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## Foreign Versus Local:

## The Debate About SRI Priorities In Japan

## *Acknowledgements and Disclaimer*

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## EXECUTIVE SUMMARY

This report provides a detailed evaluation of the framework of SRI priorities in Japan, in terms of criteria—governance, environmental and social—and methodologies such as engagement. It examines this in relation to Western SRI priorities and offers insight into how national and international SRI expectations can be met. The information compiled in this paper has been identified through desk reviews of available documentation and interviews with key persons in the field of SRI and CSR in Japan and elsewhere, as recommended by ASrIA.

*An important  
debate on the  
Japanese  
approach to SRI*

Japan has taken the lead in SRI in Asia with the successful launch of 12 SRI fund options with a total market value of JPY 71 billion. Although the total market capitalization of SRI funds is not large by global standards, SRI has had a distinct impact on the Japanese investment landscape. There has been a significant move toward high standards of environmental reporting, but at the same time there has been a broad ranging debate about how to frame the Japanese context for SRI, especially on potentially sensitive social indicators such as labour and human rights.

Based on our review of the key issues, the following conclusions deserve note:

*The search for consensus.* Many of the central players in the SRI debate in Japan feel strongly that some of the western SRI criteria are not relevant to Japanese companies. They struggle with the definition of issues and they have identified the questionnaire-based approach of many researchers as a barrier to effective disclosure. The issues here are not new and many are not unique to Japan. Nonetheless, the current Japanese debate is an important reminder of the many pressures that emerge as countries move toward standards for SRI criteria. Given the powerful role of government- and industry-affiliated groups in Japan, it seems likely that some of the hard issues will be resolved as they push for agreed-upon standards.

*The search for information.* Corporate reporting of SRI criteria makes new demands on organizations. The Japanese-English language barrier and debate over the meaning of various indicators has made it difficult for many Japanese companies to manage the process. As greater consensus on the issues emerges, we would expect positive developments with more consistent disclosure. Indeed, a number of leading Japanese multinationals are moving toward international standards of disclosure which may provide a model.

*Leadership on environmental reporting, but not on social standards.* Environmental and consumer health and safety issues are the major focus of interest in public surveys about Japanese corporate behaviour. This message has been embraced. Standards of environmental reporting are

high and new measures are in place to encourage reporting about product issues. At the same time, many Japanese companies suffer from the lack of consensus on how to address labour standards and issues that touch on overseas operations.

For the near-term, we see opportunities for improvement in the implementation of SRI principles in the following areas:

*Questionnaire fatigue.* Whether the problem is language or a lack of communication, it is clear that many Japanese corporates struggle to respond effectively to SRI questionnaires. More dialogue is essential as well as more proactive disclosure of the answers to commonly asked questions.

*More localisation.* The burden of thinking through the country context for SRI indicators should be addressed both by SRI researchers and by companies. There is scope for leadership on this issue as the various parties to the debate make progress in defining forward-looking norms for Japanese companies.

*Commitment from top management.* One consistent theme in Japanese corporate life is that change is difficult without the support of top management. Company investor relations professionals often report resistance to requests for data on SRI issues within companies where SRI issues have not been endorsed by top management.

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## **1 OPINIONS REGARDING SRI PRIORITY CRITERIA FOR JAPAN**

### **1.1 SRI IN JAPAN**

Japan is the most developed SRI market in Asia outside of Australia. Today, there are 12 SRI fund options in Japan for a total of approximately JPY 71 billion as of October 2003. The first SRI funds launched by Nikko Asset Management, Sompo Japan Asset Management, DLIBJ Asset Management and UBS Global Asset Management in 1999 were 'eco-funds' which facilitate sustainable development by investing in companies that have progressive environmental management systems or companies that are specifically involved in the business of eco-friendly products and technologies. In September 2000, the first SRI fund which includes social factors as well as environmental factors was launched in Japan. This was Asahi Life's Wing of Tomorrow Fund. Nikko Asset Management also launched two SRI fund options (Nikko Globe A&B) in 2002 which consider the broader triple bottom line issues. Most recently, Sumitomo Trust & Banking announced on 24 July 2003 the launch of an institutional SRI fund for Japanese corporate pension plans.

*Japanese firms are competing for places in global SRI funds*

The total value of SRI funds is still rather small in Japan, less than 0.01% of the market, compared to 15% in the US and 12% in the UK. At this stage, the most material "SRI pressure" on Japanese companies is from international investors and SRI funds. Japanese firms are increasingly competing for places in global SRI funds, and although the exact figures are not available, there is a substantial fund flow into Japan from international SRI funds. For example, the Calvert Group estimates that Japanese firms account for about 20% <sup>1</sup>of its foreign holdings. Also, many Japanese firms feature among the new entrants to sustainability indexes such as the FTSE4Good group of indexes or the Dow Jones Sustainability Group Index. There are currently 35 Japanese companies listed in the DJSI, which represents about 6.75% of the group by index weighting and about 11% by the number of companies in the index.

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<sup>1</sup> The proportion of Japanese holdings varies between funds. Some can have only 10% while others can have 20%. Considering the market value of Japanese equity market, 20% seems to be a relevant figure for reference.

**Table 1.1 Current SRI Funds for Sale in Japan**

Fund Name/ Manager	Fund type/ Screening (in addition to economic screening)	Organisation conducting the SRI evaluation	Launch date	Size (Million JPY*)
Nikko Eco Fund/ Nikko AM	Domestic equity/ Environment	Good Bankers	20 Aug. 1999	39,178
Green Open/ Sompo Japan AM	Domestic equity/ Environment	Sompo Japan Research Institute Sompo Japan Risk Management Sompo Japan	30 Sept. 1999	8,369
Eco Fund/ Dlibj AM	Domestic equity/ Environment	Good Bankers	29 Oct. 1999	5,355
Dr. Eco/ UBS Global AM	Domestic equity/ Environment	Japan Research Institute UBS AG/UBS Global AM	29 Oct. 1999	4,414
Green Wing/ UFJ Partners AM	Domestic equity/ Environment	UFJ Research Institute	28 Jan. 2000	2,941
Wing of Tomorrow/ Asahi Life AM	Domestic equity/ Environment & Social	Environment, labour, consumers: Stock at Stake Society: Public Resource Center	28 Sept. 2000	4,301
The Sea and the Sky/ Mitsui Sumitomo AM	Domestic balanced/ Environment (climate change)	Inter Risk Research Institute	31 Oct. 2000	1,250
Nikko Globe A/ Nikko AM (1)	Global equity (with hedge)/ Environment & Social	SAM	17 Nov. 2000	1
Nikko Globe B/ Nikko AM (1)	Global equity (no hedge)/ Environment & Social	SAM	17 Nov. 2000	4
Mrs. Green A/ Daiwa SB Investments (2)	Global equity (with hedge)/ Environment	Innovest Strategic Value Advisers	15 June 2001	2,272
Mrs. Green B/ Daiwa SB Investments (2)	Global equity (no hedge)/ Environment	Innovest Strategic Value Advisers	15 June 2001	3,518
Sumitomo Trust & Banking SRI Fund (3)	Domestic equity/ Environment & Social	Japan Research Institute	24 July 2003	2,500**

\*as of May 2003, from Morningstar's website (<http://www.morningstar.co.jp>)

\*\* as of July 2003 from press release

Notes:

- (1) Nikko Globe A and B are basically the same fund
- (2) Daiwa Mrs. Green A and B are basically the same fund
- (3) The Sumitomo Trust & Banking SRI funds are not publicly offered. It is an institutional fund designed for corporate pension funds.

## 1.2 SRI PRIORITY CRITERIA FOR JAPAN: THE DEBATE

Before beginning a discussion of detailed SRI priority issues for Japan, it is important to highlight a debate about SRI standards which has shaped responses to this research project. Stated simply, it is evident that there are very different reactions to the question of whether SRI priority criteria and methodology should relate to universal criteria<sup>2</sup> or should instead be specific to Japan. There are, at present, two identifiable schools of thought:

<sup>2</sup> See Annex B for a summary of internationally accepted standards and reporting guidelines.

*Should Japanese companies use universal SRI criteria?*

**Group A:** The first group claims that it is not appropriate to evaluate Japanese companies using Western SRI criteria. Instead Japanese SRI criteria should be developed and promoted. This group believes that the issues raised by SRI funds and CSR remain foreign imports that do not focus on the SRI-style sensibilities specific to Japanese society. This group also believes that as long as the SRI model is based on European or American assumptions, without taking into account the Japanese cultural, regulatory and economic context, it will address the wrong problems. Group A is aware that the volume of SRI funds in Japan for Japanese investors is still rather small and thus the evaluation criteria and methodology of foreign SRI funds are currently dominant. As a result, they see the development in volume and quality of Japanese SRI funds as a key driver in promoting SRI criteria and methodologies relevant for Japan.

**Group B:** The second group believes that due to the global operations and fund-raising activities of many Japanese companies, it would be too restrictive to apply Japan specific SRI criteria for their evaluation. This group claims that one cannot put all Japanese companies into the same box because they operate under different circumstances with diverse supply chains, manufacturing and distribution channels. Indeed, some manufacturing companies can have more than half of their sales in the West while some Japanese multinationals can have more than 60% of their employees abroad. As a result, this group believes that Japanese multinationals should be aware of universal SRI issues and concerns, and should be prepared to respond to questionnaires with US or European style questions. They highlight the fact that some leading Japanese companies are already doing very well compared to their foreign competitors or partners.

### **1.3 SRI PRIORITY CRITERIA FOR JAPAN: THE UNDERLYING ISSUES**

Much of the information generated in the interview process for this report reflects the specific concerns of the different players in the SRI equation in Japan. It is only natural that activists, domestic and foreign fund managers, and corporate representatives have diverse views depending upon their constituencies and the extent to which they address SRI issues in a philosophical versus concrete fashion.

For example, some interviewees held strongly to the view that there is simply no firm basis for establishing consensus on general criteria for SRI in Japan. A second group argues that SRI criteria should be set by fund managers representing the views of their investors rather than attempting to define a more general set of priority criteria for Japan.

*Differing views  
depending upon  
the constituency:  
companies vs.  
consumers*

Another issue raised from interviews with key people is how to define 'Japanese' for the purpose of this survey. Should the SRI products relevant for Japanese market be those products that reflect consumers' preferences or those that reflect the Japanese corporate context? Existing public opinion surveys suggest that there may be some discrepancy between the CSR priority issues for Japanese companies and those for the consumers.

These concerns are informed by a set of issues which are common to the evolution of SRI in many countries and across a number of regions. While this report explores the core SRI issues relating to Japan in considerable detail, the following points are crucial to any consideration of the many elements of the SRI debate in Japan today:

*The search for consensus.* Much of the practical work being done on SRI in Japan reflects an effort by fund managers, research firms, and corporates to define and disclose emerging SRI criteria. This is, by definition, an awkward process, frequently pursued by questionnaire, and often lacking in satisfactory communication. It will inevitably take time before this process reflects a more common set of standards reflecting both the interests of investors and the ability of Japanese companies to respond satisfactorily. Until then, many corporate respondents are likely to express frustration over the "relevance" of SRI-influenced questions.

*The search for information.* Many multi-national companies now have sizeable corporate and investor communication teams capable of responding to thorough SRI questionnaires. This remains a challenge for more domestically oriented companies in a range of countries however. This is certainly the case in Japan. In addition, in the absence of senior management commitment, investor relations teams often lack the internal support they need to provide reliable information which crosses business and geographic boundaries. For Japanese corporates, this can be a significant challenge. As a result, SRI advocates may need to work both with investor groups and with the leading business groups to establish an acknowledged set of standards for this task.

*Strong on the environment, weaker on human rights standards.* A mix of survey data and a review of emerging evaluation standards used by Japanese research providers make it clear that many Japanese companies are comfortable providing useful disclosure on environmental issues. Indeed, Japanese companies are global leaders in environmental and Global Reporting Initiative (GRI) reporting. In part, this may reflect the strong operations process orientation of many Japanese companies. There also appears to be support for disclosure on product safety and health issues. The more difficult areas clearly relate to human rights, labour, and supply chain issues, especially those which require an evaluation of activities outside of Japan.

## 2 **CONTROVERSIAL SRI ISSUES IN THE JAPANESE CONTEXT**

Although Japanese companies increasingly understand the need to communicate with their Western investors, when they receive a questionnaire in English sent by a foreign SRI fund manager, managers often feel that there are questions which have little relevance in Japan or which ask for a level of detail that cannot be provided without considerable high level management support. While there is no consensus on exactly which issues are problematic, this section outlines examples of the SRI criteria used by European and American SRI funds and research companies that seem to trigger the greatest resistance. Our goal is to highlight the background to these points of controversy and establish the boundaries for future work by interested corporates and the SRI community.

### 2.1 **GOVERNANCE ISSUES**

#### 2.1.1 **Governance issues: the Japanese context**

Corporate governance is one SRI issue where Japanese companies are often considered to be weak from the viewpoint of the West compared to the US or Europe. This can be explained, in part, by Japan's history of corporate and economic development which has resulted in a stakeholder governance orientation rather than a U.S.-style shareholder governance orientation.

*Corporate  
governance: an  
area  
of weakness?*

According to the corporate governance ratings of companies of Japan's Nikkei 225 index released in May 2003 by Governance Metrics International (GMI) and PacificData Co., Ltd., overall corporate governance standards are weak in Japan compared to the United States and the United Kingdom. However, there is some evidence of improvement.

Corporate governance as conventionally practiced among Japanese firms has two major characteristics: 1) operation of boards of directors and auditors staffed by persons promoted up the ranks from within the company, 2) cross-shareholding with other keiretsu group firms in the interest of stability.

#### ***Cross- shareholdings***

Japan's tradition of conglomerate-style keiretsu organization has always rested on extensive cross-shareholdings between group companies. In the past, the keiretsu ties were, at least in theory, a source of strength: their monthly meetings helped group firms to exploit some of the synergies of a conglomerate without the inefficiencies that can result from merging different corporate structures. It also served to prevent hostile takeover, promote stable management, and facilitate the drafting of long-term

strategy. As such, they have often been rated as a factor behind the success of Japanese-style management.

*Cross-shareholdings have resulted in "silent shareholders"*

At the same time, critics have noted that cross-shareholding has had the effect of breeding "silent shareholders" who lack a critical approach to group company management. To some extent, this has worked against board-level dialogue about corporate strategy and has inhibited the capital market's ability to provide checks and balances. Besides this weakness of checks on management, Japanese companies have been criticized for a lack of emphasis on shareholders' rights and traditional measures of shareholder value such as profitability and dividend payouts.

Over the past decade, there has been a significant unwinding of cross-shareholdings as the keiretsu have struggled to cope with the financial fallout from the bursting of the bubble economy. Following the merger of big banks at the centre of Japanese keiretsu the number of keiretsu has dropped from six to four. Looser shareholding links between keiretsu group companies also reflect the impact of deregulation which has pushed companies to choose more competitive partners in order to thrive. However, despite these recent sell-offs, many large Japanese companies retain close ties to keiretsu partners, with almost one-third of the companies in the Nikkei 225 index reporting cross-shareholdings, while 20% have a core shareholder.

### *Board members*

In Japan, boards of directors and auditors have typically been staffed by individuals promoted up the ranks from within the company resulting in a strong internal orientation. This approach to board selection favours directors with proven capabilities and loyalty to the group. The benefit of this approach is that persons promoted as directors and auditors tend to have strong knowledge of the general operations of the company, its rules and structures and know-how. However, when most of the members of the board of directors and auditors have come from the company itself, and the president in effect has the power to appoint and dismiss them, there is a natural bias against independence and boards can easily be dominated by self-interest. This precludes the proper exercise of power to check management if executives themselves are deeply involved in corrupt behaviour.

To date, only one company included in the Nikkei 225 index has a board with a majority of independent directors. Indeed, out of a total of 3,445 directors at Nikkei 225 companies, only 111, or 3% can be classified as independent. Board size tends to be large in Japan, with 38% of index companies having 16 or more directors and one company listing a total of 58. Additionally, nearly two-thirds of directors at Nikkei 225 companies have served for more than 15 years at the same company.

### *Current trends*

Japanese firms are now facing strong demand for improvement in the following four areas: 1) transparency, 2) accountability, 3) information disclosure, and 4) ethics.

Although some initiatives for the promotion of the principles of corporate governance have existed since the early '90s, such as the Asahi Shimbun Foundations Awards for Corporate Social Contributions (since 1990), the real moves within Japan appeared more recently. The Japanese public has reacted with disapproval to a range of corporate failures, product quality scandals, and a pattern of limited disclosure by corporate and government officials. At the same time, there has been growing pressure from foreign investors. In the wake of the recent corporate scandals in Japan, Japanese companies are introducing reforms in their corporate governance systems with a focus on compliance and ethics.

### *A new Commercial Code and options for board structure*

In parallel, the practices and regulations affecting corporate governance in Japan have come under review by governmental, academic and industrial organisations. In May 2002, the revised Commercial Code was enacted, and some new reforms of significance in terms of corporate governance took effect from April 1, 2003. The most important revision concerning corporate governance is that large and medium size companies (capital of over 100 million JPY) whose accounts are audited by independent auditors can adopt a new "one-tier" board structure of the kind in widespread use in the US, with one board committee overseeing nominations, one in charge of auditing, and one responsible for compensations.

Companies opting for the one-tier board structure must appoint at least two outside directors, because each committee must have at least three members, a majority of whom must be outsiders. Companies that switch to the board-with-committees structure must indicate in the proxy circular which of their directors and director nominees are designated as outsiders. However, there is no requirement that the company disclose the membership of the three committees. Such companies must also appoint a board of executive officers, whose members are chosen by the board of directors, in order to separate the management execution and oversight functions. Such companies must also require all directors to stand for re-election every year. Finally, companies adopting the new board structure abolish their board of internal statutory auditors, whose function is taken over by the audit committee. Companies present these changes in the form of a package of amendments to their articles of incorporation. Companies are free to decide whether to introduce the new system or to keep the current Japanese style corporate governance structure. According to Sumitomo Trust Bank, over 30 companies, such as Sony have already switched to this new structure.

## 2.1.2 Governance: the Controversial SRI Issues

### Governance issues in general

Selecting the correct benchmarks for governance issues is clearly a sensitive issue in corporate Japan. There is an obvious reluctance to accept non-Japanese norms without greater debate. This reflects the fact that there are substantial differences between Japan and the West regarding the following rules and practices for example:

- Commercial Law;
- Accounting rules;
- Commercial practices;
- System of justice;
- Concepts of regulation;
- System of settlement;
- Fiscal year end; or
- Consideration of resolutions in annual shareholders meetings

### *Independence of board members*

The issue of whether the US style board is relevant for the Japanese context is still very controversial. Although there is growing awareness among the Japanese executives of the necessity to appoint outside board members, they are not convinced that SRI questionnaire-based evaluation can assess adequately the complex issue of corporate governance. Some feel that simply appointing outside board members does not guarantee the separation of management execution and oversight functions because outside directors need to be linked to top management in order to have adequate knowledge to evaluate operations.

Based on our research, it appears that Japanese SRI research companies need to look into more details such as the affiliations between outside board members and company management which could compromise their independence. It is also important to assess whether outside board members have access to the same information as the insiders, and whether they are committed to their function to the same degree as insiders who have strong affiliation and loyalty to the company. Another concern is that there are not enough appropriate candidates in Japan to serve as outside board members, i.e. an independent individual but with enough knowledge of the industry and with some experience of management.

## 2.2 ENVIRONMENTAL ISSUES

### 2.2.1 Environment: the Japanese Context

The Japanese government has actively encouraged Japanese companies to integrate environmental management into their operations through a mix of regulations, guidelines and awards systems. According to the Ministry of the Environment, today, 62.3% of all listed companies and 47% of all unlisted companies have obtained the ISO14001 certification, which represents the highest rate in the world. In parallel, the number of Japanese companies publishing environmental reports has grown steadily since the mid-90s. During fiscal year 2002-2003, 650 Japanese companies (34% of all listed companies and 12.2% of all unlisted companies) published environmental reports. Most of the companies follow the Environmental Reporting Guidelines of the Japanese Ministry of Environment, which proposes a set of indicators. These reports are generally available to all stakeholders and most companies publish both Japanese and English reports. According to the Ministry, the number of companies publishing environmental reports is likely to reach 900 in 2003.

*650 companies  
publish  
environmental  
reports*

During the last two years, there is a clear tendency for companies to shift from environmental reporting to 'environmental and social' reporting, i.e. that integrates the broader issue of triple bottom line and sustainable development. Already more than a hundred companies are publishing sustainability reports or environmental reports that cover social issues to some extent. And actually, quite a few Japanese companies disclose according to GRI guidelines.

### 2.2.2 Environment: the Controversial SRI Issues

Japanese companies feel generally well prepared to respond to SRI questions regarding environmental management issues relevant to their operations. Environmental performance indicators are generally considered to be 'universal'. As a result, Japanese companies do not feel any substantial gap between their activities and the actual SRI criteria.

However, apart from the internal environmental management, there could be some divergence on actual issues such as the use of nuclear power, GMOs or on questions concerning biodiversity issues. Concerning the issues such as GMOs and deforestation, Japanese companies are increasingly aware of the necessity to be transparent on their policies and business, and there is substantial regulatory development in order to enhance companies' responsibilities. The nuclear sector is an area where there is the most powerful pressure from NGOs and NPOs in Japan and companies in this sector are aware of the public's concerns.

## 2.3 SOCIAL ISSUES

### 2.3.1 Social Issues: the Japanese Context

Social issues are the area where the differences between the Japanese and Western context appears to be most pronounced, especially on issues such as labour practices and human rights. By contrast, the differences are not as significant for product responsibility issues such as customer health and safety, labelling of products and services, relevant advertisement and community issues including respect for local communities' rights, corporate citizenship.

#### *Labour practices and decent work*

*Japanese views  
on labour  
practices and  
human rights  
differ from the  
West*

Historically, Japanese employees have not been considered to be a distinct group of 'stakeholders' by their employers. At the traditional large companies, employees have been encouraged to develop a strong sense of belonging and loyalty to their companies through lifetime employment and seniority pay. Workers were recruited directly out of school, and large investments were made in training. Employees were expected to work hard and demonstrate loyalty to the firm, in exchange for some degree of job security and benefits, such as housing subsidies, good insurance, the use of recreational facilities, and bonuses and pensions.

However, this labor-management relationship has been changing since the end of the bubble economy in the early 1990s. Conflicts between employers and employees have increased considerably in recent years due to a range of issues such as lay-offs resulting from restructuring, bankruptcy, or the introduction of performance-based compensation systems. 2,309 lawsuits related to labor issues were filed during 2002, representing a 2.6 times increase compared to 1992. Consequently, Japanese companies are becoming more sensitive to the issues related to labor-management relation.

One recent example of worker activism is the conflict between Takefuji, Japan's leading consumer finance company, and its workers.

Takefuji has been forced to make a 3.5 billion JPY (Dollars 30m, Euros 25.5m, Pounds 18m) settlement to around 5,200 workers for failing to pay them for overtime, the largest settlement by a Japanese company for such an offence.

It is understood that Takefuji asked branches around Japan to limit male workers to 25 hours of overtime a month and female workers to six hours to reduce legally required overtime payments. In reality, employees often surpassed these limits. Japanese companies have for many decades encouraged employees to subjugate themselves to the greater good of the company, sometimes resulting in extreme cases such as *karoshi*, the unique Japanese word that means death from overwork. However, the Takefuji

settlement is likely to have inevitable consequences for labour practice in Japan.

One of the most important issues concerning employment is the increase in the unemployment rate especially among young people. While the rate is about 5.0% nationally, the rate among 15-24 year olds reached 9.6% in fiscal year 2001 and 6.0% among 25-34 year olds. Pressure on hiring new graduates is set to continue with leading electronic companies such as Sony and NEC announcing that they will cut the number of new graduates hiring in April 2004 by 30%. Fujitsu has also announced a 14% cut. The government has established a new scheme to train 750,000 to 1 million young high school graduates from 2004 to 2007. The general public's opinion for the time being is that it is the responsibility of the government to deal with this issue rather than at a corporate level.

### *Diversity and opportunity*

#### *Questions about women in the workplace*

Gender equality in Japan is still far behind the levels commonly observed in other Asian countries. Lowest among the developed countries, Japan was ranked 44th by the United Nations Development Programme in terms of the Gender Empowerment Measure in the year 2003. There are three main factors behind this ranking:

1. Japanese women have little participation in political activities as elected officials.
2. There are very few Japanese female managers. The ratio is currently less than 10%, the lowest among developed countries and lower than many developing countries including the Philippines.
3. In terms of earnings, Japanese women earn much less than men. The average income of Japanese women is around 50% of the income of Japanese men reflecting a dual track employment system which has traditionally restricted female workers to jobs with limited promotion potential.

The Japanese government has been concerned about the situation and in 1999 enacted the Basic Law for Gender Equal Society, in order to promote equal participation of women and men in family matters as well as in society.

In parallel, there has been a gradual decrease in the stereotyped idea that "men work outside and women stay at home" although the lack of appropriate childcare infrastructure has slowed the process of change. Most young women and men are generally more conscious of gender-related social issues and this is likely to result in changes in societal norms in the near future.

A major challenge for debate of diversity issues in Japan is the traditional idea that Japanese people have shared ethnicity, language, culture and broadly similar economic interests due to limited wealth disparities. As a result of strong anti-immigration laws, Japan has a particularly homogenous population with non-Japanese accounting for less than 2 percent of the populace. However, the minority populations are growing steadily. In 2000 there were over 1.6 million foreign residents in Japan, an increase of more than 130,000 over the previous year. Koreans accounted for more than 51 percent of them, followed by ethnic Chinese. The next largest groups were Brazilians, Filipinos, and Americans. The number of South Americans is growing most rapidly although it is noteworthy that many of these immigrants are of Japanese ancestry. While a large group of foreign residents, mostly Korean and Chinese, are descendants of laborers brought forcibly to Japan in the 1930s and 1940s for its war industries, many recent immigrants are from countries where the economies are faring poorly. Filling the demand for labor in Japan’s construction and service sectors, the number of illegal foreign workers is growing steadily.

**Table 2.1 Ethnic Composition Japan, Germany, the UK and the USA**

Country	Ethnic groups
Japan	Japanese 99%, others 1% (Korean 511,262, Chinese 244,241, Brazilian 182,232, Filipino 89,851, other 237,914)
Germany	German 91.5%, Turkish 2.4%, other 6.1% (made up largely of Serbo-Croatian, Italian, Russian, Greek, Polish, Spanish)
UK	English 81.5%, Scottish 9.6%, Irish 2.4%, Welsh 1.9%, Ulster 1.8%, West Indian, Indian, Pakistani, and other 2.8%
USA	White 77.1%, black 12.9%, Asian 4.2%, Amerindian and Alaska native 1.5%, native Hawaiian and other Pacific islander 0.3%, other 4% (2000) note: a separate listing for Hispanic is not included because the US Census Bureau considers Hispanic to mean a person of Latin American descent (including persons of Cuban, Mexican, or Puerto Rican origin) living in the US who may be of any race or ethnic group (white, black, Asian, etc.)

Source: CIA World Fact Book [http://www.reference-guides.com/cia\\_world\\_factbook/](http://www.reference-guides.com/cia_world_factbook/)

Regarding the employment of disabled individuals, Japanese companies having more than 56 employees are required to employ disabled persons (1.8% of total employees), establish a plan regarding the employment and report to governmental institutions about the status of employment. Some large Japanese corporations have adopted excellent and progressive practices for disabled employees.

**Human rights**

**Questions about women in the workplace**

There are several human rights concerns in today’s Japan such as asylum for refugees, the death penalty, and discrimination against Koreans and Chinese. Awareness of these issues has generally not resulted in broad support for activism however. The same is true for human rights issues

abroad. As a result, unless there is guidance from the government, many companies are reluctant to establish their own positions on potentially controversial issues such as investment in Burma. Thus, there is no consensus in Japan as to whether investing in Burma represents tangible support for a dictatorship or an action to promote democratization in the country. Nonetheless, most Japanese multinationals now understand the rationale behind the questions on human rights contained in SRI questionnaires and are moving toward a clearer stance on these issues.

### *Community*

Japanese companies have traditionally had a strong sense of their place in the community and have been supportive of community activities by financing a range of efforts including community festivals and high-level sport teams. Most Japanese companies have some sort of organized community giving and philanthropy programs. However, most of these programs are not directly linked to the main operation of the company. With the rise of CSR, companies are looking for suitable ways to be involved within the community not only by making financial donations to local festivals or local concert halls but through donations that relate to their main business activities.

#### **2.3.2 Social Issues: the Controversial SRI issues**

Most of the SRI criteria deemed as inappropriate or difficult to understand by Japanese corporates were those related to labour practices and human rights. This can be explained by the fact that these are the two areas where company performance is difficult to measure. It is also clear that companies worry that questionnaire responses could be subject to misinterpretation.

In September 2002, the Network of Environmental Reporting (NER) – a multi-sector NGO promoting environmental reporting in Japan – published a report entitled “Sustainability Report – from a CSR perspective”. In this report, NER publishes the results of a survey they conducted by sending a questionnaire to about 380 Japanese companies. The questionnaire investigated which of the 60 social items in the GRI Sustainability Report Guideline the Japanese companies think they should report. For each item, companies were asked to respond whether they find it necessary, desirable, or unnecessary to report on, or whether they did not understand the issues. (See table footnotes for a summary of the scoring system).

Major findings of this survey are as follows:

- All the indicators in the section ‘product responsibility’ have positive DI values, and Japanese companies are particularly keen to report on their products/services labelling.

- Japanese companies are also keen to report on their corporate citizenship activities and on their community activities.
- There was no indicator on which the majority of companies responded either ‘necessary’ or ‘unnecessary’. On all the indicators, the majority of companies responded ‘desirable to report’ or ‘do not understand’. This reflects how the Japanese companies are still hesitant on the issue of CSR.
- Several indicators regarding labour practices and human rights showed negative DI value. This confirms the tendency of Japanese companies to be keener to report on their relations with external stakeholders rather than internal stakeholders.

**Table 2.2 Perception of the GRI Social Performance Indicators by Japanese companies**

Section	Sub-section	Indicators	DI*
Labour practices	Employment	Breakdown of workforce	+ 18
		Employment creation by region	- 25
		Employee benefits beyond those legally mandated	+ 6
	Labour/management relations	Percentage of employees represented by trade union	- 9
		Information and negotiation with employees on changes in operations e.g. restructuring	- 18
		Percentage of employees in external organisations	+ 5
		Provisions on worker representation in decision-making and management	- 8
	Health and safety	Practices on recording and notification of occupational accidents and diseases	+ 45
		Information on health and safety committees	+ 39
		Evidence of compliance with the ILO Guidelines	+ 30
		Description of policies on HIV/AIDS	+ 8
	Training and education	Hours of training per year per category of employee	+ 15
		Programmes to support career transitions	+ 11
		Programmes for skills management or for lifelong learning	+ 26
	Diversity and opportunity	Equal opportunity policies and programmes	+ 30
		Monitoring systems to ensure equal opportunity	+ 34
Female/male ration of senior management		+ 3	
Human rights	Strategy and management	Policies and procedures to deal with human rights relevant to operations	+ 27
		Compliance with human rights related regulations	+ 27
		Consideration of human rights impacts as part of selection of suppliers/contractors	- 2
		Employee training on policies and practices concerning human rights relevant to operations	+ 23
	Non-discrimination	Global policy and procedures preventing discrimination in operations	+ 28
	Freedom of association and collective bargaining	Description of freedom of association policy	- 1
	Child labour	Description of policy excluding child labour	- 5
		Number of child employees by type category of employment	- 23
		Average working hours/study hours	- 21
	Forced and compulsory labour	Policy to prevent forced and compulsory labour	+ 1
	Disciplinary practices	Appeal practices	- 1
		Confidential employee grievance system	0
	Security practices	Human rights training for security personnel	+ 5
Product responsibility	Customer health and safety	Policy for preserving customer health and safety during use of products and services	+ 59

Section	Sub-section	Indicators	DI*
		Number and type of instances of non-compliance with regulations concerning customer health and safety	+ 46
		Number of complaints concerning customer health and safety of products	+ 45
	Labelling of products and services	Social and environmental labelling of products	<b>+ 60</b>
		Policy regarding product information and labelling	<b>+ 59</b>
	Advertisement	Number and type of instances of non-compliance with regulations concerning product information and labelling	<b>+ 51</b>
		Compliance with regulations concerning environmental and social advertisement	+ 36
		Policy regarding environmental and social advertisement	+ 37
	Respect for privacy	Number and types of breaches of advertising and marketing regulations	+ 20
		Number of complaints regarding breaches of consumer privacy	+ 28
		Policy for consumer privacy	+ 36
		Policy for consumer satisfaction	+ 43
	<b>Supply chain</b>	Evaluation of suppliers	Description of policies and procedures to evaluate human rights performance within the supply chain and contractors
<b>Community</b>	Local communities rights	Description of community grievance mechanisms	+ 32
		Policies to address the rights of local communities	+ 22
		Share of operating revenues from the area of operations that are redistributed to local communities	- 3
	Corporate citizenship	Participation to local project	<b>+ 64</b>
		Dialogue with local stakeholders	<b>+ 59</b>
<b>Corporate ethics</b>	Bribery and corruption	Policy and procedures to address bribery and corruption	+ 35
	Political contribution	Amount of money paid to political parties and institutions	- 9
		Policy and procedures for managing political lobbying and contributions	- 8
	Competition and pricing	Court decisions regarding cases pertaining to anti-trust and monopoly regulations	+ 20
Policy and procedures for preventing anti-competitive behaviour		+ 24	

Respondents: n=128 companies

\* DI= (necessary×1)+(desirable×0.5)-(unnecessary×1)

The higher the DI value is, the higher the necessity to report on the indicator is according to the companies interviewed.

DI values above 50 are highlighted in bold.

Cells containing negative DI values are coloured.

### *Labour practices and workplace issues*

Because labor-management relations have historically differed in Japan and the West, there seems to be a difference in perceptions about the importance of disclosing information about labor practices. Some highlight the fact that there are substantial differences between the regulatory environment in Japan and the West for items such as ‘information and negotiation with employees on changes in operation such as restructuring’. Some Japanese companies show reluctance to disclose this type of information because they do not understand why their system should be subject to external evaluation. However, they have gradually begun to understand the rationale of investors and the benefit of being more transparent about their long-standing systems.

Efforts in this area are likely to gain momentum as Japanese companies become more familiar with social audits. Japanese companies have little understanding of what a social audit is and why it is used. However, it is likely that awareness will rise very rapidly with pressure from global

supply chains and more discussion of best practices advocated by leading multinational companies.

### *Indicators about employment, training and education*

One recurrent theme in contacts with Japanese corporates is confusion about how the indicators are interpreted by the research companies. In part, this reflects the very different conditions that characterize western versus Japanese labour markets. For example, how should a question concerning a 'working environment that facilitates labor' be interpreted? Is it asking how long a typical employee remains in the company? Or is it asking how employees can develop their career prospects in the same company?

### *Diversity and opportunity*

#### *Questions about women in the workplace*

Japanese companies are also concerned about being evaluated based on the composition of senior management and boards of directors by simple female/male ratios or other indicators of diversity. They claim that SRI research companies should take into consideration the historical role and values of women in Japanese society and companies. As an alternative, some have proposed that rather than looking at the composition of senior management or boards, it would be more meaningful in Japan to look at the composition of employees at low and middle level.

### *Human Rights*

Japanese companies have struggled to understand how to respond to questions about human rights issues, in part because these are often considered to be taboo issues and also because many companies fail to recognize human rights issues associated with their operations. The major human rights issue in Japan linked with employment is discrimination against various outcast groups within Japanese society. In addition, men or women of mixed ancestry, those with family histories of certain diseases, and atomic bomb survivors of Hiroshima and Nagasaki and their descendants, foreigners, and members of minority groups have all faced discrimination in a variety of forms. These groups have had limited access to employment due to a combination of poor educational achievement and a lack of motivation partly caused by such factors as observed past discrimination in employment.

These days, Japanese companies understand that the SRI questionnaires about human rights from overseas generally focus on their operations abroad. For some companies, it is more straightforward to discuss human rights issues in their overseas operations, while some are still strongly opposed to the fact that SRI evaluation takes into account operations outside Japan. It is notable that many Japanese companies oppose the inclusion of social factors related to the supply chain in the SRI evaluation

criteria, claiming that their aim is to respect local regulations and practices rather than to impose a foreign set of values. Some companies believe that it is the role of organisations such as the UN, the local labour union, or the local government to deal with the issues of human rights in developing countries, and they do not understand the necessity to act at a company level. It is expected that this type of reaction will change rapidly with a growing number of companies adopting consolidated basis management. Indeed, companies such as Sony adopted a global Code of Conduct. ([http://www.sony.net/SonyInfo/Environment/communication/en\\_communication\\_top.html](http://www.sony.net/SonyInfo/Environment/communication/en_communication_top.html))

### **3 SRI PRIORITIES FOR JAPANESE RESEARCHERS AND THE PUBLIC**

In light of the discomfort that many Japanese companies express toward some of the issues common to an international dialogue on SRI issues, it is important to assess these issues in the context of fund managers' and public expectations. Here it is apparent that the Japanese research organizations involved in SRI research have sought to find a middle ground between international norms and the still limited willingness and ability of some Japanese corporates to provide useful feedback. At the same time, it appears that there is not yet sufficient consensus about the relative importance of a full range of SRI issues to provide Japanese corporates with a consistent message from either investor groups or the public.

#### **3.1 EXAMPLE OF SRI CRITERIA DEVELOPED IN JAPAN**

This section presents some examples of SRI criteria that have been developed by Japanese SRI research companies and ranking organisations. Each evaluation method has been developed based on a specific concept. These examples have been developed by Japanese organisations and although there is no wide consensus among the general public yet, many Japanese experts in this field would agree that these criteria are more suitable to the current Japanese context than the questionnaires developed in the West.

##### **3.1.1 CSR Questionnaire Developed by the Japan Research Institute**

The Japan Research Institute conducts CSR screening for UBS Global Asset Management and Sumitomo Trust & Banking. The principal concept behind this screening is to identify the CSR items that add value to companies over the long-term.

The following table summarises the structure of the items included in the questionnaire.

**Table 3.1 Japan Research Institute CSR Questionnaire**

Category	Issue	Sub-issue	
SOCIAL 1	Compliance	Structure	
		System	
	Accountability and information disclosure	Management vision	
		Management and corporate governance	
Provision of information to shareholders and investors			
SOCIAL 2	Responsibility towards customers	Safety of product/service	
		Provision of information to consumers/customers	
		Incorporation of opinions from consumers/customers	
		Performance (results)	
	Human resources education and support	Employability	
		Family friendly	
		Health and Safety	
		Opportunity for women, diversity	
	Responsibility towards global market	Responsibility towards consumers, employment	
		Supply chain management	
		Activities that address global issues	
	Engagement to social activities	Encourage the participation to volunteer activities	
		Collaboration with NGO, NPO	
		Collaboration with academic organisations	
	ENVIRONMENTAL	Environmental management policy	
		Environmental management system	
Environmental accounting			
Environmental communication			
Environmental performance			
Environmental risk management			
Environmental business & technology development			

JRI’s screening methodology has intentionally not included the following criteria for the reasons stated below:

**1. Issues that are not considered as ‘problematic’ in Japan**

- Human rights inside Japan: the issue is regarded as too complex to be evaluated by a questionnaire-based survey.
- Supply chain management inside Japan: JRI believes it is too early to integrate this item in the evaluation on the basis that there is no consensus in Japan concerning the social screening of suppliers yet, and that a negative evaluation based on supply chain pressure could penalise small and medium enterprises unfairly.
- Distribution of compensation and its impact on the level and distribution of salary and bonus. In the United States, there has typically been much greater divergence in pay between top level executives and middle management than is common in Japan. JRI believes that it is therefore difficult to interpret how this issue should be evaluated.

**2. Issues that are not so important based on Japanese values**

- Animal protection, protection of natural environment: the debate about animal testing or the necessity of ecosystem mitigation<sup>3</sup> is at different stages in Japan versus the West.
- Anti-social business (alcohol, tobacco, gambling, weapons): because Japan has a different religious background, there is no consensus on what anti-social business is, and JRI believes it is not relevant to apply negative screening.
- Operations in developing countries with political issues: JRI favors SRI criteria which reflect the concerns of Japanese society.

**3. Issues that should not be emphasized in Japan**

- Traditional welfare expenses: there is no consensus on basic issues in this area such as how a company providing fringe benefits should be evaluated.
- Relationship with the labour union: collaboration between labour and management is a major premise in Japan. The labour unions have historically not acted as stakeholders with a distinct agenda.
- Stability of employment: Japan faces today a period of restructuring and renaissance. Thus, JRI believes that there is no straightforward response as to how this indicator should be interpreted.

**4. Other issues**

- Management system of CSR (such as SA8000): the introduction of such a system does not guarantee that the management system actually functions.
- General social contribution activities (donation, patronage, philanthropy): these activities are not directly linked with corporate value creation and given JRI's focus on value-added measures they argue it should not be used as a factor to evaluate a company's CSR.

**3.1.2 Social research criteria developed by the Public Resource Center**

The Public Resource Center is an independent NPO created in 2000. The Center conducts social screening for Asahi Life AM, and for Morningstar which launched an SRI index in August 2003. The main concept of the screening is to evaluate both the social responsibility of the company in terms of its accountability and the capacity of the company to create value to contribute to the society.

<sup>3</sup> When humans replace a natural ecosystem that was destroyed with a new ecosystem

The following table summarises the structure of the items included in the evaluation.

**Table 3.2 Public Resource Center's Social Screening**

Category	Issue	Sub-issue
Governance/ Accountability	Management vision Governance Corporate ethics Information disclosure Communication	
Market	Response to consumers & customers	Vision, policy, system Products Accountability and communication Compliance with related regulations Response to victims Respect and protection of privacy Improvement of activities
	Response towards suppliers	System, policy Selection criteria, and support Improvement of activities
Employment	Responsibility related to employment	Maintenance of employment Diverse opportunity of employment Protection of human rights
	A working environment facilitating labour	Compatibility of work and private life Working environment, health control
	Human resources performance	Evaluation system and incentives Trainings and support of career development
	Management of employment and human resources	Management system Participation to management and communication Improvement of activities
Contribution to society	Social service activities	System of activities Promotion of the participation of employers to voluntary activities and community works Donation of material Support by providing services Social contribution utilising the main activity of the company Cooperation with NPO Expenses for social contribution Company foundation or public fund Other voluntary activities
	Cooperation with the community	System of cooperation Detailed methods of cooperation with the community
	Activities overseas	Social service activities abroad Contribution to the local community where the company has offices
	Monitoring	Improvement of activities Any troubles encountered
Environment	Environmental management	Environmental management system
		Environmental accounting
		Compliance
	Communication	Environmental reporting
		Environmental labelling
		Communication with the local community
	Environmental Performance	Assessment of burden on the environment
Green purchasing & procurement		
Environmental considerations of the product		
Environmental burden due to transportation		

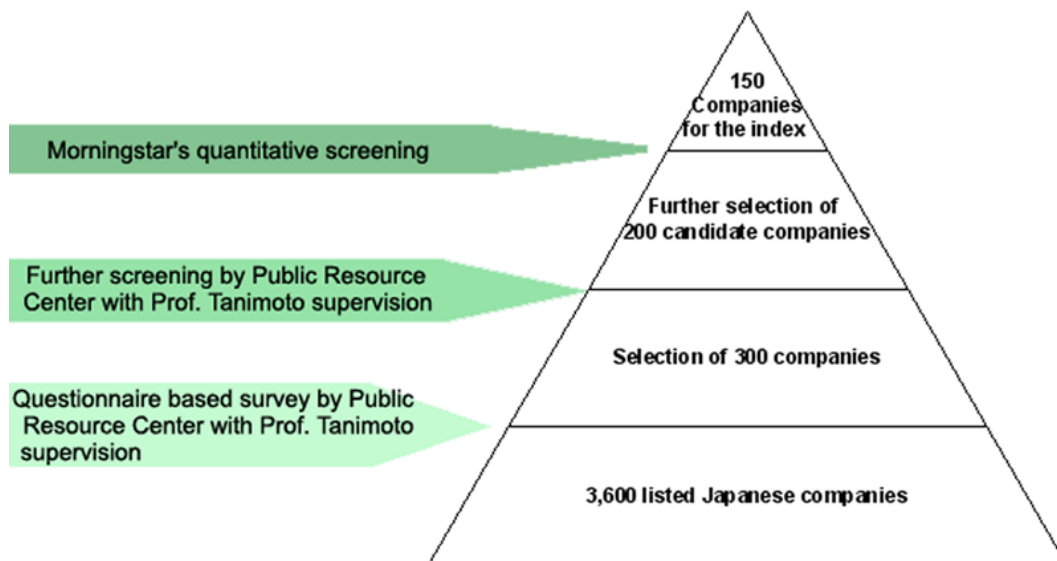
Category	Issue	Sub-issue
		Recycling
	Others	Environmental business
		Environmental risk management
		Environmental awards received
		Improvement of activities

- The evaluation intends to cover the activities of the company towards diverse stakeholders;
- The evaluation prioritises activities that lead to the creation of new value and the communication between the company and the society;
- The evaluation values the efforts of improvement;
- Positive screening;
- Best in class;
- Follow up research to investigate the company’s independence and orientation, and results of improvement

The Public Resource Center aims to develop its methodology and hopes to apply it internationally.

The Morningstar SRI Index is the first SRI index that has been developed in Japan. The index is elaborated through the process below:

*Table 3.3 Screening process of Morningstar SRI index*



### 3.1.3 Other examples of CSR evaluation categories

Other noteworthy examples of CSR evaluation categories include those developed by the Asahi Shimbun Foundation, the Sustainable Management Forum of Japan, and the Keizai Doyukai:

- ❖ The Asahi Shimbun Foundation's Awards for Corporate Social Contributions was launched in 1990, with the objective of promoting the social contribution of Japanese companies. The evaluation categories include items such as:
  - Consideration toward employees
  - Emphasis on families
  - Policies to address women's issues in the workplace
  - Employment of physically disabled
  - Globalisation of employment
  - Consumer orientation
  - Harmony with community
  - Support for society
  - Environmental preservation
  - Disclosure
  - Corporate ethics
  
- ❖ The Rating Institute of Sustainable Management of the Sustainable Management Forum conducted a rating of Japanese companies for the first time in February 2003. The objective was to evaluate corporate environmental activities and to provide an objective measure of management based on social variables. The evaluation criteria include items such as follows:
  - Company vision
  - Corporate governance
  - Risk management
  - Information disclosure
  - Business ethics
  - Contribution to local community
  - Responsibility towards consumers
  - Operational health and safety
  - Equal opportunity
  - Environmental activities

The results of the evaluation were presented in the form of a tree, with each branch and leaf presenting the performance of the company in a specific area. It aims to be user-friendly towards diverse stakeholders. Leading companies this year were Canon, IBM Japan, Hitachi. An image of the SMF Tree can be viewed at <http://www.smf.gr.jp/smri-2.htm>

In April 2003, the Japan Association of Corporate Executives (Keizai Doyukai) announced their assessment standard for CSR. The objective of the standard is to evaluate the process and the results of CSR activities and is comprised of 110 items relating to CSR and corporate governance. The CSR component of the standard covers issues including the relationship between the market and environment, human resources and social issues. The corporate governance section covers issues associated with corporate philosophy, leadership, management systems, compliance and disclosure. The standard highly values CSR initiatives that are taken by top level management. The Keizai Doyukai intends to carry out a CSR evaluation of its member companies annually, based on the standard with the ultimate objective to disclose the results of the rating and ranking. More than 100 companies are likely to participate to the evaluation this fiscal year 2003-2004 although there will be no disclosure of specific company results until a trial period of several years has passed. This suggests that, despite the positive steps that are being taken with this initiative, it is unlikely to offer a standard for corporate Japan in the near-term.

**Table 3.4** *CSR standards of Keizai Doyukai*

Category	Issue	Sub-issue
CSR	Market (main stakeholders: customers, shareholders, business partners, competitors)	Sustainable value creation and commitment to the creation of a new market
		Value creation for the customers
		Value creation for the shareholders
		Free, equal and transparent trade and competition
	Environment (main stakeholders: today's and tomorrow's generation)	Establishment of a management system promoting environmental management
		Commitment to minimising the impacts on the environment
		Disclosure and partnership
	Human (main stakeholders: employees, management regarded as human resources)	Make the best of talent
		Develop the employability of the employees
		Family friendly working environment
		Working environment facilitating the labour
	Society (main stakeholders: local community, citizens, international community)	Promotion of social contribution activities
		Disclosure and partnership
Establishment of a relevant relationships with politicians and government		
Corporate governance	Vision and leadership	Making explicit and diffusing the management vision
		Exercise of leadership
	Management system	Efficiency of boards of directors and auditors
		Appointment and evaluation of CEO
		Establishment of CSR management system
	Compliance	Establishment of Code of Conduct and efforts to make this is known to everybody
		System to ensure compliance
	Disclosure and communication	Basic policy and scope of disclosure
Communication with stakeholders		

### 3.2 REVIEW OF PUBLIC OPINION SURVEYS

In order to provide some additional focus for this discussion, it is useful to assess the Japanese context from the perspective of potential investors – both Western and Japanese.

#### 3.2.1 Survey by the Japanese Ministry of the Environment

In June 2003, the Japanese Ministry of Environment issued a report entitled “Comparative Study regarding SRI in the UK, the USA and Japan”. In this report, the Ministry compared the interests of investors in Japan, the USA, and the UK based on desk reviews of existing works and new web-based opinion surveys.

##### *A) Desk review of existing works in the USA and in the UK*

The Ministry of the Environment has identified three existing works in the USA and UK which are summarized below:

##### **1) USA: Calvert/Harris Interactive (2002)**

The survey consisted of showing a list of indicators to individual investors and asking: “Do you think that funds that invest in firms meeting the following standards are attractive?”

- Proactive community involvement - 71%
- Environmental conservation - 68%
- Proactive employment and promotion of minorities - 64%
- Proactive employment and promotion of women - 62%
- Prevention of child labour and forced labour - 54%
- Respect of indigenous rights - 50%
- Operations not related to gambling - 47%
- Operations not related to tobacco - 46%
- Operations not related to weapons - 46%
- Operations not related to gun manufacturing - 43%
- No animal testing in consumer products development - 43%
- Operations not related to GM food - 39%
- Operations not related to alcohol - 37%

## 2) UK - Therese Woodward (2000)

In this work, the author asks the SR investors to rank from 1 to 5 the level of importance of the following items when considering their investments.

### Part 1: Products and services (figures are average score of importance out of 5 points)

- Weapons - 4.83
- Pornography - 4.60
- Businesses that conserve the environment - 4.57
- Tobacco - 4.51
- Businesses that improve the environment - 4.49
- Nuclear - 4.37
- Gambling - 4.32
- Daily necessities - 3.90
- Leather and fur - 3.65
- Alcohol - 3.62
- Animal food - 3.60
- Health business - 3.55

### Part 2: Operations and management policy (figures are average score of importance out of 5 points)

- Consideration of developing countries - 4.75
- Consideration of environmental pollution - 4.72
- Information disclosure - 4.62
- Efficient use of resources - 4.54
- Animal testing in cosmetics development - 4.53
- Business in countries of oppressive regime - 4.50
- Reuse of resources - 4.40
- Community involvement - 4.30
- Compensation of directors - 4.20
- Political contributions - 3.98
- Animal testing in medical products development - 3.70
- Donation to philanthropic activities - 3.69

## 3) UK - CIS (2002)

CIS asked 250 individual investors whether 'SRI fund managers should take into account the following items':

- Prevention of child labour and workforce exploitation - 18%
- Performance of health and safety of the work environment - 17%
- Provision of medical products in developing countries - 17%
- Relevance of the compensation of directors - 16%
- Sales of weapons - 16%
- Unfair discrimination of a specific group of customers - 16%
- Environmental issues - 14%
- Operations in countries where human rights are not respected - 13%
- Animal testing - 13%
- Operations related to tobacco - 12%
- Production of GM food - 11%

**B) Web-based opinion survey**

The Ministry of the Environment has conducted a web-based survey of individual investors in Japan, the USA, and the UK. Details of the survey are as follows:

**Method:** on-line survey using website

**Scope:** random sampling from panels of survey companies registered as “individuals interested in investment”

**Period:** December 2002 to January 2003

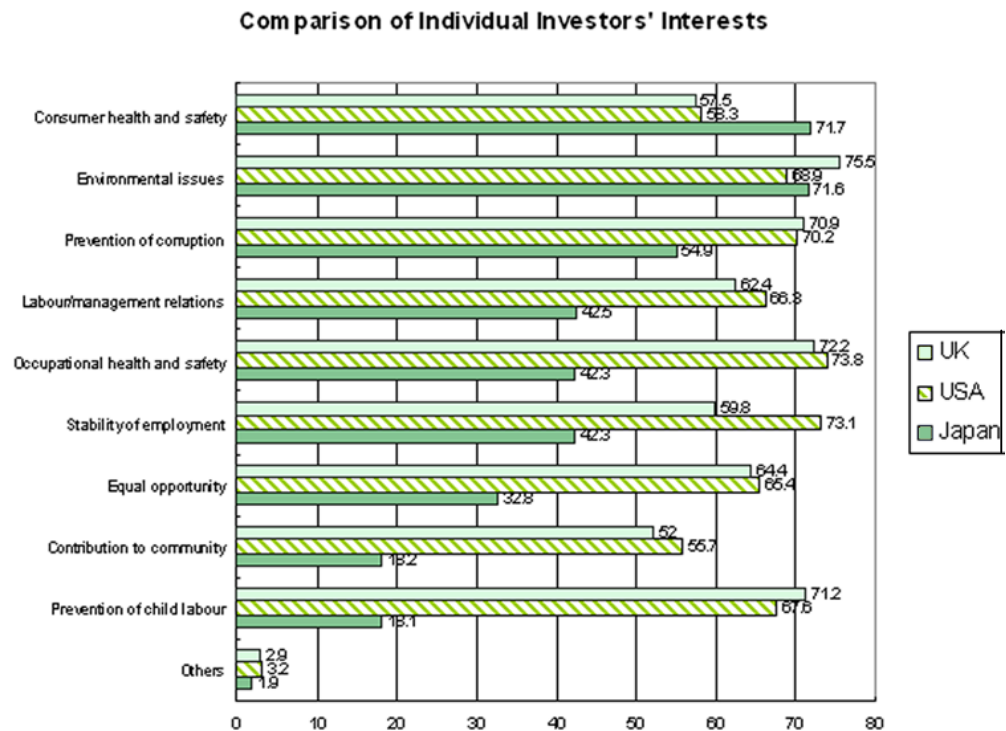
**Number of contacted individuals:** 10,000 in Japan, 15,000 in the USA, 15,000 in the UK

**Effective responses:** 1,670 in Japan, 309 in the USA, 306 in the UK

The results of the survey as shown in the graph below suggest considerable differences in the interests between the investors in Japan and the two other countries.

- Items such as the consideration of ‘environmental issues’ and the prevention of ‘consumer health and safety’ received high levels of interest in all the three countries.
- For items such as the provision of ‘stable employment’, ‘labour/management relation and consideration of employees’ rights’, ‘health and safety of employees’, ‘consideration of non-discrimination and equal opportunities’, ‘prevention of child labour and forced labour’ or ‘contribution to the community’, the level of interest was high in the USA and in the UK, while Japanese investors showed a much lower level of interest.

*Table 3.5*



### 3.2.2 Other surveys

Another survey of importance for the purpose of this review is the work that was conducted in October 2002 by the most comprehensive environmental web portal in Japanese 'Environmental Goo' (<http://eco.goo.ne.jp>), concerning views on which GRI social indicators should be included in company sustainability reports. The results of this survey, compared with those of the NER survey (described in section 2.3 above), suggests that there are some discrepancies between the social indicators which companies think they should report and those that an environmentally aware segment of the Japanese public want to read in a sustainability report.

Companies and the public appear to agree on the importance of protecting consumers' health and safety. However this is the only item in the top 5 indicators chosen by the public that coincides with the top five indicators chosen by the companies.

- Companies are keen to report on:
  1. Corporate citizenship activities
  2. Community activity
  3. Labelling of products and services
  4. Consumers' health and safety
  5. Public contributions
  
- Audiences want to read about:
  1. Employment and decent work
  2. Employees' health and safety
  3. Consumers' health and safety
  4. Privacy
  5. Human rights

**Table 3.6** *Comparison of social indicators that the Japanese audience think companies should report on, and those that companies want to report*

<b>Social indicators that citizens want to read in Sustainability report</b> (ranked from most to least important) n=65 respondents	<b>Social indicators that companies think they should report on</b> (ranked in order of DI value, from most to least necessary) n=128 companies
Employment and labour practices ♣	Corporate citizenship
Health and safety of employees ♦	Dialogue with local community
Protection of consumer health and safety ♥	Labelling of products and services ◇
Respect for privacy ♠	Protection of consumer health and safety ♥
Protection of human rights •	Public benefits activities
Equal opportunity *	Health and safety of employees ♦
Labour/management relations ✂	Prevention of bribery and corruption
Labelling of products and services ◇	Respect for privacy ♠
Local communities rights ↗	Relevant and fair advertisement
Political contributions ☹	Employees training
Dialogue with local community	Equal opportunity *
Relevant and fair advertisement	Non-discrimination
Employees training	Fair competition and pricing
Prevention of bribery and corruption	Protection of human rights •
Security practices	Local communities rights ↗
Non-discrimination	Evaluation of suppliers/contractors
Fair competition and pricing	Prevention of forced labour
Prevention of forced labour	Employment and labour practices ♣
Corporate citizenship	Security practices
Public benefits activities	Disciplinary practices
Child Labour	Labour/management relations ✂
Disciplinary practices	Political contributions ☹
Evaluation of suppliers/contractors	Freedom of association and collective bargaining
Freedom of association and collective bargaining	Child Labour

## 4 THE OUTLOOK FOR SRI CRITERIA AND PROCESSES IN JAPAN

The review of SRI questionnaire items and polling data in the previous section underscores the challenges which Japan-focused investors and corporates face in working toward a common set of priorities. At this stage, the number of priority issues which enjoy broad support is limited due to the early stage of the SRI debate in Japan. Indeed, it appears that many of the groups which are troubled by the relevance of SRI criteria have not yet experienced direct costs or benefits associated with a broader reporting regime. Unlike the multi-national companies which tend to be leaders in this area, many domestically focused groups must approach the issues in something of a vacuum.

*More transparency for corporates and researchers required*

It is clear from the work outlined in this report that the debate over various SRI criteria will benefit from careful monitoring of corporate performance and investor preferences. At this stage, it is noteworthy that a number of criteria identified as ‘controversial’ in earlier sections, especially in the human rights/social sphere, reflect a range of misunderstandings shared by rating agencies and companies alike. It may therefore be a matter of educating of companies about the benefits of addressing these potentially controversial issues before they become a source of risk to global operations. It is also the case that the SRI rating and research organizations and fund managers may see increased corporate disclosure if they are prepared to be more transparent about their rating methodologies. Indeed, it is clear that Japanese corporates tend to limit the quality of their disclosure until they are confident that they understand the relevant benchmarks and potential outcomes.

### 4.1. WHAT TO WATCH FOR: GOVERNANCE, ENVIRONMENTAL AND SOCIAL ISSUES

#### 4.1.1 Governance

Although the questions concerning board structures will doubtless remain very controversial in Japan, there is a growing awareness about the necessity to introduce some outside oversight system in the management of a company. However, at this stage it may be a fair criticism to say that questionnaire-based interaction may not be adequate to truly assess whether the system of oversight functions or not. As a result, SRI fund managers and research companies may need to adopt other methods of research for this issue.

The key governance issues to look for are:

- **Corporate compliance systems and monitoring procedures;**
- **Risk management system;**

- **Effective separation of management execution and oversight functions.**

#### 4.1.2 Environmental

The general view is that Japanese companies are well positioned in the area of environmental management because the issue of environmental and resource management is perceived as critical by Japanese society in general. Environmental management is considered a core component in the CSR of Japanese companies. As a result, companies in Japan demonstrate considerable competence in responding to SRI criteria on environmental management issues. The next challenge will be the activity impact e.g. cars, deforestation, over-fishing etc.

Taking into account the environmental issues of importance in Japan, the key environmental issues to look for are:

- Product stewardship;
- Waste management and effective use of resources including recycling;
- Climate change;
- Atmospheric emissions;
- Chemical products management (such as endocrine disruptors);
- Water resource conservation;
- Protection of natural environment;
- Soil contamination.

#### 4.1.3 Social

Finding consensus on social criteria will likely continue to be a difficult task. Taking into account the work conducted by the Network for Environmental Reporting (see section 2.3), the Ministry of the Environment (see section 3.1) and Environmental Goo (see section 3.1), the key social criteria to look for are:

From MoE's report:

- Protection of consumer health and safety;
- Prevention of bribery and corruption;
- Labour/management relations;
- Occupational health and safety;
- Stability of employment;

From the comparison of NER's work and Environmental Goo's survey:

- Labelling of products and services;
- Protection of consumer health and safety
- Health and safety of employees;

- Respect for privacy

### **Labor/management relations**

Most stakeholders agree that the Japanese economy will continue to face additional pressure to restructure their operations. Although Japanese executives understand that labor/management relations will require more attention in the future, for the time being, many among them are not prepared to answer SRI questions in a more thorough fashion. Of note, however, is the fact that there has been some progress on general supply chain reporting among companies in the electronics sector, reflecting greater customer and investor focus on supply chain issues in evaluating a company's fundamental operations.

### **Responsibility towards consumers/customers**

Due to the pattern of repeated corporate scandals that have affected consumers in Japan, there is a general consensus that one of the priority issues is to ensure the corporate responsibility towards consumers and customers. In May 2003, the Japanese Housewives Association established some evaluation criteria to assess the level of corporate responsibility towards consumers. The criteria are composed of four sections as follows and are expected to influence SRI criteria in the future:

1. A commitment by senior management to respect the interests of consumers;
2. Public disclosure of consumer-oriented action standards;
3. Updates on key programs to implement consumer-related standards;
4. System for compliance management.

## **4.2 ENGAGEMENT IN JAPAN**

Underpinning any discussion of SRI criteria must be a discussion of the key processes for players in the SRI arena. As a result, a review of the current methods of engagement and general communication between SRI researchers and Japanese companies is crucial in understanding how the various parties interact today and how this may change as the dialogue matures. We have also focused on some recommendations for future improvement of engagement and communication channels, and on effective disclosure of CSR activities by Japanese companies.

## **4.3 JAPANESE COMPANIES AND INFORMATION DISCLOSURE**

The basic stance of Japanese companies with regards to information disclosure can be characterised as follows:

- **Passiveness:** generally speaking, Japanese companies are often passive in their responses to questionnaires. In part, this reflects a lack of experience in interpreting questions and calibrating responses. However, some companies, especially the leading multinationals, are very good at presenting themselves strategically and are trying to maximize the use of such opportunities.
- **Perfectionism:** Japanese companies are reluctant to disclose information unless they believe their answers will meet a high standard.
- **Ambiguous sense of accountability and fear of criticism:** accountability has historically not been as explicit for Japanese companies as for their Western counterparts. Because the sense of accountability did not exist until recently, it is difficult for some companies to disclose the information because they do not have the data or more often, even if they have the required data, they do not understand why such information must be made public. This is especially true if such disclosure is likely to trigger criticism toward the company and the person in charge risks blame. Fearing such risks, people in charge will usually tend not to provide broad disclosure of background information. However, some companies have changed policies once they understand the importance of disclosure. This is the case for some of the data for employees, such as hours of overtime and number of employees taking maternity leave. Indeed, a number of companies are now voluntarily disclosing this data – a move that offers promise for the future.
- **Gap between the top management and the managers at lower levels in the company:** Even if the top management has a vision or philosophy regarding his company and the way it should be perceived by the general public, sometimes the middle level managers are not aware of this and lack the confidence to participate in a transparent fashion on disclosure of information.
- **Lack of continuity:** the continuity of information disclosure can be affected by senior management shifts. In some companies, depending on the person in charge, companies can significantly change information disclosure practices. This means that in these companies, the level of responsiveness to SRI questionnaires may not be a corporate level decision but rather an individual decision.

#### **4.3.1 Investors Relations in Japan**

Although the IR function has been in existence since the early '60s, the importance of an IR function was not widely accepted in Japanese companies until the early '90s. This reflects the limited pressure on Japanese companies from shareholders. In the '90s, following the demise of the bubble economy, most Japanese companies realized the importance of IR for both the company and the investors.

The Japan Investor Relations Association (JIRA), the only privately-run NPO promoting IR activities in Japan was established in 1993, backed by the business sector. As of 2003 July 30th, JIRA has a membership of 634 companies and organizations including leading multinational companies, fast-growing medium-sized enterprises, potential listing candidates, and organizations and enterprises supporting IR activities. The number of members continues to increase every year.

#### **4.4 CURRENT METHODS OF ENGAGEMENT AND GENERAL COMMUNICATION**

##### **4.4.1 Gradual increase in understanding of the term “engagement” in Japan**

There is no Japanese word that can be directly used for ‘engagement’. As a result, the English term ‘engagement’ is used in Japanese, and the accurate meaning of this term is often difficult to communicate to Japanese stakeholders.

##### *Early days for engagement*

Shareholder engagement is now becoming a hot topic among mainstream investors such as the National Pension Fund Association which supervises public pension funds and has released guidelines for voting at AGMs. All the fund management companies now have some screening process in voting, but this is not connected with the investment policies of SRI funds

Today, interaction between SRI researchers or fund managers and Japanese companies in the form of engagement is not yet established. Very often, Japanese companies do not understand the necessity of a direct dialogue with SRI fund managers or researchers. They increasingly understand the need to communicate with NGOs and NPOs. However they are not used to direct communication with their investors on CSR issues.

Japanese companies have developed a strong image of activism from their interaction with institutional investors rather than an appreciation of the fact that engagement can result in long-term mutual benefits. Although engagement should be built on confidence, for the time being, many companies fear that their relations with investors will become more adversarial if they introduce more disclosure items on sensitive issues. As a result, they do not see SRI-style engagement as a tool for building more stable investor relations.

In the meantime, it is clear that many Japanese corporates still regard SRI research with a degree of frustration due to the “one-way” style of inquiry in questionnaires. From management’s perspective, there has not been enough explanation about the evaluation policy and method, or feedback. This is one area where progress can be made with the aid of more public discussion of standards and disclosure by research houses about the type of responses which are crucial to a questionnaire-driven process.

## 4.5 RECOMMENDATIONS FOR IMPROVEMENT

### 4.5.1 Address the limitations of a questionnaire-based SRI research process

Given the current stage of development of SRI research in Japan, it is clear that both corporates and researchers need to take concrete steps to improve the quality of the dialogue and disclosure. In general, there appears to be a consensus that questionnaires must be supplemented with greater communication about the issues being addressed and the metrics that are being used.

*IR teams are still coming up the learning curve*

The learning process is crucial as most Japanese companies do not have a CSR division or department that is responsible for SRI questionnaires. Indeed, most PR or IR departments need to gather the information from different divisions of the company. During this process, these departments need to explain why they need to gather and disclose the required information, which typically goes beyond what is normally requested for financial reporting. It is noteworthy that company CSR officials have suggested that there may be some benefit from having more SRI researchers visit companies and compile information through interviews, while explaining the rationale for providing such research to key department heads. From a practical perspective, the most important step for companies would be to encourage the formation of a CSR division to complement progress made on environmental reporting over the past decade.

There is also tension surrounding the use of questionnaire-driven data to draw conclusions about outcomes versus processes. This is an important debate that should drive improved disclosure and research. Although SRI research in Japan is still at an early stage, useful questions have been raised about whether the research companies are prepared to work with companies to understand the appropriate operational benchmarks associated with environmental reporting. At this point, the approach to this issue differs among the research firms. Some companies are satisfied with the fact that their role is to conduct an initial check-up of the company and see whether such systems exist or not.

As the practice of having a third party review of social activities becomes more wide-spread in Japan, the roles of research firms should become clearer. There is agreement that it is not the task of a researchers to carry out an audit. Nonetheless for progress to be made, companies may find it advantageous to have their CSR policies and systems externally certified in order to provide a credible assertion to the outside world about the quality of their systems.

#### **4.5.2 More work to understand the Japanese context**

It is important for international SRI funds and research companies to understand the key differences between Japanese companies and their global counterparts. This is a crucial element of value-added SRI research in markets that are new to SRI processes. One question which was raised in our research is whether the SRI research process would improve more quickly if foreign research companies established branch offices in Japan or found partners in Japan in order to localise their research. The local view is that this would help build a relationship of trust and familiarity with Japanese companies and speed the process of improving the quality of SRI questionnaires. Some companies are already making efforts to localise their evaluation methods. For example, the UK research firm, EIRIS, works in partnership with Good Bankers of Japan. Ethibel localises the way they ask their questions on country-specific issues. In Japan, questions on human rights, employment, or consumers relations are localised. With regard to governance issues, Ethibel has decided to skip the questions since there are too many uncertainties concerning this subject for the time being.

#### **4.5.3 More dialogue on SRI best practice**

The communication between research companies and Japanese companies should not be based on one-way communication. Japanese companies are starting to make practical use of the experience accumulated with SRI research companies. When they don't understand the meaning of a question or the results of the evaluation, some companies do not hesitate to call the research company. The research companies welcome this kind of initiative from the companies. Other companies would benefit by adopting this practice too.

#### **4.5.4 Steps to remedy 'questionnaire fatigue'**

The research companies need to make some efforts in order to lessen the burden of the questionnaires on the companies. Some companies would argue that it is not necessary to send all the same questions every year. Also, questions could be customised depending on the sector or on the level of information publicly available from the company. Clearly corporates would be happy if the SRI community were able to agree on a core data set which would form the foundation of the SRI/CSR reporting process. Whether this is the role of SRI research firms or of an appropriate IR or corporate grouping is unclear, but the rationale behind the proposal is easy to understand.

#### **4.5.5 The necessity of further efforts of the fund management companies**

Although the SRI Funds market is still small in Japan and the impact on the economy is still limited, the recent increase of awareness about SRI is

undeniable. However, there is still scepticism in the investment community about whether the SRI screening process is sufficiently robust to generate an alternative stock selection process that will result in clear differentiation from more traditional funds. As a result, there is more work for SRI research companies and fund managers to do to further develop the SRI funds in Japan. As SRI funds gain more importance in the market, Japanese companies will be more open to engagement with research companies and fund managers.

#### 4.6 *GUIDANCE ON EFFECTIVE DISCLOSURE OF CSR ACTIVITIES FOR JAPANESE COMPANIES*

##### 4.6.1 **Commitment of top management**

In order to disclose effectively the information on CSR activities, it is necessary that the top management of the company understands the importance of CSR, and takes the initiative to inform the people in the company. In the case of Japanese companies, the challenge will be to increase the awareness of Sustainable Development and CSR among non-environmental departments such as the human resources and IR department. Also, it is important that the top executive recognises that CSR is inherently linked with brand management.

According to a survey conducted by the Keizai Doyukai, 69.9% of Japanese top executives answered that their company has never been asked to participate in an SRI research exercise. (See box below) This result illustrates how Japanese companies (and probably western companies too) may suffer from poor information flow between working level and top management.

##### **Level of commitment of top executives**

“Have you ever been subject to SRI research from European and American research companies?” - asked to 2,468 representatives of listed companies (643 responses collected)

- Have never been asked to participate in such a research - 69.9%
- Have been asked but ignored - 3%
- Have been asked but answered that we could not respond - 3.1%
- The departments in charge responded to the research, but the top executive was not involved - 13.5%
- The departments in charge responded, and the top executive checked the answers - 9.9%
- The top executive responded - 0.6%

Source: Keizai Doyukai’s 15th White Paper 2003

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Morningstar <http://www.morningstar.co.jp>



## **Annex A**

# List of Persons Interviewed for the Research

Organisation	Name
Asahi Life Asset Management Co., Ltd	Mr. Tadashi Hayami, Senior Fund Manager
Center of Public Resource	Mr. Satoshi Yura, Program Director
Ethibel Group	Ms. Mari Mugurajima, Japan Office Representative
FTSE	Mr. Paul Hoff, Managing Director, Asia Pacific
Fuji Xerox	Mr. Hiroaki Furuse, Manager, External Activities, Corporate Business Intelligence
	Mr. Takashi Saeki, External Activities, Corporate Business Intelligence
	Ms. Yumi Hayashi, External Activities, Corporate Business Intelligence
Global Alliance Ltd.	Mr. C.J. Wilson, Managing Director
The Good Bankers Co.,Ltd.	Mr. Sho Ikeda, Director & Chief Operating Officer
GRI Japan Forum	Mr. Toshihiko Goto
Hitotsubashi University	Prof. Kanji Tanimoto, Graduate School of Commerce
Institutional Shareholder Services Japan K.K.	Mr. Noboru Wakatsuki, Representative Director
Ito-Yokado Co., Ltd.	Ms. Rie Hirota Corporate Ethics Committee
	Mr. Toshihiko Itoh Corporate Ethics Committee
The Japan Research Institute, Ltd.	Mr. Eiichiro Adachi, Senior Researcher, Center for the Strategy of Emergence
	Ms. Hagiwara, Center for the Strategy of Emergence
Keidanren (Japan Business Federation)	Ms. Tomoko Hasegawa, Manager, North America Group, International Economic Affairs Bureau
	Mr. Kazuhide Ito, Manager, Business & Society Group; Deputy Manager, Human Resources Development Group, Social Affairs Bureau
So-Tech Consulting, Inc.	Ms. Mizue Unno, Managing Director
Sustainable Management Forum	Mr. Shuzo Aoki, Executive Director



## **Annex B**

# Internationally Accepted Standards and Reporting Guidelines

**Universal Declaration of Human Rights (UDHR)** is called the fundamental human rights benchmark. Several of the rights established in the UDHR relate specifically to business, establishing principles on issues such as equal pay for equal work, equal protection under law, freedom of association, the right to own property, and non-discrimination.

<http://www.udhr.org/index.htm>

**International Labour Organization (ILO)** is a United Nations agency that promotes human and labour rights, has established international standards for businesses in its member countries. These standards include conventions in more than 20 areas covering such issues as: freedom of association; prohibition of forced labour; equality of opportunity and treatment; employment and human resources; labour administration; industrial relations (collective bargaining); wages; weekly rest and paid leave; occupational safety and health; social security; employment of women (maternity leave); employment of children and young persons; migrant workers; plantations; and hours of work. ILO member countries may individually ratify conventions and incorporate them into legislation. The ILO has also created a Declaration on Fundamental Principles and Rights at Work, which member states are obliged to follow, even if they have not ratified the related conventions. These principles include freedom of association and the right to collective bargaining; elimination of forced labour; abolition of child labour; and elimination of discrimination in employment. <http://www.ilo.org>

**The UN Global Compact** was formally launched in September 2000 and calls on world business leaders to voluntarily “embrace and enact” a set of nine principles in their individual corporate practices and to support complementary public policy initiatives. <http://www.unglobalcompact.org>

**OECD Guidelines on Multinational Enterprises** is a series of guidelines for multinational enterprises in several workplace areas, including employment and industrial relations. The employment standards cover the right to free association and collective bargaining; employee training and development; communications; and non-discrimination in hiring, termination, pay, promotion and training. <http://www.oecd.org/home>

**Tripartite Declaration on Principles Concerning Multinational Enterprises and Social Policy** establishes principles governing the global operations of multinational companies on issues such as health and safety and non-discrimination. The convention, like others adopted through the ILO process, reflects the perspective of labour, business and government. <http://www.ilo.org/public/english/standards/norm/sources/mne.htm>

**Global Sullivan Principles** strives to support economic, social and political justice by companies where they do business; to support human rights and to encourage equal opportunity at all levels of employment, including racial and gender diversity on decision-making committees and

boards; to train and advance disadvantaged workers for technical, supervisory and management opportunities; and to assist with greater tolerance and understanding among peoples; thereby, helping to improve the quality of life for communities, workers and children with dignity and equality. <http://globalsullivanprinciples.org/principles.htm>

**CERES Principles** are ten principles covering protection of the biosphere, sustainable use of natural resources, reduction and disposal of wastes, energy conservation, risk reduction, safe products and services, environmental restoration, informing the public, management commitment, and audits and reports. CERES signatories are expected to publish publicly available annual statements disclosing their progress on meeting these 10 principles. <http://www.ceres.org>

**Global Reporting Initiative (GRI)** promotes international harmonization in the reporting of corporate environmental, social and economic performance information to enhance responsible decision-making. GRI released its Sustainability Reporting Guidelines to create a globally accepted common framework for corporate sustainability reporting. <http://www.globalreporting.org>

**Social Accountability 8000 (SA8000)** is a standard that specifies requirements for social accountability to enable a company to develop, maintain, and enforce policies and procedures and manage those issues which it can control or influence. The requirements of this standard apply regardless of geographic location, industry sector, or company size. It covers standards and monitoring programs for child labor, forced labor, disciplinary practices, non-discrimination, wages and benefits, working hours, health and safety, freedom of association and collective bargaining, and management systems. <http://www.cepaa.org/>

Although all of these documents have not yet been universally ratified, they provide a solid framework for “universal values”.  
<http://www.cepaa.org>

**ISA** is globally recognized as a standards writing organization, developing consensus standards for factory automation, power plants, computer technology, telemetry, and communications. ISA has published more than 125 standards, recommended practices, and technical reports for instrumentation, systems, and automation (ISA). ISA standards harmonize the theory, design, manufacture, and use of instruments, computers, and systems for measurement and control.  
<http://www.isa.org>

## ***ASrIA Statement***

ASrIA is committed to improving the level of understanding and exchange between SRI professionals in Asia and beyond. The recommendations in this report will inform the nature of future activities.

### **Tackling the Language Barriers**

With the assistance of the SRI community in Japan, ASrIA is already increasing information flows on SRI and corporate responsibility issues, focussing on translating key Japanese documents into English and vice versa. This work continues at the pace which volunteers and funds for translation allow. If you wish to help with this work, please contact [sweeta@asria.org](mailto:sweeta@asria.org)

### **Easy Access to Information**

The website [www.asria.org](http://www.asria.org) is a one-stop shop for SRI in Asia providing extensive information on the SRI policies and practices of our member companies and on the principle SRI research services covering the Asian region. The library also contains many useful reports on SRI practice. There are Japanese and Chinese sections to the website which continue to expand too.

### ***Raising Awareness and Understanding of SRI***

Working with our members in Japan and with others, ASrIA is contributing to the continuous learning process and aims to support key organisations in Japan and their counterparts in other countries. The organisations in Japan include The Japanese Investor Relations Society, The Japan Society of Investment Professionals, The Keidanren CBCC Unit, Keizai Doyukai and The Tokyo Stock Exchange.

## *About ASrIA*

ASrIA, the Association for Sustainable and Responsible Investment (SRI) in Asia, is a not-for-profit membership association dedicated to promoting and developing SRI in Asia. ASrIA's mission is to assist the financial community to understand and integrate sustainable investment criteria into investment decisions, and to empower investors by increasing the choice of SRI products available in Asia. Established in 2001, ASrIA already has more than 100 members, including investment institutions managing approximately US\$2 trillion in assets in total. In order to raise awareness about SRI, ASrIA runs conferences, seminars and workshops, and publishes research on SRI issues. ASrIA's website, [www.asria.org](http://www.asria.org), is the primary resource for SRI in Asia, with over 1,800 page views per day and 4,600 subscribers to the regular e-bulletin. ASrIA is creating a powerful network of people and organisations committed to developing SRI in Asia.