

# Future of Dialogue and Engagement between Businesses and Civil Society

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## Introduction

At CSO Network Japan, we work in dialogue with various stakeholders to realize a sustainable society. In recent years, the importance of sustainability in corporate activities has been increasing, and demands for sustainability disclosure have been growing around the world. In response to these developments, discussions on corporate disclosure standards for sustainability information have become more active, and against the backdrop of the expansion of ESG investing, information disclosure from the investors' perspective has been strengthened in integrated reports and sustainability reports. Meanwhile, provision of information geared towards civil society as well as dialogue and engagement with them appear to be on the decline among businesses.

Therefore, CSO Network Japan has begun this study to understand the current state of corporate sustainability information disclosure and dialogue/engagement better, and also to promote information disclosure to and dialogue/engagement with civil society. As a recent trend, some businesses have issued human rights reports in addition to the aforementioned two types of reports, so we conducted research on these human rights reports as well.

This pamphlet summarizes our FY2024 research results as we examined corporate information disclosures, interviewed businesses and experts, and conducted study groups with civil society, and also included insights based on these findings. In the future, we intend to explore further including overseas companies, and consider how we can establish a mechanism for high-quality engagement between businesses and civil society.

## Research Project Overview

- **Project Title:** Establishing a high-quality engagement mechanism between businesses and civil society for an environmentally, socially, and economically integrated sustainable development, based on the sustainability information disclosure study
- **Project Term:** Starting in April 2024 (\*Entire project is planned for 3 years)
- **Research Methods:**
  - 1) Online corporate sustainability information disclosure study
  - 2) Interviews with businesses
  - 3) Interviews with civil society (via study groups)
  - 4) Interviews with experts
- **Research Topics:**
  - 1) Trends in sustainability information disclosure (e.g. disclosed items, standards)
  - 2) Engagement with civil society and how this is disclosed
  - 3) How engagement is disclosed in human rights reports

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### 1. Relationship between Businesses and Civil Society: Current State vs. Goals

#### Our Understanding of the Current Relationship between Businesses and Civil Society

There has been progress on the dialogue between businesses and investors, but there may not have been as much progress on the dialogue and engagement between businesses and civil society.

#### Our Goals for the Relationship between Businesses and Civil Society

On environmental and social issues, dialogue and engagement between businesses and civil society are progressing, especially with civil society actors affected by corporate activities. All parties are moving toward a sustainable society together.

### 2. Research Findings: Results of the Corporate Sustainability Information Disclosure Study

#### 1) Disclosed Items: Characteristics and Challenges

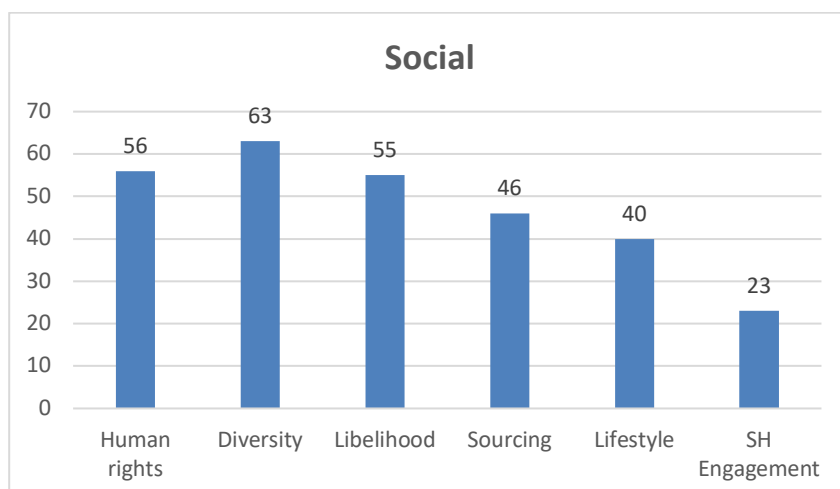
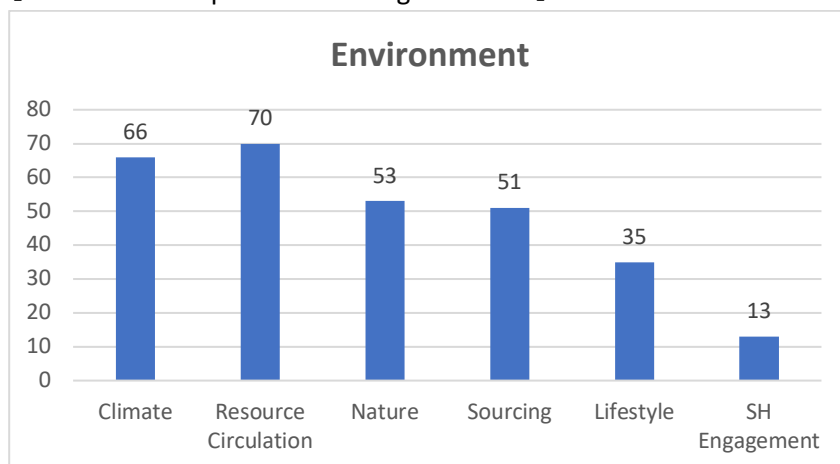
- **Subjects:** 104 corporations (as of July 2024) listed in the daily commodity and household goods industry section in the *Nikkei Kaisha Joho* (Nikkei Company Report) on their information disclosure on sustainability.

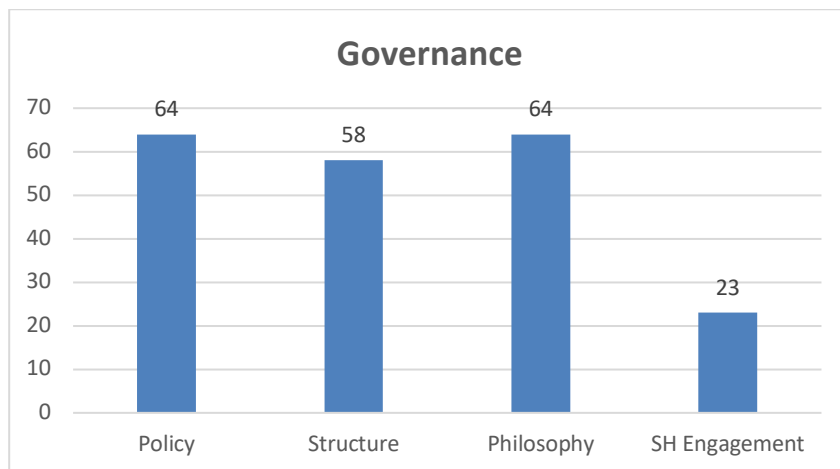
- **Research Method:** We categorized the disclosed information among the 104 corporations according to environmental, social, and governance issues, and tallied the number of companies that disclosed each type of information.  
**Note:** LS stands for “lifestyle” and SH stands for “stakeholder dialogue and engagement.”

## Characteristics

- Among the companies included in this study, some exhibited low awareness of sustainability information disclosure with 20.2% having no sustainability information disclosed and 15% having no webpage dedicated to sustainability issues.
- Among the companies that do disclose sustainability information, information on each ESG area was disclosed in a well-balanced manner.
- There is not much disclosure on stakeholder engagement (12.5% for environmental issues; 22.1% for social and governance issues).

### 【Number of companies disclosing each item】



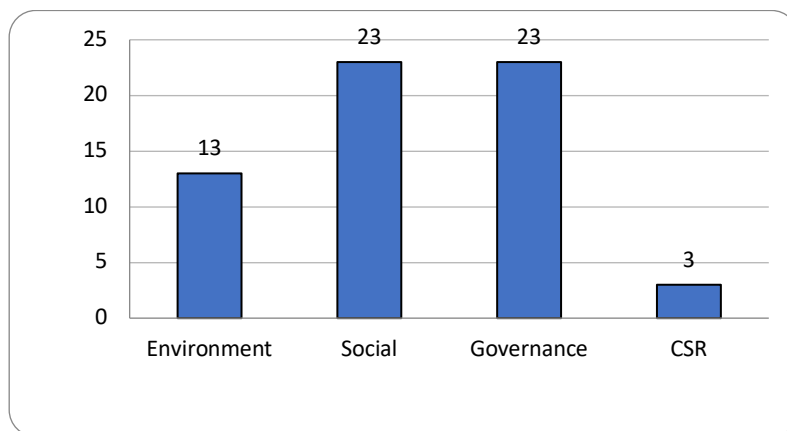


### Challenges

- Information is mainly disclosed for the sake of investors, not necessarily geared toward the public.
- Businesses may find it challenging to recognize the need for disclosure to civil society.
- Civil society may find it challenging to understand corporate sustainability efforts and disclosures, including their status quo and issues.

## 2) Dialogue and Engagement between Businesses and Civil Society: Characteristics and Challenges

【Number of Stakeholder Engagement Listings per Sector】



### Characteristics

- Regarding stakeholder engagement, there are three categories of businesses: frontrunners, those with low awareness, and those in between. Likewise, there are three patterns in how stakeholder dialogue and engagement information is disclosed:

- 1) Discloses a list of counterparties (partners) and themes of engagement
  - 2) Mentions dialogue and engagement but no specific organizational name or description is disclosed (e.g. “dialogue and information meetings with shareholders,” “establishment of consumer contact points”)
  - 3) No mention of dialogue with stakeholders
- Characteristics by each sector are as follows:
    - 1) There was an equal number of stakeholder engagement listings for *social* and *governance*, but it was slightly fewer for *environmental*.
    - 2) Only a few, but disclosures on CSR initiatives do also exist.

## Challenges

- Few mention the significance and necessity of dialogue and engagement with stakeholders.
- Many do not provide specific issues and details of dialogue and engagement with stakeholders.
- Many do not show the results of stakeholder dialogue and engagement.
- Many companies disclose *risks* within the challenges they face, but these are fundamentally *management risks*, and few mention risks that involve negative impacts on citizens.

### 【Box】

**Hideki Matsuoka** [Board Director, CSO Network Japan; Special Projects Manager, Asia-Pacific Human Rights Information Center]

There has been a debate over what information on corporate activities should be disclosed, and whether the focus should be on the impact that society and the environment have on management and finance, or, conversely, on the impact of corporate activities on society and the environment. The two approaches have been at odds with each other, and some have debated how we can balance these two approaches. However, it must be noted that this debate itself, to begin with, is based on the perspective of what information should be disclosed to investors. The question now is about what approach should be taken from the perspective of civil society that is affected by corporate activities. (February 20, 2025)

## 3) Findings from the Human Rights Report Study

- Subjects: All Nippon Airways (ANA), Japan Tobacco (JT), Dai-ichi Life Insurance Company, Mizuho Bank, MUFG Bank, Japan Post Bank.
- Objective: Analysis of corporate efforts in *engagement* based on the disclosed information among corporations with published human rights reports
- Every human rights report we examined included dedicated pages on *stakeholder engagement* and *stakeholder communications*, conveying the efforts being made, but there were also many areas for improvement in the content being disclosed.

## **Characteristics**

### **Disclosure Methods**

- ANA was the first company in Japan to release its human rights report in 2018, and other companies have been releasing their reports over the past few years. For Dai-ichi Life Insurance and Japan Post Bank, 2024 was the first year they made their human rights reports public.
- Sumitomo Mitsui Financial Group published a human rights report in 2023, but it was merged into the SMBC Group Sustainability Report in 2024 and thus was not included in this study.
- With the exception of JT, all companies publish their human rights reports in both Japanese and English, while JT only published theirs in English.

### **Disclosure Regarding Engagement Partners**

- There could be numerous engagement partners, including experts, civil society organizations, international organizations, and business partners.
- While many of the engagement partners are listed only by the categories in which they belong, such as the ones mentioned above, ANA and JT also provided the actual names of civil society organizations with which they have engaged.
- JT has involved representatives from various demographics in their risk assessment process such as interviews exclusively with women, indicating considerations for different demographics.

### **Disclosure of Engagement Details**

- Number and frequency of engagement: In monitoring their clients in specific sectors, Mizuho Bank has engaged with them at least once a year.
- Objectives and outcomes: MUFG Bank specifically describes how it revised its environmental and social policy framework as a result of its engagement with civil society organizations, including human rights groups.

### **Challenges**

- Even when examples of engagements are presented, many of the disclosures lack specificity and transparency, with no mention of the names of the partner companies or organizations.
- Engagement often targets a limited number of stakeholders and does not adequately demonstrate that engagement with rights holders is being conducted.
- Only one company was able to clearly demonstrate the purpose and results of the engagement. It would be good to be able to also present how learnings from the engagement are being applied to business practices.
- There was insufficient disclosure on frequency of engagement, and more detailed disclosure is desirable to demonstrate effectiveness and corporate commitment.

(The Human Rights Report Study was conducted by Anju Kozono, Research Fellow, CSO Network Japan)

### **3. Significance and Necessity of Information Disclosure, Dialogue, and Engagement for Civil Society**

#### **1) Corporate Sustainability Information Disclosure that Civil Society Expects**

- **We would like to be clearly shown the relationship between sustainability and our own lives.**

##### **Reason**

- Significance of a given business activity and the corporate stance on it can only be understood when a business not simply states that it values its relationship with civil society but clearly and specifically shows the impact of its activity on the public in reference to sustainability.

- **We would like to see information on negative impacts on consumers and citizens included, along with how those impacts can be corrected.**

##### **Reason**

- Businesses can have negative impacts on the environment and society in general, and specifically on consumers and citizens.
- The public can trust businesses when important information is disclosed to them.

- **As consumers and citizens, we would like reliable information so that we can take action.**

##### **Reason**

- For the members of the public to contribute to a sustainable society together with businesses, it is necessary for the businesses to provide the public with appropriate information on both positive and negative impacts. It would be desirable for businesses to devise creative ways in which they can avoid the superficial “washing” practices (such as ESG-washing, greenwashing).

#### **2) Dialogue and Engagement with Businesses that Civil Society Expects**

- **We would like for citizens affected by the businesses to be able to participate.**

##### **Reason**

- Dialogue and engagement with negatively affected civil society parties or NPOs/NGOs working to resolve issues will help businesses to understand the actual situation and to resolve issues.

- **We think that active participation of NPOs/NGOs and other civic organizations in a corporate project (as part of committees or through opinion exchanges) would improve public trust in the company.**

##### **Reason**

- If businesses can promptly and appropriately learn about the situations surrounding them, they can understand the demands of society and take countermeasures.

**【Box】**

**Masao Seki** (Visiting Professor, School of Communication, The Graduate School of Social Design)

There are examples of overseas companies that meet weekly or so to engage in dialogue even if no particular problem has been pointed out to them by civic organizations. The reason for this is that they believe it is important to quickly detect what these civic organizations are thinking, and they say that close communication on a regular basis is important because responding to a problem only after it has grown into a major one will make them lag behind when trying to resolve them. (Expert interview on November 28, 2024)

#### **4. Toward a Solution: Proposals for Promoting Dialogue and Engagement between Businesses and Civil Society**

##### **1) Space/Platform is Necessary for Businesses and Civil Society to Establish Relationships**

A space/platform for businesses and civil society to establish relationships is where each party can:

- Find a counterpart with whom they can have a dialogue on and engage in important issues
- Learn about each other's interests and work together to solve common problems together
- Understand each other and build trust

##### **Background**

In our interviews with businesses, civil society, and experts, we found that while businesses have high expectations for dialogue with civil society, their points of contact are currently limited. We have also noticed that requests for dialogue and engagement from civil society to businesses have not been well received. Here are some specific examples of the voices we heard on both sides:

##### **Businesses Say:**

- We want expertise and may turn to NPOs/NGOs for advice from time to time.
- We would like to see civil society and civic organizations become more mature.
- We find that few NPOs/NGOs can contribute anything that can be directly applied to actual corporate strategies.

##### **Civil Society Says:**

- Businesses often do not respond to our requests for dialogue.
- We would like for the businesses to know what issues civil society finds important or problematic.
- We need a space where we can talk with each other on an equal footing and on a regular basis.

**【Box】**

**Hidenori Imazu** (Board Director, Japan Forum of Business and Society)

The 2000s, especially beginning in 2003 as it was called the “First year of CSR,” was a period when dialogue between businesses and civil society was most active. However, after 2013, corporate opportunities for dialogue with civil society gradually declined as the concept of CSV (creating shared value) spread, in which solving social issues through business endeavors is the norm. Later, dialogue became active again with businesses tackling SDGs initiatives, but the focus of dialogue clearly shifted to investors due to the strengthening of ESG responses. (NGO Network for SR Initiatives, Japan "SR Seminar," November 12, 2024)

## 2) Developing Guidelines for Dialogue and Engagement between Businesses and Civil Society

Guidelines for Dialogue and Engagement between Business and Civil Society:

- These guidelines would provide ideas, methods, and points to keep in mind that are necessary for businesses to deepen dialogue and engagement with civil society. They would be useful in understanding and addressing social and environmental issues that are important to the company as well as in promoting solutions to issues in cooperation with civil society.
- Dialogue and engagement with businesses would also provide civil society with clues for realizing its own vision and mission.

Note: When engaging in dialogue, the method known as *creative dialogue* as advocated by CSO Network Japan would be helpful. *Creative dialogue* refers to "a mutual exchange that takes place on an equal footing, in which both parties strive to understand each other's situations, positions, and cultural differences, while seeking solutions to problems and creating new initiatives."

### **Background**

In our interviews with businesses, civil society, and experts, we found that while businesses recognize the need for dialogue and engagement with civil society, some do not know how to do so and are looking for something on which to fall back. We have also noticed that civil society was searching for ways to establish relationships with businesses, too. Here are some specific examples of the voices we heard on both sides:

### **Businesses Say:**

- We recognize the need for engagement with civil society.
- We are sometimes baffled by how NPOs/NGOs lack understanding of corporate management matters.
- We are required to be transparent in disclosing what civil society has pointed out to us and when we have engagements with them.

- We find it helpful to see overseas NPOs/NGOs being proactive, which results in businesses having active dialogue and engagement with civil society in those countries.
- In many cases, we are unsure how we can have dialogue.

#### **Civil Society Says:**

- We find it necessary that civil society provides information to businesses.
- We wonder if businesses recognize the need to engage with civil society at all.
- We want to be citizens who can actively solve problems by utilizing corporate initiatives and information.
- Even when we have dialogue with businesses, they are often not shared within the company and not reflected in management.
- TV commercials may be memorable, but we do not necessarily remember which company it was advertising.

### **3) Creating a Civil Society Issue Map**

Issue Map: A Tool for Businesses to Learn about Civil Society Initiatives

- Civil society is diverse, both in the issues they deal with and how they work.
- A quick map informing businesses about civil society can serve as chance for dialogue and engagement between both parties.
- With this information, members of civil society can also work together more easily.

#### **Background**

In our interviews with businesses, civil society, and experts, we found that businesses are hesitant to engage in dialogue with civil society, because they do not know how NPOs/NGOs think and what areas of expertise they have. There also seems to be some concern within civil society that businesses do not understand them or have already misunderstood them. Here are some specific examples of the voices we heard on both sides:

#### **Businesses Say:**

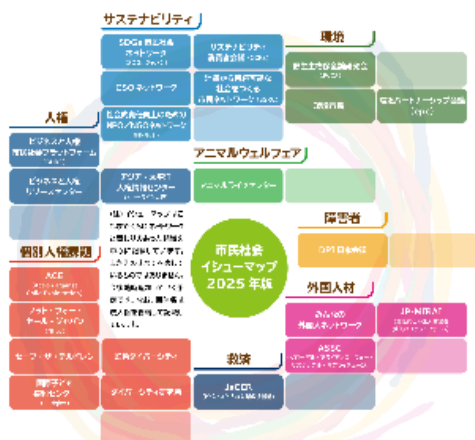
- We are concerned that NPOs/NGOs may not have enough skills or knowledge to work with us.
- We do not feel that dialogue and engagement with civil society would be beneficial to us.
- Our impression of civil society organizations in Japan is that they are academically oriented, and we find it difficult to see how their work would be directly connected to our business.
- Why don't we increase transparency and seek points of contact?
- It is not visible to us what exactly Japanese NPOs/NGOs are doing, so we would feel uneasy about solving issues together with them.

#### **Civil Society Says:**

- NPO/NGO efforts are not well known.

- NPO/NGO activities are sometimes misunderstood.
- We are open to suggesting phased implementation based on what the businesses understand and how they move forward.

【Image of Issue Map (in Japanese) 】



### \* Please Send Us Your Feedback \*

We are looking for ways to promote corporate disclosure and dialogue and engagement between businesses and civil society. We welcome your input. Please contact CSO Network Japan at [office@csonj.org](mailto:office@csonj.org)

#### About CSO Network Japan:

We are a nonprofit organization with the mission of "Exploring valuable initiatives for a fair and sustainable society, and promoting solutions to social issues through multi-stakeholder participation and dialogue."

#### Our Main Activities:

- Promoting responsible business
- Creating sustainable communities
- Program evaluation
- Collaboration with civil society organizations
- Promoting sustainability and understanding of human rights



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