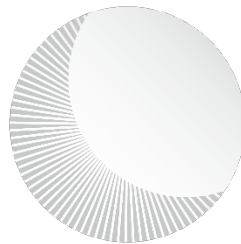


**Report on
the Corporate Human Security Index (CHSI) Project
to Promote Proactive Efforts on “Business and Human Rights”
from Asia**

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**Business and
Human
Rights
Lawyers** Network
Japan

**Corporate Human Security Index (CHSI)
Project Report
Executive Summary**

Objectives and Background of the Project

In line with the global trend, interest in Environmental, Social and Governance (ESG) investments has been increasing in Japan. Numerous indicators and indexes have been developed to measure the sustainability and ethical impact of such investments. At the request of Kofi Annan, the presiding Secretary-General of the UN, the Principles for Responsible Investment (PRI), presented in 2006, have become guideposts for humane, socially-conscious investments. Following those guideposts, ESG issues have become key factors for investment decisions and active ownership. In 2011, the United Nations Human Rights Council endorsed the Guiding Principles for Business and Human Rights (UNGPs). As a result, private entities are strongly encouraged to bear corporate responsibility to respect human rights. Contributions by companies and the private sector are also considered vital for achieving the Sustainable Development Goals (SDGs). Adopted by the UN in 2015, as part of the 2030 Agenda for Sustainable Development, the SDGs aim to realize the concept of ‘no one left behind’ by 2030.

The private sector’s larger role in sustainable development has evolved to such an extent that we believe a new axis of indicators is needed for a global market economy in which companies are encouraged to be considerate, responsible, and conscientious about sustainable development. As a guide for suppressing negative effects, while simultaneously fostering positive effects of corporate activities on society and the environment, we decided to revisit the concept of ‘Human Security’ advocated by the United Nations Development Programme (UNDP) in 1994: the new paradigm of the post-Cold War era.

Japan has instituted the concept of ‘Human Security,’ which has become the core-model of new global norms set by the UN. Based on consensus-building in the international community, ‘human rights,’ as stipulated by human rights treaties, were based on consensus-building in the international community. Although the ideas are universal, they must be adapted to fit the reality of each society. In light of the fact that the definition of “human rights” has historically evolved on the basis of Western individualism and has even been used to justify colonialization, it is necessary to particularize such rights so as to adapt the definitions of such to different regions. In pursuit of our objectives, we utilized the perspective and knowledge of Japan, keeping in mind the reality of East Asia, where Japan has been deeply involved historically and economically; a region where investments and transactions of Japanese companies and supply/value chains are concentrated. We launched our study group with the hope and objective to critically review the implementation of the UNGPs, and to proactively promote corporate activities that foster an ESG approach.

Application of the Corporate Human Security Index for Companies (CHSI)

The project aims to formulate, develop, and disseminate the Corporate Human Security Index (CHSI). Our objective is to use the indicators to assess the companies’ efforts to respect and promote human rights in Asia. We hope that CHSI will be utilized for self-evaluation by

companies, as a tool to allow investors to assess and engage with companies on matters of investment, and for external assessment by consumers, employees, and other stakeholders. Through the development and dissemination of CHSI, this Project aims to facilitate and support companies' efforts to respect and promote human rights by visualizing initiatives and formulating network-governance based on dialogue and collaboration among various stakeholders (For details, see Chapter One: *Overview of the Project*).

Based on the UNGPs, companies are required to implement human rights' due diligence (HRDD) to identify, prevent, and mitigate any negative impacts on human rights, thus fulfilling their responsibility to respect human rights. Beyond the requirements set forth by the UNGPs, companies can make a positive impact on human rights by promoting individual choice, freedom, and well-being. It makes sense, therefore, to examine a company's initiatives for 'Social' development, as part of the ESG approach, ensuring the rights of individuals; furthermore, priority should be placed on protecting an individual's security and empowering individuals to promote their own security and development. It is fundamental that companies pay consistent attention to the rights of the most vulnerable people and seek to ameliorate problems through dialogue with stakeholders.

Promoting humane corporate behavior, based on the principle of Human Security, will enhance social values while simultaneously advancing stakeholders' interests. Furthermore, it will be possible to enhance business integrity, resilience, and corporate values while clarifying and strengthening the *raison d'être* of corporations and the purpose of management (For details, see Chapter 2: *Current Situations and Challenges concerning Business and Human Rights* and Chapter 3: *Incorporation of Human Security Concepts*).

Methodology

CHSI reexamines a company's engagement in human rights with the view to 'protection' and 'empowerment' according to Human Security as defined by the UN. Therefore, CHSI assesses a company's engagement from two sets of assessment: e.g., Base Assessment and Empowerment-based Assessment.

Base Assessment primarily focuses on engagement related to the 'protection' of the company (which is in line with the 'Protect, Respect and Remedy' framework provided by the UNGPs). Although the Assessment was developed by applying the process of HRDD based on international norms such as the UNGPs, CHSI is characterized by its focus on the consideration of socially vulnerable people and the use of dialoguing with stakeholders to remedy human rights violations.

Empowerment-based Assessment focuses on the way a company engages with its workers and the public; the goal of such 'empowerment' is to ensure that the company can have a positive impact on human rights. Three representative projects of a company are selected. In order to actively assess whether a company's sustainable engagement is rooted in corporate policy, three selected company projects are evaluated according to five elements: (1) The Clarification of Rights; (2) Assurance of Sustainability; (3) Corporate Policy and Organizational Structure; (4) Clarification of Impact; (5) Dialogue with stakeholders. As with the Base Assessment, the Empowerment-based

Assessment also emphasizes the realization of the human rights of socially vulnerable people through means of vibrant dialogue with stakeholders. (For details, see Chapter 4: *Methodology*).

Parallel to developing the CHSI methodology, the student team conducted a case study to learn about the efforts of Japanese companies. Applying, on a trial basis, CHSI to an actual company's engagement, certain issues for future improvement of the methodology have emerged. (For details, see *the Case Study* in the Annex).



Positioning of the Project and Future Plans

Incorporating case studies of the student team, the Project compiled this paper in order to present the current status of the theoretical background and methodology for CHSI. The draft paper prepared by the Working Group was also responsive to comments from experts in various fields of the Advisory Group.

Understanding that many challenges still exist for CHSI (for details, see Chapter 5: *Future Challenges*), we aim to refine CHSI through dialogue and collaboration with stakeholders, including companies in Japan and around the world. We sincerely hope for feedback from many stakeholders to help us to visualize and promote corporate initiatives for human rights as we develop and disseminate CHSI.

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Chapter 1: Overview of the Project

1.1 Background

The United Nations Guiding Principles on Business and Human Rights (UNGPs) were submitted by the Special Representative of the Secretary-General (SRSG) John Ruggie at the 2011 UN Human Rights Council meeting and were unanimously endorsed by the Council. The UNGPs are recognized as a social norm for human rights in business enterprises. The UNGPs state not only that nations have a duty to protect human rights, but also that business enterprises have a responsibility to respect human rights. More specifically, the UNGPs clearly state that businesses have a responsibility to practice human rights due diligence (DD) as a way to identify, prevent and mitigate adverse impacts on human rights.

The UNGPs themselves are soft law, which is not legally binding, but countries and regions around the world, influenced by the UNGPs, are advancing legislation on human rights DD (hard law). In addition, as environmental, social and governance (ESG) investment has become more mainstream in the capital market, investors are more interested in human rights, which is one of the “social” issues of ESG. Ten years after the UNGPs were issued, there is renewed interest in the practice of respect for human rights in corporations based on these Guiding Principles.

However, issues have been raised as to whether the practice of human DD has truly led to guaranteeing the human rights of the stakeholders. There are also issues related to the importance of corporations further securing access to meaningful dialogue and remedies with the stakeholders.¹

Special considerations are also needed for groups such as foreign nationals (including immigrants and refugees), children, the elderly, women, the disabled, and indigenous peoples, who are at risk of being placed in a socially vulnerable position, because of structural inequality. In particular, stagnant business activities during the recent COVID-19 (novel coronavirus) crisis have had serious effects on the human rights conditions for these stakeholders.

Is the practice of “respect” for human rights, as stipulated in the UNGPs, sufficient, as businesses address these issues and demonstrate the spirit of “leaving no one behind” contained in the “Sustainable Development Goals (SDGs)?”² “Respect” for human rights in the UNGPs means that corporations should avoid violations of the human rights of others and address the adverse effects on the human rights involved.³ In order to realize a sustainable society, it may be necessary to promote individual choices and freedom and achieve their well-being, by transcending the requirements of the UNGPs, i.e., identification, prevention, mitigation and correction of adverse impacts on the stakeholders’ human rights, while recognizing the importance of such requirements.

¹ As a background, there is a trend for corporate social responsibility, e.g., the UN Global Compact (2000), OECD Guidelines for Multinational Enterprises (Revised, 2011), and ISO26000 (2010); human security in the UNDP Human Development Report (1994); freedom from want and fear (indivisibility of development and peace) in the final report (2003) by the Commission on Human Security with Co-Chairs Ogata and Sen; addition of the recognition of dignity and human rights to human security in the UN General Assembly resolution (2012); SDGs (2015); and the trend for protection of refugees seen in the whole-of-society approach in the UN Global Compact on Refugees (2018) and the UN Global Compact on Migration (2018). In particular, the developing trends urging corporations’ responsibilities and contributions to refugee protection have materialized as soft law calling for direct involvement of corporations. Yasunobu Sato, “Network Governance for the Global Compact on Refugees” in Yuji Iwasawa and Masataka Okano, eds., *Rule of International Relations and the Rule of Law: Festschrift for Judge Owada Hisashi* in commemoration of his retirement from the International Court of Justice (Shinzansha, 2021), 1116-1185.

² The relationship between the SDGs and human rights is discussed in detail in Chapter 2.

³ Human Rights Council, “The UN Guiding Principles on Business and Human Rights: For the implementation of the UN ‘Protect, Respect and Remedy’ Framework” (2011), 11.

Of course, such activities by corporations do exist, but a prominent issue is that these activities cannot be properly evaluated through general risk-based ESG assessments, in which the UNGPs are indexed as minimum requirements for corporations.

1.2 Objectives and targets

This project aims to incorporate the concept of “human security,” in addition to the UNGPs, in creating the Corporate Human Security Index (CHSI), thereby identifying, and promoting corporate initiatives on human rights which cannot be fully recognized by the existing ESG assessment system. The objectives of this project also include development, expansion, and dissemination of CHSI as an index for visualizing the status of corporate initiatives and enabling active and objective assessment of corporations by investors, consumers, and other stakeholders.

Stakeholders can use CHSI for the following purposes:

- Corporations: self-evaluation of their efforts to respect human rights and achieve empowerment
- Investors: evaluation of and engagement with investee corporations with regard to their efforts in respecting human rights and empowerment
- Employees, consumers, job-seeking students, non-government organizations (NGOs) and other stakeholders: evaluation of corporations with regard to their efforts in respecting human rights and empowerment

The ultimate goal of this project is to visualize the corporate efforts through the development and dissemination of CHSI as stated above, and to promote and support the corporate efforts to respect and promote human rights, through “network governance”⁴ based on dialogue and collaboration among various stakeholders.

In addition, the Government of Japan has positioned the concept of human security as an important pillar of its diplomacy, and has made various efforts to promote human security from the following two perspectives: dissemination of the concept of human security within Japan and in the global community; and practice of human security on the ground through assistance.⁵ The Japanese society and academic societies are also advancing efforts and studies in order to implement human security and to reflect them in better policies.⁶ Along with this trend, many Japanese corporations are cooperating with diverse stakeholders, with the goal of contributing to the creation of an inclusive society by supporting the self-reliance of socially disadvantaged people, who are vulnerable to human rights violations.⁷

Japanese and other Asian corporations are generally considered to be lagging behind Western corporations in understanding global human rights and developing human rights DD systems.

⁴ Yasunobu Sato, op. cit., 1175-1182 (Study coordinator: Yasunobu Sato, “Verification of Network Governance for Access to Justice in East Asia; Scientific Research A, <http://cdr.c.u-tokyo.ac.jp/RCSP/project/336.html>).

⁵ Ministry of Foreign Affairs website, “Human Security: Japanese initiative” (<https://www.mofa.go.jp/mofaj/gaiko/oda/bunya/security/initiative.html>)

⁶ HSF: Human Security Forum (Incorporated NPO), ed., Yukio Takasu, author and editor, *SDGs and Japan: Human security index for “no one left behind”* (Akashi Shoten, 2019) <https://www.hsf.jp>. At the 2013 Human Security Conference at the Keio University (<https://www.jahss-web.org>), HSF sponsored, supported by the UN Global Compact Network Japan, a special panel discussion, “Call for Creation of Human Security Index for the Promotion of Human Security Business.”

⁷ Keidanren (Japan Business Federation), “Charter of Corporate Behavior, 7th Edition, 4-3,” “Cooperate with various stakeholders and contribute to the building of an inclusive society by supporting the independence of socially vulnerable persons, who are susceptible to human rights violation. <https://www.keidanren.or.jp/policy/cgcb/tebiki7.pdf>

However, visualization and promotion of initiatives based on CHSI are expected to help the efforts of Japanese and other Asian corporations and governments to respect and support human rights and to resolve social issues in an independent and unique manner, while conforming to international norms.

1.3 Organizational framework for the Project

The University of Tokyo Research Center for Sustainable Peace (RCSP) [<http://cdr.c.u-tokyo.ac.jp/RCSP/>] and the Business and Human Rights Lawyers Network (BHR Lawyers Network Japan) [<https://www.bhrlawyers.org>] will serve as a joint secretariat to promote this project as part of RCSP's research projects.

Participants in the Working Group will include researchers and professionals who specialize in such areas as human security, human rights, labor, investment, management and compliance. Under the supervision of the Working Group, a team of students will cooperate in supporting the implementation of this project. The Student Team will consist of students and new graduates, mostly from UNION, a student group at the University of Tokyo for students who are interested in jobs at international agencies and global cooperation. The Working Group and the student team will cooperate to create CHSI and its methodology and conduct relevant research and case studies.

In addition, an advisory group consisting of outside experts on “business and human rights,” corporations, international agencies, institutional investors, governments, civil societies, and others will be established to provide advice and assessments for this project.

◆ Working Group

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(In Japanese syllabary order)

1.4 Methods of research and indexing

In creating the Index, we referred to global guidelines, including the UNGPs, International Labour Organization’s (ILO’s) Declaration on Multinational Enterprises, OECD Guidelines for Multinational Enterprises, and OECD Due Diligence Guidance for Responsible Business Conduct (OECD Guidance), and the assessment methods used in existing ESG and impact assessments, including the Corporate Human Rights Benchmark (CHRB) and KnowTheChain (KTC). In addition, we conducted research on the human rights efforts by enterprises and interviews at Japanese companies selected based on certain criteria. Through these case studies, we attempted to identify the efforts by the enterprises that could not be assessed using existing ESG indexes and the logic of actions that could not be verified through public information, and to reflect these findings in the Index.

Chapter 2: Current Status and Issues Concerning Business and Human Rights

2.1 Current status

Traditionally, on the basis of the role of nations and the history of human rights violations by nations, protection of human rights has been considered the responsibility of a nation. Since the adoption of the Universal Declaration of Human Rights in 1948, various human rights conventions have been concluded, including the UN Covenants on Human Rights and the Convention on the Elimination of All Forms of Discrimination Against Women, and ratifying countries have introduced and developed legal policies for the protection of human rights in order to put into practice the contents of these conventions. Meanwhile, the UNGPs were submitted by the Special Representative of the Secretary-General (SRSG) John Ruggie at the 2011 UN Human Rights Council meeting and were unanimously endorsed by the Council. The UNGPs set forth the following three pillars: (1) duties of nations to protect human rights, (2) corporate responsibilities to respect human rights and (3) access to remedies; and stated that corporations have a responsibility to practice human rights DD to identify, prevent and mitigate adverse impacts on human rights. Thus, the UNGPs clearly identified the relationship between corporations and global human rights.

The 2030 Agenda for Sustainable Development, which contains the SDGs adopted by the United Nations in 2015, also repeatedly refers to human rights as a key issue in the implementation of the SDGs. The SDGs consist of 17 goals and 169 targets. As an action plan for human beings, earth and prosperity, the SDGs embrace the principle of “no one left behind.” In order to achieve the objectives of the SDGs, not only the governments but all stakeholders, including corporations, are required to participate and play their roles. Respect for human rights by corporations based on the UNGPs is positioned as a fundamental responsibility of corporations in their efforts to achieve SDGs.⁸ “Peace and Justice” in Goal 16 includes “rule of law.” This is an institutional guarantee which promotes corporate governance, respect for human rights and other UNGPs and ESG. Lately, SDG16 (Peace, justice, and strong institutions), together with Goal 17 (Partnerships for the goals), are considered the premise for all SDGs, i.e., a common infrastructure that transverses all SDGs.⁹

In addition, governments have announced the National Action Plans on Business and Human Rights (NAP), which clearly defines a plan on how to implement the UNGPs as policies. The “smart mix” of mandatory legislative and regulatory measures through NAP by governments and measures that encourage voluntary actions by corporations is expected to promote corporate human rights DD. Laws and regulations that mandate corporate human rights DD or disclosure are also being implemented and/or reinforced in countries and regions, especially in Europe and the Oceania. Since these laws and regulations apply to the entire supply chain, even if they are implemented in a specific country, they will affect the entire supply chain across the borders.

The importance of corporate respect for human rights is also widely understood by the investors who invest in the corporations. Since the announcement of the Principles for Responsible

⁸ United Nations, “2030 Agenda for Sustainable Development,” (2015). Paragraph 67 calls on businesses to apply their creativity and innovation to achieving SDGs, while adhering to the UNGPs, etc.

⁹ 2021 Rome Civil Society Declaration on SDG16+ (<https://nancis.org/2021/09/06/2021-rome-csd-on-sdgs16plus>). RCSP has submitted “Recommendation for Implementation of SDG16+ for Rule of Law and Democratic Governance” to the then Prime Minister Abe, for the improvement of ODA in Japan. http://cdr.c.u-tokyo.ac.jp/RCSP/rcsp_admin/wp-content/uploads/最終提言書_20200718-第2版英訳付き.pdf

Investment (PRI), proposed by the then UN Secretary-General Kofi Annan and launched in 2006, ESG investing has been on the way to becoming mainstream. As of March 2020, the PRI had 3,038 signatory institutions and a total outstanding asset of over \$100 trillion under management.¹⁰ PRI signatories are required to integrate ESG into their investment actions (inclusion/exclusion, engagement, etc.). Respect for human rights is positioned as an element of the “social” in “environmental, social and governance (ESG),” and PRI also requires the signatories to respect human rights through investment activities. There is a growing belief that long-term investors cannot truly fulfill their fiduciary duty of loyalty, unless they consider the genuine interest of the entire society as a beneficiary, from the perspective of “Universal Owners.”¹¹ This perspective also requires respect for human rights.

These days, human rights violations are not only perpetrated by nations. As a result of the development of global market economies, human rights violations occur frequently as side-effects of corporate business activities, which cause and/or exacerbate poverty and conflicts, and threaten human security. Left alone, they will prevent sustainable economic activities. In that sense, they destroy healthy markets, just as environmental and governance issues do, or by being inseparable from these issues and synergistically amplifying all issues. Therefore, respect for human rights has become a vital cost for businesses as a common infrastructure. Conversely, respect for human rights has become a potential target for investment, in that the poor or the refugees can become consumers and workers, and a small social entrepreneurship can become an agent of innovative value creation. Against this backdrop, recent trends in business and human rights indicate that human rights problems in corporations may result in violation of laws and ordinances and could also interfere with their relationships with customers and investment destinations. On the other hand, there is a growing global awareness that corporate efforts to respect human rights will enable the corporations to earn the trust of business partners, consumers, and investors, and increase their competitive power and attractiveness as investment destinations. This momentum is also growing in Japan, as evidenced by the incorporation of respect for human rights in the Corporate Behavior Charter of the Japan Business Federation (Keidanren); the development of the National Action Plans on Business and Human Rights (Japanese NAP); and the consideration of human rights in ESG investments.

2.2 Challenges

Thus, the concept of business and human rights has become widespread in the global business community. At the same time, however, several issues have become evident, as shown below.

First, the implementation of human rights DD has become just a checklist without substance. As human rights DD becomes a legal obligation worldwide and corporations are expected to respect human rights, active dialogue with stakeholders is necessary, in order to prevent the implementation of human rights DD from becoming an empty checklist, as the UNGPs and the OECD Guidance point out.¹²

¹⁰ PRI published value, https://dwtyzx6upklss.cloudfront.net/Uploads/g/p/v/globalaumandaoaumexternaluse_110617.xlsx

¹¹ Takeshi Mizuguchi, *ESG Investment: The new form of capitalism* (Nikkei Inc., 2017), 43. Universal owners are investors with a large amount of funds, with diversified investment in a wide range of corporations (almost all brands in the stock market) (p. 36). Genuine interest of the beneficiaries includes healthy environment and society and prosperity of future generations (p. 42).

¹² Human Rights Council, “The UN Guiding Principles on Business and Human Rights: For the implementation of the UN ‘Protect, Respect and Remedy’ Framework,” (2011), 18.b. Incorporate meaningful consultations with groups that will potentially be affected and other relevant stakeholders, in a way that is appropriate for the corporation’s size and the nature and

Second, the various situations of high-risk stakeholders in vulnerable positions have not been sufficiently improved. In respecting human rights, corporations need to give special considerations to groups such as foreign nationals (including immigrants and refugees), children, the elderly, women, the disabled, and indigenous people, who are at risk of being placed in a socially vulnerable position, both at home and abroad. Especially, due to the stagnation of corporate activities during the recent COVID-19 crisis, these rightsholders (stakeholders whose human rights have been affected or could be affected by corporations) have been seriously affected.¹³ Therefore, it is even more important to consider the individual person's vulnerability in a comprehensive and concrete manner, when reviewing the proper assessment and identification of human rights risks and the effectiveness of preventive measures.¹⁴

Third, the UNGPs cover only the minimum requirement of controlling adverse impacts. It is recognized that the corporations' efforts that adhere to the UNGPs are the minimum efforts, i.e., to "control adverse impacts" and to "do no harm." On the other hand, in order to guarantee the stakeholders' human rights in the true sense, it is necessary not only to assess and identify the adverse impacts on the rightsholders' human rights and prevent and mitigate the impacts, but also to produce positive impacts during the process. Positive impacts on rightsholders are brought about not only by business activities, but also through community investments, charitable acts and other corporate activities. Pursuit of positive impacts can also be seen in the changes in the interpretation of fiduciary responsibility. Currently, the way of thinking in the capital market is going through a paradigm shift, in which a new dimension of "impact" is being added to the principle of risk and return. In 2005, as a result of a change in interpretation in the U.S. Employee Retirement Income Security Act (ERISA), ESG consideration became clearly permissible and is arguably required. Since then, failing to consider ESG has gradually become a failure of fiduciary duty. In fact, as social impact investing has become more widespread, social impact assessment has also been in widespread use, as a premise of such investing, for qualitative and quantitative measurement of the social impact of business activities. These activities and efforts cannot always be evaluated accurately within the framework of the UNGPs.

Fourth, there are existing problems of ESG assessment index, in addition to the issues discussed above. Initiatives taken by institutions developing disclosure guidelines, NGOs and investors have established various methodologies for assessing corporate human rights efforts, but the existing methodologies are mostly limited to reflecting the minimum compliance requirements of the UNGPs (such as identification, prevention and mitigation of adverse impacts on human rights) in the assessment system. They do not provide a system that sufficiently reflects the various human rights situations of rightsholders or enables the assessment of corporations' positive impacts on rightsholders. The social index of existing ESG motivates corporations to expand disclosure, through improved ESG assessments and requests from investors for disclosure. On the other hand, there is apprehension about disclosures that are mere formality with no substance. Because of these

circumstances of their business.

¹³ See Emi Omura, Akiko Sato and Daisuke Takahashi, "Effects of the Spread of COVID-19 Infection on Human Rights and Points of Attention in Responding Through Corporate Activities" (BHR Lawyers Network Japan Working Paper, April 2020).

¹⁴ In one example, Oxfam Australia accused that a loan in Cambodia by the ANZ Bank was complicit in human rights violation involving land grab and child labor, and the bank pulled out of Cambodia. In this case, weak governance and lack of sufficient remedy resulted in a paradox in which the victims ended up further distressed and the human security in the area worsened. (Yasunobu Sato 2018, "Rule of Law for Whom? Human Security Perspectives on the Emerging Asian Market for SDGs," 45 JMCL (1) <https://ejournal.um.edu.my/index.php/JMCL/article/view/20925/10647>, 27-45 and Yasunobu Sato 2015 "A Human Security Approach to Human Rights Due Diligence: Why Business needs a human security index, 4 Journal of Human Security Studies (2), 87-107.) https://docs.wixstatic.com/ugd/3b5c68_d4708aa7492a4f139639ccabd8d8bc69.pdf .

concerns, there are new efforts to review the methods of assessing how corporations respect human rights and to develop a methodology for assessing the “actual performance.”¹⁵

In order to resolve these issues, this project will reframe the relationship between corporations and human rights from the perspective of “human security,” and search for efforts that go beyond the “practice of the UNGPs” and lead to genuine respect for stakeholders’ human rights, as shown in the next chapter. We believe that by doing so, we can contribute to the resolution of the above-mentioned issues.

¹⁵ NYU Stern Center for Business and Human Rights, “Putting the ‘S’ in ESG: Measuring Human Rights Performance for Investors” (2017). Ninety percent of existing S indicators evaluate the “efforts” and do very little to evaluate the “effects,” only measuring what can be easily measured.

John Ruggie & Emily Middleton. “Money, Millennials and Human Rights: Sustaining ‘Sustainable Investing’” (2019). It is also pointed out that S indicators among ESG assessment indexes lack consistency and that many assessment indexes do not sufficiently consider adverse impacts on human rights.

Chapter 3: Implications of “Human Security”

3.1 Human security

“Human security” was first advocated in the international community in the 1994 edition of the United Nations Development Programme (UNDP) Human Development Report. Based on Amartya Sen’s capability theory, it was presented as human-centered security that complements the traditional national security. The 1994 UNDP Human Development Report defines “human security” as a comprehensive concept that includes security from constant threats of hunger, disease or oppression and protection from sudden disruption of daily lives. The Report points out the importance of emphasizing individual human life and dignity in advancing development on the verge of the 21st century.

Subsequently, on the initiative of the Government of Japan, UN established the Commission on Human Security in 2001, co-chaired by Sadako Ogata and Amartya Sen. The purpose of this Commission was to make recommendations on developing the concept of human security and on measures to be addressed by the global community. After five meetings and discussion forums and sectoral research conducted worldwide, the Commission submitted its final report, *Human Security Now*.¹⁶ The report revisited the theoretical framework of “security,” and emphasized the need to expand the focus of security to include not only nations but also people, and the need for comprehensive and integrated efforts to ensure the safety of people. In addition, *Human Security Now* stressed the need for a strategy for “protection” and “empowerment” of people, in order to secure their survival, livelihood and dignity.¹⁷

3.2 Implications of human security

As stated above, “human security” is a “concept of focusing on individual human being and placing top priority on their safety, while emphasizing the importance of each individual promoting their own safety and development.” This way of thinking forms the basis of the SDGs’ human-centered concept of “leaving no one behind.” Moreover, “human security” is a global issue, and if someone is exposed to a crisis anywhere in the world, all nations could be exposed to that crisis. In this sense, its constituents are interdependent.¹⁸ This concept also applies to sustainability¹⁹ and universal ownership.

The above-mentioned concept of human security shares many facets with the UNGPs. First, human security was readily recognized as a space in which various actors other than nations operate.²⁰ This is similar to the UNGPs expanding the role of respecting human rights to include corporations.

Also, the concept of human security gives special consideration to all people, including the elderly, the disabled, women, and other people susceptible to being in a vulnerable situation, and gives similar consideration to the security of marginalized minorities and those who are exposed

¹⁶ The Asahi Shimbun, *Anzen Hoshō no Konnichiteki Kadai (Human Security Now)* (2003).

¹⁷ Ministry of Foreign Affairs of Japan, “International Trends in the Field of Human Security” (2021).

¹⁸ Yukie Osa, *Introduction to Human Security: In search of freedom from fear and poverty (Expanded edition)* (Chuko Shinsho, 2021), 92.

¹⁹ Ministry of Foreign Affairs of Japan, *Sustainable Development* (2015). “Development that Meets the Needs of Future Generations While Satisfying the Needs of Current Generations.”

²⁰ *Ibid*, 252.

to specific challenges. This concept has a commonality with the concept of the UNGPs, which advocates reducing and remedying the human rights risks for the highly vulnerable people in the corporate value chain. Incidentally, Amartya Sen also states that human rights and human security are not mutually exclusive, but mutually complementary concepts.²¹

On the other hand, there is an area which is emphasized more in human security than in the UNGPs: human security focuses on individuals and communities, clarifies the need for protection and empowerment of each individual, and considers the people as subjects of protection, as well as clearly stating that people foster empowerment to protect themselves and others. Although the UNGPs do not explicitly refer to empowerment, it is an important element in the assessment, identification, prevention, mitigation, and remedy of adverse impacts on human rights. Notably, in regions where people live daily in an environment of poverty and conflict, including many countries in Asia and Africa, the level of their human rights still falls far short of the level guaranteed in Europe, the United States or Japan. In order to expand human rights in a region, socioeconomic development in the region is indispensable, as well as their independent and voluntary advancement to acquire their own political power, which enables the socioeconomic development. It is for this reason that access to free market economy and capacity building are emphasized. In addition to the corporations' top-down efforts to respect the fundamental human rights of rightsholders, the people's own efforts to understand and voice their fundamental human rights, enhance their competence to achieve self-actualization, and participate in the decision-making process will also lead to the mitigation of potential human rights risks. The comprehensive approach of human security "also includes the bottom-up characteristics with a participatory process that support the important role of the people as agents who define and realize the freedom that is essential to themselves." This approach not only deters adverse impacts but is necessary in order to realize positive impacts through the empowerment of the rightsholders. In this sense, the concept of "human security" provides a new point of view and possibilities to the relationship between corporations and human rights, beyond the realm of the UNGPs.

If the corporations, on the basis of the above-mentioned concepts, play the dual role of minimizing the negative impacts on people and the planet and maximizing the positive impacts, they will also contribute to the achievement of SDGs. From the perspective of corporate management, such corporate activities based on human security are also in alignment with "purpose-driven management," which entails a shift from shareholder supremacy to stakeholder supremacy in corporate governance and questions the *raison d'être* of corporations. Traditionally, there has been an understanding that the purpose of corporate management is to maximize the shareholders' profits, but the current trend is to require corporate managers to consider the interests of a wide range of stakeholders when making decisions.²² In other words, corporations' efforts to minimize the negative impacts and maximize the positive impacts on their stakeholders for the purpose of "human security" will contribute to the achievement of SDGs and increases the social values, including the stakeholders' interests. A mutually complementary relationship emerges, in

²¹ Yukie Osa, *Introduction to Human Security: In search of freedom from fear and poverty (Expanded edition)* (Chuko Shinsho, 2021), 109.

²² Business Roundtable, "Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans'" (2019). The 2019 Business Roundtable defined the purpose of a corporation to be "commitment to all stakeholders." They committed to deliver value to their customers; invest in their employees; build ethical relationships with their suppliers; support the communities; and generate long-term value for shareholders, in effect explicitly advocating the shift from shareholder supremacy to stakeholder supremacy.

which a deeper understanding by the society of human security leads to the increased corporate value for corporations which make efforts to respect human rights.

Traditionally, management in Japanese corporations has emphasized building relationships with stakeholders, including employees and business partners. In particular, the traditional Japanese management philosophy, typified by “three-way satisfaction,” considers providing long-term sustainable value to stakeholders to be a virtue, and stakeholders also enjoy the value provided by the business activities. In order to provide value to the business and stakeholders in a sustainable manner, maintenance of corporate value is essential. At the same time, in order to maintain corporate value, it is essential to collaborate with employees, suppliers and other stakeholders. Here again, there is an interdependent relationship between stakeholders and corporations. From this perspective, addressing human security from the standpoint of enterprises is not at all inconsistent with addressing “business and human rights” based on the traditional Japanese management philosophy. Rather, this can be an opportunity to disseminate a new model of managing human rights protection based on the Japanese management philosophy to countries and regions that share similar values, especially China and Korea, with their history of being the source of Confucianism that forms the foundation of the Japanese value system, and to the Asian region, which has become the mainstay of the Japanese economy. As a result, this will also be an opportunity to initiate a unique Asian business model in a market rocked by the New Cold War between the U.S. and China.

Chapter 4: Methodology

4.1 Characteristics of this methodology

This methodology is for assessing the corporations' efforts to respect human rights from the perspective of "human security."²³ Through the use of this methodology, stakeholders can assess corporate efforts related to human rights from the two viewpoints described below. Corporations can also use this methodology to perform self-assessment of their efforts toward the resolution of human rights issues and to confirm the significance of such efforts.

As previously stated, corporations are required to identify, prevent, and mitigate adverse impacts on human rights, as well as promote positive impacts on human rights. In other words, when corporations implement human rights efforts in their business, they are required to respect human rights based on the UNGPs, and also take action to improve the lives of people who are in a vulnerable position.²⁴

Therefore, this methodology is structured with two pillars: the concepts of "protection" and "empowerment," emphasized in human security. The concept of "protection" overlaps with the concepts of "respect" and "remedy" in the UNGPs,²⁵ and within corporate activities, it is similar mainly to the efforts that form the basis for fulfilling the fundamental responsibilities to identify, prevent and mitigate the negative impacts on human rights. On the other hand, the concept of "empowerment" leads primarily to activities that promote the positive impacts on human rights in corporations. These two concepts are used to assess corporate efforts with a multifaceted approach. In particular, the assessment of corporate activities focusing on empowerment is expected to remind corporations that their efforts can empower the rightsholders and result in a further acceleration of the corporations' human rights efforts.

Based on the above, this methodology evaluates the corporations' efforts on human rights with "base assessment" and "empowerment-based assessment."

Base assessment primarily evaluates the corporations' efforts related to "protection ('respect' for human rights and 'remedy' under the UNGPs)." Based on the human rights DD process in the UNGPs, which identifies, prevents, and mitigates the adverse impacts on human rights, base assessment evaluates the corporate efforts on the following six processes: human rights policies and systems; identification and assessment of human rights risks and impacts; suspension, prevention and mitigation of adverse impacts; follow-up research; reporting; and implementation of or cooperation with remedial and corrective measures. Most of the evaluation endpoints are related to "protection," but some assessment of "empowerment" is also incorporated.

Based on the concept of "human security," which focuses on individuals and communities, we also considered incorporating the Labor and Corporate Social Responsibility (CSR) and Women's Empowerment Principles (WEPs) in addition to the UNGPs, particularly for the purpose of

²³ The Commission on Human Security explains that human security complements national security from the four perspectives of human-centered approach, threat, actors and empowerment, and expands the range of human rights while promoting human development.

²⁴ The World Business Council for Sustainable Development (WBCSD) makes a similar statement in their "CEO Guide to Human Rights" (2019).

²⁵ It is assumed that the "actors" in human security include not only nations but a variety of other actors ("Human Security Now," 9). In addition, regarding the concept of "protection," which is one of the strategies for achieving human security, the document states: "In order to protect people as the first step towards achieving 'human security,' it is necessary to uphold respect for fundamental human rights and freedom" (Ibid, 13). Therefore, we established our methodology with the understanding that "protection" here overlaps with the two concepts of "respect" and "remedy" in the UNGPs.

evaluating dialogues and remedies for stakeholders and consideration for the human rights of socially vulnerable people. They were, however, not incorporated in this draft of the Index, except for reference in a discussion of future expansion, in order to avoid having too many endpoints and complicating the evaluation criteria.

Empowerment-based assessment primarily evaluates the corporations' efforts related to "empowerment." The targets of evaluation are the corporations' activities that could positively affect human rights. The following five areas are evaluated: clarification of rights; guarantee of sustainability; improvement of corporate policies and organizational structure; clarification of impacts; and dialogue with stakeholders. Again, the endpoints are based on the concept of "empowerment," but assessment of "protection" is also incorporated. They actively evaluate sustainable activities that are based on corporate policies, while emphasizing the importance of advancing the rights of socially vulnerable people through dialogues with stakeholders, reflecting the concept of human security. Thus, by evaluating corporate activities through both base assessment and empowerment-based assessment, it is possible to simultaneously evaluate the dual roles of a corporation, i.e., minimizing the negative impacts on human rights and maximizing the positive impacts. These two facets are based on the two concepts of "protection" and "empowerment," but it should be noted that the two concepts are not clearly delineated and that they are mutually complementary, incorporating some aspects of each other. The reason for this is that it is difficult to clearly define the scope of corporate responsibilities in respect for human rights,²⁶ and "reduction of negative impacts" and "promotion of positive impacts" cannot be clearly delineated. Therefore, when corporations actually engage in efforts to respect human rights, neither of these two concepts should be overlooked, and it is important to strike a balance between the two concepts. When engaging in the human rights efforts in either of these two areas, the "human security" perspective will be important, which requires special attention to the rights of socially vulnerable people and works to remedy the situation through dialogues with stakeholders.

²⁶ Some papers say that the scope of responsibility is expanding with the times like a galactic system. Elise Groulx Diggs, Milton C. Regan & Beatrice Parance, "Business and Human Rights as a Galaxy of Norms," (2019). <https://scholarship.law.georgetown.edu/facpub/2198/>



4.2 Base Assessment

In “Human Security Now,” Co-Chair Sen states that human rights and human security can enhance each other, and that freedom tied to human security is an important part of human rights.²⁷ If the freedom tied to human security is part of human rights, it is crucial to also evaluate the efforts to address the issues of “business and human rights” based on the UNGPs, when evaluating the corporations’ contribution to human security. Based on these concepts, base assessment evaluates the processes for addressing the negative impacts on human rights.

Base assessment evaluates the corporations’ efforts on human rights, by referring mainly to the UNGPs, Human Security Now and the OECD Guidance, as guidelines for addressing the issues of “business and human rights.” The practices which the corporations should implement are incorporated in the 26 questions used for the assessment. The questions are classified into categories based on the six processes of human rights DD proposed in the OECD Guidance. A distinct characteristic of the questions in the base assessment is that they include endpoints based on the concept of empowerment, in addition to the questions that evaluate the process of addressing the negative impacts based on the UNGPs. Although there is an understanding that only a limited number of corporations advocate empowerment as a policy at this time, these questions are included in expectation that corporations will proactively practice empowerment of rightsholders in the future.

²⁷ The Commission on Human Security, “Human Security Now,” 34.

In order to deepen the dialogue with stakeholders and consideration for socially vulnerable people, we focused on the Labor CSR Guidebook²⁸, which provides a thoughtful and comprehensive view of the concepts in the “Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration) by the International Labour Organization (ILO), and the Women’s Empowerment Principles (WEPs),²⁹ which provides a thoughtful view of women’s rights, from the perspective of labor. From the perspective of empowerment, 11 questions were prepared as endpoints to be emphasized in any organization. For the time being, however, the 11 endpoints for Labor CSR and WEPs are not incorporated in the base assessment since they are only halfway completed. Nonetheless, these two groups of endpoints in this methodology incorporate the rights that are important to the users themselves and show the possibility for future expansion into a separate methodology. Continued review of questions and improvement of quality is needed.

The actual questions are shown on the following pages. In the base assessment, each question counts for one point, with a perfect score of 26 points. For each question, requirements are described, and guidelines and principles are listed for reference, in order to clarify what is required of the corporations. In addition, evaluation criteria are listed to explain what criteria are used in the actual assessment.

²⁸ Japan Federation of Labor and Social Security Attorneys Associations, Labor CSR Guidebook (2020).

²⁹ UN Women Japan, “Women’s Empowerment Principles” (2010).

< Base Assessment Items >

Process	No.	Question Title	Requirements	Evaluation Criteria
Human rights policies and systems <OECD Guidance Process 1>	1	Commitment to respect human rights <Guiding Principles 11, 12 and 13>	Announce their commitment to respect human rights in all of their business activities.	Does the corporation develop their corporate-wide policies while respecting global initiatives such as the International Bill of Human Rights, the International Labour Organization's (ILO's) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights (at least covering compliance with the ILO Core Labor Standards on "Forced Labor," "Child Labor," "Discrimination," "Freedom of Association" and "Right to Collective Bargaining")?
	2	Recognition of human rights issues (Recognition of rightsholders) <General Principles of the UNGPs, Human Security Now, Chapter 1>	Announce their policies to respect the rights of socially vulnerable individuals.	Does the corporation give consideration to prominent human rights issues and groups in vulnerable positions (e.g., gender, LGBT, children, indigenous peoples, human rights activists, refugees, poverty, education, health, environment, race, torture, access to water, living environment and energy)?
	3	Commitment to human rights DD <Guiding Principle 15>	Be conscious about respecting human rights and present a policy on implementing human rights DD.	Does the corporation clearly express their policy for implementation of human rights DD, based on the UN Guiding Principles on Business and Human Rights?
	4	Commitment to stakeholder engagement <Guiding Principle 18>	Announce a policy on engagement with stakeholders whom the corporation affects both apparently and potentially.	Does the corporation express a policy to engage not only with major stakeholders, but with all stakeholders?
	5	Commitment to remedy <Guiding Principles 19, 22 and 29>	Announce a policy to take appropriate measures through a legitimate remedial process, if an	Does the corporation express a policy to implement appropriate processes for remedy, handling complaints, and internal/external reporting, that take into

			adverse impact is identified.	consideration the characteristics of the stakeholders?
	6	Commitment to empowerment <Human Security Now, Chapter 1>	Announce a policy to advance empowerment of rightsholders.	Does the corporation clearly state a policy for empowerment?
Process	No.	Question Title	Requirements	Evaluation Criteria
Human rights policies and systems <OECD Guidance Process 1>	7	Implementation of stakeholder engagement in policy development <Guiding Principle 18>	Obtain feedback on policies from stakeholders.	Were the stakeholders engaged during the process of developing human rights policies? If so, is there clear documentation on who were engaged and how the results of the engagement were reflected in the policies?
	8	Publication and communication of human rights policies; training <Guiding Principle 16>	Develop a policy for training, in order to communicate corporate policies to stakeholders and to maintain awareness.	Does the corporation take into consideration the stakeholders' characteristics and announce specific measures for publication and communication of human rights policies?
	9	Supervision by the board of directors <Guiding Principle 16>	Policies on human rights have been approved at the highest level of the corporation.	Has the corporation established a system for the board of directors to evaluate the development of human rights policies and efforts?
	10	Responsibilities and resources in daily human rights efforts <Guiding Principles 16 and 19>	Announce a system that promotes human rights efforts.	Does the corporation show an outline of an organization that is responsible for human rights at the senior management level and for daily human rights efforts across the relevant internal sections?
	11	Performance incentives <Guiding Principle 16>	Incentives for the board of directors based on their efforts on human rights policies.	Has the corporation established a system in which progress in human rights efforts influences the remuneration for the board of directors or directors in charge?
	12	Integration with risk management <Guiding Principle 23>	Include human rights as a target of corporate-wide risk management.	Does the corporation treat risks that may cause or contribute to serious human rights violations as legal compliance issues, regardless of the location of business?

Identification and assessment of human rights risks and impacts <OECD Guidance Process 2>	13	Scoping of human rights risks <Guiding Principles 17 and 19, OECD Guidance 2.1>	Define the areas in which human rights risks and impacts are high.	Does the corporation perform scoping for the areas with high human rights risks by categorizing the business relationships, including supply chains, by business, region, etc.?
Process	No.	Question Title	Requirements	Evaluation Criteria
Identification and assessment of human rights risks and impacts <OECD Guidance Process 2>	14	Determination of priorities and assessment <Guiding Principles 17 and 19, OECD Guidance 2.2>	Determine the priorities for actions and assess the current status in the scoped areas with serious risks.	Are the priorities determined and the current status assessed for the areas with serious risks, with consideration for the extent of human rights risks and the “control points?” In addition, are the characteristics of each rightsholder reflected in the risk assessment mechanism?
	15	Stakeholder feedback <Guiding Principle 17, OECD Guidance 2.3>	Obtain feedback from the stakeholders regarding the determined priorities and assessment.	Is the corporation in direct consultation with representatives of both internal and external stakeholders?
Suspension, prevention and mitigation of adverse impacts <OECD Guidance Process 3>	16	Development of plans to prevent adverse impacts <Guiding Principles 19 and 22, OECD Guidance Process 3>	Develop plans to suspend activities that have adverse impacts.	Has the corporation developed specific plans for corrective measures, including reaching out to those involved in the identified serious risks?
	17	Viability of prevention of adverse impacts <Guiding Principles 19 and 22, OECD Guidance Process 3>	Consider measures to improve the feasibility of the developed plans.	Does the corporation consider highly influential measures, such as suspending business, in order to implement corrective action plans?
Follow-up study <Guiding Principle 20,	18	Tracking of the efforts regarding human rights risks	Assess the validity of the plans for corrective measures	Are Key Performance Indicators (KPIs) established and the efforts monitored?

OECD Guidance Process 4>		<Guiding Principles 20 and 22, OECD Guidance 4.1>	and conduct follow-up study.	
	19	Stakeholder feedback <Guiding Principles 20 and 22, OECD Guidance 4.1 >	Obtain stakeholder feedback on the results of the follow-up study.	Is the corporation in direct consultation with representatives of both internal and external stakeholders?
Process	No.	Question Title	Requirements	Evaluation Criteria
Reporting <OECD Guidance Process 5>	20	Appropriate information disclosure <Guiding Principle 21, OECD Guidance Process 5>	Publicize appropriate information on human rights efforts.	Does the corporation publicize information through annual reports, sustainability reports, corporate social responsibility (CSR) reports or other appropriate disclosure methods? Does the disclosure include policies, system construction, identified areas with serious risks, ranked priorities and their criteria, plans for corrective measures, and follow-up studies?
	21	Disclosure method that takes culture into consideration <Guiding Principle 21, OECD Guidance Process 5>	Pay special attention to the culture of the rightsholders who are particularly affected. Provide information in an accessible manner.	Is the corporation prepared to disseminate the above-mentioned information to concerned persons through measures such as providing multilingual information?
Implementation of or cooperation with remedial and corrective measures <OECD Guidance Process 6>	22	Process of grievance mechanism <Guiding Principles 22 and 29>	Establish a route for rightsholders to file grievances on human rights issues.	Is the grievance mechanism process designed with consideration for the characteristics of the stakeholders (e.g., multilingual information and 24-hour support)?
	23	Accessibility to the grievance mechanism <Guiding Principles 22 and 29>	No interference with access to the grievance mechanism (In a broad sense, this includes not interfering with access to the state-based judicial or	Is access to a grievance mechanism ensured for people who claim adverse impacts on human rights? (Also, has the corporation announced its commitment not to interfere with access to state-based judicial mechanism?)

			nonjudicial mechanism)	
	24	Reporting on the use of grievance mechanism <Guiding Principles 22 and 29>	Report that the grievance mechanism is functioning effectively.	Are the results, including the number of claims and the number of cases that received remedial measures, reported in a transparent manner?
	25	Empowerment of the users of the grievance mechanism <Guiding Principles 22 and 29>	Provide appropriate empowerment to rightsholders, so that they would think of using the grievance mechanism.	Does the corporation empower the users by eliminating their concerns by prohibiting retaliation and ensuring anonymity, as well as clarifying the usage process?
Process	No.	Question Title	Requirements	Evaluation Criteria
Implementation of or cooperation with remedial and corrective measures <OECD Guidance Process 6>	26	Stakeholder feedback <Guiding Principles 18, 22 and 29, OECD Guidance 6>	Obtain stakeholder feedback on the grievance mechanism.	Is the corporation in direct consultation with representatives of both internal and external stakeholders?

<Proposed expansion: Labor and Corporate Social Responsibility (Labor CSR) and Women’s Empowerment Principles (WEPs) (not included in base assessment at this time)>

Process	No.	Question Title	Requirements	Evaluation Criteria
Labor CSR	1	Ensuring human rights in labor <Labor CSR Guidebook, Practice Item 1>	Develop policies regarding human rights issues in labor.	Policies have been developed on: prevention of overwork deaths, sexual harassment and power harassment; sexual minorities (LGBTIQ); foreign workers; and personal information protection.
	2	Stabilizing and improving employment and jobs <Labor CSR Guidebook, Practice Item 2>	In order to achieve decent work, promote stabilization of employment and jobs through proper labor contracts and employment management, to	The corporation is advancing efforts including: labor contracts and improved employment for non-regular labor; promoting women’s advancement and their recruitment for management and executive positions; extending and improving the employment of seniors; improved hiring of persons with

			correct conditions such as long working hours.	disabilities; and pursuing both digital revolution and stabilization of employment.
	3	Proper working conditions and their improvement <Labor CSR Guidebook, Practice Item 3>	Know whether the working conditions are appropriate, e.g., regarding disparities in non-regular labor and unfair treatment of foreign workers. If there is a problem, implement measures for improvement.	The corporation is advancing efforts including: monitoring and improvement of long work hours; improvement of non-regular work based on the principle of equal pay for work of equal value; eliminating the gender gap in wages and working conditions; policies and operation of improved child care and family care leave; implementation of a system that allows balancing of illness and work; and fair treatment and livelihood support for foreign workers.
	4	Promotion of human resource development and vocational training <Labor CSR Guidebook, Practice Item 4>	Aim to achieve decent work and improved productivity through vocational training.	The corporation is advancing efforts such as: improvement and operation of programs for capacity building; support for improving vocational skills and career development; promoting personnel training in digital technology; and creating a system for socially-engaged volunteering.
Process	No.	Question Title	Requirements	Evaluation Criteria
Women's Empowerment Principles (WEPs)	1	Promotion of gender equality through leadership from the top <WEP 1>	Internal and external commitment by the top management to achieve gender equality and empowerment of women, by incorporating the Empowerment Principles in corporate policies.	Efforts are being made from the perspectives of accountability of top management; setting and monitoring of goals; reflecting them in assessment; diversity in decision making institutions; stakeholder engagement; and continuous communication.
	2	Equal opportunity, inclusion and elimination of discrimination <WEP 2>	Erase the gap in wages, capacity building and career potential in the workplace based on employment status, and establish a work environment in which all	Efforts are being made for the perspectives of fair processes and systems; elimination of wage disparities; promotion and recruitment; hiring and retention; and flexible work.

			employees are at least guaranteed basic livelihood and given a satisfying job.	
	3	Health, safety and elimination of violence <WEP 3>	A corporation must play an important role in the maintenance and promotion of mental and physical health, safety and well-being of all employees, regardless of gender.	Efforts are being made from the perspectives of eradication of violence and sexual harassment; support for women's health; leave; and safe work environment.
	4	Education and training <WEP 4>	A corporation must understand how promotion of gender equality is tied into their policies and businesses and foster common concepts and values. They must also understand how unconscious bias, held by everyone, can become a factor in hindering women's career advancement, and be able to address the issue.	Efforts are made from the perspectives of general training programs; training programs for managers and executive officers; unconscious bias training and awareness building for gender equality; and sexual harassment training.
	5	Business development, supply chains, marketing activities <WEP 5>	A corporation must be a responsible entity not only internally, but also in the formation of markets (including the supply chain) and social norms.	Efforts are made from the perspectives of diversification of suppliers; monitoring of actions that violate human rights; support for businesses by female entrepreneurs and owners; dissemination of WEPs; and promotion of gender equality through advertising.
Process	No.	Question Title	Requirements	Evaluation Criteria
Women's Empowerment Principles (WEPs)	6	Regional leadership and participation <WEP 6>	A corporation must be a responsible entity not only internally, but also for the society and the local community in which they conduct business.	Efforts are made from the perspectives of collaboration in the local community; sharing of knowledge; promotion of women's participation; and donations and pro bono work.
	7	Transparency, performance	Establish a system for periodically checking the	Efforts are made from the perspectives of

		measurement and reporting <WEP 7>	progress and achievements, and report the results.	understanding the current status; establishing a process; tabulating and analyzing data; reporting progress; and sharing best practices.
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4.3 Empowerment-based Assessment

A corporation’s business and social contribution activities include contribution to rightsholders’ empowerment.³⁰ “Empowerment” and “protection” are a pair of concepts that constitutes a part of human security methodology. “Empowerment” refers to efforts to bring out the humans’ innate power to live, individuality, potential, and problem-solving ability.³¹ In other words, it means to promote people’s self-reliance and autonomy, enhance their independence, and prepare an environment that enables them to choose their own destiny with their own freedom and responsibility. Protection alone will reinforce subordination and keep them from enjoying life with dignity as a human being.

Of course, if there is a so-called downside risk, in which some rightsholders in vulnerable positions may be pushed further into unsafe situations, the risk must be deterred, and such rights holders must be supported and protected until there is a way for them to move towards self-reliance and autonomy. In this sense, corporations must first work on identification, prevention, and mitigation of adverse impacts on human rights, from the perspectives of the above-mentioned base assessment.

From a longer-term view, however, it is imperative to extend support to the rightsholders and to help them become capable decision-makers themselves.³² If individual rightsholders become socially and economically self-reliant, they will be able to independently choose their own security in all aspects of life, including finance, food, health, environment, body, culture, religion and politics, and enhance them in a comprehensive manner.³³ As a prerequisite for this, however, it is necessary for the society to have a shared understanding that any region or environment has usable resources; that rightsholders have dignity and value; and that every individual has a potential for ample talent and perseverance. From this viewpoint, it is clear that it is meaningful to assess corporate efforts to expand human rights on a long-term basis from the empowerment perspective.

Therefore, in the CHSI’s empowerment-based assessment, corporate efforts to promote human rights with emphasis on empowerment are called “empowerment-based initiative (EBI),” and these efforts are evaluated as comprehensively and objectively as possible. Assessment is based on the five pillars: clarification of rights, sustainability, development of policy and organizational systems, clarification of impacts, and dialogue with stakeholders. With improved viability in mind and using

³⁰ Typically, corporations’ social contribution, philanthropy, charity and CSR activities have not been described in terms of “human rights.” Some of their core businesses can also be seen as generating not only economic value, but also social value.

³¹ United Nations Trust Fund for Human Security, *Human Security Handbook: An integrated approach for the realization of the Sustainable Development Goals and the priority areas of the international community and the United Nations system* (2016), 10.

³² According to Amartya Sen, the central issue of human security is enhancement of capabilities (Amartya Sen, *Human Security*, translated by Erika Togo, Shueisha Shinsho, 2006, 25). Furthermore, Sen argues that it is important to see human beings not simply as beneficiaries, but also as actors who value freedom (Sen, *ibid*, 193).

³³ United Nations Trust Fund for Human Security, *op.cit.* 7

the PDCA cycle as a reference, the flow consists of setting of goals, development of plans, development of systems, measurement of effects, and implementation of improvements.³⁴

The target unit in the empowerment-based assessment is not the “corporation,” but the individual “efforts” undertaken by the corporation. Since many corporations are working on more than one EBIs and the scale and nature of the EBIs are diverse, it is impractical to compare each corporation’s total EBI efforts. Therefore, for the sake of feasibility of assessment, around three major initiatives are selected for each corporation as targets of evaluation.³⁵

As described above, the empowerment-based assessment evaluates corporate EBIs from the perspective of promoting human rights, in particular, “empowerment,” by evaluating each corporation’s “efforts” as a unit. Endpoints for each of the five pillars of evaluation criteria are shown below. Since each pillar has two endpoints, the empowerment-based assessment consists of a total of ten endpoints. Each item counts for two points, with a perfect score of 20 points.

< Empowerment-based Assessment Items >

Process	No	Question Title	Requirements	Evaluation Criteria
Clarification of rights	1	Clarification of rightsholders	Clarify which rightsholders should be targeted for promotion of rights through EBIs.	Are business partners, consumers, employees and local communities clearly and specifically listed as the targets of promotion of rights through EBIs?
Process	No	Question Title	Requirements	Evaluation Criteria
	2	Clarification of the contents of rights	Clarify what kind of rights should be promoted through EBIs for the rightsholders.	Are the rights to be promoted through EBIs for the rightsholders clearly stated by referencing the rights advocated in international human rights norms?
Ensuring sustainability	3	Relevance to products and services	A corporation’s EBI should have relevance to their products and services.	Can the EBI by the corporation be seen objectively as having relevance to their products and services?
	4	Contribution to increased corporate value	Clearly state the logic explaining how the corporation’s EBIs	Is it stated clearly that their own EBIs lead to increased corporate value through the development of

³⁴ The original PDCA cycle consists of four processes: Plan, Do (Perform), Check (Monitor) and Act (Improve), but the empowerment-based assessment consists of five processes, with “setting of goals” added as the first step, in order to emphasize the relationship with the baseline assessment. In other words, it first clarifies the goals and develops a plan to achieve the goals; prepares a system for efficiently implementing the plan; measures the effects achieved by the implementation of the plan; then adjusts the goals and plans based on the measurement results. By repeating the cycle of these processes, continuous improvement of corporate efforts can be expected.

³⁵ The three projects for evaluation are selected at the discretion of the evaluator, taking into consideration all important factors including the depth and social significance of the disclosed information and the scale of the project. It is possible that the evaluator’s subjective view might compromise objectivity, but the selection of the target of evaluation itself may open a dialogue between the evaluator and the corporation.

			lead to their increased corporate value.	management resources (people, goods, money and information)?
Development of policy and organizational systems	5	Relevance to the human rights policy	Develop and disclose policies on the corporation's EBIs in a manner that is consistent with the corporate policies.	Have the policies on the corporation's EBIs been developed and disclosed in a manner that is consistent with their policies on sustainability and human rights?
	6	Establishment of organizational systems	Prepare a written policy on EBIs which includes cooperation of directors and departments in charge.	With regards to EBIs, are the directors and departments in charge of promoting sustainability clearly listed as the responsible parties?
Clarification of impacts	7	Clarification of issues	Clarify the issues to be resolved through EBIs as goals, preferably as quantitative goals.	Is information disclosed on the issues to be resolved through EBIs?
	8	Understanding the performance	Disclose the performance of problem solving through EBIs in a quantitative manner.	Is information disclosed regarding the performance of problem solving through EBIs in a quantitative manner, including scale and influence (excluding the time period)?
Dialogue with stakeholders	9	Stakeholder feedback	Receive feedback from stakeholders regarding the corporation's EBIs.	Is it clearly stated that the corporation receives feedback on their EBIs from rightsholders and other stakeholders, including NGOs and other groups that represent their rights?
Process	No	Question Title	Requirements	Evaluation Criteria
	10	Reflecting the feedback in the following year's activities	Reflect the stakeholder feedback on the corporation's EBIs in the activities for the following fiscal year.	Is information disclosed regarding how stakeholder feedback is reflected in the activities for the following fiscal year?

Points of attention in empowerment-based assessment

The requirements and evaluation items for the above-mentioned empowerment-based assessment endpoints are described below, with the background reasons for their selection, points to note in the actual application, and specific examples as a reference.

The objective of this methodology is to systematically evaluate corporate efforts to respect human rights, from the perspective of human security. In particular, the main criterion for judgement of value in empowerment-based assessment is promotion of the human rights of rightsholders through empowerment. In this respect, this methodology is a clear departure from the existing human rights indexes that adopt the requirements of the UNGPs. It uses a number of endpoints based on a new perspective that was absent in the existing indexes, in order to evaluate corporate activities from a broader perspective. For this reason, there is a possibility that the intent of the index may not be fully understood, when they are actually used, resulting in an inaccurate assessment. Therefore, detailed explanation of the points of attention for the empowerment-based assessment is provided below.

Clarification of rights

In order for corporate EBIs to lead to effective promotion of human rights, it must be clarified and specified whose rights and what kind of rights are affected by the EBIs. Many corporations are engaging in social contribution activities and making various other efforts that should be objectively assessed as leading to the promotion of the rights of the affected rightsholders, but very few corporations describe these efforts in terms of respect for specific rights advocated in their own human rights policies.

Therefore, corporations themselves must first understand that these efforts lead to promotion of human rights through improvement of stakeholders' capabilities. Then, they must communicate this fact both internally and externally in an easy-to-understand, clear manner. From this perspective, clarification of rights in each corporation's efforts is assessed based on two axes: 1. clarification of rightsholders and 2. clarification of the contents of rights.

1. Clarification of rightsholders

Requirements	Clarify which rightsholders may be the target of the efforts to promote their rights.
Evaluation criteria	Are the rightsholders to be the targets of promotion of rights through EBIs clearly designated? Rightsholders include past, current, and future employees, business partners, consumers and local communities.

Here, the criterion for evaluation is whether the corporation clearly explains which rightsholders among their diverse rightsholders are targeted by the corporation's EBI for promotion of their rights. Rightsholders include employees, business partners, consumers, and local communities.

Rightsholders to be targeted are not limited to the current rightsholders. They include past and future rightsholders. For example, students who may become employees in the future and retired employees may also be considered to be rightsholders. In addition, some people may have been deprived of their rights under domestic law, as seen often in cases of land seizure in developing countries; may have had their rights restricted by oppressive governments on the grounds of public security; or cannot expect to exercise their rights because of a corrupt system.³⁶ On the other hand,

³⁶ Y. Sato (2018, 35-36) reports a case in which the implementation of land law and its registration system by the ADB and the

it is not unusual to see imposters pretending to be rightsholders requesting assistance and competing with each other, making it difficult to identify and prioritize legitimate rightsholders. In overseas support and investments, vested interests of the beneficiary countries may lead to corruption and so-called rent seeking and disputes over the interests born from this rare opportunity. In regions with weak governance, people who are distanced from power and excluded from legitimate markets encounter safety nets provided by informal sectors often coexisting with vigilante groups such as local gangs and mobs, and they are indistinguishable especially to outsiders. There is a need to carefully study the situation with the cooperation of local NGOs and other non-state actors and to also pay attention to local politics.

2. Clarification of the contents of rights

Requirements	Clarify what kind of rights of the rightsholders are to be promoted.
Evaluation criteria	Are the rights to be promoted for the rightsholders clearly stated by referencing the rights advocated in international human rights norms?

Here, corporate EBIs are assessed based on whether they clearly describe which of the various rights of the rightsholders are the targets of promotion. The rights in question here are primarily those that are advocated in international human rights norms. Such norms include the International Bill of Human Rights; the ILO’s Declaration on Fundamental Principles and Rights at Work; and conventions that provide for the rights of individual rightsholders including the Convention on the Elimination of All Forms of Discrimination against Women, Convention on the Rights of the Child, and Convention on the Rights of Persons with Disabilities.³⁷

If respect for these rights is advocated in the corporation’s human rights policy, that fact should be clearly stated. It is required that human rights policies state the various rights of the rightsholders who may be affected by adverse impacts from business activities, and also state that these rights will be respected. If a company recognizes the link to the rights which they proclaimed in their human rights policy to have no adverse impacts and to be subject to remedy, the company can review their efforts through a human rights-based approach. This will also lead to prevention of “ESG washing” and contribution to “just transition.”

Ensuring sustainability

If a company engages in an EBI, there is a possibility that it will lead to the promotion of rightsholders’ rights, but once such an effort is started, the company is required to continue to engage in the said EBI, at least until the original goal has been achieved (i.e., until it is confirmed that the said rightsholders have acquired sufficient capacity and rights to make autonomous decisions). If the effort is disrupted, there is a danger that promotion of the rightsholders’ rights may also be halted. Therefore, it is necessary to evaluate how much sustainability is guaranteed for the efforts of individual companies.³⁸

World Bank led to legal seizure of the vulnerable farmers’ land. There are endless examples of human rights violations in developing countries caused by imposing the so-called global standards on them without fully understanding the local conditions.

³⁷ Here, the human rights norms refer to the International Bill of Human Rights and the various conventions as “systematic presentation of international human rights that are agreed upon and recognized by nations.” The UNGPs state that not only nations but also corporations have the obligation to respect the human rights advocated internationally, and corporations are required to respect the international human rights norms regardless of the country in which they conduct business. Thus, international human rights norms can be understood as norms that should be universally followed by all actors in a society, and corporate efforts should be consistent with these norms.

³⁸ Assessment of sustainability also embodies the concept of double materiality. According to the European Commission’s Non-Financial Disclosure Directive (NFRD), double materiality is a concept that integrates the materiality from an investor’s

In order to assess sustainability, the link with their core businesses and corporate value must be taken into consideration, because the stronger the relationship with the core business, the easier it is to gain the understanding of a wide range of stakeholders for the efforts. Also, if the said efforts create profits (or at least reduce costs), the efforts can be continued without overly impairing the continuity of the corporate organization.³⁹

Therefore, sustainability of each company’s efforts is evaluated from the following two perspectives: 3. Relevance to products and services and 4. Contribution to increased societal value of the corporation.

3. Relevance to products and services

Requirements	Make the corporation’s own EBIs relevant to their products and services. Alternatively, implement corporate EBIs in a way that is relevant to their products and services.
Evaluation criteria	Can the EBI by the corporation be seen objectively as having relevance to their products and services?

In some companies, it may be difficult to see the connection between their EBIs and their products and services. Needless to say, in light of the goal of promoting the rights of rightsholders, these efforts in themselves should never be denied, and it is expected that they continue to be actively implemented in the future.

Nevertheless, if such efforts veer widely off from the corporation’s core business, they may be evaluated negatively, especially by some stakeholders who focus on short-term profits. In that sense, the sustainability of the efforts may be impaired. In other words, if the EBI is relevant to the core business, the experience and knowledge acquired there can be reflected in the core business, creating a possibility for a new business opportunity. Therefore, if the corporation’s efforts are relevant to their products and services, they are evaluated to be highly sustainable.

For example, a company in the IT solution business developed AI to assist text data checking and data aggregation and used it experimentally in an initiative to utilize the talents of persons with disabilities and promote their self-reliance. As in this example, if the company’s products and services are actively used to contribute to the society, it is easy to envision the contribution being relevant to the company’s core business in some form. In that sense, it is better understood by the stakeholders and is evaluated highly on sustainability.

4. Contribution to increased societal value of the corporation

perspective and the materiality from a stakeholder’s perspective. Here, materiality from the investor’s perspective refers to the impact of the environment and society on corporate performance (i.e., financial materiality), whereas the materiality from a stakeholder’s perspective refers to the impact of the corporation on the environment and society (i.e., environmental and societal materiality). However, although double materiality is defined in different ways by other organizations including SASB, Integrated Reporting and Intellectual Capital (IIRC) and the Global Reporting Initiative (GRI), it is true that there is a trend toward expanding the investment and lending concept from the two-dimensional “risk return” to the three-dimensional “environmental and societal impact,” establishing a new investment and lending rationale.

³⁹ Acquisition of profits increases the shareholders’ equity ratio through retained earnings and leads to improved financial stability. Corporations with high financial stability are highly resilient against financial crises, natural disasters, epidemic and other changes in economic environment. As a result, they are also capable of ensuring sustainability in EBIs as organizational activities.

Requirements	Clearly state the logic explaining how the corporation’s EBIs lead to their increased societal value.
Evaluation criteria	Is it stated clearly that the corporation’s EBIs lead to their increased societal value through the development of management resources (people, goods, money and information)?

Even if an EBI is relevant to the company’s products and services, as long as it is seen as incurred cost, it may still be difficult to gain the understanding of some stakeholders. In order to obtain approval from all stakeholders, it is necessary to clearly state the logic explaining how these efforts lead to increased corporate value through the development of management resources (people, goods, money and information).

A concept that focuses on increasing corporate value may be prone to criticism that it overemphasizes profits and makes light of the rights of rightsholders. However, corporate value here does not mean short-term interests, but is based on the stakeholders’ expectations for long-term business growth and coexistence with the society.⁴⁰ In addition, the idea of giving rightsholders’ human rights the highest priority, but also enhancing business continuity to ensure sustainability of EBIs, is consistent with the human security perspective, which promotes expansion of human rights through empowerment.⁴¹

Consequently, with these relationships in mind, evaluation is made based on whether the company presents a clear logic that connects their EBIs and their corporate value. By logically connecting the two, the company can acquire a source of competitive advantage through the promotion of human rights. It is also expected that clarifying this logic will contribute to the elimination of conflicts of interest among different types of stakeholders.

For example, a company working to empower refugees has successfully enhanced the refugees’ capabilities and hired them as their employees. Some companies that are making efforts to hire persons with disabilities believe that participation by the persons with disabilities will enhance organizational cohesion. These efforts promote the rights of rightsholders and also realize the development of “human beings” as a business resource. In this sense, they are able to achieve both the promotion of human rights and the enhancement of corporate value.

Development of policy and organizational systems

In recent years, there has also been increasing pressure from investors and other stakeholders on corporations’ human rights efforts, due to heightened societal interest in ESG risks. In light of this pressure, corporations are highly motivated not only to implement the efforts to promote human rights, but also to disclose such efforts to the society.

⁴⁰ The corporate value envisioned in the empowerment-based assessment here is based on the capital concepts envisioned in IIRC. IIRC categorizes capitals into financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital and natural capital. These six capitals are considered to have an impact on the internal and external capitals of a corporation, through the input to the corporation and the output created by business activities. (Value Reporting Foundation, “International <IR> Framework,” (2021), 19.)

⁴¹ The management environment surrounding business and human rights has changed dramatically, with the four main drivers being regulation, people’s interest, investor expectations and business relationships, and there is increased societal demand for efforts that go beyond risk management. (World Business Council for Sustainable Development, “CEO Guide to Human Rights,” (2019), 14.) Top management is required to be sensitive to such changes in the environment, and to shift from a passive stance toward human rights to an aggressive posture to turn the efforts to respect human rights into corporate value. By doing so, human rights efforts can be expected to become sustainable instead of being transient.

In reality, however, disclosure of the efforts is sometimes a mere formality. Purely formal disclosure, typified by so-called ESG washing, cannot ensure effective promotion of rights. Instead, the gap between the reality and the disclosed information creates an asymmetry of information, which could even lead to inefficient transaction (adverse selection) or unfair transaction (moral hazard).

Therefore, with the expectation that an EBI of a corporation ensures the promotion of the rights of rightsholders, and that it is done in a sustainable manner in its original sense, we focus on how the said EBI is related to the corporation’s governance. In particular, the individual corporation’s efforts are evaluated from the following two perspectives: 5. Is the relevance to the human rights policy clearly stated? and 6. Are organizational systems in place for implementing the efforts under this policy?

5. Relationship with human rights policies

Requirements	Develop and disclose policies on the corporation’s EBIs in a manner that is consistent with the corporate policies.
Evaluation criteria	Have the policies on the corporation’s EBIs been developed and disclosed in a manner that is consistent with their policies on sustainability and human rights?

Here, the assessment evaluates whether the relationships with internal policies related to human rights are clearly stated. In “Clarification of rights” in this empowerment-based assessment, the evaluation standard is consistency with the international human rights norms. On the other hand, in “5. Relationship with human rights policies,” the endpoints focus on individual company’s systems, even while considering the connection with the concept of rights, as in “Clarification of rights.” In other words, they evaluate the consistency with specific human rights policies and sustainability policies of the individual companies, from the perspective of consistency with governance.

Many corporations are engaged in multiple social contribution activities that can lead to EBIs. In order to ensure that these efforts lead to the promotion of human rights, it is important to have consistency as a company. For example, one company that is working on “diversity and inclusion (D&I)” clearly states that they will advance EBIs in a way that follows their corporate guideline of “respecting diversity and supporting growth.” When a company clearly states the relevance to a specific policy as this company does, it is more likely that various initiatives will be systematically implemented for the promotion of human rights.

However, it should be noted here that disclosure of information should not stem from the idea to use it for public relations to gain profit. As mentioned in Section 4, it is important to link the efforts to corporate value in order to ensure sustainability, but conveniently tying it to short-term profit could undermine the motivation of those engaged in these efforts. As long as the focus of these indexes is effective efforts to promote rights, just the right amount of information should be disclosed, always from the viewpoint of the rightsholders, in order to accurately communicate the facts.

6. Establishment of organizational systems

Requirements	Prepare a written policy on EBIs which includes cooperation of directors and departments in charge.
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Evaluation criteria	With regards to EBIs, are the directors and departments in charge of promoting sustainability clearly listed as the responsible parties?
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In this section, the organizational systems for the corporations’ efforts are evaluated to see if authority and responsibilities are clearly allocated. Specifically, that means clearly stating the supervising authority of a director (in particular, a director in charge of promoting sustainability) or stipulating the cooperation with the departments in charge, such as the sustainability and CSR departments. For example, a company states that they have established a diversity promotion office and are promoting group efforts under the supervision of the company president and the director in charge of diversity. By clearly linking the EBI efforts to directors and organizations in this manner and defining accountability, the company can expect to avoid ESG washing and increase the effectiveness of their efforts.

Here again, it is important to avoid the opportunistic idea of appointing a person in charge just as a formality. For advancement of effective efforts to promote rights, top management should pay attention to the potential of even small efforts started by a few volunteers within the company and have a system to back these efforts up as an organization. In other words, it is essential to respect the autonomy of the voluntary efforts, so as not to make the organization’s interest a priority and lose the original intent of human rights promotion and force the efforts to be controlled by the organization.

Clarification of impacts

If the effectiveness of the efforts is the focus, we must also pay attention to their impact⁴² on the society. As noted above, some corporations may take opportunistic actions in response to the society’s growing interest in ESG. To accurately assess these actions, it is necessary to measure the effectiveness of the efforts as objectively as possible. Therefore, we evaluate the impact of the efforts of each company on the target of rights protection described in “Clarification of rights,” in order to measure the effectiveness of the efforts.

It is, however, not easy to measure in a uniform manner how much impact each company’s efforts had on the promotion of human rights and to show that with specific numbers.⁴³ Although refining the method of measuring the impact is an important goal for the future, in this project, the endpoints only focus on the disclosure aspect: 7. Clarification of the issues and setting of goals, 8. Understanding the performance as an achievement towards the goals.

7. Clarification of issues

Requirements	Clearly define the issues to be solved through EBIs and establish them as goals. In doing so, it is preferable to set quantitative goals.
Evaluation criteria	Is information disclosed on the issues to be resolved through EBIs?

⁴² “Impact” generally refers to changes caused by an organization. Impact is categorized into “positive” and “negative” impacts and also into “intended” and “unintended” impacts. (Impact Management Project, “A Guide to Classifying the Impact of an Investment,” 2018, 8.) In empowerment-based assessment, impact is assumed to be “positive” and “intended,” and represents a positive effect on human rights.

⁴³ In order to accurately assess the impact, it is necessary to know the following five aspects: What, Who, How much, Contribution by the company and Risk. (Impact Management Project, *ibid.*)

Here, we assess whether the EBI efforts have clear goals for the issues to be resolved. KPIs are established to evaluate whether the EBI efforts are properly managed according to the PDCA cycle. Therefore, it is recommended that the goals be objective, using numerical values. Currently, however, few corporations have disclosed numerical goals, so we will also evaluate qualitative disclosures for the time being.

8. Understanding of performance

Requirements	Disclose the performance of problem solving through EBIs in a quantitative manner.
Evaluation criteria	Is information disclosed regarding the performance of problem solving through EBIs in a quantitative manner, including scale and influence (excluding the time period)?

These endpoints evaluate whether each company clearly discloses their performance with regards to the extent of the societal impact of their efforts in promotion of the rights of rightsholders. While qualitative disclosure is allowed in the previous section, “7. Clarification of issues,” the evaluation standard in “8. Understanding of performance” is whether quantitative data is disclosed.

This reflects the reality of disclosure by corporations. Many corporations have already attempted to make quantitative disclosures of the extent of the impact of their efforts on the society. For example, many corporations that implement EBIs have disclosed their achievements, such as “heightened awareness of various human rights issues shown by employee surveys,” “increased diversity in workplace in terms of the number of employees (e.g., the number of persons with disabilities in the workforce)” and “the number of events related to human rights and the number of attendees.” This type of data is by no means objective, since they are not collected under a uniform standard that applies to all corporations, but continuous disclosure of specific numbers can be seen as an effort toward objective assessment of performance. From this perspective, the performance of the impacts is evaluated based on whether the information is disclosed in a quantitative manner.

However, there is a wide range of methodologies for quantifying impact in the area of human rights, and there is no established and widely recognized KPIs of high quality. For this reason, it is preferable to disclose data collection and methodologies for KPI calculation defined by each company.

Specific units for quantification will also be left to the individual company’s discretion. Examples include units that represent scale and influence, such as frequency and the number of people. Quite a few companies disclose the length of time during which the efforts were made, but this is excluded from the evaluation criteria for quantification, since it is difficult to see it as a performance standard for impact.

Dialogue with stakeholders

In empowerment-based assessment, it is preferable that these efforts continue for the long-term once they are started, as shown by the fact that “sustainability” is one of the endpoints. If the efforts are to continue for the long-term, it is, of course, desirable for the efforts to be improved during the process.

From the above-mentioned perspective for continuity, it is also necessary that such improvements be made from a strategic viewpoint for increasing corporate value. For this endpoint,

however, what should be emphasized is the improvement to be made with the goal of enhanced rights of the rightsholders, which is the point of empowerment-based assessment.

It is not easy to correctly understand the true needs of the rightsholders. Some rightsholders have been oppressed for a long time, and as a result, lack the correct knowledge about their own rights, or are afraid to assert that their rights have been violated. Therefore, corporations need to patiently continue the dialogue not only with rightsholders, but also with a wide range of stakeholders, including the NGOs that represent the rights of the rightsholders.

In order to assess the process of improving the efforts, the individual company’s stakeholder engagement is evaluated. The two endpoints are: 9. Stakeholder feedback and 10. Reflecting the feedback in the following year’s activities.

9. Stakeholder feedback

Requirements	Receive feedback from stakeholders regarding the corporation’s EBIs.
Evaluation criteria	Does the corporation receive feedback on their EBIs from rightsholders themselves and other stakeholders, including NGOs and other groups that represent their rights?

In order to improve the efforts while sustaining such efforts, it is necessary to collect information on the stakeholders’ needs by engaging in dialogue with the stakeholders. In particular, this empowerment-based assessment focuses on the dialogue with the rightsholders and their representatives, since it is primarily aimed at promoting the human rights of the rightsholders.

We cannot, however, deny the possibility that while an EBI is being implemented for the purpose of protecting the rights of a certain rightsholder, another rightsholder’s rights may be violated. Since some of the wide variety of stakeholders surrounding a corporation may have conflicting interests, it is not easy for all stakeholders to agree with one another. For example, an effort to promote the hiring of refugees can enhance the rights of the refugees, but may also take some jobs away from the local residents. Therefore, it is important to have a continuous dialogue not only with the refugees themselves, but also with a wide range of local stakeholders, in order to understand the risks of secondary human rights infringement caused by the said effort.

Therefore, if a company clearly states that they receive feedback on their EBI activities through dialogue with the rightsholders themselves, groups that represent the rightsholders (e.g., NGOs) and other stakeholders, they will be evaluated highly. For example, a company that uses KPI for EBI efforts states on their website that they offer individual consulting on KPI to those who are interested and that they collect information.

10. Reflecting the feedback in the following year’s activities

Requirements	Reflect the stakeholder feedback on the corporation’s EBIs in the activities for the following fiscal year.
Evaluation criteria	Is information disclosed regarding how stakeholder feedback is reflected in the activities for the following fiscal year?

After receiving feedback on the EBIs through dialogue with stakeholders, it is important to use the feedback to improve the efforts for the following fiscal year. The corporation’s efforts receive a high mark, if the specific information obtained through feedback is linked to the improvement of the efforts in the disclosure. For example, the company mentioned above uses the information

obtained through individual consultation on KPI to verify the effectiveness and validity of KPI. Furthermore, the company's website shows that the results of these efforts are used to improve their medium-term business plan and medium- to long-term strategies.

Dialogue with stakeholders in an EBI is equivalent to "A (Act)" in the PDCA cycle. Therefore, in this empowerment-based assessment, it is desirable to examine the improvements, so that both qualitative and quantitative improvements are made throughout the entire process of the efforts, while taking into consideration the above-mentioned five pillars, (a)-(e), and their respective endpoints. Specifically, individual companies need to review their efforts from the following perspectives:

- a. Are some rights holders and their rights excluded from specific rightsholders and their rights that aim to promote the company's rights?
- b. In empowering the rightsholders, is necessary and sufficient sustainability ensured?
- c. Are the policies set in a way that is easy to understand for the stakeholders, and is an accountability system in place to ensure that the policies are implemented?
- d. Has sufficient achievement been made in empowerment of rightsholders based on the original plan? Does the plan need to be changed?
- e. Is sufficient information obtained through the dialogue with stakeholders? Are there any important rightsholders who have been excluded from the dialogue process?

4.4 Issues identified in case studies and advisory hearings

In this project, case studies were conducted on four companies, following assessments based on the proposed methodology, in order to obtain ideas for the development of the CHSI (See Appendix for details). The four companies are: FAST RETAILING CO., LTD., Eisai Co., Ltd., ANA HOLDINGS INC. and FP Corporation. The following issues were highlighted based on the results of the case studies.

The first issue is "commitment to empowerment" in the base assessment. In this methodology, the concept of "empowerment" is one of the endpoints of the base assessment. This item evaluates whether a corporation embraces the concept of empowerment, based on the information disclosed by the corporation, but we did not see that in the assessment. Some companies, however, showed indications of familiarity with the concept of empowerment, even though the concept was not explicitly stated during the interviews. Therefore, it is desirable to have a method of evaluation that gives a score, if a company lists specific actions that promote development of skills for vulnerable people, even if the keyword "empowerment" is not explicitly stated.

The second issue is the reflection of the "magnitude" of the project outcomes in the empowerment-based assessment. Some corporations had projects that had produced significant results, but these results were not reflected in the score under this methodology, because the companies had not disclosed the information related to other questions, such as "clarification of rights," "continuous communication with stakeholders" and "consistency with corporate policies," that were the endpoints in this methodology. While it is important to note the endpoints where the companies fell short, significant results produced by project management should receive higher evaluation, and it is necessary to have a methodology in which projects with significant results are given higher scores. The scores for the former group of endpoints also depend on the disclosed information, so whether certain issues are clearly stated in the disclosed information is a criterion for scoring. Issues such as hiring of refugees and persons with disabilities could be discerned and evaluated based on the contents of the statement, even if the rights to be promoted are not explicitly

stated. Therefore, it may be necessary to have an evaluation methodology in which a project is given additional points, if it results in what can be considered attainment of rights.

After the completion of this methodology, we received a wide range of valuable comments from our advisors, including the following:

- It is desirable to further clarify the usage situations and users anticipated for the CHSI.
- In order to use this in actual practice, it is necessary to go beyond norm theory and proceed to measurement theory.
- Issues remain regarding assurance, auditing and quantification (by sector or by corporation).
- There is room for improvement in the measurement of comparability with other corporations and chronological progress or regression within the corporation, which are the original functions of the Index.
- Critics of the Index point out that the Index standardizes multifaceted information, causing the loss of context that is endemic to the region.⁴⁴
- It is preferable that the report be a persuasive narrative.
- Since quantification is difficult in the beginning, it may be better to start with case studies and compile the best practices.
- Another method is to collect data on corporate efforts based on CHSI and establish a resource center that functions as a data platform. By establishing a system in which external agencies, such as NGOs, evaluate the collected data, the reliability of the data can be secured.
- With regard to empowerment-based assessment, good practice can be introduced for disclosure by corporations.
- Many Japanese corporations do not have a first-hand experience with digital issues. These issues need to be addressed as well.
- By encouraging an approach based on human rights in the essential process of selecting the material issues in creating and increasing corporate value, and further developing the process into research that reveals a correlation between human rights and corporate value, Japan could contribute to the establishment of global standards, which is an area in which Japan has not been active so far. These issues will be considered in the future for improvement.

⁴⁴ Akahoshi, Sho, "Increasing Indexes and Global Governance" *Kokusai Seiji*, No. 188, (2017).

Chapter 5: Future issues to be considered

This report is based on the results of the CHSI project, which was started in FY2020 as a joint project by BHR Lawyers Network Japan and RCSP. The project results were revised in response to the discussion at the online interim report session on March 24, 2021, and subsequently with the addition of comments from expert advisors representing various fields (<https://www.bhrlawyers.org/chsi-index-event1>; <http://cdr.c.u-tokyo.ac.jp/RCSP/topics/979.html>).

This study group is a future-oriented project which aims to put into practice the study results from the final fiscal year of the research project, “Verification of Network Governance for Access to Justice in East Asia,” by RCSP’s Science Research Grant Foundation A (<http://cdr.c.u-tokyo.ac.jp/RCSP/project/336.html>), by cosponsoring it with BHR Lawyers Network Japan. The publishing of this report does not signify the end of this project. Rather, it can be seen as a basis for trial and error for developing even more precise and effective indexes, in order to establish a PDCA cycle which includes implementation by many corporations, investors, consumers, researchers, civil societies, governments and international agencies; verification of such implementation; and feedback, including criticism. As a challenge by Japan to ride the global tide of promoting UNGPs, SDGs and ESG, we aim to deliver and make more effective these activities from the perspectives of the people in the Asian region, which is close to Japan both historically and geopolitically and is also the main arena of the activities.

Because of the nature of the index, its objective is to encourage corporate efforts and creation of corporate value by setting objectively visualized goals through quantifying and numericizing. At the same time, however, it is also true that numbers can take on a life of their own, becoming a mere checklist that obscures reality rather than reflecting it. Use of an index always comes with this risk. This is the reason various indexes and evaluation businesses exist and compete with one another. To compensate for this drawback, this project uses qualitative evaluation through case analysis as a backup in addition to numericizing, in order to complement and improve the quantitative evaluation. In the future, in addition to the evaluation criteria of well-known organizations, guerilla tactics could be used by leveraging SNS and cooperation from consumers and investors, to coordinate with the establishment of a dialogue remedy system, and to position a grievance mechanism for the examination and improvement of the reported human rights issues at the core of the assessment. In other words, this is not just trying to change the reality by applying an idea based on deduction to the reality. It is also using induction in the opposite direction, learning from the difficulty and complexity of the reality that occur as a reaction, questioning the viability of the idea itself, and improving the suitability of the idea.

With human rights, although their ideal is freedom and equality, the lives of local people vary widely in terms of both history and region, and human rights could devolve into a hypocritical evaluation criterion that reproduces a colonialist governance structure, unless they are assessed from the perspective of the persons involved. Therefore, unlike the natural sciences, such as climate change, human rights cannot be quantified, without understanding other people through deep observation based on social science and humanities. In addition, although liberty rights, societal rights, and more recently, environmental rights and other so-called solidarity rights are considered complementary and inalienable, they have different degrees of priorities depending on the cultural and historical background of each society, and often cause ideological conflicts. During the East-West Cold War, there was a conflict between liberty rights and societal rights. In the New Cold War, democratic societies and authoritarian societies are confronting each other, dividing the world in two. The world is further fragmented by growing nationalism and spreading populism, and global market economy is being transformed by mutual economic sanctions. On the

other hand, stakeholder capitalism aims to achieve sustainability and create value through multi-stakeholders' participation and mutually complementary relationships, but political conflict over priorities will politicize the market over "business and human rights," and further struggle for leadership will surface over who sets the rules. We must be careful not to let these adverse effects result in human rights devolving into an instrument for the strong to control the disadvantaged. Therefore, it is essential to incorporate the feedback from the local victims of human rights violation and other parties involved; to always review the evaluation criteria with a self-critical eye; and to make an effort to deepen the understanding of others. For this reason, it is extremely important to have a humble attitude to learn from the vulnerable people who are suffering from human rights violation. By continuing to make revisions with ad hoc, flexible adaptations, we can encourage even more people to participate in and empathize with these efforts and create truly universal measurement standards and values.

In the future, it is necessary to make constant efforts to use empirical research methods, including field interviews; learn from failures; collect best practices; find better indexes to generalize and universalize the collected practices; and make measurements. As a social experiment, so to speak, it is necessary to use the index proposed here for evaluation; evaluate the evaluation itself and obtain feedback to constantly update the index; and increase the accuracy of the index, while adapting to the rapidly changing reality. One of the tools for this is Information and Communication Technology (ICT), which has advanced unexpectedly due to the spread of COVID-19. We plan to utilize this tool, not only virtually, but also in the field amidst real people's real lives, while respecting their dignity and making the efforts to expand and promote the human rights of multi-stakeholders, including the very people who are the victims of human rights violation.

Furthermore, there are the issues of how to protect the vulnerable people such as the refugees who flee from human rights violations and conflicts in places like Myanmar and Afghanistan and to support their independence and autonomy, and how the global market, especially the Japanese, Korean, Chinese and other Asian markets, can help these people return to and rebuild their countries. The reality in these two countries is that the illegal and inhumane drug industry has long supported the local economy. We believe that the only way to prevent the resurgence of terrorism is to replace such an industry with legitimate, sustainable business. In order to prevent these issues from being avoided or covered up by ideological conflicts, unrealistic and idealistic theories and hypocritical businesses, it is essential to be aware of the ambiguous nature of human rights; always aim for empowerment to expand human rights; promote the political will to develop this index based on individual remedies, as a tool for finding business opportunities for corporations; and promote constructive businesses.

Appendix: Case Studies

In this project, we conducted case studies on the four companies listed below to study the human rights efforts of Japanese companies, in order to find inspiration for the development of CHSI. The criteria for selecting the subjects of the case studies were as follows: (1) The company is a Japanese corporation. (2) The company practices a minimum level of disclosure regarding sustainability and human rights. (3) The company is a constituent of the FTSE Blossom Japan Index, which is one of the ESG indexes used by the Government Pension Investment Fund (GPIF) and has a high S (sustainability)-score. (The interviewees listed are the representatives at the time of the interview.)

These case studies are being conducted concurrently with the development of the CHSI methodologies and uses the contemporary version of CHSI for trial evaluation of the corporations' efforts, in order to recognize the challenges and problems of the methodology and make necessary improvements.

I. FAST RETAILING CO., LTD.

Interview date: December 3, 2020

Interviewee: Yukihiro Nitta, Group Executive Officer

II. Eisai Co., Ltd.

Interview date: December 3, 2020

Interviewee: Aya Tokunaga, Manager, Sustainability Department

III. ANA HOLDINGS INC.

Interview date: December 24, 2020

Interviewee: Shigeru Sugimoto, Planning Team Leader, Sustainability Promotion Department

IV. FP Corporation

Interview date: February 26, 2021

Interviewee: Kimiko Nishimura, Managing Director (In charge of General Affairs and Human Resources Division and Special Subsidiary and Continuing Employment Support Type A Business)

I. FAST RETAILING CO., LTD.

(Written by: Kenji Hara)

i. Introduction

In preparation for the development of CHSI, we conducted an interview on human rights efforts at FAST RETAILING Co., LTD. (hereinafter referred to as "FR") We would like to express our sincere gratitude to Mr. Yukihiro Nitta (Group Executive Officer) for his graciously responding to our request for an interview, despite his busy schedule.

Based on their disclosed information, FR's efforts were evaluated using the index developed in this project. The results were as follows:

Base assessment: 21 points

Empowerment-based assessment: (1) Refugee assistance: 5 points, (2) Support for persons with disabilities: 4 points, (3) Sustainable cotton: 5 points

The assessment results and the contents of the interview suggest that there is a need for more effective efforts and examination of the direction of disclosure. At the same time, some values that cannot be measured by the original version of CHSI emerged from the case study.

The details of the interview and our comments are shown below.

ii. Interview

(1) Recent efforts on human rights and background for the rising Corporate Human Rights Benchmark (CHRB)⁴⁵ score

In the 1990s, child labor and forced labor in the supply chain of multinational corporations such as Nike and Gap were exposed, and these companies developed various programs for improvement. FR also developed a similar audit program to review their transactions. In 2015, after NGOs pointed out human rights issues at a factory in China, the company implemented improvement measures. In addition, as we studied the UN Guiding Principles on Business and Human Rights and the efforts of our competitors and NGOs, it became apparent that more comprehensive efforts were needed to tackle the human rights and labor issues in the supply chain, and we have increased our efforts, especially in the past several years. Since our CHRB score was very low in the beginning, we made basic efforts including the establishment of management and human rights committees, implementation of human rights DD, and promoting disclosure of information, which led to a gradual improvement of the CHRB score. However, we recognize that our efforts have room for improvement, compared to the global top players like Adidas. Going forward, FR plans to deepen our activities and address new issues such as the labor problems in the supply chain, empowerment of workers, living wage and responsible employment, through our business.

As for human rights violations in the factories, the factories should develop their own standards and guarantee the workers' work environment, since the factories have employment contracts with the workers. Nonetheless, as a multinational corporation producing goods in developing countries, we will conduct audits in a responsible manner. Since the factories do business not only with FR, but also with other brands, it is more efficient for the entire industry to work on the improvement of work situations. In other words, the factories are forced to spend time trying to meet company-specific standards, resulting in some confusion. Therefore, there is a movement toward industry-wide standardization of the auditing standards, which will enable the factories to concentrate their energy on the workers as much as possible. Since FR does business with top-level factories in each country, it is time for us to provide assistance to these factories and help them establish independent systems. It is better for both FR and the factories to help the factories establish independent systems than to cause confusion.

(2) Grievance

Grievance is positioned as a complement to auditing. There is no negative opinion among management on disclosure related to grievance. The understanding is that the company will fulfill accountability as a public company and an industry leader. Four cases have been publicized,⁴⁶ and none of the partner factories objected to the publication. In some cases, workers may consult directly with FR, but the ultimate goal is to have each factory voluntarily establish and operate a

⁴⁵ Corporate Human Rights Benchmark (CHRB) evaluates a corporation's human rights efforts using the indexes developed based on the UN Guiding Principles on Business and Human Rights. FR has been evaluated with CHRB since 2017. For the most recent evaluation results, see: Corporate Human Rights Benchmark, "Fast Retailing" <https://www.worldbenchmarkingalliance.org/publication/chrp/companies/fast-retailing-2/>

⁴⁶ Three cases as of March 13, 2021. The company website lists the cases in which contact was made through a hotline or other means. Fast Retailing, "Monitoring and Assessment of Partner Factories," <https://www.fastretailing.com/jp/sustainability/labor/partner.html>

hotline, and we are focusing on providing support for the establishment of such a system. There are unpublished cases, but FR's Sustainability Department examines the content of all consultations, reaches an agreement with the factory management on resolutions, and have the factory resolve the issue. FR makes sure that the case is closed, seeing every case through its resolution.

Regarding the empowerment of users of the grievance system, posters with phone numbers and e-mail addresses are displayed in prominent locations in the plant, such as the entrance to the cafeteria. In addition, FR requests the factories to hold regular briefings, once a year or when new workers are hired. As part of the factory audit, we interview the workers and hand them cards with contact information. Due to employee turnover, it is necessary to keep the workers informed on a continuous basis.

As for the assessment of the 2020 grievance mechanism, the assessment program itself is unique to FR, but we are looking into what kind of a system should be established based on the eight requirements⁴⁷ for a grievance system listed in the UNGPs. Of the eight requirements, a particularly difficult one is the requirement to reflect the voices and opinions of the workers, external groups and local communities in the development and improvement of the system. We are performing relatively well with regards to accessibility, processes and proper handling.

When the significance of grievance was communicated to the persons in charge of the factories, some were initially resistant to the implementation of the hotline. We explained that they would be able to consult with FR, if there is a problem with access to the factory hotline or resolution of issues. There was also concern about information leaks, but after we explained that grievance could be submitted anonymously and that private information would be handled properly, there has been no major objection during the two years of operation.

In terms of relationship with the workers, the hotlines accept a wide range of consultations. Some are quite personal, but compared to the early days when the hotlines had just been implemented, there are fewer personal issues today and more issues that are related to work environment and require serious discussion with the factory management. FR must strengthen the efforts not only on hotlines, but also on dialogue with workers in general. At some factories where ILO Better Work Programme⁴⁸ has been implemented, Better Work promotes the dialogue between management and workers. FR wishes to also acquire such knowhow to promote a dialogue between labor and management.

(3) Human rights DD

The company's policy is to establish a policy on human rights and hold an internal hearing based on the human rights policy. We will also visualize what the major issues are. With regard to the supply chain, we run a continuous audit program, share the challenges, and continue to make efforts for improvement, but there are areas in which efforts have not been sufficient. With the cooperation from the Production Department, we plan to make improvements in information disclosure and other areas. The company also strives to identify the trends and risks in the area of human rights, through communication with various stakeholder groups.

⁴⁷ Guiding Principle 31 shows the eight requirements for an effective non-judicial grievance mechanism. Hurights Osaka, "Guiding Principle 31," <https://www.hurights.or.jp/japan/aside/ruggie-framework/2012/02/31.html>

⁴⁸ A partnership program by the International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group. The program improves the work environment and enhances competitiveness of the global garment industry, in cooperation with employers, factory owners, labor unions, international brands, and government agencies. International Labour Organization, "About Better Work," https://www.ilo.org/tokyo/areas-of-work/WCMS_533943/lang--ja/index.htm

Four or five years ago, issues related to work hours, wages and occupational safety and health were pointed out. It is necessary to implement fundamental changes in cooperation with the factories, instead of just reacting to the symptoms. The garment industry is labor intensive. Work hours, wages and occupational safety and health are the issues in this industry. Human rights and labor issues must be resolved not only by addressing the symptoms, but also through measures that benefit the factories. The solution must be sustainable.

With regard to supply chain disclosure, we took into consideration the fact that FR has a variety of stakeholders. More consumers want to know where their clothes were made, and answering their questions leads to the consumers' peace of mind. NGOs and human rights groups want to know who is responsible for human rights issues. We believe that disclosing information to these groups fulfills our responsibility to them. In addition, instead of simply publishing the information, we continually make sure that there are no issues in the area of human rights and environment. The fact that FR is a supplier / business partner who takes responsibility for their supply chain could be a selling point for FR's business partners as well, in that they could appeal to their stakeholders that they are doing business with a good business partner (i.e., FR). Therefore, we believe that FR's disclosure on their supply chain is meaningful also for the business partners.

(4) Dialogue with stakeholders

As stated in the human rights policy, FR's important stakeholders are consumers, supply chain and FR employees. There is no priority among them. Lately, there have been many inquiries from investors regarding management that emphasizes sustainability. We believe that ESG-related evaluation does have a positive effect. Since investors do not share their own investment policies and results, we cannot know the specific results, but there are no negative responses. It is difficult to isolate the causes of a positive effect.

(5) Sustainable cotton

We have set a goal of 100% sustainable cotton by 2025.⁴⁹ Although not all brands in the Group have achieved this goal, we are very close to reaching 100% sustainable cotton. Because of issues related to cotton, such as child labor and soil contamination, we defined what sustainable cotton is, and are making efforts to prevent such issues from arising. If a human rights problem occurs locally, we conduct an audit and send our employees to the factory, in order to identify the risk and implement preventive measures against human rights violations, in accordance with our basic policy of never allowing forced labor. Products made by forced labor can never be sold to consumers in the first place. Since we are also a retailer, we must supply merchandise that our end customers can buy with confidence. We are extremely mindful in our efforts to achieve that goal.

We continue to refrain from using cotton from Uzbekistan, where risks for child labor and forced labor are high. The Uzbek government has said that they no longer use child labor and asked us to buy cotton from them, but we have not done so, because ILO and other international agencies have not issued declarations of safety. Our dialogue with Uzbek NGOs also suggests that the country has not made sufficient improvements. Therefore, we have stated to the Uzbek government that there is still room for improvement, and have asked for clarification on whether there is child labor or not.

(6) Sustainability

⁴⁹ Fast Retailing, "Responsible Raw Material Procurement," <https://www.fastretailing.com/jp/sustainability/products/procurement.html>

We define areas of sustainability as “people,” “planet” and “community,”⁵⁰ and contribute to the society while valuing the people and earth resources. We also value quality and service, which Japanese companies emphasize. FR has close affinity with Asia, which is also our sales and production base. We think it is important for FR to be actively involved in the human rights and social issues to have even more positive impact in the region. European and U.S. corporations are lobbying governments on environmental and other issues. We recognize the high risk for environmental and human rights issues in the Asian supply chain, and are prepared to take an initiative in addressing the issues in a region that is close to FR.

(7) Employment of refugees

Since early 2000, FR has collected and recycled fleece. Around 2005, it was proposed that not only fleece but also all merchandise be recycled in this manner. Since we do not provide coupons to consumers when collecting the merchandise, we decided that the clothes should be utilized as much as possible as clothes instead of recycling them into fuel. When we heard from the United Nations High Commissioner for Refugees (UNHCR) that refugees need clothing, we visited the refugee camps in Nepal and Thailand for the first time in 2007 to deliver clothes.

Globally, there are approximately 80 million refugees. Roughly one in 100 people on earth are said to be a refugee.⁵¹ Since refugees are forced to leave their countries, losing jobs and families, and become recipients of assistance, they could be considered economic liability for the global society. If, however, they look for and find work, they can produce economic value. FR recognized the power and value of clothing, but went further to provide employment and vocational training programs, so that each individual can build their own life. This will lead to creation of economic value and enhanced safety and security. We are continuing to make these efforts. A private corporation cannot prevent the emergence of refugees, but we can take measures against an existing situation, providing sustainable solutions (vocational and educational programs), which will bring positive results on a global basis. We expect that other companies will agree and join the efforts.

(8) Summary

From the perspective of continuity, we believe that it is preferable to address the issues through business. Therefore, FR does not engage in philanthropy or charity often. For example, if our business continues, employment will continue and expand. As long as we are in the clothing business, we can deliver clothes. Thus, engagement through business means sustainable engagement.

We believe that it is important to establish a flow, in which each individual becomes independent, with another person following in their steps. It is important to provide an opportunity to someone, then create a way for someone else to take over or find their own way. This may diverge from the perspective of human rights, but we are emphasizing the importance of sustainable solutions.

As for stakeholder engagement in business and human rights efforts, we recognize that various human rights groups have a wide range of knowhow, and FR considers them to be our partners in our human rights efforts. Instead of making these efforts alone, FR will receive expert knowledge and opinions from these partners, and collaborate with them to improve the work environment in the supply chain. “Stakeholder” implies presence of interest, but we see them as “partners.” There are a wide range of partners, including governments, educational institutions,

⁵⁰ UNIQLO, “Our Mission,” <https://www.uniqlo.com/jp/ja/contents/sustainability/mission/>

⁵¹ UNHCR Japan, “Refugee Situation by Numbers (2019),” https://www.unhcr.org/jp/global_trends_2019

and ordinary citizens, and we need to work together with them. We hope to provide opportunities for such cooperation.

iii. Assessment

(1) Base Assessment

FR achieved the goals for all base assessment endpoints, except: “6. Commitment to empowerment,” “7. Implementation of stakeholder engagement in policy development,” “9. Supervision by the board of directors,” “11. Performance incentives” and “23. Access to the state-based judicial or non-judicial mechanism.”

In particular, the fact that they disclose detailed information on specific cases regarding the use of grievance mechanism deserves to be highly evaluated, as well as the fact that they empower the users of the mechanism and collect feedback from stakeholders.

As for “6. Commitment to empowerment,” we could not find a clear empowerment policy on their website, but the contents of the interview suggest that the company is serious about ensuring awareness of empowerment.

On “9. Supervision by the board of directors,” the company discloses their human rights policies on their website. It seems that the company has in effect established a system for the board of directors to exercise judgment.

Some issues remain regarding “11. Performance incentive” and “23. Access to the state-based judicial or non-judicial mechanism,” but as a whole, FR is making appropriate efforts regarding the base assessment goals that are in line with the UNGPs and could serve as a model for other companies.

(2) Empowerment-based Assessment

The company’s efforts on refugee assistance, assistance (employment) for persons with disabilities, and sustainable cotton were evaluated.

FR has a proven track record on refugee assistance, which is a project they have been working on in collaboration with UNHCR and other stakeholders (“partners” according to Mr. Nitta). FR’s rate of employment of persons with disabilities was 4.71% in 2020, which far exceeded the legally mandated rate in Japan (2.3%). The company’s efforts in this area can be considered very progressive.

There is, however, no explicit description of clarification of rights, continuous communication with stakeholders, or consistency with corporate policies, which resulted in rather low scores. Although these endpoints are important, it is somewhat regrettable that the achievement of their projects was not reflected in the scores. In addition, issues such as hiring of refugees and persons with disabilities can be evaluated based on the context, even without express statement of the rights to be promoted. Therefore, it was frustrating to see that the company’s scores remained low, due to the lack of such express statements.

The sustainable cotton initiative is closely connected to the “E” and “S” in “ESG.” In the interview, it was impressive that the company was turning down requests from foreign governments to purchase their products, until issues of child labor were clearly resolved.

Although the above-mentioned three projects seemed to be worthy of a high evaluation both qualitatively and quantitatively, the actual scores were surprisingly low. We feel that the index could be adjusted to evaluate the actual achievements of a project and reflect them in higher scores.

II. Eisai Co., Ltd.

(Written by: Keita Tamari)

i. Introduction

In preparation for the development of CHSI, we conducted an interview on human rights efforts at Eisai Co., Ltd. (hereinafter referred to as “Eisai”) We would like to express our sincere gratitude to the people of the Sustainability Department for graciously responding to our request in spite of their busy schedule.

Based on the information disclosed by Eisai, their CHSI evaluation score was 18 points for base assessment. Empowerment-based assessment points were: (1) 8 points for donation of DEC tablets, (2) 7 points for pricing policy and (3) 6 points for promotion of diversity. These evaluation results, in light of the contents of the interview, suggest room for expansion to include more effective initiatives and the value of efforts that cannot be measured by the original CHSI.

ii. Interview

(1) Implementation of human rights DD

In 2019, we evaluated the human rights risks and our company’s response to such risks, with regard to our patients (including clinical trial participants), consumers, employees, business partners including suppliers, and local communities. As a result, we determined that there was a need to prioritize the enhancement of supply chain management related to sustainability, including human rights issues. Human rights issues related to supply chain for a pharmaceutical company include adverse effects on the health of local residents due to contaminated wastewater from factories and induction of multidrug-resistant organisms due to discharge of untreated antibiotics active ingredients. When evaluating a supplier, environmental initiatives are important endpoints, in addition to human rights issues such as forced labor, child labor, and labor and safety. We adopted the EcoVadis⁵² assessment system as a means to objectively identify the information related to human rights, including attention to human rights, labor and environment and their ethical aspects. In 2020, we started the sustainability assessment of our suppliers. Prior to the assessment, we held a business partner meeting to explain and seek understanding of Eisai’s policy on sustainability efforts including human rights; the supplier code of conduct prepared by Eisai entitled “Action Guidelines for Business Partners;” and the sustainability assessment program. The purpose of Eisai’s supply chain management program is to engage with suppliers and to raise the level of sustainability throughout the supply chain, based on the results of the assessment of sustainability, including human rights. If a business partner is deemed to have a risk, we interview them individually.

In 2020, we conducted the assessment of major corporations in Japan. The target of assessment was expanded in 2021 to include overseas suppliers, and will be further expanded to include the suppliers of overseas factories in the near future. In addition, we feel that an industry-wide effort is necessary to address the sustainability issues, including human rights in the supply chain. In 2021, we joined the Pharmaceutical Supply Chain Initiative (PSCI), a nonprofit organization which promotes sustainable procurement in the supply chain in the pharmaceutical industry. In 2020, we revised the “Action Guidelines for Business Partners;” the guidelines for our business partners, to conform to the PSCI Principles, which is an industry-wide code of

⁵² A joint platform for evaluating over 75,000 groups and corporations in 200 industries in 160 countries, based on information from several thousand external sources (including NGOs, labor unions, international agencies, municipalities and auditing agencies) and independent sustainability evaluation criteria. <https://ecovadis.com/ja/>

conduct for suppliers. We are in the process of establishing a system that conforms to the global standards of the industry.

(2) Establishment of a grievance mechanism

Throughout the Eisai network, including overseas facilities, there are complete internal reporting systems (consultation services) to handle issues that include discrimination, harassment and other human rights issues. In Japan, there are also external consultation services operated by independent attorneys and ombudspersons. For patients and consumers, consultation services already exist in the forms of hotlines and websites. On the other hand, establishment of active consultation and response systems for receiving reports on human rights issues in the supply chains and communities is lagging behind. Since some raw materials used in drug formulation are produced in developing countries, with the progress of globalization of contract manufacturing and procurement of active ingredients, there is a growing concern for adverse effects on the health of local residents due to contaminated wastewater from supplier factories in developing countries and induction of multidrug-resistant organisms due to discharge of untreated antibiotics active ingredients. We consider the establishment of a grievance mechanism to respond to the supply chains and their local communities to be an important agenda. It is, however, a great burden on an individual company to establish such a system. If grievance processing centers or problem resolution centers are established, joining them would be a good option, and we are considering the possibilities.

(3) Access to pharmaceuticals

Eisai's corporate philosophy is "human healthcare (hhc)." It puts the patients' emotions first and strives to contribute to their benefit. This philosophy was incorporated into the company's Articles of Incorporation in 2005, and is shared with our shareholders. It is also widely understood that Eisai's business objective is fulfillment of hhc. In fact, our employees take care to "spend 1% of their working hours with patients (socialization)." By spending one to two days a year with the patients, we are making company-wide efforts to understand the patients' true needs and reflect those needs in our business. The "Big Three" infectious diseases, including malaria and tuberculosis, and neglected tropical diseases (NTDs) account for a large portion (12%) of the global disease burden, but the new drugs developed for these diseases account for only 1.3% of all new drugs. There are various reasons behind this reality, including the fact that these diseases are prevalent in developing countries and even if new drugs are developed, worthwhile profits cannot be expected, and that the true situations with these diseases are not well known. From the number of people who are infected with NTDs or at risk of being infected, it is clear that unmet medical needs exist. We were urged by the philosophy of hhc to meet these unmet medical needs, and started an initiative to expand access to pharmaceuticals.

We focused on the effort to control lymphatic filariasis (LF), because there was an overwhelming dearth of drugs for LF, compared to other controllable NTDs. Although estimated number of infected people was 120 million and ten times as many were at risk at the time, there was no stable supply of drugs. Haruo Naito, President of Eisai, was the Chairman of the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) at the time. After a series of communication with the World Health Organization (WHO), Eisai was approached by WHO about providing drugs for LF. Eisai discussed what we should do as a pharmaceuticals company. One possibility was to provide economic assistance and provide drugs purchased from other companies. Eisai's strength, however, is manufacturing of high-quality drugs.

Therefore, we chose to manufacture and provide the drugs on our own, even though we had no knowledge of how to make drugs for LF. This decision in large part resulted from commitment by top management.

(4) Relationship between pharmaceutical access initiatives and corporate value

The initiatives for pharmaceutical access had an impact on the improvement of corporate value, through economic growth in the countries that received the drugs; increased value of the company's corporate brand; improved capacity utilization in the Vizag plant in India; and improved production technique and motivation of local staff. In India, where LF is particularly prevalent, the government is continuing its effort to control the disease. Employee motivation is very high at the factory in India, where LF drugs are manufactured and supplied to the world. When we join the Indian factory members to participate in a workshop with LF patients, we also see quite a few employees actively participating. The Eisai factory is located in a pharmaceutical industrial park, where many pharmaceutical companies compete and employee turnover rates are high, but the turnover rate at the Eisai factory is low. More than anything, the employees seem to understand the importance of this project and are working hard, because many people are enthusiastically participating in this project for their own sake.

(5) COVID-19 response

Our efforts to work on NTDs have led to networking with the Gates Foundation and more opportunities to work with the Foundation. Pharmaceuticals companies that were cooperating in the NTD efforts were encouraged to bring together their respective pharmaceutical products to find drugs that are effective against COVID-19 and to conduct research and development in preparation for future pandemics. We also participate in the COVID-19 Therapeutics Accelerator.⁵³ Since infectious diseases have more impact on a region with fragile infrastructure, there was a risk that impact of COVID-19 might delay the efforts, such as group administration, in regions where efforts had accumulated over time. Therefore, we decided to provide assistance of approximately 100 million yen to Africa, where the impact of NTDs is the largest.

iii. Comments

Throughout the interview, there was an impression that the philosophy of hhc was an undercurrent of every activity at Eisai. The reason for their policy to do the work in-house on pharmaceutical access, instead of leaving it to a partner (as other companies do), and the motivation for providing the medical representatives (MRs) with thorough compliance training for proper use of pharmaceuticals are all based on their philosophy of hhc. Eisai has incorporated this philosophy in their Articles of Incorporation with the approval of their shareholders, and makes sure that their employees are on board with this philosophy as well. It seems that this corporate philosophy, which puts their patients' emotions first and strives to contribute to the expansion of their benefit, is the source of their motivation to respect human rights. In the quantitative analysis of ESG, which is one of Eisai's characteristic activities, it was confirmed that robust non-financial capital leads to sustained growth of corporate value, enabling the entire company, including the shareholders, to pursue this philosophy.⁵⁴

⁵³ A project started to promote the dissemination of drugs for the novel coronavirus, with a fund established by the Bill & Melinda Gates Foundation, Wellcome Trust (a British healthcare public interest group), and Mastercard. Therapeutics Accelerator, "Advancing research into accessible coronavirus treatment," <https://www.therapeuticsaccelerator.org/>

⁵⁴ At a shareholders' meeting, the company explained that the donation of DEC tablets was considered a long-term investment

Thus, Eisai is aspiring for and achieving a model that prevents the pursuit of profits at the expense of human rights by thoroughly committing to their corporate philosophy, and as a result, the company maximizes the profits. Of course, the fact that Eisai is a pharmaceutical company is a large factor in their ability to adopt a corporate philosophy that leads directly to respect for human rights. There is, however, a lot that companies in other fields can learn from Eisai, in terms of adopting an attractive corporate philosophy, committing to this philosophy as a company as a whole with support from shareholders, and logically tying this philosophy to respect for human rights, to provide motivation for respecting human rights.

On the other hand, Eisai has not established a grievance mechanism, which resulted in the company being unable to score the four points in the CHSI evaluation. In the interview, the lack of this mechanism was explained by the existence of the company's internal reporting system and systems that pick up the patients' voices. The company seems to be able to implement the philosophy of hhc itself, by establishing contact points to receive inquiries from patients. However, since Eisai's supply chain is expanding globally, it is possible that human rights violation may occur beyond the reach of the headquarters, to the detriment of the corporate value. A grievance mechanism needs to be established to address these problems, and this is an area in which Eisai's human rights efforts clearly have room for improvement.

As for their relationship with business partners, including the supply chain, Eisai is implementing human rights DD⁵⁵, but other than that, their activities are limited to establishing human rights policies and "Action Guidelines for Business Partners" and "expecting" the business partners to adhere to them. As a possible improvement, the company could consider business suspension and other effective measures to take, in case of violations of these policies, in order to ensure a viable system.

In addition, the interview suggests that there is a strong emphasis on partnership in the company's efforts to respect human rights. Partnerships for the goals is also called for in SDG 17. Partnerships are emphasized from the perspective that individual countries, corporations or people have only limited capacity for resolving issues. In this interview, however, we sensed the value and importance of partnerships that go even further. That is, partnerships lead to capacity building in the partnership members and establishment of a relationship that induces further activities. Specifically, NTDs had long been an unknown field to Eisai, but when WHO asked Eisai about providing drugs for LF, the company began a form of social contribution that they probably could not have even thought about without this partnership. They acquired the knowhow and are engaged in a number of activities today. Furthermore, Eisai's work on NTDs lead to networking with the Gates Foundation, and they are now cooperating in a partnership to respond swiftly to COVID-19. To use the presence or absence of partnerships as a CHSI evaluation index may be simplistic, since some corporations participate in partnerships without making meaningful contributions and partnerships do not necessarily lead to capacity building and further activities. Nonetheless, we feel that partnerships could be taken into consideration as one of the evaluation criteria, as a possibility that emerged through the case study.

III. ANA HOLDINGS INC.

(Written by: Touko Kitaoka)

i. Introduction

project. This was met with warm applause from the shareholders, even though this project will lose money in the short-term.

⁵⁵ See 4.3.2.(1) of this report for implementation status of human rights due diligence.

In preparation for the development of CHSI, we conducted an interview at ANA HOLDINGS INC. (hereinafter referred to as “ANA”) We would like to express our sincere gratitude for graciously responding to our request in spite of their busy schedule.

The interview revealed the details of the company’s various activities that were not found in the disclosed information and made clear what was at the core of ANA’s elevated awareness for human rights. In the evaluation, we used as reference the Human Rights Report that ANA has been publishing since 2018.⁵⁶ The results were: 22/26 points for base assessment, and for empowerment-based assessment, 7/10 points for prevention of human trafficking, 8/10 points for enhanced management of in-flight meal and other supply chains, and 9/10 for prevention of bribery. ANA’s score was generally high, and their disclosure was objective and easy to understand, with considerations to the eyes of outside observers.

ii. Interview

Of the efforts cited by ANA as “particularly important human rights issues,”⁵⁷ we focused on “prevention of human trafficking by air” and “prevention of bribery,” and conducted an interview on “heightening the awareness of respect for human rights.”

(1) Prevention of human trafficking

ANA conducts awareness-raising activities regarding human trafficking prevention by sending e-mails to all employees (approximately 40,000 total) explaining that human trafficking is a challenge, and making attendance in e-learning courses mandatory for all employees. The attendance rate for the courses is linked to the performance goals of group companies and also to bonuses. In addition, cabin attendants (CAs), who are in a better position to spot and prevent human trafficking at the scene, receive face-to-face training. We plan to raise the awareness among airport personnel through continuing education and training.⁵⁸ We have the media report these approaches and activities to achieve deterrent effects.

In the area of cooperation with external organizations and agencies, including government agencies, ministries and other companies, we attended liaison meetings on human trafficking countermeasures, where the National Police Agency (NPA), Ministry of Justice (MOJ), NPOs and other organizations shared their knowhow on human trafficking prevention. We also invited a representative from NPA to speak at the on-line seminar on human trafficking prevention, which ANA and Narita International Airport Corporation cosponsored in 2020. In April of 2019, ANA started an operation with MOJ, in which we report suspicious cases to the Immigration Services Agency and have been receiving advice from MOJ. In addition, we held numerous discussions on this reporting system, including the best reporting methods. We also share information with Japan Airlines (JAL).

We share the operation of ANA’s reporting system with international agencies such as the International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO). We also receive advice from International Organization for Migration (IOM) and other UN agencies and NGOs/NPOs such as Not For Sale Japan and Caux Round Table (CRT) Japan.

⁵⁶ ANA, “Human Rights Report 2020,” https://www.ana.co.jp/group/csr/effort/pdf/Human_Rights_Report_2020.pdf. ANA was the first Japanese corporation to publish a human rights report. The 2020 edition has been published, with an increase in volume over the previous year (27 pages in the 2019 edition, 39 pages in the 2020 edition).

⁵⁷ ANA, “Human Rights Report 2020,” 16.

⁵⁸ On December 10, 2020, ANA held an online seminar on prevention of human trafficking, cosponsored with Narita International Airport Corporation (NAA). ANA, “Human Trafficking Prevention Online Seminar,” https://www.ana.co.jp/group/csr/human_rights/workshop/

ANA alone cannot prevent human trafficking. We operate with the cooperation of various organizations.

As for advertising human rights prevention to consumers, we feel that it is difficult for the general population of Japan to relate to “human trafficking” on a personal level. This may change in the future, but for now, we would like to prioritize raising awareness in the airport personnel.

(2) Prevention of bribery

With regard to the human rights risks caused by bribery and the relationship between corruption and human rights, we recognize that corruption and human rights are obviously connected. Although it is never good to have a biased view, countries that seek bribery tend to infringe on the human rights of their citizens, including restricting their freedom. If ANA accommodates the request for a bribe and ANA’s funds are used for human rights violation, ANA becomes complicit in the human rights violation. When we first issued the Human Rights Report in 2018, there were questions within the company regarding the relationship between corruption and human rights, but there have been no questions on that matter since then. We believe that understanding of the link between corruption and human rights has been increasing steadily.

(3) Spreading awareness of respect for human rights.

In integrating the awareness of respect for human rights into management, we aimed to establish a human rights policy and publish a human rights report, but initially, there were some objections within the company. After we explained to the management why these measures were necessary for external reasons, they approved these measures and we were able to establish a human rights policy. The publication of the human rights report also met some challenges initially. More than one directors questioned why ANA had to be the first corporation in Asia to issue a human rights report, and pointed out the risk of publishing a report while we still had remaining challenges in our efforts and when most companies were not publishing such a report. We subsequently received advice from institutional investors and human rights experts, shared the advice with our directors, and were ultimately able to publish the human rights report. The advice from investors and experts included the following: “Japanese companies are reluctant to disclose information. Not disclosing the information because their efforts are incomplete has the opposite effect. No disclosure means no efforts.” “Japanese companies often say that they are unable to confirm the problem, but there is always a problem somewhere. What is important is whether the company recognizes the problem and manages it with a plan to reduce the risk.” “If there is a problem that has been difficult to manage, that situation should be disclosed.” “Risk management means to issue progress reports internally and make continuous efforts.”

We don’t pretend to be an industry leader in respecting human rights. We have quietly taken measures according to the UN Guiding Principles on Business and Human Rights. Some outside sources have told us that ANA is highly motivated to make human rights efforts. If we were to give a reason for that, it is the support from the management. Our top management recognizes human rights as an issue, speaks out at meetings about the necessity to respond to the issue, and encourages us to take action.

In terms of going beyond “eliminating adverse impacts on human rights” and achieving stakeholder empowerment or “positive impacts,” individual airports and business divisions, rather than the Sustainability Department, are thinking independently to come up with ideas. For example, remote aviation classes for children to foster a new generation and local volunteer activities are planned and implemented locally, and we hear about them after the fact. This is not limited to

human rights efforts. In the ANA Group, each organization thinks for themselves and does what they can do. We believe that the ANA Group's strength lies in the corporate culture that enables individual employees to think about the activities that have positive impacts and put them into action.

The aviation industry suffered great damage from COVID-19. We believe, however, that the importance of ESG management is even greater now. Our industry as a whole, including ANA, is also receiving assistance in the forms of reduction or waiver of landing fees and loans from banks. Our internal survey shows that both management and employees are concerned about whether ANA will still be needed after surviving the COVID crisis. Employees are talking about first surviving, and then thinking about what we could do to be needed by the society. Management recognizes that it is difficult to spend money, but they also think that there are low-cost measures available. There may be some environmental measures that can be taken while reducing costs. Under these circumstances, we believe that sustainability issues, including human rights, will become even more important.

iii. Assessment

(1) Base Assessment

ANA received higher evaluations compared to other companies. In the future, the company is expected to clearly state that they would not block access to any remedies; to report the results of the grievance process; and to disclose in the human rights report and other reports their efforts on rightsholder empowerment.

(2) Empowerment-based Assessment

Of the "particularly important human rights issues" listed by ANA, we evaluated "prevention of human trafficking by air," "strengthening management of supply chain for in-flight meals" and "prevention of bribery."

Prevention of human trafficking

It is necessary to specify the human rights which the human trafficking prevention efforts are trying to ensure (2). It is difficult to list all related human rights, but by listing the key human rights, the goals of the efforts can be clearly shown to outside observers. With regard to prevention of human trafficking, the primary right is protection of the victim's physical freedom, and the secondary rights include the rights that could be violated through forced labor and sexual exploitation (e.g., the right to work in an appropriate environment under appropriate treatment, protection from violence, and sexual freedom).

Explicit documentation of causality is also needed (4). It is possible that causality might be implicated between prevention of human trafficking and increased corporate value, just as there is causality between confidence in the safety of service and increased value. If that is the case, it is desirable to clearly state the causality.

During the interview, we were able to get a glimpse of the sense of responsibility that ANA employees have, being the ones who spend a long time with the perpetrator and the victim of human trafficking in a closed space, and therefore are in a position to thwart the transaction most effectively. The attendance rate for the e-learning course provided to all employees reached 93%. In addition, CAs receive individual face-to-face training. We feel that the company is taking measures that go beyond the information disclosed on their website. It is desirable that these efforts be also included in the human rights report.

Awareness-raising activities aimed at consumers and the general public are not easy, but the use of media is expected to have a deterrent effect, and we believe that it is important to pay close attention going forward, to the society as a whole, including the consumers. It is true that in today's Japan, the general public may have little opportunity to be aware of human trafficking. It is, however, all the more important to create an opportunity for that awareness inside an aircraft during international and domestic flights. That may be the first step towards achieving the most powerful deterrent effect. Some American and other foreign airlines place brochures on the airplanes and ads in the airports.⁵⁹

Management of supply chain for in-flight meals

Unlike the other two efforts evaluated in the empowerment-based assessment, the management of supply chain for in-flight meals is disclosed in a generally concise and easy-to-understand manner, with specific reference to human rights. The company deserves high scores for this effort. Since there is no mention of disclosure of how stakeholder/rightsholder feedback is reflected (10), there is a need to document how they improve their activities based on the feedback (9).

Prevention of bribery

Examination and write-up of clarification of human rights (2), relevance to corporate value (4) and consistency with corporate policy (5) are needed.

Regarding the three activities, it is difficult to identify the causal link to respect for human rights and the impact of the activities, but the company should be commended for actively disclosing them as human rights issues in their human rights report.

On the other hand, precisely because bribery usually does not appear to be a human rights issue, we believe that more creativity is needed with regards to disclosure of information on bribery. An in-depth explanation is required for the consumers and general public to understand how ANA's efforts to prevent bribery bring positive impact on whose and what type of human rights, through what kind of causality.

If the company is disclosing the contents of the interview regarding the relevance to human rights (2) on their website, it is necessary to review and analyze the contents in order to express them accurately in writing.

Relevance to corporate value (4) also needs to be presented in writing. The company should publicly appeal that they are a corporation with high awareness, which respects the human rights not only of the people in their own organizations and business partners, but also in the countries where they do business, and that they raise the sustainability of their business by not being complicit in other countries' human rights violations.

In addition, the topic of prevention of bribery accounts for a small part (one page) of their human rights report. Of the three initiatives, prevention of bribery seems to be in most need of more specific and sophisticated documentation in the future.

Finally, for all three initiatives based on the empowerment-based assessment index, cooperation with departments in charge should be clearly documented (e-2).

Comments: Awareness of respect for human rights at ANA

It was apparent that the awareness both at the top management level and on the ground and the corporate culture that enables such awareness were the source of ANA's high awareness of respect

⁵⁹ DELTA, "Delta Reports Operating Performance for January 2019"
<https://news.delta.com/terutahangkong2019nian1yuenoshusongshijiwofabiao>

for human rights. Nonetheless, changing the direction toward such awareness was not necessarily easy for them.

It takes energy for a corporation to steer themselves towards becoming an entity with awareness of human rights. Sometimes, there is opposition from within the company. Ideally, a corporation should be able to make decisions voluntarily, but advice from institutional investors, NPOs and other external sources could be an effective boost, as confirmed by this interview. We believe that listening to the opinions of a wide range of external sources and accepting and responding to them when appropriate is an important characteristic of a corporation, with regard to any issues, not just human rights. We feel that such an approach will also lead to robust dialogues with stakeholders.

The efforts that began partly because of external pressure have now become initiatives that the company actively promotes. What was behind this shift, in which the new efforts that had even elicited objections in the beginning became deep-rooted initiatives? When we selected ANA as a subject of the case study for this project, we anticipated to find that the company has been progressive in the area of respect for human rights, because the aviation industry as a whole was forced into global market competition and they were thrust into an environment in which they need to meet not only domestic but also global standards. This interview, however, revealed that ANA's company characteristics, in addition to the external environment, have been the driving force for this shift.

To management at ANA, respect for human rights is not a mere slogan but a key issue, and they aim to achieve not only domestic but also global standards in this area. At the same time, employees on the ground are allowed to make flexible decisions that lead to stakeholder empowerment, and this is reflected in their customer service ethos. We believe that this company-wide awareness of human rights is the reason ANA is the leader in this area among the Japanese corporations and also has a presence in global industry groups, where ANA's efforts are shared as good practice.

Not many companies approach and implement respect for human rights as a strategy to survive in the market and increase corporate value, instead of from a viewpoint of cost. We hope that the Index and the case studies in this project will be helpful in increasing the number of corporations that take such an approach.

IV. FP Corporation

(Written by: Haruki, Matsui, Shohgen Yoshikawa, Akiko Sugimoto)

i. Introduction

FP Corporation is a food tray and container manufacturer, making various environmental, social and governance efforts. In the interview for this project, we focused on the employment of persons with disabilities.

FP currently employs approximately 360 persons with disabilities. They were ranked first in actual employment rate four years in a row, from 2013 to 2016.⁶⁰ In 2019, they were ranked second, with actual employment rate of approximately 13%, which far exceeded the mandatory employment rate. Approximately 90% of their employees with disabilities have intellectual disabilities, and about 70% are certified to have profound disabilities. At FP, the employees with disabilities work as regular employees in their core business. This has been FP's policy for 35 years, since the company started hiring persons with disabilities in 1986. Morimasa Sato, President

⁶⁰ FP Corporation website, "We Were Ranked No. 1 in Toyo Keizai's 'Ranking of Employment Rate of Disabled Persons' for the Fourth Consecutive Year," <https://www.fpco.jp/blog/2017/09/26/180>

of FP, says, “We hire persons with disabilities not to contribute to the society, but as a business. That’s why we can continue to do so.” Employees with disabilities are also in core positions at the food tray manufacturing business, as indispensable workforce for the corporation, and therefore, employed as regular employees.

We believe that these activities by FP are an embodiment of the empowerment that is promoted in this project, and felt that it would be valuable to know the philosophy, ideas and corporate culture behind the inclusion. Therefore, we conducted an interview, in which FP’s approach towards societal issues was the main topic, rather than their specific activities.

ii. Interview

(1) Not categorizing persons with disabilities

One of the questions we asked was, “What kind of characteristic of a disabled person becomes a strength for your company?” The answer was that the question was difficult to answer, because each disabled person has individual characteristics. As for efforts to promote low turnover rate and workplace safety for the persons with disabilities, the answers included raising the employees’ self-esteem and installing sensors to prevent burns, which would be no different from efforts for able-bodied employees.

We prepared questions about persons with disabilities for this interview, but based on the answers so far, we were reminded that our questions in themselves contained some form of categorization. FP Corporation does not categorize people into “able-bodied persons” and “persons with disabilities.” They treat each person as a human being. We feel that they taught us the true meaning of inclusion.

Not categorizing persons with disabilities means that there is no need to be sympathetic towards hiring of persons with disabilities or the products made by them. This is related to their philosophy that hiring of persons with disabilities is not a charity, and forms the foundation of the endurance of this hiring practice as a business.

(2) Reasonable considerations by the company

Nonetheless, it is of course essential that the company make reasonable considerations in the workplace for persons with disabilities. FP also states that it is important to coordinate with families and support agencies when hiring persons with disabilities, and strives to create a comfortable work environment for everyone. As an example of such consideration, if 20 pieces of products need to be made, they mark the area for the finished products, showing that “you have made 20 pieces, if you have them lined up from here to here,” so that the workers can wrap an accurate number of pieces, even if they don’t have the concept of numbers.

Generally, hiring of persons with disabilities occurs in places such as a special subsidiary, but FP takes inclusion to the next step, hiring persons with disabilities in general factories.⁶¹ True inclusion requires such consistent efforts and active implementation of policy. It is clear that these efforts form the basis of the advanced state of inclusion at today’s FP.

(3) Involvement of external stakeholders

Employment of persons with disabilities at FP is not limited to activities within the company. They communicate the knowhow of such employment to their business partners, which has resulted in employment of as many as 751 persons with disabilities at 50 business establishments. Many companies feel that there still is a high hurdle for employment of persons with disabilities,

⁶¹ As of March 1, 2021, mandatory employment rate is 2.3%.

because of issues such as task assignment; knowhow about coordination with government and families; and safety and competence. Therefore, in order to expand employment of persons with disabilities, it has become increasingly important for companies like FP, which consistently employ persons with disabilities as part of their business, to encourage other companies and pass on their knowhow.

In addition, FP has stated that they will not support companies which are not willing to utilize persons with disabilities as regular employees or in similar positions and as part of the core workforce. They are not just trying to raise the employment rate. They look out for the future of the employees with disabilities at the companies which they support, and treat them as individual human beings as well. We see in this statement a sense of responsibility and pride of a company that has achieved a high level of inclusion.

iii. Assessment

During the interview, we mostly asked about FP's approach to social initiatives, but we researched their specific systems by viewing their website in advance and asking additional questions after the interview. We also made an assessment using CHSI. In the empowerment-based assessment, we only used employment of disabled persons as an EBI to be evaluated, since the company focuses on employment of disabled persons in particular.

(1) Base Assessment

The challenge for the company is that some goals that involve significant costs have not been achieved.

For example, we could not verify performance incentives that link compensation to the results of human rights efforts; establishment of a system for feedback on the efforts; and establishment of a grievance mechanism. These items are in accordance with international standards. Not everything should be blindly accepted and implemented, but we feel that there is room for further examination for these items.

As for the evaluation scores, the company has published their basic guidelines on human rights and CSR procurement guidelines, which suggests the company's motivation to develop corporate policies that value human rights. They have also made public the departments responsible for the societal initiatives, including hiring of persons with disabilities. The company responded that they had documented the basic guidelines on human rights, which had already been put into practice, suggesting that these guidelines were not a mere formality. Throughout the interview, we also got a sense that every single person was valued and treated as a human being at this company, and that they had achieved a level of inclusion that exceeded what we had assumed in the base assessment.

(2) Empowerment-based Assessment

Issues that remain with regard to hiring of disabled persons include: clarification of the kinds of rights to be promoted; setting and announcing specific and clear goals for the efforts; and clearly describing a system for receiving feedback for the efforts and making improvements. They have not achieved the requirements for these endpoints, and there is room for improvement.

With regard to the evaluation scores, the company showed clear logic regarding relevance to corporate value and connection to increased capital. Throughout their website, it is mentioned that persons with disabilities are their "indispensable workforce." The company believes that hiring of persons with disabilities and creating a positive work environment for them mean securing essential personnel and strengthening the workforce, which lead to expansion of business and

increased corporate value and capital. Many companies engage in efforts that are relevant to corporate value, but few companies are able to clearly show the logic that connects the efforts to increase in capital. In this sense, we believe that FP Corporation's initiatives are very progressive.