

Report on Human Rights Performance Benchmark Consultation Workshop and Comments on Human Rights Performance Benchmark

October 17th, 2014
Caux Round Table Japan

Caux Round Table Japan jointly hosted the Human Rights Performance Benchmark Consultation Workshop with Institute for Human Rights and Business, EIRIS, Business and Human Rights Resource Centre on September 3rd 2014. The workshop involved an interactive session with 21 Japanese participants from 19 organisational representatives, and CSR experts and consultants, academics, governmental officials presented their expectations and concerns regarding the Human Rights Performance Benchmark. This report summarises the comments made at the workshop. We believe that these comments could contribute to the development of Human Rights Performance Benchmark.

Date and Time: Wednesday, 3rd September 2014 from 10:00 to 15:00

Venue: Lambath Hall, Kwansei Gakuin University, Toyo Marunouchi Campus

Jointly Hosted by: Institute for Human Rights and Business (IHRB), EIRIS,
Business and Human Rights Resource Centre, Caux Round Table Japan

1. Agenda

11:00	Opening Remark By Motoko Aizawa, Managing Director and Chair of IHRB US Board, Institute for Human Rights and Business
11:05	Introducing the participant: Sharing the participants' interests and expectation of the session and this benchmark
11:30	Presentation: A proposal for the global Human Rights Performance Benchmark Status of current progress & Road map of the benchmark process, Q&A session <i><u>Speakers:</u></i> Peter Webster, EIRIS Motoko Aizawa, Institute for Human Rights and Business Saul Takahashi, Business & Human Rights Resource Centre
13:30	Workshop: Breakout sessions in groups and Questions & Answers, and Assemble the comments and ideas from each participants on Human Rights Performance Benchmark
14:30	Group Presentation
15:00	Closing Remark

2. Summary of Comments

Four themes were discussed in the workshop.

1. How would such a benchmark be used in Japan?
2. How would Japan companies and investors wish to be engaged as the project develops?
Who else should be engaged to make it successful in Japan?
3. What elements of particular Japanese culture might be included?
4. Which areas of human rights disclosure are most important?

The following are summary of comments and suggestions from Japanese participants.

2.1 [Level of Awareness & Use in Japan] How would the Human Rights Performance Benchmark be used in Japan?

2.1.1 Level of Awareness : About Understanding of Human Rights

- Discussions of human rights in the US and Europe seem to have certain conceptual frameworks, while in Japan human rights issues are discussed often as expected social norms, not on the basis of written documents.
- Prior to creating a performance benchmark, it is essential to share and align how we (Japanese) understand the human rights issues.

2.1.2 Level of Awareness : About Japanese Corporate Culture

- Generally in Western business, a top-down communication system of the corporate policy (not only the human rights related policies but also other policies) determined by headquarters is in place. Whereas in Japan, relationship between headquarters and local affiliated companies are more egalitarian. For example, it is not easy for headquarters to make subsidiaries respect for human rights just by power or authority. This is difference in cultures.
- How can we either overcome or leverage 'not standing out' group mentality in Japanese business?
- One of the behavioural characteristics of Japanese people is to comply with policies or certain attitudes as social norms, which may be never being documented before. The lack of documented corporate policies, i.e. no policy document is available, causes evaluation of Japanese companies tend to be low. But, in Japan there is results-oriented culture, on the other hand. Documentation of corporate policies and procedures are taken for granted in US or European standards, but more importantly what is delivered based on these policies and procedure should be evaluated. Reflecting the result-oriented approach in the corporate evaluation would facilitate better recognition of activities by the Japanese companies.

2.1.3 Level of Awareness : For Implementation

- It is necessary to clarify where responsibility lies, after formulating the human rights policy.
- Collective efforts of entire industry is necessary, otherwise individual business may find this initiative “totally irrelevant to own business”. In addition, the initiative should be led by top companies of the industrial sectors, in order to stimulate and create momentum of activities taking place in individual company.
- Overseas local operation is largely depending on local standards based on conventional wisdom. The question is how many global standards to be incorporated. Introduction of the global standards cannot be done in a single uniform manner, but consideration for the basic human rights is a must.
- Without knowing how investors would use this performance benchmark, business cannot find out how to leverage this tool.
- There are two points to be considered: how to create and foster a sense of benefit for information disclosure; and how to incentivize information disclosure.

2.1.4 Level of Awareness : Others

- Number of employees with good command of English in Japanese companies is limited in general. More attention should be paid for language barrier (hopefully).
- It is important to clearly define difference between what this benchmark intends to achieve and that of GRI and other existing standards and indexes of the human rights issues.

2.1.5 Use in Japan

- Inside a company: this tool (the benchmark) can be serve as a driver when the CSR department promote understanding of human rights and behaviour of respecting human rights to other departments in the company.
- For manufacturing business, it is critical to take a due process to examine labour and employment conditions at local subcontracting companies, as they develop business operation to overseas for OEM or ODM. From supply chain risk management perspective, this tool will be useful as de facto standard.
- Corporate actions on the human rights issues will proceed through the establishment of the performance benchmark, as CDP was recognized as a driver of business after information disclosure became a norm of the corporate practice.
- Incorporating the performance benchmark into the human rights factor assessment for ESG investment, such as Japanese corporate pension fund.
- Establishing the performance benchmark will be meaningful if business can recognize level of own CSR activities and what is still need to be enhanced in the light of global standard.
- If the result of the performance benchmark is published widely and referable by other research organizations that save efforts and hours of companies to respond to large volume of survey questioners, then it will be beneficial and reasonable for both investors and companies.

2.2 [Development Process & Relevant Stakeholders] How would Japanese companies and investors wish to be engaged as the project develops? Who else should be engaged to make it successful in Japan?

2.2.1 Development Process

- Japanese business should be actively engaged in developing process of the benchmark. Once fallen behind, it may pose huge challenges to catch up to the business. It is critical to be involved from the beginning and jointly develop the benchmark based on consensus (common understandings).
- Japanese business should be involved from initial discussions of the development process that will create opportunities for reflecting Japan's perspective, before a final draft of the benchmark is created based on fully Western concepts. Also this kind of formal consultation should be conducted in China, Korea and other Asian countries. Officers from international organizations and government offices can be also invited to the consultation, however perhaps business and NGO had better take initiative of the development for time efficiency.

2.2.2 Relevant Stakeholders

- 'How to obtain endorsement from leading SMEs' should be considered.
- Taking advantage of external pressure, such as laws and regulations, would be effective to obtain endorsement from Corporate Executives and carry forward.
- Government initiative is important. Even without laws/regulation, these guidance and policies have binding impacts to the business.
- Industry initiative is also a key, because it will provides an opportunity to incorporate questions about the human rights issues in questionnaires conducted by Keidanren (Japan Federation of Economic Organizations) or other business-related organizations, or to include the human rights issues as key components, when information service companies provide information to investors.

2.3 [Japan Specific Standard] What elements of particular Japanese culture might be included?

- Excessive work and stress death as a result are peculiar situations in Japan, but reality is never obvious. Likewise, the further you go along a supply chain, such as subcontractor beyond 2nd or 3rd tier, it become less obvious what is happening in reality. A new standard should be able to capture such unclear reality as a form of forced labour.

2.4 [Disclosure of Critical Human Rights Factors] Which areas of human rights disclosure are most important?

- Important human rights related areas vary depending on industry and geographical location of business operations. Forced labour and work-life balance can be identified as common target areas across industries in Japan. When we consider forced labour,

working long hours, and work-life balance, perspectives of both genders should be reflected, not only women's.

- Priority issues may differ among sectors, so that how to identify the priority issues by sector is critical. It may be helpful to have an approach that can capture both 'common' as well as sector 'specific' issues, like GRI and Sector Supplement.

2.5 Evaluation Methodology and Others

- It is not realistic to establish a single standard serving for all, since needs and expectations of stakeholders, investors, citizens and business are different. Therefore, the benchmarking should be indexes of process, rather than that of achievement. To the index presenting achievement, level of interest of the stakeholders will be diverse; while the index of process will be meaningful for all the stakeholders and motivating both companies and investors. In addition, if the indexes can draw goals and visions of the companies, namely how they should be in 10 years or 20 years ahead, such information is valuable for the investors as well as initiative of corporate governance reform. For example, what is important for the index is to show a direction taken by a company regarding the equal employment opportunity for men and women, not a number of female employee.
- Calculation methods need to be discussed, in order to capture what is originally intended by the benchmark indexes. What number should be used for denominator of the calculation is especially critical.

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