

Stakeholder Engagement

In FY2008, KDDI identified “4 material issues for CSR.”As part of this initiative, we entered into dialogue with various experts, receiving various advice on our activities.

Recent Activities

<Fiscal 2013>

▶ Environmental Initiatives and Expectations of KDDI



Held on December 4, 2013

We invited environmental experts to participate in a lively dialogue with KDDI representatives on the topics of creating a low-carbon society and protecting biodiversity.

▶ Aiming to Solve Social Issues - CSV Initiatives



Held from June to September 2013

In FY2013, five conference sessions were held from June to September, in which basic CSV awareness was raised, instructors from outside the company presented case studies, and conference members participated in discussions, workshops, and general study sessions.

▶ Sponsorship and Participation in Conference on CSR and Risk Management



Held on September 5, 2013

KDDI sponsored and participated in the Conference on CSR and Risk Management organized by Caux Round Table Japan and the United Nations Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises.

FY2013 Stakeholder Dialogue: Environmental Initiatives and Expectations of KDDI

Recent Stakeholder Dialogues

Environmental Initiatives and Expectations of KDDI

We invited two environmental experts to participate in a lively dialogue with KDDI representatives on the topics of creating a low-carbon society and protecting biodiversity.

The invited experts



Satoko Ekberg, Director of E-Square Inc.,
Guest Lecturer at Tohoku University
Graduate School of Environmental Studies



Hiroshi Onoda, Director of Waseda University
Environmental Research Institute, Associate
Professor at Waseda Environmental Institute

Part 1: Issues to address in establishing a low-carbon society

Creating an efficient logistical system with the supply chain in mind

Ekberg: Many of today's social issues are related to climate change in one way or another. The CO₂ emission reduction targets set forth by Japan at COP19 (19th Session of the Conference of the Parties to the UN Framework Convention on Climate Change) were regarded as lackluster. At the same time, electrical appliance and electronics manufacturers in the 2008 to 2012 period reported a 43% increase in average annual manufacturing-related CO₂ emissions compared to 1990 levels (and a 48% decrease in CO₂ emissions intensity). How should we view this? Also, as floods and droughts intensify due to climate change, there is a need for us to think together about a sustainable model of development in emerging and developing countries. Companies play an important role in improving the situation, and I think it would be nice to be able to discuss what can be done to establish a low-carbon society, and what is necessary to lay the groundwork.

Onoda: In measures taken by companies to combat global warming, attention is being paid to Scope 3 [1], which tracks and reports CO₂ emissions in the value chain. It is difficult to reduce emissions only through conventional energy-saving measures, so there is a need for measures involving the transport of business partners and employees to and from work, the procurement of parts, and other factors. At the same time, discussions have started on the idea of a Scope 4 that indicates the level of contribution to society. For example, environmentally-friendly products such as solar power generation systems, rechargeable batteries, and electric vehicles can help society curb CO₂ emissions, but the companies that manufacture the parts and materials increase their CO₂ emissions. Scope 4 would take this increase and decrease into consideration by quantifying the contribution that companies make toward society's reduction of CO₂ emissions, even though they themselves increase their emissions.

[1] This is one of the Scopes that is calculated and reported for a company's greenhouse gas emissions.

Moderator: For KDDI, the amount of electricity consumed in telecommunications is increasing, but the customers can reduce CO₂ emissions by using the KDDI network for videoconferencing, which reduces the need for business trips and meetings outside the office, and for sending electronic files instead of heavy paper documents.

KDDI: It will be valuable for us to consider the rules for calculating the level of contribution (i.e., Scope 4) once they are established. Now, we are focused on improving the efficiency of a wide variety of logistical operations to reduce our CO₂ emissions. We are studying how to improve the efficiency, speed, and cost of logistical operations such as gathering products from business partners at the local logistical centers and distributing them to au Shops and retailers, returning reclaimed mobile phones to the manufacturers, and distributing base station materials nationwide.

Onoda: In the general insurance industry, efforts are being made to recommend energy-efficient driving, with the aim of reducing automobile accidents and insurance premiums, as well as the impact on the environment. In other words, by tracking the fuel consumption data, we can improve driving efficiency and traffic safety while reducing CO₂ emissions. This leads to a greater focus on accident rates in the transport industry, and it promotes fuel economy and energy-efficient driving. In addition to backbone logistics, home deliveries and individual item shipping to end users needs to be managed properly to reduce CO₂ emissions, so KDDI should place a higher priority on measures for small-lot logistics. It is important to address questions such as how to utilize return vehicles effectively, whether they can carry other items back, or whether they can be used in cooperative transport operations with another industry.

KDDI: In examining the distribution from logistical centers to au Shops and retailers, as well as the status of each region, we believe there is room for improvement.

Ekberg: There are plenty of examples where innovations in wrapping and packaging materials result in more efficient use of truck load capacity, but I think there should be joint research across industries, as well as information sharing. In the drink manufacturing industry, rival companies are sharing distribution points and distributing each other's products to retailers, which is reducing costs along with CO₂ emissions.

KDDI: In the mobile phone industry, cooperative transport between rivals would be difficult to achieve. However, in the procurement of products from overseas manufacturers, there are demands to reduce the size of packaging, which results in more compact packing and lower transport and container costs. About 20 million items per year move through distribution bases in Japan, and we are focused on reducing the number of transport trips.

Ekberg: It is important to have a system that improves the efficiency of the entire group, through the coordination and effective use of each department's goals and expertise. In the US, major IT companies have introduced carbon offset systems that allow business departments to buy and sell the CO₂ that they generate. It is a pioneering effort in which you are charged for the amount of CO₂ produced in your department, and if you can reduce emissions, you can sell the surplus to another department and use the funds to purchase renewable energy.

KDDI: A few years ago, when we started doing business with a global mobile phone manufacturer, we experienced the strictness of the world's environmental specifications. Prior to that, au had packaged products from all manufacturers in the same type of box, but we saw how global manufacturers were using extremely compact, lightweight packaging for shipment by plane. As a consequence, since 2009, we have been rapidly reducing the size of boxes and instruction manuals. Smartphones are packaged in cardboard and inner boxes, and KDDI is working with paper manufacturers and printing companies to further reduce the amount of paper used. Instruction manuals and basic information can be viewed with apps or online, so paper is being reduced as more information becomes available electronically.

Moderator: What efforts are being made in terms of product performance?

KDDI: Customers place a high priority on battery life, so there are demands on manufacturers to reduce power consumption. In the past, mobile phones could last for a week on a single battery charge, but with the first generation of smartphones, a full battery was not able to last for one day, depending on the customer's usage. KDDI is not involved in the development of batteries, but we are focusing on items such as reducing the amount of power consumed by the apps that we provide.

Using smartphones as a tool for solving social issues

Moderator: Nowadays, attention is shifting away from CSR (corporate social responsibility) and toward CSV (creating shared value) factors that resolve social issues through the main business. What do you think about using smartphones as a means to reduce the customer's CO₂ emissions and solve social issues?

Onoda: KDDI entered the electric power selling industry, and this is the simplest approach. For example, KDDI can reduce emissions by purchasing and operating on electricity generated at biomass power plants and other similar sources. With mega solar, KDDI could use the power for base stations rather than sell it. A paradigm shift is now underway in the supply and demand of electric power, and because electricity from electric power companies is expensive, many companies in the manufacturing industry are moving toward sourcing their own electricity for their factories. If you considered delivering information and electricity together, you could tie everything together effectively. Because KDDI is in the mobile business and you have the infrastructure of cables and base stations, there is a low hurdle to entering this field.

Ekberg: From the perspective of CSV, it is important to generate ideas. For example, if you think of the ubiquitous mobile phone as a mini-generator, you could devise a system where they could all be connected together to use as a power source when a major natural disaster occurs. This is similar to how hybrid vehicles can be used to provide power to homes.

KDDI: We haven't considered taking this concept of using hybrid vehicles as a power source, and applying it to mobile. It might be a good way to expand possibilities.

Ekberg: In Africa, people use their mobile devices in a variety of ways. For example, they are used as flashlights, clocks, and bank accounts. In Japan, mobile phones were created in a society overflowing with material goods, so only a narrow range of possibilities is considered. If you take the perspective of Africa, you realize that small devices have great potential.

Onoda: But it's also important to think simply. Efficiency in logistics has immediate environmental benefits, so it should be pursued exhaustively. In addition, smartphones cannot be regarded as mature products in terms of their lifecycle, so there is plenty of room for advancement there. And most importantly, KDDI has contact with users, so you can exhaustively gather market opinions and provide feedback to the manufacturers. This can serve as a driving force to reduce costs and improve functionality, which can lead to reduced CO₂ emissions, so I think a straightforward approach is good.

KDDI: We set standards for reducing battery consumption, encourage manufacturers to improve performance, and make strong efforts to reduce the energy consumption of power-hungry apps and hardware. As for market opinions, we are focused on understanding actual usage in a variety of terms, including overall usage patterns, usage by region, usage while commuting by train or car, and usage by age group. Battery consumption varies depending on how long smartphones are used, which apps are used, and when and where they are used, but by conducting these types of studies, we think we will encounter different topics and approaches than those of manufacturers.

Part 2: Issues to address in protecting biodiversity

First step is to understand and analyze the positive and negative impacts of business

Moderator: Biodiversity protection spans an extremely broad range of issues, and its connection to business activities is unclear. How should we approach this topic?

Ekberg: First you need to figure out how your company impacts biodiversity through the resources and energy that are used, and then analyze and understand the environmental risks and benefits. For example, on the positive side, advances in IT might contribute to the study of endangered species, whereas on the negative side, the mining of rare metals used to improve product performance might threaten the ecosystem. Particularly with respect to the latter, international regulations on conflict minerals have been strengthened, and conferences are being conducted with the participation of representatives from a variety of industries. A topic of discussion is the establishment of standards and regulations that include the supply chain, so I think that you, as a telecommunications company, can avoid environmental risks and get some tips for your efforts by participating in these types of discussions.

KDDI: Due to the humanitarian problems surrounding the mining of conflict minerals, we at KDDI are examining manufacturers and verifying that these materials are not used in the products that we purchase. There are particularly strict disclosure obligations imposed on manufacturers in the US, so we are bolstering our efforts and paying close attention to the compliance of each manufacturer.

KDDI: As a positive example of the use of IT, KDDI R&D Laboratories has been working with universities and NGOs to conduct behavioral studies of the endangered Ganges river dolphin since 2008. The murky river water makes visual observation difficult, so an acoustic observation system is used to monitor the river dolphin's population numbers and birth rates, as well as their behavior. This data is playing a role in preservation activities.

Ekberg: That is a good example of an activity that makes use of advanced communications technology. Biodiversity is regarded as a territory that is far removed from IT, but to implement effective protection measures, it is essential to obtain basic data for analyzing behavior. I think there is great potential to make contributions in this area.

How to contribute to biodiversity protection in our daily lives

Onoda: IT is not making much progress in primary sector industries such as agriculture and forestry, but security companies have recently commercialized warning systems to protect crops from animals. Traps for deer, boars, and monkeys are set up, and when an animal is captured, the land manager is notified by e-mail. This greatly reduces the amount of work required to monitor a large area. Reducing over-abundant deer populations preserves the ecosystem and prevents forest damage, which in turn deters natural disasters. In addition, measures against problems such as foot-and-mouth disease need to be conducted for each individual animal. This is an opportunity to use IT. There are many opportunities to provide solutions that address the problems of each region. Find out what initially needs to be done to contribute to society, and from there you can discover new topics related to biodiversity.

KDDI: Related to this topic, KDDI has been conducting so-called "instruction manual recycling" activities since 2007. At au Shops across Japan, the instruction manuals, pamphlets, and leaflets included with mobile phones, as well as the paper packaging, are accumulated after they are no longer needed, and recycled into envelopes and pamphlets. In addition, recovered waste paper is sold to paper companies, and the funds are used for forest preservation activities such as tree-thinning. Since 2012, KDDI has been using the wood obtained through tree-thinning activities to create original novelty products for au mobile phone users, such as smartphone stands, desktop calendars, and wood coasters. Wood has also been donated to bus stations in the city of Kamaishi in Iwate prefecture. In the future, we will continue our instruction manual

recycling activities as a way to contribute to forest preservation in Japan.

Onoda: If you approach things with an eye on the monumental issue of biodiversity, it is difficult to see the connection to daily activities. However, if you think of the wood from tree-thinning activities, you think of mountains. And if you think of mountains, you think this is where base stations are located, and this is connected to the local society. For undersea cables, there is a deep connection to the fishing industry. It is good to make contributions through technology, but if you consider the perspective of regions where there is everyday contact, the entrance becomes even wider. You can also support regions by introducing local specialty products through smartphones, buying in bulk, and making individual purchases. If employees can adopt this attitude in their relationships to regions, the KDDI Group can bring a lot of power with its size. I think this can create new new opportunities and collaborations, and in a roundabout way, lead to biodiversity protection.

KDDI: It is comforting to think that simply purchasing local specialty goods can lead to biodiversity protection. The entire question of how to contribute to biodiversity is difficult to grasp. The environmental awareness of our employees changed with the opportunity to do business with global manufacturers mentioned earlier, but along with that type of external stimulation, we need a system that encourages us to always think of what we can do and which fosters awareness.

Ekberg: As an example from the perspective of education, there is a financial institution that participates actively in volunteer activities, which has achieved positive results by establishing a system that rewards employees who offer good ideas. In addition, there is an IT device manufacturer that established a project that recruits volunteers to discover business chances from social issues in developing countries. The project has invigorated their company by helping them rediscover their own potential, and by leading to the creation of a training program that dispatches employees from Japan to the sites.

KDDI: Thank you very much. In today's enlightening discussion, we heard some innovative suggestions from a variety of angles and perspectives, along with plenty of case examples. To the employees who attended this session, we hope you can take these ideas back to your departments and raise awareness. We encourage you to reevaluate and delve deeper into your efforts, and work toward setting goals and creating schemes for new projects.

Aiming to Solve Social Issues - CSV Initiatives

Establishment of CSV Conference

Approaches to CSV that include not only conventional social contribution activities such as donations and volunteer activities, but also efforts to solve social issues through business activities, are receiving attention around the world.

In June 2013, KDDI established a CSV [1] conference for the purpose of spreading CSV awareness within the company.

The CSV conference is administered by the CSR & Environment Management Department and includes the participation of 14 management-level officers from 12 business divisions, including the R&D Strategy Division, Corporate Strategy Planning Division, Service Planning Division, and KDDI R&D Laboratories.

[1] CSV is a business concept that aims to create both social and corporate value by solving social issues through corporate business activities.

CSV Conference Activities

In FY2013, five conference sessions were held from June to September, in which basic CSV awareness was raised, instructors from outside the company presented case studies, and conference members participated in discussions, workshops, and general study sessions. After beginning with the raising of basic awareness, the conference facilitated the exchange of opinions across the company, ultimately consolidated the opinions into three major topics for inclusion in the workshops, and reported CSV plans to management. In FY2013, which was characterized as a period for gathering information, some positive results were achieved.

Moving forward, KDDI will continue making proactive CSV efforts such as participating in activities through the Japan CSV Business Development Organization, of which it has been a member since FY2013.

Comments from Outside Experts

This time, I was fortunate to serve as a facilitator. We conducted a lively discussion and heard suggestions on topics covering three major social issues. I felt that the opportunity for participants to share various perspectives from different business departments made this an extremely fruitful occasion. Communications networks can bring together value from various distant places, and this can lead to real interaction and trade. I am convinced that this is the CSV direction that KDDI should aim for.

Yoshinori Takahashi, President, Universal Design Intelligence, Inc.



I was invited to the second CSV conference to discuss key issues involved in CSV efforts. All participants from the various business divisions across the organization were highly motivated, and I felt that the culture of embracing the challenge of the unknown is a strength for KDDI.

In new business creation, it is essential to have a clear commitment from top management. Environment and social contracts tie the hands of existing businesses, but a change in perspective can lead to business opportunities. I hope that management maintains a strong will and KDDI uses its unique perspective to make bold efforts.

Hiro Motoki, President, E-Square Inc.



Sponsorship and Participation in Conference on CSR and Risk Management

Sponsorship and Participation in Exclusive Session on Human Rights Due Diligence

In the second half of the 20th century, corporations in developed nations became increasingly multinational while developing countries experienced growing problems with environmental pollution and illegal labor practices. These problems have come to be recognized as a global issue, which has led to a growing social awareness of corporate social responsibility and sustainability that includes the value chain. Consequently, human rights due diligence, which involves the continuous implementation of measures to identify, evaluate, prevent and redress any human rights risks linked to a company's business activities, has recently been receiving attention in Japan. At KDDI, the human rights of every stakeholder are recognized as an important issue.



Participants in exclusive session (22 people from 18 companies)

As part of the response to these issues, KDDI sponsored and participated in the Conference on CSR and Risk Management organized by Caux Round Table Japan and the United Nations Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises in September 2013. At the conference, discussions were held on how corporations should address human rights due diligence issues through CSR risk management.

A seminar was held on the "Guiding Principles for Implementation of the UN 'Protection, Respect, and Remedy' Framework for Business and Human Rights," which are incorporated in various CSR guidelines as an effective tool for implementing CSR risk management. The speaker, who is a member of the United Nations Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, which is tasked with putting the framework into practice, offered concrete advice on applying the guiding principles to CSR risk for corporations.

Role of Corporations in Human Rights

In a lecture on the Guiding Principles on Business and Human Rights (informally known as the "Ruggie Report"), which were endorsed by the United Nations in 2011, participants learned a key principle, which states: "Human rights are the inalienable fundamental rights to which a person is inherently entitled simply because he or she is a human being. Therefore, human rights due diligence and risk management should not be implemented for the purpose of hedging business continuity risks." Instead of idealistic theory, the lecture covered what is required in actual practice, such as the minimum actions that are necessary to avoid human rights infringements, which are integral to the corporate responsibility to respect human rights.

Establishing a Framework for Human Rights Risks

The workshop included a discussion of a hypothetical case study about what happens when a business partner in the supply chain commits serious human rights violations, as well as what actions an outsourcer can take in response to that business partner, and what the maximum risks are for the outsourcer.

Maximum risks	Envisioned KPIs
<ul style="list-style-type: none">- No right to collective bargaining- No trade unions- Use of child labor- Routine use of low-wage labor- Health-damaging work environment- Poor, accident-prone work environment Etc.	<ul style="list-style-type: none">- Productivity improvement- Operation delay rate- Number of grievances (of employees)- Number of work accidents- Employee turnover rate- Number of dialogues with management- Wage gap Etc.

Business Partners Countermeasures That Are Unique to Japan

The workshop also discussed the countermeasures that should be taken if the business partner in the previous example does not heed the demands of the outsourcer regarding the human rights-holders (the business partner's workers). Opinions such as those below were expressed.

- Work with other outsourcers to pressure the business partner into engaging with the human rights-holders.
- Request the cooperation of NGOs to investigate the business partner, and conduct interviews with the human rights-holders.
- Open a help line from the outsourcer to the human rights-holders, and conduct interviews directly.
- Visit the factory where the human rights-holders work, and have NGOs conduct interviews with the human rights-holders.
- Publish details of the above activities on the company website to communicate the business partner's human rights violations as broadly as possible.

Another opinion that was expressed was to: "Hold talks with the business partner instead of simply trying to break off the relationship, and work together to make progress." Participants from the UN praised this opinion and remarked that the perspective was unique to Japan and had not come up in previous workshops held in other countries.

Future Issues for KDDI

By participating in UN human rights workshops in countries around the world, KDDI has studied international comparisons and different observations related to respecting human rights and avoiding complicity in human rights violations. At KDDI, we are conducting in-company workshops on human rights issues with the recognition that we need to communicate what is now required of us as a global corporation.