



RESPONSIBLE BUSINESS OF JAPANESE COMPANIES AND THEIR SUPPLY CHAINS

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Outline

1. OECD'S WORK ON RESPONSIBLE BUSINESS CONDUCT: OVERVIEW
2. RESPONSIBLE SUPPLY CHAINS: TOOLS FOR COMPANIES
3. ENGAGEMENT WITH JAPANESE COMPANIES: PROPOSED ACTIVITIES

1. OECD'S WORK ON RESPONSIBLE BUSINESS CONDUCT-OVERVIEW



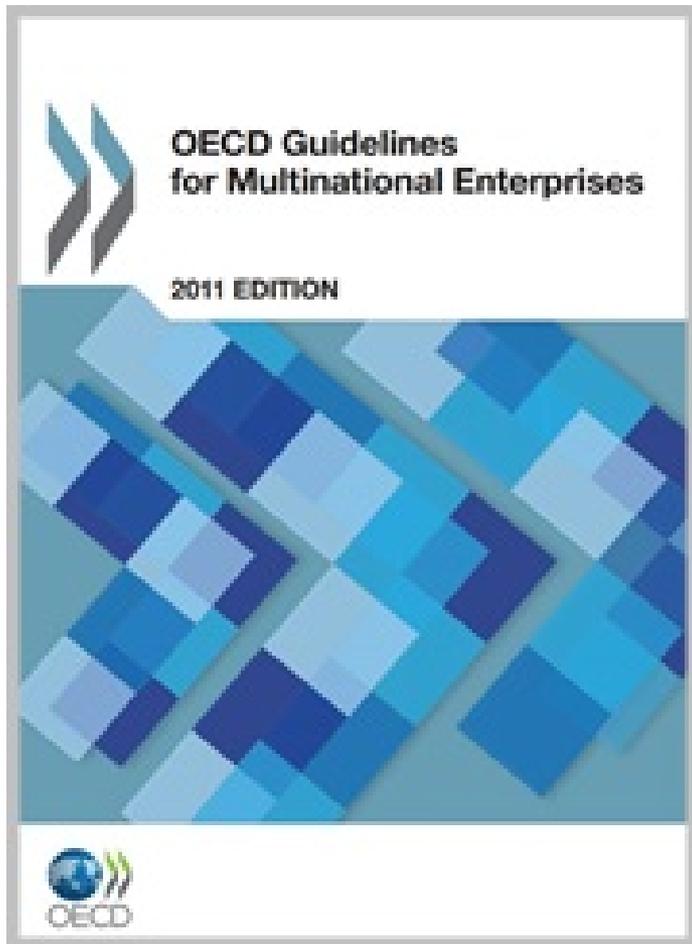
What is Responsible Business Conduct?

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



| | | |
|---|--------------------|-----------------------------------|
| Disclosure | Human Rights | Employment & Industrial Relations |
| Environment | Consumer interests | Science & Technology |
| Combating Bribery, Bribe Solicitation and Extortion | Taxation | Competition |



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

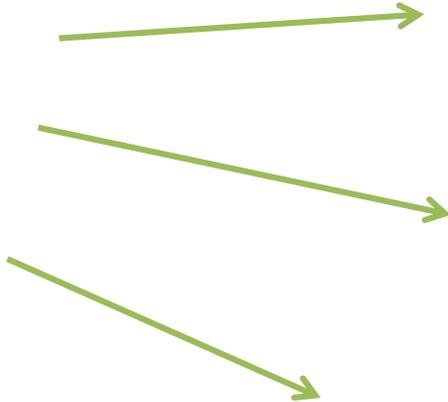


“The revised OECD Guidelines are the first inter-governmental instrument to integrate the second pillar of the UN framework – the corporate responsibility to respect human rights. They are also the first to take the Guiding Principles’ concept of risk-based due diligence for human rights impacts and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

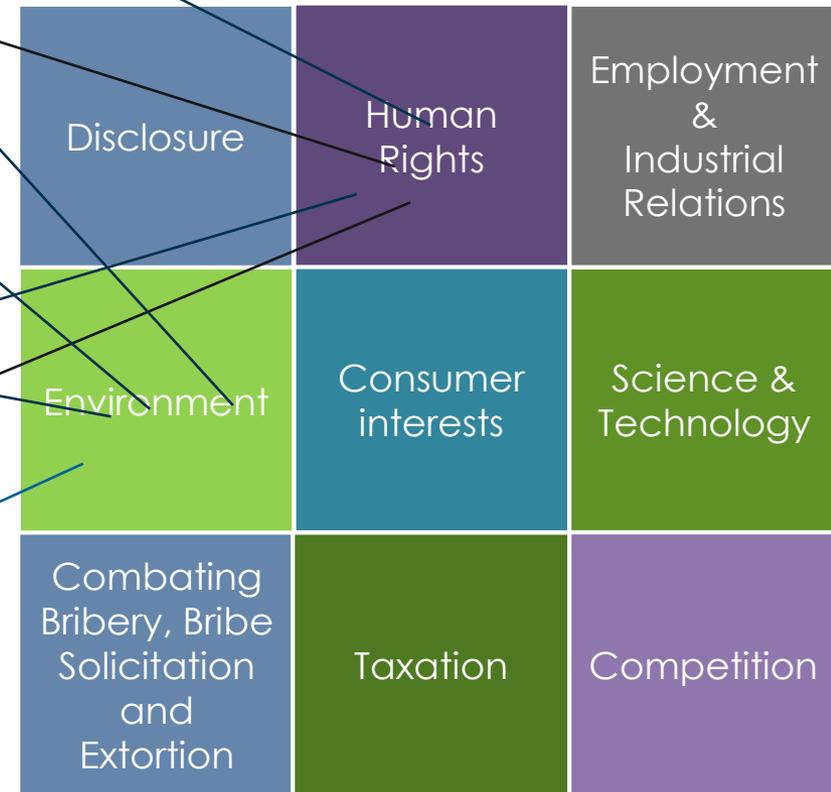
- cause,
- contribute to
- or are directly linked to through a business relation

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.

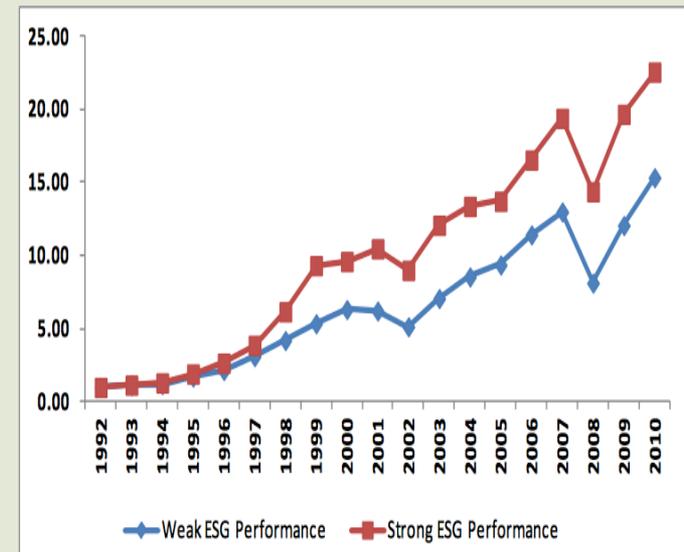




THE PULL : Benefits of responsible business conduct

- 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

FINANCIAL PERFORMANCE OF COMPANIES WITH WEAK VS. STRONG ESG PERFORMANCE



Source: Eccles G.R., Ioannou I. Serafeim G. "The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance," Harvard Business School, November, 2011.

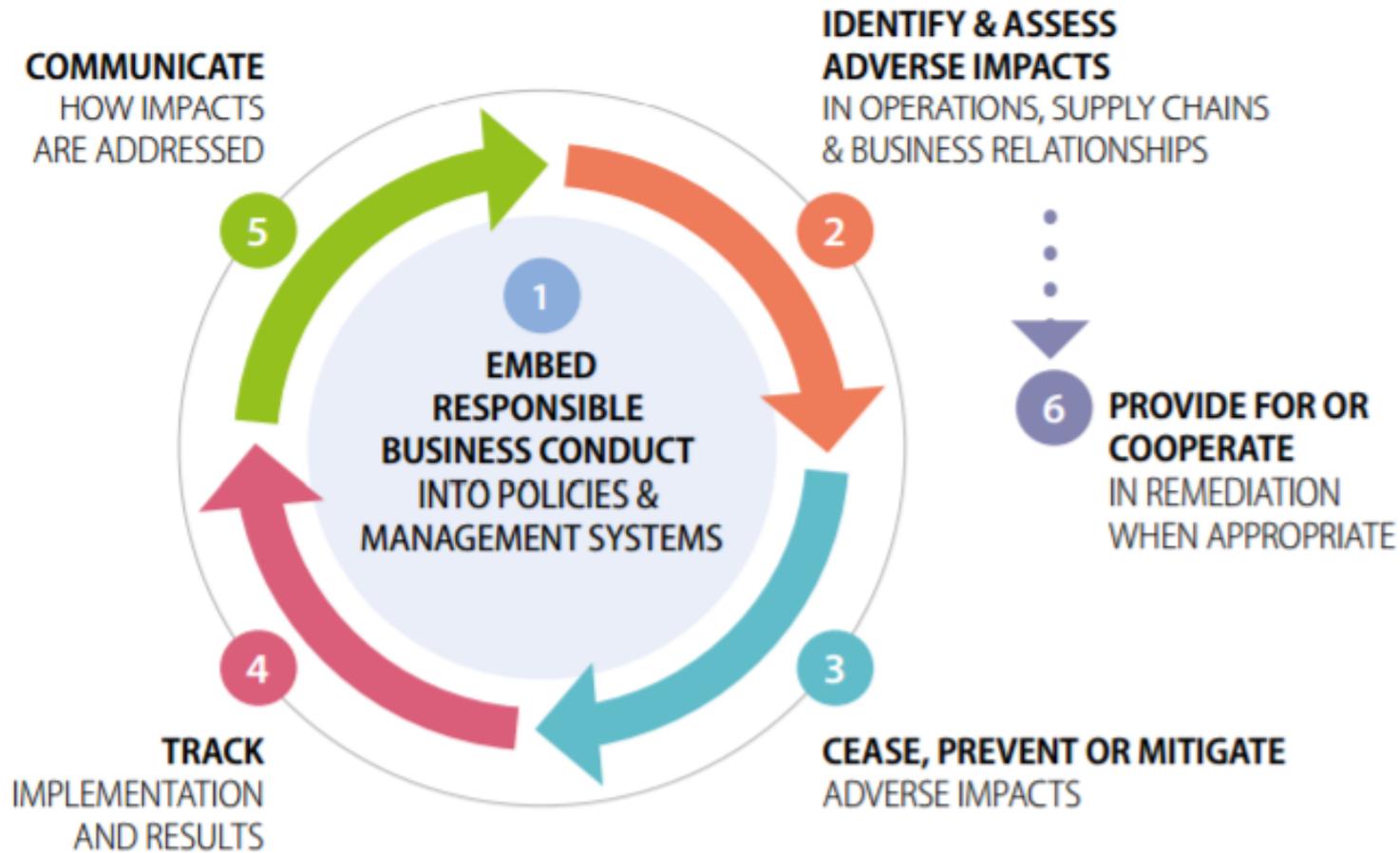


OECD work with business

- 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



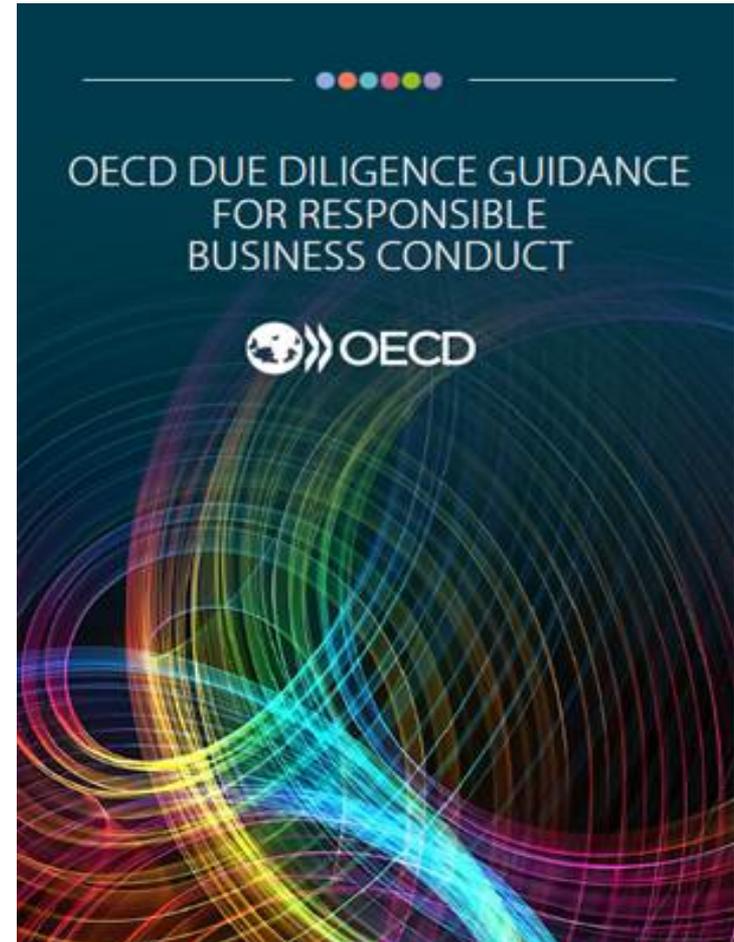


- OECD has developed guidance for key sectors: minerals, extractives, garment and footwear, agriculture, financial sector
- Tailored to key risks (and opportunities) in each sector
- Once adopted, OECD supports companies in integrating them into their risks management systems (e.g. through pilot projects)
- 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



European Union





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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