

Report on the 3rd EU-Japan CSR Business Dialogue Meeting

Responsible Global Sourcing: A Collaborative Approach to Achieve the SDGs

The challenges and the way forward

23 November 2018, Brussels



<https://www.eu-japan.eu/events/3rd-eu-japan-csr-business-dialogue-meeting>

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About amfori – <https://www.amfori.org>

amfori is the association of European and international commerce that promotes the values of free and sustainable trade. It brings together hundreds of retailers, importers, brand companies, and national associations to improve the political and legal framework for trade in a sustainable way.

About the Business Policy Forum, Japan – <http://www.bpf-f.or.jp/>

The Business Policy Forum, Japan was established in July 1984 as a think-tank to research various issues surrounding the Japanese economy and business activities with the support of Business Circles (Keidanren; Japan Business Federation etc.) and MITI (Ministry of International, Trade and Industry, METI at present). The CSR forum Japan (CSR committee) consists of opinion leaders of CSR (Business, Investor, NGO, Academia, etc.) with METI. Since 2004, it has published research reports every year summarising challenges, best practices, benchmarks with European companies and recommendations to business and other parties.

About the Council for Better Corporate Citizenship – <http://www.keidanren.or.jp/CBCC/en/>

The CBCC (Council for Better Corporate Citizenship) is a Keidanren-affiliated organisation. As a representative of organisations promoting CSR in Japan, CBCC has worked diligently to promote Japanese companies' CSR and to support their initiatives as a 'good corporate citizen' for more than 25 years since its establishment, in accordance with the changes in global recognition of the relations among corporations, society and various stakeholders.

About CSR Europe – <https://www.csreurope.org/>

CSR Europe is the leading European business network for Corporate Social Responsibility. Through its network of 46 corporate members and 41 National CSR organisations, it gathers over 10,000 companies, and acts as a united platform for those businesses looking to enhance sustainable growth and positively contribute to society. In its mission to bring the sustainability agenda forward, CSR Europe goes beyond European borders and cooperates with CSR organisations in other regions across the world. CSR Europe is the European hub incubating multi-stakeholder initiatives that tackle the UN 2030 Agenda for Sustainable Development.

About the Japan Business Council in Europe – <https://www.jbce.org/>

Created in 1999, the Japan Business Council in Europe is a leading European organisation representing the interests of more than 80 multinational companies of Japanese parentage active in Europe. Its 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. Building a new era of EU-Japan cooperation is the core of its activities, which it performs under several committees focusing on: Corporate Social Responsibility, Trade Policy, Environment, Standards and Conformity and Digital Innovation.

About the EU-Japan Centre for Industrial Cooperation – <https://www.eu-japan.eu/>

The EU-Japan Centre for Industrial Cooperation is a unique venture between the European Commission and the Japanese Government. An affiliate of Japan's Institute of International Studies & Training, the Centre is a not-for-profit organisation. It promotes all forms of industrial, trade and investment cooperation between the EU and Japan and seeks to improve EU and Japanese companies' competitiveness and cooperation by facilitating exchanges of experience and know-how.

About this report and event materials – <https://www.eu-japan.eu/events/3rd-eu-japan-csr-business-dialogue-meeting>

This report is based on discussions at the 3rd EU-Japan CSR Business Dialogue Meeting, at the Thon EU Hotel in Brussels. It was prepared by the EU-Japan Centre and reviewed by its event partners and some speakers. Copies of the event presentations are available on request – please email info@jbce.org

I. Executive Summary

The 3rd EU-Japan CSR Business Dialogue brought together representatives of companies, industry associations, the EU and Japanese Authorities and international organisations for a roundtable discussion of the link between responsible global sourcing and achieving the UN Sustainable Development Goals (SDGs). It highlighted the importance of broad partnerships and collaborative actions involving a diverse range of stakeholders and the EU and Japan working together to improve conditions upstream in the supply chain and to provide an example for other countries to follow. The discussion fed into that afternoon's annual meeting of the EU-Japan Industrial Policy Dialogue Working Group on Corporate Social Responsibility between the European Commission's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), and the Ministry of Economy, Trade and Industry of Japan (METI).

II. Introduction

The first part of the event consisted of introductory remarks by the event organisers: They emphasised the importance of EU-Japan cooperation on CSR issues both at B2B and G2G levels and that the EU-Japan Economic Partnership Agreement (EPA) and Japan's Society 5.0 will reinforce these efforts. Industry should play a leadership role. One Japanese business organisation requires its members to "conduct business that respects [the] human rights of all persons". Another is researching human rights risks associated with global supply chains, foreign interns, and new technology. A European business network felt SDGs can give clarity and consensus to different stakeholders but commitments, due diligence systems and capacity-building elements whilst important are insufficient; collaboration and engagement are needed. A business association promoting open and sustainable trade felt that systemic change is needed and businesses must be actors for change – public trust of governments is declining, but trust of businesses is rising.

The next part of the event looked at the importance of international partnerships: Japan is a key EU partner, a key interlocutor on CSR and an important investor in Asia. Several partnerships of relevance for CSR have been forged between the EU and Japan. For example, in line with the European Commission's [Trade for All](#) strategy which further reinforced the EU trade policy contribution to sustainable development and the responsible management of supply chains, CSR provisions are now included in all recent EU trade and investment agreements. The EPA's [Trade and Sustainability \(TSD\) Chapter](#) contains such provision and will provide a new avenue for EU-Japan cooperation on trade-related aspects of CSR. In addition, Japan and the EU are also involved in the [Myanmar labour rights initiative](#), and cooperate on the joint EU-ILO-OECD [Promoting Responsible Supply Chains in Asia](#) (Asia Partnership Programme) which entails working with business and policy makers on understanding and implementing responsible business conduct across six countries in Asia. The OECD's activities in Japan under the Asia Partnership Programme involve supporting continued Japanese leadership in the region on promoting responsible supply chains and implementing OECD RBC standards.

Using the [ILO MNE Declaration](#) as the guidance framework, the ILO implements the Asia Partnership Programme to advance the labour dimension of CSR as part of its Decent Work Country Programmes, working with government, employers and workers¹ through engagement. The ILO pointed out that Japanese industry, given its large presence in Asia, plays a critical in advancing CSR in the region and beyond. For example, Japanese electronic MNEs (multinational enterprises) have a 30% market share in the project focus

¹ E.g. the ILO's partners in Japan for the project are MHLW, Keidanren and RENGO

countries, and thus can create 'more and better jobs'; therefore engaging with Japanese MNEs at their headquarters to promote socially responsible business and labour practices become important. The ILO MNE Declaration addresses governments, business (MNEs, big and small firms), and social partners and furthermore promotes dialogue between the home and host countries of FDI/MNEs. It directly refers to the SDGs and other guidelines, and seeks to maximise the positive contribution of business operations to inclusive growth and sustainable development and minimise the negative. It is the most comprehensive international CSR instrument on labour and employment and is referenced in the EPA.

The Government of Japan-funded ILO project ([More and Better Jobs through Socially Responsible Labour Practices](#)) fosters a partnership approach between MNEs and their direct suppliers in advancing CSR. The way in which the jobs are created in Vietnam's electronics industry, for example, is driven by how MNEs and their direct suppliers operate, hence engagement with multinationals is important. So partnering with Japan's electronic industry and leading by good example made sense in further promoting CSR. But the primary role of enforcing national law rests with the government, not business, thus strengthening labour administration (especially the labour inspectorate) was important. Model examples of how a partnership approach to CSR – based on dialogue – helped boost the industry competitiveness were highlighted. In 2017, businesses established a coalition for CSR that the Vietnamese Government will further scale up to cover all FDI sectors, not just electronics. The home-host country dialogue organised in June 2017 that involved government and business from Vietnam as well as investor countries reconfirmed the need for dialogue and engagement for win-win partnerships to advance decent work, sustainable development and inclusive growth (from Japan: MHLW, Keidanren and RENGO; the EU Delegation and bilateral chambers in Vietnam also participated). Vietnam increasingly sees CSR as a key factor for enhancing the country's competitiveness as the country further integrates into the global economy.

So how can EU and Japanese firms ensure responsible business and labour practices in their supply chains through outsourcing arrangements?

They can help by building their suppliers' capacities to operate responsibly and thereby increase the competitiveness of the overall supply chain. The MNEs' role is to support, not punish, which helps achieve collective efficiency. Inclusive supply chains enable win-win partnerships between MNEs and local enterprises.

In addition, a recent ILO-JEITA survey, reconfirmed the importance of compliance with national law and in creating a level playing-field. For many Japanese MNEs, workers' health and safety was not about compliance but ensuring a healthy workforce. Some Japanese firms embrace concepts such as 共存共栄 (*kyōson kyōei* / mutual prosperity) or 共栄会社 (*kyōei kaisha* / co-prospering company) and take the relationship with their suppliers very seriously (effectively addressing SDG 8 – sustainable growth).

III. Responsible Global Sourcing Discussion

The discussion addressed a number of often inter-linked issues:

- **The importance of creating shared values (CSV) and commonalities.**

A Japanese beverage and biopharma company emphasised the importance of CSV and finding commonalities. With an ageing society, the number of Japanese farming households is declining dramatically. The company seeks to reverse this by working with local communities to transform unused agricultural land to plant vineyards, increase biodiversity and establish wine tourism. Such action has positive impacts for the environment and the economy.

- **Key challenge – Getting top management to engage and establish a mind-set.**

The key to changing the mind-set is to 'mainstream' practical action towards the SDGs within a business. The [OECD Due Diligence Guidance for Responsible Business Conduct](#) is a tool to help business operationalise international expectations on what is responsible business conduct. A key step is embedding responsible business conduct policies within the organisation's policies and management systems. RBC/CSR should be mainstreamed into all decision-making concerning a company's own operations, supply chain or other business relationships.

Internal advocacy is also important. Top management must be convinced and become an advocate to their company and beyond. A common language between leaders and workers is needed. Ensuring that businesses conduct business that respects human rights of all persons has changed the position of top management in Japan.

Leaders play an important role in enterprises that commit to respecting human dignities. When the top management gets involved then things happen.

- **SDGs and CSR make good business sense.**

Linking the sustainability agenda with the corporate culture is important, but the 'opportunity side' should also be emphasised – top management will be interested if sustainability issues are linked to innovation opportunities, not to 'responsibility' or perceived compliance obligations. Firms should engage with other stakeholders to make changes possible – the challenge is not to get companies to use platforms, but to create those platforms in the first place.

The business relationships aspect of the OECD guidance has led firms to look at impact in a new way and comprehensively, including longer-term issues and opportunities, such as ensuring the water resources they use will be sustainable in the long-term. An exchange of knowledge and learnings between European and Japanese firms is an important part of the OECD's future work under the Asia Partnership Programme. Key events and activities to support the development of a collaborative knowledge exchange platform are scheduled to take place this year in collaboration with Japanese and European partners. Co-prosperity is part of Japanese businesses' DNA.

- **What role for public policy?**

It is easier for companies to operate in a responsible way if the countries they operate in have enabling policy, law and governance structures that work to support businesses in implementing international expectations on CSR/RBC, such as those outlined in the OECD MNE Guidelines and UNGPs. Companies are less likely to invest in countries where the host countries lack such structures. This is a global issue, so needs a level playing-field and businesses should not be expected to take on the role of states. The onus should not just be on business to fill the gaps – states should take their responsibilities seriously.

Compliance is important, a level-playing field is necessary with penalties available, but existing rules should be applied before additional ones are created. For a decade, the digital sector has called for public procurement policies to be reshaped. However, in the EU, very little has been achieved when it comes to public procurement – very few practical incentives exist to encourage companies to move ahead of compliance (sustainable development considerations may be included in a public procurement call for tender, but it is not compulsory to

We are facing a challenge. How we overcome it is leading by good examples and inspiring others to follow.

IV. Closing Statements – reactions from the EU & Japanese Authorities

The European Commission participant noted that the discussions identified a strong interlink between CSR and the SDGs; the need for a collaborative and holistic approach; and, that both the EU and Japan want to be front-runners. The EU-Japan's close trade relations and the EPA will play a crucial role in this. In late December, the Commission will issue a reflection paper.

The Commission participant said she would be interested in hearing:

- What are the specificities between Japan and the EU where we can advance further and provide an incentive to others to use this frontrunner approach?
- How to develop the public procurement issue – should it be by government (legislative approach) or by initiatives by companies?

The Japanese Government participant noted the wish that governments should create an 'enabling environment' and partnership, rethink procurement and the potential negative impact of legislation and take a holistic approach to new policy.

V. Conclusion

This meeting continued a discussion [begun in 2016](#) when the focus was on "Contributing to global sustainability through collaboration and innovation" and [developed in 2017](#) when the theme was "Exploring the possible areas of collaboration between Japanese and European companies to achieve SDGs". Whilst the 2017 meeting had been organised on the eve of the formal EU-Japan policy dialogue discussion on CSR, the 2018 event fed into the 2018 meeting of the EU-Japan Industrial Policy Dialogue Working Group on Corporate Social Responsibility and shows EU-Japan government-industry collaboration.

While the previous dialogue rather focused on the best practice exchanges, this dialogue – for the first time – created a document with key messages. These key messages were shared with the EU and Japanese Authorities during their afternoon policy dialogue.

Key messages shared at the Round Table include:

- **Working together to address the SDGs makes sense from a societal point of view and from a business point of view. Partnerships should be goal-oriented but broad based.**
- **A strong, action-oriented, multi-stakeholder collaborative approach involving, among others, government, industry, civil society and international organisations is essential.**
- **SDG-driven innovation and growth – such as Japan's Society 5.0 strategy – can help source societal and supply chain issues.**
- **The EU-Japan EPA will strengthen opportunities for EU-Japan cooperation in this area, acting as a 'front runner' for others to follow. Collaborative action and tangible projects on sustainable business practices are a necessary next step.**
- **Whilst the EU and Japanese Authorities must provide the platforms, infrastructure and incentives to promote practical collaboration on the ground, sustainable corporate action is essential.**
- **Top management engagement is the key and EU and Japanese MNEs really can shape working practices and other conditions in countries in which they are engaged.**

Following the conclusion of the discussion, amfori, BPF Japan, CBCC, CSR Europe and the JBCE issued a [short statement](#) summarising what was discussed.

