

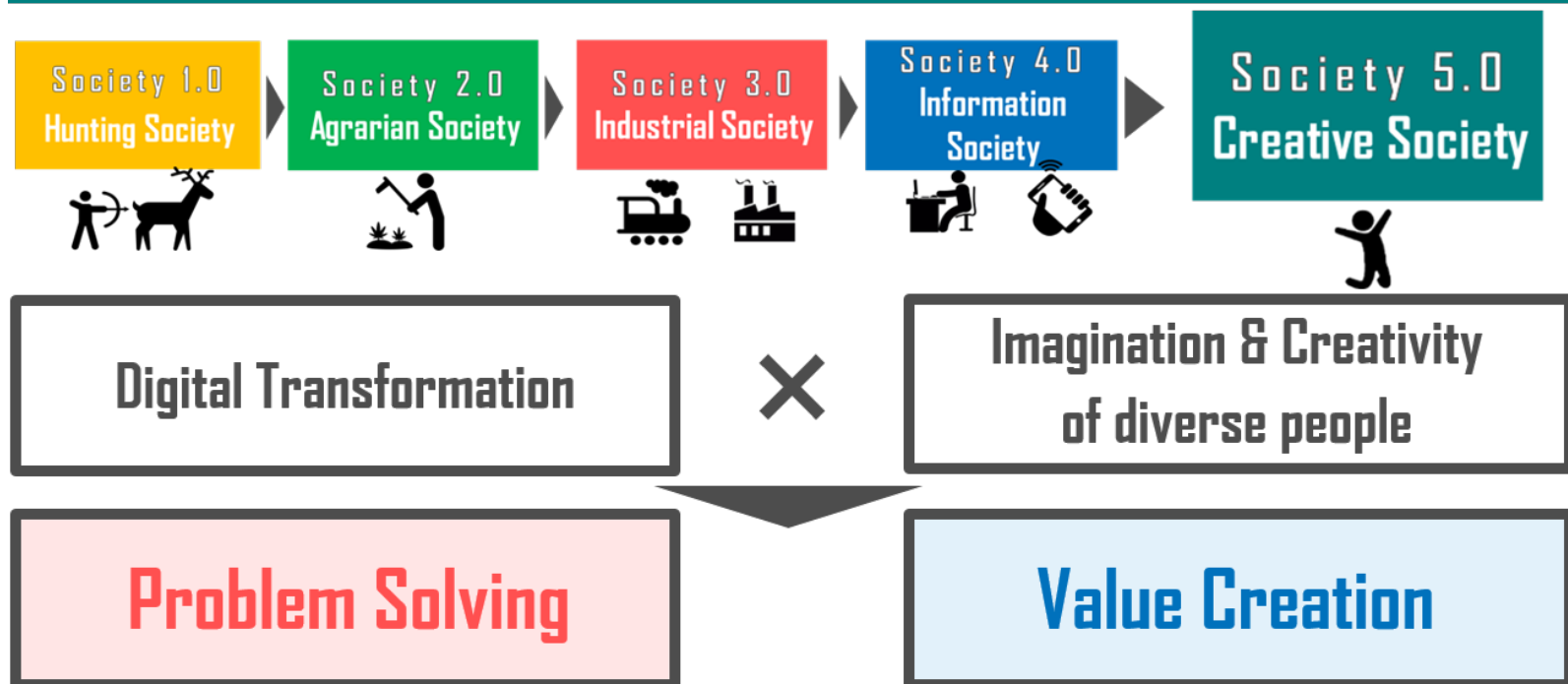


Promoting “Society 5.0 for SDGs” to
Build back better in the post COVID-19 world.

Tomoko Hasegawa, Managing Director, Keidanren

- Digital technologies and data should be utilized to create a society where people lead diverse lifestyles and pursue happiness in their own ways. In the future, humans will require imagination to change the world and creativity to materialize their ideas. Society 5.0 will be an Creative Society.

Society 5.0



Society 5.0 for SDGs



Charter of Corporate Behavior

(revised in Nov. 2017)

“Charter of Corporate Behavior” is the code of conduct composed of 10 principles that Keidanren’s member corporations pledge to take the lead in the realization of a sustainable society.

1. The 10 principles (Keidanren’s Core Values)
2. The Implementation Guidance
 - ✓ 49 Key implementation items under the 10 principle
3. The charter is the product of in-depth deliberations and experience of over 1,300 corporate members

English version is available on Keidanren website
<http://www.keidanren.or.jp/en/policy/csr/charter2017.html>



Charter of Corporate Behavior_(revised in Nov. 2017)

<Preamble>

The role of a corporation is to take the lead in the realization of a sustainable society...



1. Sustainable economic growth and the resolution of social issues



6. Reform of work practices and enhancement of workplace environments



2. Fair business practices



7. Engagement in environmental issues



3. Fair disclosure of information and constructive dialogue with stakeholders



8. Involvement in community and contribution to its development



4. Respect for human rights



9. Thorough crisis management



5. Relationships of trust with consumers and customers



10. Role of top management and implementation of this Charter

The Second Questionnaire Survey on the Keidanren's Charter of Corporate Behavior (Interim Results)

How the Charter of Corporate Behavior Is Being Implemented in the Age of Coexistence with COVID-19

Questionnaire Outline

Objective of the Survey

To ascertain the initiatives and challenges of the Charter of Corporate Behavior in the age of coexistence with COVID-19, in particular, the Society 5.0 for SDGs as the key to the revision, and to encourage member corporations to further understand and implement the charter.

Response Details	Survey target	Number of responses	Response rate
Keidanren's member corporations	1,447 companies	289 companies	20.0%
Keidanren's member organizations	156 organizations	24 organizations	15.4%

Survey Period: July to August, 2020

How the Charter of Corporate Behavior Is Being Implemented in the Age of Coexistence with COVID-19

1. Actions That Were Taken in Regard to Management Philosophy, Policy, etc. after the Spread of COVID-19

- The most common action that was taken is **to deliver messages from top management to the company and the company group**; a total of 85% of companies have already delivered, or will deliver, such messages. Many of the **messages contain positive visions for achieving a more sustainable society** by seeing the COVID-19 crisis as an opportunity, responding to changes, and creating innovations. The most common action that will be taken is **to reflect the situation in the medium-term management plan** (41%).
- The principle of the Charter of Corporate Behavior that was most relevant for the actions taken is **“Principle 6: Reform of work practices and enhancement of workplace environments” (81%)**, followed by “Principle 1: Sustainable economic growth and the resolution of social issues.”

Chart 1. Actions taken after the spread of COVID-19

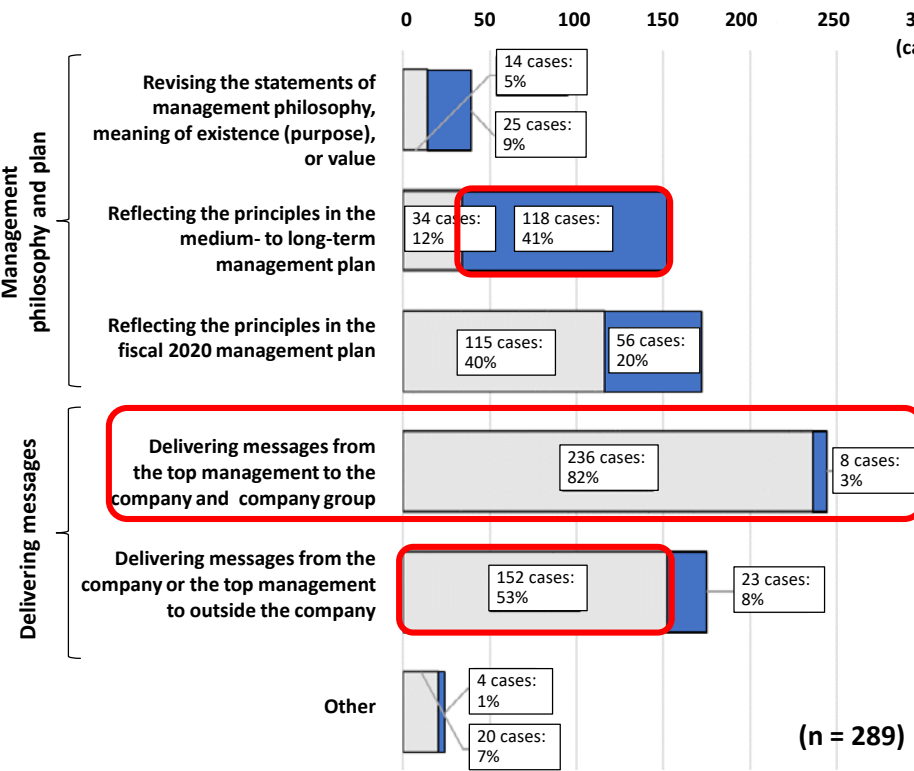
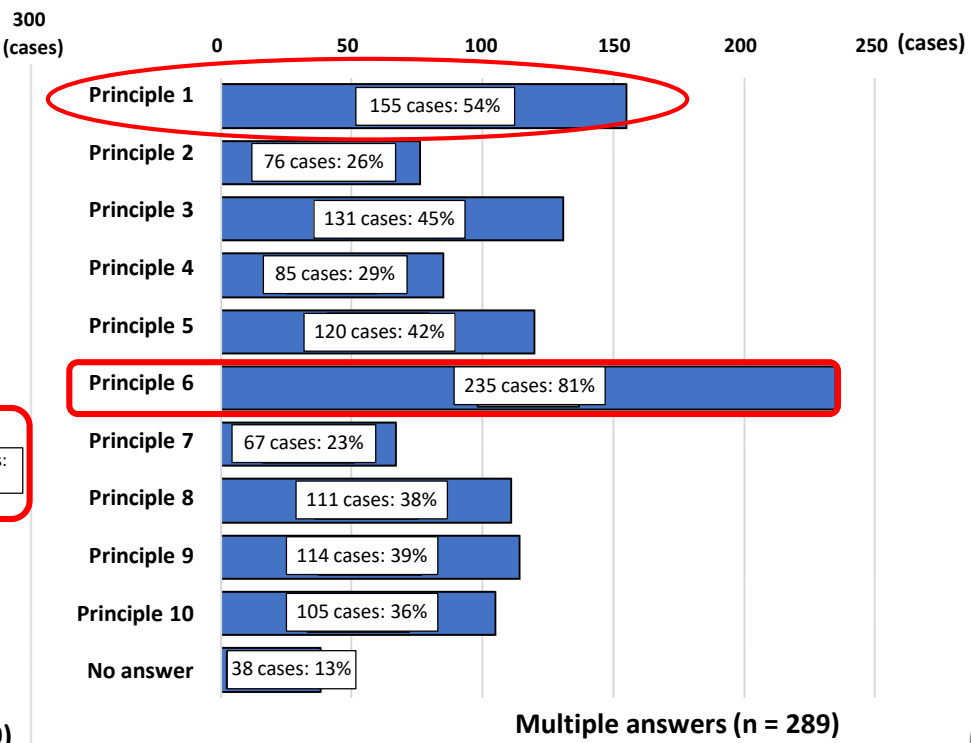


Chart 2. Principles of the Charter of Corporate Behavior That Are Relevant to Actions



Example messages delivered from top management to the company and the company group

- **Protecting the lives and health of the public from the spread of COVID-19 is our corporate social responsibility and the “Society = S” of the ESG management.**
- **The themes in the post COVID-19 world are ESG and SDGs.**
- **Now is the time for us to implement our management philosophy that contributes to society through our business practices.**
- **COVID-19 is a crisis, but also an opportunity for us to give something truly needed to people.**
- **We capture the true nature of changes and conduct business to achieve our sustainability vision.**

◆ Efforts particularly focused on, distinctive efforts (free description)

Principle 1

- Developed and manufactured new products utilizing our technology, know-how, and specialized human resources to prevent COVID-19 infection.
- Used AI to support the design of vaccines.
- Signed the Declaration of Supporting COVID-19 Countermeasures that declares we will not use our intellectual property rights when developing or manufacturing products for coping with the spread of COVID-19.
- Considered new services and business needed in the new normal age.

Principle 6

- **Developed response guidelines and action agendas based on working style and the possibility of infection.**
- **Planning to develop work-from-home rules and create a work environment with a system to prevent information leakage, etc.**
- **Held a 10-day discussion on ideal working styles in the age of coexisting with COVID-19 on the intranet forum for all employees of our group companies at the beginning of the second month after working from home started. Seven thousand employees viewed the discussion, and 1,000 people among them joined to share solutions for problems, as well as ideas for new working styles.**

2. Review of the Initiatives for Establishing Sustainable and Resilient Supply Chains

- **62% of companies have already reviewed, or will review**, their original initiatives for establishing sustainable and resilient supply chains. Many companies have faced challenges resulting from the COVID-19 pandemic.
- The most common perspective on the review by the companies that have already reviewed, or will review, their initiatives is **dispersal or diversification of their suppliers (61%)**, followed by the utilization of DX. This shows that they all **have reviewed their supply chains** for the age of coexistence with COVID-19.
- The specific details of their reviews also indicate that their initiatives have been strengthened in terms of not only business continuity, but also sustainability (see Slide 12 “Perspectives on the Review”).

Chart 3. How the initiatives for establishing sustainable and resilient supply chains are being implemented

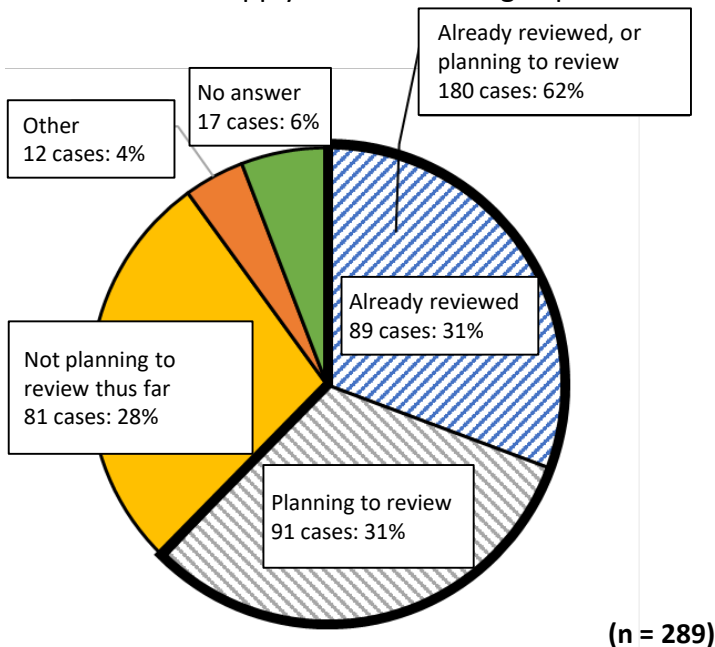
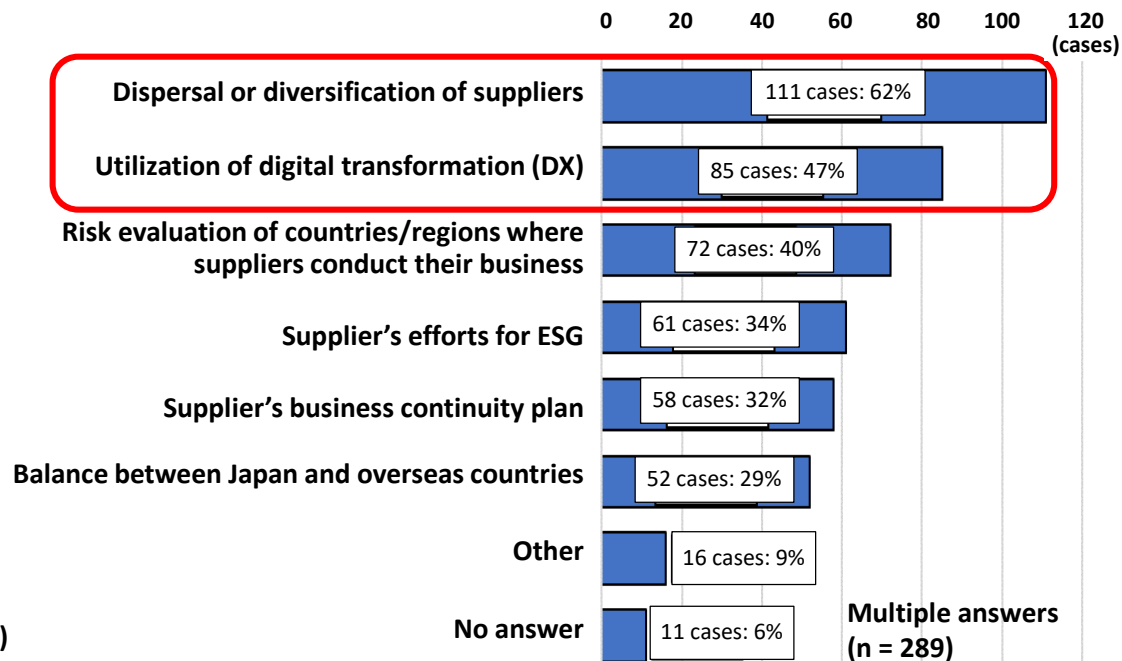


Chart 4. Perspectives on the review of supply chains



Example responses particularly focused on to ensure the continuity of supply chains

➤ Support for starting working from home or working remotely

➤ BCP measures

- For the stable supply of important products, a backup system was established to disperse our production and logistics sites or purchase multiple types of major raw materials.
- BCP investigations were conducted on the suppliers of major raw materials to identify whether they can provide alternate production services at their multiple sites, confirm the status of stock secured for continuous supply, and check for alternate raw materials.

➤ Support for business continuity

- Various supports were offered to provide smooth financing to our corporate customers who have experienced a drop in sales, difficulties in procuring materials, and other impacts of COVID-19.
- The production division responsible for higher productivity and the procurement division managing suppliers cooperated with each other to achieve a better environment for our suppliers after achieving higher working efficiency and utilizing IoT based on their requests.

Perspectives on the review of supply chains

➤ Perspectives on business continuity

- (1) Visualizing the supply chains as a whole according to procured members and goods, (2) Identifying and evaluating the BCP management system of our clients, (3) Considering building a system to ascertain the operational status of our suppliers in a prompt and timely manner, (4) Reviewing our safety stock standards, and (5) Reconsidering the policy of purchase from multiple companies and sites

➤ Perspectives on sustainability

- Revise the sustainability action agendas of our clients and give first priority to the response to human rights for the sake of achieving a sustainable society with our clients.
- Combine on-site monitoring and remote monitoring for CSR monitoring.
- Request our major suppliers to answer a self-evaluation questionnaire containing questions regarding human rights due diligence and the prevention of bribery and corruption.

3. Initiatives for Business and Human Rights (Principle 4)

- Companies that answered that they have promoted initiatives based on the UN's Guiding Principles on Business and Human Rights remain at 36%. **60% of companies have not yet implemented such initiatives**, including those that understand the Guiding Principles but have not incorporated the principles into their business activities yet. This means that **there is still a challenge of making companies aware of, and having them implement, the Guiding Principles.**
- In regard to the extent of ascertaining and evaluating negative impacts on human rights, 29% of companies have implemented the initiatives that deal with business considered to have a high risk for human rights, while **the rate of companies that have carried out such initiatives in almost all the countries/regions where they conduct business remains at 24%**. On the other hand, **the rate of companies that answered that they would not be able to start such initiatives is high, at 31%**, indicating that there is an issue on the implementation of human rights due diligence.
- The National Action Plan (NAP) developed by the Japanese government is to be announced in this fiscal year. Requests for the government and public agencies include the development of guidelines for voluntary initiatives (54%) and sharing of information on human rights risks in overseas countries (47%).

Chart 5. How the initiatives for the Guiding Principles are being implemented
(n = 289)

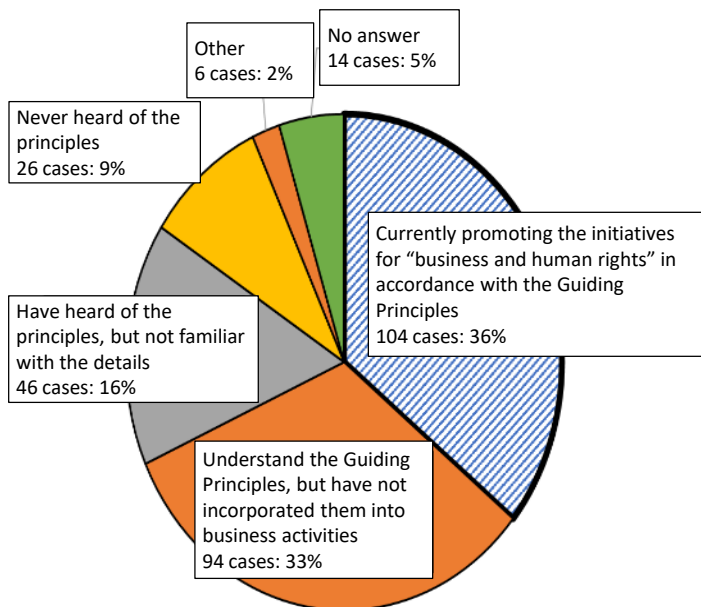
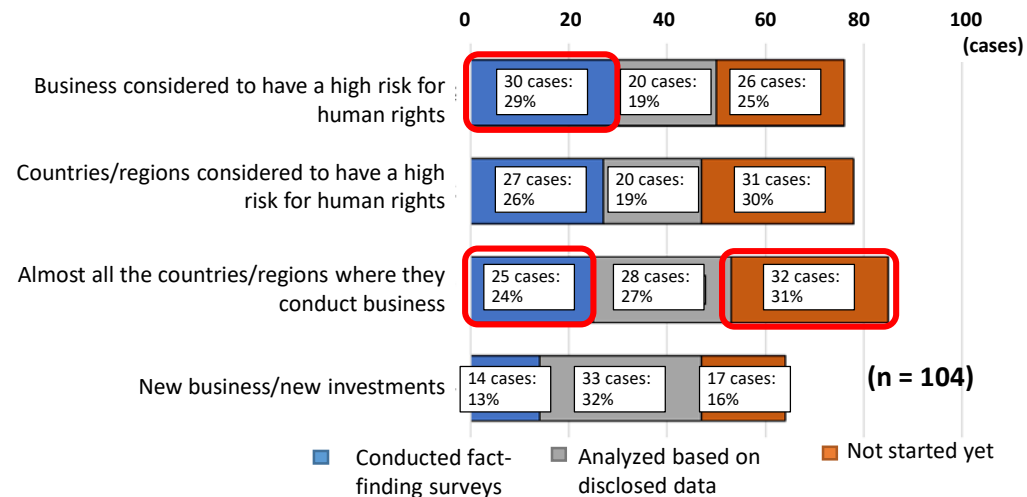


Chart 6. The extent of ascertaining and evaluating negative impacts on human rights





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