

January 10th, 2013
Nippon CSR Consortium

Draft Version for Public Consultation
10th – 30th January 2013

Nippon CSR Consortium, Human Rights Due Diligence Workshop

Invitation to Comment on Human Rights Issues by Sector

The Nippon CSR Consortium, which consists of more than 40 members from companies, NPO/NGOs and academia, welcomes written comments by all interested stakeholders on this draft and on the following questions in particular. In making comments, please be as specific as possible, including identifying the relevant section or example being discussed. Please send comments to info@crt-japan.jp by the closing date of Wednesday 30th January 2013 (Japan Standard Time), with a subject line of “Human Rights Issues by Sector Feedback”. Please also continue to monitor the website for further updates.

- ✓ Does the discussion paper identify the most serious and the most likely impacts and issues that companies in each sector may have regarding human rights?
- ✓ Please advise the major challenges that companies in each sector are facing in respect of human rights. Are there good practices in addressing these human rights challenges that could be built on in developing the forthcoming guidance on corporate responsibility in each sector?
- ✓ What form should the forthcoming guidance, which will be published in March 2013, take in order to add the greatest value in advancing respect for human rights?

Unless expressly requested otherwise, submission of written feedback will be posted on the Caux Round Table Japan’s website <http://crt-japan.jp/> with each commentator’s submitted name and organisational affiliation.

Aim: It is the Nippon CSR Consortium’s intention to produce practical and useful guiding documents for businesses, which is not intended to be legally binding, in order to facilitate implementation of the UN Guiding Principles. While the paper takes particular account of the situation and experiences of Japanese businesses, it aims to be as globally relevant as possible.

Methodology: The draft’s development has been informed by the views of a wide range of

stakeholders, including representatives from companies, NPO/NGOs and academic institutions, as well as other experts. Following the comment period, final versions of the documents will be revised, completed and posted on the Caux Round Table Japan's website in March 2013.



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Caux Round Table

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1. Introduction

1.1. Purpose of the project

The Nippon CSR consortium was established by more than 40 members from companies, NGO/ NPOs, academic institutions, and experts on September 2012, aiming at promoting the integration of human rights into business operations among Japanese companies. Moreover, it also aims at expressing Japanese companies' concerns about human rights, and realising more effective and efficient corporate activities that meet global standards by listening to and communicating with others such as CSR initiatives, business associations, NGO/NPOs, and communities, at home and abroad. (Please refer to Caux Round Table Japan's website <http://crt-japan.jp/> for further information about the Nippon CSR Consortium.)

In order to achieve these goals, the Nippon CSR consortium has been carrying out various activities, including workshops on business and human rights, which have been held several times a month. The activities comprise the following four points: 1. identifying and assessing any actual or potentially adverse human rights impacts such as human rights violations, through corporate activities or as a result of their business relationships, 2. integrating and acting upon the findings, 3. tracking responses, and 4. communicating how impacts are addressed with the affected stakeholders¹. This paper, "Draft Version for Public Consultation: Invitation to Comment on Human Rights Issues by Sector", will be open to the public as the outcome of the first of these points.

Any comments on the draft from related stakeholders would be greatly appreciated. To reflect the comments, the final paper will be issued on March 2013.

1.2. The process for identifying sector-specific human rights issues

The Nippon CSR Consortium is working towards identification of sector-specific human rights issues, using the Human Rights Guidance Tool issued by the UNEP FI in 2011 as reference. The process and details of the discussion that took place are as follows. This summary reflects points made by different speakers during the discussion, but does not imply that all participants endorse all points. Many of the points reported in this summary are statements of opinion and should not necessarily be taken as fact. No remark will be attributed to a specific participant or the organization.

- Worksheet A in which human rights issues possibly relevant to their sectors are listed (Appendix 1) is based on the "Identifying the human rights issues and expectations relevant to business (based

¹ Refer to: Hurights Osaka. 2012. *Bisinesu to Jjinke nikansuru Sidougensoku: kokusairengou 'hogo soncho, kyusai' furemuwakuno jisshino tameni* [PDF] Available at: http://www.hurights.or.jp/japan/img/guiding_principles_digest.pdf. [Accessed January 10th, 2013].

on internationally recognised standards and voluntary initiatives)” in the Guidance Tool issued by the UNEP FI in 2011. It was distributed to the participants.

- Each member examined which issues could have significance to their sectors, and at which point the issues exist in the value chain, and marked ● for them. Moreover, they also discussed which issues are likely to have “no relevance” or “less relevance” and marked ▲ for them in Worksheet A.
- CRT Japan arranged these answers by sector. Then, Worksheet B was created by adding the outcomes of the Worksheet A to UNEP FI Human Rights Issues by Sector.
- Using Worksheet B, the participants discussed a) key sector specific human rights issues, b) potentially significant human rights issues that are not appeared on Worksheet B, and c) the value chain that would be relevant to the key human rights issues at the workshop.
- Representative persons from ten sectors presented the outcomes of their discussion in their group. Academics, experts, and NGOs gave them feedback at the workshop.
- The paper, “Draft Version for Public Consultation: Invitation to Comment on Human Rights Issues by Sector” was written up by adding the comments from academics and experts to the outcomes of the discussion in the workshop. The draft has been translated into English, Chinese, and Spanish and issued for public comments. The public comments period is between January 10th and January 30th 2013.

2. The details of the discussion and the identified key human rights issues by sector

2.1. Manufacturing

The members basically agreed with the contents written on Worksheet B. Some additional points were raised as follows.

- On discrimination: gender discrimination, the need for promoting the appointment of women.
- On child labour: possible risks of using child labour in supply chains that have expanded across Asia
- On freedom of association and collective bargaining: the need for reducing the gap between regular and non-regular workers, union members and non-union members.
- On conflict minerals: the need for adequate consideration of human rights violations related to conflict mineral.
- On consumers: positive commitments to the promotion of responsible marketing.

| Key human rights issues in the manufacturing sector | | | Concrete issues |
|---|--|-----------------------------|--|
| Core operation/ Supply chain | Workplace conditions | Working hours | <ul style="list-style-type: none"> • Working hours of foreign workers at manufacturing sites in Japan and Asian workers in the development unit may not be controlled well. • Unpaid overtime work |
| | | Health and safety | <ul style="list-style-type: none"> • Severe incidents causing death or injury especially within research and development, as well as manufacturing sites. • Long working hours may cause health problems, in particular, mental health problems. • Health and safety issues in the supply chain (e.g. conflict mineral) |
| | Discrimination | During work | <ul style="list-style-type: none"> • Gender inequality in training and promotion (discrimination against female workers). |
| | | Redundancy and dismissal | <ul style="list-style-type: none"> • Foreign workers may possibly be dismissed without due cause. |
| | Child labour | Worst forms of child labour | <ul style="list-style-type: none"> • There may be possible risks in supply chains across the Asian continent. |
| | Forced or compulsory labour | Forced overtime | <ul style="list-style-type: none"> • Foreign technical interns in Japan may be forced to do extra work. |
| | Freedom of association and collective bargaining | — | <ul style="list-style-type: none"> • Possible inequality between regular employees and non-regular employees, and between union members and non-union members. • Possible absence of proper unions as representative of workers despite the existence of the right to collective bargaining |

| | | | |
|------------------------|----------------------------|--|--|
| | | | <ul style="list-style-type: none"> • The rights of workers may not be sufficiently ensured under the union shop system. |
| Community | Resources | Use of natural resources | <ul style="list-style-type: none"> • Abuse and pollution of water and land at factories and sites. |
| | Security | Non-state groups and security payments | <ul style="list-style-type: none"> • Possible diversion of funds to non-state groups during procurement. (e.g. conflict mineral) |
| Society and government | Relations with governments | Relations to states with poor human rights records | <ul style="list-style-type: none"> • Possible diversion of funds to non-state groups during the procurement process. (e.g. conflict mineral) |
| | | Bribery and corruption | <ul style="list-style-type: none"> • Possible risks of bribery and corruption when entering into a contract, as well as of being involved in corrupt practices when receiving orders from government. |
| Consumer | Relations with customers | Health and safety | <ul style="list-style-type: none"> • Making positive impacts on changing consumer behaviours (e.g. conducting responsible marketing). |

What the representative of the group reported:

We basically agreed with Point I-1 (Workplace conditions), though there are likely to be diverse issues concerning this point. As for Point I-2 (Discrimination), although there is no check mark (●) for gender discrimination on the paper, we concluded that Japanese companies should take this point into account, since Japanese companies are less advanced, compared to Western companies, in terms of the appointment of women. The problem is that most companies have such systems, but it is not used properly or effectively. We are not quite sure whether this should be dealt with as a human rights issue or a management issue, but in either case, the gap should be bridged. Next, with regard to Point I-3-k, which is the worst forms of child labour, we changed the check mark from “▲” to “●”, because there seems to be considerable concerns in the supply chain in other Asian countries. No additional comment was given on Point I-4 (Forced or compulsory labour). With respect to Point I-5-q (Freedom to associate and to bargain collectively), the rights to freedom of association and to bargain collectively are ensured at headquarters in Japan, but, even so, there are likely to be considerable disparities between regular workers and irregular workers, as well as between union members and non-union members. We think that it is a weakness of Japanese companies, and therefore we checked a mark “●” for this. Then, on the rest, we basically agreed all, including Point II-1 (Resources) and II-2 (Security) in which conflict minerals are mentioned. However, as for the last point, consumer issues, we would like to check a mark “●”, because it is what Japanese companies, especially we manufacturing companies, have not yet actively committed. We could do more, particularly in research, development and sales, for meeting consumer needs and providing desirable service.

2.2. Chemicals and Pharmaceuticals

The members basically agreed with the contents described on the Worksheet B, but some additional points were raised as written below.

- In the pharmaceutical sector: The rights of study participants may possibly not fully be considered when conducting clinical trials.
- In the chemical sector: local people's lives may possibly be threatened by accidents and hazardous materials produced at plants, and may be relocated from their residences.

| Key human rights issues in chemical sector | | | Concrete issues |
|--|----------------------|--|--|
| Core operation/ Supply chain | Workplace conditions | Health and safety | • Risks of skin injuries and cancers posed by the use of chemical materials. |
| Community | Resources | Use of natural resources | • Progressive increase in discharge and leak of hazardous materials, water and air pollution at manufacturing sites as well as during transportation. |
| | Access to land | Voluntary relocation-consultation and compensation | • Inadequate compensation on relocation may create tensions with local communities when developing sites, which may endanger the safety of both corporate and community members. |

| Key human rights issues in pharmaceutical sector | | | Concrete issues |
|--|----------------------------|--------------------------|--|
| Core operation/ Supply chain | Work conditions and others | Health and safety | <ul style="list-style-type: none"> • The use of chemical compound or/and pharmaceutical products is likely to endanger the health and safety of employees. • During the clinical development stage of pharmaceutical production, the health and safety of study participants may not be managed properly at contract research organizations. |
| Community | Resources | Use of natural resources | • Sourcing natural compounds that are essential for drug development may possibly heighten tensions between companies and local communities. Especially (e.g. Bio-Piracy; deprive benefit of community through a patent monopoly for compound made from medicinal plants which historically diffuse within a local community) |
| | Community investment | — | • Having positive impacts on public health such as rising awareness on diseases and ensuring access to medicine. |
| Society and | Relations with | Relations with poor | • Support for public health in state/ local community may be misused for their political |

| government | governments | human rights record | purposes such as propaganda |
|------------|-------------------------|---------------------|--|
| Consumer | Relations with patients | Health and safety | <ul style="list-style-type: none"> • Taking positive actions towards the fight against counterfeit medicines • Report delay on adverse drug reactions and delay in recall may endanger health and safety of patients |

What the representative of the group reported:

We basically agreed with the human rights issues written on this sheet. We discussed whether there are other issues, and in what sense these issues should be understood.

In the pharmaceutical sector, the rights of study participants are seriously taken into consideration and protected when conducting a clinical trial. In various actions for protecting the rights of study participants, monitoring and assessing of how the contractor operates in the clinical trial will be a key point. Pharmaceutical Affairs Act in Japan, and global rules and industry initiatives are developing and the process and framework to identify risks are being built up.

With respect to chemical industry, we discussed about the interpretation of Point II-3 (Access to land), because there was an anonymous comment about this. It is the comment on Point II-3-g, “Voluntary relocation-consultation and compensation”, saying that “In the development of new production sites or company premises, companies may deprive local people of their means of livelihood, resources, and property. If compensation including the amount and distribution is insufficient, tensions between the company and local communities may be heightened (in the chemical sector)”. Though we could not get the exact meaning of this comment due to the absence of the person who wrote it, the possible interpretation was put that the chemical sector could threaten people’s lives by causing accidents and producing hazardous materials that could involve associated relocation, consultation, and compensation. Nuclear plants were taken as an example that may violate the rights of local people in this context.

2.3. Information, Communication and Technology

The participants highlighted those issues listed below, while illustrating the characteristics of ICT sector as a relatively-new industry, the invisibility of its products and services, and the labour-intensive nature of its work.

- Long working hours and related health problems. The cause of the problems is not likely to be simple but instead is complicated, since it is often observed that employees voluntarily work long hours from a sense of responsibility to customers and deadlines.
- Because of the characteristics of the ICT sector, namely it being a relatively-new industry, large amounts of collaborative work with partners, and increasing offshore services and development, ensuring freedom of association and the rights to collective bargaining in the supply chain, especially among overseas suppliers, may need particular consideration.
- Possible risks of being involved in bribery and corruption through offshore activities.
- Possible risks of violation of the privacy rights and the rights to freedom of speech and expression, especially in the communication sector.

| Key human rights issues in ICT sector | | | Concrete issues |
|---------------------------------------|--|-------------------------|--|
| Core operation/ Supply chain | Workplace conditions | Working hours | • Long working hours (including attendance at weekends) and unpaid work in the process of system development, during the busiest period (e.g. pre-release time) and in the case there are numbers of design changes. |
| | | Health and safety | • Health problems, especially mental health problems, may be raised because of the long working hours described above. |
| | Discrimination | During work | • Gender inequality in training and promotion (discrimination against female workers). |
| | Freedom of association and collective bargaining | Conflict with local law | • Freedom of association and the rights to collective bargaining may not be fully ensured in the supply chain. |
| | Protection and storage of personal data | — | • There may be risks of leaking personal data both at the company and subcontractors. |
| Community | Resources | Use of infrastructure | • Having a positive impact on local communities such as improving local infrastructures through the establishment of ICT network system. |
| | Community investment | — | • Making a positive impact on local communities through provision of information and ICT service, such as enhancement of local people's lives by improving the digital divide. |
| Society and government | Relations with governments | Bribery and corruption | • There may be risks of being involved in bribery and corruption, notably in offshore market research, and sales and marketing |

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| | | | (especially in ICT service provision for governmental agencies.) |
| Consumer | Relations with customers | — | <ul style="list-style-type: none"> Privacy rights and the rights to freedom of speech and expression may possibly be violated. (Especially related to the communication sector) |

What the representative of the group reported:

Though we could not discuss all the topics, we began our discussion by talking about the characteristics of the ICT sector. Firstly, the ICT sector is a relatively-new industry. Secondly, its product and services are likely to be invisible because of the characteristics as network systems. This invisibility makes its relationships with other actors in business activities difficult to identify. On the other hand, it also has a labour-intensive nature. These are likely to be characteristics of the ICT sector in general.

On the preconditions, long working hours and related health problems were recognized as the biggest issues. However, when it comes to the background of this, it is not likely that they feel “forced” to work, rather they voluntarily work for long hours, sometimes just before getting sick, from a sense of responsibility to customers and deadlines. Thus, the problem may not be so simple but is more complicated.

In addition, the fact that ICT sector is relatively new is related to issues concerning unions. Unlike those sectors that have well-established union systems, we need to consider this point from now. In addition, our work often involves collaboratively working with external parties and partners, and therefore, we need to take into consideration the fact that our work is not limited within the company.

Generally speaking, these issues tend to be picked up from the perspective of system engineering. In the discussion, some members from financial sectors raised a question about how ICT sector members judged the significance of the issues, saying it may be almost impossible to identify concrete issues as “sector-specific” human rights issues in the ICT sector, because the tasks considerably vary between project management, infrastructure-related work, and sales and marketing. To this question, ICT sector members replied that it is difficult, but they basically adopt the perspective of system engineering. As for community issues, there was no further mention on the use of electricity at the data center. On the other hand, the members from ICT sectors mentioned that there may be bribery and corruption in relation with government, and possible risks of the offshore activities that cannot be checked or have not been checked yet.

In addition, governments may impose regulations and restrictions concerning network systems, and ICT companies may be forced to accept those governmental controls, such as censorship in Egypt and China. Moreover, there may also be risks of being involved in bribery and under-the-table deals attendant in the

relationships with certain governments. How to deal with these problems was regarded as a big problem.

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2.4. Logistics

The issues identified as key issues are as follows.

- Long working hours, health and safety issues at the site and in the supply chain. Especially at the site, employees could be forced to work long hours because of unexpected and uncontrollable situations. There are also some risks of workplace accidents caused by the use of heavy machinery and handling of heavy goods at the site such as a freightliner terminal. Moreover, long working hours may cause mental health problems.
- Discrimination by gender and academic qualification in Japanese companies.
- Potential risks of economic loss caused by the existence of huge industrial unions enjoying considerable influence.
- Environmental risks in the upstream of the supply chain concerning fuel procurement
- Provision of armed security by states against pirates and related human rights risks (Shipping).
- Potential risk of being involved in bribery and corruption in order to avoid paying expensive anchor costs. e.g. facilitation payment

| Key human rights issues in logistics sector | | | Concrete issues |
|---|----------------------|-----------------------------|--|
| Core operation/ Supply chain | Workplace conditions | Working hours | • Long working hours may happen, especially at the sites and subcontractors. |
| | | Health and safety | <ul style="list-style-type: none"> • Workplace accidents could possibly occur at sites including a ship under operation and a freightliner terminal, where heavy machinery is used and heavy goods are handled (Shipping). • Risks to employee safety in the areas where pirates operate (shipping). • Long working hours may cause mental health problem |
| | Discrimination | During work | • Possible discrimination in training and promotion by gender and educational backgrounds. |
| | | Redundancy and dismissal | • The requests of part-time and irregular workers for open-ended employment contracts may not be fully considered. |
| Community | Resources | Use of natural resources | • Environment, air, and water pollutions, as well as the destruction of habitat diversity, may happen in the supply chain of fuel procurement. |
| | Security | State provision of security | <ul style="list-style-type: none"> • Possible risks of excessive power exercise by national navies deployed against pirates. • Armed security personnel on board a ship may exercise excessive power toward sailors and pirates. |

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|------------------------|----------------------------|------------------------|--|
| Society and government | Relations with governments | Bribery and corruption | <ul style="list-style-type: none"> Possible risks of being involved in bribery and corruption such as facilitation payment. |
|------------------------|----------------------------|------------------------|--|

What the representative of the group reported:

As for core operation and the supply chain, written on the 1st page, Topic I-1-a (Working hours) and I-1-c (Health and safety) could be big problems for logistics companies. At the site, workers often face unexpected and uncontrollable events, but they have to deliver goods on time. In such a case, their working hours inevitably become longer. There are also some cases where the order is given out to subcontractors because there may be possible risks. As regards I-1-c (Health and safety), both ships and trailers haul very heavy goods, and therefore, the health and safety of the workers at such sites is regarded a big problem. Mental health problems of office workers also came up recently.

As for Point I-2 (discrimination), we discussed and concluded that discrimination by gender and academic qualification may be an issue among Japanese companies. With regard to Point I-2-g (Redundancy and dismissal), although we did not have a concrete example, we supposed that it could be concerned with the contracts of irregular workers, such as little consideration on employment duration at expiration of the initial period.

As for Point I-5-r (Freedom of association and collective bargaining- conflict with local law), there is not such a case in Japan, but some overseas countries have huge industrial unions enjoying considerable influence. Companies are likely to have some concerns about being affected by such unions.

As for II-1-a (Use of natural resources), though the logistics sector inevitably needs fuel, we purchase this from oil giants and large trading companies, which are exposed to international concerns and try to pay attention to the human rights impact of business activities. However, there may be various unresolved issues, especially in the upstream of the fuel supply chain.

Then, perhaps of particular concern for shipping, pirates are a big issue concerning Point II-2-c (State provision of security). The coasts of fragile countries, such as Somalia, are very dangerous. This could raise significant human rights issues.

As for Point III-e (Bribery and corruption), because efficient management of logistics network covering all over the world is the first priority of logistics companies, there may be possible operations at the site in order to avoid obstacles.

Finally, as regards to Point III-a (Operation in countries in conflict), III-b (Entry pre and post conflict), and III-c (Relations to states with poor human rights records), the news does not come through until Tokyo, we suppose there may be some problems when operating in such regions. Moreover, in

association with economic sanctions on Iran and Syria, we are often asked about our business in these countries from financial institutions. This may also show the relation between our business and human rights.

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2.5. Apparel and Textiles

A representative person explained that key human rights issues in the apparel and textile sector could be divided into three themes, which were workplace conditions including wages, working hours, and accident prevention, child labour, and forced labour. Moreover, changing consumer's minds and promoting ethical marketing are presented as future challenges for the sector.

| Key human rights issues in apparel and textiles sector | | | Concrete issues |
|--|-----------------------------|--------------------------|--|
| Core operation/ Supply chain | Workplace conditions | Working hours | • Long hours working may be caused by setting production schedules that presuppose overtime work, and undertaking actions to meet deadlines in sewing process. |
| | | Wages | • Pressure from buyers on cost reduction may result in ignorance of minimum wage legislation. |
| | | Health and safety | • Education on safety and health, including emergency drill, may not be conducted or may not be conducted properly. |
| | Child labour | Minimum age | • Children under the minimum age may work without confirming identification papers or based on forged papers. |
| | Forced or compulsory labour | Forced overtime | • Immigrant workers in China and foreign trainees in Japan may be forced to do overtime work. |
| Community | Resources | Use of natural resources | • Discharging of hazardous material from leather tanneries and dye houses may pollute rivers, and may damage local people's health. |
| Consumer | Relations with customers | Health and safety | • Making positive impact towards changing consumer's mind, and creating ethical marketing (e.g. promoting fair trades) |

What the representative of the group reported:

Through the discussion, key human rights issues in the apparel and textile sector were divided into three themes, which were workplace conditions including wages, work hour, and accident prevention, previously explained by Ms. Aonuma, and child labour, and forced labour. I suppose that these three themes are recognized as human rights issues despite differences in industry segments. When it comes to the reason why such issues arise, the cause varies widely. For example, sewing is the last bastion for meeting deadlines, and therefore, sewing workers are likely to be pressured to finish up in short period. If they cannot achieve a short-time delivery, this means that they cannot meet the deadline, and they cannot manage their business. On the other hand, some subcontractors accept orders beyond their capacity. The situation seems to be difficult to solve, because it is not likely to be right to make them

just give up the orders. I learned that each member in this group is trying to address these issues at sites.

There is an additional point that someone added to the sheet. It is consumer issues. The members attending today also pointed out the importance of creating ethical marketing. This means that fundamental change could not be achieved without changing consumer's minds. It can be said that creation of ethical marketing is a challenge concerning all the industries, but especially for the apparel and textile sector, it could be a big theme that we need to take into account in the future.

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2.6. Food and Retail

Indications provided are as follows.

- Production is often concentrated, such as seasonal products, in our sectors. Forced overtime work may be observed in the busiest periods.
- Freedom of association and the rights to collective bargaining may not be fully ensured in the countries where unions are not allowed.
- Consumer and employee related human rights issues may be likely to be prioritized in the retail sector, while the food sector may need to consider human rights issues concerning raw materials (e.g. agricultural products or fishery products) additionally.

The group members also shared their concerns about how to deal with the situation where deterioration of public security occurs in an entire state, and also where the company has relatively limited influence on suppliers.

| Key human rights issues in food and retail sector | | | Concrete issues |
|---|--|--------------------------|---|
| Core operation/ Supply chain | Workplace conditions | Working hours | • Long hour working may be a burden at the manufacturing factories (supplier) where private brand products are made and within logistics networks that distribute the goods. |
| | | Health and safety | • Fatal and non-fatal incidents and injuries in production process including handling sourcing material, and in handling chemical substances in supply chain |
| | Discrimination | During work | • Foreign workers may not be ensured access to safety education because of language barriers. |
| | Child labour | — | • Child labour of children under the minimum age and forced labour may possibly occur at suppliers of raw materials, for example agricultural and fishery products |
| | Forced or compulsory labour | — | • Production is often concentrated, such as seasonal products, in our sectors. Forced overtime work may be observed in the busiest periods. |
| | Freedom of association and collective bargaining | Conflict with local law | • Freedom of association and the rights of collective bargaining may not be fully ensured based on international laws in the country where unions are not allowed. |
| Community | Resources | Use of natural resources | <ul style="list-style-type: none"> • Agricultural production and fish hauls in the communities which run small operations may be decreased because of large-scale commercial agriculture and fishing, and the local ecological system may be affected negatively. • Culturally/ historically/ religiously important |

| | | | |
|------------------------|----------------------------|-----------------------------|---|
| | | | sites for local communities or indigenous people may be damaged. |
| | Security | State provision of security | <ul style="list-style-type: none"> • Lack of a balance of securities provided by state, sometimes securities may exercise excessive power, or may not ensure enough and adequate security. |
| | Access to land | Title to land | <ul style="list-style-type: none"> • Especially when constructing large stores, titles to the land of local people or indigenous groups may be ignored. |
| Society and government | Relations with governments | Bribery and corruption | <ul style="list-style-type: none"> • Bribery and corruption may be required when a company expands its business and develops a new store and plants need to gain approval and licenses for marketing and manufacturing. |
| Consumer | Relations with customers | Health and safety | <ul style="list-style-type: none"> • Promoting responsible marketing, especially giving consideration to consumer health in alcohol and tobacco sales, and on consumer safety in use of electricity devises and toys. • Low quality addictive substances and inadequate labeling may cause consumers' health risks. |

What the representative of the group reported:

Concrete examples were raised for the issues checked with a mark “●” in advance.

The topic without a check mark but for which we doubt the possibility of human rights violation is forced overwork in the category of forced labour. In our sectors, there is some peak time when production concentrates, for example, the making of seasonal products. At such times, we necessarily urge suppliers to deal with the demand, otherwise business cannot carry on. We discussed that this situation could possibly produce forced labour.

In addition, as regards Point I-5 (Freedom of association and collective bargaining), there may also be risks if a company does business in a country where unions are not allowed.

There are two additional points that we considered possible risks. As for the use of resources categorized as issues concerning communities, we think that the resale of out-of-date meals and reuse of such meals by bringing out from a disposal field carried out beyond company's control, could be risks that may harm consumer health. However, how much responsibility we have on our private brands seems a matter of contention.

In addition to that, safety could also be a problem. There may be risks of a sudden deterioration of public security across entire states, which the company needs to deal with.

Compared to the Western companies, it seems to be difficult for Japanese companies, which purchase goods on a smaller scale or through trading companies, and whose amount of deals is much smaller than the gigantic companies, to carry out exactly the same activities. Thus, how to keep to voluntary agreements or global standards will be a future challenge in our sector.

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2.7. Paper and Printing

The issues identified as key human rights issues in the paper and pulps sectors respectively are as follows.

Paper:

- As the paper sector has a strong impact on both the upstream and downstream of the value chain, it is likely to confront various human rights issues.

Printing:

- Foreign workers may not be ensured access to safety education because of language barriers and may work long hours.
- There could possibly be long working hours and child labour in the supply chain such as in Asian factories where products for give-away campaigns are made.
- Cancer risks caused by using chemical materials and health risks caused by noise.
- Huge amounts of personal data are stored by printing companies. Despite strict controls, there may be possible risks of the leakage of personal data.
- Prison labourers may be used in the supply chain without receiving adequate payments.

| Key human rights issues in paper sector | | | Concrete issues |
|---|----------------------|--------------------------|--|
| Core operation/ Supply chain | Workplace conditions | Health and safety | • There may be possible risks of accident when logging and operating heavy machineries |
| | Discrimination | During work | • Workers may be subject to lack of equal opportunity for education, training and promotion due to gender discrimination or/and nationality discrimination |
| Community | Resources | Use of natural resources | • In term of forest resources, the rights of indigenous people and local communities may not be fully considered. Especially in the case where a company purchases woodchips rather than sawing from company-owned forests, there may be possible risks of the company being involved in human rights violations related to logging. |
| | Access to land | Title to land | • Lack of formal tenure arrangements, or tenure based on historical use rather than documentation can lead to traditional rights being overlooked. |

| Key human rights issues in printing sector | | | Concrete issues |
|--|-----------------------------|---|---|
| Core operation/ Supply chain | Work conditions | Working hours | • Working long hours in sales and marketing, in the factory, at suppliers and subcontractors. |
| | | Health and safety | • Potential cancer risks caused by using chemical materials in enclosed spaces with less ventilation and in printing factories. |
| | Discrimination | During work | • Foreign workers may be subject to lack of health and safety education due to language barriers. |
| | Child labour | — | • There could possibly be child labour within the supply chain (at subcontractors, and Asian factories where products for give-away campaigns are made) |
| | Forced or compulsory labour | Prison labour | • Prison labourers may be used for manufacturing of calendars, exam papers, and aluminum batches and they may not be paid adequately. |
| Consumers | Relations with customers | Protection and storage of personal data | • There may possibly be a leak of personal data that the printing company acquires to produce products such as credit cards. |

What the representative of the group reported:

I will talk about the paper and printing sectors separately because related human rights issues are likely to be different.

Though the academic member joining in our discussion suggested that all the issues could apply to the paper industry, in our discussion, some specific issues including natural resources, indigenous people, and working conditions were raised. I suppose that not only printing companies but also every other kinds of company uses papers, yet none of us have verified whether the paper company distributing paper to us ensures human rights.

When it comes to sourcing, there are mainly two routes: sourcing from company-owned forests and purchasing woodchips. The former may be traceable and controllable, but the latter is difficult to trace back and this problem may lead to human rights abuse being undetected. This characteristic of the industry drives the institutionalization and promotion of Forest Stewardship Council (FSC) certification.

With the respect to the paper industry, working long hours is obviously a problem. Even the company which receives the order must work overtime, so subcontractors and sub-subcontractors may naturally be forced to work long hours too. Moreover, when tracing back to sub-sub-contractors, there may be more issues concerning foreign workers. For example, they are subject to a lack of safety education and

instructions due to discrimination related to the language barrier.

In addition, there was also an indication regarding the supply chain. At the printing companies, we receive orders for campaign gifts/ goods/ sales promotion items, and these goods are often outsourced and made in other Asian countries where the manufacturing involves a long chain of suppliers at low cost. Because of the complexity and length of this supply chain, we have not been able to assess information on what human rights issues above involved.

There are two more issues. The first one is health and safety. As bile duct cancer risks in the printing industry were in the news recently, use of large amounts of chemical materials in printmaking and printing factories could cause such health problems. Noise could also be an issue. In addition to working long hours, the printing sector is likely to have risks concerning health and safety.

In addition, you may not know, but printing companies have great quantities of personal information. Probably, ten million pieces of data are stored at the major printing companies in Japan. To prevent the leakage of this personal information, we are paying special attention to the data storage.

A participant indicated that the printing industries provide the largest amount of work to prisoners while they are in prison.

2.8. Finance

Indications provided are as follows.

- Though working hours and workplace conditions are obviously important issues, they are distinguished from other human rights issues as internal issues.
- The most significant issue in the financial sector is the consideration of human rights issues with regard to investment and loan decisions. Consideration for ESG (Environment, Society, and Governance) aspects in screening and monitoring is especially needed, but there is no clear standard for how far and on which issues a financial institution should carry out screening and monitoring.

| Key human rights issues in the financial sector | | | Concrete issues |
|---|---|-------------------|--|
| Core operation/ Supply chain | Workplace conditions | Working hours | • Working long hours as customer's needs and operations diversify, and increase in non-routine work |
| | | Health and safety | • Long working hours may cause illness including mental health problems |
| | Discrimination | During work | • Possible gender discrimination in training and promotion |
| Community | Access to land | Title to land | <ul style="list-style-type: none"> • Lack of regulations for protecting land ownership, such as hypothec in regards to financial transactions, may lead to infringement of human rights. • There may be risks regarding lender's responsibilities concerning credit mortgages. |
| | Community investment | — | <ul style="list-style-type: none"> • Having positive impacts on job creation and access to education through microfinance. • Having positive impacts by dealing financial products designed to support infrastructure improvement in developing countries. |
| Customer | Relations to investments, loans, and individual investors | — | • Human rights are not fully considered when conducting screening and audits in regard to funds and investment. Compliance with the Equator Principles |

What the representative of the group reported:

I would like to introduce the major point of our discussion. Firstly, as regards to money laundering, though the issue has a significant importance for both human rights and our business, it is regulated as a compliance matter that we cannot ignore in our operations, and therefore, we think that money laundering is not treated in the same way as other issues.

With respect to working hours and workplace environment, they should of course be taken into account, but could be treated separately as internal issues like diversity and discrimination.

The biggest question for us is how to judge investments and loans. Financial sectors have impacts on society indirectly. This characteristic seems to make it more difficult to deal with human rights issues because our impact is indirect, but, at the same time, there may be more things we could do. This point raised a fierce discussion.

As regards screening on investment and loans, financial and compliance screenings are obviously conducted. Some other issues, such as role of working conditions and the environment, came to be considered at each company. However, despite the existence of these practices, they are not conducted according to a clear ESG standard. The present status is that investigation is conducted but standards are not established.

Unlike screening, monitoring involves continuous improvement, which is a grey zone in the financial sector. The background to this is that obviously audit comprises issues concerning the environment, workplace, and human rights, but there is a difficult question on how far financial institutions should conduct audits. On the other hand, *the Equator Principles*, *UNEP FI*, *PRI*, and *Principles for Financial Action for the 21st* are voluntary rules in the financial sector that seek for standardization of the scope and contents of ESG issues including human rights issues. However, this has not been clearly established nor mainstreamed yet, so each financial institution tries to differentiate themselves by showing what and how they conduct audits, and this is a challenge for the future in the financial sector.

Experts: I have been interested CSR within the financial sector and I have learned about that today. I think that the difficulties of CSR in the financial sector come from its characteristics of having products that do not have a specific “goods character”. In other words, it is difficult to associate their products with issues. If it is the case of the textile sector, it could associate their products with the dyeing process and attendant chemical materials, yet, money could not evoke any images. Paradoxically, this generality requires the financial sector to have sensitivity toward what society is interested in. The Equator Principles could be the very example of what society is interested in. This means that the financial sector is quite likely to get stuck in their CSR activities, confusing what they should do, if they do not fundamentally understand what globally recognized right actions are beyond such established rules. It is not financial institutions themselves but their counterparts who decide what they should do. I think this makes it difficult to carry out CSR in the financial sector.

END

Appendix 1

Worksheet A

1. Please select issues which have significance to your sector and mark ●. Please also identify issues which have no relevance or less relevance to your sector and mark ▲ in the "Selected Issues ● or ▲" column.
Three issues of ● and three of ▲ from Section I : Core Operation / Supply Chain, and also three issues from each of Section II : COMMUNITIES and III : SOCIETY AND GOVERNMENTS. A total of 12 issues should be selected.
2. Regarding the issues you marked ●, please select the related value chain and mark ●. Multiple marks are allowed.
3. Please write concrete points for significant issues (●) with each issue number, while also stating the reasons for marking ▲ with each issue number.

These human rights issues are based on the "Identifying the human rights issues and expectations relevant to business (based on internationally recognised standards and voluntary initiatives)" in the Guidance Tool issued by the UNEP FI in 2011.

| I . CORE OPERATION / SUPPLY CHAIN 事業 / サプライチェーン | | | 1. Select Issues ● or ▲ | 2. Only for the significant issues, select the related value chain and mark ● (multiple marks allowed) | | | | | | | | | | | |
|--|---|---|----------------------------|--|-----------------------|----------|-------------|-------------|------------|---------|----------------|---------------------|-----------------|----------|--------|
| | | | | Funding | Facility Construction | Research | Development | Procurement | Production | Storage | Transportation | Sales and Marketing | Consumption/Use | Disposal | Others |
| 1. Workplace conditions 職場における待遇 | a | Working hours 労働時間 | | | | | | | | | | | | | |
| | b | Wages 賃金 | | | | | | | | | | | | | |
| | c | Health and Safety 健康および安全 | | | | | | | | | | | | | |
| | d | Disciplinary practices 懲戒処分 | | | | | | | | | | | | | |
| 2. Discrimination 差別 | e | Recruitment 採用 | | | | | | | | | | | | | |
| | f | During work 従業時 | | | | | | | | | | | | | |
| | g | Redundancy and dismissal 整理解雇、解職 | | | | | | | | | | | | | |
| 3. Child labour 児童労働 | h | Risks to children 危険な作業や雇用 | | | | | | | | | | | | | |
| | i | Minimum age 最低年齢 | | | | | | | | | | | | | |
| | j | Working hours and conditions of employment 労働時間と労働条件 | | | | | | | | | | | | | |
| | k | Worst forms of child labour 最悪の形態の児童労働 | | | | | | | | | | | | | |
| 4. Forced or compulsory labour 強制労働 | l | Employment of young workers 18歳未満の若年労働者の雇用 | | | | | | | | | | | | | |
| | m | Prison labour 囚人の作業もしくは役務 | | | | | | | | | | | | | |
| | n | Deposits and papers 雇用にあたり保証金や文書の提出を求める搾取 | | | | | | | | | | | | | |
| | o | Forced overtime 強制的な残業 | | | | | | | | | | | | | |
| 5. Freedom of association and collective bargaining 結社の自由と団体交渉権 | p | Trafficking of workers 人身売買 | | | | | | | | | | | | | |
| | q | Freedom to associate and to bargain collectively 結社の自由と団体交渉権 | | | | | | | | | | | | | |
| | r | Conflict with local law 国内法で認められていない場合の措置 | | | | | | | | | | | | | |

3. Which are significant issues to your sectors? Please select three issues from section I , and fill in the issue number and concrete points related to each issue below.

| ● Issue No. | Concrete points |
|-------------|-----------------|
| | |
| | |
| | |

3. Which issues are not relevant or less relevant to your sector? Please select three issues from section I , and fill in the issue number and the reason below.

| ▲ Issue No. | The reason you marked ▲ |
|-------------|-------------------------|
| | |
| | |
| | |

Appendix 1

Worksheet A

1. Please select issues which have significance to your sector and mark ●. Please also identify issues which have no relevance or less relevance to your sector and mark ▲ in the "Selected Issues ● or ▲" column.
Three issues of ● and three of ▲ from Section I : Core Operation / Supply Chain, and also three issues from each of Section II : COMMUNITIES and III: SOCIETY AND GOVERNMENTS. A total of 12 issues should be selected.
2. Regarding the issues you marked ●, please select the related value chain and mark ●. Multiple marks are allowed.
3. Please write concrete points for significant issues (●) with each issue number, while also stating the reasons for marking ▲ with each issue number.

These human rights issues are based on the "Identifying the human rights issues and expectations relevant to business (based on internationally recognised standards and voluntary initiatives)" in the Guidance Tool issued by the UNEP FI in 2011.

| II. COMMUNITIES コミュニティ | | | 1. Select Issues ● or ▲ | 2. Only for the significant issues, select the related value chain and mark ● (multiple marks allowed) | | | | | | | | | | | |
|---------------------------------------|---|--|-------------------------------|--|--------------------------|----------|------------------|------------------|------------|---------|--------------------|------------------------|-----------------|----------|--------|
| | | | | Funding | Facility Construction | Research | Develop- ment | Procure- ment | Production | Storage | Transport ation | Sales and Marketing | Consume/ Use | Disposal | Others |
| 1. Resources 資源 | a | Use of natural resources 天然資源(水や土地等)の利用 | | | | | | | | | | | | | |
| | b | Use of infrastructure インフラ(道路、電気、上下水道等)の利用 | | | | | | | | | | | | | |
| 2. Security 治安 | c | State provision of security 国家による警備の提供 | | | | | | | | | | | | | |
| | d | Non-state groups and security payments 非政府勢力への支払い | | | | | | | | | | | | | |
| | e | Detainment 拘束 | | | | | | | | | | | | | |
| 3. Access to Land 土地へのアクセス | f | Title to land 土地の所有権 | | | | | | | | | | | | | |
| | g | Voluntary relocation - consultation and compensation 自主的な土地移転を促す協議と補償 | | | | | | | | | | | | | |
| | h | Forced relocation 強制移住 | | | | | | | | | | | | | |
| 4. Community investment コミュニティへの投資 | — | — | | | | | | | | | | | | | |

| III. SOCIETY AND GOVERNMENT 社会と政府 | | | 1. Select Issues ● or ▲ | 2. Only for the significant issues, select the related value chain and mark ● (multiple marks allowed) | | | | | | | | | | | |
|--------------------------------------|---|--|-------------------------------|--|--------------------------|----------|------------------|------------------|------------|---------|--------------------|------------------------|-----------------|----------|--------|
| | | | | Funding | Facility Construction | Research | Develop- ment | Procure- ment | Production | Storage | Transport ation | Sales and Marketing | Consume/ Use | Disposal | Others |
| Relations with Governments 政府との関係 | a | Operations in countries in conflict 紛争国における事業 | | | | | | | | | | | | | |
| | b | Entry (pre and post conflict) 紛争前および紛争後の国への進出 | | | | | | | | | | | | | |
| | c | Relations to states with poor human rights records 人権に対する認識が低い国との関係 | | | | | | | | | | | | | |
| | d | Money laundering and transparency マネーロンダリングと透明性 | | | | | | | | | | | | | |
| | e | Bribery and corruption 賄賂と腐敗 | | | | | | | | | | | | | |

3. Which are significant issues to your sectors? Please select three issues from section II & III, and fill in the issue number and concrete points related to each issue below.

| ● Issue No. | Concrete points |
|-------------|-----------------|
| | |
| | |
| | |

3. Which issues are not relevant or less relevant to your sector? Please select three issues from section II & III, and fill in the issue number and the reason below.

| ▲ Issue No. | The reason you marked ▲ |
|-------------|-------------------------|
| | |
| | |
| | |