

Description of Section II: Establishing a Management System

A. Establishing a Management System

[Code Interpretation]

The following points must be considered when establishing a management system for achieving the various items in Section I: Code of Conduct.

- Whether it complies with the laws, regulations, and customer requirements regarding business practices and products
- Whether it is according to the content of these guidelines
- Whether it identifies and reduces the risks regarding the content of these guidelines
- Whether continuous improvements can be expected based on the above

[Description of Terms]

A management system is establishing a framework for continuous improvements through the Plan-Do-Check-Action (PDCA) cycle regarding policy compliance, implementation systems, corrective actions, and stakeholder engagement. This is not necessarily for the purpose of acquiring certification. Furthermore, a management system includes the following.

- Company commitment
- Management accountability and responsibilities
- Legal and customer requests
- Risk identification and risk management
- Improvement objectives
- Training
- Communication
- Worker feedback, participation, and grievance
- Audits and assessments of identified risks
- Corrective Action Process
- Documentation and recording

Examples of well-known management systems are indicated below.

- Health and safety management systems such as ILO Guidelines on occupational safety and health management systems, OHSAS18001, and ISO 45001
- Environmental management systems such as ISO 14001 and Eco-Action 21
- Quality management systems such as the ISO 9000 family, IATF16949, and ISO13485
- Information security such as ISO/IEC 27001
- Business continuity such as ISO22301

B. Supplier Management

[Code Interpretation]

In the Guiding Principles for Business and Human Rights of the United Nations and OECD guidelines, companies are required to take the same responsibility for CSR in their supply chain as they do at their own company. Therefore, it is necessary to communicate the requirements in Section I: Code of Conduct to suppliers, monitor the status of compliance, and promote improvements.

Supply chain management is covered in Chapter 2 of International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games by the ILO. This handbook provides specific examples of recommended practices, points of attention for each process, and supply chain management process, in order to promote the implementation of sustainable supply management according to international labor standards, particularly regarding aspects of labor and human rights.

- Supply chain management process (role of in-house expertise, etc.)
- Human rights/labor due diligence process for new suppliers, etc.
 - Preliminary research → on-site due diligence → agreement on action plan → contracting and monitoring
- Assessing human rights and labor risks
 - Risk indices/factors, examples of questions to suppliers
- Dialogue/communication with suppliers
 - Content and method of discussions in dialogue process, interviewees and interviewing techniques
- On-site occupational safety and health check
- Consultation with third parties regarding labor issues
 - Things to keep in mind for consultation with trade unions, employers' organizations, and NGOs, sources of information, etc.

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

Due diligence is the process enterprises should carry out to identify, prevent, mitigate and account for how they address these actual and potential adverse impacts in their own operations, their supply chain and other business relationships, as recommended in the OECD Guidelines for MNEs.

Effective due diligence should be supported by efforts to embed RBC into policies and management systems, and aims to enable enterprises to remediate adverse impacts that they cause or to which they contribute.

(Source: OECD Due Diligence Guidance for Responsible Business Conduct)

[Description of Terms]

A supply chain refers not only to the process starting from raw materials and to the end when products and services arrive at the consumers, but all relationships including such as worker dispatch agents and contractors, regardless of the individual roles of each company.

C. Proper Import/Export Control

[Code Interpretation]

Companies must understand and comply with the various national laws and regulations for importing and exporting.

Technologies and goods regulated by law refer to components, products, technologies, equipment, and software subject to import/export control according to laws and regulations based on international agreements, etc. (such as the Wassenaar Arrangement).

It may be necessary to obtain permission, etc. from the competent authorities regarding importing and exporting.

D. Establishing a Grievance Mechanism

[Code Interpretation]

In order to comply with Section I: Code of Conduct, it is important to establish a mechanism for processing grievances from stakeholders including workers and suppliers, and enable treating problems as a continuous process. In order to ensure that the grievance mechanism functions effectively, it is useful to conduct awareness surveys to see the level of understanding and to ask for participating continuous improvements by collecting suggestions, etc.

[Description of Terms]

A grievance mechanism is a framework that enables related parties to report acts suspected to be in violation of Section I: Code of Conduct to promote corrective action. It is important that complaints can be lodged via anonymous reporting. Whistleblowers must not be treated disadvantageously due to their complaints.

Example of grievance mechanism include a suggestion box, telephone, e-mail, or hotline managed by an external organization.

E. Disclosing the Activities

[Code Interpretation]

Companies must not only disclose information as stipulated by the law, etc., but also disclose information regarding efforts for these guidelines to stakeholders including customers.

Examples types of information disclosure include CSR reports and sustainability reports via company websites and printed media.

Guidelines to refer to include GRI Standards and Environmental Reporting Guidelines from the Ministry of the Environment.