

The sustainable development strategies and experiences of business partnership

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IGES
Institute for Global
Environmental Strategies

About IGES

Mar. 1998: Established with **Japanese government initiative** and support from Kanagawa prefecture

Apr. 2012: Became independent as a public interest incorporated foundation

- Position ourselves as a **"change agent"** that promotes the transition to a sustainable society.
- Conduct **policy and practical research (strategic research)** for developing innovative policy methods with the vision of a sustainable, resilient and inclusive Asia-Pacific region and the world.
- Promote policy formulation and international agenda/framework setting **based on scientific knowledge.**

Organisational Structure

President

Executive Director

Strategic Research Programme

Stakeholder Taskforces

- City
- Finance
- Business

Kitakyushu Urban Centre

Kansai Research Centre

Strategic Management Office (SMO)

- Knowledge and Communications
- Planning and Management
- Research and Publications

Thematic Research Areas

- Climate and Energy (CE)
- Natural Resources and Ecosystem Services (NRE)
- Sustainable Consumption and Production (SCP)

Functional Centres

- Strategic and Quantitative Analysis
- Sustainability Governance

Tokyo Sustainability Forum

Regional Centre In Bangkok

Beijing Office

IPBES-TSU-AP

UNFCCC Regional Collaboration Center

IGES Centre Collaborating with UNEP on Env. Tech.

Other Programme

IPCC Task Force on Nat'l GHG Inventories TSU

Asia-Pacific Network for Global Change Research (APN)

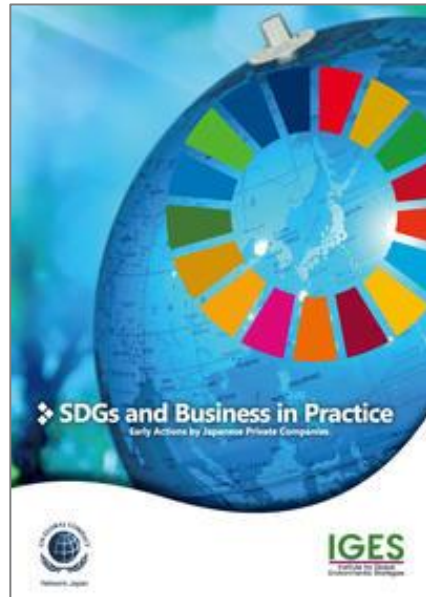
Japanese Centre for International Studies in Ecology (JISE)

Our research activities to accelerate SDGs implementation by private sector

- Collaboration with **Global Compact Network Japan** (GCNJ) since 2015 to examine how Japanese companies perceive and work on SDGs through
 - 4 times questionnaire survey to GCNJ member companies and organizations
 - Over 65 interviews with CEOs, CSR/Sustainability department, gov officials, etc.
- Plus, **translated relevant UNGC reports**, including SDG Compass, SDGs reporting guides



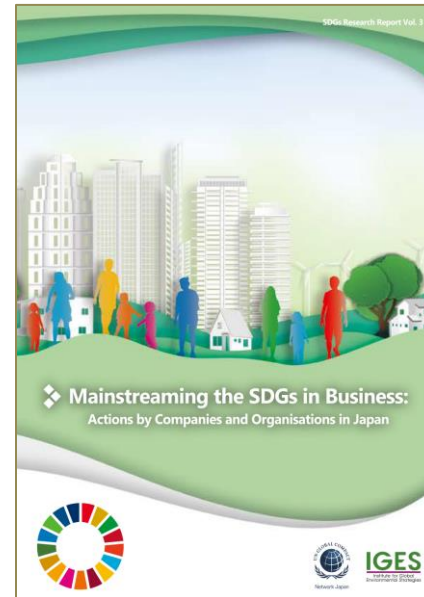
2017



2018



2019



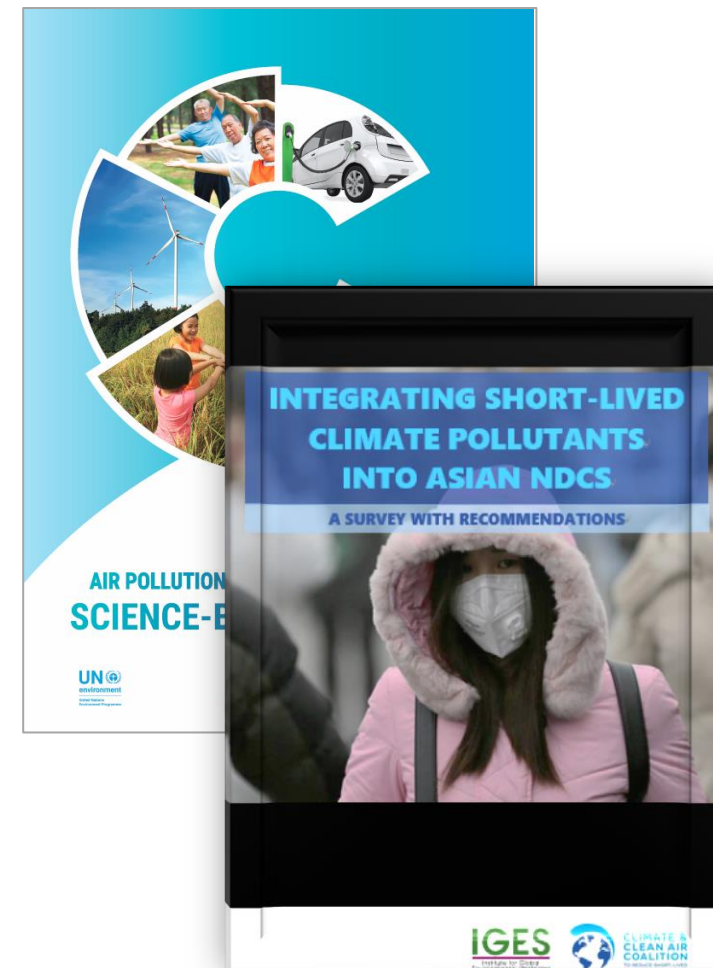
Other research activities to accelerate SDGs implementation



SDGs Guidebook for SMEs



Environmental Dimensions of the SDGs



Air Pollution and Climate Solutions

Background: Why Business needs to address the SDGs?

Transforming our world: The 2030 agenda for sustainable development

Article 67 agreed to by all 193 UN Member States:

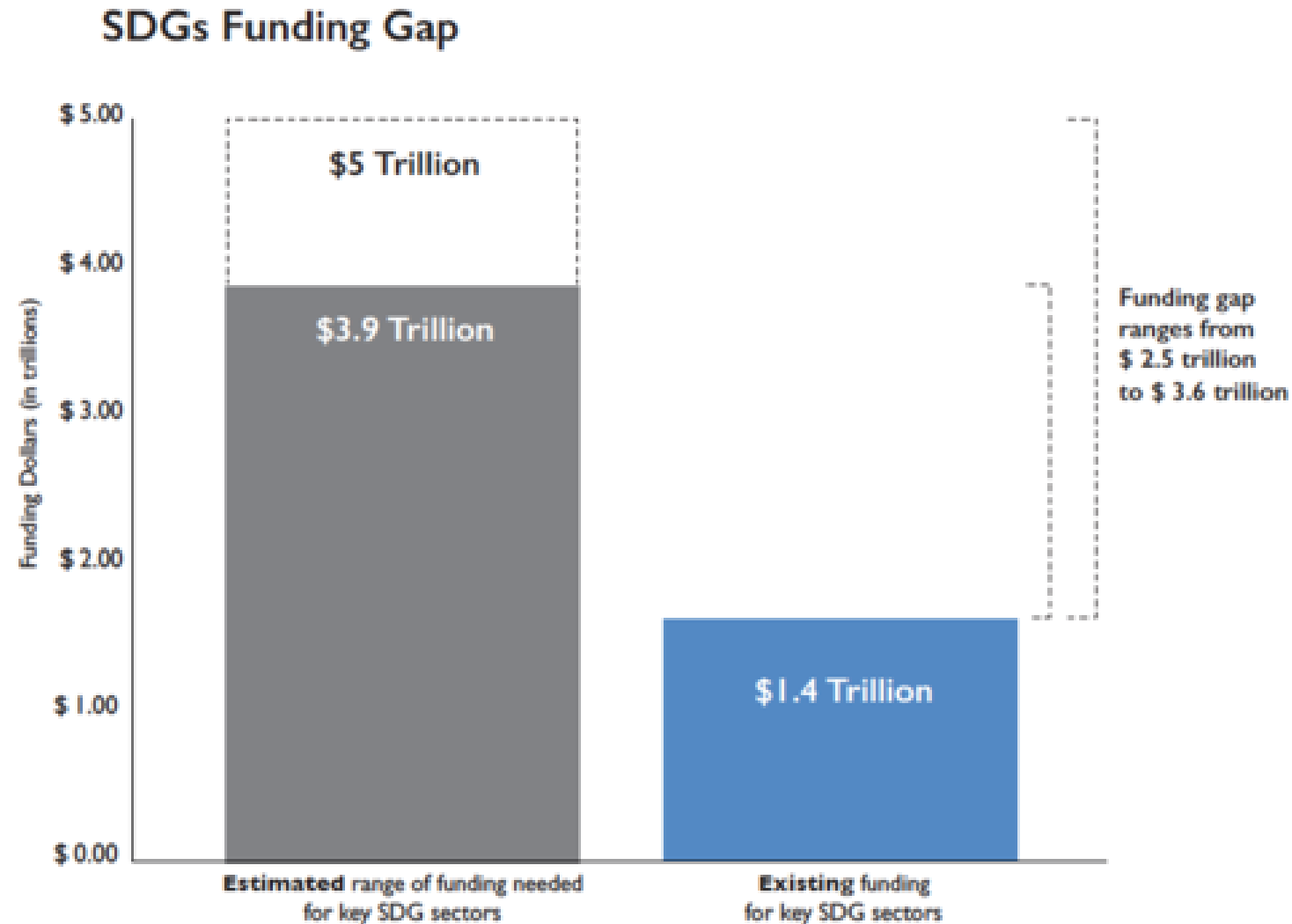
‘Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro enterprises to cooperatives to multinationals. We call on all businesses to apply their creativity and innovation to solving sustainable development challenges.’

Merits for businesses to address the SDGs from SDG Compass

1. Identifying future business opportunities
2. Enhancing the value of corporate sustainability
3. Strengthening stakeholder relations and keeping pace with policy developments
4. Stabilizing societies and markets
5. Using a common language and shared purpose

Background: Why Business needs to address the SDGs?

Figure 26 Funding Gap Chart



Three necessary elements for SDGs implementation by a company

Corporate Management

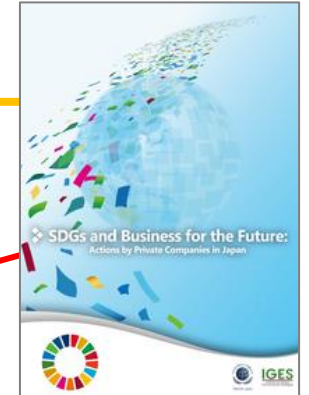
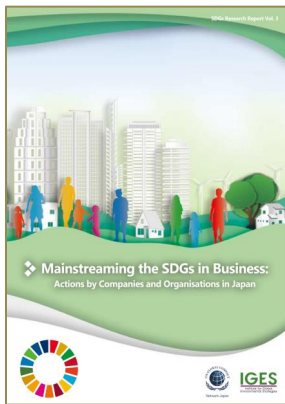
- Labor/employment: diversity and inclusion, flexible workstyle, gender equality etc.
- Environment: Energy efficiency, Env't management, pollution prevention, procurement etc.

Corporate Activities

- **Core business**
- Philanthropic activities

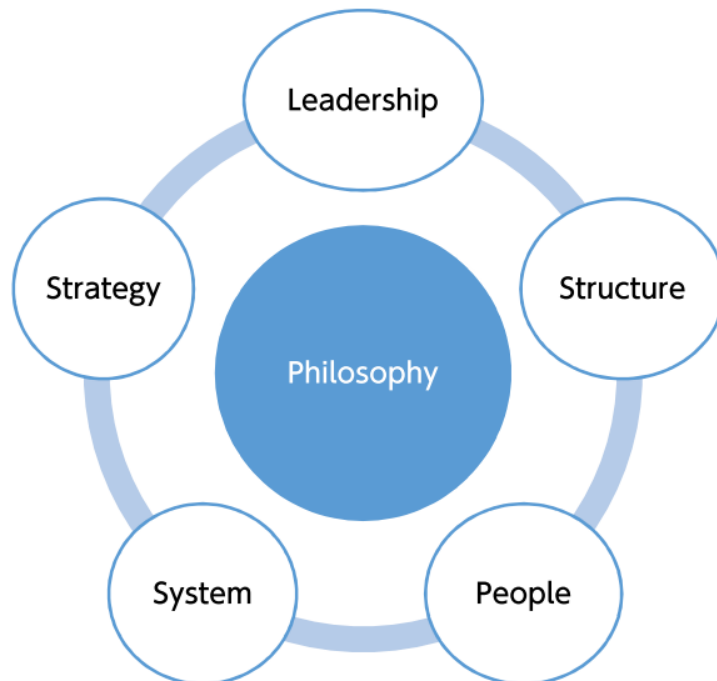
Compliance

labor, employment, tax payment, environment, competition etc.



Framework to Integrate to SDGs into Core Business “Organization”

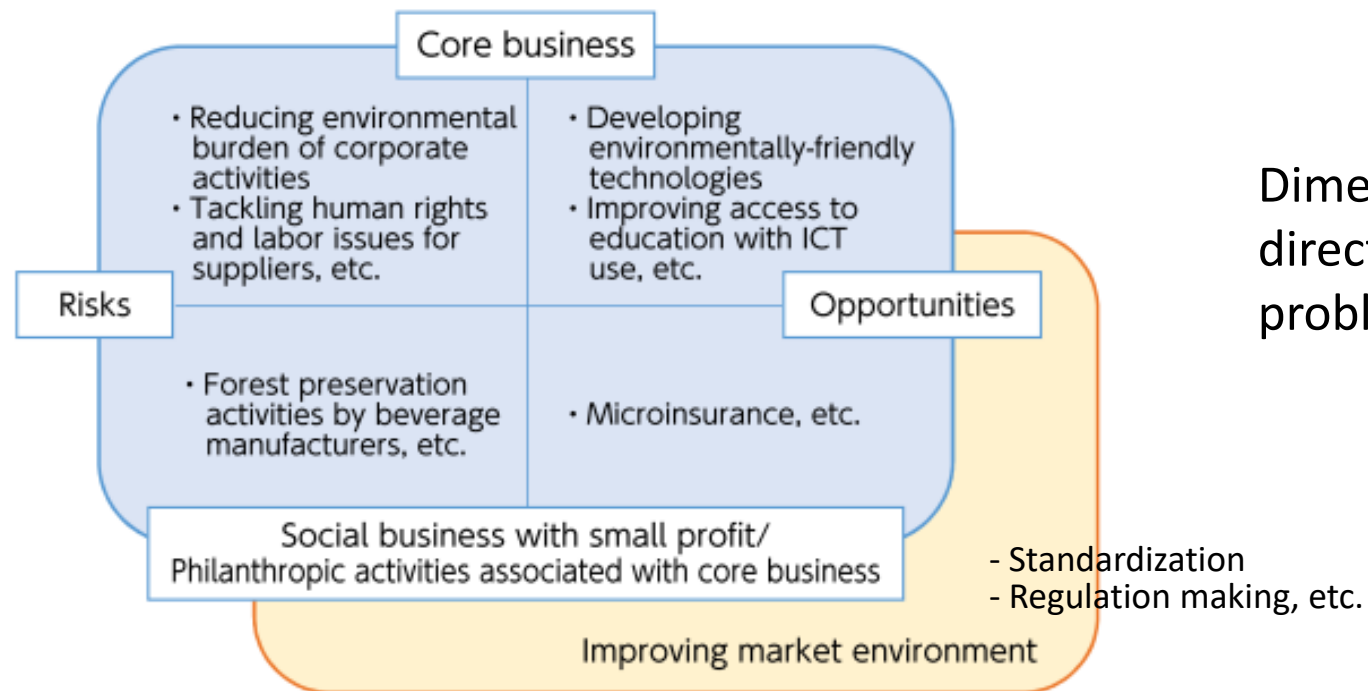
- **Philosophy** : Corporate philosophy/vision as reasons of existence
- **Leadership** : Understanding/commitment of top management
- **Strategy** : Medium and long-term management plan and goal setting
- **Structure** : CSR/Sustainability division, executive committee
- **System** : Mechanism to facilitate solutions to social problems, reward system, etc.
- **People** : Understanding of middle management / business units



The dimension of “Organization” enables sustainability and SDGs to be embedded within business operations and management.

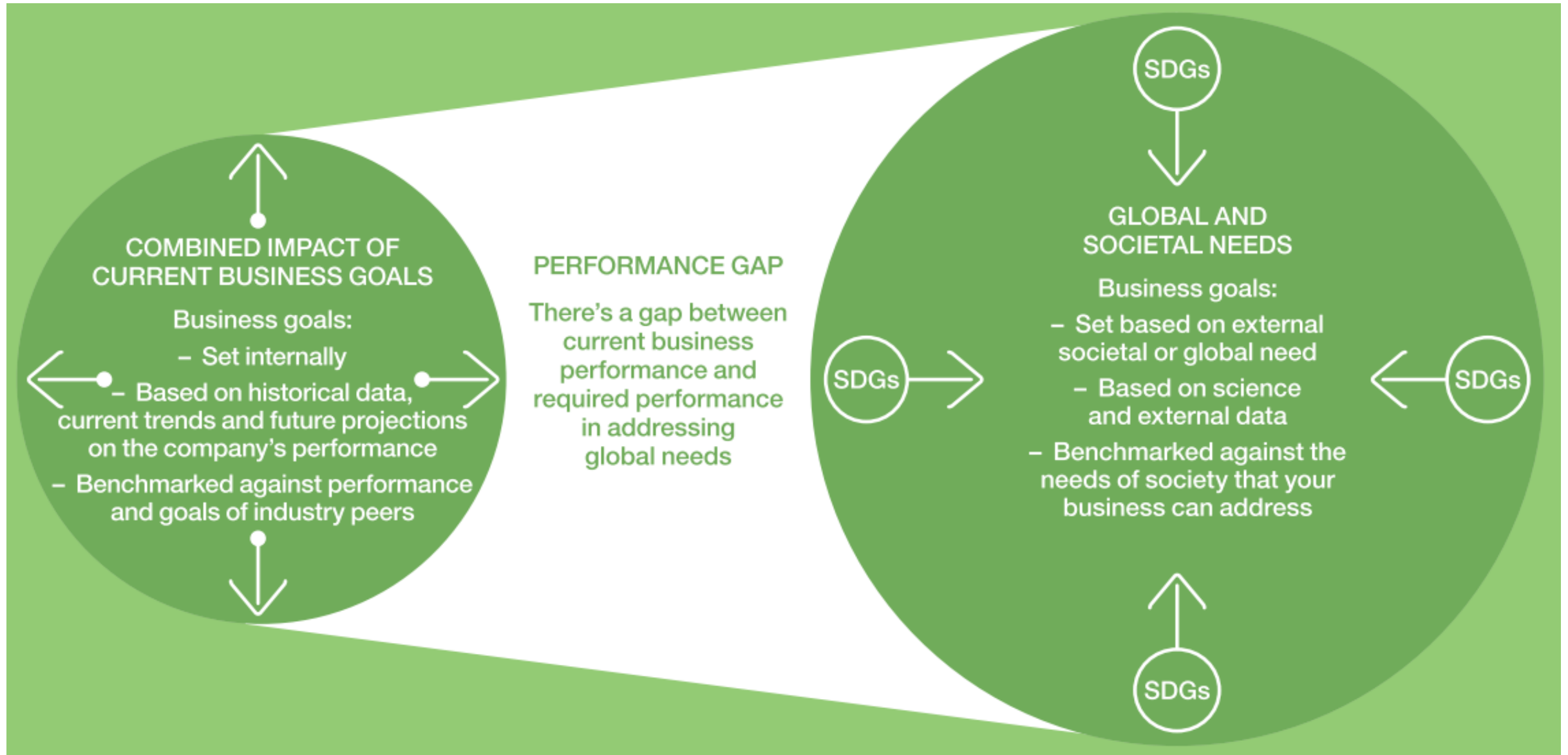
Framework to Integrate SDGs into Core Business “Corporate Activities”

- **Core Business**
- **Social business with small profit / Philanthropic activities associated with core business**
 - ← to capture/expand business **opportunities**, or to respond to management **risk**
- **Improving market environment**
 - ← Development of regulations/standards and industry-specific norms, participation in initiatives etc.



Dimensions of “corporate activities” directly contributes to solving social problems.

Importance of outside-in approach from SDG Compass



SDGs Awareness among GCNJ members

- Awareness among top management rose from 36% to 59% in just 1 year
- Awareness among middle management and employees has doubled

| | 2015年 | 2016年 | 2017年 | 2018年 |
|---|-------|-------|------------|------------|
| Well known by CSR staff | 61% | 84% | 86% | 84% |
| Well known by top management | 20% | 28% | <u>36%</u> | <u>59%</u> |
| Well known by middle managers | 4% | 5% | <u>9%</u> | <u>18%</u> |
| Well known among employees | — | — | <u>8%</u> | <u>17%</u> |
| Well known across affiliated companies and other stakeholders | — | 3% | 2% | 4% |
| Do not know | 15% | 12% | 7% | 3% |

Number of responses and response rate for questionnaire survey

| 2015 | 2016 | 2017 | 2018 |
|-------|-------|-------|-------|
| 134 | 147 | 163 | 180 |
| 64.1% | 63.1% | 64.2% | 62.7% |

Biggest impact brought by Keidanren's updated charter

Keidanren (Japan Business Federation) comprises of 1,350 companies revised its Charter of Corporate Behavior (Nov. 2017)

- Composed of **10 principles** that member companies pledge to comply with
- Aims to **deliver on the SDGs** through the realization of Society 5.0
- Respects for **Human rights, stakeholder engagement** and so on



State of progress on SDG Compass

- percentage of respondents choosing Step1 stood at 54% in 2016 dropped to 31% in 2018,
- with respondents on Step2 or beyond totaling 69%. Most companies have entered the implementation stage

| | 2016年 | 2017年 | 2018年 |
|------------------------------------|-------|-------|-------|
| Step 1 Understanding the SDGs | 54% | 43% | 31% |
| Step 2 Defining priorities | 22% | 28% | 28% |
| Step 3 Setting goals | 11% | 13% | 17% |
| Step 4 Integrating | 9% | 8% | 12% |
| Step 5 Reporting and communicating | 4% | 8% | 12% |



- ⊖ Introduced “**internal carbon pricing**” system for investment decisions with 50 Euros/CO2-t to examine opportunities to save energies, business risk and enhance a real sense on carbon pricing.
- ⊖ Setting **Sustainable KPIs** whose achievement level **affect officer’s remuneration**.
- ⊗ **Based on the lifecycle assessment**, certify highly evaluated product groups as **ECO+ solutions & People+ solutions**.

| Sustainability KPIs |
|---|
| Dow Jones Sustainability Index |
| Brighter Living Solutions Eco+ Eco+/People+ |
| GHG efficiency improvements ¹ |
| Employee engagement ² |
| Safety (Frequency Index Recordables) |

Brighter Living Solutions

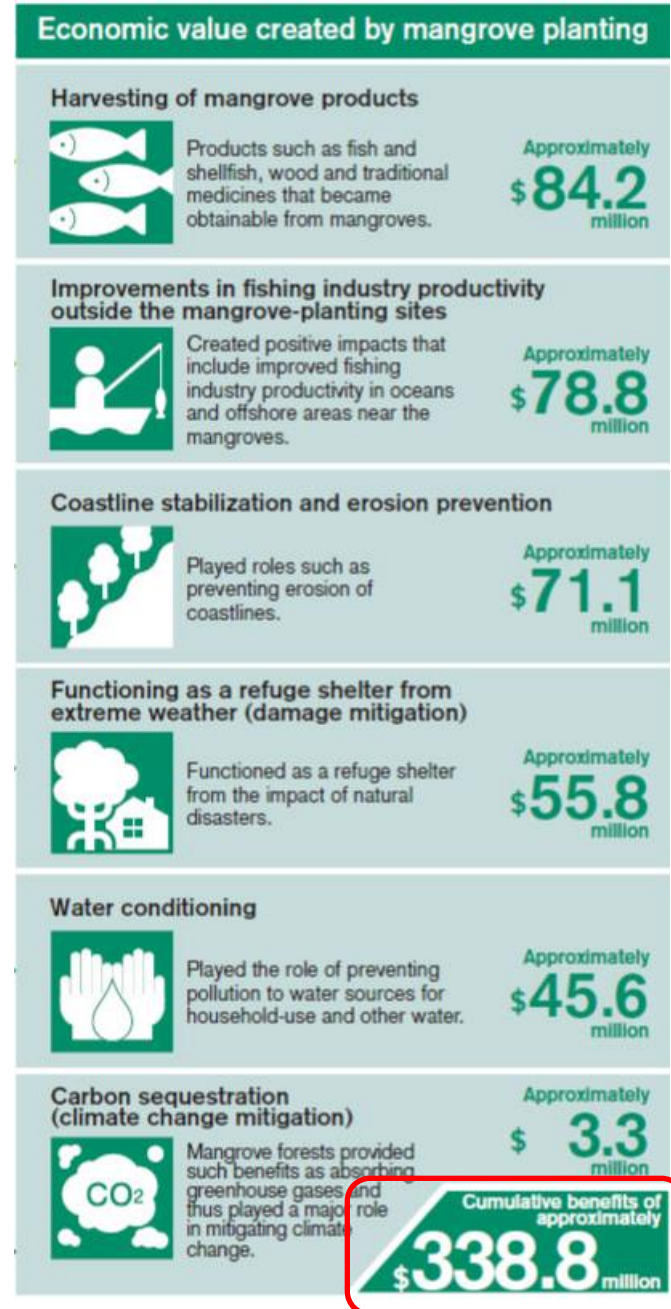
Innovations and products that are better for the planet (Eco+) and people (People+) based on a product life cycle approach



Tokio Marine HD (insurance company)

- Multi-benefits based on multi-stakeholder mangrove planting -

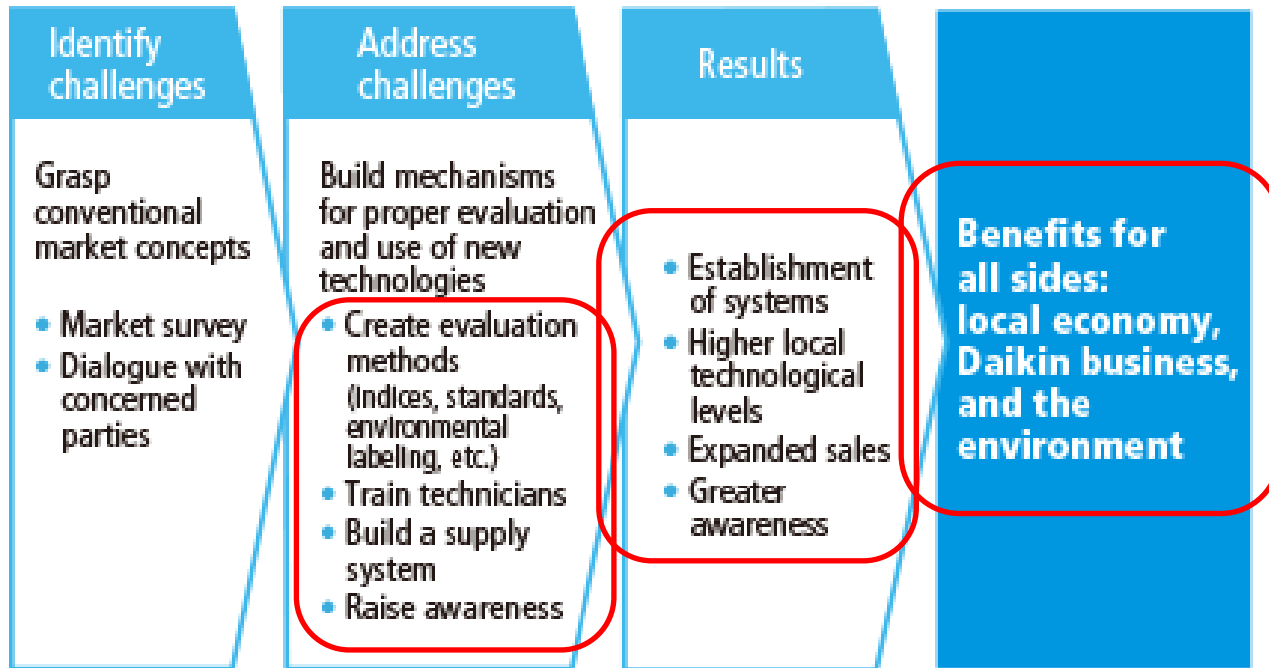
- When a web-based insurance contract is chosen, the company donates funds for afforestation, etc.
- So far, carried out mangrove afforestation **more than 10,000ha in 9 countries** in the Asia-Pacific region.
 - in partnership with the NGOs Action for Mangrove Reforestation (ACTMANG), OISCA and the International Society for Mangrove Ecosystems (ISME), and
 - through collaboration with local governments and communities
- Mangrove can generate multiple benefits
 - **Reduce potential tsunami damages**, complimenting resilience by insurance
 - **Help local residents earn livelihoods** by engaging in tree-planting and fishing
 - **CO2 absorption and fixation** capacity, made Tokio Marine achieve a carbon neutral for recent five years
 - In total, **over 330 million dollars in economic value**.
- Knowledge on the mangrove effect is shared with the world by participating in the Caring for Climate Initiative, etc.
 - **Philanthropic activities associated with core business**
 - **+ response to risk for core business**



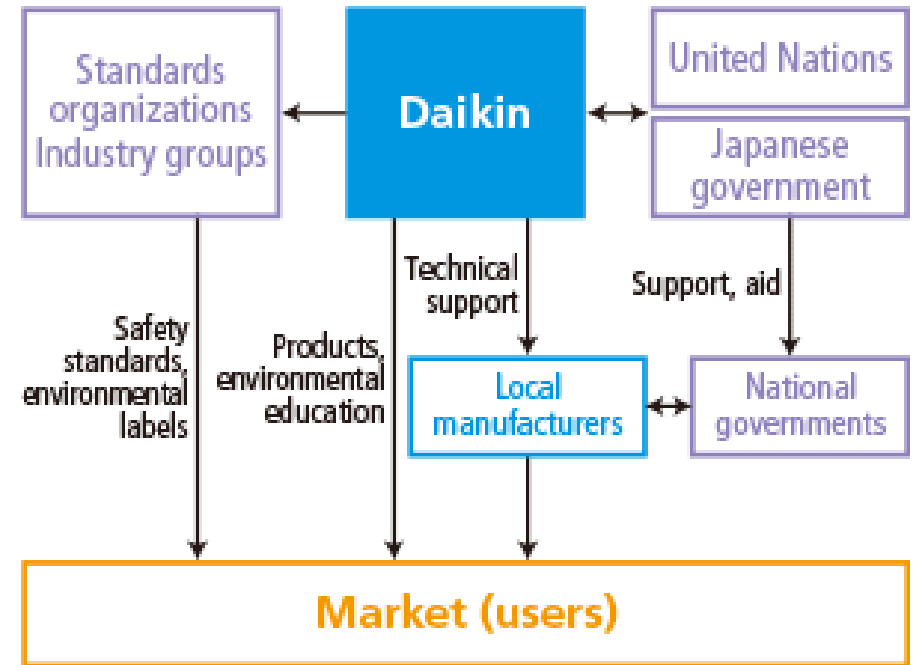
- Necessity to diffuse products with excellent environmental performance, especially in emerging countries, where air conditioning use is increasing.
- If all air conditioners in developed countries using the conventional fluorocarbon were converted to HFC-32, the global warming impact from HFCs in 2030 could be reduced by 19%.

Improving market environment + core business

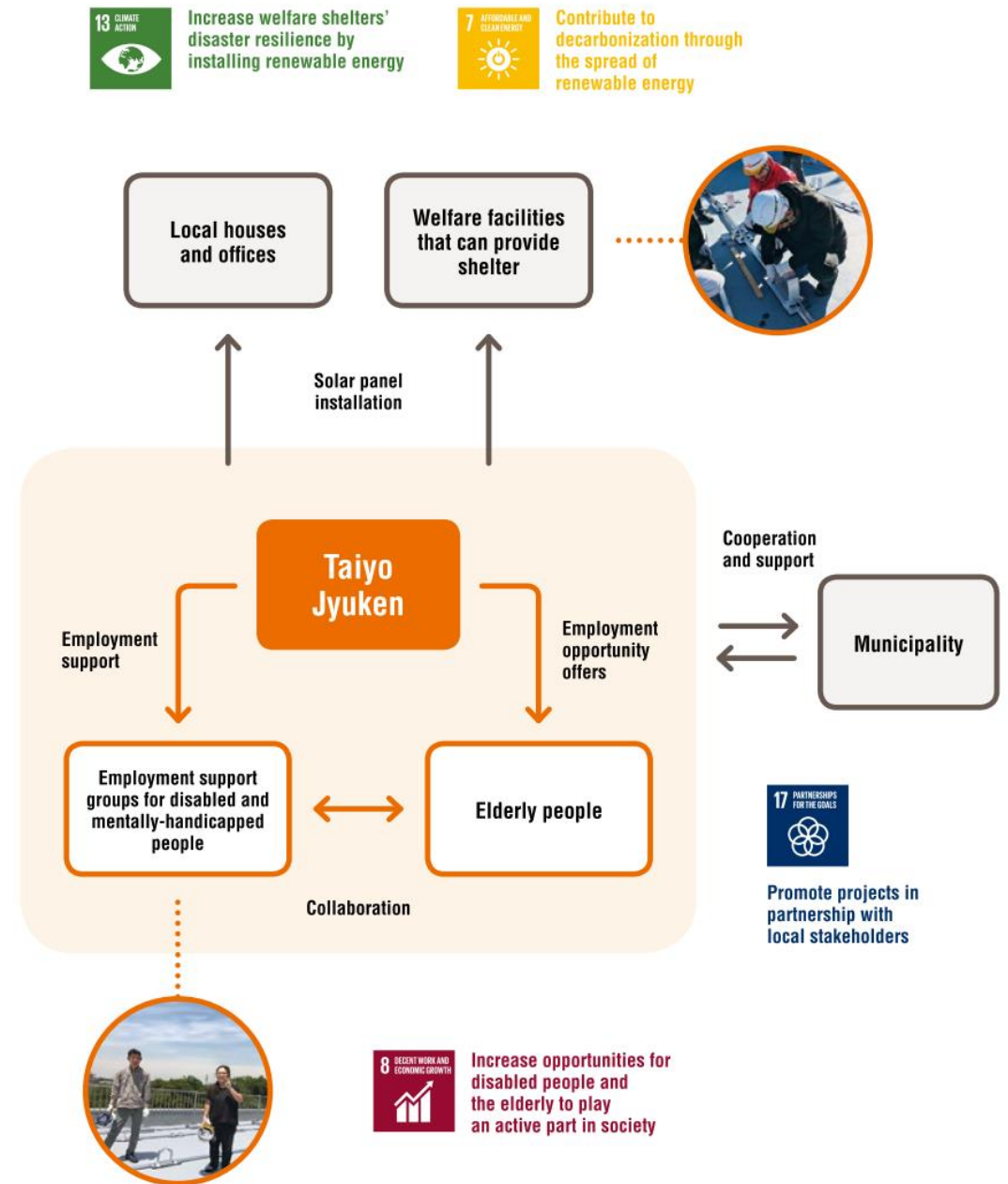
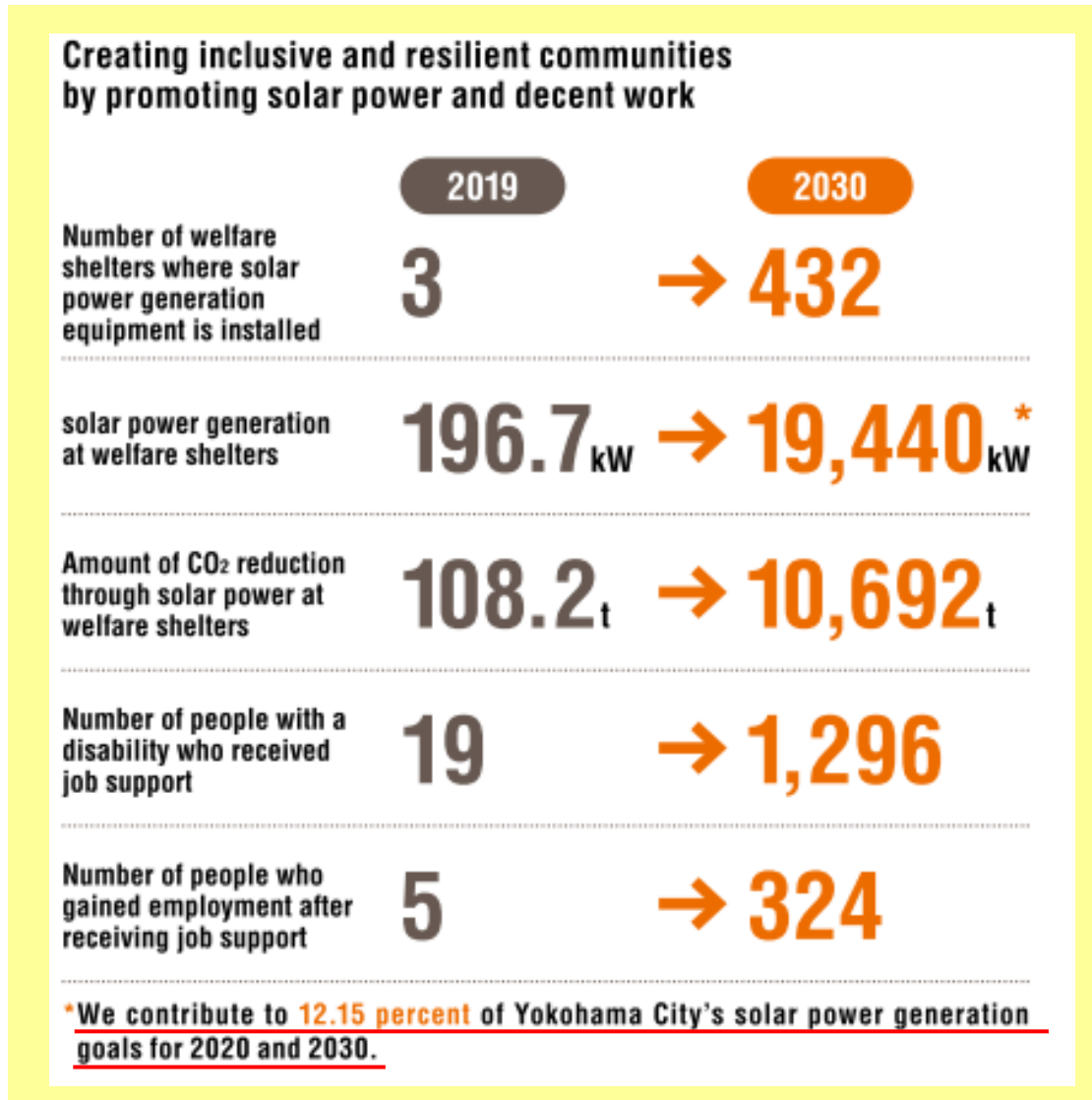
▼ How We Are Creating New Markets



▼ Collaboration with Stakeholders



- Aligning PV installation with city's goal-



Japan Climate Leaders' Partnership (JCLP)

- Activities to create RE market and rule from demand side -

Members

A Hundred Leading Companies Working Together for Net Zero Transition



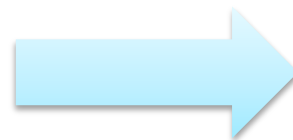
- Represent **840 Billion USD in sales**, several millions of employees (≒ 10% of Japan's whole industry)
- Combined electricity consumption: **36 TWh/year = 4 % of total country demand.**
- **13 out of the 17 RE100 companies** in Japan = JCLP members.
- **All EV100, EP100** companies in Japan = JCLP members.

Business case

Market Drives Business Solutions

Demand Signal To the Market

e.g. "Renewable energy!"



Supply-Side Responds

"Better Solutions"



Forward Looking Policy demands Arise Through both Actions

e.g. "Carbon pricing for better market"

"Clear direction (net zero by 2050) to be articulated"

* This slide was made by modifying JCLP ppt.

Various Coalitions/Partnerships

With various actors

- National/local governments of home and foreign countries
- Industry groups/associations
- NGO, citizens
- Other companies (same and other industries)
- UN institutions
- International Cooperation Agency, etc.



For various purposes

- Promoting innovation and technological development
- Advancing into overseas markets
- Facilitating human rights and environmental protection
- Complementing knowledge and technologies necessary for initiatives
- Acquiring financial resources for activities
- Commitment for rule-making
- Enhancing negotiation power to governments of partner countries, etc.

Conclusion: Towards impactful strategies and partnerships

- ✓ SDGs helps companies identify social problems and corporate risks.
- ✓ Systems within an organization (awards, remuneration, evaluation system etc.) can give incentives to facilitate solutions to social problems.
- ✓ Approaches to improve market environment and social business with small profit are useful to strengthen existing businesses, and to capture new business opportunities.
- ✓ In order for the above approaches to be considered as investment rather than cost, it is necessary that SDGs are incorporated into “organization”(Philosophy, strategy, executive leadership, etc.)

Conclusion: Towards impactful strategies and partnerships

- ✓ Aligning Mid- and long-term goal with national/local governments' objective is one way to set an ambitious goal and outside-in approach within local contexts.
- ✓ Partnership is particularly important to take outside-in approach, advance into overseas markets, change business practices, advocate policies, and improve market environment.
- ✓ Domestic coalition can bridge between international trends (e.g. RE100, RSPO) and actions by domestic companies. As such, it can also increase number of companies seriously addressing sustainability and climate issues.

**We only have 11 years to go before the target year.
We need to move faster and more efficiently!**

Thank you very much!