

"SDGs and Human Rights: About the Perspective of Wanting to Improve SMEs and Regional Society's Sustainability" (Part I)

CSO Network Japan
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CSO Network has worked on various projects with the goal of contributing to the promotion of responsible corporate business and formation of a sustainable society. Regarding SDGs (Sustainable Development Goals), we have promoted initiatives and popularized our goals in the form of valuing the concept of "Leaving no one behind," as well as the principles of "Fairness," "Sustainability," "Diversity" and "Inclusion." In this document we will introduce the perspective that CSO Network considers to be vital to realizing a fair and sustainable society that values each individual under the two themes of SDGs and human rights.

1. SDGs Promotion and Human Rights Initiatives in Japan

1. SDGs Promotion and Human Rights Initiatives

Consumers and citizens are growing interested in the effects of corporate activities on the environment and social issues. Furthermore, ESG is increasing, and SDGs (Sustainable Development Goals) focusing on large companies and human rights initiatives are being promoted even in the corporate sphere. There is also progress in integrating sustainability with business, as shown by the example of SMEs (Small and Medium-sized Enterprises) winning the Japan SDGs awards (Note 1).

SDGs are the 17 goals in "Transforming Our World: The 2030 Agenda for Sustainable Development" (Note 2) (Hereinafter "2030 Agenda") adopted by the UN in 2015. The 17 goals are characterized by the five Ps: People, Prosperity, Planet, Peace and Partnership. Paragraph 4 (No one left behind) of the 2030 agenda states "Recognizing that the dignity of the human person is fundamental, we wish to see the Goals and targets met for all nations and peoples and for all segments of society," and Paragraph 19 (Human rights) of the Agenda states "We emphasize the responsibilities to respect, protect and promote human rights and fundamental freedoms for all," appealing for the promotion of SDGs based on human rights.

"Human Rights" are "Rights that humans must have to live like humans." Historically, the term "Human Rights" was born in Europe based on the concept that "Each individual human is valuable and irreplaceable," leading to the Universal Declaration of Human Rights being adopted by the UN in 1948 (Fig. 1). After that, a number of human rights conventions were established including conventions for abolition of discrimination against women, abolition of discrimination based on race, prohibition of torture and conventions for children's rights, starting with the International Covenants on Human Rights. Even in Japan, Article 13 of the Constitution states, "All of the people shall be respected as individuals. Their right to life, liberty, and the pursuit of happiness shall, to the extent that it does not interfere with the public welfare, be the supreme consideration in legislation and in other governmental affairs." In addition, there are many other articles related to human rights such as, Equality Under Law (Article 14), Freedom from Servitude/Slavery (Article 18), Freedom of Thought and Conscience (Article 19), Freedom of Religion (Article 20), the Right to no Criminal Penalty, except According to Law (Article 31), Freedom of Expression (Article 21), and Academic Freedom (Article 23).

However, the reality is that these basic human rights that are important for people, are not protected everywhere. Regarding "The UN Guiding Principles on Business and Human Rights" (Note 3) (hereinafter "Guiding Principles") approved by the UN Human Rights Council in 2011, the 2017 revised SDGs Implementation Guiding Principles (Note 4) states "Based on the Guiding Principles on Business and Human Rights, the relevant

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ministries work together to address matters in an appropriate manner and promote companies' initiatives that contribute to SDGs." Based on this, in October 2020, Japan also announced its National Action Plan on Business and Human Rights (hereinafter "NAP"), applicable from 2020 to 2025. (Note 5) Going forward, there are high hopes for human rights initiatives to extend further in business in Japan as well.

These "Guiding Principles" are the principles for implementing the United Nations "Protect, Respect and Remedy" Framework drafted by the Human Rights Council in June 2011, led by Harvard University Professor John Ruggie. The Framework rests on three pillars: the obligation of the state to protect human rights from violation by companies, the responsibility of companies to conduct business that respects human rights, and access to means of remedy in case of human rights violation. The responsibility of companies to respect human rights requires that there is no violation of human rights in business activities. The human rights in these "Guiding Principles" refer to "Internationally recognized human rights," in other words, they are based on international human rights standards of the Universal Declaration of Human Rights, International Covenants on Human Rights and the ILO (International Labour Organization) Core Labour Standards, and it is important to think from the perspective of "Rights" rather than individual human rights issues.

In the 2030 Agenda, which includes the SDGs, Paragraph 67, which describes the expectations of corporations, mentions the "Guiding Principles" and requires that creative and innovative initiatives be taken to resolve issues while complying with international standards pertaining to human rights, labor, and the environment.

Figure 1: Human Rights Listed in the Universal Declaration of Human Rights

Liberty and Equality	Prohibition of Discriminatory Treatment	Life, Liberty and Security of Person
Prohibition of Slavery	Relief from Infringement on Basic Rights	Prohibition on Inhumane Treatment or Punishment
Recognition as a person before the Law	Equality before the law	Regulation on Arrest, Imprisonment or Deportation
Fair Trial in a Fair Court	Assumption of Innocence and No Crime Without Law	Security of Private Life, Honor and Reputation
Freedom of Movement and Residence	Asylum from Persecution	Right to Nationality
Right to Marry and Have a Family	Right to Property	Freedom of Thought, Conscience and Religion
Freedom of Opinion and Expression	Freedom of Assembly and Association	Suffrage
Social Security	Right to Work, and to Free Choice of Employment	Right to Rest and Leisure
Security of Livelihood	Right to Education	Cultural Rights
Right to a Social and International Order in which the Rights and Freedoms set forth in the Declaration can be Fully Realized	Societal Obligations	Prohibition of Activities that Sabotage Rights and Liberties

Source: Created based on the "Universal Declaration of Human Rights Text" from the UN PR Center (Note 6)

2. SDGs Promotion and Human Rights Initiatives in SMEs

According to a survey conducted from late 2018 to early 2019 regarding the degree of recognition and initiatives related to SDGs and human rights in corporations, the degree of recognition for SDGs among large and global corporations was 96.7%, with 44.7% already starting initiatives (Note 7), while recognition was only 15.8% and initiatives had only commenced at 1.2% among SMEs (Note 8). Furthermore, human rights initiatives that follow the "Guiding Principles" are implemented by 35.4% of corporations, among which, corporations with high sales figures and corporations with a high rate of overseas sales are progressing with the initiatives (Note 9). This shows that initiatives pertaining to SDGs and for human rights are progressing in large corporations, but such initiatives in SMEs are practically non-existent for both.

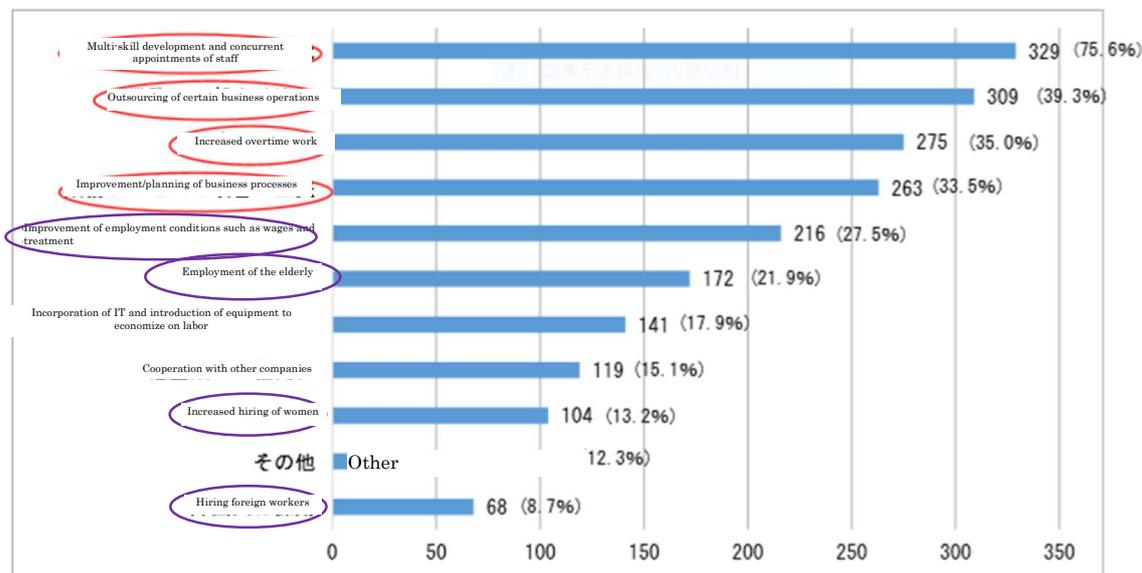
However, in Japan 99.7% of corporations are SMEs (Note 10), so the impact of SMEs working on human rights initiatives is significant. Also, as there are many that are in positions of being trading partners for suppliers of large corporations (Note 11), the spread of SDGs and human rights initiatives to SMEs means that responsible business is infiltrating society as a whole.

3. Issues Faced by SMEs

There is a lot of diversity in terms of industries and businesses that are all categorized as SMEs. A company that supplies parts and services as part of a large corporation's supply chain could be an SME, as could a company that is a pioneer in the market with its original technology and expertise. In addition, there are companies that have been loved by the local people for supporting local industries, and many companies have continued to support the lives of local people and met the needs of the region. SMEs not only support local economies, they are also vital in supporting local cultures and lifestyles, providing new value to society and regions.

Insufficient manpower is a major issue for SMEs in Japan, and in a 2017 survey, 70% of Japanese SMEs answered that they feel they don't have enough manpower (Note 12). Measures to counter insufficient manpower implemented by most SMEs, as shown in Figure 2, mainly include multi-skill development and concurrent appointments of staff, outsourcing, increasing overtime work, and improving/planning business processes. However, there is still a lack of progress in means considered to be effective such as diversifying personnel (elderly, women, foreigners) and improving wages and employee treatment. Going forward, it will be necessary to respond to the serious business problem of lack of labor, by taking initiatives to build working environments that accommodate all people.

Figure 2: Effects of labor shortage on SMEs and countermeasures



Source: "SME Survey Results (2017)", Organization for Small & Medium Enterprises and Regional Innovation

CSO Network has conducted business related to supporting the improvement of sustainability in SMEs since 2019 through initiatives such as surveys for SMEs and related parties and developing programs to support improvements in sustainability. (Note 13) This document organizes the SME initiatives gathered from the surveys from an SDGs and human rights perspective, and considers what challenges are presented in certain regions as well as initiatives the SMEs need to implement in order to resolve these issues.

II. CSO Network Case Study

Here we will introduce SDGs and human rights initiatives found in a survey conducted by CSO Network in 2019 for SMEs in Saga prefecture and Tokyo's Tama region.

1. Case: Employment with Job Satisfaction

In the Saga prefecture survey, the biggest issues were "Not enough labor" and "New hires don't last long." However, there were companies who were able to make stable hires and retain their employees thereafter. One of these was Torikai Construction, located in Kiyama Town, Miyaki District of Saga prefecture.

With decreasing population in the region, Torikai Construction has adopted the motto of appropriate utilization of land and other resources. They create hiring opportunities and invite companies to participate, and also build schools, libraries, and facilities for the elderly and disabled which become symbols for the town. In these ways, they contribute to a cycle of building up the community, which connects them to people through land.

Torikai Construction implements the following initiatives pertaining to retention of human resources, which lead to stable hiring and employment.

(1) About Recruitment

- For mid-career hires, they change their hiring standards according to the industry and match the needs of the worksite.

The company also endeavors to place the right people in the right jobs.

- They proactively hire experienced technicians and general contractors age 65 and older.

(2) Creating an environment for "Humane work with job satisfaction"

- The company provides a shift system with considerations for work-life balance.
- There is a career track in place so that each individual can carve out a specific future within the company.

A career track clarifies the focus points and path to each of the various positions that an employee may be promoted to within a company.

- They have introduced new systems in order to support acquiring qualifications and improve productivity.

Torikai's initiatives follow the 8th goal in SDGs for building a social economic foundation that focus on people and clearly shows respect for the human rights of the employees.

2. Case Study: Gender Equality

Paragraph 20 of the 2030 Agenda states, "Realizing gender equality and the empowerment of women and girls will make a crucial contribution to progress across all the Goals and targets. The achievement of full human potential and of sustainable development is not possible if one half of humanity continues to be denied its full human rights and opportunities," and the 5th goal of SDGs is Gender Equality.

Here we will go over two case studies of proactive hiring of women.

The first case is OSHIMA-GUMI Co. Ltd. located in Tosu city, Saga prefecture. The company is long-established, and has been in business for 110 years. The company develops real estate on the island of Kyushu, mainly in the Tosu and Saga areas, as well as working in civil engineering, construction, road paving work/management/supervision, etc.

About half of the company's employees are locals who graduated from Tosu Technical High School, and President Oshima even visits the school himself to give briefings on the company and discuss its role in the construction industry of the region.

By employing women, Oshima has resolved the issue of insufficient human resources so they can stay in business, and at the same time, the active participation of women in daily business affairs has also lead to a natural change in the way the management and employees think. One person said, "Women hired for the worksite as construction technicians work efficiently, showing me what women are capable of." While construction worksite employees are still predominantly men, the number of women is slowly rising.

Next we will delve into a case study of Oshima-Sangyo. The company is working to promote recycling of waste material and energy conservation through its collection, transport and disposal business of general and industrial waste in the Kanzaki district of Saga prefecture. Most of the company's current 90 employees are male, but they say they are slowly adding women to the team. One of those female employees, who was born and raised in Yokohama, was recruited to the company's sales department last year as a fresh graduate from a university in Yokohama. Her reasons for choosing to work at Oshima-Sangyo stem from her interest in topics related to sustainability such as environmental issues and fair trade. She says that while she knew that changing the high-consumption system would not be easy, she thought there must be some way she could contribute. The millennial generation, which has come of age in the 2000s, is said to be quite aware of initiatives for a sustainable society, including the environment. This is a case in which reviewing the company's own business from the perspective of SDGs

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and sustainability, led them to a new hire they may not have made before.

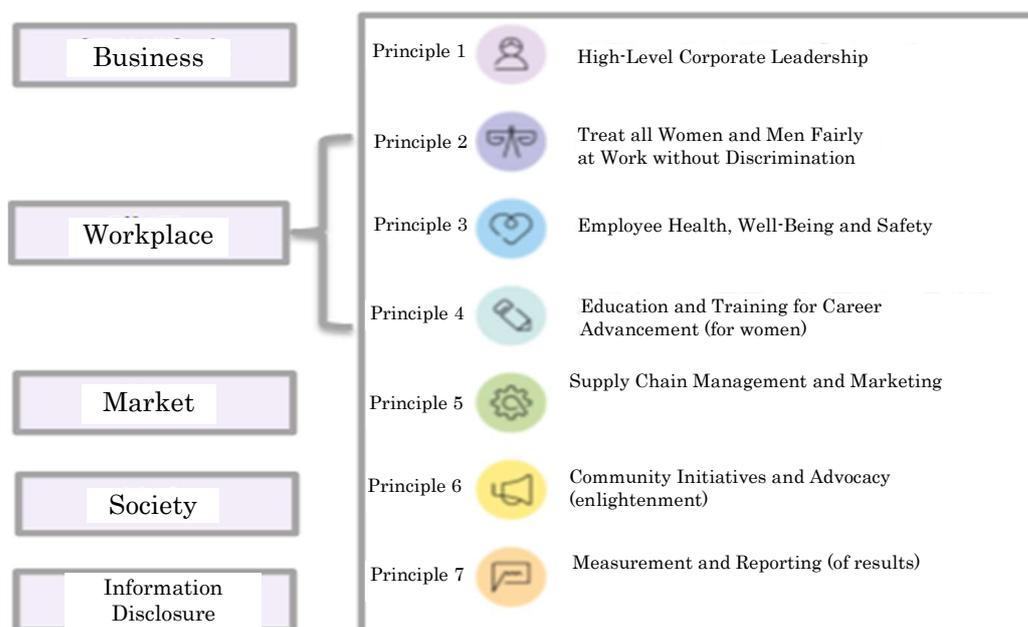
Although it is prohibited in Japan to discriminate based on gender in all stages of employment (recruiting/hiring, assignments, wages, promotion, demotion, education/training, employee welfare programs, retirement, and dismissal) according to basic labor laws and the Equal Employment Opportunity Law, in reality there are many cases in which opportunities to showcase abilities are restricted due to gender, depending on the job and industry. By reviewing the way a company's recruitment and workplace are run from a new perspective, it may be possible to achieve gender equality as well as to overcome the issue of insufficient human resources that most SMEs face.

The World Economic Forum (WEF) publishes the Gender Gap Index (Note 14) every year and in 2019, Japan dropped 11 spots from the previous year's 110 to 121, the country's lowest ranking in history. This was also overwhelmingly the lowest ranking among the G7 countries. Japan's assessment showed clear merits and demerits. For example, in terms of literacy, primary education (elementary school), and live birthrate, Japan ranks number 1 in the world without any discrimination between genders. However, when it comes to number of Diet members, number of cabinet ministers, number of women in management positions, number of experts and earned income, the nation ranks lower than 100 in the world, and with severe gender discrimination. So what initiatives should be taken to realize gender equality in a place like Japan, which holds a leading position in the world, but has a massive gender gap? This is where the Women's Empowerment Principles (hereinafter WEPs) come into the picture (Figure 3). WEPs were drafted as a joint effort in March 2010 between the UN Global Compact and UN Development Fund for Women and serve as action guidelines for companies to take independent initiatives to place gender equality at the core of their businesses. (Note 15) These principles aim to simultaneously achieve gender equality (which is vital to sustainable and inclusive economic growth) and improve the company's economic and social value, and were signed by 264 Japanese corporations in December 2020. The WEPs consist of 7 principles and indicate how companies can place gender equality at the core of their business from the perspective of business strategy, workplace, market, society and information disclosure.

Figure 3 Women's Empowerment Principles (WEPs)

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Sources: WEPs Handbook, Global Compact Network Japan HP, WEPs HP

3. Case Study: Region and Livelihood

Corporations are capable of having positive influences on the region through location and as a production site, but they can just as easily have negative influences. The main positives are creation of jobs as well as providing products and services that are useful in people's lives, while the main negative is the environmental burden that comes with business activity. In order for a company to survive, it must reduce the negative influences it causes as much as possible.

Paragraph 34 of the 2030 Agenda regarding "Urban Development and Chemicals," states "We recognize that sustainable urban development and management are crucial to the quality of life of our people," and promises to "foster community cohesion and personal security," and also states, "We will reduce the negative impacts of urban activities and of chemicals which are hazardous for human health and the environment, including through the environmentally sound management and safe use of chemicals, the reduction and recycling of waste and more efficient use of water and energy." SDGs goal No. 11 is "Make cities and human settlements inclusive, safe, resilient and sustainable."

Maeda Metal Co., Ltd. located in Tachikawa city, Tokyo works in recycling metals which consists of collecting, sorting, processing and selling iron, copper, aluminum, stainless steel and other metals generated from civil engineering projects, wreckers and factories to iron and steel manufacturers. They work in the city, which is uncommon for metal recyclers, but when they started their business, the city had not been established yet and at the time they were able to expand their business by purchasing more land. After that, the region started to develop and residential homes increased in the surrounding areas. It became necessary to invest in equipment that took into consideration building a relationship of mutual trust with the community, safety and the environment. Maeda ended up sparing no expense when it came to the investments necessary to continue their business in the region including soundproofing their walls to reduce sound, dust and vibrations, and misters on the ceiling to keep the dust down.

After many years of these such initiatives, in April 2019, Maeda switched gears to establish "Medical Forest Tachikawa" next to their company headquarters. Medical Forest Tachikawa is a complex facility that will house medical facilities as well as a day

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care center with the aim of creating a place where each individual in the area can be happy and healthy. Nowadays, in areas around Tachikawa, if land located next to a factory, which was used as a material storing site for construction companies, is sold, then there is a high probability that the sold land will be developed for residential buildings. As a result of this, it is expected that continuing businesses will be difficult. This is why Maeda decided to purchase the land adjacent to theirs. The idea of creating a place that met the needs of the area led to an opportunity to expand their business.

Considering the human rights of local residents, including safety and the environment, is vital for regional businesses. A company can protect the livelihoods of local residents and gain their understanding and trust by proactively avoiding or reducing the negative effects their business activities, products or services may have directly on the people. Activities deeply rooted in the community, such as realizing and resolving issues in procuring raw materials, production and other processes in business activities may lead to business continuity, expansion to new markets, improved corporate value and even building a sustainable society.

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The second half of this document (continued) introduces human rights initiatives required of SMEs, and required support and cooperation with stakeholders for SMEs.

(Note)

¹ For example, Ohkawa Printing Co., Ltd. has won the award.

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² Ministry Foreign Affairs in Japan

<https://www.mofa.go.jp/mofaj/files/000101402.pdf>

³ Business and Human Rights

https://www.mofa.go.jp/fp/hr_ha/page23e_000551.html

⁴ https://www.kantei.go.jp/jp/singi/sdgs/pdf/jisshi_shishin_r011220.pdf

⁵ The National Action Plan on Business and Human Rights (2020-2025)

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⁷ Government Pension Investment Fund 「『第4回 機関投資家のスチュワードシップ活動に関する上場企業向けアンケート集計結果』の公表について」(May, 2019) (Japanese Only)

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¹⁵ Gender Gap Index

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¹⁶ Women's Empowerment Principles

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