



Sep, 18th, 2014

2014 CSR and Risk Management Conference

***Day One, Sep 4th Exclusive Session and Open Session
@Tokyo Conference Center Shinagawa***

- ***Introduction***

On 4th and 5th September, 2014 in Tokyo, Caux Round Table Japan and UN Working Group on the issues of Human Rights and Transnational Corporations and Other Business Enterprises jointly held the “Conference on CSR and Risk Management”, following the previous conferences in 2013. On 4th, 47 participants in total took part in Exclusive Workshop Session in the morning, and learned the importance of taking “business and human rights” as CSR risk management and developing measures quickly to prevent human rights risks. In Open Workshop Session in the afternoon, leaders in the field of global CSR introduced their up-to-date activities to 77 participants.

- ***Opening Remarks***

Puvan Selvanathan, a member of the UN Working Group on the Issue of Human Rights and Transnational Corporation and Other Businesses, highlighted the meeting in Azerbaijan whose objective was to support efforts of the Government, business enterprises and other stakeholders to prevent and protect human rights. The working Group would present its final reports and recommendations to the Human Rights Council in 2015. He expressed his expectation that the exclusive session would help companies to understand how they can fulfill due diligence responsibilities to respect human rights.

- ***Exclusive Session***

Roger D. Branigin, Risk consultant, Co-Founder of the private consulting firm **Acuity Human Rights Advisors**, and Executive Director of the **Global Corporate Community of Practice**, introduced several methods that firms might use to bring their business goals and human rights responsibilities into closer alignment, including the application of accepted risk management practices to identify, prioritize, and measure their human rights impacts.

He delivered his presentation entitled “The Unfinished Business of Human Rights”. At first, he presented brief history of international efforts to regulate corporate human rights conduct, origins and causes of the current corporate accountability gap and basic risk management tools.

Then, the groups conducted a hypothetical case study of a company facing human rights risks in supply chain to consider what actual and potential risks could be identified and what measures could be taken to prevent and mitigate those risks with available tools. The preventing and mitigating measures that the groups presented contained the unique attributes of Japanese corporate culture and tradition in how they



dealt with a supplier. One was that the Japanese supplier-partnering relationship, which is to work together with suppliers to aim for continuous improvement. The other was self-reflection, which is to re-examine and correct their corporate policies and activities to suppliers. The best gain of this workshop was that the participants could sort out the problems in a structured way and acknowledge them through these processes. At the end, Roger stressed the importance of building human rights due diligence process that identifies, measures and analyzes relevant risks with tools and methods, engages in a multi-stakeholder dialogue and integrates them into strategic planning and decision-making.

- ***Open Session***

In the Open Session in the afternoon, initiator from leading global organizations in the field of business and human rights presented their recent activities.

John Morrison, Executive Director, Institute for Human Rights and Business, brought up the four important points with respect to human rights due diligence process: knowledge on human rights risks, effectiveness of risk mitigation management, a degree of transparency when disclosing information, and ways of establishing an “access to remedy” mechanism. He also mentioned that companies are required to respect human rights, obtain consent from their stakeholders, and implement risk mitigation management.

Cathrine Bloch Polusen-Hansen, Adviser, The Danish Institute for Human Rights(DIHR) presented the active involvement of DIHR in private sector through research and tools for protection and promotion of human rights worldwide. She delivered key messages for business as followed: know your operations and their impacts; act early; ensure common understanding/expectations within all the workers; and engage openly with interested stakeholder (including in rights-holders).

Christopher Schuller, Legal Adviser, German Institute for Human Rights (GIHR) gave the presentation titled, “Implementing the UNGPs in Germany”. He highlighted that the development of a National Action Plan (NAP) on business and human rights is led by foreign and trade ministries, and moderated by GIHR and key industry associations. Also, implications of this NAP would be for not only domestic German economy, but also foreign trade, foreign suppliers and subsidiaries abroad in Asia. At the end, he mentioned that GIHR would continue to facilitate human rights in business to increase the competitiveness of Germany economy and corporations by helping the development of NAP.

Amol Mehra, Director, International Corporate Accountability Roundtable, addressed several important points: companies are increasingly being demanded to show respect for human rights; laws and policies are making such respect mandatory, there are risks such as lose of consumer confidence, reputational risk, liability, employee morale; and there are opportunities to do “good” business which increase consumer preference, reputational gains, employee morale and market response.



Roger D. Branigin, Executive Director, The Global Corporate Community of Practice. Principal(GCOP), Acuity Human Rights Advisors, explained that GCOP is to share and develop good practices in human rights due diligence for the private sector in a safe space by using or adapting established methods, tools and internal controls of risk management. In addition, he mentioned the benefits of risk management, which are offering a common language for business and human rights practitioners, integrating human rights into other management functions, having capacity to predict problems and reveal hidden relationships and providing evidence-based accountability to measure progress.

• Panel Discussion

Following panel discussion focused on the precautions to be taken at implementing UNGPs in Asia. In situations where there are weak governance and rule of law, companies are always exposed to unpredictable human rights risks. Thus, in this context, the panel stressed the importance of developing risk-prevention measures more than risk-mitigation measures. To do so, it is important to understand and capture human rights related challenges on the ground through having a dialogue with “right” stakeholders and creating a more effective grievance mechanism. These initiatives can lead to enhanced sensibility on critical issues, reduced risks and gained accountability from external stakeholders; thus, companies can develop better risk-prevention measures.

• Presentation by CRT Japan

After the panel discussion, Hiroshi Ishida Executive Director of CRT-Japan introduced a “Restorative” approach to business and human rights, and activities of CRT-Japan. He expressed his concerns on whether tightening regulations over corporate activities would narrow down the options available to companies for tackling underlying human rights issues. Thus, he stressed the need of a new “Restorative” approach, rather than “Retributive”, which different parties collaborate with understanding and respect for differences in opinions and cultures. He introduced “Sustainable Navigation” tailored by CRT-Japan to support companies in their efforts to implement human rights due diligence process in a restorative way, and an developing framework of grievance mechanism.

Miho Okada, Director of CRT Japan, presented a developing plan on the third-version of “Human Rights Issues by Sector” with the objective to raise awareness of relation between business and human rights through continuous discussion on human rights issues with multi-stakeholders.

• Closing Remarks

Vesselin Popovski, Senior Academic Programme Officer, Institute for Sustainability and Peace at the United Nations University in Tokyo delivered closing remarks mentioning the importance of conceptualizing human rights in the local context, gaining local knowledge through a stakeholder dialogue, committing to implement human rights due diligence, enhancing quality of business for a long term and creating an effective “access to remedy” mechanism.



**Day Two, Sep 5th Open Session, Workshop
@Kwansei Gakuin University Tokyo Matunouchi Campus**

• **Opening Remarks**

Hiroshi Ishida, Executive Director of CRT-Japan, gave his opening remarks as followed:

“Business and human rights involves many different themes and aspects. With which theme should company start their initiatives? Although priority could be different between companies, labour issues could be related to all the companies despite their difference in business activities and operational boundary. As is posing a great challenge to the dignity of human, all the stakeholders should work together for fighting against violation of labour rights, especially against the issues of child labour and forced labour.

In addition to these common issues, some new perspectives should also be considered. In today's society, it should not be ignored that the issues of water, food, and energy, which have often been dealt with as an environmental issue, also involve human rights with a rapid increase in world population. Moreover, there is a growing demand for consideration for human rights and sustainability at a mega-sporting event, such as the Olympics Games and FIFA World Cup. As Tokyo will host the 2020 Olympic and Paralympic Games, companies will face increasing pressure to give consideration to human rights and sustainability in their procurement activities.

In this workshop, these 4 themes, Children's Rights, Forced Labour, Mega-Sporting Events and Human Rights, and Water, Energy, and Food Security Nexus will be discussed with the presentations of experts, NGO/NPOs, and companies” through the process of human rights due diligence.

• **Session 1: Children's Rights**

In the session of Children's Rights, the presentation introduced principles and actual data related to children's rights, practical tools allowing companies to identify children's rights issues, and ways of how NGO/NPOs and companies tackle them. Based on these inputs, participants discussed challenges and meaning of protecting children's rights for companies.

Kevin Grankin, Chief Operating Officer, Maplecroft, was absent at the conference due to his inconvenience. On behalf of Maplecroft, Miho Okada, Director of CRT-Japan, introduced Maplecroft as the world's leading global risk analytics, research and strategic forecasting company. Its work includes “Maplecroft's Human Rights Risk Atlas” tailored to allow companies to assess, quantify and compare human rights risk across all countries with scorecards of each country and maps for each theme, and “Human Rights Due Diligence Dashboard” that has been taken up by multinational companies to identify and manage those areas of their value chain where the risk of human rights violation is highest. She expressed her expectations that Japanese companies could undertake their own evaluation of country-level risks to identify geographic areas/stakeholders impacting their businesses.

Carmel Giblin, Chief Executive Officer, Sedex, gave a presentation entitled “how suppliers comply with child labor standards”. She emphasized that child labor is of great

concern in supply chains, and it is important for companies to take measures that obviate the risk related to child labor forefront.

Yumiko Horie, Advocacy Manager, Save the Children, gave the presentation covered the historical background and context of “Children’s Rights and Business Principles”. She explained that in order to address children rights more explicitly, UNICEF, the UN Global Compact and Save the Children jointly developed “Children’s Rights and Business Principles” in 2012. “Children’s Rights and Business Principles” encourage companies to incorporate them into a wide range of corporate activities in the workplace, marketplace and community to protect, respect and facilitate children’s rights. She also mentioned that companies committed to supporting children’s rights are to be more sustainable in the long term, and Save the Children can help businesses become more child-friendly and sustainable, using “Children’s Rights and Business Principles” as a framework.

Yuka Iwatsuki, President, ACE, presented a statistical data on child labor and the need of taking both a supply-side approach and a demand-side approach in order to eradicate child labor. Currently, ACE launches projects to help build a sustained local community at the supply side as well as programs to stimulate and disseminate ethical business and consuming practices in Japan at the demand side. Besides, she introduced the view that companies can address the child labor issue from the three perspectives of sustainability, CSR and risk management. Also, several recent cases of ACR’s work collaborated with business to solve child labor were introduced such as “One Chocolate for One Smile” campaign with Morinaga & Company, and a CSR review of Lee Japan and a joint host of “Ethical Fashion College” with Lee Japan.

Lilian Tseng, Manager, ASICS Corporation, presented ASICS’s approaches to preventing hiring child labor. She elaborated on recruitment procedure taken at a factory by using a flow chart, and some measures taken to prevent employing child labor. For instance, verifying the age of applicants by official documents and maintaining comprehends records indicating the age at which each worker was employed, and factory to pay for schooling if workers below legal age for education and to continue paying wage during education if child labour found in the factory. She emphasized that ASICS expects all its business partners to adhere to ASICS’s governing requirements and promote improvements together at the workplace.

Teresa Fogelberg, Deputy Chief Executive, Global Reporting Initiative by Video Message, noted that it is the right way for businesses to take CSR as risk management, incorporate business and human rights into their due diligence processes, and share their progress in reports as a means of communication. And, the European Parliament adopted the directive on July 2014, mandating large companies, including Japanese companies, to disclose combined information on business strategies and CSR (business and human rights). This will enter into force after 2016. In response to this, UNICEF and GRI jointly developed “Children Right in Sustainability Reporting” with respect to children’s rights that UNGP is highly concerned of. GRI G4 mentions indicator of child labor in G4-HR5.



• Session 2: Forced Labor

In this session, actual data and situation related to forced labour, its relevance to Japanese companies, and some initiatives and measures carried out by global companies were introduced. Based on these inputs, participants discussed challenges in identifying and addressed the issues of forced labour, as well as meaning for companies.

Carmel Giblin, Chief Executive Officer, Sedex, mentioned that contemporary forced labor is an extremely complex labour rights violation that can take many forms. It was suggested that companies should map their supply chains to identify places of vulnerable workers for risk management, assess hiring practices of labour brokers and offer education programs to labour brokers with whom they do business, to ensure that brokers do not contribute to forced labor.

Kenichi Kumagai, The Japan Association for Advancement of ILO Activities, delivered a presentation entitled "Abolition of Forced Labor". He presented definition, trends and statistics of forced labor, as well as ILO's policies and measures. Next, he introduced policies and measures in Japan implemented based on the Japan's Constitution that prohibits forced labor. Forced labor was disappeared from major domestic businesses by efforts of central and local governments, trade unions, NPO/NGOs, etc. However, he stressed the point that forced labor in Japan still exists in black businesses, in foreign workers in "skill training systems", and in global supply chains.

Lydia Long, Senior Programs Director, Verité and Daryll Delgado, Program Manager for Research and Stakeholder Engagement, Verité Southeast Asia, highlighted key findings drawn from recent Verité research on the relevance of brokers, migrant workers and forced labor, indicating that the high numbers of migrant workers systemically remain to be enslaved in a variety of sectors and locales across the globe. They pointed out that companies are at high risk of being implicated in a human rights abuse, given the high numbers of abused migrant workers at factories that supply to or are owned by American, Japanese, Korean and other companies. Verité provides companies with a variety of services to protect against abuse and recognize and promote good labor practices such as "Fair Hiring Toolkit" that offers tools, guidance, and approaches to support the responsible recruitment of migrant workers in global supply chains and "Conducting Interviews with Labor Brokers" tool designed to help brands and social auditors to improve their own audit protocols by expanding the audit interview process.

Teresa Fogelberg, Deputy Chief Executive, Global Reporting Initiative by Video Message, expressed her expectations that companies address the issue of forced labor in risk management, business strategies, and in particular supply chains. GRI pays great attention on how each company uses indicators and discloses information. She appreciated this conference for bringing up this unsolved point to be discussed at this section. GRI G4 mentions indicator of forced labour in G4-HR6.

Question and Answering

The question was asked as follows: what factors make it difficult to solve forced labour,

though regular audits are conducted by companies? Darrly from Verité responded that an audit is necessary, yet not an adequate approach in solving the issue of forced labour for various reasons. The credibility of the provided documents by suppliers is always of real concern. In addition, in the process of worker interviews, suppliers may deceive auditors with the circumstances of interviews. Thus, companies need to review their auditing policies and procedures to ensure that they understand the real situations on the ground and the risks associated with them, and make improvements where necessary.

- **Session 3: Mega-sporting event and Human Rights**

In the session of Mega-sporting Event and Human Rights, a leading expert in the field explained the relevance of the issue to companies. This was followed by a company's presentation of their activities. Based on these inputs, the way in which the UNGPs could be used at a mega-sporting event, as well as risks and opportunities for event organizers and companies will be discussed.

Carmel Giblin, Chief Executive Officer, Sedex, highlighted that the London Organizing Committee of the Olympic Games and Paralympic Games (LOCOG) made it commitment to hosting a "Sustainable Game" by announcing that it became a member of the Supplier Ethical Trade Audit Data Exchange (SEDEX) of Sedex to achieve a sustainable sourcing. The Sustainable Sourcing Code mandated suppliers and licensees were required to sign up to SEDEX to identify, source and use environmentally and socially responsible practices. She also mentioned that Rio 2016 has entered into a partnership with Sedex to assist with implementation of the responsible sourcing strategy and develop a positive legacy for Brazilian companies.

Motoko Aizawa, Managing Director and Chair of IHRB US Board, Institute for Human Rights and Business, delivered a presentation entitled "Addressing Human Rights Issues in Mega-Sporting Event Supply Chain: Guidance for Due Diligence". She elaborated on key due diligence steps for sponsors, licensees and suppliers which are 1) identifying potential human rights and sustainability issues in the proposed supply chains at the country, sector and factory levels, 2) prioritizing material human rights issues as an input to supplier selection and the terms of engagement and 3) monitoring and reporting of supplier performance including factory identification. As with event organizers, she addressed that they need to explicitly advocate and demonstrate the value of sustainability to create an enabling environment for companies. For instance, they can establish codes of conduct, sustainability sourcing commitments, bidding criteria, collective action platforms that incorporate human rights and sustainability criteria to help level the play field.

John Morrison, Executive Director, Institute for Human Rights and Business, highlighted that at the London 2012 Olympics and Paralympics, they were called upon to take both environmental measures and especially robust social measures to prevent infringements of human rights threatening people's lives. He stressed that it was important for event organizers to understand a process of how they tackle material human rights issues and have multi-stakeholders involved. In addition, he emphasized that companies that use



grievance mechanisms better can gain opportunities to take measures early to prevent risks and enhance the credibility from a society by doing so.

Masahiro Sato, Manager, Global CSR Office, Legal Affairs Department,

Mizuno Corporation, presented a brief history of Mizuno on Human Rights and Olympics. He highlighted that “Play Fair at the Olympics” campaigns by NGOs in the years of 2004 and 2012 are an opportunity for Mizuno to learn necessity of supply chain management. In response to these campaigns, Mizuno took actions as followed: drafting of CSR Procurement Guideline and Code of Conduct for Supplier; discussion and scheduling for CSR Audit; and discussion for establishing a whistle-blowing system for workers. In April 2004 Global CSR Office was established and CSR audit at OEM factories in China and South East Asia kicked off. Mizuno carries out audits to factories on a periodic basis and analyzes outcomes of audits, some of whom were introduced in his presentation. At the end, he emphasized that Mizuno works together with suppliers as an equal partner for facilitating business solutions, the CSR audit should play the role of a medical examination, helping to detect risks and enabling appropriate measures to be taken so as to enhance the soundness of management, and Mizuno discloses information in public and strived to minimize harms to workers when problems are detected.

Teresa Fogelberg, Deputy Chief Executive, Global Reporting Initiative by VIDEO MESSAGE, expressed her concerns that for sports events a significant number of workers are placed at construction sites to build facilities. If problems associated with the environment and labour practices occur on sites, this could give a huge adverse impact on the society. Thus, she pointed out that event organizers should capture pressing issues of local communities quickly through engagement with stakeholders and recognize the nature of problems by reference of GRI. In addition, they are expected to develop reports on Sustainability with reference to G4 Sector Disclosures to local communities.

• Session 4: The Water, Energy and Food Security Nexus

In the session of Water, Energy, Food Security Nexus, a company presented their activity in this area. Based on these inputs, participants discussed risks and opportunities regarding the water, energy, and food security nexus.

Carmel Giblin, Chief Executive Officer, Sedex, stressed the importance of understanding that a less waste of water and energy, including supply chains leads to cost saving.

Masato Taniguchi, Head of Collaboration Nexus Unit and Future Earth Unit, Center for Research Development, Research Institute for Humanity and Nature by VIDEO MESSAGE, highlighted the importance of building a robust understanding on the situation where the intensive demands for water, energy and food make conflicts and tradeoffs between resources and stakeholders; thus emphasized that optimal solutions for these social demands are needed for global sustainability. In addition, he mentioned that the populations that live under natural disasters in Asia and the Pacific face elevated risk and

potential disaster as negative impacts as well as benefit from positive ecological goods and services. To cope with this challenging situation, he introduced a regional project "Human-environmental security in the Asia-Pacific Ring of Fire: water-energy-food nexus" recently launched to maximize human-environmental security (minimize the risk) by choosing policies and management structures that optimize water-energy-food connections in Asia-Pacific region. Themes for this project include conflicts and tradeoffs between geothermal power generation and the hot spring business (water-energy nexus) and run-of-river power generation (water-energy-food nexus).

Takenobu Shiina, General Manager, Environmental Sustainability Strategy Department, Corporate Communication Division, Suntory Holdings Limited, underlined that as Suntory uses a great deal of water for business activities, it recognizes realization of water sustainability as the most important issue that the company takes. In addition, he presented a direction of Eco-Strategy to achieve the following targets toward 2020 which are 1) preserving and regenerating the natural environment and 2) reducing adverse environment impact. One of the activities to be introduced was a "Forest of Natural Water" project, aiming at expanding the area of Natural Water Sanctuaries to 12,000 ha in Japan which leads to improvement of biodiversity and cultivation of soil. He concluded that Suntory considers its responsibility to foster the rich forests and cultivate groundwater as its business uses large amounts of groundwater in every step of the manufacturing process of its product.

- **Summary of the Conference on CSR and Risk Management and Appreciation**

Caux Round Table Japan would like to thank you very much for your cooperation in the Conference on CSR and Risk Management in 2014. The conference was a wondrous success. We truly appreciate those who supported us in many ways for the conference.

Japanese companies face troubles in finding ways of how they tackle business and human rights, and it is the same concern to European and US companies. However, initiators from global CSR organizations who attended this conference highly appreciated efforts of Japanese companies made to take steps further to business and human rights. They were also impressed that the Nippon CSR Consortium for which CRT Japan works in cooperation with other relevant people established an unique platform of multi-stakeholders unlike any other in the world, and discussions on human rights issues by sector and prioritization are taken place in it.

As with "Business and Human Rights", the initiators felt resonated with the "Restorative" view that "Business and Human Rights" largely reflected by Western ideas need to consider more elements of local Asian values.

However, they mentioned key important points regarding CSR activities of Japanese companies.



GRI G4 and ISO26000 should be a useful means to facilitate contexts of CSR, and not a goal. Thus, it is important for companies to have a robust understanding of CSR contexts before they use GRI G4 and ISO26000.

Taking risk-prevention measures is more important than taking risk-mitigation measures when problems occur. To do so, companies should develop a grievance mechanism that helps them to capture sign of changes through multi-stakeholders.

Last of all, CRT Japan sincerely hope that all the participants could have the firsthand knowledge on the latest global CSR trends and find orientation for how to tackle business and human rights. Thank you very much. We will greatly appreciate your further guidance and encouragement.

Caux Round Table Japan, Executive Director
Hiroshi Ishida