RESPONSIBLE BUSINESS OF JAPANESE COMPANIES AND THEIR SUPPLY CHAINS

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1. OECD’S WORK ON RESPONSIBLE BUSINESS CONDUCT-OVERVIEW
What is Responsible Business Conduct?

Ensuring a positive contribution by business to sustainable development while avoiding negative impacts

• Focus on **environmental and social impacts** of business operations – including impacts on human rights
• Part of **core business** and **risk management**, including in the supply chain and business relationships
• Goes **beyond philanthropy** and beyond “just” **compliance with the law**
• Is expected from **all businesses**, not just large multinationals – has become a market access issue
• **Companies should take a risk-based due diligence** approach to their own operations and supply chain
**OECD Guidelines for Multinational Enterprises:** cover key areas of business responsibility

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OECD Guidelines for Multinational Enterprises

- Adopted in 1976 and regularly updated
- Recommendations from governments to businesses - non binding, but many recommendations are now embedded in legislation
- Open to non-OECD members (currently 48 adherents)
- Apply to companies operating in or from adhering countries
- Include government commitment to implement and promote the Guidelines and provide a grievance mechanism: National Contact Points
- Since 2011: Expectation that companies respect human rights and are responsible throughout their supply chains
Human rights chapter: alignment with UNGPs

• OECD Guidelines chapter on Human Rights is aligned with the UN Guiding Principles on Business and Human Rights

• Expectation of due diligence is extended to other chapters

• National Contact Points – also serve as implementation mechanism for UNGPs and ILO instruments

• Alignment on government responsibility (“leading by example”)

• Continued close cooperation between UN and OECD

“The revised OECD Guidelines are the first inter-governmental instrument to integrate the second pillar of the UN framework – the corporate responsibility to respect human rights. They are also the first to take the Guiding Principles’ concept of risk-based due diligence for human rights impacts and extend it to all major areas of business ethics.”

Professor John G. Ruggie, Special Representative of the UN Secretary-General for Business and Human Rights, 2011
Alignment with other standards

- UN Guiding Principles on Business and Human Rights
- ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- + environmental, anti-bribery, corporate governance instruments

Expectation that companies behave responsibly by identifying, avoiding and addressing negative impacts that they
- cause,
- contribute to
- or are directly linked to through a business relation

Key tool: due diligence
Companies should contribute to sustainable development (do good)

Companies should identify, prevent and address negative impacts (do no harm)
2. RESPONSIBLE SUPPLY CHAINS: TOOLS FOR COMPANIES
THE PUSH FOR RBC: drivers and pressure points

- Demand (legislation) for meaningful disclosure of business conduct (climate change, human rights)
- Lawsuits against companies
- Investor and shareholder requirements to adopt and report on responsible business conduct.
- Consumer power
- Press and social media
- Public benchmarking, supported by investors.
- Scrutiny from governments on supply chain activities.
THE PULL: Benefits of responsible business conduct

- Reduce risks and manage reputation
- Protect existing value and create new value
- Facilitate the participation in global value chains
- Attract and retain talent
- Increase productivity
- Distinguish from competitors and access new markets
- Do good and do well

OECD work with business

- OECD has mandate to help companies meet increasing societal expectations of responsible business (“proactive agenda”)

- Current focus is on preventing and addressing negative impacts in companies’ supply chains.

- Demand driven and inclusive

- Developed with stakeholders (ad hoc advisory groups, led by company)

- Government-backed and promoted by governments

- Supported by implementation tools: analysis, discussion, training exchange of expertise

- Open events to gather experts but also safe space for companies to discuss and address common challenges
Focus: Due Diligence for responsible business conduct

1. Embed responsible business conduct into policies & management systems
2. Identify & assess adverse impacts in operations, supply chains & business relationships
3. Cease, prevent or mitigate adverse impacts
4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for or cooperate in remediation when appropriate
OECD has developed guidance for key sectors: minerals, extractives, garment and footwear, agriculture, financial sector.

- Tailored to key risks (and opportunities) in each sector.
- Once adopted, OECD supports companies in integrating them into their risks management systems (e.g. through pilot projects).
- Cooperation with industry groups and initiatives (RBA), commodity exchanges (LME), investors.
DUE DILIGENCE GUIDANCE FOR RBC

- Adopted in 2018, following demand from G7 and G20 to promote sustainable supply chains
- Explains each step of due diligence and provides practical guidance to implement each of them
- Address specific issues and challenges: gender, stakeholder engagement, role of the boards, communication, etc.
- Developed with stakeholders, backed by governments who have committed to promote it
- Can be used by all companies, in all segments of the supply chain
3. ENGAGEMENT WITH JAPANESE COMPANIES: PROPOSED ACTIVITIES
Promoting Responsible Supply Chains in Asia

- Funded under EU Partnership Instrument
- Aims to share international best practices to enable responsible business conduct through supply chains
- Includes activities with governments, business and civil society
- OECD will share its expertise on enhancing policy frameworks and on supporting companies in using supply chain due diligence
- For Japan, particularly timely: development of National Action Plans on B&HR, G20 Presidency, Tokyo Olympics
Planned activities in Japan

- **Research:** Company practices; policy mapping, gathering of indicators on supply chain characteristics

- **Government:** Cooperation with the government (including through other work streams such as on quality infrastructure)

- **Companies**
  - Broaden current engagement with companies (minerals, agriculture)
  - Promote OECD materials for companies
  - Translation of key materials, training and tool development (key sectors)
  - Facilitate exchange of best practice by companies (EU and Japanese)
Electronics sector

Key risks

• Excessive working hours and modern slavery implications (migrant workers)

• Raw materials sourcing
  • Links to support of armed groups in conflict-affected and high-risk areas
  • Health and safety risks of miners
  • Child labour in artisanal mining

• Improper disposal of electronic waste (toxic materials) and negative environmental impacts
Vehicle Parts sector

Key risks

• Resource depletion (e.g. natural rubber is the leading cause of deforestation mainland Southeast Asia)

• Cobalt mining for e-vehicle batteries: 60% of the world’s cobalt supply comes from the Democratic Republic of Congo, linked to massive child labour

• Manufacturing in third countries with weak governance and low safety standards – excessive worker hours and workers’ health and safety
Cooperation with Japanese companies: next steps

- Launch of the Japanese translation of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector
- Consultation and launch of the Japanese translation of the OECD Due Diligence Guidance, development of training and tools
- Conducting research (mapping, survey, supply chain data)
- Tools development and training for electronics sector (in cooperation with JEITA)
- Support for engagement of Japanese companies in OECD work on minerals, agriculture, garment & footwear, financial sector, etc.
- Working with EU and Japanese businesses on exchange of best practices in promoting responsible supply chains (in Japan and Asia)
Further information

Webpages:

http://mneguidelines.oecd.org

http://mneguidelines.oecd.org/duediligence

http://mneguidelines.oecd.org/ncps

https://mneguidelines.oecd.org/globalpartnerships

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