

Summary of Exclusive Session
“Integrating Human Rights into Corporate Risk Management”
Conference on CSR and Risk Management

1. Date: Thursday, September 5, 2013 9:30a.m. – 2:30p.m.
2. Venue: Conference Room G409, Tokyo International Forum
3. Organizer: Caux Round Table Japan
United Nations, the Working Group on the issue of Human Rights and
Transnational Corporations and Other Business Enterprises
4. Sponsor: Olympus Corporation, KDDI Corporation, Suntory Holdings Limited, Mitsubishi Heavy
Industries, Ltd.,
5. Participants: 22 individuals from 18 companies (refer to P4 for company names)
6. Executive Summary:

There are remaining uncertainties as to how businesses can engage with and address human rights due diligence. This exclusive session was the fourth in a series of sessions that took place in different locations around the world, and hosting this session in Japan enables us to have some involvement in the process of crafting rules and de facto standards in respect of human rights due diligence. It was gratifying to see many Japanese companies participating in this rule shaping process.

In his opening remarks, Mr. Puvan Selvanathan highlighted the following two points. Firstly, the discussion of human rights and risk management in this session provides a valuable opportunity for the participating companies to acquire knowledge to assist them in addressing human rights issue in the future. Secondly, the session provides a great opportunity for the organizers, as it allows them to learn from the participating Japanese companies and to hear their honest expectations and fears in relation to the subject of human rights due diligence.

The subsequent workshop entitled “Integrating Human Rights into Risk Management of Corporation”, led by Mr. Roger D. Branigin, commenced with a lecture covering how to address human due diligent issues through effective risk management. Thereafter, participants broke into three groups to discuss two themes: supply chain labor practice (including availability of freedom of association and the right to collective bargaining); and measuring impacts on external stakeholders.

A summary of the group discussions presented by each group follows.

Theme 1: Supply chain labor practices (Existence of freedom of association and right to collective bargaining)

Group 1 confirmed that reputation and declining operational efficiency would be potential business risks arising from the lack of freedom of association and right to collective bargaining. The group discussed the need to mitigate health risks and those risks arising from unsafe working conditions and

debated the methods for defining appropriate KPIs (including deterrence of employee delays and work stoppages; prevention of accidents caused by negligence of duties, or decrease in number of complaints).

Group 2 commented about Japanese corporate culture, noting that Japanese companies rarely cut off business relationship with suppliers following the identification of problems; rather, the prevailing culture is to work together to address the issues. After sharing that thought, they noted that strikes (arising from a lack of freedom of association and rights of collective bargaining), and the resulting suspension of company operations, are substantial problems. Further, the lack of a corporate policy on human rights, lack of commitment by top management, and lack of communication and implementation of policies and guidelines were identified as fundamental potential causes of Business Continuity Plan (BCP) risks, which can manifest as profit losses and the deterioration of brand value.

Group 3 concluded that it is important for those companies placing orders with suppliers to reconsider their own business models that rely on cheap labour costs in the supply chain.

Theme 2: Measuring Impact on External Stakeholders

On this theme, the three groups concluded that the function of human rights due diligence in accordance with the Guiding Principles on Business and Human Rights is to consider the impacts felt by right holders that it is important to engaging with stakeholders and actively seek their opinions. It was also noted that there may be differences in values concerning human rights between companies and their suppliers.

Thereafter the facilitators of each group presented the main ideas that had arisen in their group's discussions. It was noted that companies can harness an opportunity to share knowledge with their suppliers where an audit process is not available; moreover in order to use leverage to pressure suppliers to resolve human rights issues, companies can establish a hotline for employees or a collaboration with local NGOs. The discussants also reconfirmed the importance of an alliance amongst companies procuring from the same supplier, in order to resolve common human rights issues.

Responding to these group presentations, Mr. Branigin noted that simply cancelling a contract in the face of problems can trigger new human rights risks. As such, the company's human rights policy should make it clear that the corporate culture is not to simply call off the relationship, but rather to identify opportunities for the business practices of the supplier to be changed incrementally. In order to facilitate such opportunities, the parent/purchasing company needs to take a leadership role by presenting a clear corporate policy and undertaking human rights due diligence, as well as by establishing a human rights education program. Mr. Branigin noted that it was thus very valuable for the organizers of this workshop to learn that many Japanese companies operate from the basis that they "grow together" with their suppliers.

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I believe this exclusive session provided us with an opportunity to remind ourselves of the differences in perception that can arise between businesses and human rights groups, as well as between western countries and Japan in terms of the logic and methods for resolving problems. In the beginning there was some confusion arising from such differences in values and viewpoints. However, the rest of the session proceeded, not with a focus on which approach was correct, but rather with an earnest discussion focusing on how to classify and implement risk management incorporating the human rights due diligence in order to meet business needs on-site. Consequently a deliverable of the discussion was very uniquely Japanese, thanks to the sincere commitment of the discussants. I hope that the participants also recognized the importance of continuous, step-by-step approaches to exercising accurate risk management and aligning mutual understandings of issues through stakeholder engagement, rather than relying on a snapshot-like isolated view of a risk.

Messages that I received from the Global Corporate Community of Practice (GCOP) members expressed their surprise at the participants' high level of awareness around human rights issues and willingness to engage on the topic. They also expressed that they were able to learn a lot from the session in Japan, particularly in terms of the prevailing corporate culture in Japan of eschewing the immediate cancellation of a relationship with a supplier due to the identification of human rights risks.

As a result of the discussions at this exclusive session, I was reassured of the importance of the Human Due Diligence Workshop conducted by CRT Japan, and of our other relevant activities. There are hurdles to overcome, both known and unknown, in terms of classifying and breaking down into the business framework concepts - such as human rights due diligence - that are still the subject of some uncertainties. However we do not shy away from this task, and are determined to move forward.

Last but not least, I would like to extend my sincere appreciation to the sponsor companies, KDDI Corporation, Suntory Holdings, Ltd., MITSUI & CO., Ltd., and Mitsubishi Heavy Industries, Ltd., and all those whose commitment and passion enabled us to realize this conference.

Very truly yours,



Hiroshi Ishida
Executive Director, Caux Round Table Japan

Participants' company name (in alphabetical order)

Brain Center Inc.

Cetus & General Press Inc.

Deloitte Touche Tohmatsu LLC

Ernst & Young ShinNihon LLC

E-Square Inc

KDDI CORPORATION

Mitsubishi Corporation

Mitsubishi Heavy Industries, Ltd.

MITSUI & CO., LTD.

NIPPON EXPRESS CO., LTD.

Nippon Yusen Kabushiki Kaisha (NYK LINE)

NISSAN MOTOR CO., LTD.

Nomura Research Institute, Ltd.

Olympus Corporation

Suntory Holdings Limited

TOPPAN PRINTING CO., LTD.

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YKK CORPORATION
