



Current State and Good Practices of Human Rights Due Diligence implementation of Japanese Companies

~Focusing on Case Studies of Three Asian Countries~

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Susumu Tanaka, Senior Economist, Research & Analysis Department

Japan External Trade Organization (JETRO)

1 | Four Pillars of JETRO's Activities

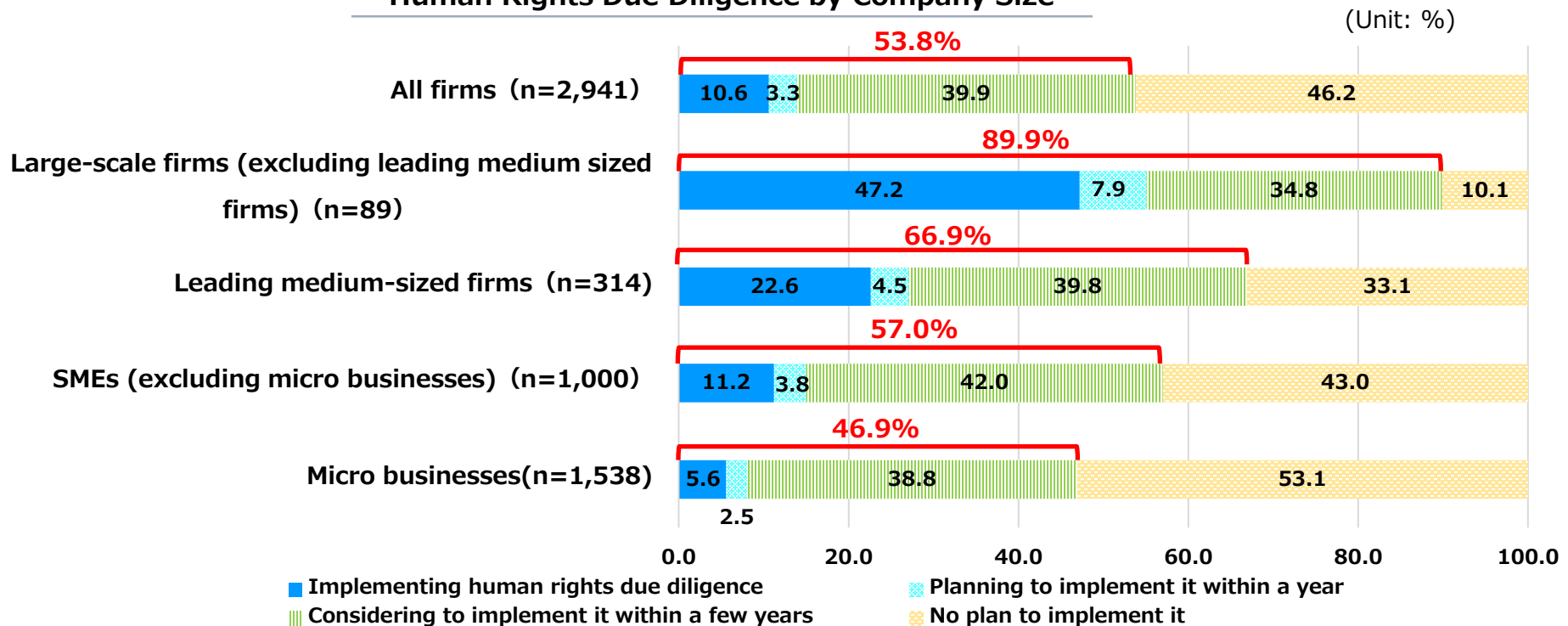


Japan: Headquarters (Tokyo),
 Osaka Headquarters,
 Institute of Developing Economies,
 Japan Food Overseas Promotion
 (JFOODO),
 Domestic offices: 49 offices,
 Overseas offices: 76 offices in 55 countries
 (As of April 2023)

2-1 | Approximately 50% of large-scale firms are implementing human rights Due Diligence

- More than 50% of companies are implementing human rights due diligence (DD) , have plans to implement it within a year or are considering to implement it with in a few years.
- Looked at by enterprise size**, at 47.2%, about half of large-scale firms answered that they had implemented human rights due diligence, while 22.6% of leading medium-sized enterprises, 11.2% of SMEs, and 5.6% of micro businesses did so, making it clear that **there are significant differences**

Human Rights Due Diligence by Company Size



Note: "n" is the number of companies excluding those giving "no response" from the number of responding companies in all figures.

Source: JETRO FY2022 Survey on the International Operations of Japanese Firms (conducted from November to December 2022)

✖ | Definitions of Large-scale firms, SMEs, etc.

Classification	Manufacturing, etc.	Wholesale	Retail	Service
Large-scale firms	Firms other than SMEs			
Large-scale firms (excluding leading medium-sized firms)	Large-scale firms other than leading medium-sized firms			
Leading medium-sized firms	More than 300 million but less than 1 billion yen, or more than 300 but fewer than 3,000 employees	More than 100 million but less than 300 million yen, or more than 100 but fewer than 1,000 employees	More than 50 million but less than 300 million yen, or more than 50 but fewer than 1,000 employees	More than 50 million but less than 300 million yen, or more than 100 but fewer than 1,000 employees
Small and medium-sized enterprises (SMEs)	300 million yen or less, or 300 or fewer employees	100 million yen or less, or 100 or fewer employees	50 million yen or less, or 50 or fewer employees	50 million yen or less, or 100 or fewer employees
SMEs (excluding micro businesses)	SMEs other than micro businesses			
Micro businesses	50 million yen or less, or 20 employees or less	10 million yen or less, or 5 employees or less		

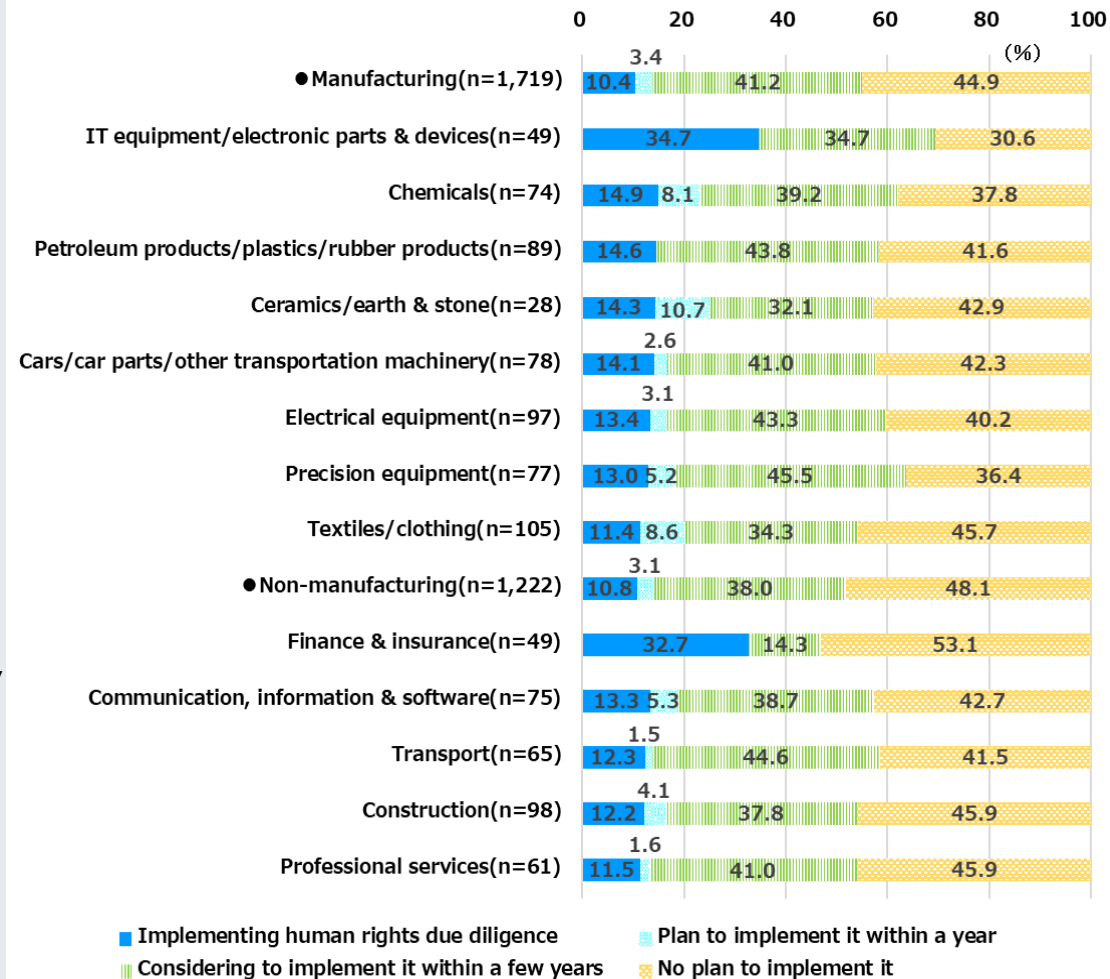
Note: "Large-scale firms" and "SMEs" in the large categories are based on the Small and Medium-sized Enterprise Basic Act. The others are defined by JETRO.

Source: JETRO FY2022 Survey on the International Operations of Japanese Firms (conducted from November to December 2022)

2-2 IT equipment/electronic parts & devices leads human rights Due Diligence implementation

- By industry, **the implementation rate of human rights due diligence (HRDD) was highest in IT equipment/electronic parts and devices at 34.4%**. In particular, 100% of large-scale firms (excluding leading medium-sized firms) in this sector have implemented HRDD.
- One of the reasons is progress in the global division of labor in the IT equipment/electronic parts and device industry, resulting many transactions with overseas enterprises. It is also conceivable that the above result may be due in part to Japanese enterprises being easily influenced by the industry in the EU and US, which are ahead of other regions in terms of management that respects human rights.
- On the other hand, among the same manufacturing industries, only 11.4% of those in textiles/clothing have implemented HRDD, but this is due to the fact that 95.2% of the responding companies are SMEs.

Implementation of Human Rights Due Diligence by Industry



Note: "n" is the number of companies excluding those giving "no response" from the number of responding companies in all figures. Only industries with an HRDD implementation rate of 10% or more are listed.

Source: JETRO FY2022 Survey on the International Operations of Japanese Firms

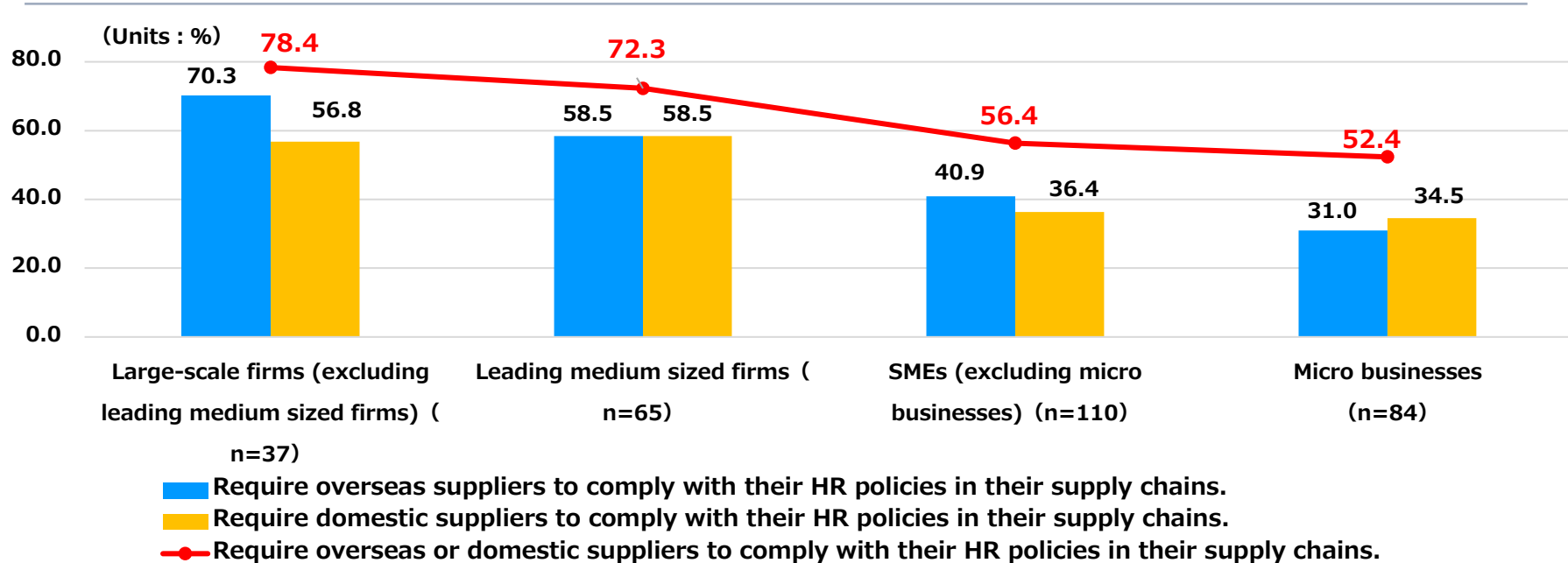
(conducted from November to December 2022)

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2-3 | About 80% of large-scale firms have requested their suppliers to comply with their own HR policies

- 78.4% of large-scale firms (excluding leading medium-sized firms), 72.3% of leading medium sized firms, 56.4% of SMEs (excluding micro businesses), and 52.4% of Micro businesses implementing HRDD require their suppliers in the supply chain to comply with their own human rights policies.
- Converserly, the proportion of large-scale firms required to comply with their customers' policies was 51.9%. The proportions for such requests for the handling of human rights from customers were 37.5% for leading medium-sized firms, 32.1% for SMEs, and 15.9% for micro businesses.

Percentage of companies that require their suppliers to comply with HR policies by Size of Company



Note: "n" is the number of companies excluding those giving "no response" from the number of responding companies in all figures.

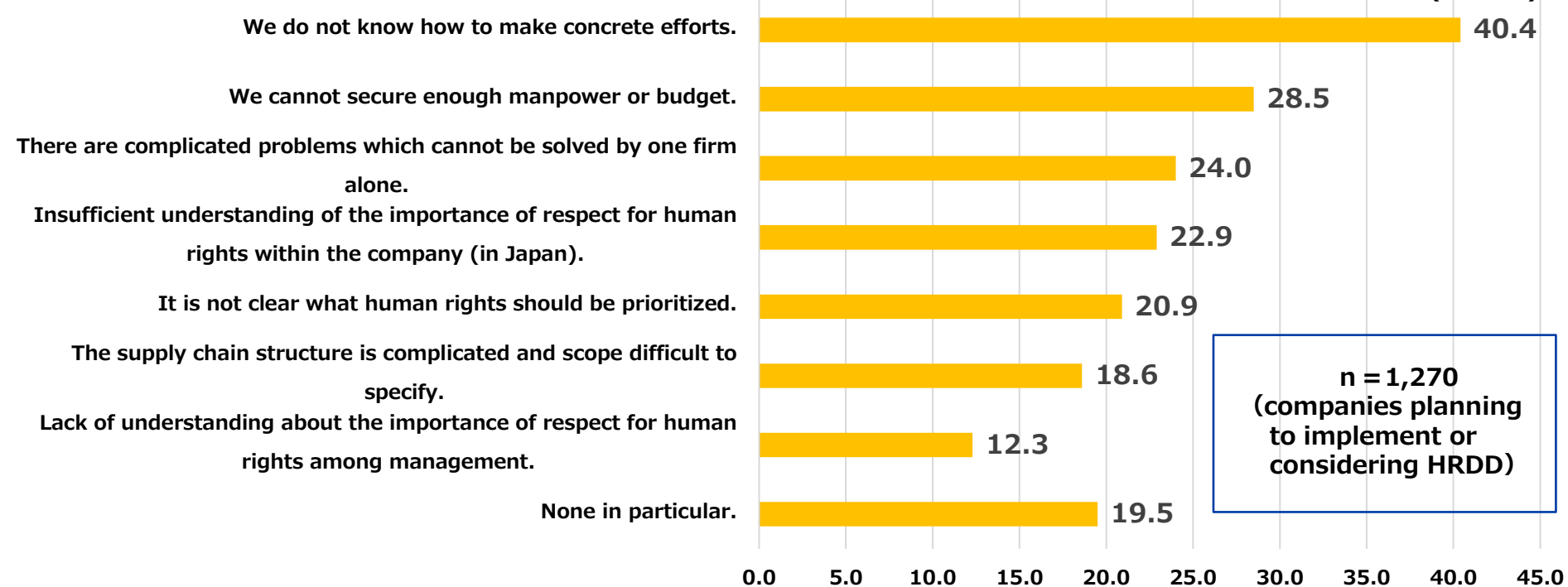
Source: JETRO FY2022 Survey on the International Operations of Japanese Firms (conducted from November to December 2022)

2-4 | Securing personnel and budget for HRDD first challenge to be overcome

- Among companies planning to implement or considering HRDD (1,270 companies), a certain number of companies were found to have problems in understanding and implementing due diligence.
- In addition, although companies are aware of the need to take action, **they lack sufficient resources and budgets to implement** such measures, including the assignment of specialized personnel and outsourcing to experts. This is a challenge in establishing supply chains that consider human rights.

Challenges in establishing supply chains that respect HR overseas for companies that plan to implement or are in the process of considering HRDD (top 7 items)

(Unit:%)



Note: "n" is the number of companies excluding those giving "no response" from the number of responding companies in all figures.

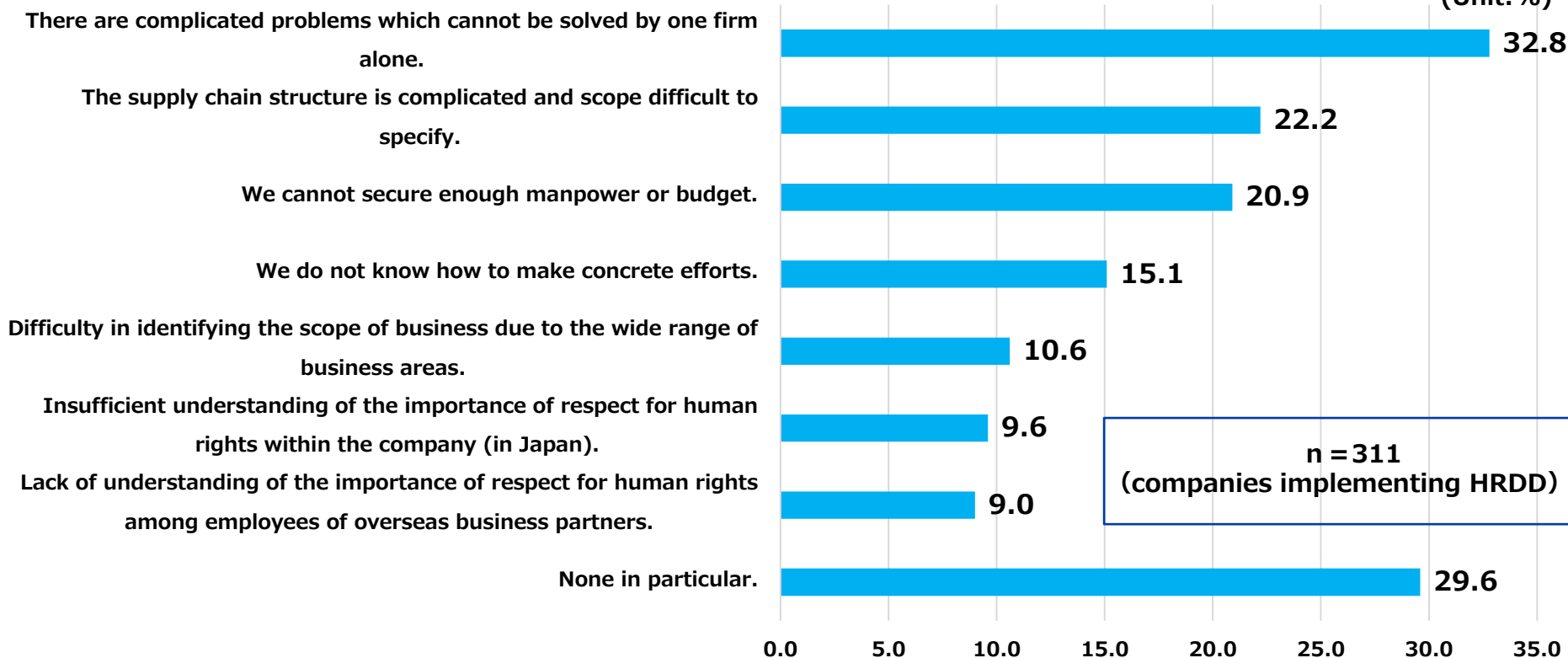
Source: JETRO FY2022 Survey on the International Operations of Japanese Firms (conducted from November to December 2022)

2-5 | Complicated problems cannot be solved by one firm alone is top challenge

- Among companies implementing HRDD (311 companies), "There are complicated problems which cannot be solved by a firm alone (32.8%)" and "Supply chain structure is complicated and difficult to specify the scope (22.2%)" are raised as top challenges in establishing supply chains that consider HR.

Challenges in establishing supply chains that respect HR overseas for companies implementing HRDD (top 7 items)

(Unit:%)



Note: "n" is the number of companies excluding those giving "no response" from the number of responding companies in all figures.

Source: JETRO FY2022 Survey on the International Operations of Japanese Firms (conducted from November to December 2022)

3-1 | Examples of Good Practices of Japanese Companies' Human Rights DD

- There is no one fit answer to human rights Due Diligence (DD), and the issues and priorities that need to be addressed and good practices differ depending on the business model, industry, size, and extent of overseas expansion of the company.
- This presentation will focus on some of the good practices in the three Asian countries from the joint study on human rights DD initiatives of Japanese companies in Japan, Bangladesh, Cambodia, and Vietnam with the ILO Office in Japan, which has been underway since last summer.

Good Practice Cases of Human Rights Due Diligence by Japanese Companies

DUE DILIGENCE PROCESS		Corporate Case Studies
① Embed responsible business conduct into policies and management systems	• Efforts to make known and disseminate its human rights policy by preparing and distributing handbooks in local official languages. [UN Guiding Principle 16, OECD Guidance 1.1] (Canon Inc.)	
② Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services	• Efforts to grasp the work environment at local factories through various means such as weekly reports and factory visits. [UN Guiding Principles 18, OECD Guidance 2.2, ILO MNE Declaration 9] (Kojima Iryo Co.,Ltd.)	
③ Cease, prevent and mitigate adverse impacts	• Reducing of the risk of occupational accidents through dialogue with employees. [UN Guiding Principles 19, OECD Guidance 3.1, ILO MNE Declaration 44] (Wacoal Holdings Corp.)	
④ Track implementation and results	• Self-assessment of grievance mechanisms in accordance with UNGPs and addressing issues identified. [UN Guiding Principles 20, 31, OECD Guidance 4.1] (FAST RETAILING CO., LTD.)	
⑤ Communicate how impacts are addressed	• Efforts to disclose both qualitative and quantitative information in a manner that is easy for stakeholders to understand. [UN Guiding Principles 21, OECD Guidance 5.1, ILO MNE Declaration 30, 44] (Toshiba Corp.)	
⑥ Provide for or cooperate in remediation when appropriate	• Enabling prompt responses when problems including human rights violations occur by using Crisis Management Reports with suppliers and building an information-sharing framework.[Guiding Principle 22, OECD Guidance 6.1] (ASICS Corp.)	

3-2 | Distributing a handbook in local official languages to disseminate human rights policy

- Canon has published the human rights policy in 2021 in both Japanese and English languages through its website, and also disseminates its human rights policy and other such policies using the official language of the countries where its factories are located.
- **Canon Vietnam, for example, has prepared a handbook in Vietnamese which describes the Canon Group Code of Conduct, and internal rules of Canon Vietnam, including respect for human rights**, and distributes it to employees when they join the company to know about it.

Spreading of awareness about human rights policy through distributing a handbook in the official languages of the countries.

- It is important not only to formulate a human rights policy, but also to ensure that people are aware of them and to put them into practice.
- Canon Vietnam distributes a handbook containing the human rights policy and related information in the official language of the country when their employees join the company, in order to make them aware of **not only the existence of human rights policies, but also to make them aware of the specific human rights and workers' rights which are to be protected.**
- The handbook **also provides information on the internal reporting system as well as the contact point for consultations**, making it easier to respond promptly to occurrences such as human rights issues and concerns which arise in relation to such issues.



(Canon Vietnam handbook cover, provided by Canon Vietnam)

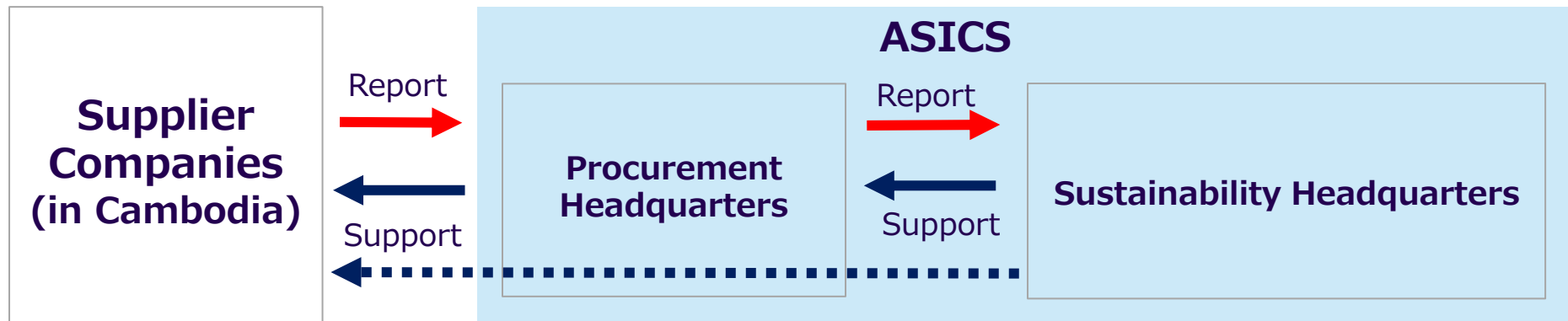
Introduction :	
· Message from General Director	
· Employee commitment	
· Canon Group Corporate Philosophy etc.	
Section 1: Canon Group Code of Conduct	
I	General rules
II	Management attitude
III	Board Member/Employee Code of Conduct
Section 2: Canon Vietnam Policy and Basic Regulations	
1	General rules
2	Human rights protection
3	Recruitment policy
4	Security
5	Environmental policy
6	Occupational health and safety
7	Social welfare activities
8	Social Contribution Activities / Donations
9	Labour Union
10	Internal reporting system

(Excerpt from the table of contents of Canon Vietnam handbook)

3-3 | Collaboration with Suppliers in Crisis Management

- **ASICS has built a system for wide-ranging information sharing with the company if a problem such as a human rights violation occurs at a contracted factory.**
- By reporting information, not only to the Procurement Headquarters but also to the Sustainability Headquarters, a system is in place that allows employees who are well-versed in work related to sustainability, including human rights issues, can be involved quickly in the correction of human rights problems, if they exist, and preventing their reoccurrence.

Utilization of crisis management reports at headquarters and linkage with crisis management systems at suppliers.



Issues are managed by level

- Level 1 (minor injuries to employees) to Level 3 (problems affecting human life or the factory as a whole, such as fires and strikes)

Fill in a Crisis Management Report

- A wide range of problems, even seemingly trivial ones, that occur at factories are described.
- The progress of problems can be tracked until their resolution.

Manage Crisis Management Reports

- Problems that occur at factories are grasped quickly.
- Sustainability Headquarters asks for additional confirmation from Procurement Headquarters as required and supports the response.
- Confirmation of final resolution and measures for the prevention of reoccurrence.

Thank you for your attention!

Susumu Tanaka
Senior Economist,
Research & Analysis Department
Japan External Trade Organization
(JETRO)



+81-3-3582-5544



ORA@jetro.go.jp



〒107-6006
6F ARK Mori Building, 1-12-32 Akasaka,
Minato-ku, Tokyo

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