A Brief Introduction to Business and Human Rights, Part 1:
What Businesses Must Value

We are delighted to present this column series on business and human rights by Mr. Hideki Matsuoka, who is the Special Project Manager for Asia-Pacific Human Rights Information Center (HURIGHTS OSAKA). He is also on the governing council for CSO Network Japan.

Value Your Customers and Employees or Your Business Will Not Last

There are many things that a business must value.

A corporate business produces goods and services and sells them to people who need them or to other businesses, and it cannot continue to operate without a certain amount of sales and profits to keep it going. Looking at this cycle in more detail, you see how we need people to produce goods and services and people to buy them, and in order to continue the business operations, we also need to consider the relationships the business has with the people around the physical location of the business.

Let us start with the idea of valuing customers. From small businesses to large global corporations, most would not deny the importance of this idea. In fact, there are many well-established, long-running companies with hundreds of years of history that emphasize the valuing of customers in their company mottos and policies, even if the exact wording may be different from business to business. Even among large corporations, business-to-consumer companies that produce consumer goods or are in the service industry, such as retail and restaurants, are sensitive to consumer needs and evaluations without exception, and their corporate and management philosophies often express their focus on customers. This may also be true for business-to-business companies that manufacture industrial goods when we consider their business partners as customers. So, regardless of business size, at the frontlines where a business actually comes into contact with customers, treatment of their customers may as well be of key importance for a business on a daily basis.

In reality, however, there are many cases where a company betrays the trust of consumers and business partners by falsifying information, such as expiration dates and ingredients, or by delivering products that do not meet the specified quality standards. In such cases, the company's business is adversely affected by the loss of public trust, and in some cases, it may even be forced to deal with legal proceedings.

The same goes for valuing employees. Unless it is a one-person business, you cannot continue your business activities without your employees' cooperation and labor. It is not uncommon to find a company motto or a corporate management philosophy that states that the company values its employees. However, as with customers, there are many cases where this is not the case in reality. The workplace is not a comfortable place to work for employees when adequate wages are not paid,

occupational safety and health standards are insufficiently met, or when sexual harassment and workplace bullying (which is referred to as power harassment in Japan) are not dealt with appropriately. In particular, in the current difficult economic realities resulting from the new coronavirus pandemic, the most vulnerable people such as the so-called nonregular workers must bear the brunt, and while some companies are still making efforts, many are not.

Whatever circumstance a business may be in, it is impossible to continue to operate one without maintaining good relationships with the many people who exist throughout the whole spectrum of their corporate activities.

The concept of corporate social responsibility (CSR), which has been developed over the past several decades, emphasizes the importance of relationships with individuals and groups of people involved in corporate activities who are referred to as stakeholders. Stakeholders include not only consumers, business partners, and employees, but also people in the local community where the company is located as well as NPOs and NGOs. In the case of stock companies, their shareholders and investors would also be included.

In this context, corporate activities are viewed from the perspective of their impact on stakeholders, and businesses are expected to take responsibility for their impact as a member of society. In doing so, the emphasis has been on minimizing negative impacts and maximizing positive impacts. In fact, when we think of responsibility, we may think of it as something that is imposed on us from above, such as in the case of legal regulations. However, if we look at it from a different perspective, we can see how a business can gain the trust of the people around them by fulfilling their responsibilities as a member of society, and how this, in turn, would stabilize their operations and ultimately lead to the making of a more desirable society.

Defining the Concept of Business and Human Rights

Business and human rights is a concept that exists as an extension of this very idea that a business should fulfill its responsibilities for the impact it has on stakeholders.

Stakeholders are made up of a very large number of people. And business and human rights is a concept that has been discussed at the United Nations to address the negative impact on the human rights of these very large numbers of people, something that has been articulated relatively recently around a decade ago.

As the general public may be well aware supply chain is a term that includes all the sources of procurement of materials, parts, and energy necessary for the production of a company's products and services. By the latter half of the twentieth century, the wave of globalization had already spread throughout the world and this supply chain was also expanding globally. At the same time, the search for markets spread to a global scale and corporate activities were expanding beyond national borders. In the midst of this trend emerged the very large global corporations known as multinational

corporations.

As corporate activities expand, so did their impacts. In particular, the production sites of corporations originally based in developed countries spread to developing countries, and the unacceptable forms of work there became problematic. Also, environmental pollution caused by industrial activities sometimes had seriously negative impacts on the people in the communities in which these production sites were located.

For example, in 1984, toxic gas leaked from the agrochemical plant of a U.S. chemical company's subsidiary in India, causing enormous damages to the local community. And in 1997, when it was revealed that a subcontracting factory in Southeast Asia for a U.S. sporting goods manufacturer imposed unacceptable forms of work on their workers including child labor, forced labor, and long working hours, it led to a large-scale boycott of their products.

These are just two examples, and it certainly does not mean that we are only talking about countries far away from Japan. In fact, the harmful impacts of environmental pollution on local communities became a major issue in Japan during the period when our country was experiencing rapid economic growth (between the mid-1950s and the mid-1970s), and even recently, the various labor issues that technical intern trainees are facing have been recognized as major problems that need to be resolved. Furthermore, in the globalized world that we have today, businesses regardless of their size are often directly and indirectly connected to the rest of the world in some way through their corporate activities. Stakeholders, then, would not only include the relatively immediate consumers, business partners, and employees, but also the entire supply chain as well.

Against the backdrop of these circumstances around the world, United Nations discussed these issues and compiled the UN Guiding Principles on Business and Human Rights, which was endorsed by the UN Human Rights Council in 2011. The Guiding Principles currently has a major impact around the world. As for Japan, the government launched its National Action Plan (NAP) on the implementation of these Guiding Principles in October 2020.

In order to stabilize and to sustain operations, businesses must value customers, employees, and other people. This means that, on the flipside, they must improve themselves if people are not treated well, or make sure on a regular basis that they do not get into situations where they mistreat people in the first place. These Guiding Principles are there to help businesses think through and work on what it really means to value people from the perspective of respect for human rights.

What exactly are the Guiding Principles, then? We will take a closer look in the next column.

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Mr. Matsuoka was involved in the formulation process of the Japanese government's National Action Plan (NAP) on Business and Human Rights as a member of the working group and has also conducted training for internal auditors for ISO 14001. He serves as an adjunct instructor at the Doshisha University Graduate School of Policy and Management, the Kwansei Gakuin University School of Economics, and the Osaka City University Research Center for Human Rights Studies, where he teaches courses on CSR and business and human rights. He has been on the governing council of CSO Network Japan since June 2020.