

Basic Action for "Engagement" and "Remedy" Guidelines for Promotion of Responsible Business Conduct and Supply Chains

This Basic Action lists ten actions that Japanese companies can implement with the goal of ensuring access to remedies through dialogue on issues and complaints related with responsible business conduct raised by stakeholders while complying with the Guiding Principles on Business and Human Rights (hereinafter referred to as the "Guiding Principles") and implementing due diligence for RBC in line with the OECD MNE Guidelines and its Due Diligence Guidance and the ILO MNE Declaration.

In accordance with Principle 31 of the Guiding Principles, this Basic Action is based on eight effectiveness criteria for grievance mechanisms: (i) Legitimacy; (ii) Accessibility; (iii) Predictability; (iv) Equitability; (v) Transparency; (vi) Compatibility with internationally recognized human rights; (vii) Continuous Learning; and (viii) Engagement and Dialogue.

Actions based on this Basic Action will promote responsible business and supply chains to the extent that Japanese companies can exercise their influence, as well as initiatives in accordance with the SDGs (Sustainable Development Goals), ESG (Environmental, Social and Governance) Investments, and the Corporate Governance Code.

It is desirable that Japanese companies first introduce and expand their grievance mechanisms based on this Basic Action, and then improve such mechanisms upon periodic review and reference to the "Engagement" and "Remedy" Guidelines for Promotion of Responsible Business Conduct and Supply Chains (hereinafter referred to as the "Engagement and Remedy Guidelines") and the "Guidelines on Development of Collective Grievance Mechanisms (Grievance Centers) (hereinafter referred to as the "Guidelines on Development of Grievance Centers").

1. *Accept* complaints related with responsible business conduct including international human rights and supply chains.

2. *Designate* persons and departments responsible for handling complaints and stakeholder engagement within the company.

3. *Establish* a contact point for receiving complaints and stakeholder engagement and *disclose* it to the public.

4. *Establish* grievance mechanism procedures and *disclose* them to the public.

5. *Prevent* conflicts of interest in grievance mechanism procedures.

6. *Prevent* disadvantageous treatment such as retaliatory actions against complainants.

7. *Disclose* the status of complaint handling and stakeholder engagement to the extent possible.

8. *Engage* in dialogue with stakeholders and *utilize* independent experts in handling complaints and resolving issues.

9. *Review* and *improve* the grievance mechanism on a regular basis while referring to the Guidelines.

10. *Share* the status of complaint handling and dialogue within the company, including management.

※ *Utilize* collective grievance mechanism and dialogue procedures (e.g., Grievance Centers) when appropriate.

Commentary on the Basic Action for “Engagement” and “Remedy” Guidelines

1. *Accept complaints related to responsible business conduct including international human rights and supply chains.*

• Many Japanese companies have already clarified their policies to respect the human rights of stakeholders, and have established internal reporting systems and complaint handling systems in order to respond to complaints from legal compliance and quality control perspectives. Nonetheless, there are not many Japanese companies that have taken on complaints pursuant to Guiding Principles 29-31 related to new "Business and Human Rights" issues related to human rights, including the protection of gender equality and minorities, and issues related to the supply chain (including a wide range of value chains and investment chains).

• Companies that support this Basic Action should pay attention to issues related to responsible business conduct including international human rights and the supply chain and accept complaints pursuant to Guiding Principles 29-31 from the perspective of compliance with Guiding Principle 31 (vi): Compatibility.

[Reference: Chapter 1 of the Engagement and Remedy Guidelines]

2. *Designate persons and departments responsible for handling complaints and stakeholder engagement within the company.*

• To clarify the locus of responsibility for handling complaints and ensuring legitimacy of Guiding Principle 31(i), the company should designate a Complaint Handling Manager and a department responsible for handling complaints and dialogue within the company.

[Reference: Chapter 2, Section 1, Article 1-2 of the Engagement and Remedy Guidelines]

3. *Establish a contact point for receiving complaints and stakeholder engagement and disclose it to the public.*

• In order to ensure the accessibility of the grievance mechanism described under Guiding Principle 31, a contact point for receiving complaints and dialogue should be established and disclosed externally.

[Reference: Article 10, Section 3, Chapter 2 of the Engagement and Remedy Guidelines]

4. *Establish grievance mechanism procedures and disclose them to the public.*

• To ensure the predictability of the complaint process in Guiding Principle 31(iii), grievance mechanism procedures should be established and disclosed externally.

[Reference: Section 3, Chapter 2, Article 10 of the Engagement and Remedy Guidelines]

5. *Prevent conflicts of interest in grievance mechanism procedures and ensure equitability.*

• The company should prevent conflicts of interest and ensure equitability in grievance mechanism procedures so as to ensure equitability in grievance mechanism procedures under Guiding Principle

31(iv).

- This is also required by the Consumer Affairs Agency's "Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act".

[Reference: Chapter 2, Section 1, Article 5 of Engagement and Remedy Guidelines]

6. Prevent disadvantageous treatment such as retaliatory actions against complainants.

- The company should prevent adverse treatment such as retaliation for complaints so as not to impede accessibility under Guiding Principle 31(ii).

- This is in line with the purposes of the Whistleblower Protection Act. The Consumer Affairs Agency's "Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of an Internal Reporting Systems Based on the Whistleblower Protection Act" provide that "it is desirable to take necessary measures to prevent whistleblowers from being dismissed or treated disadvantageously when they receive reports from the relevant affiliated companies or business partners."

[Reference: Chapter 2, Section 3, Article 13 of Engagement and Remedy Guidelines]

7. Disclose the status of complaint handling and stakeholder engagement to the extent possible.

- The status of complaint handling and dialogue shall be recorded and disclosed to the extent possible to ensure transparency, in accordance with Guiding Principle 31(v): Transparency.

[Reference: Chapter 2, Section 5, Article 26 of Engagement and Remedy Guidelines]

8. Engage in dialogue with stakeholders and utilize independent experts in handling complaints and resolving issues.

- Dialogue with stakeholders is important from the viewpoint of Guiding Principle 31(viii): Engagement and Dialogue. The use of independent experts is also important to ensure (i) Legitimacy and (iv) Equitability under Guiding Principle 31 regarding the grievance mechanism process. Therefore, companies that support this Basic Action should engage in dialogue with stakeholders and utilize independent experts in handling complaints and resolving issues.

[Reference: Chapter 2, Section 1, Articles 3, 4 and 6 of Engagement and Remedy Guidelines]

9. Review and improve the grievance mechanism on a regular basis while referring to the Guidelines.

- In order to make the complaint process under Guiding Principle 31 a source of continuous learning, the company should periodically review and improve its grievance mechanism based on the results of stakeholder dialogue (stakeholder engagement) and audits, and by referring to Engagement and Remedy Guidelines.

- This action is fundamental, and the company should establish a grievance mechanism in accordance

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with Engagement and Remedy Guidelines based on its proficiency.

[Reference: Chapter 2, Section 6, Article 30 of Engagement and Remedy Guidelines]

10. Share the status of complaint handling and dialogue within the company, including management.

- The company should record and share the status of complaint handling and dialogue internally in order to make complaint handling under Guiding Principle 31 a continuous source of learning, to properly evaluate negative impacts on human rights, and to conduct effective human rights due diligence. In particular, sharing the status of complaint handling and dialogue with management as necessary is useful for practicing stakeholder-friendly corporate management. Companies that endorse this Basic Action should share the status of complaint handling and dialogue within the company, including management and should be reported to the board for particularly serious problems.

[Reference: Chapter 2, Section 6, Article 31, Engagement and Remedy Guidelines]

※ Utilize collective grievance mechanisms and dialogue procedures (e.g., Grievance Centers) when appropriate.

- Depending on the size and circumstances of the company, it may be more useful to use collective grievance mechanisms and dialogue procedures than to develop a grievance mechanism at individual companies. Guiding Principle 29 allows companies to participate in collective grievance mechanisms while developing their own mechanisms. Therefore, participants in this Basic Action should utilize collective grievance mechanisms and dialogue procedures (e.g., the Grievance Center) when appropriate.

[Reference: Grievance Centers Guidelines]