

Evidence from Japanese companies assessment on Human Rights Due Diligence

Introduction

The Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights (UNGPs) in 2011. More than 10 years later, this global standard for how business should respect human rights has driven some positive change. While a group of leading companies is demonstrating good practice, a large group has still not implemented the ‘smart mix’ of measures needed to ensure respect for human rights throughout their operations and value chains. A transparent and standardised approach to identifying, addressing and reporting on companies’ human rights impacts helps investors, communities, workers and company management make informed decisions.

Many of the G7 countries have announced mandatory reporting and/or due diligence requirements to detect and prevent human rights risks and harm in corporate supply chains. The European Commission **has recently adopted** a proposal for a Directive on corporate sustainability due diligence.

The Japanese government recently **announced** it will draft guidelines for human rights due diligence (HRDD) to track and prevent human rights violations in company supply chains. Japan will be on track to become the first Asian country with HRDD legislation.

Through this policy note, the World Benchmarking Alliance (WBA) and Business & Human Rights Resource Centre (Resource Centre) aim to provide recommendations for the proposed guidelines based on evidence from Japanese companies’ performance on key human rights indicators.

Evidence from WBA’s human rights assessment of Japanese companies

WBA **assessed** 1,000 of the world’s most influential companies on their contribution to the social transformation of our global system. These companies were assessed on 18 core social indicators distributed across three categories: respect human rights, act ethically and provide and promote decent work. Of the 1,000 companies assessed, 67 companies are headquartered in Japan¹. The table below gives an overview of their performance on eight human rights indicators:

	Core Social human rights indicators	Not met	Partially met	Fully met
1	Commitment to human rights	21%		79%
2	Commitment to the human rights of workers	45%	15%	40%
3	Identifying human rights impacts	66%	7%	27%
4	Assessing human rights impacts	78%		22%

¹ Further details about the scores of these 67 companies can be found in our publicly available data set: [2022 Social Transformation Baseline Assessment data set | World Benchmarking Alliance](#)

5	Integrating and acting on human rights impacts	85%		15%
6	Engaging with stakeholders	85%	12%	3%
7	Grievance mechanisms for workers	54%		46%
8	Grievance mechanisms for third parties	82%		18%

Japanese companies are committed to human rights, but have room to improve due diligence

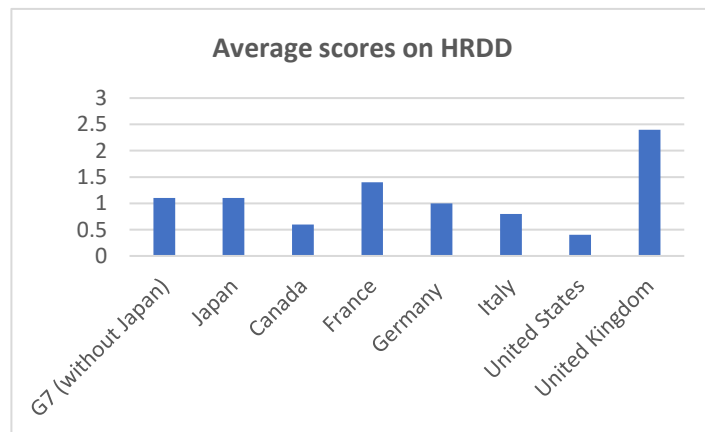
The vast majority of Japanese companies assessed (79%) disclose a commitment to human rights, with a further 40% committing to respect ILO labour rights as well. However, our research shows a clear gap between commitments and tangible actions like HRDD and stakeholder engagement. Nearly two-thirds (64%) of Japanese companies assessed scored zero across all three HRDD indicators (indicators 3, 4 and 5).

There is also scope for Japanese companies to strengthen efforts on stakeholder engagement, with 85% of companies scoring zero on this indicator. Effective HRDD often relies on a company’s ability to engage with all its stakeholders, especially those who are vulnerable and underrepresented.

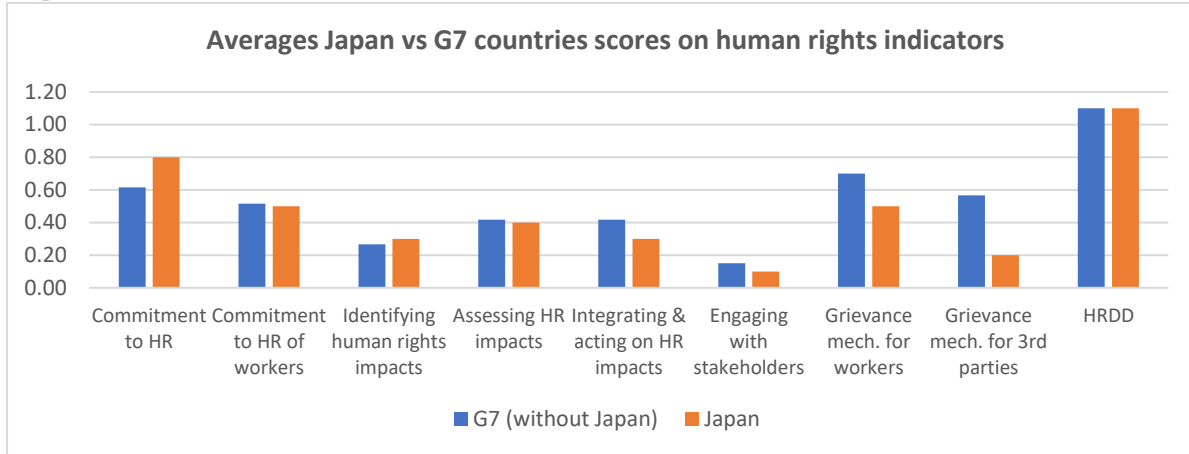
Nine (13%) Japanese companies scored full points on HRDD indicators: Asahi Group, Fast Retailing, Fuji Oil Group, Impex, KDDI, Kirin Holdings, Mitsui, NEC and Rakuten. These nine companies, operating across multiple sectors, demonstrate proof-of-concept for HRDD legislation in Japan. The legislation can draw upon the experiences of these companies and find opportunities to facilitate replication.

Japanese companies’ performance on human rights similar to G7 average

The average score of companies headquartered in Japan was similar to that of companies headquartered in G7 countries (excluding Japan). However, companies with headquarters in France and the United Kingdom scored significantly higher than that of Japanese companies.



Japanese companies have a lot of ground to cover on almost all human rights indicators. There is an opportunity for Japan to demonstrate its leadership in finding policy solutions to improve company performance on human rights.



Evidence from KnowTheChain on company efforts to address forced labour

KnowTheChain benchmarked 129 companies across three sectors² in 2020 and 2021 on their efforts to address one of the most egregious of human rights abuse: forced labour in global supply chains. The KnowTheChain methodology is broadly based on the UNGPs, covering commitment, due diligence and remedy.³

On average, 15 Japanese companies assessed by KnowTheChain scored 17/100 on due diligence, with scores ranging from 1/100 to 48/100. The wide range of scores clearly indicates a need to level the playing field for companies in Japan.

KnowTheChain indicators	Not met	Partially met	Fully met
Discloses a human rights risk assessment on supply chains	67%	33%	13%
Forced labour risks identified across supply chain tiers	73%	27%	0%
Engages with stakeholders on forced labour	80%	13%	7%
Engages with local or global unions on supply chains	93%		7%
Discloses grievance mechanism for suppliers’ workers and legitimate representatives	33%	33%	33%
Discloses data evidencing the use of grievance mechanisms	86%	7%	7%

Effective stakeholder engagement a concern

Four-fifths (80%) of Japanese companies assessed did not disclose an example of engaging with stakeholders on the topic of forced labour. This is concerning, as engagement with stakeholders is key to an effective due diligence approach. Encouragingly, however, some companies demonstrate what is possible. Fast Retailing, for example, states it has worked with the International Organisation for

² Information and communications technology (ICT), food and beverage, and apparel and footwear.

³ For more information, see: [Benchmark Methodology](#)

Migration to map and screen “local NGOs which can support foreign migrant workers” while employed at factories or when they return to their home countries.

Gaps in human rights due diligence

Two-thirds (67%) of companies did not disclose carrying out a human rights risk assessment on their supply chains, indicating significant gaps in this baseline step for identifying and assessing risks to workers. Companies must evaluate potential risks to workers in their supply chains, taking into account the views of stakeholders, labour rights experts and workers themselves, if they are to implement effective due diligence approaches. Moreover, engaging with unions and worker representatives to strengthen freedom of association for supply chain workers is critical to addressing forced labour risks, as workers’ right to organise directly impacts their ability to challenge abuse and bargain for better conditions. But the vast majority of companies (93%) did not disclose evidence of engaging with local or global trade unions to support freedom of association in their supply chains.

KnowTheChain also identified gaps in other crucial components of due diligence processes. A third (33%) of Japanese companies have yet to disclose a grievance mechanism for suppliers’ workers or their legitimate representatives. This is worrying as mechanisms play a critical role in the identification of risk and workers’ access to remedy. Additionally, companies fail to disclose evidence of the effectiveness of these grievance mechanisms. While 66% of companies disclosed some form of grievance mechanism for suppliers’ workers, only 14% disclosed data demonstrating the mechanism had been used.

Conclusion

Japanese efforts to develop HRDD guidelines are a welcome step towards a level playing field for all companies in Japan. Research from WBA and the Resource Centre demonstrates that while some companies are demonstrating leadership on HRDD, most are lagging far behind. There are significant gaps in HRDD processes in general, and stakeholder engagement in particular.

Legislation can help create a floor on human rights implementation for Japanese companies. We see a great opportunity for Japan to demonstrate its leadership in identifying policy solutions to strengthen company performance on human rights. By proposing effective stakeholder engagement mechanisms the HRDD guidelines can strengthen transparency of human rights implementation and enable inclusion of all stakeholders in due diligence processes. Learning from successful company experiences of implementing HRDD in varying sectors can help provide pathways for scaling up effective mechanisms.



About WBA

World Benchmarking Alliance is an international non-profit organisation that publishes free and publicly available benchmarks on how the world's most influential companies contribute to tackling the biggest sustainability challenges of our time, in line with the Sustainable Development Goals. WBA have recently published [Social Baseline Assessment](#) of 1,000 companies (published January 2022) and five years of our [Corporate Human Rights Benchmarks](#).

About BHRRRC

Business & Human Rights Resource Centre is an international NGO which tracks the human rights impacts of over 10,000 companies in over 180 countries, making information available on our 10-language website.

[KnowTheChain](#) benchmarks current corporate practices, develops insights and provides practical resources to inform investor decisions and enable companies to operate more transparently and responsibly.