

November 26, 2014
Nippon CSR Consortium

Draft Version for Public Consultation
November 26, 2014 - January 23, 2015

Nippon CSR Consortium, Human Rights Due Diligence Workshop (Tokyo, Japan)
Invitation to Comment on “Human Rights Issues by Sector v.3 (draft)”

Human rights are one of the core CSR topics that have sparked discussions and activities in countries such as Japan over recent years. 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 rights experts in academia.

The results of discussions held between July to September 2014 are summarized in the draft “Human Rights Issues by Sector v.3 (draft)” document and are hereby disclosed for public consultation.

1. Subject

Human Rights Issues by Sector v.3 (draft)

2. Access to the document

The document is available via the CRT Japan website (will be uploaded on December 1st, 2014)

http://www.crt-japan.jp/EN/files/human_rights_due_diligence/intro.html

3. Application

(1) Consultation Period

Wednesday, November 26, 2014 to Friday, January 23, 2015 (Japan Time)

(2) Submission Address

Please send your comments to CRT Japan’s Nippon CSR Consortium secretariat, by e-mail (info@crt-japan.jp) as an attached document in Word format. Please kindly be advised that we are unable to accept comments through other methods (such as by telephone, fax, or post), nor are we able to accept anonymous submissions.

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(3) Application Procedure

Address to: Secretariat of the Nippon CSR Consortium (in CRT Japan)

Subject: Comment on “Human Rights Issues by Sector v.3 (draft)”

Organization/Affiliation and Name: (Department, Name)

Address, Telephone & Fax Number:

(4) Comments:

We invite public comments on the following questions. In the description of your comments, please specify the industry sector, page number, and concrete issue that your comment addresses. Depending on your needs, please enter your comments on the Public Comments sheet (Appendix 3).

1. Please freely respond with any comments on the whole “Human Rights Issues by Sector v.3 (draft)” document
2. With respect to the Interconnections Map among global risks which is set out in *Global Risks 2014, Ninth Edition* published by the World Economic Forum in 2014 (hereafter, WEF Global Risks), related human rights issues and business activities (Appendix 1):
 - (a) Would you consider that the three WEF Global Risks selected by each sector have the most significant impact on that sector? Please see the *Global Risks 2014, Ninth Edition*¹ for the 31 risks and page 7 of this document for the 16 WEF Global Risks which were selected by the secretariat (CRT Japan).
 - (b) Should a specific issue from within these perspectives be added to the Interconnections Map?
 - (c) Please add any other comments you have regarding the map.
3. Is there any important issue that should be added to or removed from the "Human Rights Issues by Sector v.2" developed last year (Appendix 2)?
4. The final report is scheduled for publication in March 2015. What kind of format and/or procedure do you consider would be most appropriate for finalizing the report?

(5) Submission and Inquiry

Secretariat of Nippon CSR Consortium (in CRT Japan Office)

E-mail: info@crt-japan.jp

¹ World Economic Forum (2014) *Global Risks, Ninth Edition*. Available at: http://www3.weforum.org/docs/WEF_GlobalRisks_Report_2014.pdf (Accessed: November 26th, 2014).

4. Management and Handling of Comments

The comments on the draft submitted to the Nippon CSR Consortium will be used for the future reference of participants in the discussions. Unfortunately we are unable to respond to individual comments. All the comments, personal names and/or corporate and organizational names submitted will be disclosed on the CRT Japan website, however addresses, telephone and fax numbers, and addresses of the commenter's will not be published. If the comments include private information, by which a particular individual can be identified, or any information deemed to damage a property right of an individual person or a corporation, pertinent sections of the text will be deleted at the time of publication.



Hiroshi Ishida
Executive Director, Caux Round Table Japan

Table of Content

| | |
|---------------------------------------------------------------------------------------------------------------------------------|----|
| 1. Preface..... | 5 |
| 1-1. Purpose of the Human Rights Due Diligence Workshop | 5 |
| 1-2. Workshop for Identifying Human Rights Issues..... | 6 |
| 1-3. Procedure of Workshop in 2014..... | 7 |
| 1-4. Some Points for Consideration | 9 |
| | |
| 2. Points for collecting Public Comments | 10 |
| 2-1. Free comments | 10 |
| 2-2. The Interconnections Map among WEF Global Risks, related human rights issues and business activities (Appendix 1) | 10 |
| 2-3. "Human Rights Issues by Sector v.2" developed last year (Appendix 2)..... | 13 |
| 2-4. Appropriate format and/or procedure for the final report | 13 |
| | |
| 3. CRT Japan's viewpoint as the Secretariat of Nippon CSR Consortium..... | 14 |

Appendix

Appendix 1: the Interconnections Map among WEF Global Risks, related human rights issues and business activities

Appendix 2: "Human Rights Issues by Sector v.2" developed last year

Appendix 3: Public Comments Sheet (if needed)

Appendix 4: List of Participants in Human Rights Due Diligence Workshop 2014

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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 fields 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, in 2013 the 35 participants were from 15 companies and 12 organizations, and in 2014 the 68 participants were from 34 companies, 17 organizations and others.

There are some underlying factors that contributed to the establishment of the consortium. Companies sometimes struggle to address diverse human rights issues with limited budgets and resources. Therefore, even once a year, it is useful for them 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 *at industry levels* in (1) identifying and assessing any actual or potentially adverse human rights impacts as defined in the UN Guiding Principles², which are connected to their activities (1) *at company levels*, and (2) integrating and acting upon the findings, (3) tracking responses, and (4) communicating how impacts are addressed to the affected stakeholders. We hope participants' companies can use the knowledge acquired at this workshop to support their human rights due diligence activities at each company.

The 'Human Rights Issue by Sector v.3 (draft)' represents an outcome of the discussions that began in July and ended in September 2014, and is hereby opened for public consultation. We would appreciate candid comments on the draft from stakeholders. The final report will be issued in March 2015.

² Human Rights Council (2011) *Report of the Special Representative of the Secretary-General on the issue 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 26th, 2014).

1-2. Workshop for 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.

In the 2012 Human Rights Due Diligence Workshop, important human rights issues by sector were identified through dialogue with the participants based on identifying the human rights issues and expectations relevant to business in UNEP FI Human Rights Guidance Tool³ ('Human Rights Guidance Tool'). The final report "Human Rights Issues by Sector (2013)" reflects public comments, was issued on April 3rd, 2013⁴.

In the 2013, we further explored "Human Rights Issues by Sector (2013)" from the perspective of the value chain. Identifying CSR issues throughout related value chains is a practical step for CSR departments to share and address appropriate solutions with relevant departments after the workshop. "Human Rights Issues by Sector (v.2)" was developed and published in March 2014, reflecting the outcome of workshop in 2013 and comments from the 7 organizations and as many individuals as possible.

In the 2014, based on the public comments received in 2013, indicating that "Human rights issues should be understood in the particular context in which they arise", we focused on understanding the context and background of the issues, and based on that, we tried to understand the interconnectivities of global risks, and related human rights (societal and environmental issues) to business. This process is a practical step to understand the reasons of why and how relevant issues are significance to the business activities and clearly understand that social and environmental issues are dynamically interlinked and interconnected.

³ UNEP Finance Initiative (2011) *Human Rights Guidance Tool for the Financial Sector*. Available at: <http://www.unepfi.org/humanrightstoolkit/fundamentals.php> (Accessed: November 26th, 2014).

⁴ Nippon CSR Consortium (2013) *Human Rights Issues by Sector (2013)*, Available at: http://www.crt-japan.jp/files/documents/HR_DD_Final%20report_E.pdf (Accessed: November 26th, 2014).

1-3. Procedure of Workshop in 2014

The workshop consists of the following four steps.

Step1: Understanding the context in which human rights issues arise

- Corporate participants were given a lecture on the particular context in which human rights issues arise by members of NGOs/NPOs, academics and subject experts.

Step2: Understanding the potential adverse human rights impacts that can arise from corporate activities and their interconnections, starting with WEF Global Risks.

- With reference to the *Global Risks 2014 Ninth Edition* published by World Economic Forum in 2014, the Secretariat selected 16 risks with certain high relevance from the 31 risks identified in the report. The selected 16 risks are indicated below. For details of all 31 risks, please refer to *Global Risks 2014 Ninth Edition* (http://www3.weforum.org/docs/WEF_GlobalRisks_Report_2014.pdf).

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental Risks | Societal Risks |
| <ul style="list-style-type: none"> ○ Climate change ○ Extreme weather events ○ Water crises | <ul style="list-style-type: none"> ○ Political and social instability ○ Income disparity ○ Food crises |
| Economic Risks | Geopolitical Risks |
| <ul style="list-style-type: none"> ○ Fiscal crises ○ Unemployment and underemployment ○ Failure of financial mechanism or institution ○ Liquidity crises | <ul style="list-style-type: none"> ○ Global governance failure ○ Interstate conflict ○ State collapse ○ Terrorist attacks ○ Corruption |
| Technological Risks | |
| <ul style="list-style-type: none"> ○ Critical information infrastructure breakdown | |

- Corporate participants selected three risks from 16 WEF risks by industry which may have a significant impact on their industries.
- The participants created a Map that shows the connections among the selected three WEF Global Risks, related human rights (societal and environmental) issues and business activities (hereafter, the Interconnections Map), based on their understanding achieved from lectures by NGO/NPO as reference at Step 1.

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Step3: Integrating perspectives from both corporations and stakeholders

- The participants, NGO/NPO, academic and subject experts exchanged their different views on the contents of the Map to clarify unclear points, and corporate participants received comments from NGO/NPO, academic and subject experts. Based on the comments, the Secretariat finalized the contents of the Interconnections Map. The map and the “Human Rights Issues by Sector v.2” are included in the “Human Rights Issues by Sector v.3 (draft)”.

Step4: Collecting Public Comments and finalizing our report

- The Secretariat will invite public comment on the outcome from the workshop, “Human Rights Issues by Sector v.3 (draft)” from Wednesday, November 26th, 2014 to Friday, January 23rd 2015 (Japan time). The final report will be published in March 2015, reflecting the comments.

1-4. Some Points for Consideration

1-4.a Differing degrees of awareness of human rights issues

The levels of detail in the feedback provided by NGO/NPOs and the expert stakeholders were not consistent across the industry sectors, indicating differing study and priority areas among the experts. Similarly, there were gaps in the level of awareness of human rights issues among the corporate participants, reflecting similar gaps between their degree of understanding and engagement with human rights issues. Each company and sector can be placed in a different situation and the level of scrutiny may differ according to the company's size and sector.

1-4.b Scope of Study and Analysis

The workshop in 2014 and this outcome do not include the following study and analysis.

- We focused on identifying the interconnection of WEF Global Risks, related human rights issues (societal and environmental issues) and business activities based on the understanding of context each issue may have. The number of connections is shown by which of three circle sizes is used in the Interconnections Map; however, the strength of connections is not discussed or in the scope of analysis. Moreover, risk mitigation and adaptation measures are not included in the scope of study.
- The public comment in 2013 indicating that “clarification should be reviewed” is not included in the scope of study as it is not related to the orientation and aim of the workshops. It will be an issue to be discussed next year as necessary.

Others

- Our discussion started on the basis of “Human Rights Issues by Sector (v.2)”, which means that the document is not reviewed by participants this year.

2 Points for collecting Public Comments

We invite public comments on the following four points, 2-1 to 2-4. In the description of your comments, please specify the industry sector, page number, and concrete issue that your comment addresses, and the background and reason for your comments. You may use the Public Comments Sheet (Appendix 3) to submit your comments, if you prefer.

2-1. Free comments

Please freely respond with any comments on the whole “Human Rights Issues by Sector v.3 (draft)” document.

2-2. With respect to the Interconnections Map among WEF Global Risks, human rights issues and business activities (Appendix 1):

- (a) Would you consider that the three WEF Global Risks selected by each sector have the most significant impact on that sector? Please see below for the 16 WEF Global Risks selected by the secretariat (CRT Japan). Please refer to the *Global Risks 2014, Ninth Edition* for further information.

| Sector | WEF Global Risks | | |
|-------------------------------------------|----------------------------------|-----------------------------------------------|-----------------------------------------------|
| Logistics | Extreme weather events | Political and social instability | Critical information infrastructure breakdown |
| Food | Food crises | Income disparity | Climate change |
| Manufacturing | Climate change | Political and social instability | Corruption |
| Apparel | Climate change | Political and social instability | Unemployment and underemployment |
| Information, Communication and Technology | Corruption | Extreme weather events | Critical information infrastructure breakdown |
| Finance | Political and social instability | Failure of financial mechanism or institution | Fiscal crises or Climate change |
| Pharmaceuticals | Climate change | Income disparity | Fiscal crises |
| Chemicals and Construction Materials | Climate change or Water crises | Unemployment and underemployment | Political and social instability |

- (b) The following seven perspectives were highlighted by the NGO/NPO participants and subject experts. Should a specific issue from within these perspectives be added to the Interconnections Map?

Please refer to the [Supplemental explanation of the Map](#) and the [Summary of comments on the highlighted perspectives](#) on page 12-13.

- i. New industry, industrial transformation by new technology or/and new methods
- ii. Comprehensive Children's Rights
- iii. Child prostitution
- iv. Diversity
- v. Energy, nuclear disasters
- vi. Indigenous peoples
- vii. International treaties, foreign regulations, and de facto standards developed by NGO/NPOs and adopted by the wider international community

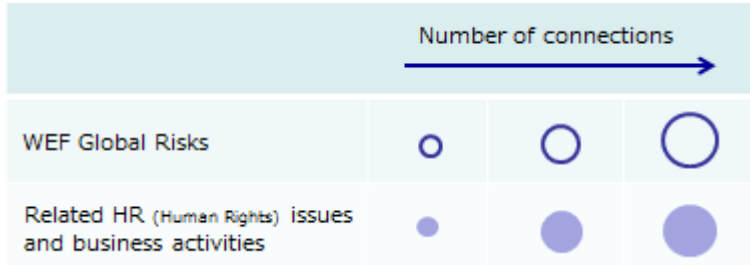
- (c) Please add any other comments you have regarding the map.

2-3. Comments on "Human Rights Issues by Sector. v2" developed in 2013
Is there any important issue that should be corrected, added to and removed from the following "Human Rights Issues by Sector v.2" developed in 2013 (Appendix 2)?
Please specify the industry sector, page number, and concrete issues that your comment addresses.

2-4. Comments on the format and procedure of the final report
The final report is to be published on March 2015. Please provide your comments regarding the format and procedures of the final report.

Supplemental explanation of Map

The size of the circles on the Map shows the number of the inter-connectivity among WEF global risks, human rights issues and business activities.



Summary of comments on the highlighted perspectives

Comments on the highlighted perspectives from NGO/NPOs, academics and subject experts are as follows.

- i. The occurrence of child labour and forced labour results from business demand for cheap labour as well as from community issues such as poverty and income disparity. And, we should pay attention to the view that new industry and industrial transformation through new technology or/and new method (Genetic-modification, etc) may generate a demand for child labour.
- ii. Children’s rights should be comprehensively considered and are not limited to only child labour, as indicated in “Children’s Rights and Business Principles”. The scope of children’s rights includes access to education, impact on children that web contents have in relation with ICT and communication industries, consideration of marketing approaches toward children susceptible to brainwashing, and risks such as environmental damage and disasters on children.
In relation to “Title to land”, the issues of “voluntary relocation – consultation” and “dispute of land ownership over the production areas” are considered as risks. Also, other issues of the human rights violations are deprivation of the means of production, and deprivation of the right to residence for an indigenous community and the community depending on natural resources of the areas for living. It is likely that risks of deprivation of the right to education for children would occur as a result of relocation.
- iii. Companies should recognize that child prostitution is not completely unrelated to them. Reinforcement of laws and regulations on human trafficking (including sexual exploitation and JK-Jyoshi Kousei businesses involving sexual services offered by high school girls), and the development of "an access to remedy" system for victims in Japan are lacked. The poverty rate of children in Japan is at the worst level in the history, indicating that there is an element of correlation between the occurrence of child prostitution and worsening poverty. There are also relationships and interactions

- between businesses and child prostitution.
- iv. The issues of workers cover not only child labour, but also minorities including LGBT people, members of ideological and religious groups, immigrants, refugees, and internally displaced persons. Consideration of diversity is needed.
 - v. There is a lack of a perspective related to energy. Climate change, energy, and political instability are interlinked. For example, political stability cannot be achieved without stable energy policies. And, in respect of energy issues, it is necessary to consider risks of nuclear accidents, particularly in the use of nuclear power.
 - vi. There is an issue of indigenous people.
 - vii. It is necessary for companies to consider how they will be affected by conclusion, ratification and implementation of international treaties. (For example, Arms Trade Treaty will come into force on December 24, 2014. Consideration of how the business world will be affected is needed.)

Some foreign registrations may be developed with focus on points which are not widely recognized in Japanese society. As an example, there is a movement in Australia that attempts to stipulate the rights of indigenous peoples in the Constitution.

In addition, (despite of the involvement of the Government of Japan) there are some cases that de facto standards are applied in the form that does not reflect the intentions of the Government of Japan and the society of Japan. Thus, the business world needs to understand its wide scope of impact and the inter-connectivity of this impact, including unexpected events. For instance, with regard to certification standards, FSC (Forest Stewardship Council) facilitates discussions on "whether it is regarded as illegal logging in the countries where indigenous peoples live, in case that Convention ILO169 is not observed." Although Japan has recognized the Ainu as an indigenous people, it has not ratified the Convention ILO169. Thus, business risks will exist in this regard.

3 CRT Japan's viewpoint as the Secretariat of Nippon CSR Consortium

With respect to the Human Rights Due Diligence Workshop, we have received the following feedback from NGOs/NPOs, academics and subject experts that “the workshop is designed for companies to consider business risks and risk avoidance. Thus, it is philosophically wrong to regard it as human rights due diligence where risks to stakeholders should be taken in consideration”, “NGOs and companies have different perspectives. NGOs are interested in corporate behaviours from the perspective of socially vulnerable and economically disadvantaged people”, and “United Nations Guiding Principles (hereafter UNGPs) are based on the assumption that companies are aggressors and accomplices in the infringement of human rights. Thus, UNGPs are premised on the NGOs/NPOs risk perspective, not on the corporate risk perspective”. In addition, “human rights due diligence aims at not protecting companies, but considering victims of human rights violations”. Furthermore, the other feedback is that “the workshop just provides a place to meet for companies and stakeholders; thus, this is not regarded as stakeholder engagement” and “there is a need to capture any unforeseen risks and opportunities from a wider perspective” and “this is not regarded as human rights due diligence, but can be a trial to set a premise for human rights due diligence.”

CRT Japan, the Secretariat of the Nippon CSR Consortium, recognizes that NGOs and companies take different perspectives, and risks to stakeholders and businesses are different. NGOs are interested in corporate behaviours with consideration for socially vulnerable and economically disadvantaged people, whereas companies consider them in terms of enhancement of the corporate value. However, irresponsible companies will not be able to enhance their corporate value in the long run. Thus, we believe that there is an extremely strong correlation between both risks. It is a starting point of the workshop in this year for participants to focus on the strength of the correlation of the risks, not on differences between the risks.

NGOs and companies are recognizing the correlation yet have not fully delivered concrete collaborative actions to manage risks, respecting human rights. We attribute this to a discrepancy in the recognition of the necessity and urgency of managing risks and human rights issues between companies and NGOs. Thus, if NGOs seek the capacity of companies for problem solving, they need to elaborate on how relevant these issues are to companies, and how they make an impact on corporate value from a corporate perspective. On the other hand, if companies aim at preventing damage to corporate value and enhancing it for the long term, they should identify connection points between themselves and the rights of stakeholders as early as they can, thereby developing a deeper understanding of the perspectives of stakeholders on these connection points. We hope that "the Interconnections Map among WEF Global Risks, related human rights issues and business activities" finalized with an

outcome of public comments will lead companies and NGOs to gain understanding of both perspectives and develop an effective response that creates mutual benefits for companies and societies.

This workshop does not indicate our passive attitude to the WEF Global Risks and related human rights issue; rather it aims to obtain a robust shared understanding of the necessity and urgency for problem solving among companies and NGOs, to promote collaborative action to WEF Global Risks and related human rights issues. The intention of the workshop is not for risk avoidance and the removal of actions that have risks. Rather, we believe that the workshop will build the groundwork for further collaborative action for risk adaptation and mitigation through respecting human rights. This workshop for obtaining a robust shared understanding toward risk countermeasure should be included in the process of human rights due diligence as a key part which determines its significance.

In order for this workshop to truly be the place for the stakeholder engagement for companies and NGOs/NPOs, not merely a place to meet for companies and stakeholders, not only NGOs but companies need to develop their understanding of the other perspectives. The current Map was developed with the intention that the companies can capture the connection points among WEF Global Risks, related human rights issues and business activities. We would highly appreciate any comments including "unexpected situations for companies" which are not shown in the Map from various perspectives.

Your candid comments from NGOs/NPOs, companies, government officials, industrial organisations and consumers will be highly appreciated and reflected within our further activities.

END