

February 20, 2014
Caux Round Table Japan

Collaboration for Human Rights Due Diligence

Human rights are one of the core CSR topics sparking discussions and various activities in recent years, including in Japan. Since September 2012, the Nippon CSR Consortium has been working to provide a forum in which to identify and discuss negative human rights impacts that may arise as a result of corporate activities. This work has been conducted in collaboration with companies from various industrial sectors, as well as NPOs, NGOs and human right experts in academia. The followings are the result of the discussion and an action plan for 2014.

1. Preface

1-1. Purpose of the Human Right Due Diligence Workshop

The Nippon CSR Consortium was established in September 2012 to raise awareness and promote activities in the field of business and human rights by offering a forum in which companies can discuss human rights issues with NGOs and other companies. The consortium consists of corporate participants, NGOs/NPOs, human-rights experts and representatives from academia. In 2012 the 68 participants consisted of 39 companies and 11 organizations, and in 2013, the 35 participants were from 15 companies and 12 organizations.

There are some underlying factors that contributed to the establishment of the consortium. Companies sometimes struggle to address human rights issues with limited budgets and resources. Therefore, even once a year, it is useful for the companies to get together to try to be leaders in their field by proactively seeking to understand and address human rights issues that their industry may be involved in.

The consortium also emphasizes sustainability of activities. As stated above, the companies are committed to continuous efforts for incremental improvement. In order to respond dynamically to a diverse range of issues, participant companies seek to stay abreast of changes and issues in the society that potentially link their activities to human rights impacts.

The Nippon CSR Consortium positions the Human Rights Due Diligence Workshop as an activity that aims to assist companies in (1) 'identifying and assessing any actual or potentially adverse human rights impacts' as defined in the UN Guiding Principles¹, (2) integrating and acting upon the findings, (3) tracking responses, and (4) communicating how impacts are addressed with the affected stakeholders, such that companies can use the knowledge acquired to support their human rights due diligence

¹ Refer to: Human Rights Council, 2011, *Report of the Special Representative of the Secretary-General on the issues of human rights and transnational corporations and other business enterprises*, Available at: <http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf#search='report+of+the+special+representative+of+the+secretarygeneral+on+the+issue+of+human+rights+and+transnational'> (Accessed November 20th, 2013).

activities.

1-2. Process of Identifying Human Rights Issues

The Nippon CSR Consortium, guided by the UN Guiding Principles, has been working on identifying important potential human rights issues by industry sector. The process used to identify the issues is explained in the following section. All the comments from participants reflect personal opinions and do not represent any of the affiliated organizations and companies.

2. Procedure of 2012 Workshop and Follow-up Action

In the 2012 Human Rights Due Diligence Workshop, important human rights issues by sector were identified through dialogue among the participants based on the UNEP FI Human Rights Guidance Tool² ('Human Rights Guidance Tool').

2-1. Procedure of the Workshop

【STEP A: Dialogue between Companies and Stakeholders】

a. Corporate participants were given lectures on business and human rights by members of NGOs/NPOs, academics and subject experts, to enhance their understanding of the relationship between their industrial sectors and potential human rights impacts.

b. The secretariat of the workshop distributed a list of human rights issues likely to be relevant to the companies.

c. The participants then discussed and selected human rights issues from the list that they believed to be important to their own company and discussed related value chains. They also highlighted and discussed the basis for their decision to designate certain issues as not relevant to their business. Result of the discussions was reported to the secretariat.



【STEP B:Identify Human Rights issues by sector】

a. Responses from the participants were classified by sector, supplemented based on the disclosure contents described in the Guidance Tool and redistributed to the participants by the Secretariat.

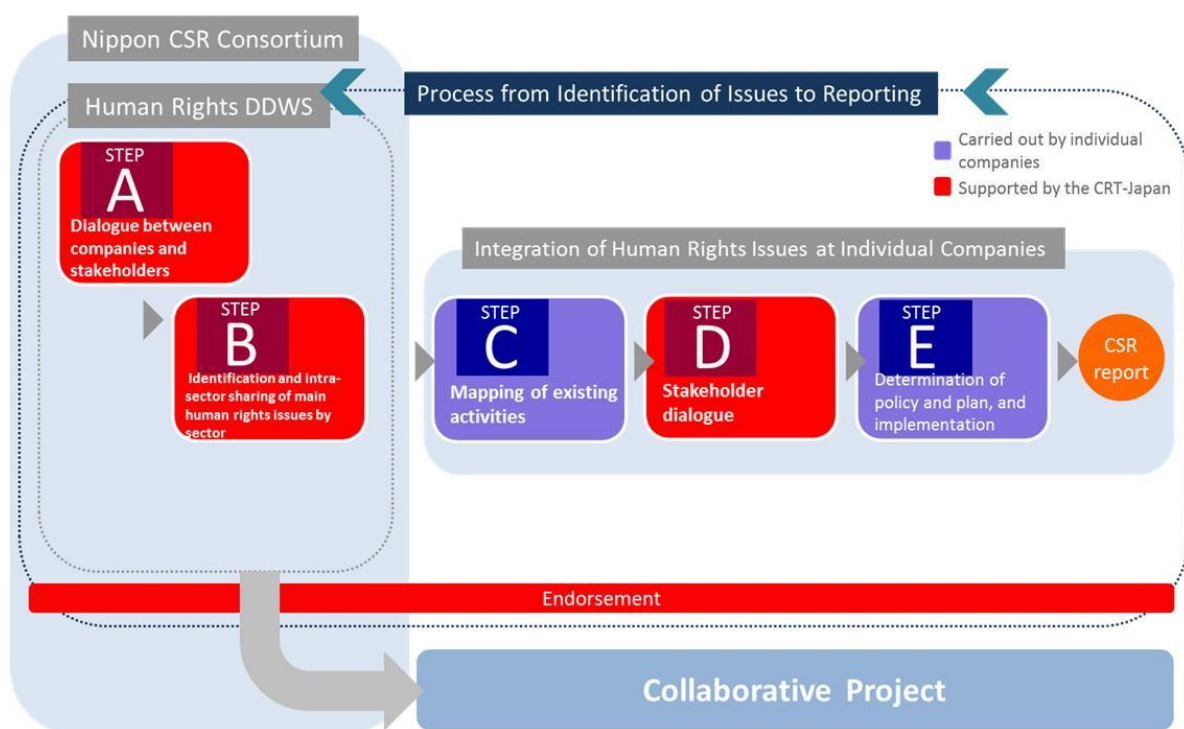
b. Based on the redistributed documents, the participants discussed (1) the likely significant human rights issues that concern them, (2) concrete concerns and (3) value chains relevant to the concerns in each sector (10 sectors), and thereafter reported to academic and expert stakeholders and the secretariat.

c. The academics and human rights experts provided comprehensive assessment of these reports.

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² <http://www.unepfi.org/humanrightstoolkit/fundamentals.php> (Accessed November 1st, 2012)

- d. “Human Rights Issues by Sector (draft)” was translated into English, Chinese and Spanish, and opened for public consultation along with the original Japanese draft.
- e. Public comments were collected and summarized in a Consultation Summary Report. To respond specifically to comments concerning use of prison labour by companies in Japan, ‘Human Right Due Diligence Comments on Prison Labour’ was published reflecting the contents of discussions on this issue with the participants.
- f. The final draft of “Human Rights Issues by Sector (2013)” reflects public comments, was issued on April 3rd, 2013³.



³ Refer to: Nippon CSR Consortium, 2013, *Human Rights Issues by Sector (2013)*, [PDF] Available at: http://www.crt-japan.jp/files/documents/HR_DD_Final%20report_E.pdf (Accessed November 20th, 2013)

2-2. Follow-up Action

Following the workshop, human rights-conscious corporate activities at each company have taken place. Further, the International “Conference on CSR and Risk Management” was convened in September 2013 in order to create an opportunity for the Japanese companies to be exposed to the global developments in this area.

2-2-1. Promotion of human rights-conscious corporate activities at each company

Activity to identify human rights issues of own company

Based on the “Human Rights Issues by Sector (2013)” document the following participant companies reviewed their own corporate activities, conducted dialogue on more detailed issues, and drafted corporate policies on the human rights issues:

Olympus Corporation, Nippon Express Co., Ltd., Nippon Yusen Kaisha Line, FUJIFILM Holdings Corporation, Mitsubishi Heavy Industry Ltd. (as of end of October 2013)



Involvement of relevant departments in a company

Some participants facilitated internal workshops involving the CSR department and other related departments aimed at raising awareness in relation to the relationship between business actions and human rights issues.

Fostering sensitivity to human rights issues

Certain participants facilitated E-learning programs and workshops for improving understanding of the human rights within their companies by utilizing the networks with NPOs/NGOs, academia and human rights experts formed through the Human Rights Due Diligence Workshop.

Approach to Top Management and Drafting a Human Rights Policy

Lectures were provided to high-level corporate management in relation to processes for converting human rights into subjects of risk management. Consequently, the companies drafted human rights policies to enable them to share and manage the same human rights issues globally.

2-2-2. Conveying the Contents of the Workshops to a Global Audience

The Nippon CSR Consortium defines views the Human Rights Due Diligence Workshop as an important step in supporting companies to align with the UN Guiding Principles. The "UN Working Group on the issue of Human Rights and Transnational Corporations and Other Business Enterprises" commented that the workshop served as a "good example that shows how the UN Guiding Principles on Business and



Human Right Due Diligence Workshop. The conference program included workshops focusing on de facto standardization and rule-making for disseminating human rights due diligence in companies, facilitated by a member of the Global Corporate Community of Practice, in order to share and develop best practices in human rights due diligence and risk management.

CRT Japan was invited also to the 2nd United Nations Forum on Business and Human Rights hosted by OHCHR in Geneva in December 2-4, 2013. Totally 1700 people from 150 countries convened. Hiroshi Ishida, Executive Director of CRT Japan served as a panelist as well as presenter to introduce the Nippon CSR Consortium and some practices of the Human Rights Due Diligence Workshop. Many questions were raised regarding how to coordinate a constructive dialogue between business and NGOs/NPOs, and how to apply the UN Guiding Principles in corporate value chains. Also various global CSR initiative organizations have inquired us about a possibility of collaboration in the future.



A major Japanese media accompanied CRT Japan to the Forum, and the topics presented there were featured in a TV program later. ('Closeup Gendai' by NHK, broadcasted January 29, 2014) Also the activity of CSR Consortium was covered by a major paper and journal (the Senken Shimbun and Nikkei BP 'Business and Human Rights')

Recognized that good collaboration with media is important for raising awareness for sustainability among general public, media relations will be further enhanced.

3. Procedure of Workshop in 2013

3-1. Contents

“Human Rights Issues by Sector” formulated in March 2013 was further explored from the perspective of the value chain. Identifying CSR issues throughout related value chains is an important step for the CSR departments as they share - and address appropriate solutions - with relevant departments after the workshop.



3-2. Procedure of the Workshop

Corporate participants attended ten lectures by human rights experts and representatives from NGOs/NPOs and academia, covering potential adverse human rights impacts that can arise from corporate activities.

- a. The participants selected one product and/or one service from their own company, and identified value chains associated with the product or service, as well as the regions involved.
- b. The participants also approached to the issues arising from individual key human rights issues and examining the value chain potentially linked to these issues. This exercise provided the participants to gain insight on the value chain and relevant human rights issues.
- c. The Secretariat created a matrix of value chains and human rights issues for each sector, reflecting the results of the participants’ discussions. The contents mapped out on the matrix were assessed comprehensively by the representatives from NGOs/NPOs, academia and human right experts.
- d. The participants exchanged their different viewpoints, approaches and ideas for remedying and mitigating potential impacts, and sought feedback from the expert stakeholders.
- e. The Secretariat updated the matrix to reflect the comments from the expert stakeholders and “Human Rights Issues by Sector (draft)” was updated to reflect the learning that came out of the workshop.
- f. The summary of the workshop was open for public comment from Wednesday, November 20th to Tuesday, December 17th 2013.
- g. Final report will be published in March 2014.



4. Procedure of Workshop in 2014

4-1. Contents

Following three approaches will be newly incorporated: Understanding specifying stakeholders; Holistic Package for Connecting the Human Rights Due Diligence Workshop and G4 Reporting; and Formulating Executive Committee.

a. Understanding Specific Stakeholders

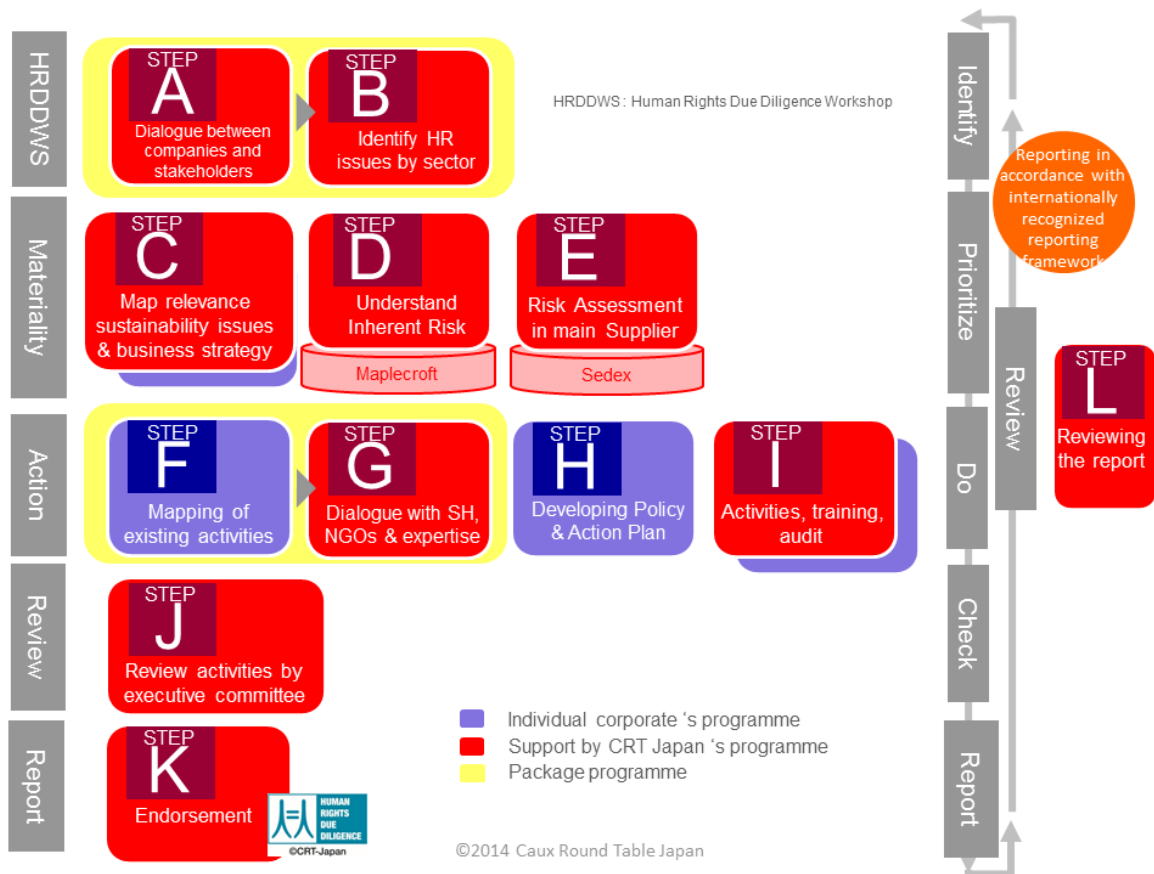
Based on the “Human Rights Issues by Sector” published in February 2013, key stakeholders are identified in order to have better understanding of their specific views.

b. Holistic Package for Connecting the Human Rights Due Diligence Workshop and G4 Reporting

As a method of connecting the Human Rights Due Diligence Workshop to the CSR activities at each company, and to the reporting in accordance with GRI G4, a new conceptual framework will be introduced this year. This framework is composed of 12 steps, from STEP A to L, promotes better understanding of the current position of a company, by projecting its overall activities within the framework. Use of the framework enhances transparency of ‘procedures/steps’ for the CSR activities expected by society.

c. Formulating Executive Committee

Actively introducing globally applicable tools and the latest know how, in collaboration with major global CSR organizations and formulating a joint executive committee.



4-2. Procedure of the Workshop and Linkage with CSR Activities and Reporting

The Human Rights Due Diligence Workshop

【STEP A: Dialogue between Companies and Stakeholders】

- a. Corporate participants are given lectures on potential negative human rights impacts by business operation from more than 10 members of NGOs/NPOs, academics and subject experts, to enhance their understanding of ‘in what value chain, whose human rights is potentially and actually violated’. The CSR experts also express their concerns.
- b. The participants of the workshop select one of the services/products of own company, and analyze value chains related to the product/service and find out what regions/areas are involved in the value chains.
- c. The participants discuss about value chains potentially related to each of the human rights issues, in order to better understand relevance between the value chains and the human rights issues.
- d. The participants learn further about ‘what stakeholders are involved in the highlighted issues above’, as well as ‘how to implement appropriate approach for Access to Remedy.’

【STEP B: Identify Human Right Issues by Sector】

- a. Based on the ‘Human Rights Issues by Sector’ published in 2013, the Secretariat creates a comprehensive list of stakeholders, who are potentially involved in the human rights issues causable in each value chain by sector, in a specific geographical region. The list is assessed comprehensively by the representatives from NGOs/NPOs, academia and human right experts.
- b. The participants and the subject experts exchange data related to the issues, and discuss about their different viewpoints, approaches and ideas for remedying and mitigating potential impacts.
- c. The Secretariat supplements contents of the list by reflecting comments from the subject experts. That is followed by “Human Rights Issues by Sector (draft)” update, in order to further clarify relationship between the critical human right issues of the specified products/services/regions and the specific stakeholders.
- d. The summary of the workshop was open for public comment from November to December 2014.
- e. Final report will be published in February 2015.

Based on the lesson learned from the Workshop, CRT Japan proposes following 10 steps (STEP C to L).

Materiality

【STEP C: Map Relevance Sustainability Issues and Business Strategy】

Each company identifies materiality of the human rights issues by sector updated in STEP B, involving relevant departments in the company. What matters here is to define the sustainability issues, which are material to both the company and the stakeholders, reflecting impacts to the both.

【STEP D: Understanding Inherent Risks】

Each company specifies the most critical geographical areas (priority areas) based upon the sustainability issues indicated by data provided from collaborating CSR initiative organizations.

【STEP E: Risk Assessment in Major Suppliers】

Each company defines a boundary of its activity for the specified stakeholders and the priority areas. When the boundary includes affiliated factories or suppliers of the company, an information platform provided by Sedex, one of the CSR initiative organizations of CRT Japan, will be utilized in order to collect information of the potential and evident CSR risks in effective and efficient manner.

Action

【STEP F: Mapping of Existing Activities by Company】

All the critical issues identified so far in the materiality analysis and all the existing CSR activities taken place in the each company are collected and reclassified, namely make an inventory of the issues and activities.

【STEP G: Dialogue with Stakeholders, NGOs, and Expertise】

Each company presents processes of their activities and have a dialogue with CSR Stakeholders, NGOs, and Expertise on the issues reclassified as a result of STEP F. Through the dialogue, they confirm if anything is missed from the priority material issues.

【STEP H: Developing Policy and Action Plan】

Reflecting outcome of the dialogue, each company develops policies for the future and define their material issues as well as specific action plans.

【STEP I: Procedures : Activities, Training, Audit】

Procedures relevant to the material issues are taken place. Sometimes the procedures are carried out by single company, otherwise in collaboration with NGOs or other organizations.

Review

【STEP J: Review Activities by the Executive Committee】

Executive Committee consisting of members of key global CSR initiative organizations will jointly review activities of the each company.

Reporting

【STEP K: Endorsement by CRT Japan】

CRT Japan confirms status of the companies based on what frames are used for sustainability activities, as they proceed from STEP A to K.

【STEP L: Reviewing the Report】

CRT Japan provides feedbacks on the sustainability reports issued by the companies, referring to internationally recognized reporting framework such as GRI G4 Sustainability Reporting Guidelines.



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