

Report on 2021 Business and Human Rights Conference in Tokyo

Direct Communication is fundamental to Human Rights Due Diligence

Hosts:

Caux Round Table Japan, Institute for Human Rights and Business

Co-Hosts:

The Sasakawa Peace Foundation, Corporate Human Rights Benchmarks
World Benchmarking Alliance

Sponsors:

ANA HOLDINGS INC., Kao Corporation, SHIONOGI & CO., LTD.
Shiseido Company, Limited, SEKISUI CHEMICAL CO., LTD., TEIJIN LIMITED

Cooperation:

CHUGAI PHARMACEUTICAL CO., LTD.

Foreign Organizations

UNDP Bangkok Regional Hub, Institute for Human Rights and Business
Bluenumber Foundation, Verisk Maplecroft, Sedex, Corporate Human Rights Benchmarks
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The 2021 Business and Human Rights Conference in Tokyo, hosted by Caux Round Table Japan (CRT Japan) and the Institute for Human Rights and Business, was held on the 22nd of October 2021. The conference was held online, same as last year in consideration of the COVID-19 pandemic and drew more than 219 attendees from governments, businesses, and NGOs.

The conference had three pillars, focusing on (1) enhancing awareness and understanding of the latest trends in business and human rights, (2) facilitating collaborative work to promote respect of human rights, and (3) facilitating the implementation of United Nations Guiding Principles on Business and Human Rights (UNGPs).

It has been 10 years since the UN Guiding Principles on Business and Human Rights were approved by the UN Human Rights Council in 2011. In recent years, legislation on supply chain has been accelerated mainly in Europe and the United States, requiring companies to implement and disclose their supply chain management practices. In addition, ESG investors are beginning to take steps to evaluate the contribution of companies to the SDGs. Companies are working to implement activities related to SDGs and ESGs and disclose appropriate information, to enhance the value of their intangible assets with a long-term vision and trend in mind. However, there are still many companies that are currently unable to meet the expectations and demands of society and ESG investors regarding business and human rights. Unless companies take it into consideration the implementation of human rights due diligence and grievance mechanisms, including for themselves and their supply chains, it will be difficult to achieve the SDGs. Companies must identify the rightsholders facing human rights challenges and engage in direct communication with them as soon as possible. In this plenary session, together with overseas experts on business and human rights, domestic companies, and experts, we deepened an understanding of the global trends and the urgent issues of business and human rights. We discussed while introducing examples of efforts by companies that are practicing.

In the first half of the plenary session, the domestic and foreign experts introduced global trends related to business and human rights (trends related to business and human rights in Asia, migrant workers, key issues in the supply chain, human rights information sharing platform, corporate valuation trends in WBA/CHRB, useful tools for human rights due diligence). In the second half, we introduced and discussed business and human rights initiatives of CRT Japan, Japanese companies, and organizations. The importance of stakeholder engagement in the form of dialogue was also discussed. At the end of the plenary session, an opinion exchange was held with overseas experts on key points for companies in implementing business and human rights initiatives. 219 attendees (120 companies, 16 organizations (NGOs / NPOs / universities / individuals)) participated in the conference.

Prior to the conference, the sponsoring companies had an exclusive dialogue with overseas

human rights experts from the leading initiatives in this field. They introduced their human rights and CSR efforts and exchanged views with the experts on how to enhance their management. The companies found the dialogue very useful for gaining new perspectives and improving their human rights due diligence.

Opening Remarks

Hiroshi Ishida, Executive Director of CRT Japan, delivered opening remarks. Emphasizing that the business environment surrounding companies is becoming more challenging than ever before, he argued that stakeholders require all companies to prove that human rights violations of their stakeholders are not occurring or have not occurred in their supply chains and it has become essential for companies to have the social license to justify how seriously companies listen to their concerns and to ensure that they are satisfied with their requirements. Nevertheless, he cautioned against the current polarization, with some companies turning a blind eye to these situations and neglecting their business and human rights activities because of the restrictions on their activities due to the COVID19 pandemic, while others devising creative ways to cope with the situation as best they can do within these restrictions. NGOs and ESG-related investors have been calling for great respect for human rights of stakeholders, and corporate evaluation benchmarking has been asking companies to take more in-depth initiatives based on the UNGPs than ever before. Moreover, he emphasized the importance of direct communication and engagement with stakeholders based on trust, given that regulations on business and human rights have been strengthened and movement towards legislation is accelerating.

Introduction to Global Trends of Business and Human Rights

Trends in Business and Human Rights in Asia

Livio Sarandrea/ United Nations Development Program (UNDP) Bangkok Regional Hub

Three trends in Asia in the past year: (1) Policy discourse in Asia. With NAP formulated in Thailand, Japan and Pakistan, the National Strategy on BHR is to be adopted soon in Indonesia, and India is expected to adopt NAP in the next 6 months. (2) Mandatory due diligence norms. In the coming years, it will have an even greater impact on upstream and downstream supply chains management in Asia as well as on the operations of companies selling products in the EU market. UNDP launched a Manual, a Training Facilitation Guide on HRDD for companies that include a digital self-assessment toolkit for training purposes. (3) Heightened Human Rights Due Diligence (HRDD in particular contexts or periods of time). The UNWG on Business and Human Rights argues that when operating in conflict-affected areas, companies take on additional responsibilities and are required to take into account conflicts as well as human rights issues. The HRDD that incorporates these two points is called heightened HRDD. With the guidance of the UNWG, UNDP is developing a self-assessment toolkit for heightened HRDD and is planning to launch around June. It is important to recognize that human rights compliance of companies goes hand in hand with sustained opportunities for companies to offer jobs, make a profit that

will be reinvested in the wellbeing of the society.

Migrant Workers in Supply Chain: Solving the Challenges

Neill Wilkins/ Institute for Business and Human Rights

Recruitment fees that most migrant workers faced remain an ongoing challenge in global supply chains. They are vulnerable to further exploitation. Recruitment costs should be paid by companies. Through the recruiters, money earned abroad ends up back where it started in the countries of destination and it has a negative impact on the development potential of work abroad and realization of the sustainable development goals. Through the process of dealing with SDG Goal 13 about climate change, there will be an increase in workers on the move globally, and this will be exacerbated by political instability and conflict in different parts of the world. Through this change, Just Transition is introduced to support workers in global supply chains, but no one really knows what this transition will look like. There is a potential risk that migrant workers face prejudice, discrimination, xenophobia, and exploitation. Many of these migrant workers work in the supply chains of global brands, thus businesses need to be planning now how increased numbers of migrant workers will impact their supply chains, how this might be managed, and what role they might play in countering negative stereotypes and supporting all workers in their supply chains.

Corporate Valuation Trends in WBA/CHRB: ESG benchmarks

Paulina Murphy/ World Benchmarking Alliance

WBA has identified the 2,000 global companies that are the most influential and able to contribute to the SGD agenda. Those companies are measured on their performance on a system based on transformation, aligned to their core business and also on their social impact, including human rights and compliance with the UN Guiding Principles. In September, WBA published a food and agriculture benchmark that include 350 food companies and measured them on four pillars- environment, social, governance and nutrition. The assessment revealed that 73% of the companies have a sustainable development strategy, only 26% are setting holistic time-bound targets, and 27% of companies do not disclose any sustainability strategy. For true impact on the SDGs, companies need to integrate sustainability into a business's strategy and set actionable targets. Also, by the increased momentum around impact investing, businesses are required to act with both financial and non-financial goals. Such investors make investment decisions based on information related to economic, environmental, racial and climate justice. Not only financial performance but also multi-stakeholder impact reporting is expected. Through active engagement with their stakeholders, it is possible to create an inclusive dialogue, but also enables accountability and keeps the momentum on using business influence.

Camille Le Pors/ Corporate Human Rights Benchmark, World Benchmarking Alliance

CHRB has been benchmarking companies on their human rights disclosures and performance since 2017, with a focus on high-risk sectors, and it has assessed 230 companies with this

methodology, from 5 high-risk sectors. CHRB published the third benchmarking in 2020, and also published a COVID-19 study, looking at how the companies in the scope of CHRB had responded to the crisis, with a focus on human rights. CHRB revised the benchmarking methodology this summer. Key changes: (1) Not only policy commitments and management systems but also more focus on performance. (2) A more integrated focus on stakeholder engagement. (3) New topics (business model strategy and risks, recruitment fees, HRDD in conflict and post-conflict contexts). (4) Special process for major catastrophic events. These changes will be applied in the next CHRB Benchmark, which will take place next year, and the result of the benchmark will be planned published in Q4 of 2022.

Introduction of Useful Tools for Human Rights Due Diligence

Gus MacFarlane/ Verisk Maplecroft

Verisk Maplecroft provides human rights risk indices Potential or contextual human rights risks in 198 countries worldwide are assessed in an index and scored on a 10-point scale for each country. In addition, a sub-national human rights risk index covering 3,600 administrative regions worldwide is updated quarterly to provide more detailed information on time. Recent trends in human rights: (1) In the past 5 years, labour rights are becoming worse and raising supply chain risk. (2) Modern slavery: Bangladesh, Vietnam, Cambodia has shifted from high to extreme risk categories, now joining China, Pakistan, and DRC. Approximately 1,000 out of more than 3,000 sub-regions pose extreme modern slavery risks (3) Foreign direct investment to high-risk urban hubs: the high-risk hubs include Hyderabad, Pune, Mumbai in India, as well as Izmir in Turkey, and Lagos in Nigeria and these highest-risk cities attracted a total of \$10 billion in FDI in 2020. (4) The issue of land grabs. Illegal or unethical seizure of land as well as the relationship of land-grabs with poor governance and the erosion of natural capital are on the rise.

Puvan Selvanathan/ Bluenumber

Human rights especially in supply chains should be measured by direct feedback of workers and stakeholders. There are enough tools and technologies available to ensure that workers in the supply chain are not being exploited, but if companies do not use them, they risk being perceived as making a deliberate decision to pass these risks on to shareholders and stakeholders. Various social audits are available, but may not be sufficient to prove that workers are not being exploited. He started a new initiative called the Blooming Rights Action Network (BRAN) on business and human rights, focusing on human and supply chains. This action network was launched as new laws and regulations requiring mandatory HRDD took shape, especially in the EU. BRAN can collate and process specific data that correlates with workers' voice. In addition, the three indicators of workers' voice, traceability, and living wage will be combined to create a transparency score and a data-based index based on these indicators.

Alexander Walrut/ Sedex

Sedex (Supplier ethical data exchange) operates the world's largest collaborative supply chain

risk platform, providing a standardized risk assessment framework in multiple languages to help companies manage their ever-changing supply chains at scale. (1) The questionnaires answered by members are evaluated by Sedex, and suppliers can share their evaluations with their customers. This reduces duplication and allows for large-scale management of data collection and risk assessment. (2) The self-assessment questionnaire by suppliers. Responses will be evaluated based on four pillars: labour standards, business ethics, health and safety, and the environment, to identify areas that need further investigation. (3) Audits. It can be based on internal or independent audits conducted by third parties either using the Sedex SMETA (Sedex Members Ethical Trade Audit), or others. This involves a site inspection, worker interviews, and identification of specific corrective actions. Sedex enables companies to understand the high-level risks of some or all of our current and potential suppliers, for example, what are the country, sector, and commodity-specific risks that should be considered.

Rishi Sher Singh/ Supply Chain Sustainability Expert

Two trends on business and human rights in India: (1) The Indian government has released a zero draft National Action Plan on business and human rights. (2) In 2020, the government mandated the top 1000 companies listed on the stock exchange in India to report on these guidelines (the principle five focusing on business and human rights). There is also a trend to engage with rightsholders on HRDD in a more organic way, rather than a linear process. Shionogi's approach is an example of good practices. Two steps required for HRDD: (1) Direct engagement with rightsholders. It is very important to go and talk to those people who know the ground very well. (2) Direct outreach to rightsholders on the ground in specific value chains. Trust, localized dialogue methods, and experience are essential to listening to the issues and challenges from the dialogue with the rightsholders. It is important to incorporate both top-down and bottom-up approaches in a balanced manner to make the due diligence process more effective.

Introduction of the Activities of Caux Round Table Japan and TraceBlue Japan LLC

Miho Okada/ Caux Round Table Japan, Traceblue Japan LLC

CRT Japan has been supporting companies in their efforts to address "business and human rights," and its support consists of the following five areas: (1) developing policies and systems; (2) identifying and assessing negative impacts through risk assessments and impact assessments; (3) addressing negative impacts (prevention and mitigation); (4) communication, including information disclosure and dialogue; and (5) remediation. TraceBlue Japan LLC supports CRT's activities using digital technology. With three target topics of foreign workers, palm oil, and food traceability, we provide supply chain management support such as understanding and visualizing (mapping) supply chains and sharing information with suppliers, as well as direct communication support between companies and stakeholders.

Introduction of BlueMarket

Kenshiro Kaza/ Seiwa Company, Ltd.

Seiwa's mission is to enhance the attractiveness of agriculture and provide comprehensive support of production, sales and management to producers. In terms of food safety, internal traceability is currently inadequately addressed by Japanese companies, and 75% of Japanese food companies have not yet implemented SDG initiatives. Against this backdrop, Seiwa pursues traceability, especially through the use of ICT. Blue Market is a vegetable e-commerce website, which goes beyond selling vegetables to convey the thoughts and faces of the producers behind the produce. It is a system that allows sellers to link information on production practices to the vegetables they sell. Seiwa is also working with Blunumber to visualize the distribution channels and to integrate with the SDG Scorecard. Seiwa aims to establish the status of producers and increase their income by conveying the true value of produce, creating new values, and evolving them.

Efforts to Respect the Rights of Technical Intern Trainees in Japan

Makoto Wada/ Tomoku Co., Ltd.

Tomoku currently employs six technical intern trainees and hired them through a supervisory organization, Kanto Staff Cooperative. In order to deepen the trainees' understanding of work and life in Japan, hiring managers visit them in their home country and explain day-to-day operations in person. By accepting trainees only from reputable supervising organizations, Tomoku ensures that the trainees are not charged recruitment fees at sending organizations. In addition, with the cooperation of the Kanto Staff Cooperative, if there are any problems, the trainees can raise them with the supervising organization, which in turn reports them to the company. Companies are required to set up a system to facilitate direct communication with workers and to hear their direct voices and encourage them to raise their voices. Tomoku is in the process of introducing Hello Ninja and recognizes one of its advantages is that trainees can choose where they want to raise their voices, whether at the plant or the head office.

Kensaku Sato/ Kanto Staff Cooperative

Kanto Staff Cooperative is a supervising organization for technical interns with over 20 years of experience. In Vietnam, the government is allowed to collect \$3,600 of recruitment fees from trainees, while in the Philippines, the recruitment fee is generally paid by companies. Kanto Staff Cooperative keeps track of the recruitment fee issue by asking the trainees to directly report how much they have paid in their home country. Since the Japanese proficiency level of trainees varies depending on sending organizations, Kanto Staff Cooperative only accepts trainees from two reliable sending organizations in Vietnam and China and does not accept any from those that do not provide Japanese language education on their own. One-month training after entering Japan is provided by the cooperative, and interviews with trainees are conducted at least once a month after they are assigned to the company. Of the 20 full-time employees, 13 are local staff. During the training period, the cooperative lends trainees a cell phone with a direct line to the cooperative so that they can contact 24/7 if there are any problems. When a problem arises, the cooperative confirms the fact from both the company and trainees and offer suggestions and guidance to solve

the problem quickly.

Introduction of Japanese Companies' Approaches to Direct Communication

Itsu Adachi/ The SASAKA PEACE FOUNDATION

The Sasakawa Peace supports the prevention and remedy of human rights violations against stakeholders by encouraging "responsible corporate behavior" in Japanese companies with overseas supply chains. It aims to achieve the following three goals. (1) Establishment of a grievance mechanism: working on a grievance resolution platform project in collaboration with JEITA (the establishment of a collective grievance mechanism is expected to enhance the efficiency and effectiveness of grievance handling, for example by addressing issues common to a certain industry), and the dialogue remedy project, which is a mechanism to mediate between the parties concerned. (2) Development of information platform: established the Japanese website of the Business and Human Rights Resource Center, one of the world's largest information websites on business and human rights, and posting translated articles. (3) Research and study on structural factors: requested a survey on sectors with high human rights risks in Thailand, Indonesia, Myanmar, etc. The sectors with high human rights risk in Southeast Asia include the finance, construction, energy, and food sectors.

Chikako Miyata/ ANA HOLDINGS INC.

With issues identified through impact assessment, ANA Holdings identified important human rights themes and aims to address them by making a direct approach to rightsholders. These themes are (1) understand the working environment for foreign workers in Japan, (2) strengthen supply chain management related to in-flight meals, (3) prevent human trafficking, and (4) prevent bribery. Themes 1 and 2 are being addressed using Bluenumber and involving group companies and outsourcing contractors. This is a mechanism to collect data of the supply chain and communicate with suppliers. This year, ANA conducted an online survey of group companies and contractors that employs a large number of technical intern trainees and the survey result revealed some issues and confirmed how the trainees were recruited. ANA aims to build a solid system before operations gradually go back to pre-pandemic times and foreign workers return in a post COVID19 era. Also, ANA will expand the scope of the Ninja Anon. As for supply chain management in in-flight meals, ANA will continue to reduce risks by visualizing the supply chain, sharing values with suppliers, and understanding procurement, human rights, and environmental risks associated with procured goods and ingredients.

Nobuyoshi Yamaguchi/ Kao Corporation

Kirei Lifestyle Plan is Kao's ESG strategy, and its mission is the responsible procurement for global society and consumers. Kao has identified palm oil and pulp/paper as high-risk supply chain products from the three perspectives of business, ESG, and area. For high-risk supply chain products, Kao is working to understand the risks through on-site dialogues. With regard to palm oil, Kao launched the SMILE project in 2021 to support local smallholder farmers through direct

dialogues, targeting 4,986 farms in Sumatra, Indonesia, and contributing to improving their livelihood by increasing their productivity and promoting RSPO certification. Kao also continues to engage in dialogues even during the pandemic and worked with CRT to conduct a survey of independent smallholder farmers in 2021. SPKS, the local partner in Indonesia, visited the field and collected data face-to-face with the farmers. The grievance mechanism also works with suppliers to not only receive grievances but also to check progress status and provide follow-up support.

Masako Kudo/ Shionogi & Co., Ltd.

As a leading company in infectious diseases, Shionogi is developing actions for comprehensive care of COVID19. In addition, Shionogi started a survey to identify human rights issues last year, and set aluminum, glass, cellulose, and ethanol as important items, with reference to the amount and value of future purchases. Since it was not possible to trace the labour conditions at the end of the supply chain from suppliers using the top-down method, Shionogi changed to a bottom-up method and asked CRT to conduct research. This year, the research started with cellulose. In a bottom-up approach, direct dialogue was conducted online with eucalyptus (the raw material for cellulose) farmers in India from June to September 2021. Although the direct dialogue revealed the current situation in India, issues remained in visualizing the entire supply chain. In addition, although the working environment was not bad, questions arose about the sustainability of eucalyptus cultivation. The survey on human rights issues also revealed environmental and other problems. By listening to the voices of producers and workers through direct dialogue, a foundation was laid for early detection of potential human rights issues.

Business & Human Rights and Direct Communication : From Engagement Perspective

Yusuke Yukawa/ Nishimura & Asahi

Hiroshi Ishida/ Caux Round Table Japan

Regarding the need for direct engagement with stakeholders, both the UNGPs and OECD Due Diligence Guidance emphasize the importance of engagement, and business and human rights cannot be discussed without engagement. As long as there is a risk of negative impact on human rights, the starting point is to hear from the person concerned and make findings of fact. If there are difficulties in accessing rightsholders or challenges in the capability of the rightsholders, companies can also invite a third party for intermediation. In addition, in cases where companies are unable to respond directly, they can devise ways such as bringing in NGOs or designating a proxy. It is important to engage where possible. Although written correspondence is an option, it tends to be rigidly formal and not as effective as the actual face-to-face method. Engagement is all about trust. The use of local people with experience and knowledge is mentioned in the UNGPs, and it is not necessary for companies to carry out the entire process. It is more effective to involve trusted partners such as a local expert.

Discussion and Summary with Overseas Experts and Participants

- The integration of environmental responsibility into business and human rights is a hot topic in Europe. The environment and human rights should never be addressed in silos, but rather intertwined in a more complex way. Companies will need to take a more integrated approach to both. In other words, the conversion of environmental and social aspects will be important in the future. –Hiroshi
- Environmental issues have also had a significant impact on human rights initiatives, and sometimes it is not always easy to explain issues related to water and waste as human rights issues. A simple rule is that if an environmental issue affects people, then it is a human rights issue. —Gus
- Human rights violations by businesses may cause people in the supply chain to have to change where they live, which is a demographic problem. There will also be problems associated with migration, such as discrimination at a destination of migration. Traceability may also need to be looked at from a new perspective. What companies should do immediately is to think about how climate change will affect their business. —Neill
- Direct communication and engagement will be of even greater interest in the future. The direct voice of workers will influence not only grievances but also audits and investigations. –Alex
- Communicating directly with stakeholders on the ground is a fun process of human rights due diligence. Direct communication is very important. –Rishi
- It is necessary to find issues that need to be addressed while listening to the voices of the frontline and people in the value chain, and it is important to do this in both top-down and bottom-up approaches. In addition, although it may be practically difficult to engage with all stakeholders, companies are expected to communicate with more of them. Companies need to have a system in place that prevents the content of their communication with rights holders from leaking out. If the issue is not resolved within that system based on trust, it can cause frustration and stress for both parties, which may make the problem more complicated. Communication during the assessment process is also important for fostering a trusting relationship. –Camille

Comments on the Global Conference from Overseas Experts

The Global Conference is where we can learn about corporate initiatives and realize that companies are making steady progress. It is much appreciated if CRT Japan could continue to hold the Global Conference where companies and stakeholders can get together even during the pandemic. We genuinely hope to come to Japan next year and meet you in person.