

# Business and Human Rights

## Introduction

For companies, sustainability means the long-term viability and development of the planet, society, and themselves. Companies need to act on the basis of having thought through what products and/or services they should be supplying to achieve this sustainability and how best to do so, as well as about the impacts, both direct and indirect, that their activities will have on the environment and on people. The relationship between business and human rights is a core consideration in achieving this. As noted in the preamble to the United Nations' 2030 Agenda for Sustainable Development that lays out its Sustainable Development Goals (SDGs)<sup>(1)</sup>, universal human rights are a goal for the entire world.

## What are Human Rights?

Human rights are inalienable rights that are possessed by everyone from birth. While the content of the Universal Declaration of Human Rights provides the basis for the scope of these rights, they are still evolving. The reason for this is that, rather than being self-evident, these rights are becoming more defined as society develops over time.

The philosophy and legal framework for human rights were developed largely in the West, becoming internationally recognized as universal through the 1948 Universal Declaration of Human Rights. These rights have also increasingly become part of international law through measures such as the 1966 International Covenants on Human Rights and the various agreements made through the International Labour Organization (ILO).

With regard to business, the rights listed in the International Bill of Human Rights (which is made up of the Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and International Covenant on Economic, Social, and Cultural Rights) and the ILO Declaration on Fundamental Principles and Rights at Work are recognized as the bare minimum of human rights, as is noted in Hitachi Group Human Rights Policy\*.

\* Other agreements also exist that address particular concerns, such as the rights of children or women.

Unfortunately, not everyone is able to enjoy all of these rights, and developments such as technological progress bring with them the potential for new violations.

## Global Trends

### Guiding Principles on Business and Human Rights

While, historically, the idea of human rights has developed in terms of relationships between people and those in positions of power, such as monarchs or states, there also exist situations such as conflict areas that are outside the power of states to resolve.

Meanwhile, the reconstruction and development of nations left devastated at the end of the Second World War along with the advance of globalization have seen companies building value chains on an international scale, and these have grown in size, scope of activity, and influence. While in the past they have been seen as a source of pollution or as a target for criticism from civil society for exploitative practices, companies also bring benefits for people. This has led to initiatives aimed at encouraging or collaborating with companies to prevent or resolve problems by acting responsibly.

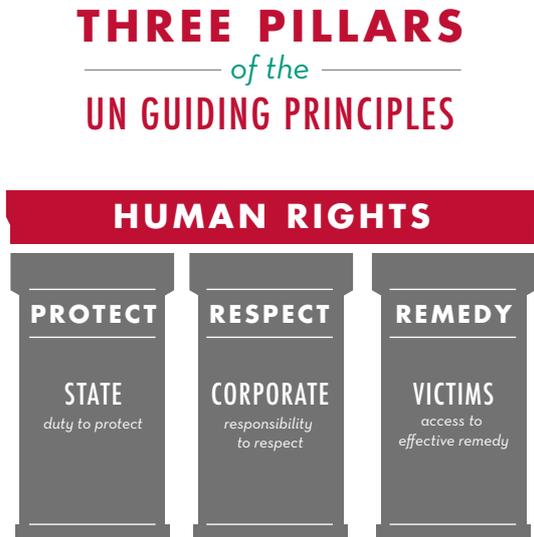
Companies, however, are not states and they cannot solve all problems.

Moreover, there are parts of the world, such as Europe, where practices that respect human rights are seen as boosting regional and corporate competitiveness.

This created a need for a reappraisal of human rights in terms of the relationships between states, businesses, and people. Out of this came the "Protect, Respect, and Remedy" framework (commonly called the "Ruggie Framework"<sup>(2)</sup>) presented to the United Nations Human Rights Council in 2008 by John Ruggie, a Harvard professor who also served as the United Nations Secretary-General's Special Representative for Business and Human Rights, and Human Rights. In 2011, Ruggie presented the United Nations Guiding Principles on Business and Human Rights (UNGPs), which articulated the framework in detail, to the UN Human Rights Council where it received unanimous endorsement<sup>(3), (4)</sup>.

The "Ruggie Framework" proposes three pillars, namely the state's duty to protect human rights, corporate responsibility to respect human rights, and that victims should have access to effective remedies (see [Figure 1](#)). The UNGP, meanwhile, along with clearly stating that the duty of protecting human

Figure 1 | Protect, Respect and Remedy Framework



Graphic courtesy of Shift Project (learn more at shiftproject.org)

rights lies with states, also calls on companies to: (1) express a commitment to respecting human rights through a statement of policy, (2) engage in an ongoing process of human rights due diligence (HRDD), and (3) provide for or cooperate in remediation through legitimate process when they have caused or contributed to adverse impacts.

Figure 2 | Human Rights Due Diligence



- Human Rights Due Diligence**
1. Ask the hard questions
  2. Prioritize (where necessary)
  3. Take appropriate action
  4. Look for evidence to support
  5. Be transparent
  6. Ask for help

Graphic courtesy of Shift Project (learn more at shiftproject.org)

HRDD means engaging in an ongoing process of preventing and mitigating adverse human rights impacts (see Figure 2) that involves assessing and acting on high-priority risks throughout the value chain, tracking responses, and communicating how impacts are addressed. It also includes engagement with stakeholders and others who could be impacted by this process. If harm does occur, it means the company working to rectify and remedy the situation in accordance with the extent of its involvement in the violation.

The Ruggie Framework and UNGP are incorporated into the ISO 26000 (2010) standard on social responsibility and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (2011). The philosophy of the UNGP has spread globally, with instances of it being incorporated into national law as noted later in this article.

States are also encouraged to draw up action plans. More than 20 of these plans have already been published and Japan is working on one of its own. The 2015 G7 and 2017 G20 summit leaders' declarations also called for policy measures, including respect for human rights in supply chains and national action plans.

While the UNGP contains "guiding principles," and as such its adoption is voluntary, work is underway at the United Nations on a treaty that will impose a legal obligation on multinational companies. If introduced, it has the potential to impact large corporations significantly, including those from non-ratifying countries.

**Respect for Human Rights throughout Value Chain**

While the attitude in the past was that companies were not responsible for any human rights violations by their suppliers, the criticism and boycott suffered by a major sporting goods brand in the 1990s demonstrated that this was not the case. Criticism of the company by the media and non-governmental organizations (NGOs) for child labor, long working hours in poor conditions, and low wages at the factories in Southeast Asia to which it had outsourced production led to demonstrations and a boycott of its products around the world. The impacts on the company included the loss of sales, layoffs, a fall in its stock price, and damage to its brand, forcing it to make fundamental changes to how it operated.

Factors relevant to business and human rights in the current environment include forced labor or child labor at the company itself or its suppliers (including those further

up the supply chain), discrimination in hiring or promotion, harassment, health and safety, diversity, conditions for foreign workers, rights of indigenous people at the time of plant construction, discriminatory expression in advertising, where products are sold, and how those products are used. There has also been a rise in the number of information requests, inspections, and calls for action not only from NGOs, but also from customers and investors, research or rating companies, and auditors. Issues like the like the protection of personal information, the right to be forgotten, and the impacts of technological developments such as artificial intelligence (AI) are also drawing attention.

There is only so much any one company can do to address these numerous concerns. Measures include working on the issues with NGOs and joining with other companies to form organizations and to audit suppliers on the basis of common standards.

Some Japanese companies have also received inquiries about their human rights record or been publicly named, with some being subjected to scrutiny on human rights at a global level. Keidanren (Japan Business Federation) of which Hitachi is a member, added respect for human rights to the 2018 revision of its Charter of Corporate Behavior.

### Regulation

In addition to the treaties described above, laws calling for companies to undertake due diligence and disclose their policies and practices with regard to human rights violations in the supply chain (such as slavery or child labor) have been passed in places such as the UK, France, Australia, and the Netherlands, with Hong Kong, Canada, the USA, and Germany being among those considering similar measures.

A debate on including HRDD in the export control rules of the European Union (EU) commenced in 2016.

The UK and France, meanwhile, also have laws requiring the disclosure of information on the gender wage gap.

These laws are not prescriptive in detail. Rather, they encourage companies to show respect for human rights at the internationally recognized level specified in the UNGPs by disclosing information and putting practices in place for HRDD.

Beyond these examples, it should be emphasized that legal compliance in itself is insufficient. In a situation such as where the legal minimum wage at an overseas operation is not enough to live on, a company cannot be said to be protecting human rights simply by paying wages at this

level. There may also be cases where local laws conflict with international standards. Apart from anything else, there is a lag between public expectations and the enactment of laws. Companies have to figure out for themselves how to live up to the expectations of society even in situations not reflected in local laws, and to disclose information on what they do to respect human rights. The UNGPs provide guidance on how to do this.

## What Hitachi is Doing

### Hitachi Group Human Rights Policy

Recognizing the need to conform to global standards that came with the expansion of its corporate activities, Hitachi made clear its stance of respecting human rights by signing the United Nations Global Compact in 2009. Furthermore, a corporate social responsibility (CSR) working group at Hitachi Europe embarked on a study of business and human rights from around 2010.

In 2011, Hitachi and its group companies were contacted by numerous overseas NGOs and others requesting that it instruct its supplier to improve its treatment of contract workers at its overseas operation. This experience taught Hitachi that it would be called on to take practical steps to address labor problems at suppliers, even when Hitachi itself was not violating any laws.

Such factors led to Hitachi establishing its Human Rights Policy in 2013 as a way of expressing the importance of human rights on the basis of the UNGPs, and adopting the policy as a company rule. Group companies were also requested to adopt the policy as a binding rule.

The Hitachi Group Human Rights Policy stipulates that: (1) the policy applies to the officers and employees of Hitachi and its subsidiaries, (2) business partners and other parties are also expected to respect human rights, (3) the policy is intended to supplement Hitachi's Mission and Codes of Conduct, (4) the policy is based on the UNGPs, (5) HRDD is to be undertaken, (6) in cases when local laws conflict with internationally recognized human rights, ways are to be sought to honor the principles of international human rights, (7) in-house training is to be undertaken, and (8) Hitachi shall engage in dialogue with the relevant external stakeholders.

In the 2018 revision of the Hitachi Group Codes of Conduct, the section on respecting human rights included

Figure 3 | Executive Training in Human Rights



stipulations for rectification and remedy and also for eliminating discrimination.

### Systems and Practices for Implementation

In 1981, Hitachi established the Corporate Human Rights Promotion Committee, chaired by the executive in charge of the human capital division. The Committee deals with future policy as well as the progress of measures being undertaken by employees in corporate units. The Committee's deliberations and resolutions are passed on to the business units and business sites. Grievance mechanisms for people to report or ask for consultation about compliance, harassment, and other such matters have also been established.

### Education and Awareness Raising Activities

Since 2014, Hitachi has been distributing a message from the CEO to executives and employees on Human Rights Day (December 10), which marks the adoption of the Universal Declaration of Human Rights. The 2018 message was sent out to 258,258 people, encouraging readers to reflect on themselves and to act in ways that respect human rights. It also touches global business and human rights trends, as well as developments within Hitachi.

Once a year, Hitachi also invites outside experts to provide training to executive officers (see Figure 3). This provides an annual opportunity to deepen understanding of how business management and human rights relate to one another from a variety of different perspectives. Similarly, e-learning for employees and executives is conducted once every three years.

### Undertaking HRDD

Given the difficulty of trying to identify and prioritize the human rights risks in all corporate activities at once, it makes sense to focus action on particular areas that are selected on the basis of certain criteria. Acknowledging the breadth of its operations and the large number of its group companies, Hitachi chose to start with its procurement and human capital departments that serve the group as a whole.

First of all, a working group was established in the procurement department in FY2015 to look into human rights risks in the supply chain and what should be done about them. Taking advice from outside experts, procurement and CSR employees from headquarters, business units, and group companies undertook surveys and investigations to determine which countries and issues to prioritize. Based on this work, they spent the next year undertaking a full revision of CSR Procurement Guidelines, Conflict Minerals Procurement Policy, and self-assessment questionnaires for suppliers. Recognizing how important it is to engage with suppliers, annual activities include presentations to suppliers in China as well as CSR and environmental audits.

Along with the Hitachi Group CSR/BCP Procurement Committee in Japan and CSR procurement working groups in Europe and China, activities include informing procurement divisions across the group about policies, sharing information with them, and promoting understanding.

This work was followed up with training and reviews conducted for human capital divisions in FY2016 and FY2018. Feedback from workshops indicated how important it is to establish and improve opportunities for consultation.

Subsequently, in FY2018, a number of business units and group companies undertook their own assessments of human rights risks and considered future plans. The work was done this way because, while some human rights risks apply throughout Hitachi, in other cases the risks, priorities, and actions differ depending on the business model and/or business unit or group company industry.

The objective of this work is to enable each business unit or group company to undertake its own HRDD.

### Conclusions

Respect for human rights can be seen as part of the overall risk management process for companies. Nevertheless, rather

than adopting a bystander's policy of not causing harm to others, what is called for is a proactive approach that prevents and takes action against such harm. Moreover, it is an issue that calls for action not only by human capital and CSR departments, but also across all divisions, including research and development, design, procurement, and sales. Risks to people can also become risks to business. In other words, avoiding negative impacts on people leads to a better life for everyone, employees included, and allows companies to continue to prosper and grow.

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