

The trend of CSR in Japan

November 2019

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Steering Committee Chairman, CBCC

Agenda

1. Introduction of CBCC

2. The trend of CSR in Japan

- ① Expansion of ESG investment
- ② Deepening recognition and commitments to SDGs
- ③ Business and Human rights

Key Findings of Questionnaire Survey in this material is from Keidanren's survey 2018

Survey targets: 1,373 Keidanren member companies, Respondents: 302, Response rate: 22.0 %
Survey period: March 2018 through June 2018

1. Introduction of CBCC

About CBCC



Council for Better Corporate Citizenship
(<http://www.keidanren.or.jp/cbcc>)



Founded : September 1989 by **Keidanren**

Mission : To promote Japanese companies' CSR and to support their CSR initiatives

Chairman : Mr. Masaya Futamiya

(Chair, Committee on Responsible Business Conduct & SDGs Promotion, Keidanren Chairman and Director, Sompo Japan Nipponkoa Insurance Inc.)

Members : 85 companies

Sompo Japan Nipponkoa Insurance Inc., Sony Corporation, ANA HOLDINGS INC., ASAHI GROUP HOLDINGS, LTD., Hitachi, Ltd., Kirin Holdings Company, Limited, Nomura Holdings, Inc, Sumitomo Life Insurance Company, NEC Corporation, and so on

Keidanren
Japan Business Federation

KEIDANREN (Japan Business Federation) is a comprehensive economic organization with a membership comprised of 1,412 representative companies of Japan, 109 nationwide industrial associations and 47 regional economic organizations (as of April 2019)

CBCC's major activities

1. Hosting meetings and seminars on CSR
2. Dispatching the CSR Dialogue Mission overseas to study CSR situation overseas and to gain understanding of Japanese CSR
3. Collecting and disseminating information on CSR
4. **Having dialogues with various stakeholders and related entities both in Japan and abroad**
5. Supporting Japanese companies' donations to the CBCC International Contribution Projects through tax incentives

Meetings recently hosted by CBCC

Date	Name	Theme
5 Mar. 2018	Mr. Andy Hall (Migrant Worker Rights Specialist)	Migrant Workers' Human Rights in Southeast Asia
13 Apr.	Dr. Rainer Matthes (CIO, Metzler Asset Management)	ESG investment
10 Jul.	Mr. Stan Dupre (CEO, 2°C Investment Initiative) Mr. Nathan Fabian (Director of Policy and Research, PRI)	Sustainable Finance and Corporate Reporting
22 Oct.	Mr. Aron Cramer (President and CEO, BSR)	Current trend of CSR
26 Feb. 2019	Ms. Stephanie Venuti (Policy Advisor - RBC, International Investment Division, Directorate for Financial and Enterprise Affairs, OECD)	OECD RBC Due Diligence Guidance
13 Mar.	Mr. Matthias Thorns (Deputy Secretary-General, IOE)	Business and Human Rights
5 Jul.	Mr. Manjit Jus (Executive Director, Head of ESG Ratings, RobecoSAM)	ESG Investment
4 Sep.	Mr. Gefei Yin (Founder and Chief Expert of GoldenBee)	Latest Development and Trends of CSR in China

CBCC's Global Network

1. CSR Europe (Europe)
2. BSR (Business for Social Responsibility) (USA)
3. WBCSD (Geneva)
4. Development Center of Chinese CSR, WTO Tribune (China)
5. CSR Asia (Hong Kong)
6. GRI (Global Reporting Initiative) (Netherland)
7. ASEAN CSR Network (Singapore)
8. China Committee of Corporate Citizenship (China)
9. China Enterprise Confederation /CBCSD(China)
10. TBCSD(Thailand)

CBCC CSR Dialogue Mission to Europe 2018

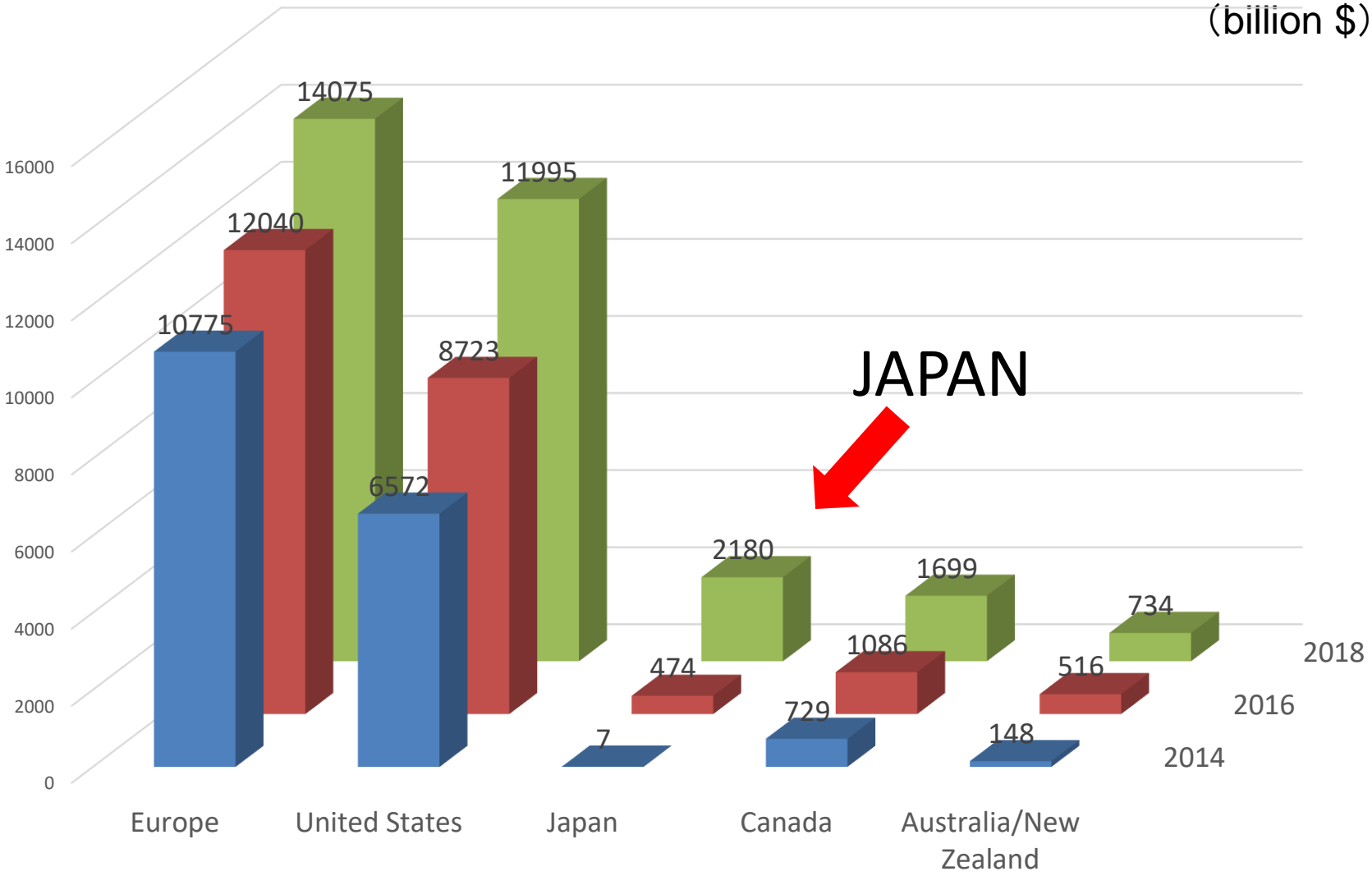


2. The trend of CSR in Japan

- ① Expansion of ESG investment and disclosure

Growth of Sustainable Investing Assets by Region 2014-2018

(billion \$)



Dialogue with Investors

Constructive and purposeful dialogue are strongly encouraged between companies and institutional investors, seeking sustainable corporate growth and increased corporate value over the mid-to-long term.



Japan's Stewardship Code - April 2014

Japan's Corporate Governance Code - June 2018

Revised Corporate Governance Code in 2018 clearly states that non-financial information includes the ESG one.

World's Major Pension Funds signed UN-PRI

Pension Fund	Country	Total Asset	PRI
Government Pension Investment Fund	Japan	1,163	Y
Government Pension Fund Global	Norway	865	Y
Federal Retirement Thrift	USA	443	Y
National Pension	Korea	435	Y
ABP	Netherland	384	Y
National Social Security	China	294	
California Public Employees	USA	285	Y
Central Provident Fund	Singapore	211	
Canada Pension	Canada	201	Y
PFZW	Netherland	186	
ERAFP	France	22	Y

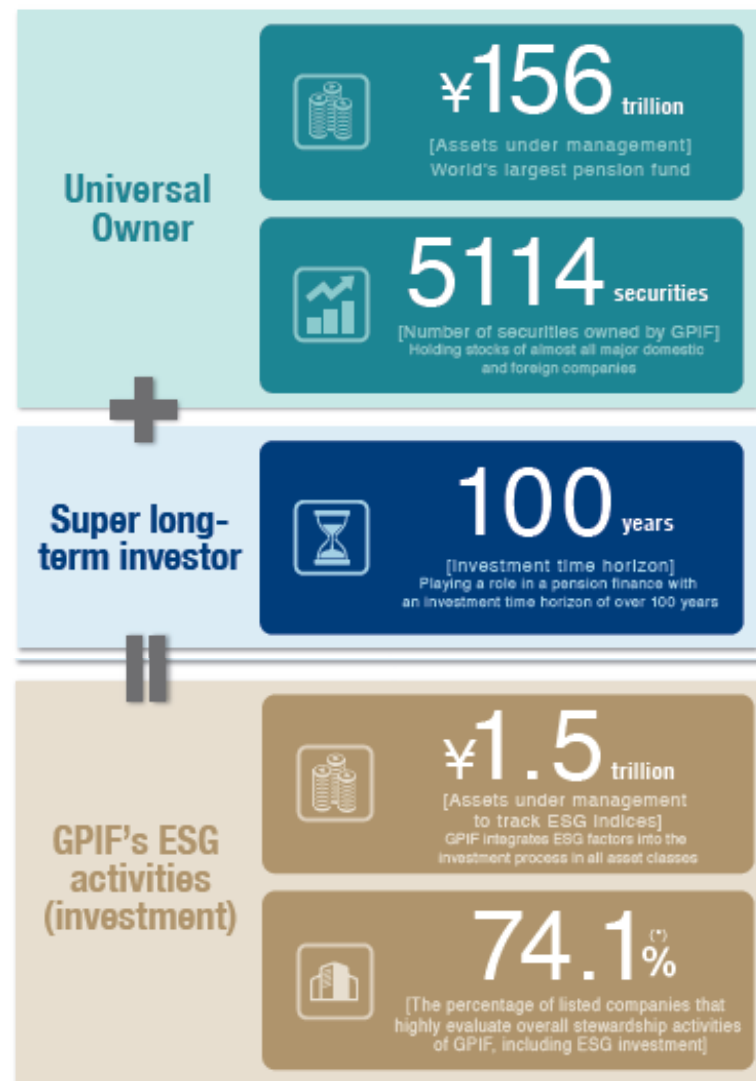
source : Towers Watson, UN-PRI

(billion US\$)

GPIF's initiatives

1. Revision of the Investment Principles
2. Adoption of ESG Indices and RFP for Global Environmental Stock Indices
3. Collaboration with the World Bank Group regarding ESG in Fixed Income Investments
4. Measuring the Impacts of ESG Activities

GPIF and ESG in numbers



ESG indices adopted by GPIF

Type	Name of index
Broad index	FTSE Blossom Japan Index
Broad index	MSCI Japan ESG Select Leaders Index
Thematic/Social	MSCI Japan Empowering Women Index (nickname: WIN)
Thematic/Environment	S&P/JPX Carbon Efficient Index
Thematic/Environment	S&P Global Ex-Japan LargeMid Carbon Efficient Index

Principle 3 in Charter of Corporate Behavior

(Fair disclosure of information and constructive dialogue with stakeholders)

3. Disclose corporate information actively, effectively and fairly and engage in constructive dialogue with a wide range of stakeholders, with a purpose of enhancing corporate value.

[How to do]

1. Promote communication with shareholders and investors through general shareholders meetings and investor-relation and shareholder-relation activities.
2. Make efforts to prevent insider trading
3. Disclose information to stakeholders in a timely and appropriate manner
4. Gain the trust through constructive dialogue with a wide range of stakeholders



Reasons for the disclosure of environmental, social, and governance (ESG) information

➤ Although ESG information is primarily intended for **investors and credit-rating agencies**, it is also recognized to be a tool for communication with a diverse range of stakeholders.

(1) To engage with investors and credit-rating agencies

(2) For employee recruitment activities

(3) In response to requests from business partners

(4) To satisfy the consuming public

(5) To improve corporate value and brand image

(6) To work with NPOs and NGOs

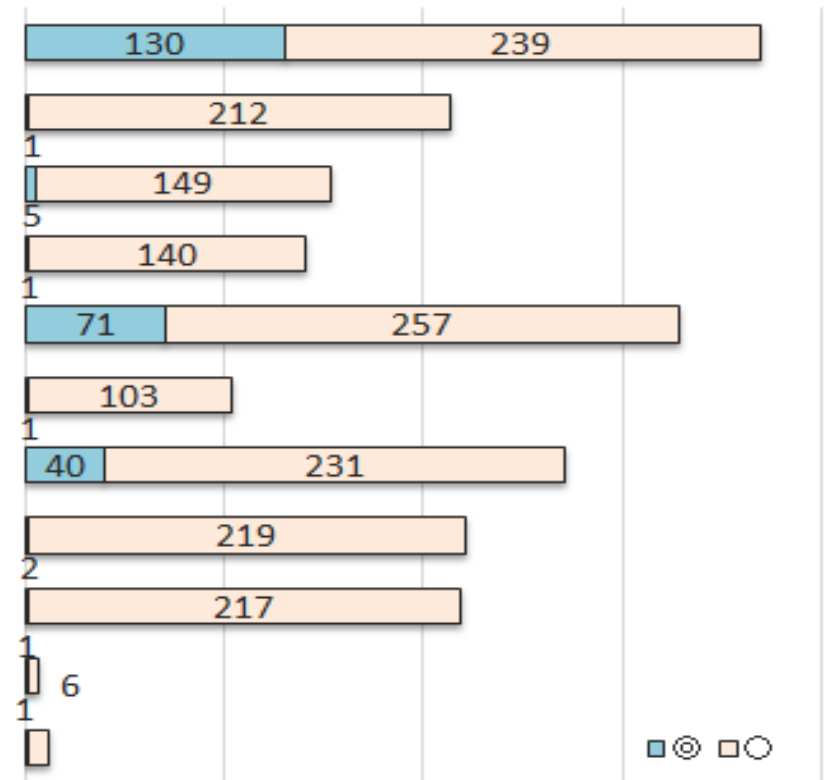
(7) To promote efforts for a sustainable society

(8) For communication with local community

(9) For communication with employees

(10) Other reasons

(11) ESG information not disclosed

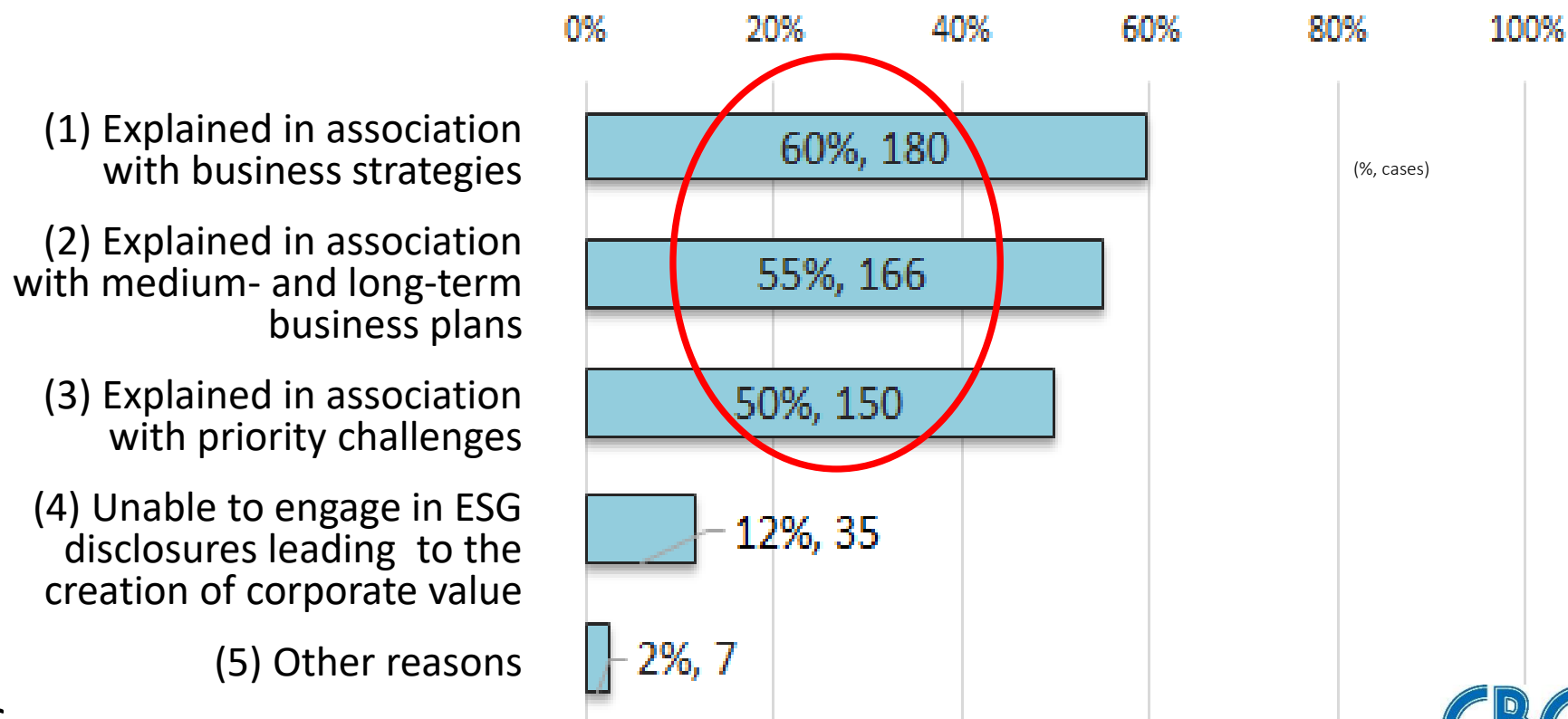


◎ Most important reason

○ Applicable reasons

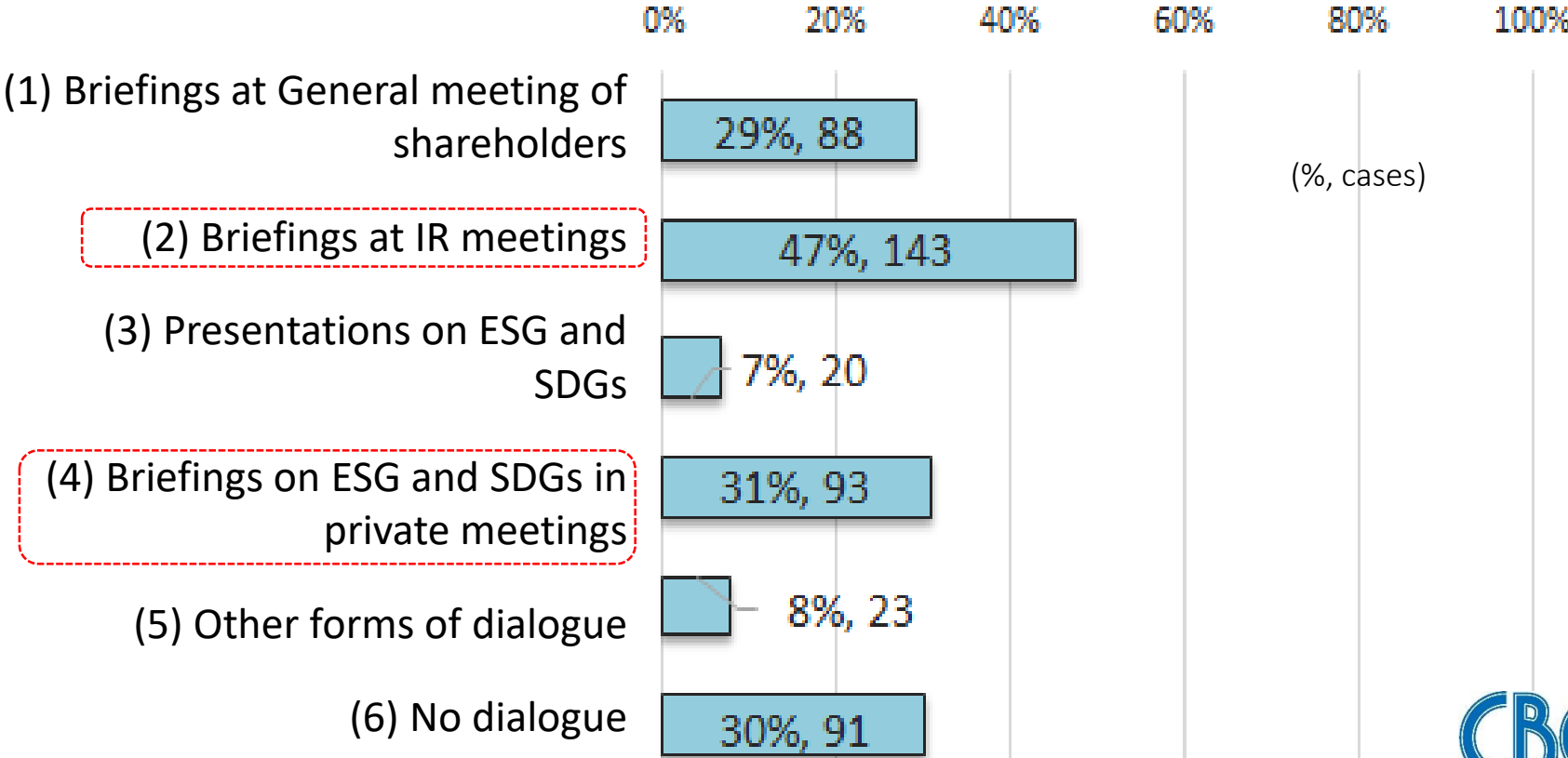
ESG disclosure and dialogue for boosting corporate value

- **From 50 to 60 %** stated that they explain their ESG disclosures in association with their business strategies, medium- and long-term business plans, and materialities in the interest of boosting their corporate value.
- **12 %** indicated that they are unable to engage in ESG disclosures that lead to the creation of their corporate value.



Dialogue with shareholders and investors on themes concerning ESG investments and SDGs

- Briefings at IR meetings were the largest share as the form of dialogue with shareholders and investors to discuss their ESG investments and SDG-related initiatives.
- Being inspired by the shareholders and investors, the rapid progress is being made in this area.



2. The trend of CSR in Japan

- ② Deepening recognition and commitments to the SDGs

Expectation for Business Role in 2030 agenda

transformative change is needed
and leadership of business is the key

“Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation.

We call on all businesses to apply their creativity and innovation to solving sustainable development challenges.”

Source: “TRANSFORMING OUR WORLD: THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT”

Q: Which sector is most influential in promoting SDGs?

	2015	2016	2017	2018
Business	10%	12%	13%	19%
Investor	0%	7%	12%	12%
Consumer	4%	16%	17%	16%
Government	58%	41%	35%	24%
Local government	—	—	1%	1%
NGO	5%	3%	1%	1%
Academia	1%	0%	0%	1%
UN organizations	—	—	—	3%
All Sectors	16%	15%	15%	21%
Others	0%	1%	1%	2%
Don't Know	5%	5%	4%	1%

Q: To which level is the recognition of SDGs established?

	2015	2016	2017	2018
CSR department	61%	84%	86%	84%
Board members	20%	28%	36%	59%
Middle management	4%	5%	9%	18%
Employee	—	—	8%	17%
Group companies	—	3%	2%	4%
Don't know	15%	12%	7%	3%

New Principle 1 of Charter of Corporate Behavior

Delivering on the SDGs through the Realization of Society 5.0

[Sustainable economic growth and the resolution of social issues]

1. Develop and provide socially beneficial and safe goods and services through innovation, and strive for sustainable economic growth and the resolution of social issues.

2. The trend of CSR in Japan

③ Business and Human Rights

Principle 4 in Charter of Corporate Behavior



(Respect for human rights)

4. Conduct business that respects the human rights of all persons.

[How to do]

1. Understand and Respect the internationally-accepted human rights ⇒ ***international norms***
2. Define companies' own policy of respecting human rights and conducting business.

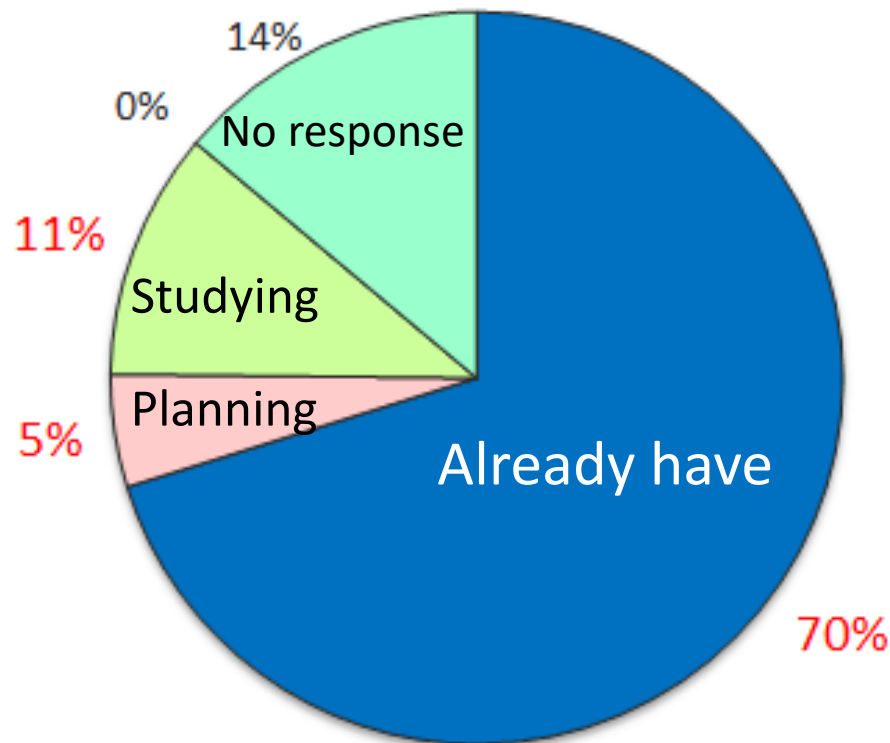
⇒ ***Due Diligence***

3. Contribute to build an inclusive society through supporting vulnerable people by the collaboration with stakeholders

⇒ ***promotion of human rights***



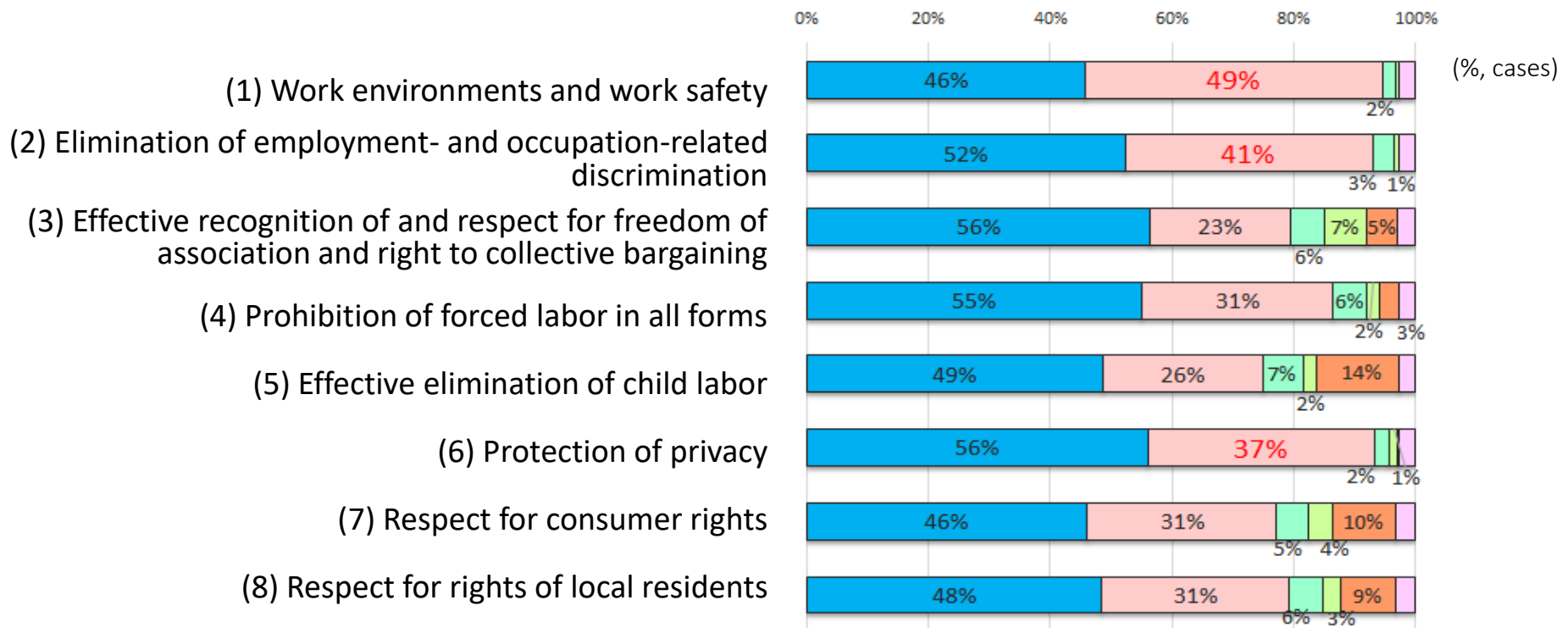
Policies on respect for human rights and implementation of policies (1)



70 % already have policies that promote respect for human rights

Policies on respect for human rights and implementation of policies (2)

➤ About half replied that they had adequately addressed human rights-related issues in their own companies and/or within their value chains. Nevertheless, their responses underlined a trend toward stronger efforts to address all issues.



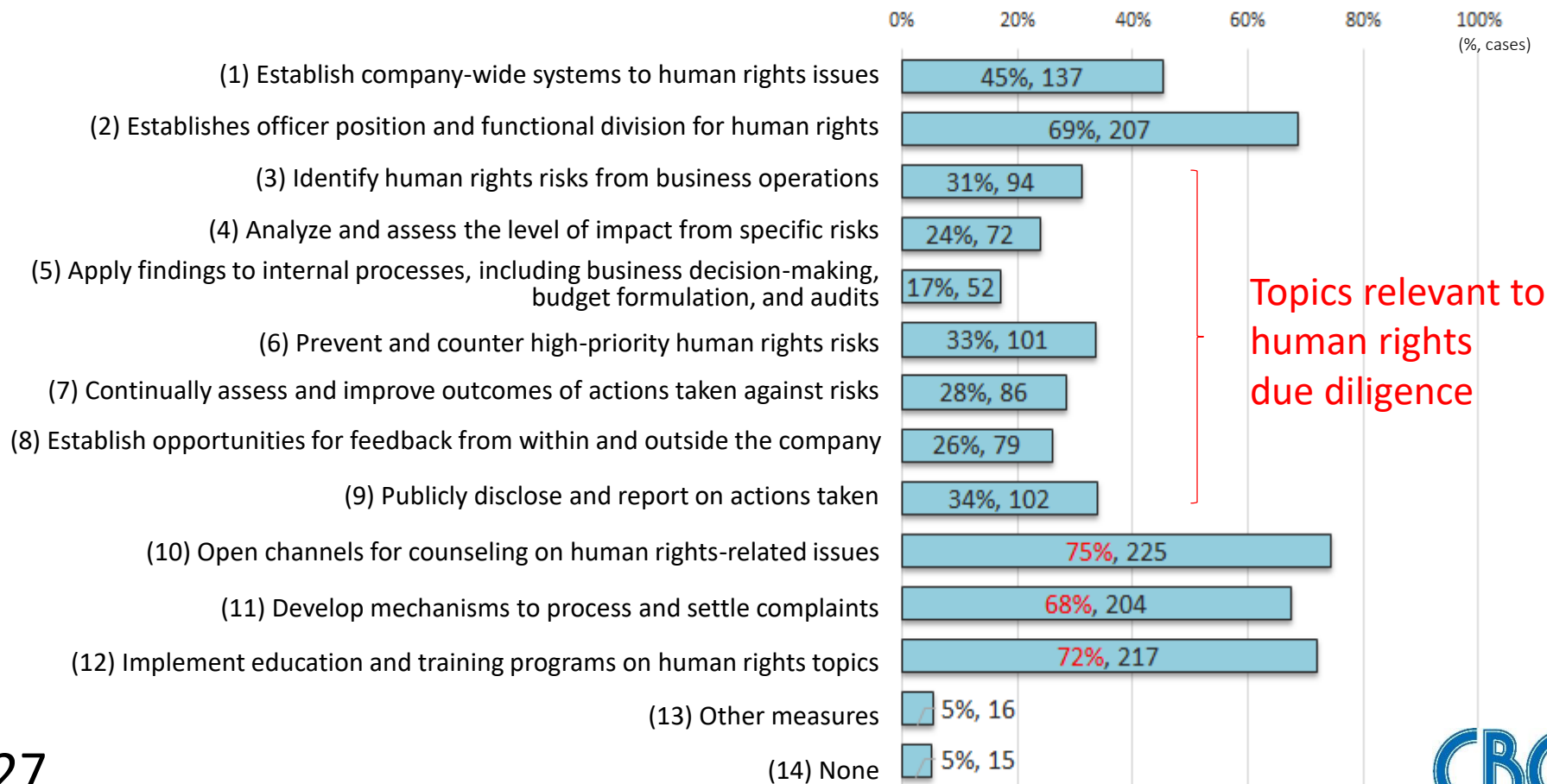
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- Adequately addressed
- Addressed but plan to take stronger action
- Plan to address
- No plans to address
- Not directly relevant to us
- No response

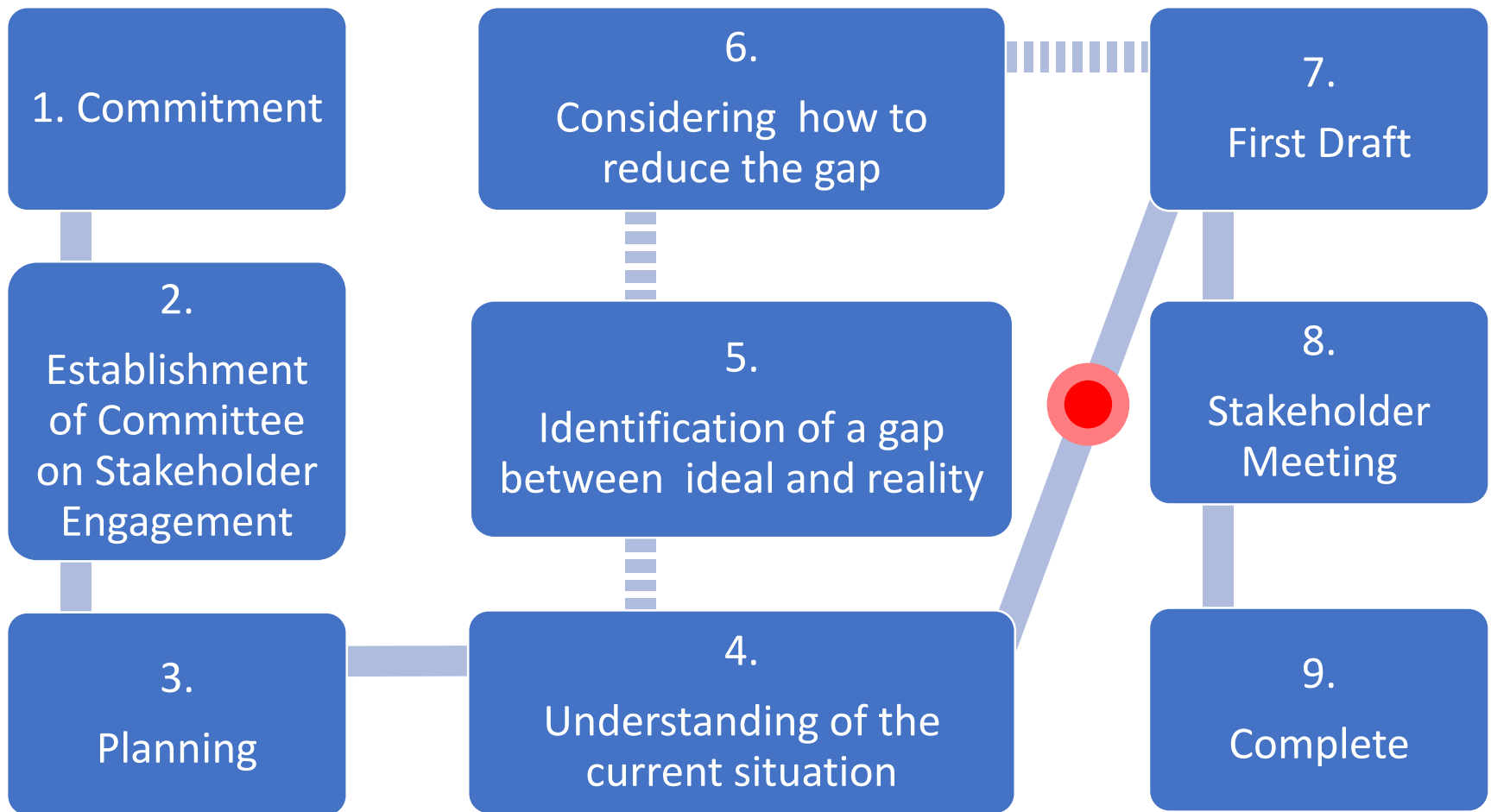


Introduction of mechanisms that promote respect for human rights

- Measures in education, training, and framework development have made headway as mechanisms that foster respect for human rights.
- Only about 30 % stated that they were engaged in efforts to address topics of relevance to human rights due diligence. Japanese companies will need to do more in this area.



National Action Plan in Japan



The Japanese Government is formulating the National Action Plan on Business and Human Rights. It established a multi-stakeholder roundtable where Keidanren actively joined.

Tokyo 2020 – Olympic and Paralympic -

The Sustainability Concept of the Tokyo 2020 Games

Be better, together

For the planet and the people

Climate Change

Towards Zero Carbon

Resource Management

Zero Wasting

Natural Environment and Biodiversity

City within Nature/
Nature within the City

Consideration of Human Rights, Labour and Fair Business Practices

Celebrating Diversity

Involvement, Cooperation and Communications

United in Partnership & Equality



Tokyo 2020 – Olympic and Paralympic -



United Nations
Guiding Principles
on Business and
Human Rights

The 2020 Olympic and Paralympic games in Tokyo declared the adoption of UNGP voluntarily for the first time in the Olympic history

Dialogues with stakeholders on Business and Human Rights



HQ of Human Rights Watch in NY

13 July, 2018

Ms. Sara Phung, Ms. Folke Kayser
German Institute for Human Rights

Business Leadership for Human Rights

Japanese version was launched by Keidanren in October 2019



Thank you very much!

<http://www.keidanren.or.jp/CBCC/en/index.html>
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