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1. Purpose of this Series of Articles

On September 13, 2022, the Japanese government established and published the "Guidelines on Respecting Human Rights in Responsible Supply Chains" (the "Guidelines"). All business enterprises engaging in business in Japan should strive in efforts to respect human rights to the fullest extent possible, in line with the Guidelines (1.3).

It is hoped that the establishment of the Guidelines will be an opportunity for companies to make further progress in their efforts to respect human rights.¹ In this series of articles, we will explain the contents of the Guidelines, taking into account our own practical experience, to help companies implement initiatives to respect human rights.

2. Background, Purpose, etc., of the Guidelines

(1) Background and Purpose of the Establishment of the Guidelines

The Japanese government launched a National Action Plan on Business and Human Rights (2020-2025)² in 2020 based on the Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework (the "UN Guiding Principles")³ endorsed by consensus in the United Nations Human Rights Council in 2011. In November 2021, as part of the follow-up on the National Action Plan, the Ministry of Economy, Trade and Industry ("METI") and the Ministry of Foreign Affairs ("MOFA") jointly conducted the Questionnaire Survey on the Status of Efforts on Human Rights in the Supply Chains of Japanese Companies. The survey expressed the hope for government initiatives to promote respect for human rights by companies and also presented strong demands for the Japanese government to establish guidelines. In light of such situation, in March 2022, METI established the Study Group on Guidelines for Respecting Human Rights in the Supply Chains to further promote corporate efforts to respect human rights based on international standards. The Guidelines have been established to help deepen business enterprises' understanding and promote their efforts by explaining the activities that they are

¹ Industry-specific guidelines also have been developed in Japan; for example, the Japan Textile Federation (JTF) published "[Guidelines for Responsible Corporate Behavior in the Textile Industry](#)" (only in Japanese) on August 28, 2022.

² <https://www.mofa.go.jp/mofaj/files/100173319.pdf>

³ <https://www.mofa.go.jp/mofaj/files/100165917.pdf>

requested to undertake to respect human rights, in a concrete and easy-to-understand manner, which is tailored to the actual situation of business enterprises engaging in business activities in Japan (1.1).

(2) Target Business Enterprises of the Guidelines and Target Scope of Efforts for Respecting Human Rights

The Guidelines apply to all companies engaging in business activities in Japan, regardless of size or industry (1.3). Although the Guidelines are not legally binding, **all companies engaging in business activities in Japan should strive in efforts to respect human rights in their business enterprise, group companies, supply chains and other business partners inside and outside Japan** (1.3).

“Supply chain” includes both “upstream” in relation to procurement and securing, etc., of raw materials for the company’s products and services, and “downstream” in relation to the sale and consumption, etc., of its products and services (1.3). In addition, “other business partners” means companies other than those within the supply chain that are related to the company’s operations, products, or services (1.3).⁴ It should be noted that **a company’s “supply chain” or “other business associates” can be considered “related” even if there is no contractual relationship with the company or if the company is not a direct business partner.**

(3) Structure of the Guidelines

The table below shows the Guidelines’ structure. The Appendix includes specific examples and Q&As on points expected to raise questions, making the Guidelines easy to use.

Items	Outline
1. Introduction	Background and purpose of the establishment of the Guidelines (1.1), the significance of respecting human rights (1.2), target business enterprises of the Guidelines and target scope of efforts for respecting human rights (1.3)
2. Overview of Business Efforts to Respect Human Rights	Outline of business efforts (2.1), approach to efforts to respect human rights (2.2)
3. Human Rights Policy	Points for consideration when establishing a human rights policy (3.1), points for consideration after establishing a human rights policy (3.2)
4. Human Rights Due Diligence	Identification and assessment of adverse impacts (4.1), prevention or mitigation of adverse impacts (4.2), tracking effectiveness of the efforts (4.3), communication and information disclosure (4.4)
5. Remedy	Grievance mechanism (5.1), state-based remedy mechanism (5.2)
Q&A	Q&A regarding the Guidelines
Overview of Foreign Legislation	Overview of human rights legislation in Germany, the UK, France, the Netherlands, the EU, the US, and Australia

⁴ More specifically, for example, these are investment and lending locations, partners of joint enterprises, business operators providing equipment maintenance and inspection, and business operators providing security services, etc. (1.3).

In order to provide details on efforts to respect human rights in a more concrete and practical manner, mainly to practitioners at companies, METI will create and publish materials to refer to along with the Guidelines (1.1).

3. Overview of Business Efforts to Respect Human Rights

(1) Overview of Business Efforts to Respect Human Rights

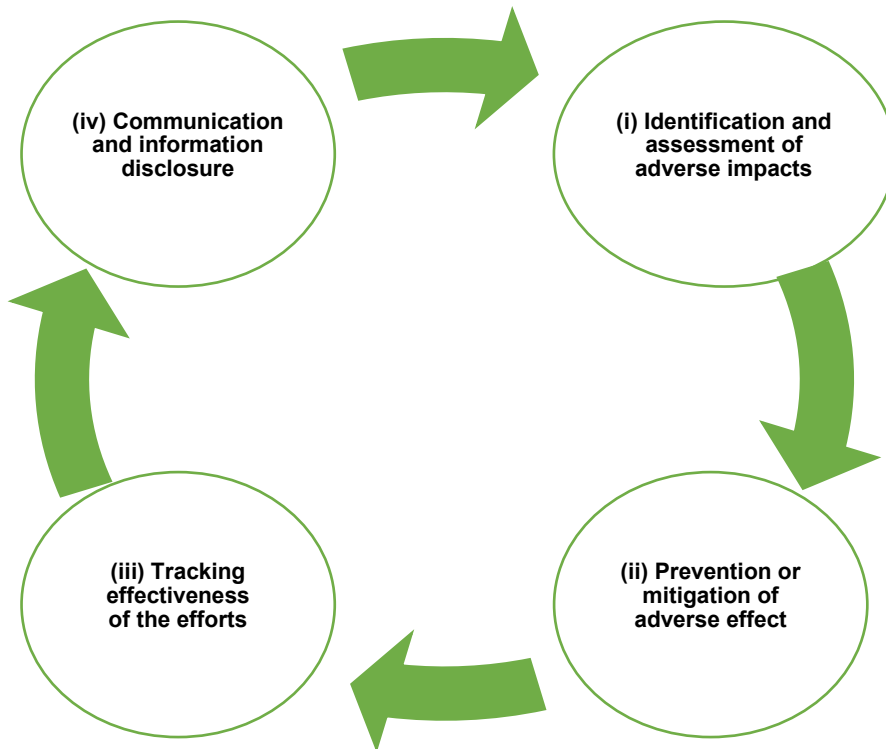
Under the Guidelines, to fulfill their responsibility to respect human rights, companies are required to (i) formulate a human rights policy, (ii) conduct human rights due diligence, and (iii) provide remedies when they cause or contribute to adverse impacts on human rights (2.1). Details will be provided later in this series, but the following is an overview of each of the initiatives described in the Guidelines.

(2) Establishing a Human Rights Policy

A human rights policy is a clear statement of a company's commitment to fulfilling its responsibility to respect human rights to its internal and external stakeholders (2.1.1). A company's commitment to respect human rights should be implemented in all corporate activities, including recruitment, procurement, manufacturing, sales, etc. A commitment by a company that has been approved by management is considered very important because it provides a clear and comprehensive policy to determine the company's actions (2.2.1, 3).

(3) Human Rights Due Diligence

According to the Guidelines, human rights due diligence is an ongoing process to prevent and mitigate adverse human rights impacts, which refers to the series of actions illustrated below (2.1.2).⁵



First, the Guidelines explain the specific process for (i) identifying and assessing adverse impacts ((a) identifying business areas where risks are material, (b) identifying the processes where adverse impacts arise, (c) assessing the company's involvement in adverse impacts, and (d) prioritizing them) (4.1.1). It then describes points to consider for the process of identifying and assessing adverse impacts (4.1.2), for example, in areas affected by conflicts, etc., employees and other stakeholders are likely to suffer adverse human rights impacts, and the likelihood that usual business activities can unintentionally contribute to conflicts, etc., will increase. Therefore, human rights due diligence in accordance with high risk (heightened human rights due diligence) should be conducted (4.1.2.4).

Next, regarding (ii) prevention and mitigation of adverse impacts, it explains the types of measures a company should take in cases where a company causes or contributes to adverse human rights impacts, or

⁵ Please note that in the "[OECD DUE DILIGENCE GUIDANCE FOR RESPONSIBLE BUSINESS CONDUCT](#)" (the "OECD Guidance"), the central part of the figure on page 21 (represented above), "DUE DILIGENCE PROCESS & SUPPORTING MEASURES," states "EMBED RESPONSIBLE BUSINESS CONDUCT INTO POLICIES & MANAGEMENT SYSTEMS." In addition, under the UN Guiding Principles, the human rights due diligence process should include (a) reflection on operational policies and procedures necessary to embed it throughout the business enterprise (16.e.), (b) assignment of responsibility for addressing adverse impacts to internal allocation of responsibilities within the business enterprise, internal decision-making, budget allocations, and oversight processes (19.a.), etc. The above figure represents the process as it is in the Guidelines, but it is necessary to pay attention to the institutional aspects of the company's procedures and systems in the overall human rights due diligence process.

(b) its operations, products, or services are directly linked to adverse human rights impacts. The Guidelines show the types of measures to be taken by companies (4.2.1.1, 4.2.1.2). Since the suspension or termination of business transactions is not intended to remediate the adverse impacts and the adverse human rights impacts may become more serious, it should be considered as a last resort and implemented only when it is found appropriate (4.2.1.3). In addition, with regard to the issue of suspension or termination of business activities in areas affected by conflicts, etc., which Japanese companies often face in recent years, it is important to implement heightened human rights due diligence, to make more careful and responsible judgments than would normally be the case, and to consider an exit plan in advance when there is a possibility of conflicts, etc. (4.2.2).

Then, regarding (iii) tracking effectiveness of the efforts, it explains the tracking methods (4.3.1), integration of effectiveness tracking in an internal processes (4.3.2), and use of the tracking results (4.3.3). Regarding information collection methods as a prerequisite for tracking, specific examples include interviews with company employees, suppliers, etc., use of questionnaires, visits to company and supplier sites including factories, etc., audits, and investigations by third parties (4.3.1).

Finally, regarding (iv) communication and information disclosure, it explains the content of information to be explained or disclosed (4.4.1) and the approaches to communication and information disclosure (4.4.2). Regarding the method of communication and information disclosure, it is desirable to provide information at least once a year, and in-person meetings, etc., are considered when providing information, especially to stakeholders who will be or have been affected by an adverse impact (4.4.2).

(4) Remedy

When a business enterprise caused or contributed to adverse human rights impacts, the business enterprise should implement a remedy or cooperate in the implementation of a remedy. If adverse human rights impacts are only directly linked to its operations, products or services, the business enterprise may take a role in implementing a remedy but is not required to provide for remediation (5). Specific examples of remedies include apologies, restitution, rehabilitation, financial or non-financial compensation, establishment or statement of a recurrence process, and request for recurrence prevention to the suppliers, etc. (5).

It also states that business enterprises should facilitate remedies by establishing a grievance mechanism, or through participation in a grievance mechanism established by an industry organization and others (5.1), and describes the state-based remedy mechanism (5.2).

4. Conclusion

The need for human rights due diligence in supply chains has been emphasized in the UN Guiding Principles and other international frameworks, but it has been pointed out that the status of efforts varies from company to company. With the formulation of the Guidelines, it is hoped that more companies will take the opportunity to promote respect for human rights in their supply chains, etc., by implementing human rights initiatives, including human rights due diligence. In order to help companies that are planning to implement human rights due diligence and other measures, we will provide a detailed explanation of the contents of the Guidelines in the next and subsequent issues.

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