

**Leader's Observations on  
CBCC CSR Dialogue Mission to Sweden and the Netherlands**  
(Provisional Translation)

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***Outline of the Mission***

I visited Stockholm, Sweden, and the cities of Amsterdam, the Hague, and Rotterdam in the Netherlands from Nov. 18 to Nov. 22, 2019 as the head of the CBCC CSR Dialogue Delegation. Although CBCC dispatched the mission to these two countries respectively in the past, they have consistently been highly acclaimed in the international community for their achievements relating to SDGs and CSR, so we decided to visit them again.

In Sweden, we engaged in discussions with the CSR Ambassador, officials of “Team Sweden,” -- which consists of representatives of the Ministry for Foreign Affairs; Business Sweden, a government-private sector trade and investment promotion organization; and the Swedish Export Credit Corporation (SEK) -- and government officials from the Ministry of Enterprise and Innovation and other agencies. We also had opportunities to hold dialogue with Ericsson, a leader in sustainability management; Nordea, which provides financial support for sustainability; CSR Sweden, which offers useful input to policymakers and corporate executives in the areas of education, investigation, and research on CSR; and the Stockholm Environment Institute.

In the Netherlands, we were briefed by officials of the Ministry of Foreign Affairs, the Netherlands Enterprise Agency (RVO), and the Social and Economic Council of the Netherlands (SER)<sup>1</sup>, which play the central role in promoting the SDGs in the Dutch government, on such initiatives as the Agreements on International Responsible Business Conduct (IRBC)<sup>2</sup>, a major platform for advancing the SDGs in the country, and engaged in an exchange of views on this subject. We also held separate meetings with officials of Unilever, the world's leader in sustainability management philosophy

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<sup>1</sup> A multi-stakeholder forum consisting of representatives of the business sector, labor, and academia, and members of the Royal House serving as a consultative body to the Dutch government and parliament on social and economic policies.

<sup>2</sup> Agreements on International Responsible Business Conduct: agreements drawn up based on the SER's recommendations, signed by pension funds, corporate pension funds, government, labor organizations, NGOs, and various other organizations, setting the guidelines to be followed by different sectors, such as the apparel and food industries.

and practice; Heineken, which excels in devising practical measures, particularly in the environmental area; the ING Group, which is a global driving force in sustainable finance striving to draw up principles for sustainable banking; and Keidanren's counterpart, the Confederation of Netherlands Industry and Employers (VNO-NCW). In addition, we also engaged in discussions with the World Benchmarking Alliance (WBA)<sup>3</sup>, an international initiative on business impact assessment; the GRI (Global Reporting Initiative), whose GRI Standards are familiar to Japanese companies which refer to them for their CSR/sustainability reporting; and Sustainalytics, a major ESG rating agency.

During these meetings, members of the mission were not only able to learn about the diverse views and efforts being made by the government, private companies, economic organizations, ESG rating agencies, research institutions, and various other entities; they also explained the CSR situation in Japan and the CBCC's and Keidanren's initiatives to promote CSR and the SDGs, as well as efforts being made by individual Japanese companies, in an effort to enhance mutual understanding.

Looking back at these meetings, the following report gives an assessment of the mission and presents the observations of the mission leader.

### ***1. Promotion of CSR/SDGs/Sustainability through Public-Private Collaboration***

Sweden has a population of around 10 million, so it has a small domestic market. True to its Viking tradition, it has a strong disposition toward overseas ventures and free trade. On the other hand, the Netherlands has a population of 17 million and likewise has a strong interest in overseas business and free trade, as indicated by the history of the Dutch East India Company. Both countries have a large number of small and medium-sized enterprises (SMEs) and aspire to achieve economic growth under the global competition environment through the promotion of exports. We came to understand that in their pursuit of the best options for the country and its companies to maintain sustainability and international competitiveness, Sweden and the Netherlands are implementing a strategy of enhancing international competitiveness based on CSR/RBC, SDGs, and sustainability through close coordination and cooperation between government, the business sector, and individual companies.

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<sup>3</sup> Organization sponsored by the Dutch, British, and Danish governments launched in September 2018 for the purpose of encouraging corporate contributions to the achievement of the SDGs. It aims at developing sector-specific impact assessment standards linked to SDGs to serve as benchmarks for corporate efforts that are made public for free.

Furthermore, like their European peers, both countries have powerful citizen and labor groups. Their governments also attach great importance to holding multi-stakeholder dialogue with these groups and the business sector in seeking solutions to social problems and in the process of realizing a sustainable society and have consistently adopted such an approach in their undertakings. Among the underlying factors of this approach is that Swedish citizens have a strong sense of involvement in solving social issues. On the other hand, the Netherlands has a historically established system of consensus building and cooperation by the stakeholders (the Polder model) for disaster prevention purposes on reclaimed land in areas below the sea level. In both cases, we had a strong impression that such a mature relationship between government, industry, and civic society that has yet to be established in Japan can only be built through earnest efforts by all entities to tackle economic and social issues and constructive dialogue by all parties concerned.

The meetings provided us with valuable insights on public-private sector cooperation, but I would like to highlight here the system of intra-government cooperation and the engagement of private companies with the civic society.

In terms of intra-government collaboration, we learned that both countries have set up teams made up of the relevant government agencies with clearly delineated roles that work closely together for the promotion of CSR/RBC and the SDGs. While in each country the Ministry of Foreign Affairs is responsible for policy planning and strategy development, their subordinate agencies and bureaus function as the implementing arm. There is a very systematic collaboration mechanism for a variety of stakeholders to work together.

While we were very impressed with the positive approach of the European Commission and the national governments in Europe on CSR policy in CBCC's previous missions<sup>4</sup>, we also found this time that the Swedish and Dutch governments take strong initiative in promoting CSR/RBC and the SDGs. Particularly in their effort to motivate private companies, they do not only work on enlightenment activities, but also focus on concrete, practical measures. We learned that they support the introduction of such measures in actual management and business operations by strengthening the development of specific tools that companies can use in their business operations and stepping up their consulting function. Although we do not believe that there are

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<sup>4</sup> Previous missions visited Geneva and Brussels in 2018; Frankfurt, Berlin, and Munich in Germany in 2017; and Brussels, Paris, and London in 2016.

limitations to Japan's method of allowing private companies to promote CSR and SDGs autonomously, such as Keidanren's Charter of Corporate Behavior, the penetration and promotion of sustainability management in the SMEs, which is also a main focus of the Swedish and Dutch governments, remains a major issue in Japan. Little progress can be expected by relying solely on independent corporate actions and this may even result in Japan missing the opportunity to enhance its competitiveness as a nation. We felt that Japanese government needs to learn from these two countries to put in place a system to provide strong, comprehensive support for the SMEs.

As to the engagement of private companies with the civic society, Japan has particularly much to learn. Swedish and Dutch manufacturers and financial institutions are not reluctant to dialogue with NGOs. Sometimes private companies even have devoted teams responsible for frequent and daily communication with NGOs in their persistent effort to build a relationship with them that facilitate constructive dialogue. We were told that working on the assumption of difference of views with NGOs, the best risk management option for private companies is to obtain the NGOs' understanding of their problems at a very early stage by maintaining an open relationship with them. Above all, private companies and NGOs take advantage of each other's rich specialized knowledge and respect each other's roles in working for a sustainable society. What should we do to build such mature relationships with NGOs in Japan? While efforts by individual companies alone may not be sufficient for doing so, this is indeed an indispensable process for building a sustainable society. Japanese companies need to give serious consideration to this issue from now on, and we felt that this will also be a major concern for CBCC in the future.

## ***2. Innovation as a Driving Force for Sustainability***

Keidanren advocates a "Society 5.0 for SDGs" in order to contribute to the achievement of the SDGs by solving social problems through digital transformation and innovation and realizing a new human-centered "Creative Society" characterized by the true well-being and contentment of each individual. Meanwhile, Sweden's goal is to become the world's first fossil-free welfare state by 2045. Its government is banking on innovation to achieve this ambitious goal and to solve the difficult issues it is facing today. Its R&D spending is 3.33% of GDP, way above the OECD average of 2.37%.<sup>5</sup> It ranks second among 126 countries and territories in the "Global Innovation Index"<sup>6</sup> and

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<sup>5</sup> Based on data provided by the Swedish Ministry of Enterprise and Innovation (derived from OECD statistics).

<sup>6</sup> Ibid. (derived from Cornell University statistics, 2019).

ranks first on the “Innovation Union Scoreboard” among 26 European nations.<sup>7</sup> Sweden leads the world in the promotion of innovation and in creating the environment to facilitate innovation.

According to the Ministry of Enterprise and Innovation, which is responsible for policies on innovation in the Swedish government, under the “Innovation Partnership Program” the government is currently advancing, after a high-level group discussion involving industry, academia, the public sector, and various other stakeholders identifies the strategic innovation areas, they will engage in the fields of skills and lifelong learning, climate change, health and life science, and digital transformation. This program reflects Sweden’s seriousness about generating transformative actions through innovation.

Likewise, the business sector also prioritizes innovation. At Ericsson, the chief executives have issued instructions that all business units must take into account sustainability and CSR. Not only have teams (ambassadors) responsible for monitoring implementation been appointed, training on the philosophy of SDGs is also conducted for all employees. Through such efforts, the notion of solving daily life issues, regardless of the extent of their impact, has become the basic thinking of the engineers’ technical innovation efforts.

At Unilever, which adopts a “Sustainable Living Plan,” purpose-driven management not only does not sacrifice profit, but rather enhances profitability. The management philosophy of synchronizing the consumers’ and society’s expectations with the company’s goals by providing innovative and sustainable solutions to improve the people’s life, ultimately resulting in higher returns for the stockholders, has remained firmly entrenched in the management even after the departure of CEO Paul Polman.

### ***3. Trends in Impact Assessment***

Information disclosure on progress made and assessment of impact is a major concern of companies in their promotion of SDGs. With a wide variety of assessment methods by private groups on offer, the United Nations Development Program (UNDP) and other agencies have launched the initiative to develop global standards for impact assessment. Our dialogue with the WBA, one of such international initiatives, proved to be very useful for understanding the latest trends in the international discourse on impact

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<sup>7</sup> Ibid. (derived from European Union statistics, 2016).

assessment. While the WBA was only launched in September 2018, it is actively working to develop free, publicly available, and sector-specific benchmarks that show companies' contributions to achieving the SDGs.

Defining the seven major system transformations required to realize an inclusive and sustainable economy and society -- social, agriculture and food, de-carbonization and energy, circular, digital, urban, and financial system – the WBA aims to identify “keystone companies” that will drive transformation in each sector and develop relevant assessment standards. It plans to make public the ranking of 2,000 major global companies by 2023. It will first announce by the end of 2020 the baseline for the food and agriculture sector based on the companies' publicly available data. An updated baseline will be announced in 2021 through dialogue with the companies in the list.

While both the WBA and the GRI realize that harmonization is necessary as too many methods of impact assessment and disclosure cause an increase in the burden on companies, they indicated that they are not optimistic about the convergence of these methods in the future. With regard to this issue, the CBCC intends to closely watch the discussion and concrete actions of the relevant parties and continue to deepen its dialogue with the WBA.

#### ***4. Trends in Sustainable Finance***

Information on trends in sustainable finance in Europe provided valuable insights to the mission members, who showed a strong interest in particular in divestment from business projects related to the use of fossil fuels. In this regard, the Swedish and Dutch financial institutions that met with us explained that while European institutions have basically announced a policy of divestment, they do not intend to completely cut or back out of investments in fossil fuel, but plan to give careful consideration and search for an appropriate approach with a sense of balance. The important thing is not to “desert” their corporate clients, but how to encourage them to take sustainable actions through meticulous dialogue. We felt that they have a strong sense of mission that this is precisely the responsibility of financial institutions which have an important role to play in the transition to a low-carbon society.

We found that these institutions adopt a level-headed attitude that attaches greater importance to what their corporate clients think and what they plan to do for sustainability from now on rather than the current sustainability of their products and services. I would like to emphasize again that this balanced approach is only possible because of the continuing process of communication with the government, the NGOs,

and other stakeholders. We realized once again the importance of more creative public relation efforts by companies and more active dialogue with the stakeholders. Not many Japanese companies are good in this area but we felt that they should update their engagement efforts, including setting up specialized teams within the company.

## ***5. Approach to Environmental Issues and Climate Change***

Like Japan, around 70% of Sweden's territory is covered by forest. Its people have a strong consciousness of nature and the environment based on their culture and tradition of enjoying visits to the forest. In the case of the Netherlands, about one-fourth of its national territory, which is roughly the size of Kyushu, is below the sea level. As a consequence, it is very sensitive to climate change issues, such as the rising sea level. Against this background, it was observed that the government and companies of both countries adopt a positive approach to environmental issues and climate change.

As mentioned above, Sweden has set a goal of becoming the world's first fossil-free welfare state that does not use fossil fuels by 2045, and it has succeeded in reducing its carbon dioxide emission by 24% from the 1990 level, as well as achieved power generation with zero CO<sup>2</sup> emission. Heineken is enhancing the efficiency of its consumption of water resources, which are indispensable for beer production, and making efforts to reduce CO<sup>2</sup> emission and increase the use of renewable energies at its production plants. At Unilever, we were briefed on the present state and future goals of its efforts to build a process for the recycle and reuse of plastic packaging materials used for many of its products by tapping technology for sorted trash collection and plastic reprocessing. As recycled plastic is difficult to use in food product packaging, it is undertaking joint research with universities on using certain catalysts to produce packaging materials that can be used for food. The mission members were impressed by Unilever's passionate explanation that instead of taking individual steps, such as reducing the size of packaging, it is building a "circular plastics value chain" through technical innovation that will not only raise the value of plastic but also contribute to solving social issues. The company official's remark that partnership with the government, universities, and the civil society is important in this endeavor left a strong impression.

## ***6. Business and Human Rights***

Japan is currently working to draft a National Action Plan (NAP) on Business and

Human Rights by June 2020. Human rights is an area that bears on all the SDGs, so it is essential that companies make efforts in this regard. Since this is an endeavor that requires the strong leadership of the top executives, in October 2019 Keidanren drew up the Japanese version of the “CEO Guide to Human Rights” published by the World Business Council for Sustainable Development (WBCSD). Members of the mission were eager to know how the UN Guiding Principles (UNGP) on Business and Human Rights adopted by the UN Human Rights Council in 2011 and the “OECD Due Diligence Guidance for Responsible Business Conduct” (Human Rights DD) based on the OECD Guidelines for Multinational Enterprises are implemented in the companies.

Society as a whole has a strong interest in human rights issues both in Sweden and the Netherlands. The NAP is due for revision in the Netherlands and work is ongoing to identify and analyze the gaps. A review is also underway on the bill relating to Child Labor Due Diligence in corporate supply chains approved by the Dutch Senate in June 2019. The industrial sector is concerned about the additional operational burden, so it is necessary to watch further developments.

## ***Conclusion***

CBCC has been annually dispatching a CSR Dialogue Mission overseas since 2003. Each time, it was felt that there are things that can only be learned firsthand. Rapid progress is being made in recent years particularly in the area of sustainability, such as in ESG, SDGs, and so forth. Probably even the parties involved are not totally certain about which direction this area is heading and what efforts the relevant organizations will make. We gained direct knowledge that the hard work of the concerned officials who persevere in trial and error while grappling with various dilemmas on a daily basis is behind the development potential of all aspects of sustainability, including policy formulation and implementation, business, investment, and research. This was one of the valuable lessons that could only be learned on-site.

In addition, in our dialogue with the leading companies in sustainability management, many executives expressed in particular a strong sense of mission to make social contribution through their core business operations in light of the ongoing crisis in climate change. We keenly felt that CSR, SDGs, and sustainability are becoming the mainstream in corporate management. CSR is no longer simply one area in corporate activities but is now the essence of corporate management and operation. Through our dialogue with the Swedish and Dutch officials, we were able to share a common fervent aspiration for the realization of a more sustainable society and were deeply inspired.



This will be of great significance for all members of the mission, including myself, as we think of what to do next.

Lastly, I would like to convey my gratitude once again to the members of the mission who proactively cooperated in ensuring the efficient conduct of our meetings under a tight schedule. In light of the broadening horizons in this area, I have great expectations for dynamic progress to take place by the time we send our mission in the next fiscal year. With that thought, I intend to continue to conduct our activities earnestly as CBCC chairman.

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