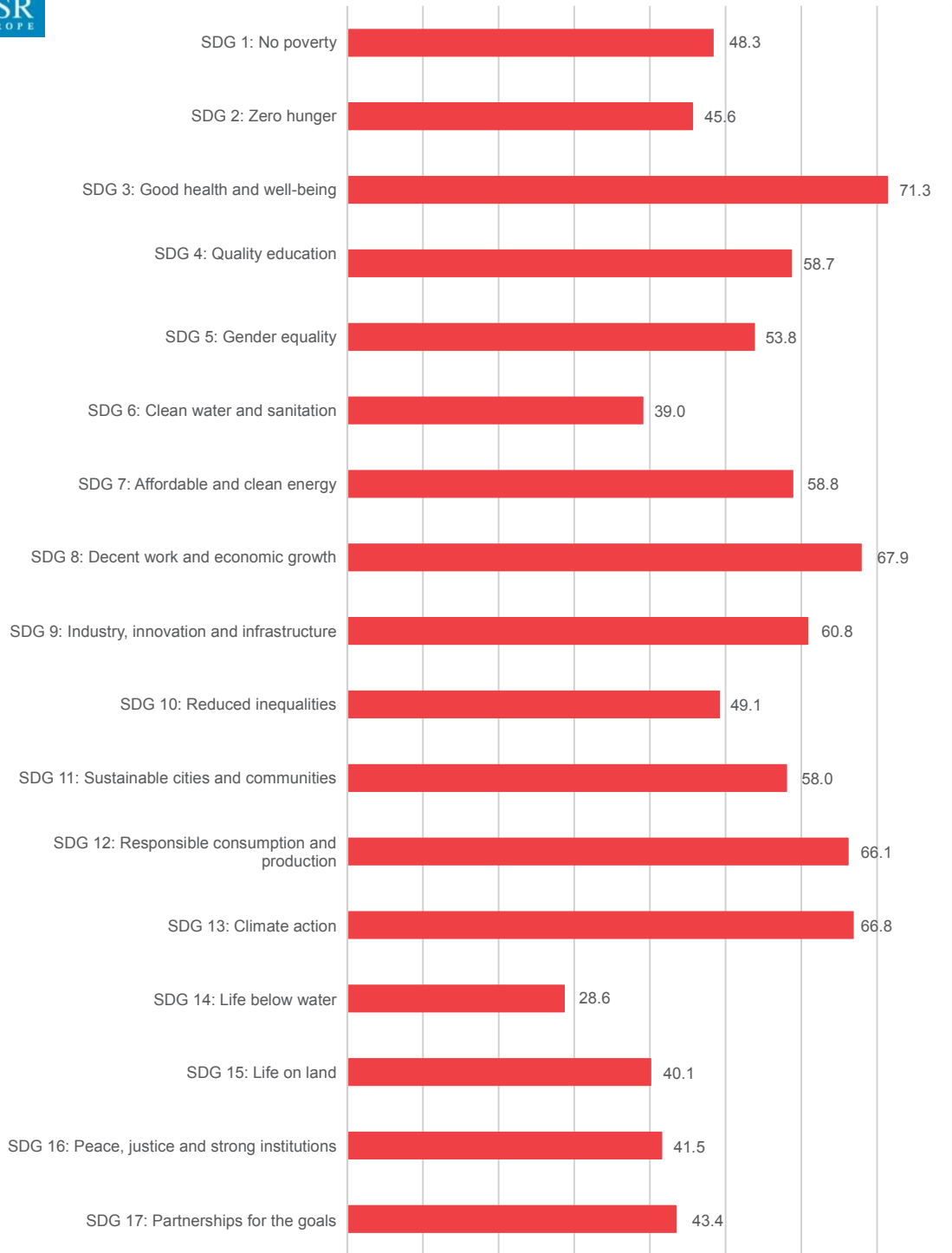
SDGs Being Emphasized (Domestic & Overseas) (%) MA

n=137



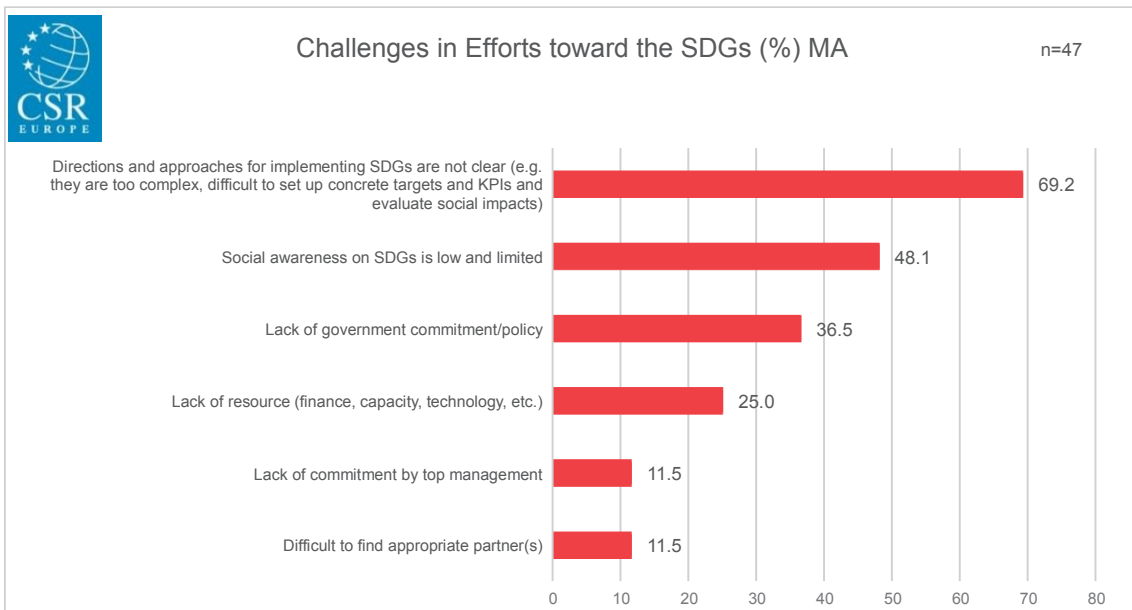
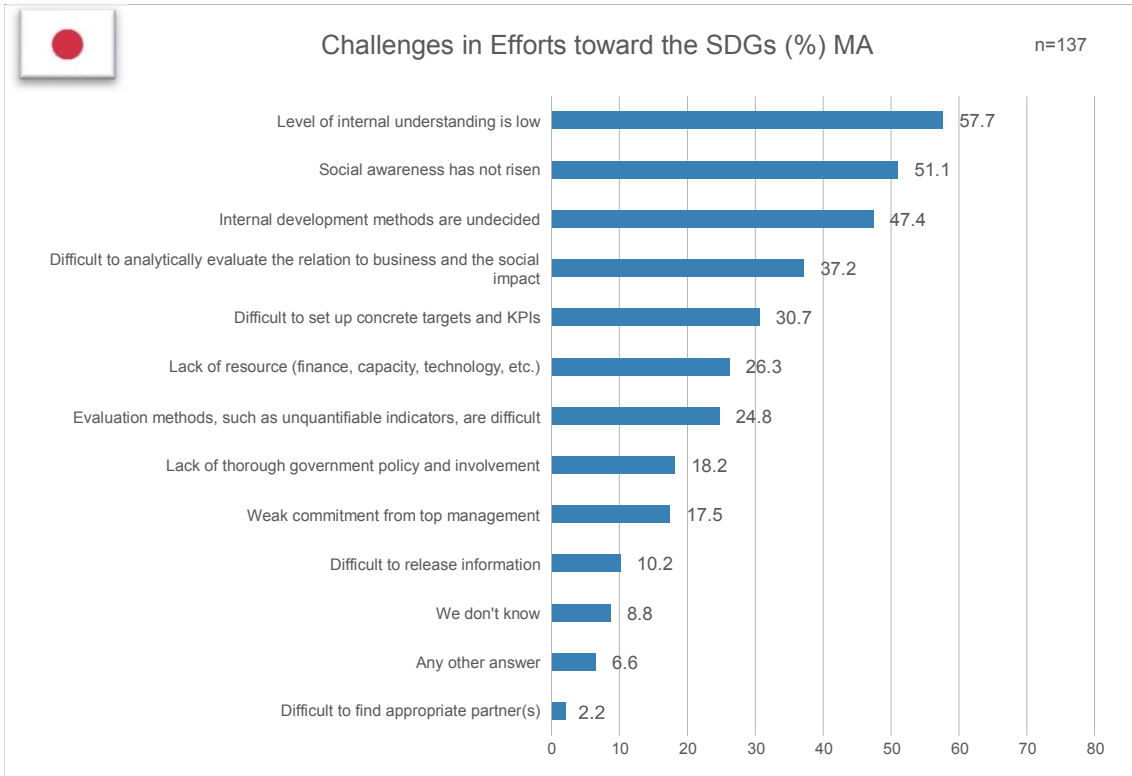


Issues of Priority Concerning Business for Each Company (SDGs) (%) MA n=48



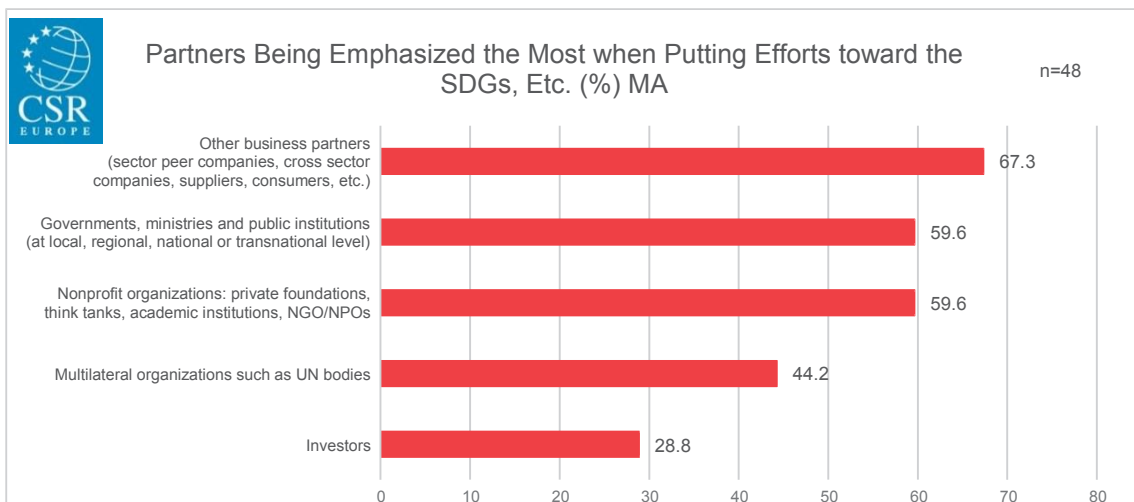
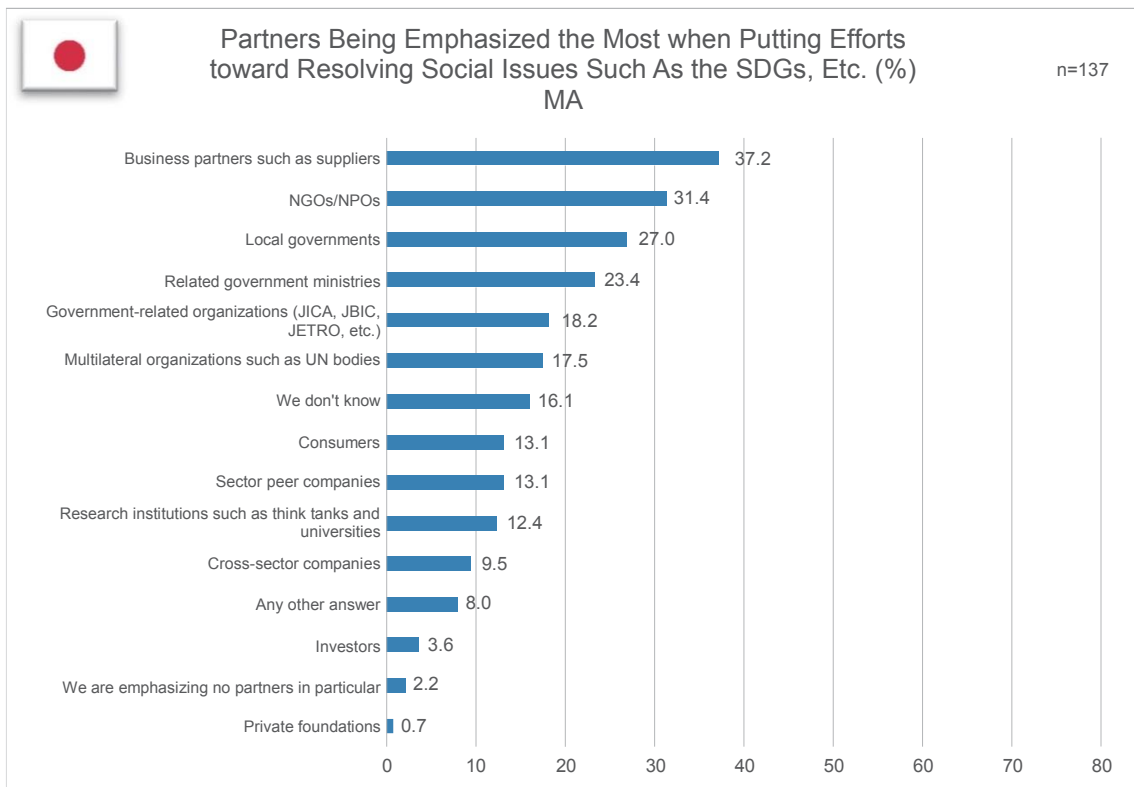
[(7) Challenges in Efforts toward the SDGs]

- For Japanese companies, lack of SDG understanding and awareness both internally and externally were larger challenges, but for European companies, the aspect of directions and approaches being unclear was the largest challenge.
- Lack of resources, weak commitment from top management, and difficulty in finding appropriate partners were not cited as very large challenges for either Japanese or European companies.



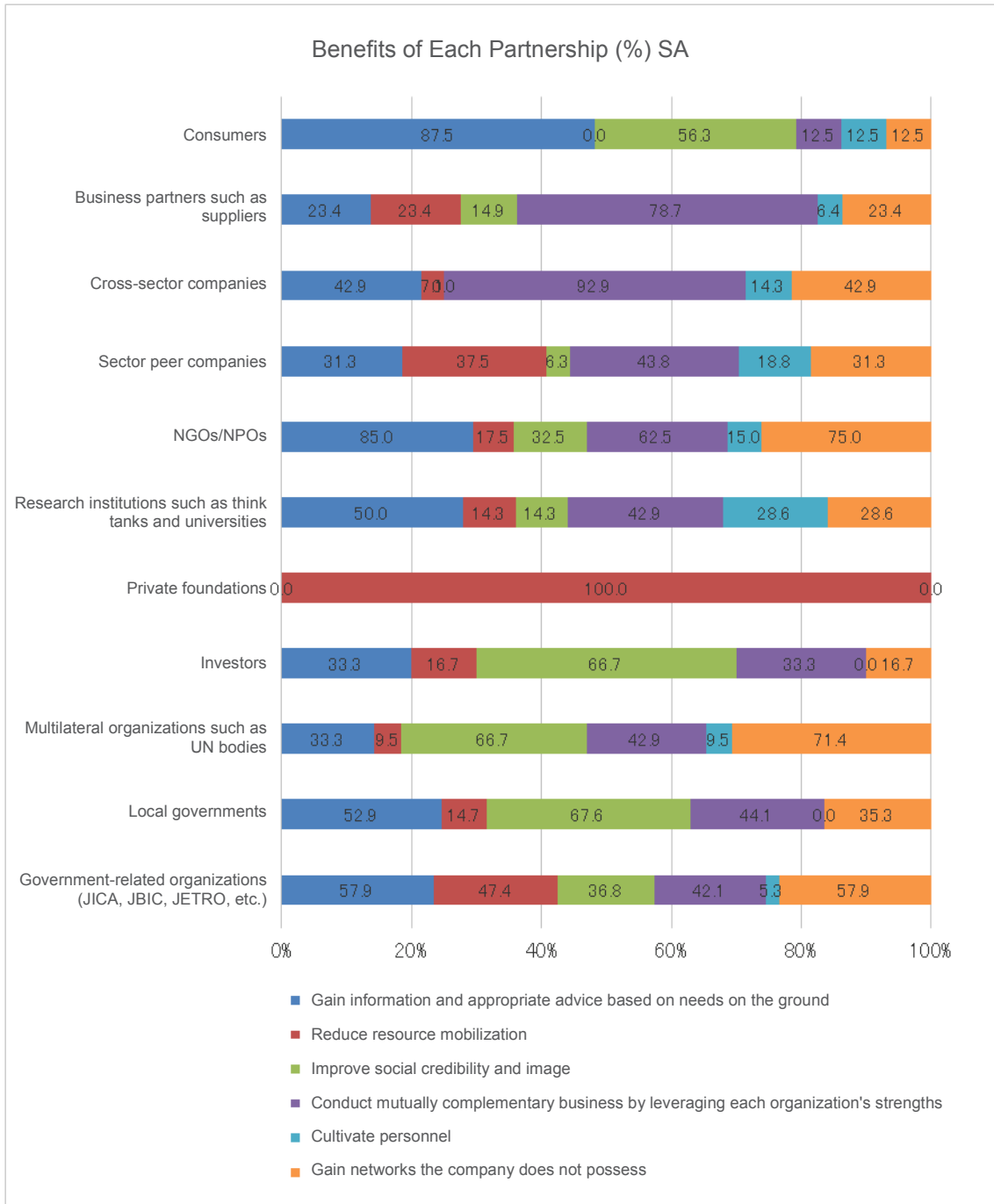
[(8) Partners Being Emphasized for the SDGs]

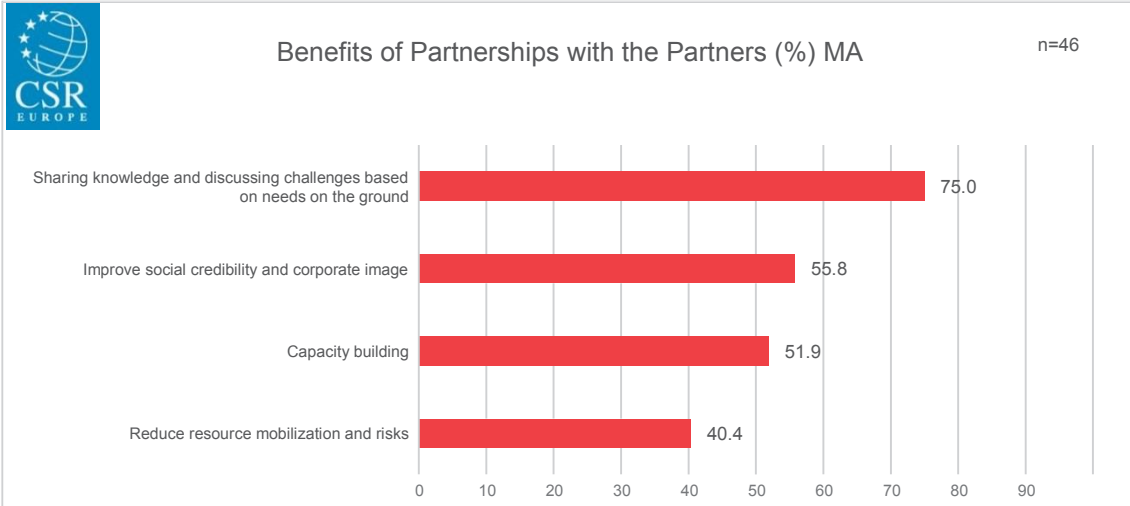
- Both Japanese and European companies emphasized business partners the most as partners.
- For Japanese companies, there was a high proportion of emphasis on NGOs/NPOs, and a tendency to emphasize these more heavily than the government and government-related organizations was evident, but European companies indicated a similar degree of emphasis on both nonprofit organizations and government organizations.
- There was not a high degree of emphasis on investors as partners for either Japanese companies or European companies, but while approximately 29% of European companies indicated an emphasis on investors, the proportion of this response for Japanese companies was 4%, an extremely low number.



[(9) Benefits of Partnerships with Each Partner]

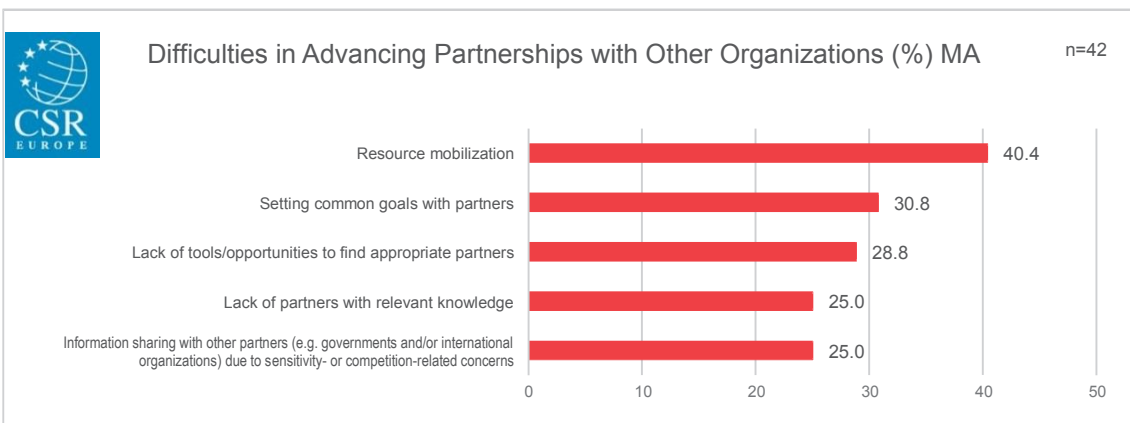
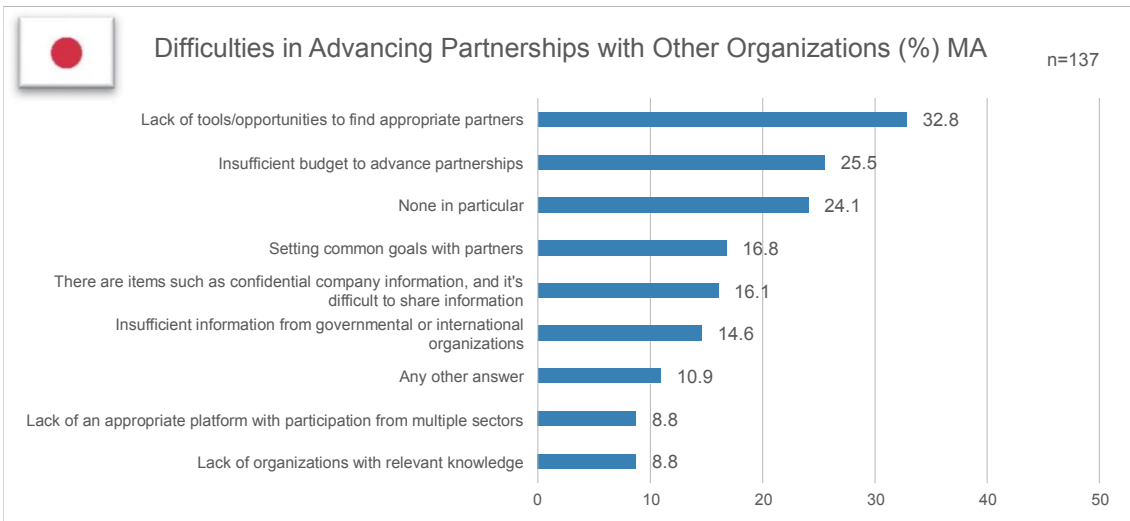
- The questionnaire given to European companies on this occasion differed from the Japanese questionnaire in that the format did not ask the European companies to respond with the benefits of each partner. For this reason, it is difficult to carry out a detailed comparison, but in terms of an overall difference, a high proportion of European companies cited that the aspect of partnerships leading to capacity building was a benefit.





[(10) Difficulties with Partnerships]

- The most common response for Japanese companies indicated a lack of tools/opportunities to find appropriate partners, and a tendency for Japanese companies to have difficulty with this selection was evident. However, the proportion of European companies responding in this way was not all that high; actually, for European companies, a lack of resources for partnerships was the largest challenge.



(1) Challenges and Lessons for Japanese Companies

Summarizing the above content, the challenges and lessons seen when looking at the main differences between the Japanese and European companies are as stated in the below points.

- In comparison with the Japanese companies, the European companies had a large degree of interest in the goals of "no poverty," "zero hunger," and "reduced inequalities." It is conceivable that such differences are due to factors arising from the social conditions in Europe, as well as factors arising from the degree of interest in inclusive business¹.
- The proportion of companies that cited the low social awareness of the SDGs as a challenge was not significantly different between Japan and Europe, but there was a large difference between Japanese and European companies in the degree to which the SDGs were known by top management. The top management in European companies had more of a tendency to perceive the SDGs as business opportunities, while this tendency was lower in Japanese companies. Meanwhile, in terms of challenges in engaging with the SDGs, Japanese companies did not cite weak commitment from top management as a large challenge; rather, they felt that problems that occurred before escalating the SDGs to the top management, such as low internal awareness and lack of advancement in SDG engagement, were the larger challenges. In Europe, it is conceivable that the existence of CSR strategies as EU policy and the investment community's high interest in the Environmental, Social, and Governance field impacted on top management's high level of awareness.
- In terms of medium- and long-term commitments related to the SDGs, a tendency for European companies to surpass Japanese companies was evident. It is necessary for Japanese companies as well to strengthen their considerations and efforts with a focus on 2030.
- Approximately twice as many European companies as Japanese companies cited a lack of government involvement or policy as a challenge when putting efforts toward the SDGs (approximately 37% for Europe, and approximately 18% for Japan). There is a possibility that serious social issues seen in Europe in recent years, such as refugees and terror, have been making the SDG commitments of European countries' governments appear weak. The Government of Japan has been active in this regard through such avenues as the communication of information at the G7 Ise-Shima Summit, as well as the establishment of the SDG Promotion Headquarters and its formulation of the Implementation Guiding Principles. It is expected that Japanese companies will leverage this environment of political measures.
- With regard to partnerships, Japanese companies indicated that finding suitable partners was a challenge, but in Europe, organizations such as NGOs/NPOs and foundations, have a strong social presence. There are active movements with regard to the SDGs, and finding suitable partners was not indicated as an especially great challenge. In Japan, it is necessary to undertake efforts to strengthen relationships with stakeholders concerning the SDGs.

¹ This is a type of business that incorporates the low-income classes of people in developing countries into the business value chain as consumers, producers, employees, entrepreneurs, and so forth (thereby being "inclusive" or "comprehensive") and creates employment, as well as products and services, in local areas; in doing so, it simultaneously realizes both the expansion of choices for people in the low-income classes and the expansion of companies' business opportunities (from the United Nations Development Programme homepage).

Chapter 3: Advanced Cases of Companies Contributing to the Resolution of Social Issues (Such As the SDGs)

In this investigation, we conducted an investigation through presentations at CSR Forum Japan and independent interviews regarding the efforts of advanced companies.

For the targets of the investigation, we selected seven Japanese companies and four overseas (European) companies (including one Japanese corporation) we believed to be conducting advanced efforts in fields such as the development of businesses geared toward the resolution of social issues and efforts toward the SDGs.

We have extracted, as shown below, the prominent characteristics that we obtained through the investigation regarding these advanced companies' efforts toward social issues (such as the SDGs) and partnerships.

3.1 Comprehensive Awareness of the Resolution of Social Issues (Such As the SDGs)

Advanced companies take a bird's eye view of the route to resolve social issues, and locate the role they themselves should fulfill within that."

As the results of the questionnaire indicate, it is thought that analyses of the understanding and efforts concerning the SDGs have advanced to a certain level, and through the usage of resources such as the SDG Compass. There are more and more cases of analyzing which goals of SDGs related activities are addressed by each company and disclosing information through CSR reports and so forth. However, many of those cases fail to go beyond examining which goals are involved in each effort and whether contributions can be made. Most of these cases fail to touch upon the extent to which contribution toward the resolution of that issue is possible.

The WBCSD has commented, "Initially, governments assume responsibility for the achievement of the SDGs. However, it is actually impossible to achieve these goals without the cooperation of businesses. It is necessary not to change one or two business efforts, but to change the entire sector."

Of the advanced companies that we targeted for meetings, we saw cases in which the companies went beyond simply analyzing which challenges were involved in the policies the company was carrying out, and were also strongly aware of the extent of the role they could play and the extent of the impact they could exert with regard to the resolution of that problem.

For instance, Novo Nordisk perceives the resolution of social issues pertaining to the SDGs as a limiting condition for modern human society, and looking at matters from the perspective of society's expectations, the company considers itself to have part of the responsibility to resolve the problem (be a part of the solution). Further, not only does it incorporate efforts toward the SDGs into its business opportunities pertaining to social issues, it takes a bird's eye view of social issues and asks what kinds of efforts it must make and

what kinds of partnerships with other organizations it must carry out in order to really solve those issues globally, as well as what it should do in order to realize that—that is, the company has introduced a backcasting-like attitude.

In addition, LIXIL has set forth the target of improving the hygienic environment of 100 million people by 2020. Even if that is accomplished, the company is aware that the global population that does not have access to safe, sanitary toilets—that is, the final goal for this problem—is said to be 2.4 billion people, meaning its current target is a mere 1/24 of the total.

One can deem such advanced companies' backcasting-like approach to resolve issues with a focus on goals as differentiating itself from efforts that extend from the current situation (business as usual). It seems to be an approach toward more substantially resolving issues.

3.2 Leadership from Top Management

Advanced companies have prominent leadership from top management that is clearly positioned in management planning."

In terms of a component common across many of the advanced companies that were interviewed, it is possible to cite leadership from the top.

In particular, there is a striking trend at European companies such as Marks & Spencer, H&M, and Nestlé of members of top management personally leading the way and using a top-down approach to carry out efforts toward social issues as business strategies in themselves. A characteristic that can be seen relatively commonly in European companies is that members of top management tends to personally take part in the World Economic Forum, global industry groups, international business meetings, and so forth and communicate information. It is conceivable that in the background of this trend is the aspect that top management directly engaging with a variety of stakeholders through such opportunities allows them to actually feel for themselves that the resolution of social issues is both an important responsibility given to businesses and an opportunity to pioneer new markets.

For Japanese companies, as seen with LIXIL, one can see some advanced cases with features similar to Europe, such as matters promoted through a top-down approach, information communicated by members of top management themselves on the international stage, and so forth. In addition, there are also cases, as with AEON, in which based on the management philosophy, strategies are drawn up mainly by divisions at company headquarters, and those strategies are then expanded to regional hub organizations.

On the other hand, one can also see multiple cases of success based on a bottom-up approach. For instance, there are efforts such as those of Ricoh, which, through the CSR division giving input to top management and the holding of regular discussions to succeed in improving the understanding of top management and incorporating such efforts to resolve social issues into management planning. In addition, as in the case of YAMATO HOLDINGS, one can also see approaches in which top management is focused on the permeation of the management

philosophy of helping “to enrich our society by enhancing the TA-Q-BIN network as a social infrastructure, creating more convenient services for a comfortable lifestyle, and by developing an innovative logistics system,” and employees who share that philosophy voluntarily take the proactive action of incorporating social issues in the field in the practice of that philosophy, and tie them into businesses such as “watch over services.” If such efforts continue to permeate in this way to the level where they are established as features of corporate culture or management mechanisms, it will be possible to anticipate consistent efforts, even in the face of changes in business environments, shifts in management, and so forth.

In this way, in the case of Japanese companies, efforts that appropriately leverage the characteristics of each company, such as philosophies or corporate culture, have achieved success.

Even if there are differences in approach, relatively medium- to long-term efforts are necessary, as is the case with the resolution of social issues. The proactive support and leadership of top management have been instrumental for subjects that are difficult to connect with short-term shareholder profits.

3.3 Integration into Business Processes

In advanced companies, efforts to resolve social issues are integrated with business, and have reached a level in which they are being carried out by business divisions.”

In especially advanced European companies, the responsibility to carry out CSR tasks including the resolution of social issues has already clearly positioned as a mission for business divisions, and has been incorporated into performance evaluations. There are many cases of CSR divisions being centrally responsible for roles such as leadership and coordination and for information disclosure. For instance, at Marks & Spencer, for Plan A, a management strategy that integrates sustainability, an individual responsible for plan A is placed in each division, and business divisions are given the main role in carrying out the agendas related to those divisions, and are responsible for achieving them. Further, at Nestlé, integration into businesses is progressing. That is, for example, each business division analyzes the relationship between the SDG targets and businesses and drafts plans. NEC is demonstrating awareness of proactive integration with businesses through activities such as the formulation of “Mid-term Management Plan 2018,” which seeks to raise corporate value and competitive power by resolving social issues using its ICT infrastructure.

For Japanese companies, CSR divisions have a main role relatively often, but we can also see that CSR divisions collaborate with business divisions to implement such as pilot projects and to make it commodities by business divisions. There are also cases in which business divisions that specially handle businesses related to social issues are launched in order to commercialize CSR projects. In addition, one can also see cases in which as a matter of practicing the corporate philosophy instilled in each employee, employees in the field autonomously discover subjects related to such efforts and tie them into the implementation of their work.

Just the philanthropic activities of CSR divisions will not suffice in order to effectively carry out efforts toward social issues such as the SDGs; the scale of such contributions is naturally limited due to the size of such budgets and the level of sustainability for such efforts. It is thought that at advanced companies, efforts headed by business divisions are being carried out effectively.

In addition, at advanced companies, we could also see cases in which in addition to efforts being integrated into such businesses, donation-related activities held by corporate foundations related to the company were linked as well. In particular, there are high expectations for support in the form of capital from the side of support groups such as international organizations and NGOs, and it appears likely that by also linking the activities of corporate foundations, companies are able to take a comprehensive approach to resolve problems, making it possible to exert an even larger social impact.

3.4 Partnership Creation and Management

With regard to the creation of partnerships as well, advanced companies are carrying out efforts with management cycles that use PDCA."

As was also clear from the questionnaire, it is thought that partnerships with other organizations, such as local governments, NGOs, international organizations, and business partners, are a necessary condition for efforts related to social issues. In Japan and Europe, companies are broadly carrying out these efforts by means of forming project-based partnerships with other organizations that possess the necessary abilities.

Sompo Japan Nipponkoa has developed a biodiversity project in collaboration with local NPOs and the Japan NPO Center. Further, by gaining a quantitative understanding by means of SROI² (social return on investment) in order to evaluate the social impact of the project, progress management is being carried out from the perspective of concerns common to both parties. In addition, there are also partnership cases in which NEC uses ICT technology, which is its strength, in ID systems for personal authentication in India, citizen ID registration in Africa and South America, and, in partnership with the UNDP (United Nations Development Programme), an election management system with fingerprint authentication in the Democratic Republic of the Congo. It is thought that the power of such technology at which companies excel has great possibilities in terms of bases for partnerships in future fields of social development.

However, there are also many cases in which such partnerships are not necessarily simple, even for advanced companies with plentiful experience, and it is recognized that it may take

² This is a method of cost-benefit analysis. It is based on the approach behind ROI (Return on Investment), which is used as a financial indicator for corporate affairs. With regard to the benefits brought about by activities, SROI is an evaluation method that evaluates not economic earnings, but items such as social value on a broader scope. Upon converting the social value of activities into currency value, it calculates the amount of social benefit against the costs that were invested (from "Final Report on Investigative Research Concerning Social Impact Evaluations, March, 2016," Mitsubishi UFJ Research and Consulting Co., Ltd.)

time until shared interests are formed. In particular, there are many instances in which inconsistencies in areas such as a sense of purposes, target setting, and sense of speed occur between companies that have commercial objectives while also advocating the resolution of social issues, and other organizations that do not have this attitude. Especially in cases in which business divisions take the main role in a project, as mentioned in 3.3, there are cases in which attitude differences with bodies such as support organizations grow larger, and partnerships become difficult.

With regard to such problems, advanced companies devise such measures as taking sufficient time to evaluate partners, carefully selecting partners with whom they can share ways of thinking and strategies, and further, even before starting projects, comparing and adjusting objectives and KPIs. In addition, there is also the advanced case of Ricoh, in which when differences in direction emerged between a business division and a partner after a project had begun. At this point, a workshop was held between the relevant parties, thereby deepening the mutual understanding of each side's position and way of thinking, and the relationship was restored. In this case, the CSR division, which had an understanding of both the business division's and the partner organization's thinking, performed an important role as the intermediary. Further, with regard to projects, there are also cases in which reviews regarding a partnership are held at regular intervals and upon a project's conclusion, and activities such as partner changes and improvements to partnership methods are carried out.

In addition, partnerships are not limited to direct partners: partnerships with involved stakeholders are also important. For instance, it is conceivable that there may also be instances in which the explanation or relaxation of regulations is necessary in order to stimulate such new efforts. One such example is a case involving YAMATO HOLDINGS, where it became possible to conduct efforts toward "Mixed Loading with Customers and Cargo," in which distribution is conducted using buses to underpopulated areas, due to cooperation from the Ministry of Land, Infrastructure, Transport and Tourism in clarifying standards.

Advanced companies have already built up experience with project-based partnerships. It is thought that in such partnerships as well, management system attitudes based upon the so-called PDCA cycle are applied, and solutions are explored in order to create more effective partnerships.

3.5 Issue Resolution Platform Participation and Information Communication

Advanced companies make proactive contributions to business platforms and the like, and transmit information through such platforms."

For advanced companies, partnerships are not limited to project-based, bilateral partnerships as discussed in 3.4. In addition to independent partnerships, there are striking examples of companies making efforts to resolve issues through activities such as taking the lead in launching platforms with partnerships and alliances that include a greater number of diverse organizations or proactively participating in such platforms. In addition, there are also cases, as with Sompo Japan Nipponkoa, in which companies represent the industrial world and, together with the civil society sector and other stakeholders, take part in policymaking through activities such as participation in the government's SDG Promotion Headquarters, roundtable discussions, and the like.

In particular, based on awareness of the issues from a comprehensive viewpoint, without the collaboration of multiple sectors and unified efforts as discussed in 3.1, it is doubtful that the issues can be resolved. Toward this purpose as well, the importance emerges for efforts through a comprehensive "issue resolution platform," so to speak, that includes partnerships within businesses that go beyond industry types, as well as partnerships with international organizations, NGOs, and so forth.

For instance, through a common platform called "The Global Fund to Fight Aids, Tuberculosis and Malaria," Takeda Pharmaceutical Company is rolling out activities to support the capacity building of healthcare personnel in three African countries.

In addition, LIXIL's activities are not limited to proactive participation in alliances; members of the company's top management themselves communicate information about SDG-related efforts in settings such as the World Economic Forum.

By performing a leading role in such platforms, advanced companies are not only raising their presence in this field, they are also making it possible to more advantageously develop their strategies. Further, it is conceivable that by communicating information through these types of platforms, advanced companies are also contributing to the improvement of corporate value, including external evaluation.

Chapter 4: Expectations Concerning Partner Organizations and Stakeholder Companies

In this investigation, through CSR Forum Japan presentations and separate interviews, we also investigated the expectations of sectors outside of companies and items of consideration requested of companies to put efforts toward resolving social issues. For targets for the investigation, we selected 10 domestic and international organizations composed of international organizations, support organizations, NGOs, and industry organizations, which fulfill roles such as being the main parties responsible for efforts toward social issues and being important stakeholders (refer to reference material).

The information that we received from these stakeholders and partner organizations through the investigation, which includes the expectations toward companies and the items of consideration that companies should bear in mind, are extracted below.

4.1 Expectations and Items of Consideration for Partnerships

Due in part to partnerships being positioned as Goal 17, the situation is such that international organizations, support organizations, and NGOs, the main parties responsible for global social issue resolution to this point, are expecting more proactive participation from companies. The expectations toward companies are extremely high, and further, they extend across a broad range, such as funding aspects, personnel aspects, and technical aspects. For that reason, endeavors in which support organizations proactively approach companies have become increasingly active.

In terms of expectations toward companies, the expectations are particularly high for items such as those listed below:

- The utilization of companies' business infrastructures (such as transport) and global networks
- The application of items such as companies' ICT technologies, and the provision of innovative solutions
- The effective application of items such as the specialized knowledge and skills held by corporate personnel
- The expansion of awareness regarding social issues for general consumers, employees, etc.
- Funding support (particularly general contributions with no conditions attached, etc.)

Many of these expectations include components that can be shared with the expectations held by companies, so it is possible to anticipate the creation of effective partnerships in the future.

However, while expectations regarding partnerships with companies have become higher, support organizations are not recklessly requesting partnerships, either. As a premise for conducting partnerships with companies, support organizations have pointed out aspects

such as those below with regard to items of which companies should be aware. In order for effective partnerships to be carried out, it is likely necessary for companies as well to consider the desirable state of such partnerships while being mindful of considering such items.

- **Partner organizations also select the companies.**
 - It tends to be thought that the ones selecting the partner organizations are the companies; however, for support organizations, partnerships with companies come with merits as well as risks. Accordingly, before entering into partnerships with companies, support organizations carry out due diligence, and based upon those results, they judge whether they can carry out a partnership with that company. The contents of that evaluation concern CSR as a whole, including items such as the industry and field (for instance, whether a company has made contributions to the weapons industry), considerations toward human rights (considerations toward the human rights of children), and whether there have been scandals.
- **Partners are not vendors.**
 - In the case of a company contributing funding to a project, cases are seen in which the company treats its partner as a subcontractor. However, NGOs are not subcontractors; it is necessary to build relationships while considering the other party to be an equal partner working toward common goals.
- **Set goals and indicators for the efforts in advance.**
 - There are cases in which goals and management indicators are not clearly agreed upon at the start of a project, and due to reasons such as PR announcements from companies, items such as data are suddenly requested.
- **Medium- to long-term commitments are necessary.**
 - When setting the objective of resolving social issues, it is the general rule that such efforts will extend to the medium term or the long term. However, the budget of a normal company is decided in terms of each fiscal year, and even in cases of receiving funding support from a support organization such as a national government, it is common that efforts can only extend to around three years at the longest. If funding ceases after a short period and a project ends in an unsatisfactory fashion, there are cases in which a negative legacy remains for the area targeted by the project, such as a local community.
- **Do not be taken in purely by results that can be easily used for appeal.**
 - There are cases in which companies express that they wish to resolve social issues, and then request targets with numerically visible results, such as the construction of schools in developing nations, thereby making it easier to have external appeal. However, there are times in which this does not conform to that local society's degree of priority for social issues.

- **Do not neglect funding contributions.**
 - There are cases in which companies overemphasize coordination with businesses and focus too much on utilizing their products and technology, but are hesitant to provide funding for activities. There are many cases in which support organizations are already carrying out efficient efforts, and it is sometimes the case that funding support can conceivably lead to the most efficient efforts. Linkage with corporate foundations, as mentioned in 3.3, can sometimes be an effective solution for that.

4.2 Considerations toward Negative Impacts

While there are some parties that recognize the SDGs as being extremely important to the future of humanity and welcome companies going beyond convention in contributing to the resolution of social issues, there are also opinions from stakeholders, centered on human rights-focused NGOs such as Oxfam and the Business & Human Rights Resource Centre in particular, that express the below points related to wariness concerning companies positioning the resolution of social issues as purely a business opportunity.

- There are concerns that companies will cherry pick (choose only the convenient aspects) for the SDGs. Many companies wish to emphasize win-win relationships, but tasks related to the SDGs do not necessarily amount to win-win scenarios. From the perspective of the Do No Harm principle³, assessments of whether negative issues are being brought about are necessary.
- Many negative effects caused by mega projects have been identified as risks of the SDGs. There have been cases such as infringement on human rights due to the development of renewable energy infrastructures.
- The problem of inequalities (SDG 10) is not recognized by companies as an important issue. Problems with taxation, which are deeply related to inequalities, are also insufficiently recognized, and some cases can be seen in which taxation is avoided as though it were a matter of course so long as laws are not being broken.
- In terms of an aspect concerning business and the SDGs of which there should be clear awareness, the maximization of profit is a company's objective, and that is fundamentally different from the targets sought by the SDGs. It is not always the case that corporate activities will connect to achieving the SDGs.

Further, in a keynote speech at the fifth holding of the United Nations Forum on Business and Human Rights in 2016, Harvard University Professor John Ruggie, who developed the "UN Guiding Principles on Business and Human Rights," pointed out the below items with regard to the relationship between the guiding principles and the SDGs.

³ This is a principle that emerged from the past lessons of international society in which, despite the virtuous motives behind the actions and activities of parties involved in humanitarian aid, local societies were negatively affected as a result (from the Japan Platform homepage).

- At the time of the General Assembly resolution to adopt the SDGs, only perfunctory remarks were made with regard to relevant standards and agreements, including the Guiding Principles, in terms of harm to human rights. Based upon this, contrary to the intention of the resolution, there is a misconception that incorporating business into the SDGs is more important than such standards, and it appears that this kind of impression has gotten stronger.
- Many business strategies aiming to contribute to the SDGs are dependent upon the Creating Shared Value (CSV) paradigm. Despite Porter stating that "creating shared value presumes compliance with the law and ethical standards, as well as mitigating any harm caused by the business" in an essay in the Harvard Business Review, the challenge regarding business and human rights is that this presumption does not hold true in far too many situations. It is necessary for business strategies dependent upon this paradigm to bear in mind that in actuality, there are problems with the presumption.
- According to the results of a certain survey, most of the companies targeted in the survey indicated that they try to "cherry pick" as opposed to deliberating about what kind of contribution they could make to all 17 SDGs toward which they could put efforts.
- "Business and human rights" is not about what is most important (material) to the company; it concerns the significant risks and largest potential harm that could be extended to people by the activities and relationships of businesses. This is overlooked again and again by traditional materiality tests.
- Even business initiatives that promote social goods cannot neglect to address significant risks. There is nothing corresponding to purchasing a carbon offset in the field of human rights.

(Adapted from John Ruggie's keynote address at the fifth holding of the United Nations Forum on Business and Human Rights)

Dante Pesce, a member of the United Nations Working Group on the issue of human rights and transnational corporations and other business enterprises, indicated anticipation for the role that companies could fulfill with regard to the SDGs, while also expressing the importance of the Do No Harm principle. Taking into account the matters pointed out by such stakeholders, giving awareness to not only companies' positive contributions to the SDGs, but also to the negative effects that accompany corporate activities, is a fundamental requirement in carrying out CSR. In the first place, it is also possible to see many of the SDGs as being social issues that came about as the result of the development of the global economy. From that perspective, if companies continue to ignore the negative effects, there is even a risk that companies could be labeled as the culprits behind the unsustainability issues that the SDGs bring forward.

Chapter 5: Challenges and Recommendations Concerning the Desirable State of Efforts and Partnerships with International Organizations, the Government, and the Industrial World Aimed at Resolving Social Issues (Such As the SDGs)

In this chapter, based on the on-site analyses of corporate efforts and partnerships and the views of partner organizations and stakeholders that were discovered in the previous chapter, we will summarize the issues that present obstacles in the course of Japanese companies promoting businesses that aim to resolve social issues. In addition, we will recommend measures that are deemed necessary in order to overcome these issues.

5.1 Issues That Present Obstacles to Efforts and Partnerships Aimed at Resolving Social Issues (Such As the SDGs)

Issue 1: Challenges Concerning the Level of SDG Awareness

The current situation is such that the level of SDG awareness within companies is low for top management and middle management. Perhaps one factor concerning this is that the SDGs have not sufficiently permeated to ordinary citizens and stakeholders."

With regard to the level of SDG awareness, as was indicated in the questionnaire given to companies, while a high proportion of awareness was indicated for CSR divisions (73%), the same cannot be said for top management (approximately 26%), and despite the performance of a certain level of internal activities (approximately 66%) aimed at improving the level of SDG awareness, in practice, awareness remains at an extremely low level (approximately 3%) for middle management.

The low level of awareness for top and middle management, which is the key to promoting efforts for companies, conceals the fundamental problem that incentives for related activities will not arise. According to the survey held on this occasion, compared to top management's level of awareness in Japan (approximately 26%), an extremely high value was indicated in Europe (approximately 65%). In terms of reasons for this, members of top management at European companies often attend international business meetings and, compared to Japan, there is a high incidence of English language magazines and economic newspapers covering topics such as the resolution of social issues and SDGs as business agendas. As such, it has been pointed out that members of top management in Europe understand such issues well, and it stands to reason that the foundations for top management to easily demonstrate leadership in this field are better prepared than they are in Japan.

As became clear in the survey held on this occasion, the reasons given for lack of acknowledgement among members of top management in Japan are mainly rooted in the lack of opportunities for them to come in contact with information related to the SDGs, such as "top management does not understand SDGs in themselves well, and does not have the opportunity to learn about them in detail," "the social level of awareness is low, such as a

low level of interest from customers and consumers," and "there are no requests from external stakeholders (such as investors)." It is likely that these reasons are rooted in the level of awareness in general, including among various stakeholders, being low.

Meanwhile, this investigation does not cover the level of awareness among ordinary citizens, but according to an investigation held by a major consulting firm, it has been pointed out that the level of awareness among ordinary Japanese citizens is low, even when compared to the global average. If the level of awareness among ordinary citizens is low, it is inevitable that interest will not be distilled among corporate stakeholders such as customers and employees, which are comprised of ordinary citizens. Accordingly, it goes without saying that such circumstances make it difficult for social discussions and expectations toward companies to develop. One likely factor in this is the limited communication of information regarding items such as the SDGs by educational fields and mass media, which play a vital role in improving the level of awareness among ordinary citizens.

Issue 2: Challenges Concerning Recognition as a Business Opportunity

It is likely the case that because CSR is not unified with business, the SDGs are not sufficiently acknowledged as a new business opportunity."

In terms of reasons that members of top management are not aware of the SDGs, over 10% of responses indicated both the reason "top management's concerns on CSR are very low" and the reason "SDGs are not directly related to core business." It has become clear that there is a portion of top management with a poor understanding of the SDGs' relationship with aspects such as CSR and business as well.

Further, even if SDG awareness were to reach a certain level, the results have shown that the proportion of top management that perceives the SDGs to be a business opportunity is approximately 37% for Japanese companies, an extremely low figure compared to the approximately 64% for Europe. In Japan as well, there are some advanced companies that see the SDGs as a new business opportunity and are putting forth proactive efforts including commercialization, but it can likely be said that such situations are still limited in number.

It is likely that part of the difficulty of tying social issues such as the SDGs into businesses is the distinctive nature of businesses designed to resolve social issues. Traditional businesses had a nearly exact match between the beneficiaries and the customers, and it was simple to ascertain customer needs. However, for businesses designed to resolve social issues, the beneficiaries of social issue resolution do not necessarily match up with the customers, and as such, difficulty is likely brought on by such factors as the need for a more complicated business model and the difficulty of accurately predicting the return on investment.

In addition, for companies, which have the objective of earning business profit, unreasonable contributions that sacrifice returns would be a case of misplaced priorities, and could even lead to a drop in competitive power. The fundamental circumstance is that it is not

necessarily easy for every company in every field of industry to contribute to the resolution of social issues such as the SDGs.

In Japan as well, investment in sustainability (Environmental, Social, and Governance investment) has rapidly expanded, including such examples as the introduction of the Stewardship Code and the Government Pension Investment Fund's signature on the UN Principles for Responsible Investment, with some reports stating that such investment has grown to account for approximately 18% of assets. In recent years, there has been a rapid spread of synthesis reports; it is held that such reports were issued by over 300 Japanese companies in 2016. It goes without saying that such activities indicate that companies are aiming to create integrated corporate value that goes beyond the value of financial affairs.

However, approximately 60% of companies responded that the main constituents putting forth efforts toward the SDGs were CSR divisions, and the situation is such that it is difficult to say that most companies have been successful in involving business bodies, with low numbers for both executive bodies for administrative meetings (approximately 3%) and business divisions (approximately 2%).

The global competitive environment surrounding companies has changed dramatically, and it is required that companies shrewdly respond to new business opportunities and the risks of emerging nations. In the sense that dealing with issues in global society such as human rights problems in supply chains and the expansion of inequalities will ensure business sustainability, it goes without saying that CSR is becoming increasingly important in terms of corporate strategy. In addition, despite contributions toward global issues, exemplified by the SDGs, becoming a necessary condition, it is thought that many businesses remain in a situation in which changes in thinking have not sufficiently taken place.

Issue 3: Challenges Concerning the Selection and Implementation Methods of Subjects for Efforts

It seems that in the selection of subjects for efforts, only items that are convenient to each company are being adopted, and there is insufficient consideration being paid to negative effects."

Among companies that are conscious of the SDGs, more and more companies are analyzing which SDGs to put efforts toward. In that context, when selecting a subject for efforts toward items such as the SDGs, as pointed out in the preceding item, it is natural for companies to pay mind to business opportunities that leverage their strengths. This is not something that should be renounced.

However, the actual situation is that at the current time, the trend toward using the SDGs as a chance to launch new projects is weak; when asked whether they had any new projects, approximately 60% of companies responded, "none in particular," and approximately 15% responded, "we have linked the SDGs to an existing project."

Meanwhile, as discussed in Chapter 3, concerns about the negative effects regarding business and human rights in particular are firmly rooted among stakeholders. In addition, it has also been pointed out that companies are cherry picking from the SDG subjects. Further, there are also concerns that by neglecting project exit strategies, companies will end efforts such as projects without satisfactory results, leaving behind negative legacies.

Also, as taken up in Chapter 1, there were seven goals for which Japan was identified as having a low level of achievement in a report by Germany's Bertelsmann Foundation. However, the levels of priority for these goals were not necessarily high in the questionnaire given to companies, leaving room for doubts about the extent to which thought was given to the actual issues currently facing Japanese society when companies considered efforts.

Items identified as issues when selecting and carrying out subjects for efforts include actions such as "cherry picking," or selecting only subjects that are convenient to the company; "billboard replacement (SDG washing)," in which companies simply rearrange efforts taken to that point to match up with the SDGs; "ignoring negative effects," in which companies focus only on the positive aspects of activities and do not touch upon the negative aspects that simultaneously emerge; and "short-term perspective," in which companies carry out simple efforts without having a medium- to long-term outlook. If companies attempt to put forth efforts toward the SDGs in this way, not only will they be subjected to criticism from stakeholders, one can even identify the possibility that negative effects will be exerted on SDG achievement itself, which is inextricably linked to each goal.

Issue 4: Challenges Concerning the Building of Cooperative Relationships with Partners

It is considered difficult to select appropriate partners and have mutual understandings with them, which are held to be necessary for efforts toward items such as the SDGs."

Over 70% of companies gave the response that partnerships with parties such as partners are necessary when putting efforts toward items such as the SDGs, but with approximately 33% of companies citing a "lack of tools/opportunities to find appropriate partners," we can catch a glimpse at a situation in which companies are facing challenges at the outset.

It seems that there are no great obstacles in selecting parties with high ratios of being identified as partners, including business partners such as suppliers, local governments, related government ministries, and the like, as necessary partners.

On the other hand, when Japanese companies put efforts toward global social issues, there is a tendency for partners to be limited to a portion of international and national related organizations and international NGOs with headquarters overseas. It is thought that the scale and limited capacity of Japanese NGOs are aspects that must be improved.

Further, even if partners are found, communication problems including creating a mutual understanding between organizations and difficulty in setting common objectives have been pointed out. Some examples include instances such as the main interests being different for

each organization and discrepancies regarding aspects such as how to advance tasks or projects. It is likely that these are challenges that cannot be avoided when putting efforts to resolve social issues.

Issue 5: Challenges Concerning Effectiveness Estimation and Information Communication

There are likely insufficiencies with regard to clarification of the outcomes of efforts toward social problems and the international communication of effort-related information."

- **Challenges Concerning Effectiveness Estimation**

As became clear in the survey held on this occasion, while the actual situation is such that companies are coming to put some kind of efforts toward items such as the SDGs, over 50% of the companies surveyed responded that they have not evaluated the effects of these efforts. While this may be premature at the current time, since companies are advocating efforts toward items such as the SDGs, it is likely important to create a clear image of the goals for such efforts and, to the greatest extent possible, to get a quantitative grasp of aspects such as the level of contribution toward outcome indicators such as those stipulated by the SDGs. In conjunction with that, there is also an urgent need to establish effective KPIs and methods of evaluating them.

- **Information Communication**

In addition, surely we should also be conscious of the fact that despite efforts being carried out, the presence of Japanese companies is low, particularly overseas. Although efforts are being carried out, it seems that most companies stop at the level of disclosing information about such efforts through CSR reports and the like, with limited instances of members of top management themselves communicating information in a fashion where their faces can be seen overseas, such as at international business meetings. Some have pointed out that while American and European companies perform activities such as holding sessions as sponsors at overseas meetings such as the BOP Global Summit, where they also publicize their efforts, the presence of Japanese companies is low. The problems related to the communication of information are not necessarily limited to only companies; due to factors such as the lack of even a single Japanese individual in the United Nations' Young Leaders for the Sustainable Development Goals and Sustainable Development Goals Advocates, Japan's international ability to communicate information cannot be deemed sufficient.

Considering Japanese companies' contributions to the global economy and actual efforts toward items such as the SDGs, it is likely that they should give more consideration to the strategic communication of information.

There is a tendency to conceive of effectiveness estimation and information communication as being at the final stage of efforts, but such items should be included in the strategy from the initial stage of considering efforts.

5.2 Recommendations Concerning the Desirable State of Efforts and Partnerships with International Organizations, the Government, and the Industrial World Aimed at Resolving Social Issues (Such As the SDGs)

Based on the factual investigation and advanced case investigation that were carried out in this investigative research, we have summarized the below recommendations that companies should follow in order to overcome the current issues and contribute to the resolution of social issues such as the SDGs.

The recommendations are comprised of five recommendations in the three areas of "Recommendations Concerning Corporate Strategy," "Recommendations Concerning Stakeholders and Partnerships," and "Recommendations Concerning the Policies of the National Government and Other Bodies"

“Recommendations Concerning Corporate Strategy”

Recommendation 1: The Promotion of the Understanding of Items Such As the SDGs and the Establishment of Leadership at the Management Level

In order to establish leadership at the management level, CSR should be integrated into governance and the decision-making process and there should be an aim to stimulate discussions in the business and financial worlds."

In order for companies to perceive efforts to resolve social issues such as the SDGs as new business opportunities, integrate them into businesses, and allow them to succeed as businesses while also contributing to resolve social issues, it goes without saying that the understanding and leadership of top management is essential. Without leadership from top management, the improvement of employee awareness and the proactive efforts of business divisions are doubtful.

While a portion of advanced companies have realized this kind of integration of CSR into management, one cannot call this widespread, despite many Japanese companies making mention of social missions in their corporate philosophies. Not only do members of top management demonstrate leadership at their companies and allow corporate culture to take root, they are also expected to carry out leadership in the business and economic worlds. Advanced companies efforts that are conceivable as effective methods are as detailed below.

- **Integration into Governance**

In Japanese companies, one can see instances of CSR divisions proactively approaching top management, and some cases of success with such a bottom-up approach have been seen. However, in order to truly integrate CSR issues such as the SDGs into management, it can be said that the simplest approach is integration from the governance level, the highest-ranked organization for management.

With advanced American and European companies in particular, one can see cases of the establishment of CSR committees that exist alongside committees appointed by boards of directors, compensation committees, audit committees, and so forth. In addition, there are also many cases of external directors with knowledge pertaining to CSR being appointed, or bodies such as CSR advisory boards comprised of CSR specialists being established as consultative bodies for directors or CEOs, and opportunities for discussions being created on a regular basis. In this way, by making clear stipulations about CSR issues such as the SDGs in corporate governance policy or the like and officially positioning such items as a part or a supplementary function of the governance structure, not only are the understanding and awareness of top management deepened, one can anticipate that such issues will be directly connected to management strategy. It is conceivable that in order to stimulate such corporate actions, it would be effective to explicitly mention items such as the SDGs in the Corporate Governance Code, for instance.

In addition, it is conceivable that if such a structure were in place, it would be easier to incorporate non-financial aspects such as efforts and achievement statuses for items such as the SDGs into performance evaluations. Further, it is likely that as a result of this, the formation of a positive spiral leading to proactive efforts from business divisions would become possible. Also, this kind of CSR integration at the governance level would make such items subject to evaluation for Environmental, Social, and Governance investment, which at the same time would have the merit of making it possible to anticipate higher evaluations from investors.

- **Introduction into the Decision-Making Process**

Even if top management's understanding of items such as the SDGs were to advance, it is uncertain that such items would be positioned within corporate strategy if this were simply an understanding in the form of knowledge. In practice, simply having a surface-level understanding of how a company's CSR activities are currently related to the SDGs does no more than maintain the status quo. It is desirable to have discussions in a form such as introducing a structure to grasp and analyze what kind of social issues are involved with new overseas businesses and markets predicted for the future and what kinds of risks and opportunities are conceivable, and then make decisions about such matters in forums for business judgment. In addition, in order to create a sustainability strategy to strategically put forth efforts to resolve social issues in the form of businesses and lead to the improvement of corporate value in the medium to long term, it is important to involve not only divisions related to CSR, but also management and business divisions. In particular, having a business division, which bears responsibility for a business, become the supervisory division for such efforts, contributions through businesses become possible, just as the name implies.

Moreover, it is conceivable that adding an evaluation axis for the CSR side that considers items such as the SDGs (for instance, the environment, risks to human rights, etc.) to judgements and evaluation standards for business implementation, performance evaluations, and so forth could become an opportunity for both top management and business divisions to put forth efforts in a more conscious way.

- **Stimulation of and Participation in Discussions on the Economic and Business World Level**

In order to raise the awareness of top management at companies and in some cases demonstrate leadership that goes beyond the limits of the company, it is conceivable that activities on the financial and business world level are important as well. In addition, it is thought that in this field in particular, it is especially effective to participate not only in domestic activities, but also in international forums such as sessions related to the World Economic Forum.

In a positive sense, this kind of participation in discussions in the financial and business worlds leads to the stimulation of competition. Further, there is also a possibility for such participation to lead to the creation of cooperative relationships that exceed the limits of competitive relationships, industry types, and so forth. As it is thought that the formation of an extensive framework is particularly essential for issues on a global scale, such as the SDGs, stimulating discussions on the economic and business world level and inciting participation from top management is considered to be an urgent task.

- **Communication of Information**

Further, externally communicating information about these types of activities is another important role of top management. Even if the disclosure of information through items such as synthesis reports and CSR reports is carried out as a matter of course, that alone is not enough. It is important for members of top management themselves to communicate information about efforts toward items such as the SDGs to related industries, investors, international society, and so forth as a part of business strategy to raise corporate value, and the members are also expected from the perspective of taking leadership on the industry level.

Recommendation 2: Target Setting and Efforts That Give Consideration to Long-Term Perspectives and Negative Effects

With regard to challenges requiring efforts and the setting of targets, there should be an awareness of a backcasting approach that gives consideration to negative effects and keeps the 2030 goal in mind."

- **Target Setting with a Long-Term Perspective**

Even for companies that are carrying out efforts toward the SDGs, there are many cases of companies not going beyond looking at matters from a relatively short-term span of around three to five years. The companies rolling out activities that are focused on the span until 2030, the goal year for the SDGs, are limited to only a portion of the total. The efforts as well are centered on organizing current activities, forecasting-type efforts that are extensions of activities that companies can perform, and so forth. When focusing on the immense goals of the SDGs, surely it is hasty to believe that a company can really achieve the SDGs through such extensions of the current situation (business as usual). In the event of failing to achieve

the SDGs by 2030, companies should be aware that the consequences may even extend to business sustainability, with the CEO of WBCSD stating, "The companies that have failed will not be able to succeed in business."

Looking at matters from this perspective, it is necessary for each company to make plans based on long-term vision and commitments with an awareness of a backcasting-like approach that keeps the goal year of 2030 in mind. For instance, in the field of climate change, which falls under SDG 13, the target of a rise in temperature less than 2°C was globally agreed upon in the Paris Agreement. In connection with this, "Science Based Targets," which consider the extent of the reduction targets that each company should have, are gaining attention. At the same time, with regard to the SDGs as well, it is desirable for each company to not simply express its related activities in a qualitative fashion, but, to the greatest extent possible, to grasp the degree of impact that can be made on specific SDGs, and set targets accordingly. In addition, on this occasion, companies should set quantitative targets whenever possible, and further, they should also consider how such targets will be grasped and monitored.

Naturally, it is not the case that such large targets can be achieved or greatly contributed to by single companies. For that reason, surely it will be vital for large common targets to be set forth with extensive frameworks such as partnerships and alliances, and within those targets, for each company to take appropriate responsibility for the role it should fulfill. It is thought that such efforts will be an important component in further clarifying partnership objectives and targets with partners as well.

In addition, it goes without saying that the basis for setting targets in an SDG-focused fashion will be the understanding of quantitative data. KPIs that have been quantified to the greatest extent possible will be indispensable for progress evaluations in the execution stages as well.

- **Consideration of Negative Effects**

In addition, it is anticipated that each company will accomplish large medium- to long-term contributions in its field of expertise, but on the other hand, it is also necessary for companies to give consideration to the negative impacts caused by such activities (for instance, a project that brings about large benefits for the environment causing human rights violations, etc.) and the negative impacts that may be caused through normal business operations (the denial of decent work in supply chains, conduct that promotes the spread of inequalities, etc.). These types of negative impacts operate in a direction opposite from the achievement of the SDGs. In order to avoid such situations, when each company searches for issues to which it can make positive contributions, it is vital that due diligence is also carried out regarding issues that may bring about negative consequences. It is likely that such considerations will also be an important component in the sense that they go toward the National Action Plan (NAP), which Japan as well has begun to consider, and which is based on the UN Guiding Principles on Business and Human Rights.

It is not the case that each SDG target is an independent matter; the targets are deeply related in a mutual way. From that perspective as well, comprehensive analyses and efforts that give

thought to the multifaceted effects that efforts may have and consider the negative effects as well are considered necessary.

“Recommendations Concerning Stakeholders and Partnerships”

Recommendation 3: Promoting the Expanded Awareness and Engagement of Stakeholders

In order to stimulate proactive corporate efforts, companies should promote the awareness improvement and engagement of various stakeholders.”

The roles of both internal and external stakeholders are vital in order to support proactive corporate efforts. The measures detailed below are considered to be effective.

- ✓ **Employee Education and Training:** Under the leadership of top management, the improvement of the awareness of employees, who are the main constituents of implementation, is a vital component for companies. In addition, there are also cases of success through voluntary, bottom-up approaches from employees, so it is important to have corporate culture take root. To this end, it is thought that methods such as "clearly positioning efforts within the management philosophy and aiming to promote them," "conducting training that instills not only knowledge, but also actual feelings through experience-based programs," and so forth are effective.
- ✓ **Expansion to Business Partners Such as Suppliers:** When companies make efforts toward agendas such as the SDGs, business partners such as suppliers are important allies in partnerships as well. There is also a possibility that companies can receive new business hints from such business partners. On the other hand, there are many cases in which, especially among suppliers, small- to medium-sized companies have issues such as insufficient resources or capacity, but it is likely that receiving support from large client companies is an effective method.
- ✓ **Awareness Improvement Activities Aimed at Ordinary Citizens:** Ordinary citizens comprise many aspects of diverse stakeholders, such as consumers and laborers, some of whom are included in the supply chain. As such, they have the potential to demonstrate the ability to greatly influence companies, even if not directly. In order to raise the level of awareness among ordinary citizens, it is thought that long-term efforts through proactive mass media participation and educational institutions are necessary. In order to realize such activities, it is most likely essential to carry out efforts to clarify the roles that media organizations and educational institutions can fulfill and to support such roles. If the awareness of ordinary citizens improves, it is also possible to anticipate a rise in activities from partner organizations such as domestic NGOs.
- ✓ **Promotion of Investor Understanding:** Investors are a type of stakeholder of which companies have a strong awareness, and direct results can be expected from them. Environmental, Social, and Governance investments are in the process of rapidly developing in Japan as well, and by promoting the fact that support for items such as the SDGs can also contribute to medium- to long-term improvement in corporate value by securing the sustainability of the company itself, improving

brand value, and so forth, it is possible to anticipate a connection to further investment as well. Methods such as making clear stipulations in items such as the Stewardship Code are conceivable for the purpose of concrete promotions. In addition, it can be said that companies proactively covering such topics when engaging with investors is an effective measure in the sense that it will raise interest in similar efforts from other companies. It is conceivable that mentioning items such as the SDGs in the Stewardship Code, introducing such items into the criteria for voting advisory agencies, and so forth would be effective for improving this kind of investor awareness.

Recommendation 4: Building Goal-Focused Partnerships and Alliances

In order to expand the impact of efforts and increase their scale, goals should be clarified, and strategic partnerships in which multiple stakeholders mutually cooperate should be built."

As became clear in the questionnaire as well, assumptions are already being made about various partner organizations as targets for partnerships when companies engage in social issues. Through such partnerships, efforts that were impossible for companies alone have become possible, and results have improved as well. For such steady, grassroots activities as well, various efforts should continue to be promoted in the future from the perspective of beginning with what is possible.

However, with regard to the SDGs, which are an issue on a global scale, it cannot be denied that this kind of small-scale framework of single companies and partner organizations is a bit lacking when it comes to the ability to bring about results that exceed a certain scale.

In order to create more substantial effects, it is thought that in the future, the formation of bilateral partnerships, multilateral partnerships, and so forth will become vital. Some examples are listed below.

- Putting efforts toward issues using large frameworks consisting of sizeable industry alliances
- Putting efforts toward single issues from multiple directions by entering partnerships with cross-sector companies
- Building large-scale partnerships with international organizations, the government, the industrial world, NGOs, and so forth and putting efforts toward complex issues
- Putting multifaceted efforts toward local issues with partnerships comprised of companies, local governments, NGOs, agricultural cooperatives, fishery cooperatives, local citizens, and so forth

Mark Kramer, who advocated CSV together with Michael Porter, also mentioned the importance of a framework including collaboration with bodies such as governments, NGOs, and local society in order to make a collective impact.

Naturally, it is not possible to attain issue resolution simply by forming such "large alliances." It is necessary to deliberately create projects that focus on goals that aim for specific issues or specific areas.

If various companies, international organizations, NGOs, and so forth that possess skills and knowledge specialized in resolving specific issues, and which can contribute to those issues, can be recruited and projects can be formed, it is possible to anticipate an issue resolution platform that is extremely effective at resolving issues.

However, there are many situations in which the more numerous the participants in such partnerships become, the more difficult it is to maintain mutual understandings and cooperative relationships. In order to create and maintain an effective partnership and produce results, there is no question that leadership is important. For the leading role, organizations such as companies, industry groups, international organizations, and national support organizations are conceivable. Here as well, leadership in which an organization goes from a position where it awaits the contributions of others to a position of personally taking the lead is expected.

Further, the sharing of awareness with regard to the issues facing the participants is also a necessary condition. To this end, it is vital to properly share an understanding of each participant's position and role, as well as the goals that should be aimed for, at the initial stages. In addition, it is thought that holding regular reviews as appropriate could make it simpler to carry out effective partnership maintenance and course correction.

“Recommendations Concerning the Policies of the National Government and Other Bodies”

Recommendation 5: The Formulation of "Sustainable Vision 2030" (Provisional Name), an Action Plan Framework Aimed at Achieving the SDGs

Through a multi-stakeholder process, an SDG-focused vision of the future toward which Japan should aim, as well as an action plan to realize that, should be formulated."

In order for each company to formulate goal-oriented targets for the comprehensive targets of the SDGs and to also form goal-oriented partnerships, it is thought that large target achievement scenarios at the national and multisector levels would be of great assistance. Creating synergy by properly linking the activities of companies, the capital market, civil society, consumers, and so forth will be necessary in order to achieve the SDGs. Without question, the surest route to realizing that is via political measures at the national level.

The field of climate change measures has had experience with such an approach since the time of the Kyoto Protocol, and there were cases in which efforts were tied into the achievement of an overall target by defining the targets that each industry should achieve, as well as by rolling out social movements. With regard to targets apart from the SDGs, it is true that many goals cannot be quantified easily, as is the case with CO₂ emission amounts, but with regard to indicators such as KPIs that are predicted to be set in the future, scenarios that comprehensively lay out the type of contribution that each player will make will be required.

While the Sustainable Development Goals Implementation Guiding Principles issued by the government are rather comprehensive at the level of efforts, it is thought that there is still room for future developments with regard to the achievement scenario for each target. In terms of an upgraded version of the current Implementation Guiding Principles, if an action plan at the national level such as "SDG Achievement Scenarios (Sustainable Vision 2030)" (provisional name), for instance, were made clear, it is anticipated that it would not only become an effective guiding principle for the efforts of companies, it would also fulfill an important role as the foundation for partnerships and the division of roles between multiple stakeholders. In addition, at the time of formulation, by reflecting a broad range of opinions through a multi-stakeholder process and aiming for communication through symbolic keywords and so forth, it would become possible to send out a powerful message. Accordingly, it is conceivable that this would make it possible to appeal to and earn the trust of a broad range of stakeholders, including ordinary citizens.

In "SDG Achievement Scenarios (Sustainable Vision 2030)" (provisional name), this national action plan, it is anticipated that first, the vision of the future for a "sustainable society" that Japan will aim for would be made clear, and it is anticipated that it would fulfill the role of being a comprehensive strategic plan that establishes the following axes:

- Scenarios of achieving the goals and targets of the SDGs
- The setting of topics, where nations that have made advanced progress on the issues are positioned as advanced international cases
- Scenarios for multi-sector divisions of roles and partnerships in which important roles are fulfilled (the building of consortiums and so forth)

and in order to realize these, also includes the below items:

- ✓ Clarification of KPIs and the establishment of methods to measure effectiveness
- ✓ The utilization of new methods such as big data
- ✓ Funding scheme structures (project funding, finance, etc.)
- ✓ Policy frameworks for the purpose of promoting efforts (regulation relaxation, tax exemption measures, etc.)
- ✓ The mention of items such as the SDGs in the Corporate Governance Code, the Stewardship Code, etc.
- ✓ Action plans for each country for the United Nations Guiding Principles on Business and Human Rights, for which formulation is planned
- ✓ Coordination with the National Action Plan (NAP)
- ✓ Guidance toward efforts at the local government level (public procurement, etc.)
- ✓ Expansion of the awareness of organizations such as small- to medium-sized companies, the instillation of consciousness toward proactive efforts, and the consideration of support measures
- ✓ Measures to stimulate the civil society sector (NGOs, etc.)
- ✓ The sharing of success cases, as well as evaluation structures (commendation systems, rankings, etc.)
- ✓ Mechanisms for strategically communicating information (toward other countries in particular)

It is thought that the presence of such a policy framework would be an indispensable component in stimulating the business innovation of companies making efforts toward social issues, and also in the sense that it would strengthen the competitive power of Japanese companies.