

## Summary Report

**JETRO Institute of Developing Economies – International Labour Organization**

**Joint Webinar**

***Advancing Responsible Labour Practices and Sustainability in Global Supply Chains-Learning from Japanese Vehicle Parts Companies in Thailand***

**4<sup>th</sup> February 2021**

Full agenda here: [Joint Webinar with IDE-JETRO | RSCA Events](#)

### Opening Remarks

**Mr Hironobu Kitagawa, Executive Vice President (JETRO)**

Global supply chains are an important factor for transnational production, trade and investment. They contribute to economic growth, job creation and poverty reduction. Japanese companies play an important role in global supply chains in many regions.

Under the current COVID-19 crisis, many companies are facing challenges, which make many companies recognise, once again the need for Responsible Business Conduct (RBC) due diligence.

IDE-JETRO and ILO Office for Japan have signed a memorandum of agreement that cements their relationship and joint intention to promote socially responsible business practices. Based on the MOU, IDE-JETRO and ILO collaborated to conduct a research of Japanese vehicle parts companies operating in Thailand, the result of which is to be presented in today's seminar.

The automotive industry is an important driver of Japanese and Asian economies with extensive supply chains, where there are Japanese companies having actively started to introduce socially responsible business practices in place. Collaboration amongst governments and relevant agencies will be necessary to promote responsible business in Asia. As well, dialogue with trading partner countries will be important.

JETRO has been in dialogue with the ASEAN secretariat, where we discuss issues related to labour practices and relevant systems. JETRO is looking continuously to support companies.

**Mr Fredy Guayacan, Programme Manager, Responsible Supply Chains in Asia, ILO Regional Office for Asia and the Pacific**

In today's difficult economic and trading environment, the promotion and implementation of socially responsible labour practices and Responsible Business Conduct is no longer an option for businesses, it is a requirement. Pursuing this path is necessary for businesses to become more resilient and address risk relating to labour in their supply chains.

The ILO Centenary Declaration for the Future of Work underlined the crucial importance of advancing Decent Work in Global Supply Chains as "fundamental for sustainable development that puts an end to poverty and leaves no one behind".

The ILO has developed guides to support countries and businesses as they seek these important goals. We count among them key instruments such as the ILS, the Declaration on Fundamental Principles and Rights at Work and the ILO MNE Declaration.

In a world of work defined by new paradigms in production and rapid technological changes, challenged by high levels of informality and shocks like the current pandemic; the promotion of responsible business practices agreed in a tripartite manner are of great relevance to improve the well-being of workers at the same time that increasing the competitiveness and productivity of the companies present in Global supply chains.

The RSCA programme, a partnership between the EU, the ILO and the OECD, is targeting its energies to promoting RBC and socially responsible labour practices along supply chains in Asia, not only because it is the right thing to do, but also because the evidence is strong that in doing so businesses become more competitive and productive.

## **Mr Gabriele Lo Monaco, Counsellor, Trade Section (Delegation of the European Union to Japan)**

Mr Lo Monaco expressed appreciation for the hard work and determination that has gone into the operation of the RSCA programme, despite the difficulties posed by COVID 19.

The contribution from IDE JETRO has been appreciated, not only concerning the research that is subject to the event but about its many other activities as well as facilitating the dialogue with partners from civil society. There has been a very successful forum for dialogue developed – this should be maintained and developed.

The European Union has made the drive toward a more sustainable society one of its top priorities and has long supported advance in universal values for all, including human and labour rights.

The “Next-Generation EU” is essentially a recovery plan, underlining the importance of sustainable recovery from the COVID crisis. Principles of sustainability and human rights run like a thread through the spectrum of EU domestic and external policies.

These principles are part and parcel of the EU’s bilateral engagement with Japan. For instance, in the strategic partnership agreement if we look at the EU trade policy the broad goal of building a global interconnected economy based on open, transparent and non-discriminatory rules, with strong commitments to respecting human rights and with fostering compliance with high labour and environmental standards.

The COVID crisis has taken a heavy toll on people's health and the economy and has exposed the vulnerabilities of the global trading system, putting supply chains to test. This is particularly important as global supply chains play a key role in employing millions of workers, but on the other hand deficits in terms of decent work are widespread within them.

The pandemic has further triggered a sharp decline in working hours and produced substantial income losses especially hitting hard women the youth and migrant workers worldwide.

Sustainability will contribute to the long-term resilience of supply chains. The EU is working on a broad range of initiatives, including but not limited to launching the action plan for 2021 on revising the corporate law to strengthen the commitments to long-term management objectives and to introduce a proposal for mandatory due diligence throughout the supply chains

In all these policies we have found in Japan a close ally to start with in the area of business and human rights. The EU has welcomed the recent adoption by Japan of the national action plan. Like the EU, Japan sees business measures to help respect human rights as the key factor to enhance corporate value and to increase the resilience of the supply chain.

Recently the mission held talks with colleagues in the Japanese government to review the implementation of trade and sustainable development. It was a very rich exchange and it was impressive the active participation of a large number of stakeholders.

The economic and political role exerted by Japan in the region and the extended interconnection of its business with its supply chain makes Japan a key player in the strategic partnership with whom they intend to cooperate and engage.

### Presentation of IDE-JETRO – ILO joint study in the vehicle parts sector - Research findings: identified good practices and practical recommendations for stakeholders

**Ms Miwa Yamada, Director, Law and Institution Studies Group, Inter-disciplinary Studies Centre (IDE-JETRO)**

This survey looked at how Japanese companies make their corporate CSR policies implemented within their supply chains in Thailand. CSR means corporate social responsibility for impact of their business operations on society. In the issues of employment and labour, initiatives and challenges were analysed and good practices in line with the ILO MNE Declaration were collected. The MNE Declaration stipulates labour principles recommended for multinational enterprises, including guidance on elimination of forced labour, abolition of child labour, elimination of discrimination and enjoyment of freedom of association and right to collective bargaining. There provides a guidance on vocational training, wages, occupational safety and health, local employment and local procurement. Citing UN Guiding Principles on Business and Human Rights, the MNE Declaration tells what role companies have to play.

The past IDE-JETRO survey in 2018 received responses from 814 Japanese companies operating overseas. Among them, only 9.6 per cent recognised the MNE declaration while 16.1 per cent recognised UN Guiding Principle on Business and Human Rights.

Looking at the industries and also individual companies, however, there found in this report many examples that follow the spirit of the MNE declaration and aim to meet social challenges of host countries.

The report ends with policy recommendations for government organisations and stakeholders that enable companies' responsible and sustainable labour practices.

## Ms Naomi Inoue (ILO Consultant)

The survey took place between June and October 2019 in Japan and Thailand. We requested four Japanese vehicle parts companies, Tier 1 suppliers of automobile manufacturers, to introduce their Thai subsidiaries and local sub-suppliers (Japanese and Thai) in their supply chain. We interviewed four Tier 1 suppliers based in Japan, eight tier-2 suppliers (Thai), and four tier-3 (Japanese and Thai local suppliers).

The challenge for promoting a company's CSR policy throughout the supply chain is permeating and embodying it in the procurement process at local subsidiaries and suppliers. The key lies in two-way communication between management and workers.

With this understanding, this survey analysed the cases of each company using three axes.

Critical questions at each level were:

1. How to have the headquarters' CSR policies implemented throughout Thai subsidiaries
2. How to engage with the suppliers/business partners for them to observe the headquarters' CSR policies.
3. How to engage with employees.

We will introduce case studies of companies along these three axes, discuss their opportunities and challenges, and explain the active efforts of Japanese companies in the ILO Multinational Corporation Declaration. Interviews were conducted in Japanese and Thai.

**Examples of good practices in relation with Q1 (How are HQ CSR policies disseminated and implemented throughout Thai Subsidiaries):**

The core of corporate efforts is local subsidiaries.

**Thai NOK:** the company used local leadership to tailor the direction from Japan to its Thai context-Thai management and labour of the subsidiaries were encouraged to proactively implement CSR policies. Thai workers began to practice "occupational safety actively and health," which is the cornerstone of CSR, led to implementing the CSR policy at the head office in the field. Key concepts emphasised are dialogue and safety and local-driven.

**DENSO THAILAND:** encouraged the Thai businesses to promote safety and occupational health policies by a localised way. The practice of "occupational safety and health," which is essential in CSR, is to create an environment where Thais can take safety, improve work efficiency, feel comfortable working, and freely express their opinions. It is directly linked to the promotion of the head office CSR policy. Key concepts are respect for local culture and a bottom-up approach to developing policy.

**THAI ARROW PRODUCTS:** worked to promote health and mental wellbeing of workers, which contributed to reduce the number of accidents in factories. It created a working environment that workers would want to go to every day, operated the site in consideration of the worker's physical condition and mental condition, and suppressed accidents and defective products at the factory. Key concepts are a top management commitment and employee safety.

These practices are corresponding to training, occupational safety and health, and labour-management consultation stipulated in the MNE Declaration.

### Opportunities identified:

1. The key to promoting the CSR policy is in the "occupational safety and health" of the Thai subsidiaries' factory, which is the most important in labour CSR. Moreover, the engagement is very deep.
2. The processes established to promote "occupational health and safety" and the trust between employees and management will help expand the scope of CSR initiatives.

### Challenges:

1. The scope of scoping to permeate the CSR policy of the head office is limited.
2. It is necessary to deepen the specific depth of the negative impacts that occur at the workplaces of local subsidiaries.

**Examples of good practices in relation with Q2 (How to engage with the suppliers/business partners for them to observe the headquarters' CSR policies):**

**Siam DENSO Manufacturing and DENSO THAILAND:** the company helped suppliers to improve their working conditions based on the mutual trust developed by the engagement in Quality, Cost and Delivery (QCD) in each relationship with Japanese and local suppliers. As a result, it encouraged suppliers to work on occupational health and safety as required by the CSR guidelines at the head office. Through a bottom-up approach from the workplace, the local supplier detected problems such as human rights and labour as well as safety and quality at an early stage, work on improvement, and operate the business while paying attention to the rights of workers.

Key concepts are QCD and trust.

**SIAM NGK SPARK PLUG:** the company shared with its supplier the value of the CSR policies – business operation in line with the CSR policies helps create a “clean” corporation and thus promote good social impact to Thai local community and sustainability of the company. Key concepts are a contribution to the local community and horizontal implementation of CSR procurement guidelines

These practices are corresponding to due diligence, stakeholder engagement, and occupational safety and health stipulated in the MNE Declaration.

### Opportunities identified:

1. The trust and close communication between subsidiaries of Japanese vehicle parts companies and suppliers cultivated through the promotion of QCD has realized CSR at the supplier's workplace. The purpose of QCD is the quality, cost, and delivery date of products, not the promotion of CSR, but the fact that advancement of QCD has resulted in improvement of CSR in the workplace leads to the practice of CSR. Shows that it is a thing.
2. The trust that subsidiaries have cultivated with the supplier will be the foundation for the cooperative relationship that vehicle parts companies need to have when they perform human rights due diligence on suppliers.

## Challenges:

To explore how to exert more influence on their suppliers in order to level-up the efforts more than just know the problems. Companies must consider how and how much influence they will exert by evaluating the degree of their impact on their business partners and relationship.

## Examples of good practices in relation with Q3 (How to engage with employees):

Employees and trade unions are the most critical stakeholders in achieving CSR throughout the supply chain. The study also interviewed the labour union.

Thai NOK: trade union supported constructive dialogue and good communication between the management and the workforce to promote CSR and improve QCD.

DENSO Thailand: respected local culture of strategies and process of collective bargaining to develop constructive labour-management relations.

Key concepts emphasised in both practices are respect of local culture and dialogue.

These practices are corresponding to harmony with national policy objectives, freedom of association and right to organise, collective bargaining stipulated in the MNE Declaration.

## Opportunities identified.

1. Each company has accumulated constructive dialogue with employees and unions, who are the most important stakeholders in promoting CSR policies. The trust between labour and management built through continuous constructive dialogue will further demonstrate its strengths.
2. The Locally-driven initiative makes communication more understandable to local employees, and it also affects business partners.

The way of constructive labour relations may help overcome the difficult times of Covid19.

## Challenges:

1. How to maintain close communication with employees in a changing business environment
2. Locally-led engagement needs to be reviewed against international standards.

**Ms Miwa Yamada, Director, Law and Institution Studies Group, Inter-disciplinary Studies Centre (IDE-JETRO)**

## Policy proposals to advancing responsible labour practices and sustainability in Global Supply Chains

To resolve challenges concerning labour CSR and decent work, there must be more promotion of responsible practices, not only by Japanese businesses but also by other relevant stakeholders. These stakeholders include the Japanese government, businesses, industry trade unions, the Thai government, the ILO and other relevant international organisations.

## 1. Japanese government:

- Create an enabling environment for business to manage responsible supply chains including with appropriate systems and awareness raising
- Express an explicit message to business to respect human rights through instruments such as the National Action Plan
- Prepare guidance for business to conduct human rights due diligence in practice
- Engage with host and trading partner states
- Create level playing field through international cooperation

It is important to understand societal influences within trading partner and host countries, in this case, Thailand.

## 2. Business

- Conduct human rights due diligence in its own and supply chain to realise decent work
- Introduce systematic/organizational method to implement its CSR policy (Trust and cooperation are essential to the successful adaptation of supply chains.)
- Disseminate, share and develop good practice with business partners in supply chain
- Present actively its policy, practice and challenges internally and externally

## 3. Automobile manufacturers sector

- Raise labour CSR standards by sharing and collaboration in the entire sector
- Update the JAPIA CSR Guide book
- Vehicle manufacturers, as industry leaders, to engage with suppliers in light of their labour CSR with greater transparency

## 4. Trade Unions

- Labour management dialogue to promote constructive industrial relations throughout Asia
- Japanese trade unions have to play a model role as “mother” trade union in Asia

## 5. Thai government

- Partner with Japanese business to implement Thai National Action Plan on Business and Human Rights launched in 2019.

## 6. ILO and other pertinent organizations

- Support governments, business and trade union to promote the MNE Declaration
- Disseminate the MNE Declaration through the distribution of this report, provide technical support, and promote collaboration through supply chains among governments, businesses, trade unions and stakeholders in home and host countries

## Panel 1. Case studies of Japanese vehicle parts companies in Thailand

Moderator: **Ms Naomi Inoue (ILO Consultant)**

### 1. How to have the headquarters' CSR policies implemented throughout Thai subsidiaries



**Moderator question:** How to have the headquarters' CSR policies implemented throughout Thai subsidiaries? How did you create an environment where workers can voice their opinions? And how do these policies lead to improve productivity?

**Mr Yoko Takayama, Manager, Business Management Head Office Division (Thai NOK)**

Thai NOK Involves Thai people in management and localise the operation as much as possible. 80 per cent of general managers are Thai. These managers have a very good understanding of the corporate philosophy of NOK and our CSR policy and adapt them to suit the local context.

They adjust the company's CSR policy to the local context so that workers understand it very well. Concrete activities include developing self-enlightenment, self-help videos, drama and music.

Furthermore, workshops are held at various levels to develop the policy and targets that reflect management philosophy.

When it comes to information sharing from the frontline to the top management, we have a system called a 'pink card' which is used in the scenes of safety and quality.

As a top-down approach, we organize safety patrols frequently to try to identify dangerous spots daily. Besides, we receive information provided from the frontline comes in a bottom-up manner, supported by the pink card system. In various places, there are pink sheets of paper, which went online recently though, and workers can write about anomalies and share information about abnormal safety and quality situations regularly.

According to this system, senior managers can analyse this information and modify the situation. Eventually, we can prevent production lines from being suspended, so in that sense, it contributes to the improvement of productivity and safety.

**Moderator Question:** How did policies promoted by a localised way favour OSH and advance CSR?

**Mr Takeshi Nagata, Executive General Manager, Administrative Division (DENSO INTERNATIONAL ASIA)**

Throughout its 50 year history, we always focused on safety. Our models of safety and health activities originated in Japan and tend to stemmed from Japanese culture or custom. Accordingly, the practice of the models was not well worked initially. For instance, the safety slogan was not always translated well since there was no exact words in Thai reflecting the precise meaning of certain Japanese words. It caused a lack of understanding among Thai workers, but there was no mechanism for Japanese management to know about it.

Therefore, we tried creating a safe and productive workplace by having Thai colleagues themselves think about it and discuss it carefully. Their ideas were adopted so that they could suggest ideas more actively, e.g. creating an entrance arch in the factory reminding safety first and a space to learn about safety in Thai language. Not only for the safety but also for the efficiency of the work, we asked the workers to raise their opinions from the bottom up, and the management promptly



responded to these suggestions, thus creating a virtuous circle that made it even easier to raise information. Thai people are encouraged to be the key figures of workplace operations.

## 2. How to engage with the suppliers/business partners for them to observe the headquarters' CSR policies.

**Moderator question:** How did trust with local suppliers build through engagements to improving QCD helped promote CSR? And What did the company do to build trust with local suppliers?

**Mr Theeraporn Sri-Udomslip, General Manager, TSD Procurement (DENSO (THAILAND))**

We are responsible for disseminating the CSR policy of the head office to the local suppliers in Thailand. Our mission is to be at the global level, and our most important task is to maintain our supplier base. Our strategy is to strengthen QCD and build trustful relationships. Step 1 is to establish a system for sharing critical information based on an agreement with the top management of the supplier. We are building a relationship of trust with our suppliers by expressing our expectations of them and performing kaizen activities under the win-win concept.

For example, with regard to Boon Engineering, one of our suppliers, we are working to create a good working environment by ensuring equal working conditions for Thai and Myanmar employees and that there is no discrimination based on nationality. The key to working with these suppliers is to build trust, to be a good listener about their needs, and to optimize the relationship.

We have been working with 15 suppliers on QCD activities, and the key to their success has been honesty, shared objectives, and careful discussions with time. We have earned the trust of our suppliers by sharing our expertise and support from experts to jointly solve problems.

**Moderator question:** tell us your opinion from the standpoint of a Japanese manager.

**Mr Yutaka Fukaya, Executive Vice President (DENSO INTERNATIONAL ASIA)**

The role of the regional headquarters, where I work, is to formulate regional purchasing policies and ensure that these policies are implemented in operations in each country.

As a buyer, we always try to respect the position of our suppliers; we aim to build win-win relationships, view these companies as business partners, and work together to enhance our mutual competitiveness.

We also try to work from a medium- to long-term perspective considering our long-term business relationships. Our buyers try to provide support in a wide range of areas, including management and human resources, as well as technical manufacturing support, when suppliers have concerns.

We share information about our business policies with all our partners, have a reward system for excellent partners, offer them rewards, and hold meetings among top management, all with the aim of growing each other's business.

### 3. How to engage with employees?

**Moderator question.** What were the difficulties in the employees-engagement? What labour union activities support the employees, and how does it help the company's stable management??

**Mr Yoko Takayama, Manager, Business Management Head Office Division (Thai NOK)**

As indicated in the ILO's MNE Declaration, it is important to have meaningful consultations with local trade unions, not negotiations that only recognize the interests of one party, but consultations that involve both parties as partners.

In terms of employee engagement, the trade unions have a role to play in explaining the results of the negotiations to the workers, with accountability on their part.

We have learned the importance of constructive dialogue and in particular the benefits it can bring to both labor and management from our ongoing consultations with the trade unions at the head office. It has become a good practice.

Even today, this has led to regular monthly meetings with the local trade unions.

In a rapidly changing market, the company seeks to reduce wasteful work. On the other hand, employees are facing difficulties due to the changing work environment, and income is decreasing due to reduced working hours. These problems can be exacerbated if decisions are made hastily.

We believe that the following are important aspects of supplier engagement: constant dialogue and close sharing of information, managing overtime, setting up flexible shift systems and production adjustments, and dealing with problems while they are still small to limit rapid changes.

**Moderator question:** Localised labour management strategy - how did that happen and how has this contributed to competitiveness?

**Mr Takeshi Nagata, Executive General Manager, Administrative Division (DENSO INTERNATIONAL ASIA)**

Our company has a long history of striving to establish a culture of mutual trust between the company and the union. However, in order to establish such a culture, it was necessary for employees to feel an intuitive sense that their contribution to the company's growth actually led to their own career development and improvement in their standard of living.

A tendency for management to be Japanese and union members and workers to be Thai can create a wall between labour and management caused by cultural and language differences. There is a big gap in quality and quantity of information possessed by workers focusing on the task at hand, and management on the other. To meet halfway, it is important to trust each other, and faithfully disclose and share information.

While Thai and Japanese management executives hold a regular meeting, there is currently an occasion for Thai management executives and the trade union to hold a dialogue on the future of labour-management relations. Although there is a difference in opinion and values even between

Thai colleagues, we emphasize the importance of having a faithful dialogue between Thai core management executives and Thai workers and unions towards a local-centred working environment.

#### 4. Question related to the COVID-19 pandemic?

**Moderator question:** How have your efforts to date worked against the impact of the COVID-19 pandemic?

**Mr Yoko Takayama, Manager, Business Management Head Office Division (Thai NOK)**

We emphasize a good relationship with the trade union and share the practice of CSR policy and management that values people, and this shared philosophy helped us to overcome the management crisis issue.

COVID-19 caused a significant drop in the operation rate and, of course, our company's performance deteriorated. We have been implementing improvement measures while striving to ensure the life and safety of our employees and their families. Due to the reduction in overtime hours, the income of some employees decreased significantly, but the Company took action by providing food and other necessities to its employees.

In the course of considering and developing various measures, discussions between management and the union were necessary almost every day and every week, but since the basic principles were shared between labour and management on a daily basis, discussions were smooth from the perspective of whether or not the measures being considered and implemented at the time were in line with the basic principles.

Before 2015-16, there were protests outside of working hours during labour-management negotiations and a lack of trust, which made it difficult to dispel tensions.

Now, through discussions with the trade union at the head office in Japan, the distance between both labour and management in Thailand has been shortened, and the each other's perspective and situation are taken into consideration at the stage of proposals from both sides in dialogue and engagement with the trade union.

Even in the midst of the COVID-19 crisis, there were some production lines that enjoyed stable orders, and people were shifted to such places and operating hours were changed.

To make the shifts flexible, the employees actively supported us and responded to our requests. As a result, we had to ask a lot of employees to help us, but this allowed us to efficiently shut down operations and eliminate overtime, ultimately minimizing the company's losses and ensuring the livelihood of our employees. We believe that this was a case where our regular engagement was effective.

**Mr Takeshi Nagata, Executive General Manager, Administrative Division (DENSO INTERNATIONAL ASIA)**

As a result of COVID 19, production and workload of our company had to be reduced. The workers were worried about their future facing media reports in Thailand and other media sources. However,

based on the labor-management relationship that had been built up, the company agreed to protect employment and collaborated with the trade union in explaining to the workers the situation for wiping out their anxiety

We decided to use the time we had due to the production cutbacks to ask for cooperation from workers on our plan to improve the working environment and task operation. In the end, more than 30,000 suggestions for improvement were received in two weeks. I felt that our routine efforts for a bottom-up approach was realized in that way. Given the number of the suggestions received, we need more efforts to develop more conducive environment for furthering a speak-up culture.

### Mr Theeraporn Sri-Udomslip, General Manager, TSD Procurement (DENSO (THAILAND))

As for COVID-19, we are working with suppliers to address the impact of the crisis. Both sales and production have been affected. The government has announced a lockdown of major cities, which has affected material transportation, raw material procurement, and labour issues. Some of the suppliers had business management problems. However, the COVID-19 crisis was not the first crisis in Thailand, and the country has a history of flooding. Therefore, we have established channels of cooperation in Thailand. The important thing is trust, and with this trust, suppliers can provide us with accurate information. This will allow us to act quickly and support our suppliers. For example, if someone is infected, we can adjust our production to support them and maintain our relationship with the supplier if we ensure that our team is functioning smoothly. CSR policies can contribute to surviving difficult situations.

## 5. Question from the floor

**Moderator question:** Does building trust lead to competitive differentiation from foreign and local companies?

### Mr Yoko Takayama, Manager, Business Management Head Office Division (Thai NOK)

Whether we are able to differentiate ourselves from other companies depends on the preferences of the people working there, but I feel that the stable lifestyles and corporate culture of Japanese-style employment are appealing to them.

### Mr Takeshi Nagata, Executive General Manager, Administrative Division (DENSO INTERNATIONAL)

We believe that we have been able to differentiate ourselves from other companies. There are many examples of companies in Thailand that have cancelled their contracts, but we have always been grateful to our employees. We have always had faithful dialogue with workers facing not only COVID-19, but also other crisis situations such as floods and currency crises. Our talking to them may help them feel a little more at ease. We believe that it is because of this family-like atmosphere that our employees enjoy working for the company.

## Wrap up

### Ms Naomi Inoue (ILO Consultant)

We would like to express our gratitude to all the companies that cooperated in the survey. During the survey, we experienced first-hand the depth of trust that Denso has with its supplier, Boon. The company's emphasis on occupational health and safety issues and its promotion of QCD to its suppliers provided a strong foundation for implementing CSR based on trust. The initiatives were directly related to the ILO MNE Declaration, including employment, training, working and living conditions, labour-management relations, due diligence, and stakeholder engagement. Efforts in these areas had led to improvements in corporate competitiveness and productivity, and also supported the sustainability of the company and its suppliers in the context of COVID-19. Corporate competitiveness and sustainability can be achieved by engaging in responsible labour practices that meet international standards. There were many signs of Japanese leadership on these issues in the region. We hope that Japanese vehicle parts companies will further deepen their efforts in the future.

## Panel 2: The role of Japan to promote the labour perspective of CSR in the supply chains in Asia going forward

**Moderator:** Mr Ryusuke Tanaka, Programme Officer (ILO Office for Japan)

Panellists:

- Ms Mamiko Chiya, Director, International Labour and Cooperation Office, International Affairs Division, Minister's Secretariat (Ministry of Health, Labour and Welfare)
- Mr Motofumi Nakajima, Director, International Affairs Bureau (Confederation of Japan Automobile Workers' Unions (JAW))
- Mr Chitaka Kambe, Director, Public Relations Division (DENSO)
- Ms Miwa Yamada, Director, Law and Institution Studies Group, Interdisciplinary Studies Centre (IDE JETRO)

### Moderator - General questions for the panel:

This panel will, based on the findings from the company practices in the Panel 1, discuss ideal future actions for the government, workers and employers in relation with responsible labour practices in line with internationally recognised standards and guidance, with a consideration of challenges and action points possible for collaboration.

The discussion is supposed to cover the Japan's National Action Plan for Business and Human Rights (NAP) and labour related issues, as well as the impact of COVID-19 on supply chains.

## From the Government perspective

**Ms Mamiko Chiya, Director, International Labour and Cooperation Office, International Affairs Division, Minister's Secretariat (Ministry of Health, Labour and Welfare)**

Japan's National Action Plan on Business and Human Rights (NAP) was established in October 2020. It stems from the release of the UN Guiding Principles on Business and Human Rights, Leaders' Declaration G7 Summit 2015 in Schloss Elmau and G20 Leaders' Declaration of 2017 in Hamburg. These documents emphasised the necessity of respecting human rights among businesses. Japan's NAP aims at ensuring policy coherency among the policies of relevant government ministries, promoting socially responsible business conduct, and reducing adverse impact on human rights. Through the NAP, Japanese business values and international competitiveness can be supported and eventually, contribute to the achievement of the SDGs.

Looking at the relevant policy actions of MHLW in the NAP that is pertinent to the topic of this webinar, we note, among others, the promotion of decent work in domestic/global supply chains. Human rights due diligence (HRDD) is an important action point in this context for business to be socially responsible throughout supply chains.

Firstly we would introduce, as one of the relevant policy actions in the NAP, an awareness raising on the NAP for business operating in the international arena, while developing common understanding of HRDD in collaboration with other ministries and international organizations. The NAP also touches upon continuing awareness-raising about the OECD Guidelines for Multinational Enterprises, which was established in 1976 and the latest update was in 2011. The last update, noting that businesses have to respect human rights, introduced a new chapter concerning implementation of risk-based due diligence.

Secondly, NAP focuses on dissemination of the ILO Declaration on Fundamental Principles and Rights at Work adopted in 1998, as well as the ILO MNE Declaration, first adopted in 1977 and regularly updated. The most recent amendment of the ILO MNE Declaration in 2017 incorporated, among others, UN Guiding Principles and SDGs and introduced operational tools to promote the declaration such as Regional follow-up and Company-union dialogue. Japan has been supporting the aims of these declarations, especially in the context of promoting decent work.

Thirdly, the NAP includes the action to support activities by international organizations. To date, MHLW has been contributing to the ILO in the areas of occupational safety and health, human resource development, social security and industrial relations. Also, we have implemented some programmes to promote responsible supply chains in the Asian region. The total budget for voluntary contributions to the ILO in 2020 summed up about 730 million yen.

As an example of an implemented project, from 2015 to 2018, we conducted a project to develop business infrastructure for Japanese and other companies in the electronics sector of Vietnam. In this program, multinational enterprises and suppliers as well as tripartite constituents participated to launch '[Electronics Business Coalition in Viet Nam](#)'. A 'tripartite-plus dialogue' formed to share the understanding that socially responsible corporate behaviour leads to corporate competitiveness.



Other projects have been implemented in the Philippines and Myanmar since 2019, developing support for the implementation of labour inspectorate and improvement of operational systems to eradicate child labour, as well as supporting social dialogue between labour and management. During the period of Covid-19, this program was delayed, but will be fully implemented in the future.

### **Comment on recommendations from the report:**

The dissemination of the ILO MNE Declaration and the implementation of the 'tripartite-plus dialogue' between home and the host countries as suggested in the report's recommendations, are important points that the Ministry of Health, Labour and Welfare (MHLW) has been emphasizing in its development cooperation. Projects in the electronics industry in Vietnam also focused on this point. It became clear that socially responsible labour practices are a win-win situation not only for local workers and suppliers, but also for multinational enterprises. In the future, I hope that good practices such as those introduced today will spread to other countries and other industries.

### **From the trade union perspective**

**Mr Motofumi Nakajima, Director, International Affairs Bureau**

(Confederation of Japan Automobile Workers' Unions (JAW) )

JAW is an industrial union of the automobile industry that was established back in 1972. We compose of around 1,000 company-level trade unions and around 800,000 union members including supply chain workers in the vehicle body and parts companies. Around 2,000 overseas entities belong to the counterpart companies of our member unions, including more than 200 in Thailand alone.

Since its foundation in 1972, JAW has worked with various unions, including the UAW in the United States. In 1994, we held the first seminar for trade unions of Japanese automobile companies in Thailand. In and after 2010, we held a biennial meeting with unions throughout Asia to discuss "constructive labour-management relations," based on the idea that unions should think together about how to strengthen cooperation, not only with individual unions.

The JAW formulated its "20.30 Vision" for international activities in 2017, but at the time the vision was discussed, labour-management disputes were increasing in emerging countries at the dawn of their industries. While a variety of background circumstances can be considered, it seems that there was a gap in the perceptions between the government promoting the foreign direct investment, and companies pursuing their own interests, as well as the promotion of Western-style labour movements by Western labour unions. In such a situation, we felt the need to convey the Japanese way of thinking and thought that strengthened activities to build constructive labour-management relations was essential for the sustainable development of overseas business of Japanese companies.

The vision that we aim to achieve by 2030, covering labour and management in all the countries of Japanese automobile companies, including the entire supply chain, is to ensure that "constructive labour-management relations" are understood and shared, that a system of labour-management



dialogue is put into practice, and that Japanese labour unions are regarded as the most reliable advisors when local labour unions face challenges.

Examples of efforts since 2017 based on this "20.30 Vision" include promoting understanding toward both labour and management in Japan and developing human resources to promote international initiatives within Japanese trade unions. We also have a strategy to build networks with overseas labour unions to promote a deeper understanding of constructive labour-management relations that can tackle changes in work, such as the conversion to electric vehicles.

Currently, we are working on setting specific targets at the national/regional level for 2030.

The cooperation among labour unions as suggested in the report is exactly what we are working on through the "20-30 Vision" and will continue to do so in the future.

We believe that the cases of NOK and Denso are based on the accumulation of many years of experience and local respect. As we move forward, it is important to consider how to respond to changes.

At present, it is not standard practice for the head office in Japan and the labour union in Japan to discuss and take concrete actions regarding labour-management relations at overseas entities, but we would like to promote efforts so that this will become the norm in the future.

## Mr Chitaka Kambe, Director, Public Relations Division (DENSO)

We have about five thousand to six thousand suppliers throughout the world. We have a heavy responsibility in this field.

We have supported labour union collaboration in Thailand and other places to build constructive labour/management relations. The work of JAW has been important considering that Japan has maintained its global competitiveness. What is important for us is to establish a culture that fosters a spirit of caring for others among our employees and to continue our business operating relationship from a long-term perspective.

About 10 years ago, we established a base in one of the poorest countries in Asia. The top management of the base followed a policy of returning profits to the growth of the country, building strong personal relationships with the workers and using their free time to support the workers' life needs.

This kind of behavior is more valuable than international rules and standards, and we as a company should make a conscious effort to foster this kind of kindness to others.

Faced with a crisis like COVID-19, a shrinking market, drastically declining sales, we are forced to ask for cooperation in measures that our employees may feel pain. Rather than focusing only on securing profits in the short term, how we can steer the field from a long-term perspective will make a big difference in the management of the field and the management of the labour union after the crisis. In the past crises, we have responded by scrambling to find jobs for workers, rather than firing them, and we hope to continue this effort for the next generation.

Standards and principles at the international level are difficult, varied, and complex. In the case of automotive parts companies, where both customers and suppliers have business relationships in multiple countries, it is often difficult to know what to comply with, including the laws and regulations of each country. Therefore, we would be grateful if the relevant institutions could develop and implement guidelines that meet the above requirements in a simple and easy-to-understand manner and include examples from each company.

**Ms Miwa Yamada, Director, Law and Institution Studies Group, Interdisciplinary Studies Center (IDE JETRO)**

The importance of responsible supply chains and responsible labour practices has been increasing in recent years, and RBC requirements are increasingly being demanded by investors and consumers, while regulations are being developed, such as those in Europe. Companies are also expected to play a role in managing risks and value creation and conducting business in line with sustainable development. In Japan's National Action Plan, all Japanese companies are expected to conduct human rights due diligence and stakeholder dialogue. We believe that the good practices shared today will serve as a foundation for companies to meet these expectations.

Based on the excellent practices of the companies we have worked with, we have tried to relate them to the ILO MNE Declaration in order to convey in universal terms the importance of the activities that each company undertakes. Of course, local standards and initiatives are important. But in addition to the ILO MNE Declaration, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises (IDE-JETRO contributed to the preparation of the Japanese version of OECD Due Diligence Guidance for Responsible Business Conduct based on the OECD Guidelines) provide universal standards to be applied internationally. In relations with employees and other suppliers, they can be used as tools to provide a common language for communicating universal principles. While good constructive industrial relations are cherished in Japan, the challenge is to explain them universally, and the role of the state is to create an enabling environment for these relations. Now in Asia, everyone is aware of the importance of building good labour-management relations based on the freedom of association and right to collective bargaining. I hope that Japanese companies will protect and respect these rights in the Asian society.

**Mr Yoshito Asano, Deputy Director, Europe Division, Ministry of Economy Trade and Industry (METI)**

The Ministry of Economy, Trade and Industry (METI) and the European Commission's Directorate-General for Growth have been engaged in dialogue with companies under the EU-Japan Industrial Policy Dialogue since 2013, and in the EU-Japan CSR Working Group.

In 2019, we co-organized a seminar to promote international cooperation (EU-Japan-OECD Seminar on Supporting International Collaboration on RBC/. CSR) as a side event of the Forum on Responsible Business and Human Rights in Bangkok, Thailand. In the area of climate change-related initiatives, we held the TCFD Summit, which brought together corporate and financial leaders from around the world who are working on the recommendations of the Task Force on Climate-related Financial

Disclosures (TCFD) and discussed how to further utilize TCFD disclosure. Currently, more than 300 institutions in Japan support TCFD, making it the largest in the world. Referring to the contents of today's meeting, we hope to support the sustainable growth of companies together with the European Commission, OECD and ILO.

**Moderator Questions.** How do we think about desired stakeholder actions in the future?

**Mr Motofumi Nakajima, Director, International Affairs Bureau (Confederation of Japan Automobile Workers' Unions (JAW))**

The nature of labour-management relations varies widely, and the degree of success varies even in Asia, and I feel that the values of constructive labour-management relations have not yet fully penetrated the local community. Industrial unions tend to have a strong industrial focus, while local labour unions tend to have a strong corporate focus, so I would like to see activities that promote these values from a more comprehensive standpoint. For example, it would be desirable to have a system in which values can be shared with the help of foundations, such as the grassroots activities of the Japan International Labour Foundation (JILAF).

**Moderator question:** What are the expectations of the Government and the ILO?

**Mr Chitaka Kambe, Director, Public Relations Division (DENSO)**

Companies sometimes hesitate to tell their suppliers what they should do because of their business relationships, so I would like to see a message from the government and its policy level that efforts must be made across supply chains. I believe that both governments and international organizations have been discussing the issue through international conferences, but if the progress can be shared before it is finalized, companies will be able to understand the expectations of the international community in advance, reflect them in their business activities, and create new businesses. I believe that this will help to create new businesses.

**Ms Miwa Yamada, Director, Law and Institution Studies Group, Interdisciplinary Studies Centre (IDE JETRO)**

As each of the important stakeholders is promoting their own initiatives, I hope that their efforts will have a synergistic effect. I hope that information will be shared among stakeholders so that they can work together to maximize the benefits.

A consistent policy from a managerial and business point of view is necessary, and I would hope for cooperation across ministry and agency boundaries.

**Ms Mamiko Chiya, Director, International Labour and Cooperation Office, International Affairs Division, Minister's Secretariat (Ministry of Health, Labour and Welfare)**

This seminar provided a meaningful learning opportunity to learn about approaches in the field.



In response to a request regarding the sharing of discussions at international conferences, the Ministry of Health, Labour and Welfare (MHLW) shares materials related to policy meetings such as the G20 on our website. The Ministry of Health, Labour and Welfare (MHLW) also hopes to contribute to the promotion of responsible labour practices in the global supply chain through the ILO contribution program and other activities, while engaging in dialogue with labour and management.

### Wrap up

#### Ryusuke Tanaka (ILO Office for Japan, Programme Officer):

I believe that this panel provided good examples of why, what, and how companies should promote labour CSR. We could understand that tripartite constituents of government, worker's and employer's organizations are playing key roles in labour CSR, and that efforts from a long-term perspective based on trust are creating resilience through the supply chain. As the world of work changes due to climate change and pandemics, it is desirable to establish a platform for sharing good practices and discussing cooperative relationships.

### Closing Remarks

#### Mr. Shinichi Takasaki (Director, ILO Office for Japan)

The situation in the field of business and human rights is constantly changing; the EPA includes human rights protection and a legal framework will be announced. The Secretary of State of the new U.S. administration Mr. Antony J Blinken is placing a high priority on human rights issue. More than ever, companies are required to make clear commitments and communicate them and ILO Office for Japan would be able to support them.