

Key Findings of Questionnaire Survey on the Implementation of Keidanren's Charter of Corporate Behavior in the COVID-19 Era

Outline of the survey

<Purpose>

1. **To identify Charter implementation efforts and issues in the COVID-19 era**, especially those relating to "**Society 5.0 for SDGs**," which was the pillar of the 2017 revision, in order to further promote understanding and practice among member companies
2. **To understand issues related to sustainable supply chains** and management practices that respect human rights.
3. **To gather information on practices and issues related to the evaluation of corporate efforts to achieve the Sustainable Development Goals (SDGs)**, including social impact assessments, in light of the fact that five years have passed since the United Nations adopted the SDGs in 2015 and the "10 years of practice" has started in 2020.
4. **To collect examples of Japanese companies' good practices** relating to "Society 5.0 for SDGs" and the United Nations "Guiding Principles for Business and Human Rights," and actively disseminate such examples both domestically and internationally.

<Responses to the questionnaire>

Survey targets: 1,447 Keidanren member companies, Respondents: 289, Response rate: 20.0 %

Survey period: July 2020 through August 2020

October 13, 2020

Keidanren (Japan Business Federation)

Keidanren Charter of Corporate Behavior

(5th Revision: Nov. 8, 2017)

(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.

(Fair business practices)

2. Engage in fair and free competition, appropriate transactions and responsible procurement. Also, maintain a sound relationship with political bodies and government agencies.

(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.

(Respect for human rights)

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

(Relationships of trust with consumers and customers)

5. Provide consumers and customers with appropriate information about goods and services, communicate with them in good faith, and earn their satisfaction and trust.

(Reform of work practices and enhancement of workplace environments)

6. Realize work practices that will improve the capability of employees and that respect their diversity, character, and personality. Also, provide safe and healthy working environments.

(Engagement in environmental issues)

7. Proactively initiate measures in acknowledgment of environmental issues, the common challenges they pose to humanity and their importance to a corporation's operation and persistence.

(Involvement in community and contribution to its development)

8. Actively engage in community involvement activities and contribute to community development as a good corporate citizen.

(Thorough crisis management)

9. Conduct thorough and organized crisis management in the face of actions by antisocial forces, terrorism, cyber attacks, natural disasters and other crises that pose a threat to civil society and corporate activity.

(Role of top management and implementation of this Charter)

10. Top management shall recognize that it is their role to realize the spirit of this Charter, build effective governance systems for the conduct of business, and strive to raise awareness of the Charter's spirit within the corporation and the entire corporate group to achieve its full compliance. Top management should also encourage behavior based on the principles of this Charter within the corporation's supply chain. In the event that the corporation violates the spirit of this Charter and loses the trust of society, top management shall proactively take responsibility to respond to the situation, including resolving the problem, investigating the causes, and preventing the problem from recurring.

I . Implementation of the Charter during the COVID-19 Pandemic

1. Actions taken in relation to management philosophy and policies after the COVID-19 outbreak

- **“Disseminating messages from top management within the company and the group”** was the most common **type of action**, accounting for 85% of companies that have implemented, or are planning to implement, action. Many companies issued **positive messages that call for the realization of a more sustainable society** by taking the COVID-19 pandemic as an opportunity and promoting innovation in response to changes. **“Reflecting the impact of COVID-19 in the medium-term management plan”** was the most common action to be taken in the future.
- As for the provisions of the Charter of Corporate Behavior related to implementation, **Article 6 “Reform of work practices and enhancement of workplace environments”** was the most commonly cited at 81%, followed by Article 1 “Sustainable economic growth and the resolution of social issues.”

Figure I-1 Actions taken after COVID-19 outbreak

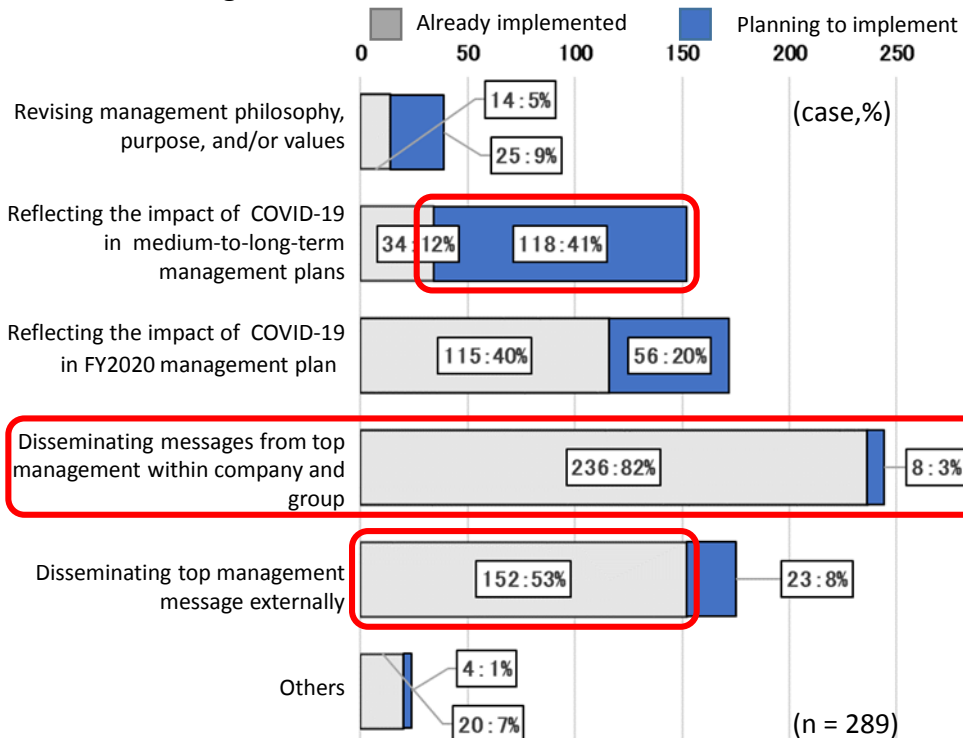
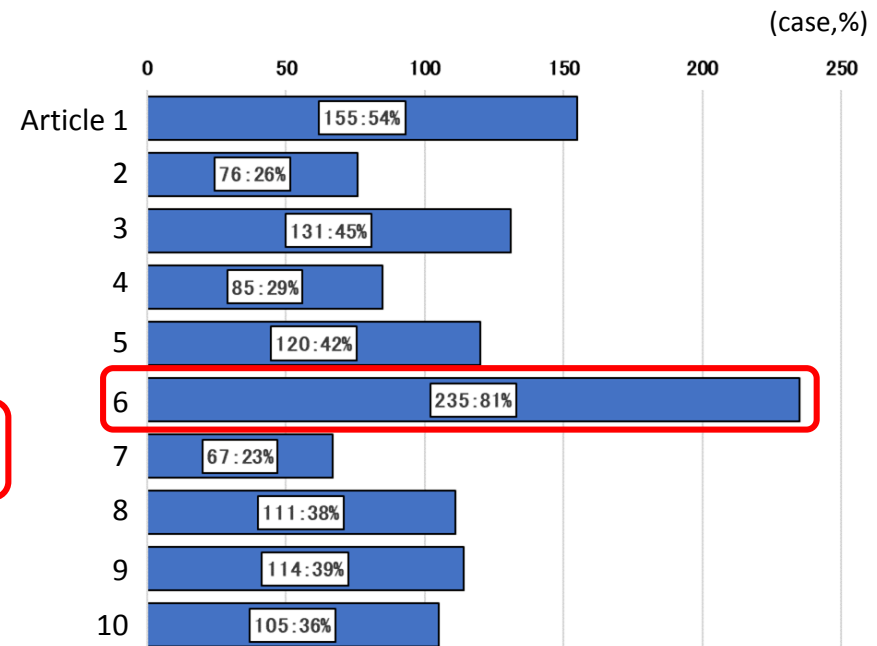


Figure I-2 Provisions of the Charter related to the actions



II . Actions for Realization of Society 5.0 for SDGs (Articles 1 & 10)

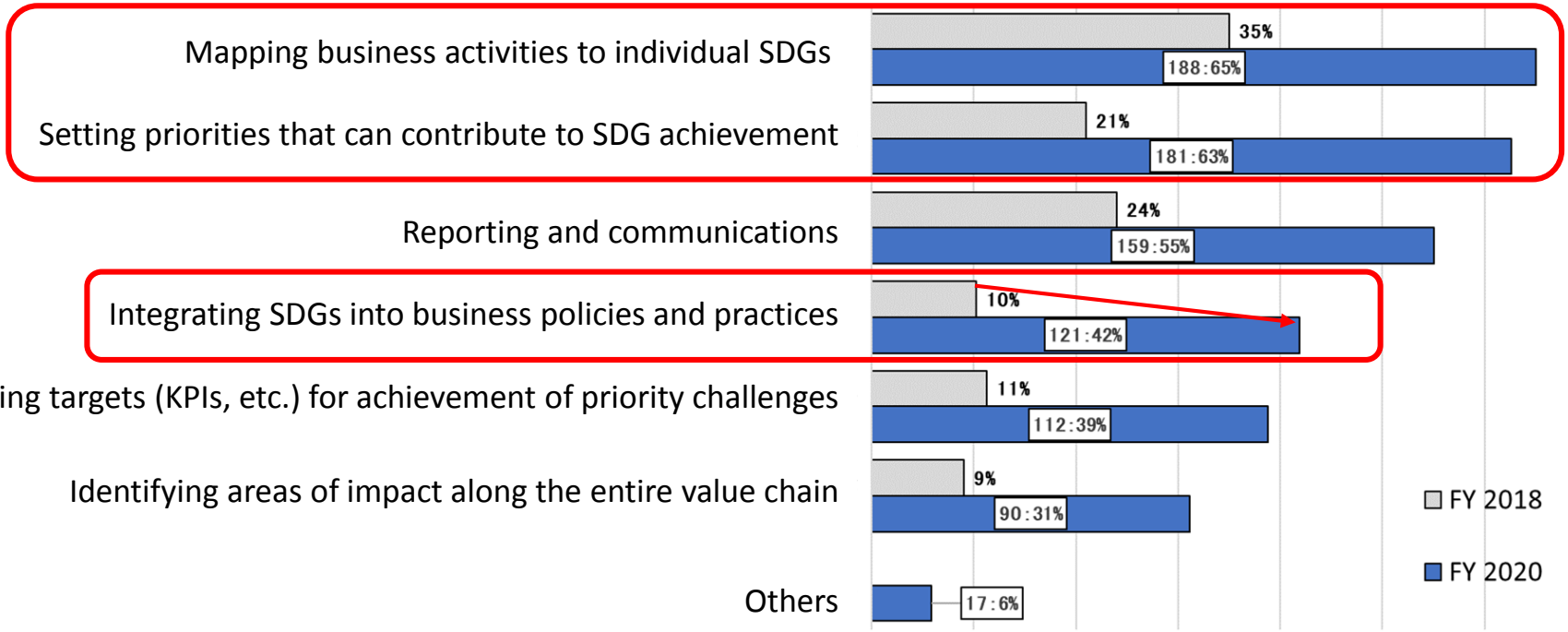
1. Measures that leverage the SDGs

- The most common action leveraging the SDGs is “**Mapping business activities to individual SDGs**,” followed by “**Setting priorities that can contribute to SDG achievement**,” both exceeding 60%.
- Compared with the FY 2018 survey, **the highest growth rate was observed in the response “Integrating SDGs into business policies and practices”** (4.2 x), indicating that the integration of SDGs into management, as required by Article 10 of the Charter, has been progressing steadily in recent years.

Figure II-1 Measures that leverage the SDGs

(case,%)

0% 10% 20% 30% 40% 50% 60% 70%



Multiple answers (n = 289)

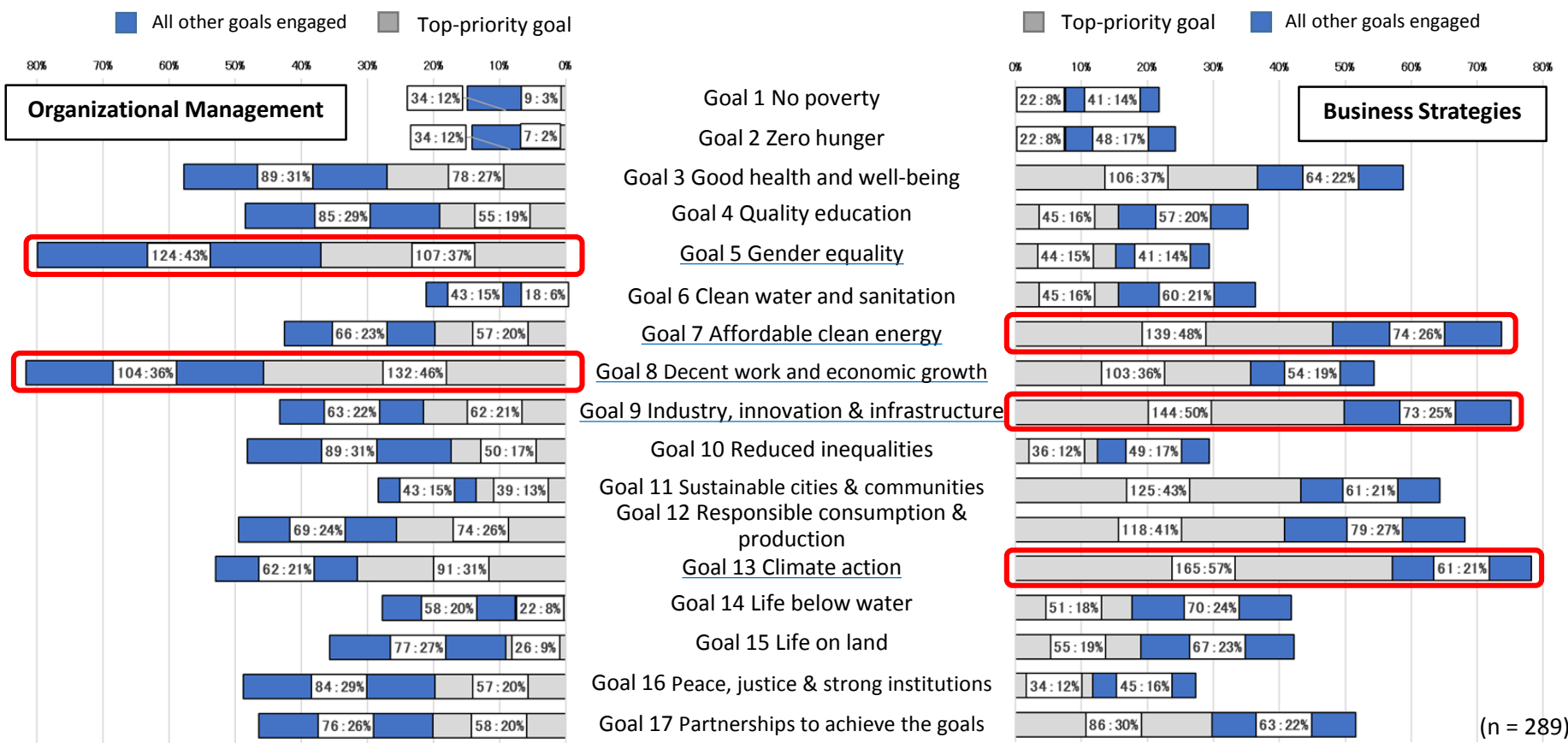
Note 1: Percentages indicate proportion of total respondents (289 companies) that cited this action. In 2018, there were 302 questionnaire respondents.

2. Current status of the corporate initiatives to achieve the 17 SDGs

- The number of companies working on Goals 8, 13, and 9 tended to be high, as was the case with the FY 2018 survey.
- In relation to **organizational management** (see Note 2 below), the numbers are high for Goals 8 and 5, indicating that many companies emphasize employee engagement and promote work style reforms.
- In relation to **business strategies**, the numbers are high for Goals 13, 7, and 9, indicating emphasis on contributing to climate change responses through business and promoting sustainable industries through innovation.

Figure II-2 Measures to contribute to achievement of the 17 SDGs

(case,%)



Note 2: Goals set in each company's personnel system, human resource development, internal organizational management, etc.

3. Innovation for Society 5.0 for SDGs

- **185 companies submitted a total of 347 examples** of mechanisms and methods for creating innovation (please refer to Slide 6). The commonest response was **“Research and Development Innovation,”** followed by "Employee development and training system." The most common partner for cooperation was **“Inter-firm collaboration”** (53%), followed by "National and local governments" (34%).
- As for issues related to the creation of innovation, the commonest response, cited by 47%, was "Establishment of an internal system." In particular, many companies considered **the acquisition and development of innovative human resources as a challenge.** Next mentioned was "Lack of Recognition for Society 5.0/DX" (45%), showing that **public awareness of Society 5.0 and DX (digital transformation) remains a challenge.**

Figure II-3 Mechanisms and methods for creating innovation

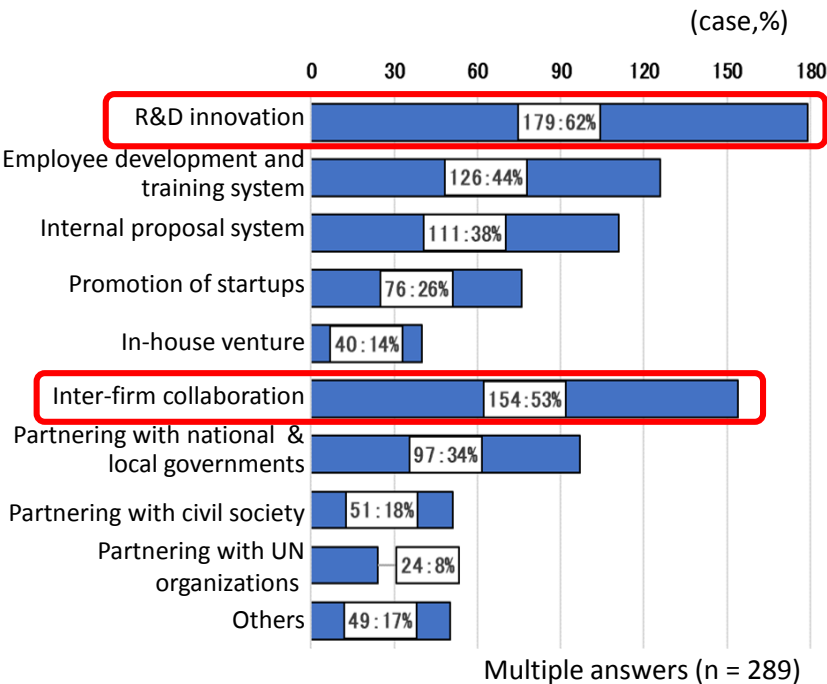
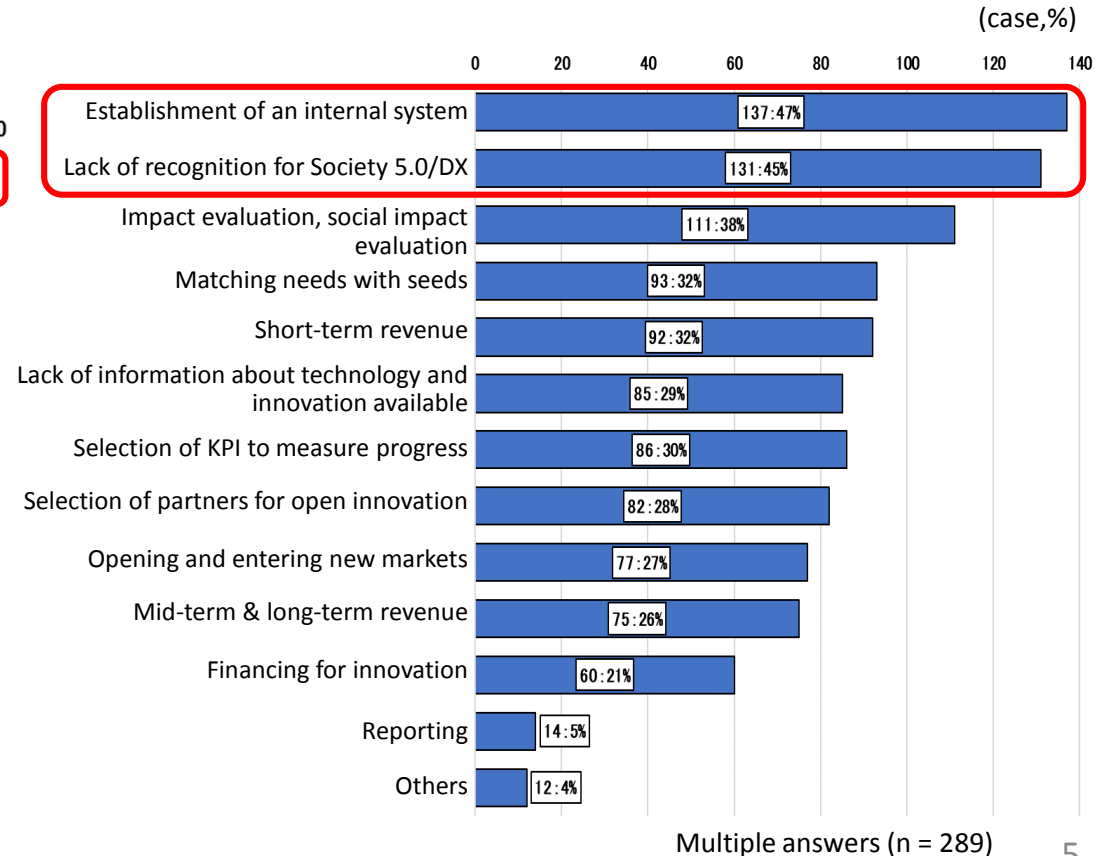


Figure II-4 Issues related to the creation of innovation



Examples of mechanisms to create innovation for “Society 5.0 for SDGs”

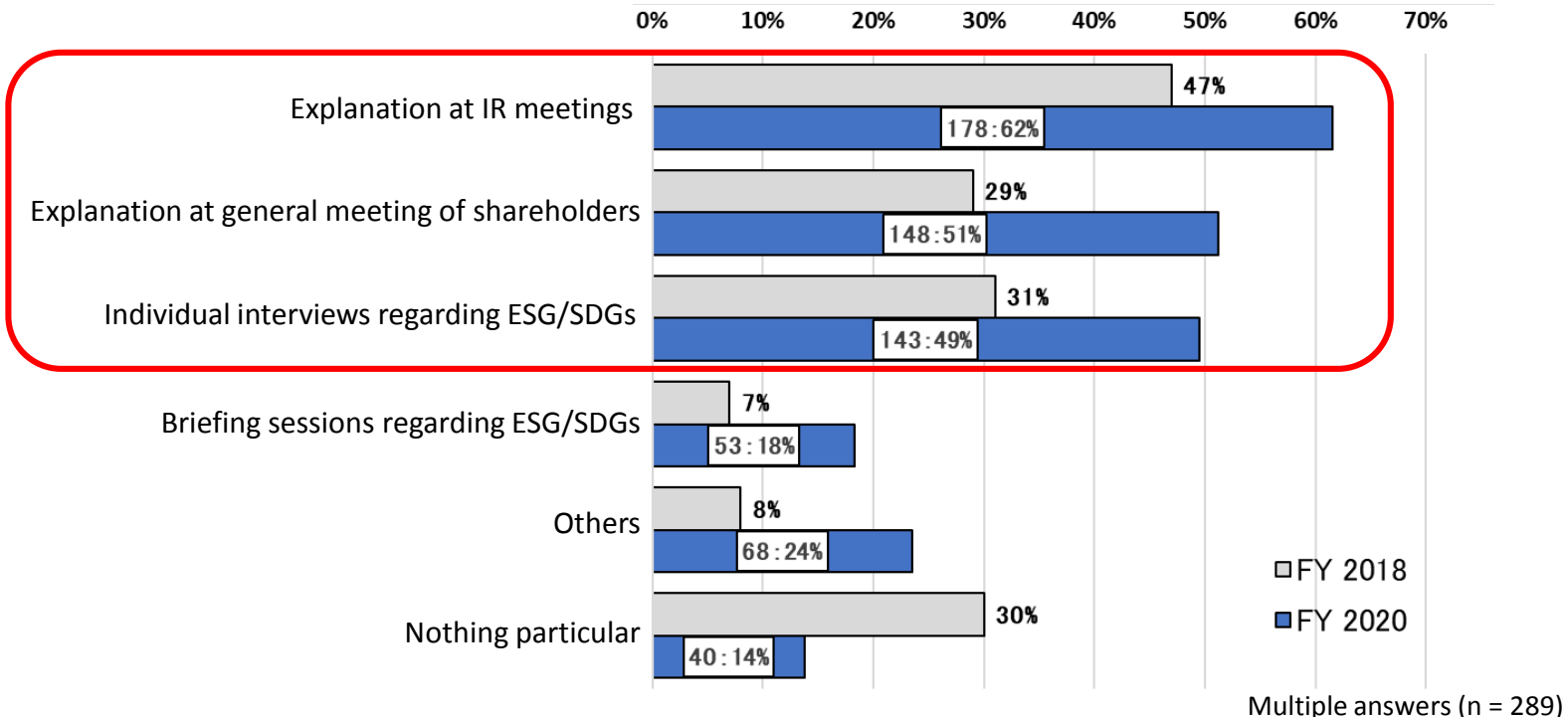
- **Efforts to share objectives throughout the company**
 - Introducing an internal certification system for products and technologies that provide sustainability solutions, and an internal carbon price that reduces CO₂ emissions.
- **Mechanisms of internal proposals**
 - Holding an in-house hackathon in which participants are expected to complete presentation materials and create new programming demonstrations on the theme of “AI × SDGs” within 27 hours.
 - Establishing an in-house site for collecting business ideas, which is operated as a system for gathering, evaluating, and commercializing ideas.
- **Recruiting Innovation Partners**
 - Implementing an Open Innovation Program, which aims to develop new businesses through cooperation among members selected from within the group and startup companies.
- **Collaboration with and support for startup companies**
 - Promoting collaboration to create new value through technology attaché activities at overseas bases (US, Europe, Singapore, China).
- **Establishment of Open Innovation Centers**
 - Establishing Silicon Valley Ventures & Laboratory as a base to discover and collaborate with cutting-edge research institutes and startups, and to lead innovation.
 - Launching a Membership Open Innovation Lab to bring together diverse people and cutting-edge technologies in order to create new value beyond organizational barriers.
- **Intellectual property matching**
 - Selecting “open patent” technologies in the fields of welfare, materials, and IoT, which have the potential to contribute to the resolution of social issues and the creation of new businesses, from among the technologies owned by the company, and introducing them to SMEs in various regions.
- **Investment in venture funds**
 - Investing in startups around the world. Group employees from all over the world travel to Silicon Valley to discover start-up companies with cutting-edge technologies and co-create business models to solve their local issues.
- **Collaboration**
 - Establishing a “Human Augmentation Research Initiative” to develop technologies that expand human capabilities, systematize cutting-edge research, and promote collaboration among industry, government, and academia.

III. Fair Disclosure of Information and Constructive Dialogue with Stakeholders (Article 3)

1-(1) Initiatives for constructive dialogue with stakeholders

➤ The most common response regarding efforts made for constructive dialogue with shareholders and investors was "Explanation at IR meetings" (62%). Compared with the FY 2018 survey, there were increases in the number of respondents citing "Explanation at the General Meeting of Shareholders" (1.8 x) as well as "Individual interviews" (1.6 x), and "Briefing sessions" (2.6 x) concerning ESG and SDGs, **indicating heightened interest from shareholders in initiatives related to SDGs and the proactive stance of companies.**

Figure III-1 SDG-related initiatives for constructive dialogue (case,%)



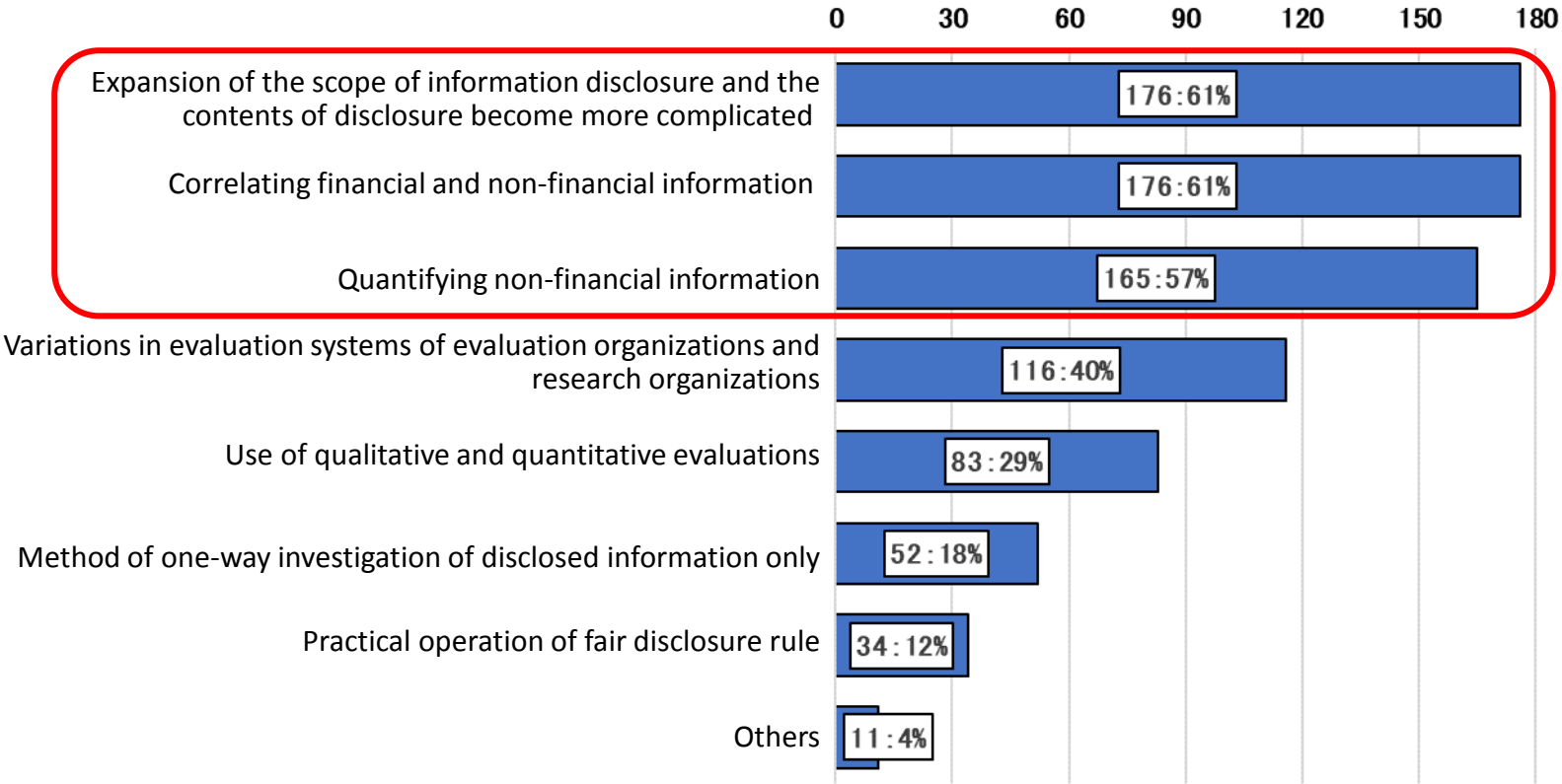
Note 3: Percentages indicate proportion of total respondents (289 companies) that cited this initiative. In 2018, there were 302 questionnaire respondents.

1-(2) Issues for constructive dialogue with stakeholders

➤ When asked about challenges in promoting dialogue, 61% of respondents cited "**Expansion of the scope of information disclosure and the contents of disclosure become more complicated,**" followed by "Correlating financial and non-financial information" and "Quantifying non-financial information," indicating that **the complexity of non-financial information has caused difficulties in organizing and analyzing information.**

Figure III-2 Issues for constructive dialogue with stakeholders

(case,%)

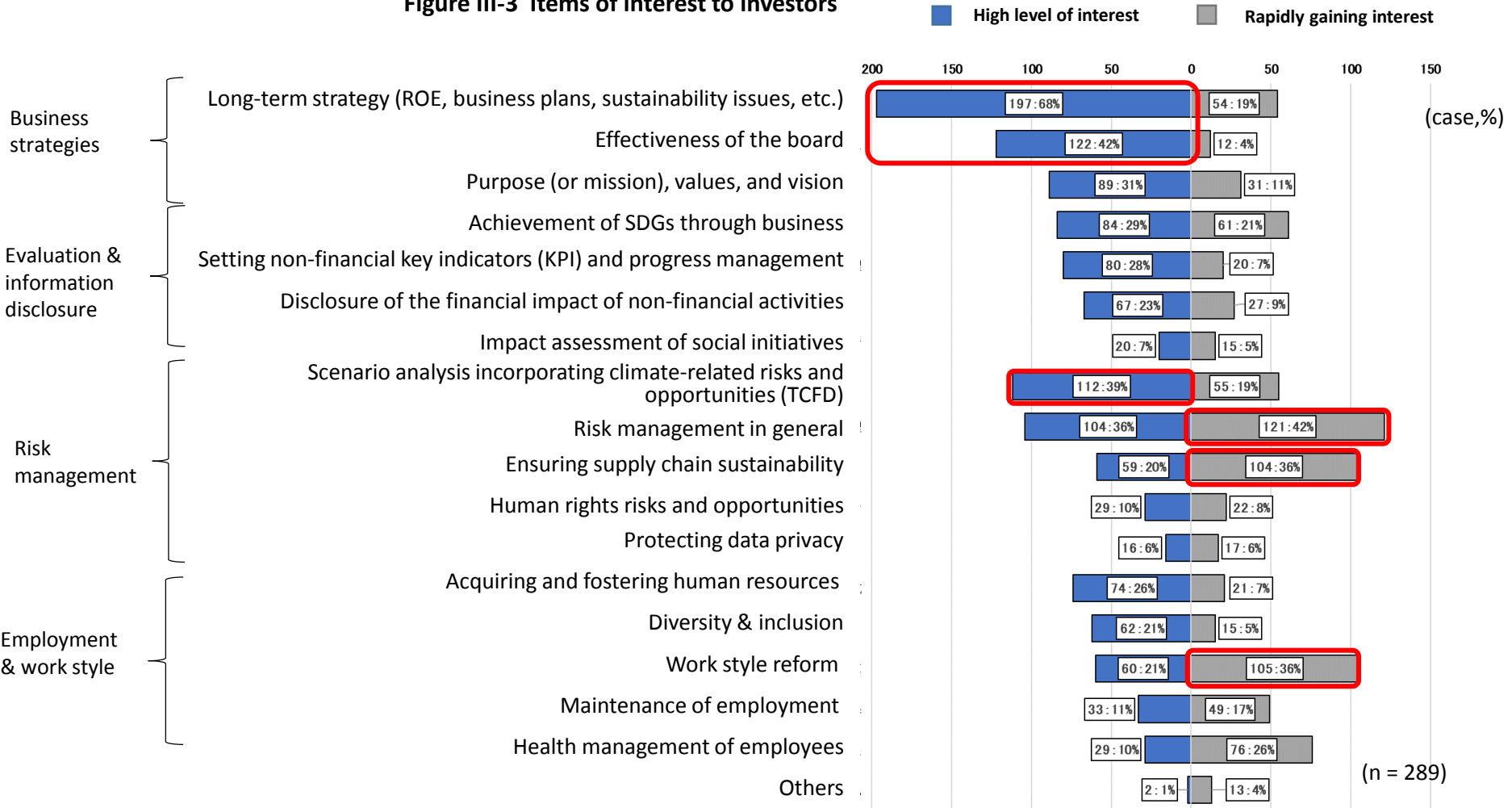


Multiple answers (n = 289)

2. Items of interest to investors

➤ The item of greatest interest to investors is “**Long-Term Strategy** (ROE, business plans, sustainability issues, etc.)” The item gaining the interest of investors most rapidly after the COVID-19 outbreak is “**Risk management in general**,” followed by “**Work style reform**” and “**Ensuring supply chain sustainability.**” This finding indicates that **companies are being urged to address overall risks, including work style reforms in response to the COVID-19 crisis and ensuring supply chain sustainability.**

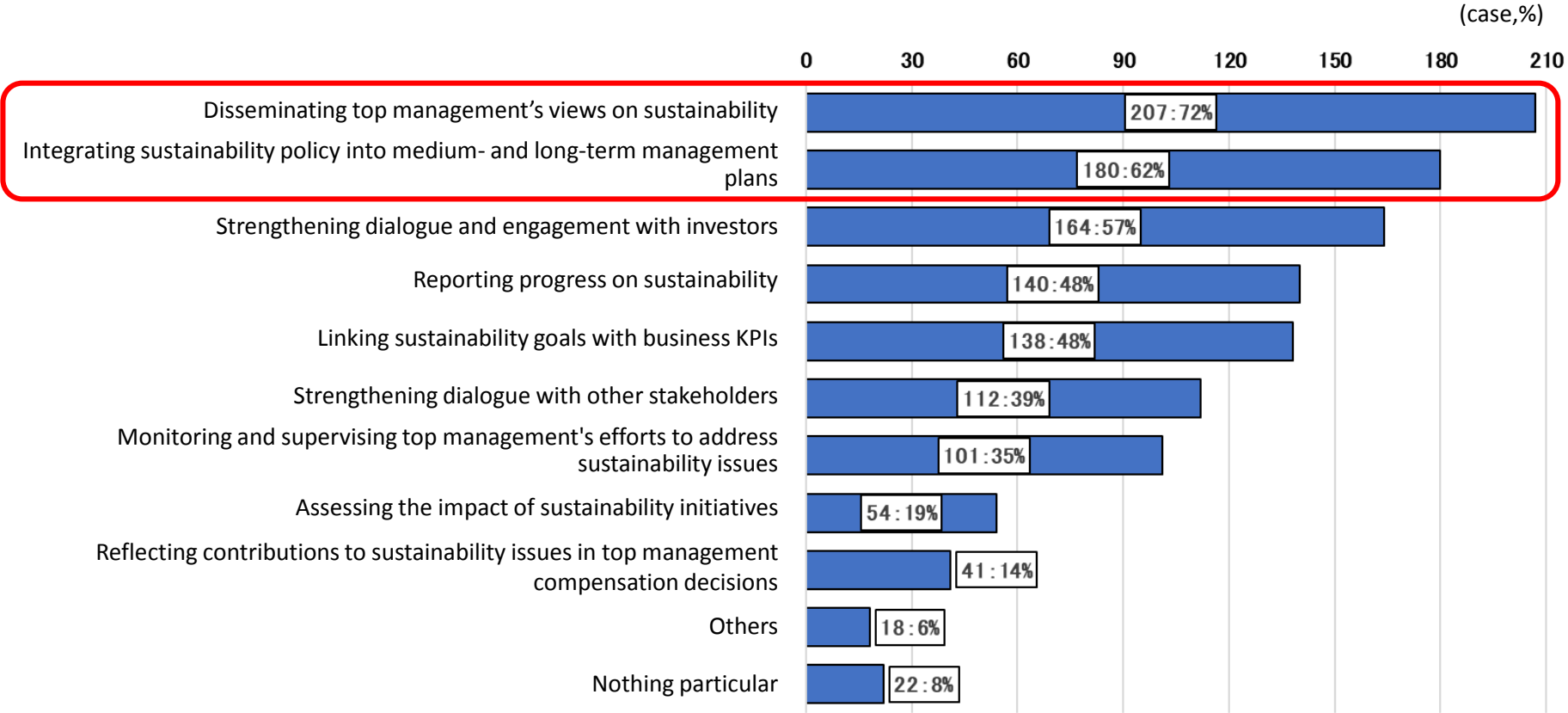
Figure III-3 Items of interest to investors



3. Efforts to link the SDGs to companies' long-term value creation

➤ Asked what efforts are being made to link the SDGs to their company's long-term value creation story, **72% of respondents answered "Disseminating top management's views on sustainability,"** followed by "Integrating sustainability policy into medium- and long-term management plans." This finding indicates that many companies **incorporate the concept of sustainability into their management policies in order to increase their corporate value.**

Figure III-4 Efforts to link the SDGs to companies' long-term value creation



Multiple answers (n = 289)

IV. Fair Business Practices and Responsible Procurement (Article 2)

1. Efforts to ensure sustainability of the supply chain

- The effort to ensure the sustainability of the entire supply chain implemented by the largest number of respondents (241 companies) was **“Support for the introduction of telecommuting and remote work,”** followed by “Support for workplace health and safety measures” and “Transaction continuity.” (Refer to examples of actions listed on Slide 13).
- Within the company, subsidiaries, and group companies, employee health and safety measures were particularly important.
- For direct suppliers and raw material suppliers, items related to business continuity, such as “Transaction continuity” and “Prompt payment” were important.
- For secondary and subsequent suppliers, in addition to business continuity, responses to "Human rights risk" and "Anticorruption measures" were mentioned.

Figure IV-1 Efforts to ensure the sustainability of the supply chain

(case)

	Entire supply chain	Within the company, subsidiaries & group companies	Direct suppliers	Secondary and subsequent suppliers	Raw material suppliers
Identification of priority businesses for continuity and securing of systems	176	159	93	29	54
Compensation for suspended projects	58	41	40	7	6
Prompt payment	132	76	109	23	49
Transaction continuity	193	128	171	56	97
Support for workplace health and safety measures	234	232	86	28	16
Support for continued employment of employees	133	128	30	4	4
Support for the introduction of telecommuting and remote work	241	234	32	6	4
Material support for business continuity and resumption	109	97	30	6	1
Financial support for business continuity and resumption	93	77	29	2	0
Technical support for business continuity and resumption	73	63	27	7	2
Personnel support for business continuation and resumption	72	64	22	4	1
Identification and addressing of human rights risks (child labor and forced labor)	96	83	71	32	36
Prevention of bribery and other forms of corruption	108	100	74	31	38
Others	21	8	16	5	7

2. Efforts to build sustainable and resilient supply chains

- **62% of respondents "revisited"** their efforts to build sustainable and resilient supply chains or indicated that they are **"to be reviewed."** Many companies face challenges due to the COVID-19 pandemic.
- When enterprises that responded "revisited" or "plan to review" were asked for their perspectives on such reviews, the commonest response, cited by 62%, was **"Diversification of suppliers"** followed by **"Leveraging of DX."**
- The specific content of reviews shows the supply chain has been strengthened not only from the viewpoint of business continuity, but also from the viewpoint of sustainability. (Refer to specific review content shown on Slide 13).

Figure IV-2 Review to build sustainable and resilient supply chains

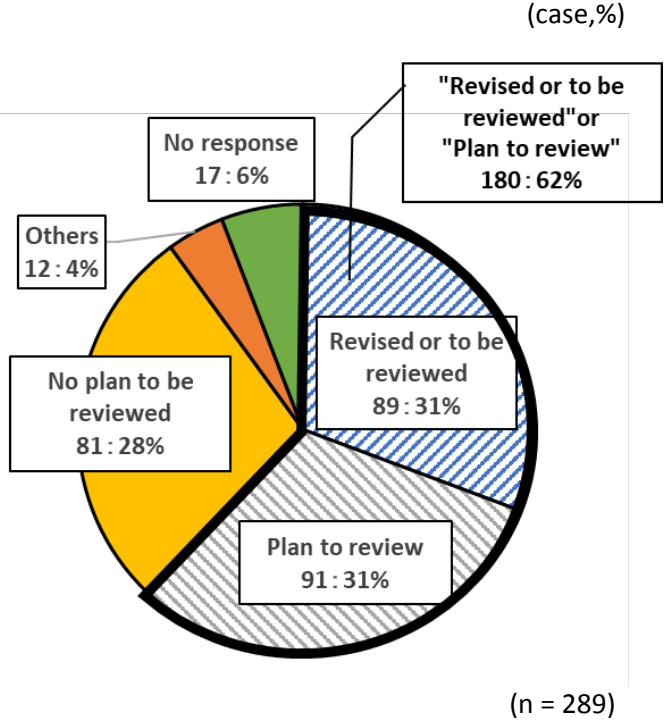
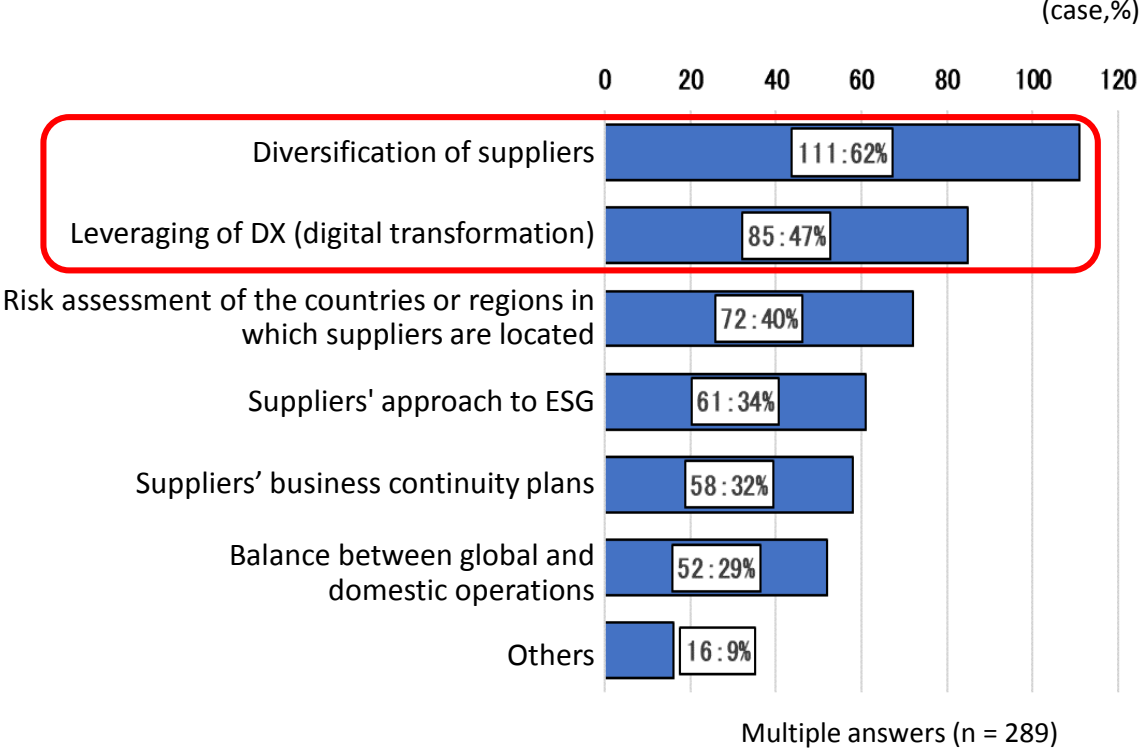


Figure IV-3 Review perspectives



Examples of actions to build sustainable and resilient supply chains

- **Support for telecommuting and remote work**
 - Setting core days for telework and numerical targets, such as having more than 50% of the organization's employees carry out telework during a given period.
 - Soliciting and awarding work style reform initiatives in the form of in-house contests, and linking such initiatives to horizontal development of in-house knowledge.
- **Measures for business continuity plans**
 - In order to ensure a stable supply of important products, establishing a backup system in which production and distribution bases are dispersed and multiple primary raw materials are purchased.
 - Based on BCP surveys of major raw material suppliers, verifying the feasibility of alternative production at multiple supplier sites, the availability of inventory to continue supply, and the existence of alternative raw materials.
- **Support for business continuity**
 - Providing various types of support to facilitate the provision of funds to corporate customers affected by sales declines or difficulties in procurement.
 - Responding to supplier requests and providing support to suppliers, via the Procurement Division and the Production Control Division, to improve work efficiency and IoT utilization.

Specific content of reviews to build sustainable and resilient supply chains

- **From the viewpoint of business continuity**
 - (1) Visualization of the entire supply chain according to materials and products procured, (2) understanding and evaluating business partners' BCP management systems, (3) considering mechanisms to ascertain the operational status of business partners in a quicker, more timely manner, (3) reviewing safety stock standards, and (4) reviewing purchasing policies for multiple companies and locations.
- **From the viewpoint of sustainability**
 - Revising Supplier Sustainable Action Guidelines to make human rights a top priority and contribute to the realization of a sustainable society together with our business partners.
 - Conducting CSR audits through a combination of on-site and remote audits.
 - Conducting self-assessment surveys of major suppliers, including human rights due diligence and anti-bribery and corruption questions, monitoring their compliance systems, and identifying risks.
 - Based on data from a database held by a British NGO, analyzing cases of environmental and human rights risks that have occurred in countries around the world since 2000, and identifying high-risk business areas, with a focus on the systematization of risk surveys and management specific to these business areas in the Group's businesses.

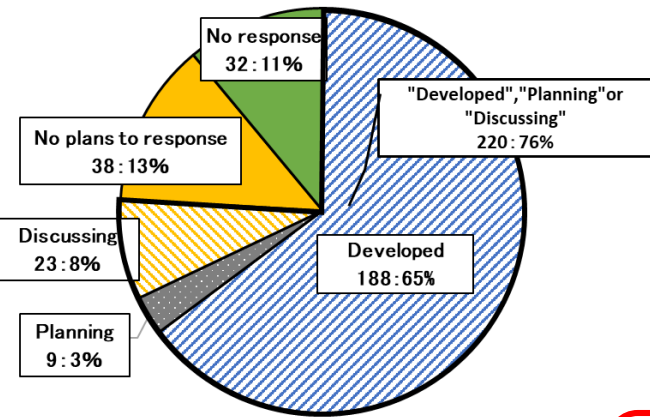
V. Respect for Human Rights (Article 4)

1. Policies and mechanisms relating to respect for human rights

- Companies that have "Developed," are "Planning," or "Discussing the formulation of" policies on respect for human rights accounted for 76% of all respondents.
- While a relatively high proportion of companies have established internal systems, only about 30% have implemented human rights risk identification and impact assessment, and human rights risk prevention and management. No progress has been made since the FY 2018 survey.

Figure V-1 Development of policies on respect for human rights

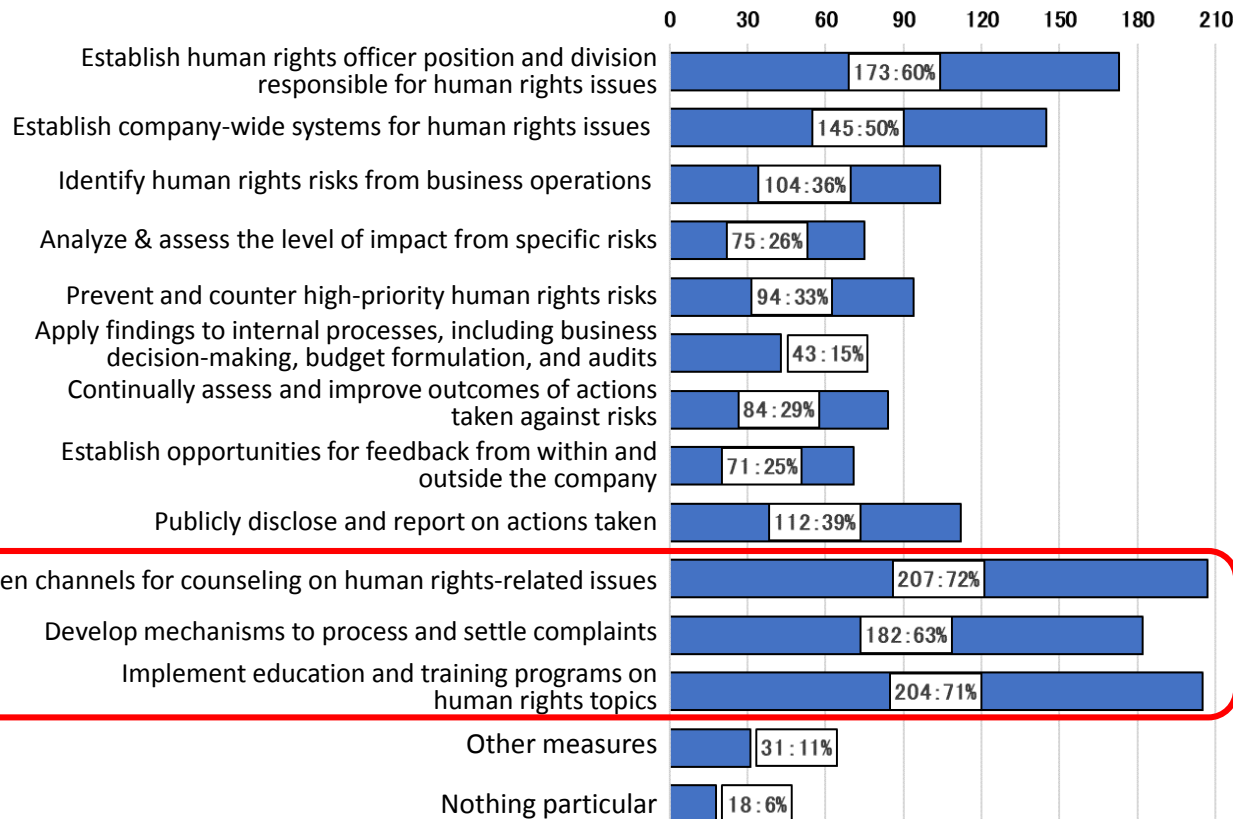
(case,%)



(n = 289)

Figure V-2 Mechanisms that promote respect for human rights

(case,%)

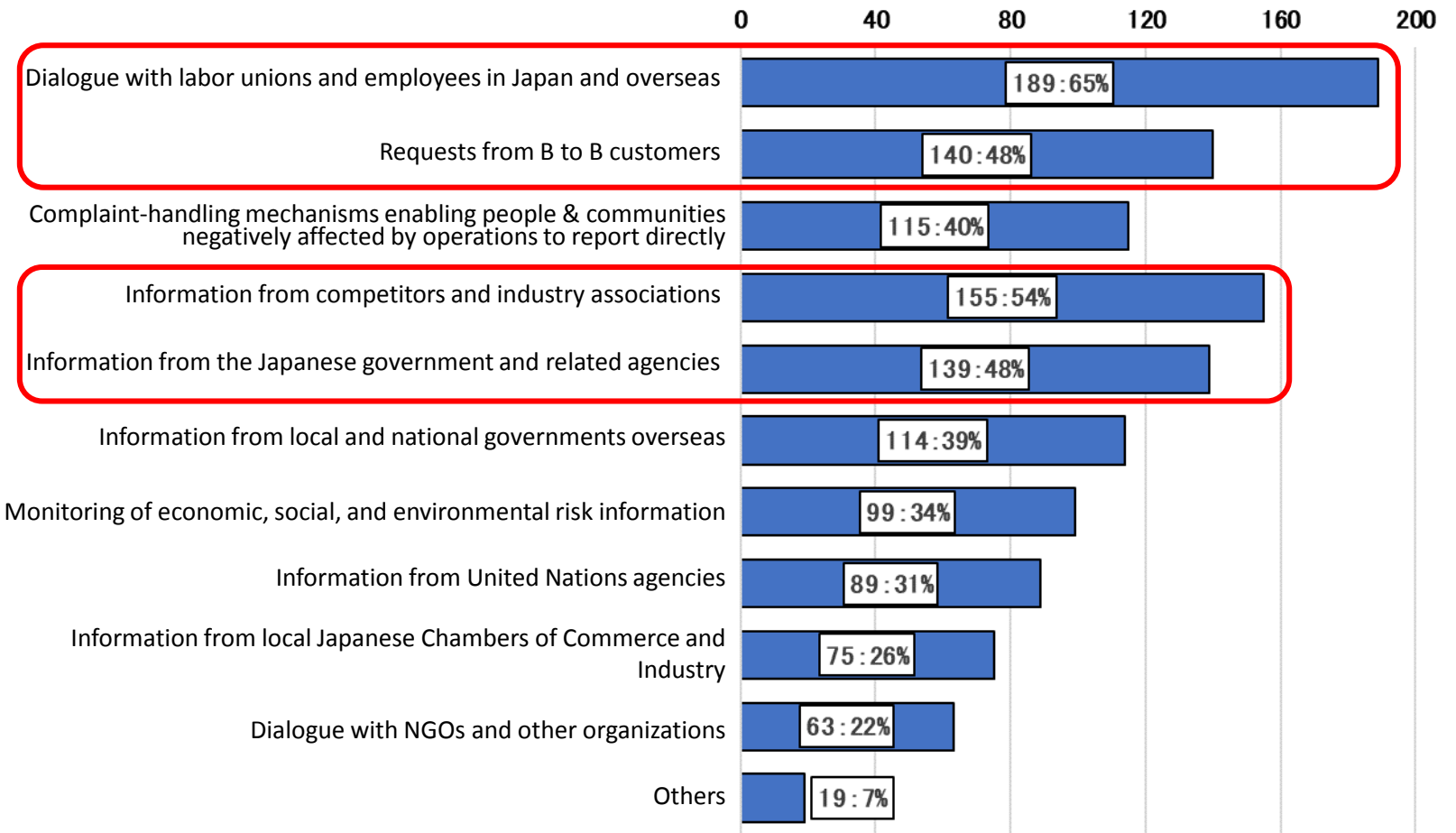


Multiple answers (n = 289)

2-(1) Human rights risks in the global supply chain

➤ When asked about their methods for identifying human rights risks in the global supply chain, the commonest response, cited by 65% of companies, was “**Dialogue with labor unions and employees in Japan and overseas.**” This was followed by “Information from competitors and industry associations” (54%), “Information from the Japanese government and related agencies” (48%), and “Requests from B to B customers,” indicating that many companies also obtain information from third parties or requests from business partners at worksites.

Figure V-3 Methods for identifying human rights risks in the global supply chain (case,%)

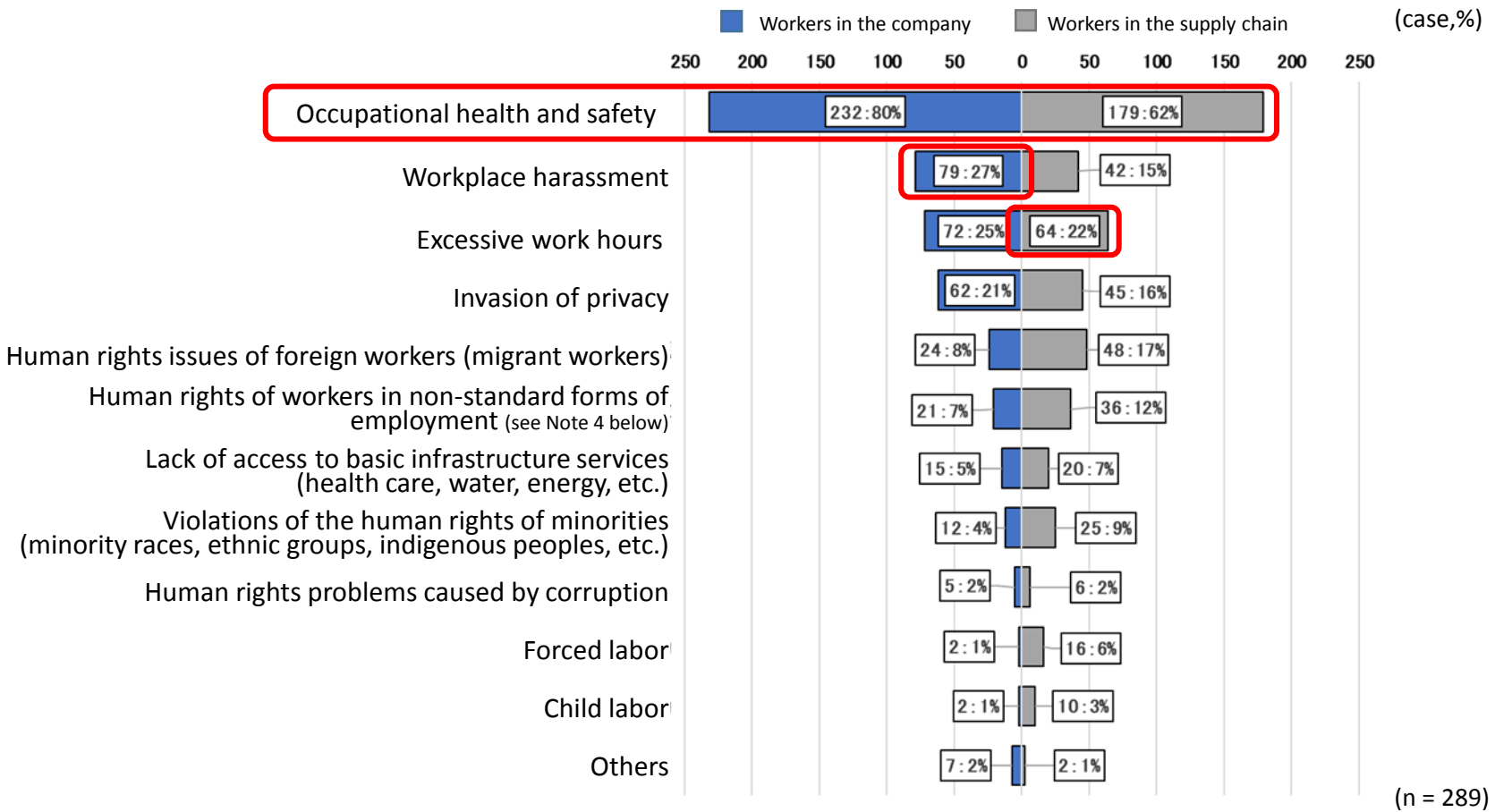


Multiple answers (n = 289)

2-(2) Human rights risks in the global supply chain

➤ **"Occupational Health and Safety" was the most common human rights risk perceived to have been increased by COVID-19 in both the company and the supply chain.** For workers in their own companies, the highest risk was "Workplace harassment," at 27%, and for workers in the supply chain, the highest risk was "Excessive work hours," at 22%.

Figure V-4 Human rights risks perceived to have been increased by COVID-19

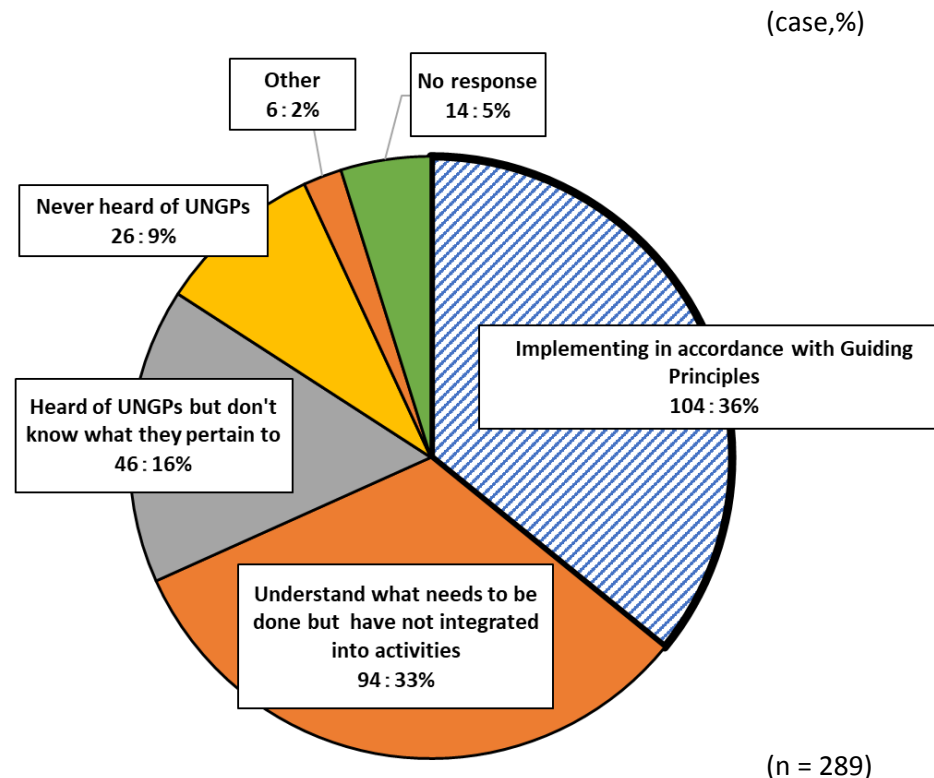


Note 4: "Non-standard forms of employment" is an umbrella term for different employment arrangements that deviate from standard employment. They include temporary employment; part-time and on-call work; temporary agency work and other multiparty employment relationships; as well as disguised employment and dependent self-employment. According to the ILO, non-standard employment features prominently in crowdwork and the gig economy.

3. Implementation of measures in accordance with the United Nations Guiding Principles for Business and Human Rights

- Only 36% of companies responded that they were implementing measures in accordance with the United Nations Guiding Principles for Business and Human Rights (UNGPs). 60% of respondents have not yet implemented the UNGPs, including those that understand the UNGPs but have not incorporated them into their activities. This finding indicates that there are **still issues to be resolved in terms of both dissemination and implementation of the UNGPs**.
- The Japanese Government will release a National Action Plan on Business and Human Rights this autumn. As requests to the government and public organizations, 54% of respondents called for "Development of guidelines for voluntary efforts" and 47% for "Provision of information on human rights risks overseas."

Figure V-5 Efforts related to UNGPs



- 60 companies reported a total of 102 initiatives related to "Business and Human Rights" in the domestic and overseas supply chain.

Examples of initiatives related to "Business and Human Rights" in the supply chain

- Collaborating with developers and construction companies in the supply chain to create a human rights due diligence mechanism.
- In order to understand the human rights risks of foreign workers employed in domestic construction projects, conducting a fact-finding survey of partner companies including interviews with employers, document checks, interviews with foreign workers in their native language, and confirmation of their living environment, in cooperation with the Global Alliance for Sustainable Supply Chain (ASSC).
- Providing education to all employees and, with the cooperation of the Ministry of Justice and the National Police Agency, establishing procedures and routes for reporting suspicious cases on aircraft in order to prevent human trafficking.
- Conducting risk assessments on human rights issues in the globally-expanding construction and mining equipment and forestry equipment businesses, with the support of Business for Social Responsibility.
- Assessing and prioritizing human rights risks, and considering risk mitigation measures sequentially in the Procurement Division, Human Resources Division, Business Units, and major group companies. In the case of the Human Resources Division, the existing mechanisms for handling complaints are reviewed, and improvements are discussed.
- Conducting audits to assess the operational status of the foreign technical intern training system at group companies in Japan and implementing a supply chain human rights due diligence scheme in Thailand, with the cooperation of the ASSC.
- Quantitatively analyzing the risks of human rights issues in each business from the two perspectives of "Country/Region" and "Business Profile" based on the characteristics of each business (country/region of operation and business content, etc.) and the characteristics of each business partner (place of operation, type of products, business content, etc.) and, as priority projects, improving initiatives to respect human rights in countries and businesses where human rights issues are most likely to occur.

VI. Evaluation of SDGs Initiatives

- 72 companies reported on a total of 126 practices for evaluating their contributions to the SDGs.
- Most respondents have implemented a series of evaluation processes. A **combination of "17 goals of the SDGs" and "Company's own evaluation index"** is used most frequently by the respondents. Many of them **evaluate progress against materiality based on each company's medium-term management goals** using SDGs and the company's own evaluation indicators, and report the results.
- However, a variety of evaluation methods is used, including evaluation using SBT guidance, evaluation by impact investment, SROI analysis (collective impact measurement), scenario analysis, and evaluation by social demonstration experiments. While evaluation methods, including social impact evaluation, have not been established, each company is proceeding on a trial and error basis. (Refer to examples of evaluation methods on Page 20.)
- Keidanren's Committee on Responsible Business Conduct & SDGs Promotion will conduct interviews on the cases collected and compile a list of issues and methods for improvement in the evaluation of SDGs initiatives, including social impact evaluation, by the end of this fiscal year.

Figure VI-1 Evaluation processes

1. Identification of outcomes to be achieved in the business
2. Setting metrics to measure identified outcomes
3. Actual measurement and analysis using indicators
4. Reporting and publication of analysis results
5. Others

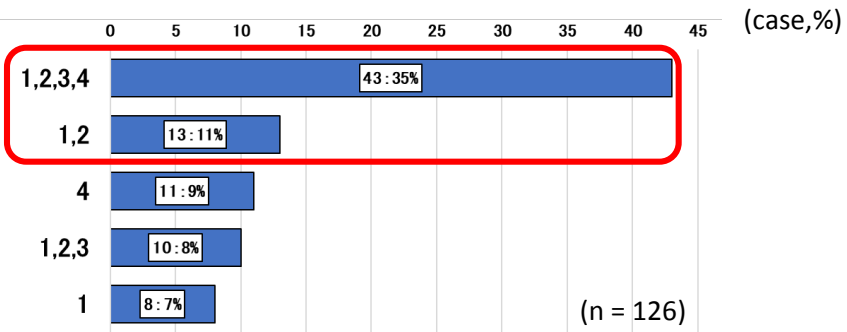
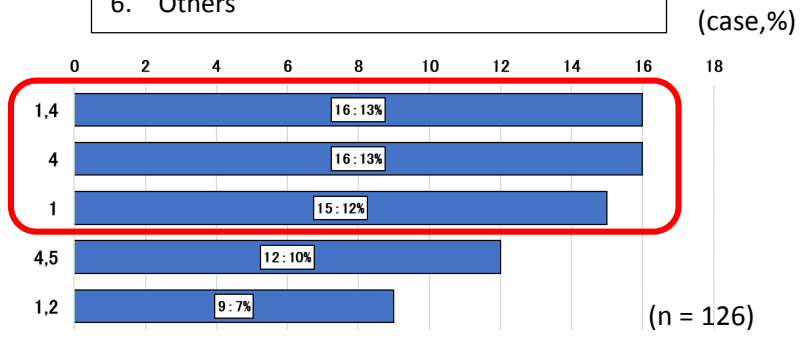


Figure VI-2 Combinations of evaluation metrics/indicators

1. 17 goals of the SDGs
2. 169 targets of the SDGs
3. 230 indicators of the SDGs
4. Company's own evaluation index
5. Company's Key Performance Indicators
6. Others



Note 5: Top 5 combinations only

Examples of evaluation methods

- **Evaluation based on Science Based Target (SBT) Guidance** (see Note 6 below) **on materiality (environmentally conscious and sustainable production)**
 - Setting medium- and long-term greenhouse gas reduction targets certified by the SBT for fiscal 2030. Reducing Scope 1 and Scope 2 greenhouse gas emissions by 30% from fiscal 2017 levels. Scope 3 emissions were reduced by 20% compared to fiscal 2017.
- **Set, analyze, evaluate, and report on numerical targets using SDGs and company indicators for materiality based on each company's medium-term management goals**
 - (1) Defining materiality as "Contribution to resolving the food problem," (2) implementing initiatives for "Improvement in productivity of poultry, etc. through the provision of feed additives," (3) setting "Increased production of animal protein sources such as chicken and pork" as a specific evaluation indicator, and (4) conducting annual monitoring.
- **Scenario analysis**
 - Installing solar panels, storage batteries, and energy-saving equipment in detached houses, facilities, and public areas in a smart city, with the aim of significantly reducing CO₂ emissions throughout the city. At the same time, efforts are being made to supply much of the energy used in the city from renewable sources. The evaluation process involves: (1) developing scenarios for social value creation and contribution to SDGs, (2) analyzing current situation based on scenarios, and (3) extracting future examination points based on analyses.
- **SROI Analysis (collective impact measurement)** (see Note 7 below)
 - Evaluating road safety projects in Indonesia using social return on investment (SROI) analysis in an attempt to measure and evaluate "collective impact," in the aim of solving social problems in cooperation with international aid organizations specializing in child support.
- **Evaluation by social implementation experiment**
 - Participating in the "Hamamatsu Wellness Lab" in cooperation with the city of Hamamatsu, and conducting a social demonstration project targeting Hamamatsu residents and employees to explore the possibility of innovation in communicating risks of lifestyle-related diseases.

Note 6: Science Based Targets are corporate greenhouse gas emission reduction targets in line with climate science. They are a joint initiative established by the CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wildlife Fund (WWF) to accelerate transition to low-carbon economy. The initiative develops guidance and tools to help companies set targets, and independently assesses and approves companies' targets.

Note 7: SROI is an index that quantifies and measures the results of social activities and is calculated according to the formula set out below. It is characterized by monetization of social value, visualization of value delivered to stakeholders, and a framework for stakeholder participatory evaluation.

SROI = Sum of outcome monetary value equivalents/Sum of input monetary value equivalents.

Keidanren
Policy & Action

Keidanren supports the SDGs.

