



"Engagement" and "Remedy" Guidelines for Promotion of Responsible Business Conduct and Responsible Supply Chains (1st edition)

**— Towards constructive dialogues between business and
society, strengthening grievance mechanisms, and ensuring
access to remedies —**

December 2019

Japan Responsible Supply Chains Committee

Led by:



Global Compact
Network Japan



**Business and
Human
Rights
Lawyers** Network
Japan

Supported by:

**ビジネスと人権NAP
市民社会プラットフォーム**

Civil Society Platform for Japan's National Action Plan
on Business and Human Rights (BHR-NAP Platform)

The Guideline has been formulated under the advice and support of:
**OECD Centre for Responsible Business Conduct
ILO Office for Japan.**

Preamble

I. Purpose of Formulation of the Guidelines

1. International and Domestic Formulations of Norms

The support of governments, civil society and institutional investors for the recognition and implementation of international Responsible Business Conduct (hereinafter "RBC") expectations and instruments, including UN's Guiding Principles on Business and Human Rights (hereinafter "Guiding Principles"), SDGs (Sustainable Development Goals), OECD Guidelines for Multinational Enterprises (including "Recommendations for Responsible Business Conduct in a Global Context, 2011) (hereinafter "OECD Guidelines"), ESG (Environmental, Social and Governance) investments, and the "Responsible Supply Chains" or "Sustainable Global Supply Chains" is growing. Rules, guidance and standards are being formulated internationally and domestically. As a result, Japanese companies or companies operating in Japan (including those established in Japan as subsidiaries and affiliates of foreign companies, the same applies hereinafter) are expected to strengthen grievance mechanisms to deal more actively with complaints and issues raised by various stakeholders with respect to the implementation of RBC expectations, including issues in the supply chain (including value chains and investment chains). (see **Appendix 1, "Background of the Development of these Guidelines"**).

2. Benefits for Japanese Companies to Strengthen Operational-Level Grievance Mechanisms as Grievance Mechanisms

While the OECD Guidelines have a built-in non-judicial grievance mechanism through the National Contact Points ("NCPs"), strengthening operational-level grievance mechanisms as grievance mechanisms of Japanese companies in the aim of promoting responsible supply chains, enhances the sustainability of Japanese companies themselves and leads to the maintenance and creation of medium-to long-term corporate value, including economic profits. In other words, the strengthening of grievance mechanisms of Japanese companies has many advantages, such as (i) preventing the occurrence and spread of corporate scandals and related reputational damage and economic loss; (ii) a critical element of effectively implementing due diligence for RBC, as well as CSR procurement and human rights due diligence as referenced in the Guiding Principles; (iii) securing the trust of stakeholders, including business partners and investors, and securing economic profits (including ESG investment); (iv) securing opportunities for on-going and constructive dialogue with stakeholders; and (v) shutting out clearly unreasonable demands or making appropriate responses to malicious behavior of some parties through a transparent complaint handling system. (see **Appendix 2, "Benefits for Japanese Companies to Strengthen the Grievance Mechanism"**). At the same time, the strengthening of the grievance mechanism at Japanese companies will contribute to the improvement of the sustainability of the Japanese economy and Japanese society as a whole in line with SDGs and

ensure access to remedies as requested by Guiding Principles.

On the other hand, in the event that a company is unable to sufficiently respond to stakeholder complaints and issues raised, and as a result, becomes the subject of a scandal that impairs corporate value, directors may be charged with breaching the duty of care of prudent managers. The Corporate Governance Code¹ states that the Board of Directors should address both social and environmental sustainability issues and the development of an internal reporting system (see **Appendix 3, "Corporate Governance Code Provisions Related to Engagement and Remedy"**).

3. Increasing Opportunities of Contributions for Japanese Business

In 2020, the Tokyo Olympic and Paralympic Games will be held and the Government of Japan's "National Action Plan on Business and Human Rights" (hereinafter referred to as the "National Action Plan") is scheduled to be finalized. The strengthening of the grievance mechanism of Japanese companies will contribute to development of the legacy of Tokyo 2020 and contribute to the enrichment of the content of the National Action Plan (see **Appendix 1, "Background of the Development of these Guidelines"**).

In addition, the supply chains of Japanese business spread across Asia in addition to most other regions on the world. Thus, by way of the development of operational-level grievance mechanisms as grievance mechanisms through their supply chains, Japanese companies could address issues which arise along the supply chains or could require suppliers to have operational-level grievance mechanisms established. Also, such development of operational-level grievance mechanisms as grievance mechanisms of Japanese companies through their supply chains is a key lever for Japan to promote leadership in the region on the implementation of RBC and support in leveling the playing field when it comes to recognition and implementation of RBC policies and practices. These objectives in particular are also aligned with the current joint OECD, ILO, EU Programme on "Promoting Responsible Supply Chains in Asia" (See Appendix 4, "Relationship with "Responsible Supply Chains in Asia" Programme").

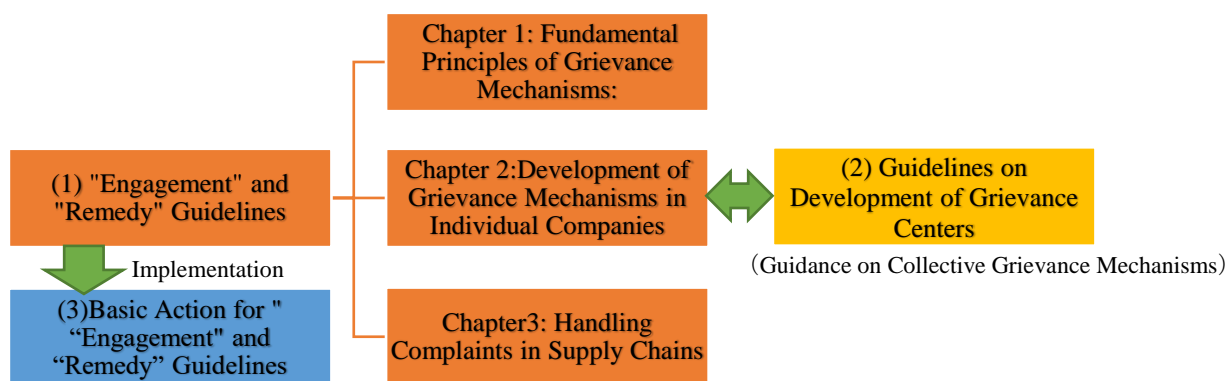
4. Conclusion

In light of the above background and significance, in consideration of the consistency with business practices at Japanese companies, the Japan Responsible Supply Chains Committee, which is comprised of multi-stakeholder members, and which is led by the Business and Human Rights Lawyers Network Japan (hereinafter "BHR Lawyers"), the Global Compact Network Japan (hereinafter "GCNJ"), and supported by the Civil Society Platform for Japan's National Action Plan

¹ "The Corporate Governance Code" establishes fundamental principles for corporate governance at listed companies in Japan" with a view to attaining "Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-Term.", released by the Japanese Financial Services Agency and implemented by the Tokyo Stock Exchange and entered into force on June 1, 2015.

on Business and Human Rights (hereinafter "BHR-NAP-CSP"), hereby formulate and announce "Engagement" and "Remedy" Guidelines for Promotion of Responsible Business Conduct and Supply Chains.

II. Structure of the Guidelines



1. Outline of (1) "Engagement" and "Remedy" Guidelines (Text)

The Engagement and Remedy Guidelines specify the elements of ten standards of effectiveness relating to grievance mechanism under Guiding Principle 31, based on Japanese practice, and provide models aimed at strengthening grievance mechanism for Japanese companies.

The Guidelines consist of three chapters.

Chapter 1 presents the fundamental principles of grievance mechanisms.

Chapter 2 provides practical guidance on the development of grievance mechanisms in individual companies. Attention should be given to the governance of the mechanism, the scope of the mechanism, access to the mechanism, grievance mechanism procedures, ensuring transparency of the mechanism, and auditing, improvement, and learning of the mechanism.

Chapter 3 provides practical guidance on handling complaints in the supply chains. With regard to supply chain issues, it is necessary to have a tripartite dialogue between companies, suppliers, and stakeholders and to look for ways to handle complaints. This section presents specific points of note and provides a model clause for grievance mechanism provisions in supply chain contracts to facilitate implementation of grievance mechanisms.

2. Outline of (2) Guidelines on Development of Collective Grievance Mechanisms (Grievance Center)

Guidelines on Development of Collective Grievance Mechanisms provide practical guidance on the development of collective grievance mechanisms ("Grievance Center"). Although grievance mechanisms are normally handled by individual companies, it is beneficial to establish and operate a collective grievance mechanism in which multiple companies participate, depending on the size and

circumstances of the company, and the reliability of such system can be enhanced when such collective grievance mechanism is run by an organization independent of each company. Therefore, these Guidelines provide the points to be noted when establishing such collective grievance mechanism (i.e., Grievance Center) with a focus on the difference between independent versus collective systems for complaint handling and the role of participating companies.

3. Outlines of (3) Basic Action for Engagement and Remedy Guidelines for Promotion of Responsible Business Conduct and Supply Chains

This basic action sets out basic actions to strengthen grievance mechanisms.

Many Japanese companies have clarified in their policy to address all the issues related with RBC addressed under the OECD Guidelines, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (hereinafter "the ILO MNE Declaration") and the Guiding Principles, including negative impacts on human rights in the supply chains, and have already established a whistle-blowing system for employees and a complaint process for consumers. Getting one step further, however, there has been no progress in introducing grievance mechanisms in which independent experts are actively involved for resolution, and which facilitate mutual understanding between Companies and stakeholders through dialogue and engagement, that target a wider range of stakeholders and deals with internationally recognized RBC expectations which include human rights as well as environmental and social issues and across supply chains.

Ten basic actions are set forth below to strengthen grievance mechanisms in order to realize the promotion of RBC and supply chain. It will be useful for companies to first introduce grievance mechanisms based on this basic action, and then improve the system by referring to the Engagement and Remedy Guidelines through periodic reviews of the system to address all the issues related with RBC addressed under the OECD Guidelines, the ILO MNE Declaration and the Guiding Principles, including negative impacts on human rights in the supply chains.

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.

III. Methods of Utilization of the Guidelines

The two Guidelines and the Basic Action do not prescribe norms that Japanese companies should generally comply with, but are intended to provide practical guidance based on current good practices in Japan and overseas regarding the complaint resolution system to serve as a reference for Japanese companies; they are not intended to be binding on Japanese companies. It is expected that Japanese companies will strengthen their current complaint handling systems by assessing the effectiveness of their complaint handling systems through these Guidelines.

It is also expected that stakeholders such as workers, investors, business partners, and civil society will refer to the Guidelines in evaluating externally a company's complaint handling system and when engaging in dialogue with the company.

IV. Process of Formulating Guidelines

The Guidelines have been drafted by the Japan Responsible Supply Chains Committee, which is comprised of multi-stakeholder members including individuals engaged in business, investment, civil society, law, international organizations, and public organizations. The Japan Responsible Supply Chains Committee is operated with the support of the BHR Lawyers and the GCNJ. We are grateful for the beneficial advice and support of the Civil Society Platform for Japan's National Action Plan on Business and Human Rights (the BHR-NAP-CSP), the OECD Centre for Responsible Business Conduct and the ILO Office for Japan in the formulation and dissemination of the Guidelines. The Japan Responsible Supply Chains Committee has published the first edition of the Guidelines upon carrying out public consultation with multi-stakeholders inside and outside Japan in

consideration reflecting their opinions as far as possible. We aim to continuously improve the Guidelines by setting up a platform to learn lessons and challenges through implementing grievance mechanism under the Guidelines, in collaboration with relevant institutions and through dialogue with stakeholders hereafter.

Overview of "Engagement" and "Remedy" Guidelines

1. "Engagement" and "Remedy" Guidelines (Text)

Chapter 1. Fundamental Principles of Grievance Mechanisms

Article 1. Necessity of Developing Grievance Mechanisms

Article 2. Ensuring Effectiveness of Grievance Mechanisms

Article 3. Promotion of Responsible Supply Chains and Sustainable Global Supply Chains

Chapter 2. Development of Grievance Mechanisms in Individual Companies

Section 1. Governance of Grievance Mechanism

Section 2. Scope of Grievance Mechanisms

Section 3. Ensuring Access to Grievance Mechanisms

Section 4. Operation of Grievance Mechanism Procedure

Section 5. Ensuring Transparency of Grievance Mechanism

Section 6. Audit, Improvement, and Learning of Grievance Mechanism

Chapter 3. Handling Complaints in Supply Chains

Article 1. Key Perspectives in Handling Complaints in Supply Chains

Article 2. Ensuring Access to the Grievance Mechanism

Article 3. Effective Investigation and Exercise of Leverages to Resolve Complaints

Article 4. Joint Efforts with Suppliers in Handling Complaints

Article 5. Model Grievance Mechanism Clause in Supply Chain Agreements

2. Guidelines on Development of Collective Grievance Mechanisms (Grievance Centers)

Section 1. General rules

Section 2. Governance of Grievance Center

Section 3. Scope of Grievance Mechanism

Section 4. Ensuring Access to Grievance Mechanism

Section 5. Operation of Grievance Mechanism Procedure

Section 6. Ensuring Transparency of Grievance Mechanism

Section 7. Audit, Improvement, and Learning of Grievance Mechanism

3. Basic Action for "Engagement" and "Remedy" Guidelines

Text (10 actions)

Commentaries to the actions

Japan Responsible Supply Chains Committee

December, 2019

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Appendix 1: Background of the Establishment of these Guidelines

1. Endorsement of the Guiding Principles on Business and Human Rights

The 2011 UN Human Rights Council unanimously endorsed the Guiding Principles as a global standard of conduct for all nations and businesses in the year.

The Guiding Principles consist of three pillars: the obligation of the State to protect human rights, the responsibility of companies to respect human rights, and access to remedies for victims.

The Guiding Principles call on corporations to develop a grievance mechanism to resolve problems related to human rights violations and to provide remedy to victims as part of the third pillar of the Guiding Principles.

Among the Guiding Principles, Principle 29 states, "To make it possible for grievances to be addressed early and remediated directly, business enterprises should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted." Principle 30 stipulates "Industry, multi-stakeholder and other collaborative initiatives that are based on respect for human rights-related standards should ensure that effective grievance mechanisms are available." In addition, Principle 31 lists eight elements of the non-judicial grievance mechanism that are the criteria for the effectiveness of the project level complaint handling system: (i) Legitimacy; (ii) Accessibility; (iii) Predictability; (iv) Equitability; (v) Transparency; (vi) Compatibility with internationally recognized human rights; (vii) Source of continuous learning; and (viii) Foundation on engagement and dialogue.

2. Demands of a responsible supply chain or a sustainable global supply chain

Guiding Principle 17 and the following are requests for the implementation of human rights due diligence (hereinafter "Human Rights DD") in order for companies to fulfill their responsibility to respect human rights, which is the second pillar of the Guiding Principles. Human rights DD refers to identifying, preventing, mitigating and addressing the adverse human rights impacts of stakeholders by business activities. The scope of the Human Rights DD also includes indirect human rights impacts through business relationships in the value chain, i.e. the supply chain. For example, if a company has business relationships with a company that violates human rights through a supply chain, the situation may require it to exercise leverage and encourage remediation, requiring it to be accountable to the entire supply chain.

The above-mentioned requests for the implementation of Human Rights DD and the development of a complaints handling system through the supply chains based on the Guiding Principles are also incorporated into international standards of conduct, such as the OECD Guidelines and the ILO MNE Declaration.

In addition, based on the Guiding Principles, European and U.S. countries are increasingly ruling

on supply chain management and non-financial disclosure (e.g., the EU Non-Financial Information Disclosure Directive, the U.K. and Australia Modern Slavery Act, the U.S. Trade Facilitation and Trade Enforcement Act, the French Duty of Care Law, and the Netherlands Child Labor Due Diligence Act). Also, the practice of incorporating human rights standards into procurement and financing standards for public procurement and development financing has made progress (e.g., the U.S. Federal Procurement Regulations, the EU Public Procurement Directive, IFC's lending standards for social and environmental sustainability, the Equator Principles).

In addition, Article 66 of the ILO MNE Declaration provides that workers employed by MNEs are entitled to submit grievance without suffering any prejudice and to have such grievance examined pursuant to appropriate procedures.

The G7 Elmau Summit Leaders Declaration (2015) states that the G7 countries, including Japan, have an important role to play in promoting the rights of workers and a certain level of working conditions and environmental protection in the global supply chain, and the G20 Hamburg Leaders Declaration declares the goal of achieving a sustainable and inclusive supply chain.

In light of the growing demands of responsible supply chains and sustainable global supply chains, companies are expected to address complaints not only in their project but also in their supply chains.

3. "Engagement" and "Remedy" in the OECD Guidelines²

The OECD Guidelines also recommends operational-level grievance mechanisms with practice of Responsible Business Conducts to address adverse impacts, including but not limited to human rights, covering all areas of RBC expectations. Operational-level grievance mechanisms can complement to grievance mechanism through the NCPs for implementation of the OECD Guidelines, instead of precluding access to the NCPs procedure. It should be noted that the OECD Due Diligence Guidance for Responsible Business Conduct (hereinafter "OECD DD Guidance") also includes references and recommendations to operational level grievance mechanisms as part of implementation of the due diligence framework.

II. General Policies

A. Enterprises should:

11. Avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur.

12. Seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. This is not intended to shift responsibility from the entity causing an adverse

² <http://www.oecd.org/daf/inv/mne/48004323.pdf>

impact to the enterprise with which it has a business relationship.

13. In addition to addressing adverse impacts in relation to matters covered by the Guidelines, encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines.

14. Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities.

IV. Human Rights

6. Provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts where they identify that they have caused or contributed to these impacts.

Commentary on Human Rights

46. When enterprises identify through their human rights due diligence process or other means that they have caused or contributed to an adverse impact, the Guidelines recommend that enterprises have processes in place to enable remediation. Some situations require cooperation with judicial or State-based non-judicial mechanisms. In others, operational-level grievance mechanisms for those potentially impacted by enterprises' activities can be an effective means of providing for such processes when they meet the core criteria of: legitimacy, accessibility, predictability, equitability, compatibility with the Guidelines and transparency, and are based on dialogue and engagement with a view to seeking agreed solutions. Such mechanisms can be administered by an enterprise alone or in collaboration with other stakeholders and can be a source of continuous learning. Operational level grievance mechanisms should not be used to undermine the role of trade unions in addressing labour-related disputes, nor should such mechanisms preclude access to judicial or non-judicial grievance mechanisms, including the National Contact Points under the Guidelines.

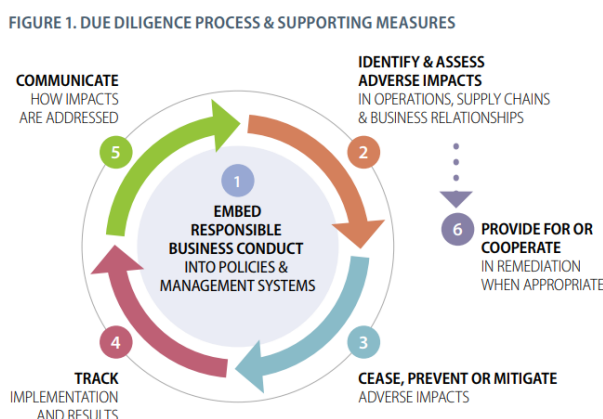
4. "Engagement" and "Remedy" in the OECD Due Diligence Guidance³

The OECD DD Guidance was launched in 2018 and seeks to promote a common understanding among governments and stakeholders on due diligence for RBC. The Guiding Principles and the ILO MNE Declaration also the objective of the OECD DD Guidance is to provide practical support to enterprises on the implementation of the OECD DD Guidelines by providing plain language explanations of its due diligence recommendations and associated provisions. Implementing these recommendations helps enterprises avoid and address adverse impacts related to all aspects of RBC including workers, human rights, the environment, bribery, consumers and corporate governance that

³ <http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

may be associated with their operations, supply chains and other business relationships.

Under the Chapter II of OECD DD Guidance, the due diligence process is comprised of six core processes (See the following figure 1 of the OECD DD Guidance). The grievance mechanism is closely related to the step 6 “Provide for or cooperate in remediation when appropriate”.



Section 6.2 of the Chapter II of the OECD DD Guidance especially recommends enterprises to take the following actions:

“When appropriate, provide for or cooperate with legitimate remediation mechanisms through which impacted stakeholders and rightsholders can raise complaints and seek to have them addressed with the enterprise. Referral of an alleged impact to a legitimate remediation mechanism may be particularly helpful in situations where there are disagreements on whether the enterprise caused or contributed to adverse impacts, or on the nature and extent of remediation to be provided”

In addition to operational-level grievance mechanisms, companies can use various processes to enable remediation. Legitimate remediation mechanisms can include State-based or non-State-based processes through which grievances concerning enterprise-related adverse impacts can be raised and remedy can be sought. Additionally, non-legal mechanisms can also be an effective in providing remediation.

Examples of potential legitimate remediation mechanisms

Legal processes such as prosecution, litigation and arbitration are common examples of state-based processes that enable remediation.

Non-judicial state-based mechanisms include specialist government bodies, consumer protection agencies, regulatory oversight bodies, environmental protection agencies.

The NCPs for RBC are a State-based non-judicial mechanism through which issues can be raised about implementation of the OECD Guidelines, including issues related to human rights, labour and

the environment. Any individual or organisation with an interest in the matter can submit a case to an NCP regarding a company operating in or from the country of the NCP. 48 countries have established an NCP, including Japan.

Global Framework Agreements between companies and Global Trade Unions, multi-stakeholder grievance mechanisms, community grievance mechanisms, collective bargaining agreements, and enterprise supply chain grievance mechanisms are all examples of non-State-based processes that could enable remediation.

Source: OECD (2018) DD Guidance

5. "Engagement" and "Remedy" in the ILO MNE Declaration⁴

On access to remedy mechanisms, the ILO offers guidelines to multinational enterprises, governments, and employers' and workers' organizations – relevant provisions are listed below. Apart from this, ILO provides assistance for the strengthening of labour inspection and judicial mechanisms to present complaints, as well as in the development of non-judicial mechanisms, such as mediation, for the resolution of conflicts. (See ILO MNE Declaration Annex II: Operational Tools, in particular 2. Company Union Dialogue)

GENERAL POLICIES

10.e. In order to gauge human rights risks, enterprises – including multinational enterprises – should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should involve meaningful consultation with potentially affected groups and other relevant stakeholders including workers' organizations, as appropriate to the size of the enterprise and the nature and context of the operation. For the purpose of achieving the aim of the MNE Declaration, this process should take account of the central role of freedom of association and collective bargaining as well as industrial relations and social dialogue as an ongoing process.

Access to remedy and examination of grievances

64. As part of their duty to protect against business-related human rights abuses, governments should take appropriate steps to ensure, through judicial, administrative, legislative or other appropriate means, that when such abuses occur of their territory and/or jurisdiction any affected worker or workers have access to effective remedy.

65. Multinational enterprises should use their leverage to encourage their business partners to

⁴ https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf

provide effective means of enabling remediation for abuses of internationally recognized human rights.

66. Multinational as well as national enterprises should respect the right of the workers whom they employ to have all their grievances processed in a manner consistent with the following provision: any worker who, acting individually or jointly with other workers, considers that he or she has grounds for a grievance should have the right to submit such grievance without suffering any prejudice whatsoever as a result, and to have such grievance examined pursuant to an appropriate procedure. This is particularly important whenever the multinational enterprises operate in countries which do not abide by the principles of ILO Conventions pertaining to freedom of association, to the right to organize and bargain collectively, to discrimination, to child labour and to forced labour.

Settlement of industrial disputes

67. Governments should ensure that voluntary conciliation and arbitration machinery, appropriate to national conditions, is made available to assist in the prevention and settlement of industrial disputes between employers and workers. The procedure should be free of charge and expeditious.

68. Multinational as well as national enterprises jointly with the representatives and organizations of the workers whom they employ should seek to establish voluntary conciliation machinery, appropriate to national conditions, which may include provisions for voluntary arbitration, to assist in the prevention and settlement of industrial disputes between employers and workers. The voluntary conciliation machinery should include equal representation of employers and workers.

6. Challenges Facing Japanese Companies

Many Japanese companies have already established an internal reporting system and a complaint process system, which we should acknowledge as progress in certain aspects of complaint handling systems.

However, while the users of the grievance mechanisms requested by the OECD Guidelines, the ILO MNE Declaration and the Guiding Principles generally envisage a wide range of stakeholders, including those involved in the supply chain, the users of the whistle-blowing system and the complaint handling system are generally confined to the employees and consumers of the respective companies.

In addition, while the grievance mechanisms addressed under the OECD Guidelines, the ILO MNE Declaration and the Guiding Principles covers all the issues related with RBC, including negative impacts on human rights in the supply chains, cases covered by the whistle-blowing system and the complaint handling system are usually limited to legal violations and problems related to the quality and content of goods and services.

Further, the grievance mechanisms addressed under the OECD Guidelines, the ILO MNE

Declaration and required by the Guiding Principles have advantages to facilitate mutual understanding between companies and their stakeholders, solve disputes and provide remedies for stakeholders of violations of human rights, through dialogue and engagement.

In addition, the grievance mechanisms addressed under the OECD Guidelines, the ILO MNE Declaration and the Guiding Principles are different from existing whistle-blowing system or claim management in Japanese companies. They are the mechanisms in which independent experts aggressively involved for problem resolution, and have a feature to be able to relief of victims by improving the workable grievance resolution in Japanese companies.

In order to respond to such demands on the implementation of RBC, including the Guiding Principles and responsible supply chains, Japanese companies are widely expected to consolidate their grievance mechanisms for the scope of sustainability issues in the supply chain.

7. Opportunities for Japanese companies

In anticipation of the Tokyo Olympic and Paralympic Games in 2020, the Committee of Organizations of the Olympic and Paralympic Games formulated a Sustainability-Friendly Procurement Code in 2017, calling for sustainability consideration throughout the supply chain, and establishing a contact point as grievance mechanisms to handle complaints regarding non-compliance with the Code.

The Government of Japan is also formulating the National Action Plan as a country-specific action plan based on the Guiding Principles toward 2020. Ensuring access to the supply chain and remedies is an important issue for the Government of Japan.

The strengthening of operational-level grievance mechanisms as grievance mechanisms of Japanese companies at this time will contribute to the development of a legacy for Tokyo 2020 and assist in the implementation of the NAP and, together with the NCPs, can feed into monitoring of implementation, measuring impact of measures within the NAP and provide input into review and refinement of the NAP overtime.

Many Japanese corporations have long advocated the coexistence and co-prosperity of corporations and society as their management philosophy, and have emphasized medium-to long-term relationships of trust with suppliers such as subcontractors in the supply chain.

In line with the OECD Guidelines, strengthening grievance mechanisms through the supply chains and promoting constructive dialogue between companies, suppliers, and stakeholders will be essential components of appropriate due diligence process for implementation of RBC and "responsible supply chains", and also strengthen initiatives for "responsible supply chains" or "sustainable global supply chains" by leveraging the strengths of Japanese companies.

Appendix 2 Benefits for Japanese Companies to Strengthen the Grievance Mechanism

1. Preventing the occurrence and spread of scandals

Handling complaints from stakeholders promptly and appropriately, and demonstrating a company's ability to self-repair before problems grow, helps to prevent the occurrence and spread of scandals that could damage corporate value.

In March 2018, the Japan Exchange Self-Regulation Organization announced the "Principles for Preventing Corruption at Listed Companies" as one of the six principles for preventing scandals. The complaint handling system is useful for implementing this principle. Other principles cited by the Principles include "Group-wide Business Management" and "Sense of Responsibility for the Supply Chain." The Principles also serve to strengthen complaint handling, including for the Group Supply Chain.

It should be also noted that prevention of corruption is a key aspect of RBC and is referred to in the OECD Guidelines as a specific chapter.

2. Effective implementation of CSR procurement and Human Rights DD

While Japanese companies are implementing CSR procurement and Human Rights DD through their supply chains, there are situations in which they have not made sufficient progress in their efforts to conduct surveys and audits of secondary and lower suppliers.

In this context, accepting complaints, including secondary and sub-supplier issues, and responding to these complaints will enable a wider understanding of stakeholders' concerns and expectations, as well as allow for appropriate assessment and response to sustainability challenges and human rights impacts in corporate activities.

3. Earning the trust of stakeholders, including business partners and investors, and earning economic profits (including ESG investments)

Companies listening to and responding to stakeholder complaints through grievance mechanisms as the meaningful stakeholder engagement which should be characterized by two-way communication and based on the good faith of the participants on both sides as referred to in the OECD DD Guidance will ensure the confidence of stakeholders, such as workers and local residents, who may be affected by business activities.

In addition, in situations where customers and suppliers are strengthening their supply chain management, the establishment of a system to prevent sustainability related problems from occurring may lead to the securing of trust from suppliers and the enhancement of competitiveness.

Furthermore, as ESG investments are growing, if companies can effectively explain the circumstances that prevent scandals and underpin corporate value through complaint handling systems,

it will lead to securing investor confidence and earning economic profits (including ESG investments).

4. Ensuring opportunities for constructive dialogue with stakeholders

By taking the initiative in tackling the issue of remedies, companies can demonstrate a positive attitude toward collaboration between victims and the resolution of social issues, rather than a passive attitude against pursuit of responsibility from victims. This leads to the securing of opportunities for constructive dialogue with stakeholders.

5. Shutting out clearly unreasonable demands

Establishing a transparent complaint handling system supports accountability when the company rejects obviously unreasonable demands or makes an appropriate response to malicious behavior of some parties.

Appendix 3. Corporate Governance Code Principles Related to Engagement and Remedy

Principle 2-3. Sustainability Issues, Including Social and Environmental Issues

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

Supplementary Principle 2.3.1.

With the recognition that dealing with sustainability issues is an important element of risk management, the board should take appropriate actions to this end. Given the increasing demand and interest with respect to sustainability issues in recent years, the board should consider addressing these matters positively and proactively.

Principle 2.5 Whistleblowing

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

Appendix 4. Relationship with "Responsible Supply Chains in Asia" Programme

1. Overview of the "Responsible Supply Chains in Asia" Programme

The "Responsible Supply Chains in Asia" programme is a partnership between the European Union ("EU"), the ILO and the OECD, funded by the EU. This programme aims at advancing sustainable and inclusive growth by encouraging businesses to adopt policies and practices in the areas of human and labour rights and environmental protection standards in line with international instruments, such as the ILO MNE Declaration, the OECD Guidelines and the Guiding Principles.

The three-year programme (2018-2020), is carried out in collaboration with Japan, China, Myanmar, Philippines, Thailand and Vietnam, has two main objectives to:

- Promote smart, sustainable and inclusive growth by ensuring that investors and businesses have a better understanding of corporate social responsibility("CSR") and RBC;
- Create policy environments conducive to promoting RBC and increased opportunities for dialogue

In Japan, the Programme partners have been engaging with government, business associations, research institutions, CSOs and directly with companies in raising awareness of RBC expectations and instruments, including the OECD Guidelines and the ILO MNE Declaration. The OECD has held technical seminars for businesses on the OECD DD Guidance as a key tool for implementation of international expectations on RBC within target sectors (electronics and vehicle parts) and will be holding an in-depth training programme for both business and potential trainers on the due diligence approach in 2020. In June 2019 the Japanese translation of the OECD DD Guidance was finalized, with support from IDE-JETRO, and officially launched. Under the Programme, the OECD has also provided inputs into the NAP stakeholder consultation and is working closely with Japan's NCP.

In alignment with the implementation of the OECD DD Guidance, the development of grievance mechanisms for ensuring access to remedy is considered as key element of proper due diligence in the implementation of international instruments on RBC, including the OECD Guidelines and the Guiding Principles. The strengthening of operational level grievance mechanisms of Japanese companies to address supply chain risks is a key component to promoting of responsible supply chains in Asia.

The ILO, through the Programme, promotes the use of leverage of multinational enterprises to encourage business partners and suppliers along their supply chains to provide effective means of enabling remediation for abuses of internationally recognized human rights in accordance with the recommendations of the ILO MNE Declaration. The ILO makes efforts towards dispute prevention through dialogue, which is promoted by sharing good practices among the corporations of the target sectors in relation with responsible labour practices and setting dialogue platform among government,

employers and workers organizations. When a dispute arises, the ILO assists companies and trade unions through non-judicial mechanism such as providing dialogue platform. The strengthening of the grievance mechanism of Japanese companies through their respective supply chains contributes to the promotion of responsible supply chains in Asia, promoting socially responsible labour practices among businesses and promoting smart, sustainable and inclusive growth, adding to the actions and efforts implemented by programmes such as the RSCA programme.

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