

Human Rights Risk Report  
 -Human Rights Due Diligence Programme

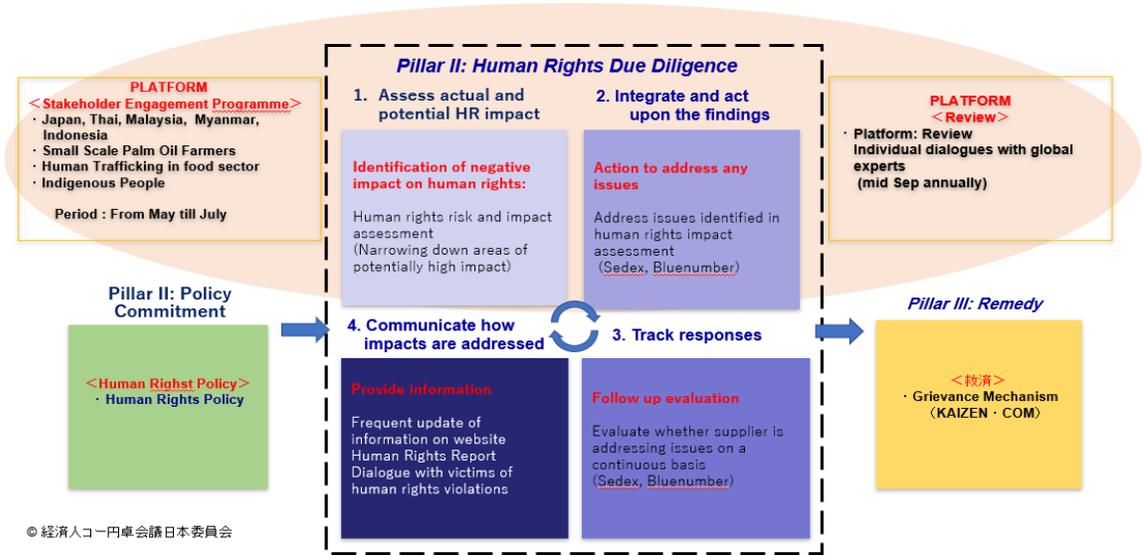
Caux Round Table (CRT) Japan developed the following unique methodology in 2012 and has been using it to assist companies in fulfilling their responsibilities of 'respect' and 'remedy', as required in the UN Guiding Principles for Business and Human Rights (UNGPs).

The UNGPs establish that all companies have the responsibility to respect human rights, and state that companies should conduct 'human rights due diligence' as a means to identify, prevent, mitigate, and account for any potential and actual negative impact on human rights their business activities may have.

**I . Human Rights Due Diligence – the CRT Japan Approach**

CRT believes that effective human rights due diligence requires a simple and transparent procedural framework, and has designed the following methodology for that purpose:

**Framework and Platform for Individual Companies**  
 Human Rights Due Diligence Process, based on the UNGPs



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We created the above 'framework' for companies to use on an individual basis, whereas the 'platforms' enable companies to work together, with NGOs and with other actors.

■ **Responsibility=Response+Ability** (The ability – not the obligation - to respond)

The most important element of human rights due diligence is ensuring a 'responsible supply chain'. Though we often think of the word 'responsibility' as implying an obligation, the Latin origin of the word is a combination of the words 'response' and 'ability'. In the context of human rights due diligence, it would be impossible to fulfill all stakeholder requests – what the word 'responsibility' implies is a sincere effort at explaining, in an open and transparent manner, exactly how far the company is able to go. It is this transparency that leads to a relationship of mutual trust.

■ **Implementing the UNGPs: platforms and frameworks**

In implementing the UNGPs, it is important for companies to utilise to the fullest extent both 'platforms', which enable working together with other companies and stakeholders, as well as 'frameworks', which are designed for individual implementation.

**1. Platforms:**

- Stakeholder Engagement Programme (May – Jul. 2018)  
Japan, Thailand, Malaysia, Myanmar, Indonesia
- Review sessions with experts (12 Sept. 2018)  
International Conference on Business and Human Rights (Tokyo)

**2. Frameworks (tailored for individual companies)**

- Pillar II Human Rights Policy
- Pillar II Human Rights Due Diligence : Identification of priority issues and potential negative impacts
- Pillar III Remedy : Grievance mechanism (KAIZEN-COM)

This paper will focus on Pillar II of frameworks tailored for individual companies – human rights due diligence and human rights policies.

## II. Framework for individual companies: human rights due diligence program (HRDD)

### 1. Basic principles

#### 1-1. Respect and remedy

It is extremely difficult for companies with wide ranging global operations to grasp and manage every potential human rights risk they might face. However, together with third parties, companies can identify the risks with the largest potential negative human rights impact, and take concrete actions to address and mitigate those risks, thereby assuring other stakeholders of their integrity in dealing with human rights. Furthermore, through dealing sincerely with any human rights issues that may arise and strengthening their capacity in this regard, companies can build a relationship of trust with stakeholders, and can be recognized as having a 'social license'.

In order to obtain such recognition, companies must take measures in the areas of 'respect' and 'remedy', as stated in the UNGPs. CRT Japan has learned from its years of experience in this field that the following points are necessary in this regard:

- Respect: companies should forge partnerships with third parties, and be proactive in identifying potential human rights issues and taking measures to reduce any negative impacts. Companies must always be 'ahead of the curve'.
- Remedy: even when companies take steps to ensure respect for human rights, human rights problems may still occur, especially in areas of operation that had not been focused on in the initial due diligence process. Dealing with such unforeseen issues is also vital – companies must 'follow the curve'.

#### a. Respect (being 'ahead of the curve'): identifying the largest negative impact

Through a meaningful and sincere application of HRDD, companies are expected to take measures to address human rights issues not only in their own company or company group, but throughout their supply chain.

This is the 'respect' concept in the UNGPs. Companies that engage in HRDD out of their own accord can be said to be 'ahead of the curve', in that they are taking preventative measures before problems arise.

#### b. Remedy ('following the curve') :taking measures when human rights issues do arise

When human rights issues arise in areas that had not been focused on through HRDD, companies are still expected to take measures. In other words, even after having taken preventive steps, they still must ‘follow the curve’ when the situation necessitates. Companies should identify any potential human rights violations that could have an impact on society and work in partnership with stakeholders towards solutions, ensuring their legitimacy through seriousness and sincerity.

**2. HRDD: an overview**

Below are some episodes from companies who took part in CRT Japan’s HRDD programme:

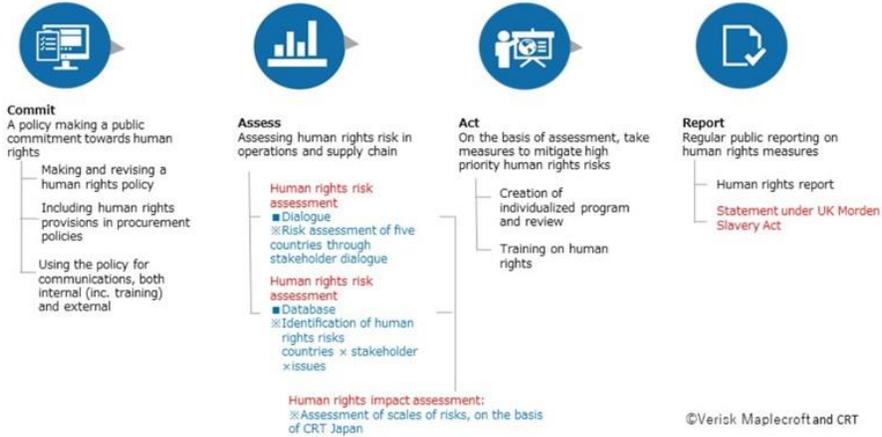
- Visualize
 

‘The risk assessment based approach allowed us to have a much better grasp of where the potential human rights risks were, throughout our company’s entire value chain and supply chain.’
- Identify its person or people
 

‘Since we identified concrete potential human rights problems – including where and who was at risk – we were able to create KPIs for steps our company should take, making it much easier to get commitment from senior management.’
- Not qualitative but quantitative
 

‘Quantifying human rights risks enabled us to form concrete objectives, in turn making it easier for us to promote the issues beyond just the CSR and procurement departments. We’ve been able to forge a company wide approach towards the UNGPs.’

Human Rights Due Diligence



## 2-1. Commitment (human rights policy)

Strong leadership from the very top of the company is vital for promotion of the UNGPs within the company group and its suppliers. It is also extremely important to give all stakeholders a strong message through the company's human rights policy. Adding human rights based provisions to existing procurement policies is also important. Finally, and perhaps most importantly, thorough inhouse training and education (including, for example, e-learning tools) must be conducted for both managers and staff working at the front lines of business operations.

## 2-2. Risk Assessment and Impact Assessment

These methods are utilized to evaluate human rights risks and potential impacts throughout the company's operations and supply chain.

### a. Risk assessment: countries, stakeholders, and issues

There are two approaches for conducting human rights risk assessments: through direct dialogues with stakeholders at the site of business operations; and through using human rights risk analysis data produced by a specialized research company.

#### • Dialogue

CRT Japan conducts a stakeholder engagement programme (SHE) every year in five countries – Thailand, Malaysia, Indonesia, Myanmar and Japan. Through this programme, which consists of dialogues and workshops, we assist companies in identifying and assessing country specific and sector specific human rights issues.

#### • Database

Given the practical difficulties in covering all areas of operation, we can also provide an assessment of human rights risks, based partially on information compiled in Verisk Maplecroft's databases. This assessment can assist companies in narrowing down the regions of operation where there are potential risks.

#### ★Light version

Objective: identifying high risk countries for business operations and suppliers, as well as the potential risks

Analysis: human rights indicators (four) and countries

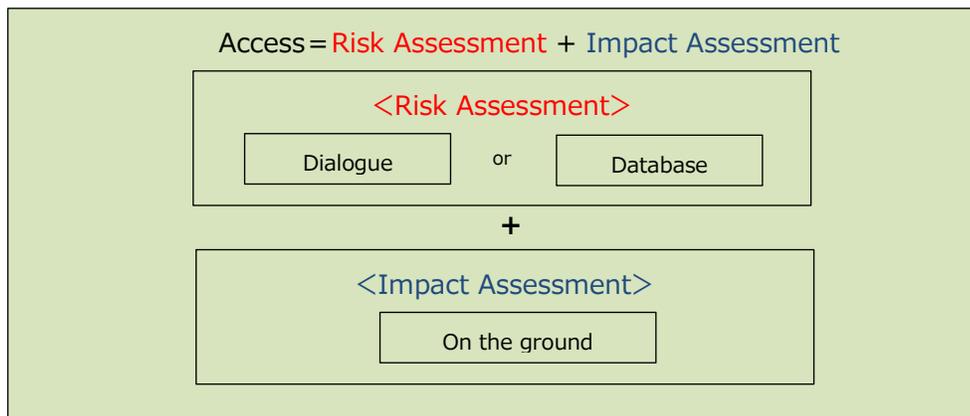
★Standard version

Objective: identifying high risk countries for business operations and suppliers, potential risks, and potential proximity of risks to business operations

Analysis: human rights indicators (to be chosen from 33), countries, sectors and/or commodities (four)

b. Impact assessment: assessing the potential impact through interviews

CRT Japan staff will conduct direct, on the ground interviews of workers and staff to ascertain what sort of human rights violations could take place in the regions identified in the risk assessment. This will enable us to assist in formulating KPIs and action plans aimed at addressing any human rights issues.



2-3. Act

The above assessments will enable companies to identify in concrete terms who and where human rights violations could take place, allowing concrete measures for the mitigation of risks.

- a. Through the implementation and regular review of a programme tailored for specific human rights issues, companies will be able to ensure they address those issues effectively.
- b. Training and education on human rights (e-learning tools, workshops, etc.)

2-4. Report

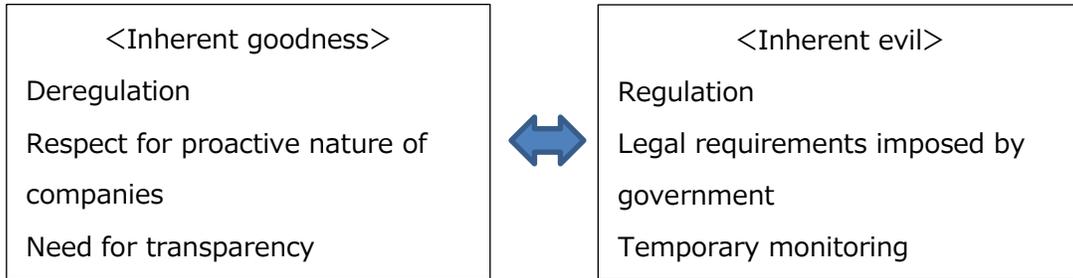
Companies should publish regular reports on human rights measures.

- a. Human rights reports

b. Statements under UK Modern Slavery Act

**III. Inherent goodness vs inherent evil**

CRT Japan believes that creating an environment where companies can proactively implement the UNGPs is far more effective than imposing stringent regulations. Before considering additional legal or other obligations, we should give companies the chance to perform. Only if progress is inadequate should there be a discussion on the need for government intervention.



On the basis of trust in the inherent goodness of mankind, the following points can be made:

1. Process rather than results

After identifying human rights issues through the HRDD process, companies should be open and transparent about the challenges they face and the measures they take in addressing the human rights issues. This transparency will enable companies to build a relationship of trust with stakeholders.

Stakeholders should not be simply provided with an 'after the fact' report. Rather, companies should show them their seriousness and sincerity through being open with them throughout the process. Regular public reporting on human rights measures is particularly important for creating and maintaining strong relationships with institutional investors concerned with ESG issues and NGOs. Such transparency efforts are often valued as 'quality relationships' by ESG institutional investors.

2. Respect and remedy

In accordance with the UNGPs, how far must companies go in predicting and preventing human rights issues? How far must companies go in providing remedies when human rights violations do take place?

■ Respect: Companies should, through the HRDD process, prioritise the potential human rights issues they face, and use their resources to address those priority issues. These measures should be taken in partnership with stakeholders, with timely and regular public reporting.

■ Remedy:

Grievance mechanisms can provide early warnings of any human rights issues, as well as opportunities to forge relationships with stakeholders. Companies should create mechanisms that ensure access for all potentially affected persons, and that ensure that any grievances reach decision makers within the management structure. In addition, grievance mechanisms should be operated in a transparent manner, with regular reporting on progress.

### 3. Profit < Return

We believe that companies can receive high praise from stakeholders and achieve sustainable growth, through conducting business in accordance with the UNGPs. We are convinced that, through returning their profits back to society – ‘return not profit’ - companies can fulfill their social responsibility, contribute to sustainable economic growth, and maintain their business operations in the long-term. By proactively adopting and implementing the UNGPs, companies will create a business model linked even stronger to society and create even greater market value together with stakeholders.

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