



Report of the EU-Japan business  
to business dialogue:

**Contributing to global  
sustainability  
through collaboration and  
innovation**

07 November 2016, Brussels



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### **About the Council for Better Corporate Citizenship (CBCC):**

The **Council for Better Corporate Citizenship (CBCC)** was established in 1989 by Keidanren (Japan Business Federation) as an incorporated association and in June 2010 was certified as a public interest incorporated association. Since its foundation, the CBCC devoted its full efforts to supporting activities to help Japanese companies operating overseas to be "good corporate citizens" among their local communities. Entering 21<sup>st</sup> century, Japanese companies have worked to further enhance their own CSR initiatives, leading the CBCC to expand its activities to include promotion and support for implementation of CSR.

### **About the Japan Business Council in Europe (JBCE):**

Created in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of almost 80 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, railway, textiles and glass products. Together, our member companies represented in 2013 global sales of 1.4 trillion euros. Building a new era of cooperation between the European Union (EU) and Japan is the core of our activities.

### **About CSR Europe:**

**CSR Europe** is the leading European business network for Corporate Social Responsibility. Through its network of around [53 corporate members](#) and [45 National CSR organisations](#), it gathers over 10,000 companies, and acts as a platform for those businesses looking to enhance sustainable growth and positively contribute to society. In its mission to bring the CSR agenda forward, CSR Europe goes beyond European borders and cooperates with CSR organisations in other regions across the world.

### **About this report:**

This report is based on the discussion at the Japan-EU Business Dialogue held at the Thon Hotel in Brussels on 07 November 2016. The report was written by [CSR Europe](#), edited by [JBCE](#).



## I. Executive Summary

In today's business environment, taking responsibility for a company's impacts on society is one of the basic operating requirements, as much as focusing on price, quality, speed and flexibility. Following the one year anniversary of the United Nations Sustainable Development Goals (SDGs)<sup>1</sup>, which provide a common framework for action not only for governments but also for business and other actors, there is an ever clearer recognition that Corporate Social Responsibility (CSR) or Responsible Business Conduct (RBC) has the potential for making significant impacts on society.

At the event, both European and Japanese companies recognized that they have similar and complementary challenges. Since sustainability or responsible business conduct (RBC/CSR) and competitiveness are the two sides of the same coin, business will thrive only if sustainability is fully integrated into the business's strategy and processes. The Sustainable Development Goals provide a common language to frame discussions on this topic.

In order for a company to mitigate negative impacts and maximise its positive impact on society, business should not only collaborate with other companies, stakeholders and policy makers to pursue shared objectives or address systematic changes, enhancing mutual impact and reach, but business models should also be transformed through the innovation of products, services and processes.

However, cooperation and dialogue with stakeholders are not easy tasks. To accomplish this, neutral platforms are necessary to share best practices and incubating collaborative projects. Participants, both from government and business from EU and Japan, agreed that the EU Japan business dialogue is an excellent example for such platform and called for its continuation to further pursue shared objectives.

## II. Introduction

On 7 November 2016, the Council for Better Corporate Citizenship (CBCC), Japan Business Council in Europe (JBCE) and CSR Europe organised the Business to Business dialogue "Contributing to global sustainability through collaboration and innovation".

This meeting was held in the framework of the 3rd "EU-Japan CSR Working Group" meeting<sup>2</sup>, to provide a platform for European and Japanese stakeholders to discuss, under the Chatham House Rule, common challenges and solutions towards a stronger contribution of the private sector to the implementation of the SDGs.

The event was attended by CSR Europe, CBCC and JBCE member companies, such as Total, Engie, Solvay, Sompo Japan Nipponkoa Insurance, Ajinomoto, Canon Europe, Hitachi, Sony, NEC Europe, Nomura Holdings, Sumitomo Chemical etc. Guests at the event included representatives from the Japanese Government (METI, The Mission of Japan to the EU), the European Commission (DG GROW

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<sup>1</sup> On September 25<sup>th</sup> 2015, UN countries adopted a set of goals to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. For more information: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>2</sup> a policy dialogue initiative by the European Commission and the Japanese Ministry of Economy, Trade and Industry

and FISMA) as well as representatives of the Permanent Delegation of Japan to the OECD and business organisations.

The event opened with an overview of initiatives taking place on the Japan and EU level to ensure the implementation of the SDGs. In Japan, the government has set up a SDGs promotion headquarter, where all ministries and key stakeholders are involved, developing together guidelines<sup>3</sup>. At the European Union the European Commission is about to publish its own SDGs action plan, following with a longer-term vision in the next 1-2 years.

### III. The challenges of contributing to global sustainability

#### 1. Best Practices and Common Challenges

2015 was a pivotal year for international sustainability: the Paris Agreement<sup>4</sup> on climate change was concluded and the United Nations launched the Sustainable Development Goals (SDGs)<sup>5</sup> as part the new development agenda for 2030. Both of these global initiatives call on business to develop innovative solutions to address the world's main sustainable development challenges. In this context, Corporate Social Responsibility (CSR) or Responsible Business Conduct (RBC) Corporate have an essential role in increasing the sustainable competitiveness of companies.

**“We must become  
solution creators!”**  
*Event participant*

#### **Challenge: How can companies become a driver for sustainable development?**

At the event, both European and Japanese companies underlined that CSR is important in terms of long-term competitiveness, but also largely agreed that the current global challenges are too big and complex to be addressed by companies acting alone. Systemic problems - such as unemployment, climate change, migration crisis, etc. - require holistic and collaborative solutions, in which multiple actors gather together their capacities, expertise and resources to achieve a shared objective. This comes together with the importance of innovation of both business models and products as the main instrument to achieve a more sustainable growth.

Many participants shared concrete examples how their companies are adapting their sustainability strategy to the new UN sustainability framework. For example, one company explained that they chose to focus on projects that have multiple effects in order to tackle simultaneously several of the UN's SDGs (e.g. a project which has a direct effect on SDG 3, “good health and well-being”, while at the same time also an indirect effect on SDG 2, “zero hunger” and SDG 4, “quality education”, etc.). Another company illustrated its efforts on how to link circular economy with the SDGs narrative.

To a question from the floor on how companies could balance CSR and benefits, participants responded that there is no contradiction between the two since CSR contributes to the long-term competitiveness of companies.

#### **Challenge: How to make sure that business partnerships are compliant with competition laws?**

In general, a company can explore at least three types of partnerships:

<sup>3</sup> On 22 December, 2016, the guidelines were published by Prime Minister of Japan and His Cabinet.  
<http://www.kantei.go.jp/jp/singi/sdgs/dai2/gijisidai.html>

<sup>4</sup> [http://unfccc.int/paris\\_agreement/items/9485.php](http://unfccc.int/paris_agreement/items/9485.php)

<sup>5</sup> <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

- **Value chain partnerships**, where companies in the value chain combine complementary skills, technologies, and resources and bring new solutions to market;
- **Sector initiatives**, that bring several industry leaders together in efforts to raise standards and practices across the entire industry and overcome shared challenges;
- **Multi-stakeholder partnerships**, where governments, private sector and civil society organizations join forces to tackle complex challenges.

Today, partnerships are widely recognized as one of the best instruments to enhance sustainability. However, the legal challenges that they entail are often inadequately debated and not well understood. For instance, sector initiatives that bring together different companies from the same industry may present serious risks of competition laws infringements (cartels).

To address this concern, during the roundtable both Japanese and European policymakers stated that a 'one size fits all' approach is not the appropriate solution when it comes to competition law (decisions must be taken on a case-by-case basis). Nevertheless, they both agreed that further consideration and guidance on this issue is required.

**“NGOs are the strongest opponents of our projects, but we always try to include them. This is the only approach that works.”**

*Event participant*

**Challenge: how can companies effectively engage with Non-Governmental Organisations (NGOs)?**

As stated above, to realise the SDGs, companies cannot act alone and need to cooperate with other actors. These include other enterprises, public authorities as well as Non-Governmental Organisations (NGOs).

However, in Europe there are mixed experiences with NGOs: in some cases, companies can achieve enhanced societal impact, while in others, the relation is more confrontational. In Japan, on the contrary, the involvement of NGOs as such does not seem to be very common.

NGOs can play an important role by helping business to develop approaches that are more responsible and by acting as intermediaries between companies and local communities. In addition, NGOs normally benefit from a very high level of trust and credibility among citizens. Therefore, collaborating with NGOs or at least having them involved in the dialogue would bring strong reputation advantages to the company.

According to a participant from a European company, to achieve an effective dialogue with civil society organisations, companies would need the support of a neutral third party (either a public authority or a private actor) to select the right partners (not all NGOs are suitable candidates) and moderate the exchange.

**2. Transformation and Collaboration**

In the current global landscape, climate change, the rise of populism and the decline of citizen’s trust, globalization and capitalism, the basis of our liberal economy are at risk. To ensure their sustainability, a more radical change is required: rethinking growth models.

The UN’s SDGs represent a unique opportunity to do so. They offer to the European Commission and national governments the opportunity to mainstream sustainability and foster collaboration on the

CSR/Sustainability agenda. This is because the SDGs implementation should not be about Responsible Business Conduct but about Shared Responsibility. This is the only way for sustainability to become the key driver for growth.

In addition, the SDGs have created a common language for cooperation and innovation for business, governments at all levels and stakeholders. However, words are not enough right now; we need to substantiate all these with concrete actions. There are two requirements that are needed to bring the SDGs home:

1. In the first place, business needs a more fundamental **internal transformation** to bring more shareholder and societal value: a stronger articulation of its social purpose, embracing a circular approach and closed loops, sustainable customer offerings, stronger employee engagement and enhanced transparency are only some examples of transformation.
2. There is also a requirement for **enhanced collaboration**, not only in public private engagement but also between companies, in sectors, between divisions and affiliates of companies, etc. Collaboration is a buzz word but it needs platforms and incubators to be established. That is exactly the role that forward-looking sustainability business organisations need to play.

**“We co-develop solutions in partnership and with transparency for all stakeholders (public authorities, industrial and small companies, citizens) in order to share the value and enhance our local acceptance.”**  
*Event participant*

However, both business transformation and enhanced collaboration are not easy tasks. Several challenges need to be tackled (partners should aim to set shared goals, leverage their respective core competences, depoliticize projects, develop clear governance structures, etc.) and this is why incubators for new sustainability coalitions and neutral intermediaries are strongly needed.

**Challenge: How to transform the company’s approach from top-down to bottom-up (collaboration)?**

During the Business to Business Dialogue, it was underlined that changing the business model from a top-down approach to a more cooperative system is not an easy process. One of the main difficulties is to gain trust and acceptance from the local communities.

According to a participant from a European company, in order to fight against the so called “NIMBY”<sup>6</sup> phenomenon that threatens the development of many local projects, there are two main strategies:

- Ensure transparency (through, for instance, the organisation of informative meetings with local authorities and citizens, engagement with local press, corporate blogs, etc.).
- Share value at local level (working with local public authorities and citizens’ cooperatives).

To achieve these goals, a company can either form partnerships with local cooperatives or create one to step in when the region concerned has no local cooperative of its own. This is very important to give local residents the opportunity to invest and get involved in the project.

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<sup>6</sup> NIMBY is an acronym that stands for "not in my backyard". This phrase is normally used to describe the opposition of local communities to projects that would be developed in or nearby where they live, <http://dictionary.cambridge.org/dictionary/english/nimby?a=british>.

A participant of the roundtable from a Japanese company shared that all the projects of his company are now funded, constructed and operated by a 50/50 partnership with joint community authorities or manufacturers. “We have completely changed the way in which we develop our projects”, he said, “now we co-develop with partners (local public authorities, SMEs, citizens, etc.) and this will bring us great advantages in the long term.”

**Challenge: How to overcome the tension between global decisions and local implementation?**

According to another participant working in Europe for a Japanese company, the main difficulty of partnerships is the coordination between the headquarters, where decision are taken, and the implementing partners at local level.

In working with charities, for instance, it is easy to find an agreement between the corporate and the NGO’s headquarters. However, at local level, these charities often already have their own work plans. Therefore, it becomes difficult to align the agreed project to the partner’s pre-existing priorities and, as a result, the programmes that are implemented locally are not always relevant for the company’s business. Therefore, selecting the right partners is essential.

In addition, every country is different and decisions that might be appropriate for one area are not always applicable in another. This means that, when planning a project, it is important to always adapt it to the local needs and values.

**Challenge: What can European and national policy-makers do to support companies at local level?**

The role of policy-makers is to create an enabling environment for companies to act and collaborate. This includes conducting studies with business and academia on the meaningful and collaborative engagement with NGOs. Policy-makers can also create policy and legislative initiatives aiming at creating a clear legal framework for companies to rely on. It is important to ensure that conflicting situations with certain type of NGOs should not kill good initiatives led by business.

However, policy-makers do not have the instruments and the resources to help companies in the implementation of projects at the very local level. This should be done by national and regional business networks, that have the capacity to support and follow companies throughout the entire project-management process.

### **3. Communication and Dialogue**

There are many ways for communication and dialogue; One way information disclosure such as reporting, or two way communication such as stakeholder dialogue. These communication and dialogue can be used internally within a company or to connect with external parties. Over the last years, the practice of corporate sustainability disclosure has increased dramatically due to growing citizens’ demand for information, new legal obligations and increasing number of frameworks. In this context of greater disclosure, the SDGs provide an unavoidable framework for companies that want to communicate their sustainability efforts to internal and external stakeholders. Companies are focusing on choosing the right tools in order to communicate their positive impacts and how they mitigate negative impacts on society.

**Challenge: how to effectively engage with stakeholders?**

A recent growing trend by companies is to use Stakeholder dialogues as a mean to regularly involve their direct and indirect stakeholders (customers, suppliers, distributors, peers, etc.) in the definition and implementation of their CSR strategy.

According to a Japanese company, the importance of stakeholders' engagement has grown over the last years. Dialogue with stakeholders is essential for understanding local and social expectations and requirements in different regions in the world so these can be reflected in their business and CSR activities. In addition, it also helps in creating a trustworthy reputation.

It is also important not to forget about internal stakeholders. As a matter of fact, it is essential to increase the communication between the CSR team and other corporate departments (such as, for instance, R&D, Business Development, Supply Management, Human Resources, Tax, etc.). This is the only way that the sustainability policy can be truly embedded in business strategy, culture and operations.

**Challenge: how to make corporate reporting more meaningful?**

Another way to engage with stakeholders is through reporting. In recent years, sustainability management and transparency requirements are evolving at very fast pace, creating more expectations that companies have to fulfil. To be meaningful, reporting activities must be turned into a strategic tool that is used to support sustainable decision-making processes, stimulate better management and attract investments.

At the event, a Japanese company shared its experience in this field, highlighting its challenges in publishing an integrated report for the first time. Despite the big investment of time and resources required by this choice, the publication of an integrated report proved to be valuable for improving the quality of corporate disclosure.

The main benefits of an integrated report are:

- More proactively demonstrate the company's efforts towards its sustainable growth;
- Obtain investors support from the mid and long-term perspective;
- Improve transparency and internal management strength;
- Provide long-term strategic response to mega trends;
- Improve corporate value by integrating management and environmental, social and governance (ESG) indicators to financial and non-financial information.

**Challenge: how to ensure coherence between what you say and what you do?**

Speaking about reporting and external communication, a European company underlined the importance of consistency between the company's commitments and its actions. To ensure that these commitments are fulfilled, it is important to adopt a holistic approach in the implementation of the SDGs and the Paris Agreement.

Holistic approach means that both companies and governments should take into consideration all aspects and consequences of the implementation (e.g. repercussions on employment, industry competitiveness, outflow of capitals, etc.). Level playing field between countries is also very important. To adopt such a comprehensive approach, all business players and stakeholders must be consulted and involved.

**Challenge: How to make the UN Sustainable Development Goals more comprehensible for everybody?**

The language of the Sustainable Development Goals is supposed to be inclusive and understandable for everybody, but in reality, it is not the case. Especially for smaller companies (e.g. suppliers), it is still very difficult to fully grasp what this new global development framework really entails.

Therefore, to explain to the wider public what are the opportunities and responsibilities that the SDGs represent for the business sector, companies should not limit themselves to “rebrand” their existing sustainability strategy under the name of the new UN framework, but they should adopt a more tailored and pedagogic approach in their supply chain.

Participants of the business roundtable agreed that the best way to do so is to make the SDGs more explicit and relevant for the specific interlocutor you are taking with. In other words, companies need to transform the SDGs into concrete examples and real stories capable of inspiring change and reach people’s hearts.

**“We must continue this dialogue between EU and Japan to make CSR always more sustainable”.**  
*Event participant*

#### IV. Conclusion

The EU-Japan Business to Business Dialogue “Contributing to global sustainability through collaboration and innovation” proved valuable for various reasons. It provided a platform for Japanese and European companies to share experiences and thoughts on how the private sector can play a key role for sustainable development. Many issues were raised and some of these, such as how to integrate the investors’, the SME’s, employees and the trade unions’ concerns, should be further investigated.

The discussion encouraged CBCC, JBCE and CSR Europe members to reflect on the best ways to implement the SDGs, including how to build partnerships that are more effective in order to increase the leverage to create more the effects and deliver innovations.

To pursue shared objectives and address systematic changes, companies should increasingly work with partners in order to enhance the mutual impact and reach on society. At the event, both European and Japanese companies agreed that this is the only way forward to address common problems and co-create sustainable solutions.

**“The SDGs must be turned into explicit, relevant and authentic stories”.**  
*Event participant*

Key messages shared at the Round Table include:

- **Current global challenges are too complex to be addressed by companies acting alone.** Systematic problems require holistic and collaborative solutions, in which multiple actors put together their capacities, expertise and resources to achieve shared objectives.
- **Business partnerships (public-private, same sector, multi-sector) are needed but difficult to achieve.** Learning networks and business platforms can help companies to select the right partners and projects. Competition-related issues should be taken into more consideration.
- **Sharing best practices is not enough anymore.** We need actions to co-create tangible solutions to sustainability challenges.
- **Innovative business models are needed.** Sustainability must be fully integrated into strategy

and business processes.

- **All stakeholders, including NGOs, must be engaged.** Preference should go to civil society organisations that have a collaborative approach. Neutral spaces for cooperative dialogue should be offered and facilitated by third parties (neutral intermediaries such as public authorities or business networks).
- **Internal dialogue within the company must be increased,** including departments that normally are not directly involved in sustainability issues (e.g. R&D, HR, fiscal, etc.) as well as the Board.
- **Growing importance of disclosure of information but it is a tool and not as an end.** What matters is not the report, but the internal due diligence process lead by management.

Much work remains to be done to help companies to implement the Sustainable Development Goals (SDGs) but this conference proved to be a constructive step in the right direction. CBCC, CSR Europe and JBCE acknowledge the importance of similar opportunities in the future and seek to continue to take the lead in providing a neutral platform for companies to share experiences and to discuss ways to enhance their positive and mitigate their negative impacts on society.