

**Charter of Corporate Behavior  
&  
Its Implementation Guidance**

**September 14, 2010**

***KEIDANREN***



**Charter of Corporate Behavior**  
*(Kigyo-Kodo-Kensho)*

# Charter of Corporate Behavior

*KEIDANREN* (Japan Business Federation)

September 14, 2010

## <Foreword>

*KEIDANREN* (Japan Business Federation) has always made efforts to build vibrant and affluent society that is self-regulated and led by the private sector. To realize such society, corporations and individuals alike should demonstrate lofty ethical values, recognize that their social responsibility goes beyond merely compliance with laws and regulations, and actively participate in solving various relevant issues. To steadfastly and firmly encourage member corporations to voluntarily undertake these tasks, *KEIDANREN* established its Charter of Corporate Behavior in 1991 and compiled the Implementation Guidance in 1996. The Charter and the Guidance have subsequently been revised several times to reflect changes in economic and social conditions.

In recent years, the idea that all organizations should realize and discharge their social responsibility for sustainable development of society, a concept demonstrated by ISO 26000 (International Standard: Guidance on social responsibility), has spread around the world. In particular, while the presence of corporations is indispensable for the economic development of society in terms of their capacity to generate income and employment, corporations should realize the great impacts they have on society as well as the environment and take the initiative to discharge their Corporate Social Responsibility (CSR).

Specifically, corporations should seek dialogue with a wide range of their stakeholders, including shareholders, investors, consumers, business counterparts, employees and the local community, and earn their trust by responding to their expectations, such as continuing to pursue greater efforts to ensure consumer safety and promoting eco-friendly activities.

Corporations should discharge their social responsibility not only within their corporate groups, but they should also promote socially responsible behavior within their supply chain. Furthermore, in response to the growing public interest on human rights and poverty, it becomes important for corporations to tackle these issues from a global perspective.

In view of the recent changes surrounding the concept of corporate social responsibility, *KEIDANREN* has revised its Charter of Corporate Behavior in order to encourage member corporations to further promote CSR on their own effort. Member corporations should continue to contribute toward social development by creating quality goods and services, while taking the ethical aspects of their activities into full account. Member corporations should once again realize the intimate relationship that exists in the development of a corporation and society, and conduct business activities from a comprehensive perspective of their economic, environmental and social aspects, so that these activities will lead to sustainable development of society. Member corporations, therefore, pledge to comply with the spirit of the Charter of Corporate Behavior as laid down below and implement the Charter on their own initiative.

Note:

While the Charter of Corporate Behavior and its Implementation Guidance have been developed by *KEIDANREN* as voluntary codes of conduct of its member corporations, they are also considered as a freely available tool for socially responsible practices of other organizations all over the world.

# Charter of Corporate Behavior

## For Gaining Public Trust and Rapport

*KEIDANREN* (Japan Business Federation)

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A Corporation has a responsibility to contribute toward the economic development of society by creating added value and generating employment through fair competition and should also make their existence useful to society at large. To this end, regardless of its location, a corporation is expected to respect human rights, comply with relevant laws and regulations, observe the spirit of international rules, discharge their social responsibility with a strong sense of ethical values and contribute toward sustainable development of society by acting in line with the following ten principles.

1. Develop and provide socially beneficial and safe goods and services that give satisfaction to consumers and customers.
2. Engage in fair, transparent and free competition and ensure that transactions are appropriate. Also, maintain a sound and proper relationship with political bodies and government agencies.
3. In addition to communicating with shareholders, interact extensively with the public, and disclose corporate information actively and fairly. Also, protect and properly manage personal and customer data and other types of information.

4. Respect diversity, character and personality of employees and ensure a safe and comfortable working environment, thereby providing a sense of comfort and richness.
5. Proactively initiate measures in acknowledgment of environmental issues, the common challenges they pose to humanity and their importance to its existence and livelihood.
6. Actively engage in community involvement activities including philanthropy as a “good corporate citizen.”
7. Resolutely confront antisocial forces and organizations that pose a threat to the order and security of civil society and sever all relations with such individuals and groups.
8. In line with the globalization of business activities, comply with laws and regulations of the countries and regions where its business operations are based and respect human rights and other international norms of behavior. Also, conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society.
9. Top management recognizes that it is its role to realize the spirit of this Charter and takes the lead in an exemplary manner to implement the Charter within the corporation and its entire corporate group, while encouraging its business counterparts to follow the same example. Furthermore, it should always try to keep abreast of what people inside and outside the corporation say and set up an effective mechanism throughout the corporation to implement the Charter.
10. In case the Charter is violated, top management should clarify both internally and externally that it will take charge to resolve the situation, determine the cause of infringement and make efforts to prevent similar violations in the future. At the same time, top management should promptly make full public disclosure, explain what has occurred, and, upon determining the source of competence and responsibility, impose strict disciplinary action against those held responsible, including top management itself.



# **Implementation Guidance on Charter of Corporate Behavior**

This document is a translation of "*Kigyo-Kodo-Kensho Jikko-no-Tebiki* (the 6th version)".



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## **Clause 1**

### **Develop and provide socially beneficial and safe goods and services that give satisfaction to consumers and customers.**

#### **<<Background>>**

**(1) The rising importance of corporate social responsibility (CSR) through business activities**

The foundation of a corporation's existence – and a core CSR issue – centers on contributing toward the solution of various social issues through business activities, including an improvement of the public's living standards. This idea of CSR management appears to have taken hold in many corporations. According to the "Results of a CSR Survey by *KEIDANREN*" (September 2009), more than 90 percent of its corporate members take issues concerning "consumer affairs" and "ensuring the quality and safety of goods and services" seriously, going beyond what is required by laws and regulations.

Corporations should make a major contribution toward sustainable development of society through the goods and services they provide. In producing and marketing goods and services, corporations should not only try to meet the needs of consumers and customers, but they should also take a medium- to long-term view on how they play a part in sustainable development of society and they should develop and provide goods and services in the context of that view.

Such efforts will enable corporations to establish a long term relationship of trust with its consumers and customers, which is vital to their existence.

**(2) Bolstering and strengthening consumer policies to promote consumer safety and security**

Consumer rights (the rights to safety, making choices, being informed, education, being heard, and redress.) are written in the Consumer Basic Act, enacted as a revision of the Consumers Protection Fundamental Act. Consumer policy has been strengthened in Japan to ensure consumer safety and security, and to promote other consumer interests, as symbolized by the enactment of three laws in May 2009 related to the establishment of the Consumer Affairs Agency and the Consumer Commission in September of that year.

To realize the spirit of the Consumer Basic Act – to "respect the rights of consumers" and "support the independence of consumers" – corporations should make efforts to guarantee the quality and safety of their goods and services. They should also take the initiative to provide consumers with the necessary information and education concerning the corporation's goods and services so that consumers can make independent and rational choices.

## **1.1 Understand the needs of consumers and customers and develop and provide socially beneficial goods and services that are conducive to sustainable development of society.**

### **<<Basic attitude and stance>>**

A corporation should develop and provide goods and services in response to the diverse, complex and sophisticated needs of consumers and customers. It should make efforts to identify what is socially beneficial in order to develop and provide goods and services that are conducive to sustainable development of society. Furthermore, it should make suggestions for a new consumer lifestyle consistent with this concept.

In particular, in light of heightened public concern about finite energy resources and climate change, a corporation should take environmental issues such as energy and resource efficiency and biodiversity into account as it develops and provides goods and services. Also, it should strive to achieve universal design and to improve accessibility so that its goods and services can be used by all consumers, irrespective of their nationality, gender, age, or disability status. Furthermore, in response to society's expectation, a corporation should make use of its technology, expertise and other resources to help alleviate poverty around the world.

### **<<Examples of related actions>>**

- (1) Understand the needs of consumers and customers and set up a framework where such knowledge can be applied effectively to the business. Introduce a monitoring system and build a mechanism to feed the information to the corporation's R&D, production, sales and other departments.
  - (a) Strengthen consumer surveying by setting up a consumer monitoring system and conducting consumer questionnaires from the product development stage to after-sales service.
  - (b) Fortify partnership between the customer service section and the departments of R&D, production, and sales including sales agencies.
  - (c) Reinforce a system of utilizing proposals from employees, business counterparts and other stakeholders.
- (2) Set up a system to conduct R&D with a medium- to long-term perspective, seeking to develop socially beneficial and eco-friendly products in order to contribute to sustainable development of economy and society.
  - (a) Calculate the environmental burden (for example, the carbon footprints, and the like.) of a product's life cycle. Set up industry-wide and cross-industry R&D structures.
  - (b) Set up an R&D structure in partnership with government agencies and academic bodies.
  - (c) Make use of venture businesses.

(See Clause 5 for concrete action plans for other environmental fields.)

## 1.2 Ensure the quality and safety of goods and services.

### <<Basic attitude and stance>>

A corporation should do everything to ensure the quality and safety of the goods and services it sells in order to provide satisfaction to consumers and customers and to earn their trust. A corporation should keep up its efforts in order to maintain and raise the level of consumer satisfaction and credibility. For this purpose, top management should take the initiative to ensure that the Consumer Safety Act, the Consumer Products Safety Act, the Product Liability Act and other applicable laws and regulations are fully observed and by establishing a safety-first attitude throughout the corporation.

Top management should set up a corporate structure in which the voice of consumers and customers will lead to an improvement in quality and safety, in which information on accidents is promptly disclosed, and in which measures to prevent a reoccurrence are taken.

### <<Examples of related actions>>

- (1) Promote quality and safety measures under the leadership of top management.

Top management should ensure that every employee is aware of the importance of the performance, quality, and safety of its goods and services, as expected by consumers and customers. Top management should draw up policies to guarantee quality and safety and to promote activities to achieve this goal. It should also release a personal message on quality and safety policies.

- (2) Set up a quality and safety management system.

A corporation should set up a management system for quality and safety controls by stipulating standards and procedures that covers the entire life cycle of a product, from development to sales and after-sales service. It should make sure that these standards and procedures are faithfully implemented, and it should check the effectiveness of the management system and take whatever corrective measures are necessary.

- (a) Formulate quality and safety policies, draw up concrete action plans and put the measures into effect.
  - (b) Draw up corporate regulations according to applicable laws, and industry guidelines.
  - (c) Conduct in-house seminars on quality and safety.
  - (d) Uncover potential risks associated with its goods and services (including risks due to consumers' incorrect usage), conduct an assessment and adopt the necessary safety measures.
  - (e) Conduct effectual audits in order to verify the management and enforcement of quality and safety issues.
- (3) Promote the gathering, reporting and disclosure of information on defects.

A corporation should set up a system to actively gather information on defects occurring in its goods and services. It should realize that the responsibility to gather data on accidents caused by its goods and services lies collectively with the manufacturer, the importer (if the product is imported) and the retailer. When defects are found, especially those that

endanger, or could endanger, the lives of users, staff should promptly report the situation to top management; notify the authorities concerned as well as consumers and customers; and take remedial measures promptly and appropriately.

- (a) Set up a system to gather information on defects concerning its goods and services.
  - (b) Set up and enforce a mechanism to notify top management when there is information about accidents
  - (c) Disclose information about accidents promptly and appropriately to the authorities concerned as well as to suppliers, maintenance operators, the relevant industry and trade association, consumers, and other interested parties.
  - (d) Draw up a corporate recall manual in conformity with applicable laws and guidelines, and implement recalls in accordance with the manual.
  - (e) Promptly correct the defects found in its goods and services.
  - (f) Set up an in-house system that turns information on defects in its goods and services into efforts to prevent a reoccurrence.
- (4) Manage and store defects reports and make use of the information.

It is possible that goods and services developed and sold under then-prevailing scientific knowledge may unavoidably contain defects or flaws. After its goods and services are on the market, the corporation should keep abreast of the latest scientific knowledge, continue efforts to gather data on reported defects, follow the industry trends, and set up a system to prevent a recurrence of similar defects in the future.

- (a) Store information on defects and conduct risk analysis.
  - (b) Investigate the causes of the reported flaws and notify the departments concerned within the corporation as well any appropriate industry and trade association so as to prevent the same or similar issues from recurring.
  - (c) Attend seminars on reported cases of defects, study the latest technologies and industry trends on how to deal with them, and make use of remedial measures.
- (5) Comply with the applicable laws, safety standards and other regulations of various countries and provide goods and services that satisfy all prescribed requirements.

Applicable laws and safety standards are not necessarily identical in every country; they may differ as a result of history, culture and other factors. A corporation, therefore, should comply with the applicable laws, safety standards and other requirements of various countries, and strive to ensure that the quality and safety standards of goods and services satisfy all prescribed requirements.

- (a) Research and analyze the legal provisions on safety requirements for goods and services in various countries (particularly regulations concerning safety standards and legal provisions aimed at providing redress to victims in case of accidents) and reflect and go beyond these laws and standards in its operating capabilities.
- (b) Fully understand the extent of public awareness on product safety in various countries and provide goods and services that satisfy those social needs.

### **1.3 Provide appropriate information on goods and services to consumers and customers, and conduct awareness-raising activities so that consumers can make independent choices and judgments.**

#### **<<Basic attitude and stance>>**

A corporation should provide the necessary information in plain language on its goods and services so that consumers can make independent and rational choices. It should display information on its consumers and customers in line with the Act for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation, the Japan Agricultural Standards Act (JAS Act), the Food Sanitation Act and other legal provisions. It should act from the standpoint of consumers and customers and provide the necessary information actively and voluntarily, using appropriate and easy-to-understand methods. In addition, it should give suitable and timely directions about the use of its goods and services, including hazards. Furthermore, a corporation should conduct consumer education and awareness-raising activities, either hosting the efforts itself, or with an industry and trade associations acting as the host, while coordinating, if necessary, with central or local governments, consumer groups, NPOs/NGOs, and others to widen the opportunity for consumers to make independent and rational choices, and to contribute toward sustainable development of society.

#### **<<Examples of related actions>>**

- (1) Display content information, directions for use, and others date on its goods and services and explain it to consumers and customers in plain language.
  - (a) Properly label goods and services in line with the applicable laws.
  - (b) Provide information following industry guidelines and industry standards.
  - (c) Offer easy-to-understand information on how to use the goods and services safely and correctly.
  - (d) Display labels such as “attention,” “warning,” and “danger” to advise consumers not to use goods and services dangerously or in ways not originally intended.
  - (e) Prepare visually engaging manuals by using drawings, photographs, videos and other graphic materials.
  - (f) In consideration of children, the elderly, people with disabilities, and foreign users, provide visually and aurally appropriate explanations using new media tools and multi-lingual labels.
  - (g) Give sufficient guidance to operators, corporations, organizations and others involved in sales, maintenance, after-sales, and other services on how to provide easy-to-understand explanations on goods and services to consumers and customers, and how to put up store displays.
  - (h) With regard to financial products, disclose appropriate explanations about risks, investor protection, and related information.
- (2) Take the initiative to display practical information on goods and services that helps consumers and customers choose and use them properly.

Use the Internet and other media to voluntarily and actively provide information on goods and services with respect to the environment, safety and other relevant issues.

- (3) Take the initiative to conduct consumer-awareness activities – in coordination with the appropriate industry association – cooperating, as needed, with government, consumer groups, NPOs/NGOs and other organizations.

Carry out awareness-raising and other educational activities whenever necessary on industrial safety, the environment and energy, science, nutrition, finance, career, and other topics in line with the corporation's businesses and its corporate character, so that consumers have an understanding of, and become better informed about, its goods and services.

- (a) Actively participate in activities organized by the relevant authorities on correct and incorrect use of products. Contribute toward building a product safety culture.
- (b) Conduct teach-in programs at schools and other facilities, and sponsor various hobby and skill-learning classes, study meetings, public seminars, sponsored lectures, and other programs in cooperation with central and local governments, educational institutions, NPOs/NGOs, and other organizations.
- (c) Organize visits to its factories and those run by its affiliates and organize educational and instruction programs.
- (d) Draw up pamphlets, teaching materials and other corporate literature in plain language.

## **1.4 Handle inquiries and other communications from consumers and customers in good faith and reflect their views in making improvements to existing products and in developing new goods and services.**

### **<<Basic attitude and stance>>**

The attitude customer service staff members take toward inquiries, requests and complaints from consumers and customers has direct impacts not only on a corporation's goods and services but also on public trust toward the corporation. Therefore, handle consumer inquiries sincerely and swiftly, promptly notify top management when learning about accidents or trouble involving its goods and services and take measures to prevent a reoccurrence.

Also, it should regularly train employees and partners that serve as contact points with customers so that they know how to handle customer relations properly. They should conduct after-sales service and customer support service in good faith.

In addition, a corporation should always keep the contents of customer inquiries and requests on file and under proper management. It should build a system so that the information can be shared within the corporation and the data used as references in making improvement to its goods and services and in developing new products.

### **<<Examples of related actions>>**

- (1) Set up customer service to handle inquiries, requests and complaints from consumers and customers.

Establish the necessary corporate structure in the countries and regions where its goods and services are sold so that inquiries and complaints can be handled properly and swiftly. In setting up customer service, make sure that consumers and customers feel comfortable when they make inquiries.

- (a) Set up a customer service to include a toll-free telephone service.
- (b) Prominently advertise the availability of customer service.
- (c) Set up a customer service link on the corporate website.
- (2) Strengthen after-sales service and customer support service.
  - (a) Revise and reinforce service manuals.
  - (b) Set up a service network and a customer support system.
- (3) Conduct education and training among employees who serve as contact points with consumers and customers.
  - (a) Draw up a customer service manual and flowchart.
  - (b) Conduct education and training on how to serve consumers and customers.
  - (c) Monitor the quality of service to consumers and customers.

- (4) Keep consumers and customers information under proper management.
  - (a) Keep a record of the contents and the history of customers' issues.
  - (b) Set up a database on inquiries and complaints received.
  - (c) Stipulate the rules of service in cases where sales areas are spread over multiple countries.
  
- (5) Share the voice of consumers and customers within the corporation so that they can be used as references in making improvements to existing products and in developing new goods and services.
  - (a) Retrieve customer needs from the customer service database.
  - (b) Share customer needs among the corporation's relevant departments and use them as references in making improvements to goods and services.
  - (c) Promote dialogue and communications in order to incorporate consumer feedback into a basic attitude and stance of management.
  - (d) Provide a chronological account of how the voice of customers has been reflected in the improvement of goods and services and post the information on the corporate website or in other publications.

## **Clause 2**

**Engage in fair, transparent and free competition and ensure that transactions are appropriate. Also maintain a sound and proper relationship with political bodies and government agencies.**

### **<<Background>>**

#### **(1) Rising importance of the Antimonopoly Act to promote fair and free competition**

The Antimonopoly Act is designed to protect consumer interests and ensure the sound development of the national economy by promoting fair and free competition. The importance of this statute has increased significantly as government moves to deregulate the economy continue apace amid demands for completely free competition in the market and stronger discipline in corporate activities. Given this background, there have been a series of developments in recent years to strengthen the enforcement of the Antimonopoly Act, such as introducing an “immunity from and reduction of surcharges” system (as part of incentives to act against antitrust activities) and giving the Fair Trade Commission greater authority to investigate antitrust violations. There are also moves to further strengthen the Antimonopoly Act by widening the definition of actionable behavior and raising the rate of surcharges especially for repeat offenders and leading offenders.

The economic downturn in recent years has also prompted widespread criticism from the public on unfair trade practices, such as abuse of dominant bargaining positions and unfair bargain sales. As a result, when the Antimonopoly Act was revised in 2009, these unfair commercial practices were made subject to surcharge penalties. Recently, there has been a surge of recommendation orders issued by the Fair Trade Commission to deal with violations of the Subcontract Act (the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors). Corporations should, therefore, further strengthen their legal compliance mechanism.

With respect to the relationship between administrative guidance and the Antimonopoly Act, the Fair Trade Commission’s “Guidelines Concerning Administrative Guidance under the Antimonopoly Act” stipulate that “conduct by a firm or an industry and trade association is by no means exempt from the application of the Antimonopoly Act, even if it was brought about through the administrative guidance of an administrative organ.”

#### **(2) Changes in the enforcement and application of international competition laws**

Enforcement of competition laws has become active also on the international scene along with the globalization of economic activities. There have been, for instance, prominent news reports of harsh legal action and heavy sanctions against international hard-core cartels, and it appears that antitrust authorities of the countries and regions, including Japan, have been working closely together. Emerging and developing economies are also intensifying the enforcement of antitrust laws. In light of these facts, corporations should keep fully abreast of the enforcement and application of competition laws in various countries and strengthen compliance in their corporate groups as a whole, regardless of their location.

Japanese industry and trade associations should also be aware that any act that causes impacts on overseas markets may put them at risk of being investigated and punished by overseas competition authorities even if the action occurs in Japan. Therefore, Japanese corporations as well as Japanese industry and trade associations should bear Japanese and overseas competition laws in mind when conducting their activities.

**(3) Problems surrounding public bids**

Rigging in public bids has been vehemently criticized by the public. To combat bid rigging, the Fair Trade Commission has issued “Guidelines Concerning the Activities of Firms and Trade Associations with Regard to Public Bids.” There are obviously problems under the current public-bidding system, where orders are placed by a monopolistic party. The Act Concerning Elimination and Prevention of Involvement in Bid Rigging, etc. (Prevention of Government Bid Rigging Act) stipulates that the Fair Trade Commission has the authority to demand “improvement measures” and seek damages from employees involved in bid rigging. In 2007, the law was again revised and strengthened, with the provision that employees of government agencies who abet bid rigging or engage in activities that harm the fairness of bidding will be subject to criminal punishment. Even so, it is important to keep up efforts to combat bid rigging.

**(4) Rising importance of protecting intellectual property**

In Japan, concrete policies and mechanisms to protect intellectual property have been established under a series of “Intellectual Property Strategic Programs” drawn up under the Intellectual Property Basic Act.

Proper protection of intellectual property is an important factor for creating a fair competition environment; it is also the starting point of competitiveness for every corporation. Protection of intellectual property is becoming all the more important now while the transition to the intellectual society is further emphasized. Every corporation should act fairly and in an exemplary way at home and abroad.

**(5) Build a sound and normal relationship with political bodies and government agencies**

There is demand both in Japan and overseas to enhance transparency not only in the sales and trade practices but also in the relationship among political bodies, economic organizations and government agencies.

When interacting with politicians and government employees, there must not be any behavior that could be seen as collusive. The National Public Service Ethics Act and “the National Public Service Ethics Code” have stipulated a list of behaviors that national public service officials should not be engaged in vis-à-vis people who have interests in their work. Corporations should also undertake a review of the practices and customs of dealing with public service officials, including officials at local governments. Corporations should conduct their activities while maintaining a highly transparent relationship with politicians and government employees.

## **2.1 Thoroughly enforce compliance with the Antimonopoly Act within a corporation.**

### **<<Basic attitude and stance>>**

The Antimonopoly Act is the fundamental law for a free economy. A corporation cannot conduct any business unless it abides by this statute. Also, as business activities become globalized and the world economy turns increasingly borderless, competition laws of foreign countries must likewise be followed. It is essential that top management personally raises the awareness of employees to comply with the Antimonopoly Act, declaring under his own name a basic policy and personally check compliance with the law. In particular, the leniency program is now well established not only in foreign countries but in Japan as well, and application of competition laws has been intensified with authorities working together internationally to act against antitrust activities. In light of this reality, a corporation should set up an in-house system to promote compliance and ensure that competition laws are scrupulously observed by itself and its corporate group as a whole.

### **<<Examples of related actions>>**

- (1) Strengthen and enforce a corporation's compliance program by taking both domestic and foreign statutes into account.
  - (a) Draw up a compliance manual on the Antimonopoly Act and ensure that the manual is widely disseminated and observed within the corporation. The manual should feature a declaration by top management concerning the corporation's basic policy on compliance, a summary explanation of the regulations in the statute, notes on how to prevent violating the law, and so on. Make employees of departments concerned familiar with this manual by holding briefings and seminars, organizing education and training programs and so on, to ensure that the Antimonopoly Act is not violated. The manual and programs, which reflect the nature of its business, should include the ways and means to comply with laws and regulations of foreign countries and regions where a corporation operates as well as those at home.
  - (b) Set up a compliance office where executives as well as employees can consult when they run into issues of antimonopoly compliance while performing their jobs. Make it obligatory for employees to report on issues of compliance. Initiate and implement internal audits on antimonopoly compliance, promptly launch an in-house investigation when compliance issues occur and take appropriate measures to address the problem.
  - (c) When an industry and trade association undertakes work on commission by a government agency, it should follow the relevant guidelines and should not behave discriminatorily or engage in any conduct that violates the Antimonopoly Act. The sharing of statistical information within an industry and trade association, its gatherings and other industry and trade association-sponsored events could also constitute as a behavior in conflict with competition laws. In this connection, industry and trade associations should adapt their practices in conformity with competition laws.

## 2.2 Establish a policy on fair purchasing transactions.

### <<Basic attitude and stance>>

A corporation should recognize that its business is only viable with the cooperation and support from people who run businesses in various fields, such as suppliers of raw materials, parts, software, services and other products needed in its business. Even if a corporation occupies a dominant position vis-à-vis its suppliers, it should not take advantage of this relationship and impose unfair burden on its business counterparts. To ensure fairness and transparency, a corporation should draw up purchasing guidelines and make the rules public both within and outside the corporation. In purchasing transactions (including subcontracts and contracts), in addition to economic rationality, a corporation should also pay attention to issues such as legal compliance by suppliers, quality and safety, environmental conservation, information security, fair trade and corporate ethics, industrial safety and health, human rights and labor conditions, and ensure that all parties concerned discharge their social responsibility.

### <<Examples of related actions>>

- (1) Establish a fair purchasing policy.

Draw up internal purchasing guidelines in line with the Subcontractors Act, the Fair Trade Commission's "Guidelines Concerning Distribution Systems and Business Practices under the Antimonopoly Act" and *KEIDANREN's* "Guidelines Concerning Purchasing Transaction Behaviors" and make the document public both within and outside the corporation. The corporate guidelines should incorporate provisions to ensure that there will be no illegal practices, such as unfair reciprocal transactions as banned by the Antimonopoly Act, and no behaviors that violate the Subcontract Act such as unfair beating down of prices, unjustified refusal to receive the work from a subcontractor, unjustified return of the goods provided, delaying payment, coercing a subcontractor to purchase goods from the corporation or to provide service, and demanding improper economic gains.

- (a) The purchasing department should be made separate from the marketing and other company units. The purchasing department should make it a matter of principle to make decisions on purchasing transactions independently from other organizations.
  - (b) Clearly identify the department in charge of purchasing at home and abroad. Also, disclose a corporation's purchasing principles, the procedures involved in screening and selecting new suppliers, and the decision-making process for purchasing transactions.
  - (c) For the benefit of overseas suppliers and business counterparts, prepare materials in foreign languages when needed. It is useful to purchase materials and equipment on the Internet, where transactions are highly transparent and non-discriminatory for both domestic and foreign suppliers.
- (2) Specify in concrete terms the social responsibility that suppliers are expected to discharge. Support their efforts to discharge their obligations or monitor their performance.
  - (3) To ensure safety of cargo transportation by trucks, promote safety awareness among all parties concerned, including corporations which place delivery orders. As part of this drive, make further efforts to ensure that *KEIDANREN's* "Guidelines for Shippers Concerning Transport Safety" (October 2003) are fully observed.

- (4) Get company approval prior to giving or accepting gifts in doing business with suppliers and other business counterparts. Also, do not accept gifts with a value that exceeds socially acceptable limits.

## **2.3 Make contribution to society by developing and providing quality goods and services by appropriately making use of intellectual property, as well as instill, through a corporation's own actions, the importance of protecting intellectual property rights at home and abroad.**

### **<<Basic attitude and stance>>**

A corporation should contribute to development of society by proactively developing and providing new products and services on the basis of its own intellectual property. Throughout this process, a corporation should make sure that its own and third-party's intellectual properties are fully protected by law. The protection of intellectual property rights is the foundation of a corporation's competitiveness and a vital requirement for fair competition. In light of this reality, an intellectual property protection system and its management scheme should be set up properly regardless of its location, so that the cycle of creating, protecting and utilizing intellectual property functions effectively.

Through these activities, a corporation should contribute toward fostering a tradition at home and abroad of respecting intellectual property rights.

### **<<Examples of related actions>>**

- (1) Achieve the goal of developing and providing innovative goods and services based on intellectual property.
- (2) Conduct education among its employees of a corporation so that there will be no infringement of third-party intellectual property rights.
- (3) Set up and properly apply in-house rules so that there will be no leakage of marketing secrets and other confidential information or accidental drainage of technology.
- (4) Set up appropriate rules governing job-related inventions and promote making individual contracts or other arrangements with an inventor.

## **2.4 Set up a mechanism to ensure compliance with laws and regulations concerning security trade control policy.**

### **<<Basic attitude and stance>>**

A corporation should recognize that maintaining international peace and security is vital to its activities. To prevent the export of goods and the transfer of technologies that could harm international peace and security, a corporation should set up a control system to confirm whether militarily sensitive goods and technologies to be exported or transferred abroad are on the control list (weapons, high-performance general-purpose goods; that could be used as either weapons or as components of weapons: that could be used for weapons development, or other weapons-related purposes). In addition, for non-listed products and technologies, a corporation should check whether the end-use or the end-users are in any way linked to weapons development.

Even if a corporation is not the exporter, it should check whether the goods and technologies being handled are on the control list and share the information with the exporter, and should set up an in-house system for conducting these procedures.

### **<<Examples of related actions>>**

- (1) Assign personnel to be responsible for security trade control, and ensure the provisions of in-house guidance.

Assign personnel to take charge of confirming whether the goods to be exported or transferred abroad are on the control list. Ensure that the responsible personnel, as well as staff involved in exports, are familiar with the most current laws and regulations governing security trade control, providing them with the necessary training to ensure compliance.

- (2) Set up in-house control procedures.

Set up in-house procedures for stringent self-management to prevent violation of laws and regulations.

## **2.5 Do not give gifts or entertain with the aim of obtaining unfair gains.**

### **<<Basic attitude and stance>>**

A corporation should aim for fairness and transparency whether doing business at home or abroad as this is the basis of sound business practice. To achieve this goal, it should not entertain, give gifts, money, and so on, to its customers, suppliers and other business counterparts, or accept such favors from them, with the aim of getting or maintaining unfair gains or preferential treatment.

As regards public officials, a corporation should follow the law and should not engage in behaviors that invite suspicion. The same rule applies to people related to government even though they are not government employees (e.g., individuals employed by quasi-government organizations): do not entertain, give gifts, pay money, and so on, for the purpose of seeking preferential treatment. Also, a corporation should not engage in any behavior that appears to be seeking favors. Even if there are no applicable laws or guidelines, a corporation should not seek favors from the government or quasi-government organizations, or individuals who are employed there, nor engage in behaviors that invite such suspicion.

### **<<Examples of related actions>>**

- (1) Take the lead to change the mentality of observing hollow customs and rites among business counterparts (change the practice of entertaining and gift-giving, and simplify and rationalize rites and respect-paying ceremonies). To this end, implement the following measures:
  - (a) Refrain from the practice of entertaining, gift-giving, and so on if the monetary value exceeds the social common sense or international norms.
  - (b) Refrain from the practice of holding ceremonies like marriage and funeral in a manner beyond the social common sense. The same rule applies to the practice of giving midsummer and yearend gifts.
- (2) Conduct education and training.
  - (a) Conduct in-house education to discourage employees from engaging in the practice of entertaining, giving gifts, money, and so on, to customers, suppliers and other business counterparts, or accepting such favors from them, with the aim of getting or maintaining unfair gains or preferential treatment. Set up an in-house system to check whether these rules are followed.
  - (b) Ensure that all employees are familiar with the laws and guidelines of the various countries regarding favor-seeking practices with respect to public officials and government-related personnel. Also, conduct in-house education so that behaviors that invite suspicion will not occur.

(With respect to foreign public officials, see Clause 8.5)

## **2.6 Build a highly transparent relationship with politicians and government officials, and support efforts to develop a policy-oriented political system.**

### **<<Basic attitude and stance>>**

In dealing with politicians and government officials, there should be no payoff, collusion, or any behavior that could cause misunderstanding. With respect to matters of the economy and economic policies, a corporation should create a highly transparent relationship that enables an open and robust exchange of views.

A corporation should hold constructive dialogue with politicians to make policy proposals and put forward corporate views on how to promote structural reforms in order to invigorate the vitality of individuals and corporations at a time of intense international competition. At the same time, a corporation should actively contribute to the ability of political parties to initiate and promote policies by making political donations and so on, treating it as part of a corporation's social and community involvement.

### **<<Examples of related actions>>**

- (1) Make everyone understand the obligation to comply with the relevant laws and regulations.
  - (a) Comply with the Political Funds Control Act, the National Public Service Ethics Act and the National Public Service Ethics Code.
  - (b) In making public tenders, comply with the Antimonopoly Act, the "Guidelines Concerning Public Bids," and the Act for the Prevention of Collusive Bidding at the Initiative of Government Agencies.
- (2) Make sure that all corporate actions are based on its own responsibility and judgment.
  - (a) Take note of the Antimonopoly Act and the "Guidelines Concerning Administrative Guidance" in following administrative guidance from government agencies.
  - (b) Fully understand the Administrative Procedures Act and actively make use of this act.
  - (c) Make full use of Japan's "No-Action Letter" system.
- (3) Strictly refrain from hiring former government employees for the purpose of obtaining favors in government licensing, public tender or other government services.
- (4) As part of its social and community involvement, make voluntary donations to the central office of political parties, with a view to strengthening their ability to initiate and promote policies.
- (5) Encourage business people to behave proactively in their capacity as a voter, keep a keen eye on policy issues and voluntarily act on political matters.
  - (a) Encourage business people to participate in the Business People Political Forum, an affiliate organization of *KEIDANREN* to raise political awareness and to interact with politicians.
  - (b) Encourage business people to actively exercise their rights to vote.
  - (c) Encourage business people to make personal political donations.

### **Clause 3**

**In addition to communicating with shareholders, interact extensively with the public, and disclose corporate information actively and fairly. Also, protect and properly manage personal and customer data and other types of information.**

#### **<<Background>>**

##### **(1) An attractive investment environment**

To rebuild an attractive investment environment and bring about a recovery in the slumping capital market triggered by the recent financial crisis, corporations should enhance their attraction as a target for investment.

##### **(2) Transparency in corporate management**

Application of the Companies Act, enacted with the aim of improving the "agility and flexibility" and ensuring "soundness" in corporate management, has taken hold since it came into force in 2006, either from the perspective of strengthening and enlarging Japan's capital market or coping with globalization, diversification and increasing complexity of corporate activities. Along with the Financial Instruments and Exchange Act, in force since 2008, the Companies Act has prompted corporations to set up an internal control system and disclose relevant information so as to raise the level of public trust.

At the same time, shareholders and investors have also varied in their policies and attitudes towards investment. They are now showing strong interest in the non-financial aspects of corporate information, such as a policy on the environment and its relationships with stakeholders. It is thus a pressing issue for corporations to increase management transparency and disclose information not only on management and finance, but also on other relevant matters that enhance its own value.

It is amid such trends that the Financial System Council's "Study Group on the Internationalization of Japan's Financial and Capital Markets", the Ministry of Economy, Trade and Industry's "Corporate Governance Study Group" and others have put together corporate governance proposals, which have led to moves to amend the relevant laws and regulations, and strengthen the various regulations under stock exchange.

##### **(3) Accountability toward a broad range of stakeholders and two-way communication between corporations and their stakeholders**

Corporations have social responsibility toward a broad range of stakeholders, including shareholders and investors, consumers, business counterparts, employees and the local community, and stakeholders' expectations on CSR have risen in recent years.

Since corporations have impacts on society, accountability on their major impacts toward society and the environment is relevant in order to get the understanding of a broad range of stakeholders.

In addition, corporations are expected not only to disclose information in one-way fashion but also to deepen mutual understanding with their stakeholders through two-way communication and act together with them to resolve common social issues. Two-way communication between corporations and their stakeholders is important both from the perspective of

achieving accountability and from the viewpoint of fostering public trust. Furthermore, it will promote innovation and enhance corporate competitiveness.

**(4) Management of personal and customer data**

With the advance in information and communication technology (ICT), the amount of information handled in business activities has grown by leaps and bounds. As a result, the public have raised concerns about risks of leak, tampering, and other mishaps with information kept at corporations. To gain the trust of society, corporations should go beyond merely complying with the relevant laws and regulations and adopt self-regulating measures to secure data as a member of highly advanced ICT society.

In particular, corporations should comply with the Protection of Personal Information Act and properly handle personal data following the guidelines set by government agencies and ensure that personal data is fully protected.

### **3.1 Promote communication with shareholders and investors through general shareholders meetings and investor-relations activities.**

#### **<<Basic attitude and stance>>**

A corporation should provide accurate information to its shareholders and investors to make them understand about its activities. In addition to legally required disclosure in a timely manner, a corporation should actively make available to the market management information including its growth strategy. A corporation should provide information fairly to all shareholders and investors. In holding general shareholders meetings, a corporation should also take consideration of shareholders' ease of participation.

#### **<<Examples of related actions>>**

- (1) Actively disclose information fairly and in a timely manner to its shareholders and investors.
  - (a) Disclose information fairly and in a timely manner in accordance with various legal requirements for information disclosure, including disclosure centering on business reports and financial statements as required by the Companies Act, disclosure centering on securities reports as required by the Financial Instruments and Exchange Act, and disclosure based on the regulations under stock exchange.
  - (b) Make available to shareholders and investors information on general aspects of management, such as its management philosophy and policy, earnings, funding conditions, dividend policy, and corporate governance. Also, disclose consolidated financial information, segment information and other relevant information as a corporation extends its activities globally and diversifies its business operations, and earnestly listen to the views and criticism of its shareholders and investors.
  - (c) Assign investor-relations staff and set up investor-relations teams at home and abroad as part of its operational structure.
  - (d) In addition to organizing investor-relations meetings, set up an investor-relations page on the corporate website for broader dissemination of information on time.
  - (e) Hold meetings to report its financial results to its shareholders and investors in a timely and appropriate manner at least once at the end of a business year and, if necessary, several times on a semi-annually, quarterly basis.
  - (f) Make efforts to present information in plain language to its shareholders and investors and other interested parties overseas. Prepare "Notice of Convocation of General Shareholders' Meeting" in English (including corporate materials in foreign language.) and send it out at the earliest convenience.
  - (g) For the benefit of far-away shareholders and investors in the distance, make use of the internet and video-conferencing facilities, hold informal shareholders meetings away, or make other relevant arrangements.
- (2) Be resourceful when organizing general shareholders meetings.
  - (a) Speed up the handling of book-closing and contribute to efforts of spreading out the dates of releasing financial information. Also, hold general shareholders meetings as early as possible, based on each corporation's own judgment.

- (b) Arrange general shareholders meetings on a date and at a time that would enable more shareholders to attend. Choose a date that would not coincide with the shareholders meetings of other corporations.
- (c) Disclose information on the results of exercising of voting rights in accordance with the applicable laws and regulations.

### **3.2 Disclose information to stakeholders in a timely and appropriate manner.**

#### **<<Basic attitude and stance>>**

A corporation should disclose information that is really needed by society in a timely, appropriate and easy-to-understand manner. A corporation should not limit information disclosure to what is required by laws and regulations. A corporation should disclose relevant and credible information in a timely manner to a broader range of stakeholders, including consumers, business counterparts, employees and the local community, in addition to shareholders and investors, in line with social norms, guidelines under industry and trade associations, or its own judgment.

Types of information to be disclosed should not be limited to management and financial matters which are of interest mostly to shareholders and investors. A corporation should also make efforts to voluntarily and actively disclose information on non-financial aspects of its activities, such as information concerning its goods and services and its impacts on the environment and society.

#### **<<Examples of related actions>>**

- (1) Set up an information disclosure policy and a governance system.
  - (a) Draw up and release its information disclosure policy.
  - (b) Strengthen a governance system on information disclosure by setting up a disclosure committee.
- (2) Regularly disclose information concerning its impacts on the economy, the environment and society by publishing reports or using other methods.
  - (a) Regularly disclose information that enables stakeholders to take a bird's eye view and have a sense of continuity of a subject matter, by compiling and releasing annual reports, environmental reports, sustainability reports, CSR reports, and so on.
  - (b) Disclose information not only on subject matters that a corporation considers necessary for disclosure but also on subject matters that are relevant to stakeholders. Verify the importance through dialogue and other forms of interaction and referring to various domestic and overseas guidelines on corporate reporting.
  - (c) Information on performance should be quantified as much as possible with year-to-year data, and the subject matter should cover both the economic aspects and the environmental and social aspects.
  - (d) Publish information on its impacts on society.
  - (e) Also release information that is negative to a corporation, such as mishaps concerning its goods and services and incidents involving board members and employees. (See Clause 10.3)
  - (f) Publish information not only about past events and performance but also about its views on the future, including its strategy, future plans and goals.

- (3) Make use of all kinds of opportunities and media outlets.
  - (a) Make use of the Internet or other electronic media and provide appropriate corporate information to as many people as possible effectively and efficiently. For instance, post frequently asked questions from consumers and shareholders in a Q&A format on the corporate website. In this regard, take full precautions that the data posted are not tampered with.
  - (b) As diverse recipients are anticipated, make the access to information easy and convey corporate information in plain language.
  - (c) Make use of various media services and opportunities such as providing information through consumer news and toll-free telephone service and arranging factory visits and tours of visitor centers.
- (4) In providing information, take the impacts on children's education into account.
  - (a) Pay attention to the needs of protecting children from being exposed to harmful information, by such measures as carefully screening the quality of TV or radio programs before concluding sponsor contracts.

### **3.3 Promote two-way communication with a broad range of stakeholders through publicity, public hearings, dialogue and other activities.**

#### **<<Basic attitude and stance>>**

A corporation should embrace dialogue and other processes of two-way communication with a broad range of stakeholders such as shareholders and investors, consumers, business counterparts, civil society organizations, employees and local communities and carefully listen to the expectations and needs of its stakeholders, the opinions of people with various value, as well as negative information. A corporation should conduct business and other activities by keeping stakeholder engagement in mind (see note below) so that the corporation and its stakeholders understand, through a process of two-way communication, the difference of their positions as well as their common stand, and act together voluntarily and in good faith to resolve common social issues.

A corporation should make efforts after due consideration to reflect its stakeholders' expectations and opinions in its goods and services and its management and business activities.

#### **<<Examples of related actions>>**

- (1) Top management takes own initiative.
  - (a) Top management, the "company face," should engage in publicity activities positively and sincerely.
  - (b) Top management should realize the importance of its role in publicity and should schedule as much time as possible for mass communication.
  - (c) Carefully listen to the criticism directed at the corporation and its top management and make it clear that it is the policy of top management to share the criticism within the corporation and treat it as a treasured corporate asset.
- (2) Take initiative to conduct two-way dialogue.
  - (a) Make efforts to strengthen the channels of dialogue with a broad range of stakeholders.
  - (b) Arrange meetings with experts who hold different positions and make use of their views in its management.
  - (c) Organize dialogue forums with stakeholders and carefully listen to the questions and comments they make, and at the same time use the occasion to speak of its management philosophy, business and CSR strategy.
  - (d) Arrange dialogue with stakeholders through the Internet. For example, use the corporate website or other electronic media to respond to questions and comments from readers on its annual reports, environmental reports, sustainability reports, CSR reports, and so on.
- (3) Promote dialogue with the local community.

Take the following measures to promote dialogue with the local community and raise the level of trust on its business activities.

- (a) Listen to the voice of local residents through various community networks.
  - (b) Make efforts to earn broad understanding of the local residents on its activities by taking part in community events, as well as by organizing corporate events, meetings, opening up corporate facilities and arranging factory visits.
  - (c) In case a corporation has manufacturing facilities that handle hazardous materials, take measures ahead of time to dispel the apprehension of local residents (i.e., draw up contingency plans for evacuation, set up a system to convey information to the local community, arrange factory visits, explain how factory waste is disposed, and so on.)
- (4) Raise the process of dialogue to a higher level and address common social issues in collaboration with stakeholders.
- (a) Exchange views with stakeholders who are engaged in tackling common social issues so as to deepen the understanding of each other's programs.
  - (b) Organize projects and other programs to resolve various social issues by working together and collaborating with stakeholders with whom a corporation has a relationship of trust.

Note: Stakeholder Engagement

(1) Definition

The process of being actively involved with one or more stakeholders through dialogue or other means, with the aim of achieving a mutually acceptable outcome, in the course of a corporation's integration of its social responsibility into day to day practice.\*

\*This definition is originated for corporate users based on the definition in ISO 26000 Working Draft 2.

(2) Explanation

- (a) Stakeholder engagement is effective as a consultative process for a corporation to exchange views, clarify expectations, address differences, identify common ground, create solutions and build trust with its stakeholders.
- (b) Engagement is not a process for one side to press its views, but is an interaction through two-way communication that brings about cross-fertilization of ideas.
- (c) It is a corporation which makes the final decision and bears the ultimate responsibility while listening carefully to the views of its stakeholders.
- (d) The basis of engagement is two-way communication.
- (e) The relationship between a corporation and its stakeholders, as well as the methods of engagement are varied. Furthermore, it is a dynamic relationship which evolves constantly depending on changes in the prevailing circumstances, time, risks, opportunities, the nature of issues, and so on.

### **3.4 Make efforts to prevent insider trading.**

#### **<<Basic attitude and stance>>**

Insider trading is an act whereby board members, employees or related persons acquired important information concerning their own corporation or business counterparts in the course of business and then get involved in the trade of stocks, securities and other financial instruments before the information is made public. Insider trading inhibits fair trade in securities.

Top management should make efforts to comply with the laws and regulations concerning the prevention of insider trading, set up the necessary organizational mechanism and ensure compliance from board members and employees alike.

#### **<<Examples of related actions>>**

- (1) Classify internal information in terms of importance and place it under strict control. Draw up internal regulations concerning insider trading, including the introduction of penalties against offenders.
  - (a) Make everyone in a corporation know what constitutes corporate information that is subject to insider trading regulations and the types of behaviors that are banned.
  - (b) Set up a penalty system to punish offenders and incorporate the provisions in its regulations on the prevention of insider trading, employment regulations and other corporate rules.
- (2) Conduct education and training on the prevention of insider trading.
  - (a) Arrange legal training on the prevention of insider trading.
  - (b) Make efforts to prevent insider trading through case study.
  - (c) Make sure corporations in its corporate group, business counterparts and other interested parties know about its regulations on the prevention of insider trading.
- (3) In case of overseas transactions, give full consideration to the applicable laws and regulations of the countries where business operations are based.

### **3.5 Properly protect personal and customer data.**

#### **<<Basic attitude and stance>>**

A corporation should fully recognize that, in an advanced ICT society, once data is leaked there is danger that it will spread with no bounds. A corporation should, therefore, take careful precautions during the entire process of collecting, using, storing and disposing of data.

In particular, the leakage of personal and customer data may inflict irrecoverable damage to individuals as well as the corporation. Proper management of data is an essential condition to gain public trust and raise corporate value.

Fully understand the provision in the Act on the Protection of Personal Information that its purpose is to “protect the rights and interests of individuals while taking consideration of the usefulness of personal information.” With this caveat in mind, a corporation should set up on its own initiative a personal data protection system with an appropriate level of security on the basis of the guidelines and regulations issued by government agencies and industry and trade associations. Taking such matters as the prevailing technology, type of business and the importance of data to be protected into account, a corporation should introduce appropriate measures including precautions against excessive reaction. Make sure to enforce the system while taking the convenience of ICT tools into consideration.

#### **<<Examples of related actions>>**

- (1) Set up an in-house system to protect personal and customer data.
  - (a) Draw up and promulgate a declaration (such as a privacy policy) on a corporation's views and policy concerning the protection of personal data.
  - (b) Appoint managers with expert knowledge on how to protect personal data to take charge of personal data protection, specify the role and responsibility of employees, and in case the work is outsourced, provide directions on how to protect data. Refer to these factors in internal rules to make them clear.
- (2) Strengthen measures to ensure effectiveness.
  - (a) Conduct regular employee education and training on personal and customer data protection by organizing seminars and other programs.
  - (b) Set up an auditing system concerning the protection of personal and customer data and establish a PDCA cycle.
- (3) Take measures to ensure technical and physical security in managing a computer system and data in order to protect personal and customer data.
  - (a) Set up a system to manage the authority of access to computer systems and data and keep a record of access.
  - (b) Install anti-virus software and set up a firewall for computer systems.
  - (c) Actively introduce measures to minimize the extent of damage in case of data leakage by installing encryption technology and taking other security measures.
  - (d) Control traffics at gates of offices and rooms and install locks wherever necessary.

## **Clause 4**

### **Respect diversity, character and personality of employees and ensure a safe and comfortable working environment, thereby providing a sense of comfort and richness.**

#### **<<Background>>**

##### **(1) Adhering to the principle of management with human dignity**

Japanese corporations have fully realized that human beings are important corporate resources and, viewing from a long-term perspective, have adopted the practice of “management with human dignity,” by maintaining employment and creating jobs, bolstering human resources development and promoting harmony in labor-management relations. For instance, in the midst of a global recession caused by a major financial crisis in the United States, a “government-employer-labor” agreement was engaged in Japan in March 2009 in an attempt to stabilize employment.

Today, at a time of intensifying global competition, Japan has been undergoing changes in the economic and social structure such as the advent of aging society with a declining birthrate, and should adopt rather diverse resources externally in the labor market.

Reflecting such changes and diversity in individual values, the Japanese government has revised various labor-related laws and regulations. For example, the Part-time Employment Act was revised in April 2008 to encourage and motivate part-time workers who work in diverse employment patterns. The Child Care and Family Care Leave Act was revised in June 2010 to retain male and female workers at child care or family care. It becomes more important for corporations to comply with relevant labor laws and regulations, such as the Labor Standards Act, the Labor Contract Act, the Labor Union Act, the Equal Employment Act for Men and Women, and the Industrial Safety and Health Act. Corporations should also maintain and develop sound labor-management relations based on a fair practice of personnel and remuneration policy which will provide trust between labor and management.

##### **(2) Advancing globalization**

There is another aspect of personnel and labor policy. In order to strengthen international competitiveness and, in particular, innovation capabilities, it becomes an issue to review a corporate personnel and remuneration system and build stable and strong relationship with labor at a corporation.

Also, as business itself becomes rather global in operation, corporations should comply with local laws and respect the following fundamental principles and rights at work: Freedom of association and the effective recognition of the right to collective bargaining” (see Clause 4.5), “Elimination of all forms of forced or compulsory labor”, “Effective abolition of child labor” (see Clause 4.6), and “Elimination of discrimination in respect of employment and occupation” (see Clause 4.2).

##### **(3) Coping with society of declining population and increasing trends of work-life balance**

Aiming to create society where diverse people can perform well and to create an environment where people can select variety of working conditions based on each stage of life to harmonize the balance in between work and life and also from the view point of changing the trends of a declining birthrate, business leaders, labor leaders, representatives of local public

bodies, experts of various fields, and Cabinet ministers had established “Charter on Work-Life Balance” in December 2007. The charter was revised in June 2010 to incorporate a notion that work-life balance and economic growth are like two wheels of a cart and strengthen measures to realize this objective through society-wide efforts.

Under such circumstances, to realize medium- to long-term growth, corporations should promote an employment system which can provide satisfactions at work and life. To pursue these objectives, corporations should promote diversity of employees (in terms of nationality, gender, age, and other attributes) employee status and working conditions. Corporations should be also aware that the dynamism arising from a diverse talent of each employee can energize corporate activities. Corporations should set up a fair personnel and remuneration system from this standpoint.

**(4) Strengthen human resource development to ensure sustained growth and greater competitiveness**

Innovation is the key foundation of sustained growth and competitiveness for the business and the source of innovation lies in the talent of each individual. To boost employee talent, corporations should strengthen human resource development programs while respecting the aspiration and aptitude of each employee. To prevent from declining “workplace energy”, it is important to ensure the handover of skills and capabilities smoothly.

## **4.1 Promote work-life balance and establish a personnel and remuneration system that can attract diverse resources.**

### **<<Basic attitude and stance>>**

#### **(1) Promoting work-life balance**

To aim for best usage of abilities of individuals, which are the driving force of innovation, a corporation jointly with employees should promote diverse environment where employees can be motivated at work and life.

Also, in line with the Labor Standards Act, Child Care and Family Care Leave Act and other legal provisions, set up flexible working arrangements that are conducive to achieve work-life balance and raise the productivity of a corporation and the level of employee job satisfaction.

To achieve this objective, it is relevant to change the mindset and conventions in a corporation, from top management to frontline employees, to set up and expand a support system that enables people to work while taking care of their family, to conduct a proper assessment of the job performance of each employee, to implement a fair, assessment-based remuneration system, and to create a flexible labor environment with the use of information and communication technology that makes it possible for employees to work while achieving work-life balance, and strive to improve both productivity and decent work.

#### **(2) Recruiting people with various backgrounds**

When employees recognize the different way of thinking and variety of values each other and stimulate each other, it will give dynamism and creativity to a corporation. A corporation should create an environment where diverse people can fully achieve their capacity irrespective of nationality, gender, age, and disabilities, while reforming the mindset and culture of the corporation including promoting the concept of a barrier-free environment and normalization.

#### **(3) Display of leadership by top management and reform of the workplace mindset**

Top management should realize a flexible work environment and diversity as part of basic principle of management and create a momentum in the corporation to encourage employees to participate in child care, family care, and school events and so on. Also, reform the mindset of employees and provide an efficient working environment.

#### **(4) Building and implementing a fair personnel and remuneration system**

Ensure implementation and operation of a fair personnel and remuneration system reflecting the job profile, contributions and performance to the organization and future roles and responsibilities.

### **<<Examples of related actions>>**

#### **(1) Actively make use of skills of employees with variety of employee status regardless of any attributes.**

#### **(2) Introduce variety of working conditions, if necessary, to provide flexibilities on working hours and locations to enable employees to balance their work and life.**

<Examples of patterns of work>

- (a) Shorter-hours working system and limited overtime working system
- (b) Flexible time working system
- (c) Discretionary working system
- (d) Working from home system
- (e) Other flexible working systems or limited working hours

In addition, in line with legal provisions, child care leave and family care leave can be enhanced from the standpoint of giving assistance to people who want to work while taking care of their family.

- (3) Set up a fair personnel and remuneration system in line with the nature of work, reflecting job profile and contributions of an employee.
  - (a) A seniority-based wage system that was driven by age and the length of employment would be changed to a finely-structured personnel and a wage system reflecting the nature of job profile, responsibilities and contributions.
  - (b) Ensure adequate communication in each workplace, set job targets for each employee and set up a performance measurement system in place. Also, strive to provide feedback to employees and ensure smooth communication.

## **4.2 Ensure equal opportunity and non-discrimination in the implementation of the human resources management.**

### **<<Basic attitude and stance>>**

A corporation should not discriminate human resources management based on nationality, gender, creed, social status, and so on. Also it should respect fundamental human rights and adopt measures to prevent improper conduct such as sexual harassment or discrimination in the workplace. Further it should make efforts to realize gender equality.

### **<<Examples of related actions>>**

#### **(1) Eliminate discriminatory treatment of employees**

##### **(a) Observing the principle of equal and balanced treatment**

A corporation should incorporate the principle of equal and balanced treatment in the rules of employment and other corporate rules, and should not discriminate in terms of wages and labor conditions to comply with the Labor Standards Act, the Act on Improvement, etc. of Employment Management for Part-Time Workers and other applicable laws and regulations, which stipulate that there should not be discriminatory treatment in terms of personnel management and remuneration because of nationality, gender, creed, social status and so on.

##### **(b) Complying with the Equal Employment Opportunity Act for Men and Women and other relevant laws and regulations**

Make sure to prevent from any direct discretionary actions. To eliminate indirect discrimination, a corporation should not set standards for height, weight, physical strength and other physical attributes when recruiting employees, without considering whether or not these standards are reasonable. It should not dismiss employees or treat them unfairly on grounds of pregnancy, birth-giving, taking child care or family care leave or asking for shorter working hours.

##### **(c) Preventing sexual harassment**

To prevent sexual harassment or any behavior that harms the dignity of an employee and impairs workplace order and business operation, a corporation should incorporate the anti-harassment policy in the rules of employment and in-house newsletters and other company publications to ensure that everyone knows about the policy, and raise the awareness of employees. At the same time, build an anti-harassment system, such as setting up an inquiries service where employees can seek advice and direct their complaints. When a wrongful conduct occurs, take prompt and appropriate action to address the problem and adopt measures to prevent a reoccurrence.

#### **(2) Realize gender equality.**

##### **(a) Reforming the mindset**

Reform the mindset of entire employees, from top management to newly hired employees, and strive to purge the mentality of determining assignments by gender. Also, make efforts to foster a workplace where anyone irrespective of gender can become eligible to various human resource management systems.

(b) Carrying out positive-action programs

As an instrument to reform the mindset in a corporation, positive-action programs are effective for creating a workplace where all motivated and talented employees can perform their jobs irrespective of gender.

For examples, in line with the actual conditions of a corporation, set targets for female employees to stay longer in employment, expand the ratio of female board members and female management positions, organize training programs to assist female employees who want to take up the management role, and organize training programs to reform the mindset of the workplace.

### 4.3 Take steps to prevent industrial accidents and support employees' health programs.

#### <<Basic attitude and stance>>

Ensuring the safety and health of employees is among the highest priorities in the management of a corporation. A corporation should set up an industrial safety and health promotion program to prevent industrial accidents and help employees to maintain and to improve their health, by top management showing initiatives and examples. The program should also be effective for middle-age and older employees. Also, a corporation should provide consideration to the various employment types and work patterns at designing an industrial safety and health promotion program.

#### <<Examples of related actions>>

- (1) Enforce the basic policies of safety and health in the workplace.
  - (a) To prevent industrial accidents, top management should make its policy on clear industrial safety and health management and set up a system to enforce such policy.
  - (b) Carry out risk assessment in the workplace, create a systematic industrial safety and health program in line with the assessment results and strive to administer the program effectively by applying the PDCA (plan-do-check-act) cycle.
  - (c) Enforce the three principles of occupational health management (work environment management, work management, and health management).
  - (d) Strengthen education on industrial safety and health, and raise awareness among employees.
- (2) Intensify day-to-day activities on safety and health in the workplace.
  - (a) Promote the practice of holding staff meeting before work begins, conducting risk-prediction activities and 5S activities (*Seiri* (Sorting) *Seiton* (Setting in order) *Seiso* (Sweeping) *Seiketsu* (Spick and span) *Shitsuke* (Sustaining the discipline)), and provide assistance to employees to make industrial safety and health practices.
  - (b) Ensure that employees work together among themselves and with subcontractors so as to promote industrial safety and health activities continuously by working in close contact with each other, making the necessary adjustments.
- (3) Actively support employee health care programs.
  - (a) Organize health education and health promotion activities in the workplace.
  - (b) Give guidance to employees on how to prevent lifestyle diseases and other ailments (through sports, nutrition, and other measures.) by working together with medical insurers such as corporate health insurance unions.
- (4) Promote measures to prevent overwork and foster mental health.
  - (a) Monitor working hours and the length of time employees spend in the office and prevent health hazards from overwork by taking the necessary measures, such as encouraging employees to take annual paid leaves, to ensure that they stay healthy.

(b) Take measures to ensure mental health in the workplace, such as setting up a system of mental health education and counseling, watching out for symptoms of illness and establishing proper procedures to deal with the situation, and strengthening the reinstatement program. Raise the general awareness in a corporation on mental health care to prevent mental diseases, particularly as a result of stress in personal relations, such as supervisor-subordinate ties, in the workplace.

(5) Take measures to build a comfortable workplace.

Know about the working environment and make necessary changes to make the workplace comfortable for employees, such as enforcing a strict policy against passive smoking, setting the right office temperature and reducing the noise level.

#### **4.4 Respect the personality of employees and support their efforts to develop their career and skill sets.**

##### **<<Basic attitude and stance>>**

Surrounding environment towards a corporation has been changed quite extensively in terms of intensified competition due to globalization, continuous trend to be aging society with declining birthrate and diverse workforce. Hence, innovation is required in order to strengthen competitiveness. The creative power of innovation depends on the ability of each employee. It is, therefore, essential to develop human resources and cultivate employees who think independently and act on their own.

In particular, it is important for young generations to inherit technologies and skills that have been the essence of “workplace energy” and develop judgment and problem-solving skills to cope with changes occurring in the future. A corporation should create an environment for employees to maximize their capabilities in the workplace, such as providing a broad range of educational support geared to an individual employee’s ability and competence for those particularly made efforts themselves for their self-improvement.

Furthermore, in recruiting employees, a corporation should cooperate with schools not to disturb normal study environment, respecting the academic schedule and carry out recruitment activities in a fair manner.

##### **<<Examples of related actions>>**

- (1) Comply with “Charter on Corporate Ethics Regarding the Recruiting of Graduating Undergraduate Students and Graduating Master’s Program Students for Employment” established by *KEIDANREN*.
- (2) Provide training programs and skills development opportunities to employees to build their career through their own efforts.
  - (a) Further promote on-the-job and off-the-job training activities.
  - (b) Offer selective and optional training programs.
  - (c) Provide a diverse choice of training programs for career development and improvement.
  - (d) Let employees attend seminars held outside a corporation and take part in networking events with people in other lines of business.
  - (e) Support self-improvement efforts such as taking correspondence courses.
  - (f) Make use of adult educational programs offered by graduate schools and other educational organizations.
- (3) Set up a career counseling system and strengthen the work of career counseling.
- (4) Promote internship programs.

Accept university and senior high school students as interns so that they have a better sense of their relationships with the actual world and raise their professional sense.

## **4.5 Hold dialogue and consult directly with employees or their representatives in good faith.**

### **<<Basic attitude and stance>>**

- (1) Comply with the applicable laws and regulations on labor relations and handle labor-management negotiations and other labor matters in good faith.

In addition to complying with the applicable labor laws and regulations, a corporation should respect the fundamental labor rights, particularly the right of employees to freely choose their representatives and the right to organize labor unions and hold collective negotiations (the right to organize and the right to collective bargaining). It should always make good faith a principle in labor-management consultations and in collective negotiations.

- (2) Conduct consultations and negotiations in a constructive spirit, and maintain and develop sound labor-management relations.

In making decisions on labor conditions and other labor issues, it should hold consultations actively and constructively so that labor and management can pool their wisdom and arrive at a better conclusion for both sides. When a problem arises, in order to resolve the issue peacefully, it should strive to consult and maintain and develop sound labor-management relations.

- (3) Share information with employees or their representatives and foster a spirit of trust.

As the pattern of employment in the workplace diversifies, it has become more difficult to foster a sense of workplace solidarity, not only between a corporation and its employees but also among the employees themselves. Under the circumstances, it is useful to maintain the stance that management will create opportunities for consultation and dialogue in addition to collective bargaining, provide appropriate information to employees about the management environment, the state of the business, and management issues, so that, with labor and management sharing a common understanding, the two sides can hold substantive, reality-based discussions, and strive to forge consensus for efficient corporate management and foster mutual trust.

### **<<Examples of related actions>>**

- (1) Check whether legal procedures have been followed and arrange a venue for discussion on how to improve labor conditions.

Check whether the legally required procedures on labor-management agreements have been observed properly. Also, arrange a venue for talks under labor-management agreement to look into whether labor conditions and other labor practices conform to the labor situation in each corporation.

- (a) Check whether procedures have been followed properly on labor matters, such as hearing the views of employees when drafting or changing employment regulations, setting up labor-management committees on the discretionary working system for management-related work, hearing the views of regular employees when hiring dispatched workers, and concluding labor-management agreements as stipulated by the Labor Standards Act and other applicable laws.

(b) Set up a labor-management committee to set and improve working hours, a committee to review labor conditions, and other relevant labor-management bodies.

(2) Use easy-to-understand explanations and consultations.

When conducting negotiations with labor, use concrete materials and present the management position on the basis of concrete facts in order to maintain and develop sound labor-management relations. On this basis, hold faithful and sufficient consultations in trying to reach agreement between labor and management.

(3) Share information and foster mutual trust.

Foster mutual trust and share information so that a corporation and its employees can act in solidarity to accomplish the management goals and mission as stipulated by top management. For this purpose, a corporation should set up a mechanism to handle individual inquiries and complaints from employees and other employee issues they raise, while workplace-level managers should provide guidance and assistance to employees on the contents and procedures of work.

(a) Conduct one-on-one interviews.

(b) Set up a contact point to handle inquiries and complaints.

(c) Organize informal workplace meetings.

(d) Make use of in-house newsletters and the intranet system efficiently.

(See Clause 8.3 on the labor environment overseas.)

## **4.6 Do not permit child labor or forced labor.**

### **<<Basic attitude and stance>>**

Child labor is an infringement of fundamental human rights as employing children who are under the minimum employment age is exploitation and harms them physically, mentally and morally as well as their social development. Unjustified labor practices such as subjecting employees to involuntary servitude also violate fundamental human rights. Therefore, no child labor or forced labor is permitted.

It is said that 215 million children (about one in seven children in the world) are working today (according to 2008 ILO data). Consumers and NPOs/NGOs have been raising concern internationally whether goods made in developing and other countries are produced by child labor or forced labor. Urge its business counterparts to ban child labor or forced labor as the same manner as a corporation itself and its affiliates.

### **<<Examples of related actions>>**

- (1) Address the issue within a corporation and its affiliates.

Make sure through education and training that employees are fully aware that no child labor or forced labor is allowed within a corporation and its affiliates, and call on business counterparts to take similar measures.

- (2) Take measures aimed at business counterparts.

- (a) Notify business counterparts of a corporation's codes of conduct that address the corporation will not purchase materials, products and other goods and services that are produced with child labor or forced labor.

- (b) Make efforts to grasp the situation on child labor and forced labor by sending questionnaires to its business counterparts or through other means of investigation.

- (3) Support community programs.

Cooperate with various programs aimed at eliminating child labor and forced labor such as providing assistance for education and job training in developing and other countries.

## Clause 5

### **Proactively initiate measures in acknowledgment of environmental issues, the common challenges they pose to humanity and their importance to its existence and livelihood.**

#### **<<Background>>**

##### **(1) Diversified environmental issues and heightened recognition of global environmental issues**

Japan has a long history of coping with environmental issues, from the prevention of pollution during the high economic growth years to the development of extremely high-level anti-pollution, energy-saving technologies and systems developed when the nation went through two petroleum crises. Today, the country is required to deal anew with waste disposal, deteriorating water quality, air pollution, noise, and other environmental hazards triggered by growing urbanization.

In addition, the nation is required to address environmental issues “beyond national borders” that occur on a global scale, such as climate change, destruction of the ozone layer, acid rain, forest destruction due to wanton developments, and desertification.

These global environmental hazards have great impacts on biodiversity; a major challenge facing humanity is to conserve biodiversity and use resources in a sustainable manner.

To resolve environmental issues, corporations as well as private citizens, government agencies and NPOs/NGOs should work together and cooperate with each other while energetically executing their roles, acting from a long-term, global perspective.

##### **(2) Advancement of legislative efforts in Japan**

The 1992 United Nations Conference on Environment and Development (the Earth Summit) held in Rio de Janeiro put forth the philosophy of “sustainable development.” Taking this concept as a guide, Japan passed the Environment Basic Act in 1993. This law became the basis of a series of the “Basic Environment Plans”, the first of which was launched in the following year. In 2006, “the third Basic Environment Plan” was approved by the Cabinet.

###### **(a) The issue of climate change**

The Kyoto Protocol agreed in 1997, set targets of greenhouse gas emissions for developed countries, and came into effect in 2005. (Japan's target is to reduce greenhouse gas emissions by 6 percent on average in 2008-2012 from the 1990 level.) *KEIDANREN* has also adopted a “Voluntary Action Plan on the Environment”, setting the target of CO<sub>2</sub> emissions for the industrial and energy transformation sectors on average in 2008-2012 at the same level as 1990. To achieve the Kyoto Protocol targets, the Cabinet adopted the “Kyoto Protocol Targets Achievement Plan” in 2005 (revised in 2008), while *KEIDANREN*'s “Voluntary Action Plan on the Environment” became the principal basis of it. Based on this achievement plan, revisions were made to the Act on the Rational Use of Energy, the Act on Promotion of Global Warming Countermeasures, and so on.

Negotiations for a post-Kyoto Protocol began following COP13 (the 13th Session of the Conference of the Parties to the U.N. Framework Convention on Climate Change), which was held in Bali in 2007. In December 2009, *KEIDANREN* also released its

“Commitment to a Low-Carbon Society,” as part of its post-Kyoto Protocol policy.

(b) Establishing a material-cycle society

Along with the prevention of climate change, the establishment of a “material-cycle society” is viewed as a major pillar of environmental policy. After enacting the Basic Act on Establishing a Sound Material-Cycle Society, the Japanese government adopted a basic policy to recycle materials and economize on the consumption of natural resources and issued a call to promote the 3Rs (Reduce, Reuse, Recycle) philosophy. Also, starting with the Containers and Packaging Recycling Law, the government enacted a series of industry-specific recycling laws for electrical appliances, automobiles and other manufactured products. In 2001, it revised the Act on the Promotion of Effective Utilization of Resources. These statutes laid down obligations for corporations to curb the disposal of by-products, promote the utilization of by-products, and recycle discarded manufactured products. In addition, the Waste Disposal Act has been revised repeatedly in order to strengthen the responsibility of corporations in their capacity as a producer of industrial waste. Corporations, for instance, are now obligated to attach manifests to industrial waste. *KEIDANREN* has also formulated "Voluntary Action Plans on Measures for Wastes" starting from 1997 and an expanded version covering the promotion of a material-cycle society starting from 2007 and issued a call in 1999 to set targets for reducing the amount of final disposal of industrial waste in the entire industry and trade sector.

(c) Environmental risk issues

In addition to the Pollution-Related Health Damage Compensation Act and Other Measures, the government has made progress in recent years towards building a legal framework to tackle pollution and health hazards stemming mainly from hazardous substances that were produced or used when scientific knowledge was inadequate. The statutes enacted or revised included the Act Concerning Special Measures against PCB Waste and the Soil Contamination Countermeasures Act. The government has also passed legislation concerning asbestos-related problems.

In addition, the Pollutant Release and Transfer Register Act (the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof) was enacted for the purpose of promoting proper management of chemical substances. The government has already begun releasing data in the register. Corporations, operating globally, should also comply with recently introduced pollution-related laws and regulations in other countries and regions. In the European Union, for example, the "Regulation on the Registration, Evaluation, Authorization and Restrictions of Chemicals (REACH)" was enacted in 2006.

Furthermore, the government passed the Environmental Impact Assessment Act. The law is being revised after 10 years of enforcement.

(d) Biodiversity

The United Nations launched a large-scale scientific study on the ecosystem in 2001. As noted in the Millennium Ecosystem Assessment Report released in 2005, humanity has received from the ecosystem the wherewithal for survival such as atmosphere, water, and soil, and on this basis mankind has benefited from the ecosystem’s biochemical substances, supply of water and food, regulative functions such as mitigation of climate

change and prevention of natural disasters, and so on. It is on such a foundation that we have attained our spiritual values, education, as well as recreational values. It is important to realize that these benefits are indispensable to the continued existence of corporations as well.

In recognition of this reality, the Japanese government enacted the Basic Act on Biodiversity, the first statute in Japan aimed at conserving biodiversity. The law went into force in June 2008.

In March 2009, *KEIDANREN* issued a “Declaration of Biodiversity by *KEIDANREN*” for the purpose of expressing the business community’s appreciation of nature’s gifts derived from biodiversity and its commitment to aim for corporate activities that are in harmony with the cycle of nature.

## 5.1 Promote efforts to build a low-carbon society on a global scale.

### <<Basic attitude and stance>>

Climate change is an extremely important issue and affects the very foundation of human survival; it is an issue that all of humanity must address over a long period of time. Further, addressing issues related to climate change will contribute toward the conservation of biodiversity.

In the meantime, the amount of global greenhouse gas emissions continues to increase at a rapid pace. A corporation should further strengthen the world-leading technological capabilities it has so far developed, help build low-carbon societies on a global scale and actively contribute to resolving problems related to climate change.

### <<Examples of related actions>>

- (1) Take actions to build a low-carbon society by promoting *KEIDANREN*'s "Voluntary Action Plan on Global Warming", drawing up *KEIDANREN*'s "Commitments to a Low-carbon Society" and promoting other relevant programs.
- (2) Exert maximum efforts to attain the world's best available technologies and aim for the world's most energy-efficient processes in manufacturing and business activities.
- (3) Actively develop innovative technologies that would lead to the building of a low-carbon society.
- (4) Make global contributions by transferring advanced energy-saving and environmental technologies overseas.
- (5) Contribute toward the reduction of greenhouse gas emissions globally by developing goods and services that lead to energy conservation and supplying such products to domestic and overseas markets.
- (6) Make efforts to build a logistics system that causes minimum burden on the environment by promoting "green logistics," such as sharing delivery systems and using low-pollution vehicles.
- (7) Set numerical targets on energy conservation in the workplace, use highly energy-efficient office equipment and promote "cool biz" and "warm biz" clothing styles.
- (8) Promote a green purchasing program by giving priority to the purchase of products and parts that would lead to the prevention of climate change and a green investment and loan program that gives priority to corporations which take anti-global warming measures, and encourage business counterparts to adopt similar programs.
- (9) Promote household energy conservation among employees and the general public, strengthen the practice of displaying the amount of CO<sub>2</sub> emissions, encourage the practice of environmental household bookkeeping at home and conduct awareness-raising activities by holding energy-conservation seminars and other programs. In addition, release information concerning the environment such as publishing environmental reports and carry out tree-planting, forest conservation and other activities that would help keep the world green.
- (10) Cooperate with scientific programs to study the causes and impacts of climate change, scientific programs to analyze the effectiveness, economic value and fairness of mitigation and adaptation policies on climate change, and other research programs.

## 5.2 Promote efforts to build a material-cycle society.

### <<Basic attitude and stance>>

A corporation should make greater efforts to promote resource efficiency and energy efficiency and recyclable utilization of resources and improve the productivity of resources, as a tight demand and supply of resources and energy is anticipated in the medium- to long-term future, in addition to existing concerns of a shortage of waste disposal sites. Also, recycling resources will lead to the conservation of biodiversity. Hence, in addition to complying with all applicable laws and regulations and properly managing waste under the emitter-responsibility principle, a corporation should take actions voluntarily and energetically to help build a material-cycle society by developing environmental technologies, promoting environmentally friendly designs and working with other industry and trade sectors, each corporation acting in conformity with the special character and reality of its business and industry sector.

### <<Examples of related actions>>

- (1) Discard the old-fashioned concept of “garbage,” treat waste that can be used in whatever business and industry sector as a useful resource and try to find application for its usage.
- (2) Make efforts to achieve optimal efficiency during every stage of production, from design to disposal.
- (3) In choosing resources, actively use recycled and recyclable materials, in addition to taking zero-emission factors into account.
- (4) When purchasing commodities, select recycled commodities and other eco-friendly products whenever possible.
- (5) Treat the promotion of 3Rs (reduce, reuse and recycle) as an important agenda in corporate management by formulating and implementing voluntary environmental action plans. In particular, reduce the amount of final disposal of industrial waste.
- (6) Enforce waste disposal governance, including the selection of reputable waste disposal operators, and properly handle industrial waste in order to discharge a corporation’s responsibility of generating industrial waste.
- (7) Promote the separation of office waste prior to disposal.
- (8) Set up a system to recover and recycle discarded manufactured products while cooperating with government agencies and consumers.
- (9) Contribute toward the recycling of resources on an international level by utilizing technologies and disposal concepts developed in Japan to promote proper waste management and the 3Rs notion in developing countries in Asia and other regions.
- (10) Carry out activities to seek the understanding of consumers and local governments where a corporation is trying to hold down the output of waste and separate waste disposal as well as provide easy-to-understand distinguishing labels and product information in order to promote the choice of plain wrapping and eco-friendly products.

## 5.3 Take measures against environmental risks.

### <<Basic attitude and stance>>

Via the precious lessons learned through repeated and energetic efforts in treating the pollution problems prevalent during the high economic growth years, today Japan has built an infrastructure of world-leading technologies and systems that take into consideration the prevention of industrial pollution and the field of industrial safety and health.

In conducting business activities, the overriding premise is to ensure the health and security of the public and the corporation's own employees. A corporation should, therefore, continue to maximize efforts in taking measures against environmental risks. It also should assess the impacts of its business activities from all aspects of potential environmental impacts and try to lessen such burdens and risks.

### <<Examples of related actions>>

- (1) Properly manage hazardous substances in line with the applicable laws and regulations and take measures to prevent the leakage of hazardous substances. Make efforts to properly manage hazardous substances contained in its products.
- (2) Define the responsibilities and duties of people who bear overall anti-pollution responsibilities, strengthen compliance education, set up an effective environmental management system, such as building a multiple checking and surveillance mechanism and ensure that the system is operated properly.
- (3) Review emergency measures in advance and at the same time promote risk communication with the local community.
- (4) Actively develop technologies and know-how to reduce environmental risks and promote knowledge.
- (5) Promote the transfer of technology and know-how overseas, particularly to emerging countries with fast developing economies.
- (6) Publish environmental reports, CSR reports and other relevant reports and release environmental information concerning the entire range of its business activities as well as information on the measures it takes to address environmental issues.

## 5.4 Promote efforts to conserve biodiversity and sustainable utilization of resources.

### <<Basic attitude and stance>>

The gifts from biodiversity are absolutely vital to the foundation of the survival of society. In view of this reality, a corporation should actively contribute towards biodiversity conservation and nature conservation by contributing its technologies and human resources as well as working together and collaborating with NPOs/NGOs and other organizations.

### <<Examples of related actions>>

- (1) Take actions to lessen the burden on biodiversity in carrying out business activities and promote a sustainable utilization of resources by conducting investigations, forecasts, assessments etcetera on the impacts of business activities on biodiversity.
- (2) Contribute toward the conservation of biodiversity (including the prevention of pollution and efficient utilization of resources and energy) through the development of technologies.
- (3) Participate in activities on biodiversity conservation and nature conservation through *KEIDANREN*.

#### <KEIDANREN's activities>

- (a) Providing financial support to NPOs/NGOs that carry out biodiversity conservation activities at home and abroad, channeling donation through *Keidanren* Nature Conservation Fund, a public trust.
- (b) Organizing various functions through *Keidanren* Committee on Nature Conservation to get together and exchange views with NPOs/NGOs in order to promote a better working relationship with these organizations. Organizing awareness-raising activities through environmental education, training and other programs for the purpose of helping corporations conduct personnel training.
- (c) Launching the campaign called "The Declaration of Biodiversity by *KEIDANREN* Promotion Partners" (2009).
- (d) Launching the "Private-Sector Engagement Initiatives on Biodiversity" (2010).
- (4) Promote activities that would lead to biodiversity conservation through volunteer work among managers and employees by actively carrying out in-house environmental education, training and other programs.
- (5) Recognize the importance of the roles played by NPOs/NGOs in biodiversity conservation and, if necessary, take biodiversity conservation measures by integrating the expertise and knowledge of these organizations and working together with them (partnership-building with NPOs/NGOs).

## Clause 6

### Actively engage in community involvement activities including philanthropy as a “good corporate citizen.”

#### <<Background>>

**(1) Importance of corporations' community involvement activities including philanthropy as a pillar of corporate social responsibility**

Corporations, as a member of society, are expected by their stakeholders to take measures to help building better society by donating back part of the profits they have earned and part of the resources they have acquired.

Corporate community involvement activities, which have intensified in Japan since the 1990s, have recently been viewed as a relevant pillar to realize CSR. Despite rapid changes in the economic circumstances, many corporations have been promoting such activities strategically and in a sustained manner.

**(2) Diversification of social issues and globalization of business activities**

Along with advances in globalization, changes in the demographic structure and other factors, social and environmental issues such as global warming, energy problems, shortage of water and food resources, poverty and information gap have become more diverse and complex. These issues have also become serious problems for corporate activities. Increasingly, stakeholders expect that those corporations active on the global stage play a role, whether directly or indirectly, to help resolve these issues.

Against this background, the desirable image and action programs that organizations are expected to implement for international society are drawn up in international processes. For example, ISO 26000 describes the social responsibility of organizations and the MDGs (Millennium Development Goals) set up the benchmarks for resolving social issues in the 21st century.

**(3) Growth of NPOs/NGOs and other public interest groups as “public” players and advances in system improvement**

While promoting community involvement activities, corporations have strengthened their relationships with NPOs (non-profit organizations)/NGOs (non-governmental organizations) and other public interest groups. By working together and collaborating with these groups in Japan and abroad, corporations have gained a better understanding of the nature of their organization, the content of their activities, their human resources, the expert knowledge, the know-how they have in specific fields, and so on. A more effective performance has resulted from the collaboration. Also, in Japan, the Act to Promote Specified Nonprofit Activities took effect more than a decade ago, and as a result, the public recognition of NPO activities has also deepened over the years. These developments as well as past achievements in working with public interest groups have led corporations to become increasingly aware that strengthening partnership and collaboration with NPOs/NGOs is essential for promoting community involvement activities.

Furthermore, NPOs/NGOs are now recognized as relevant key players for promoting the public interest and efforts are being made to set up an institutional framework to help these organizations to perform public interest activities including the creation of an appropriate tax

system.

Meanwhile, in Europe and the United States, some NGOs which specialize in hunger and poverty relief, environmental protection, nature conservation, consumer protection, labor practices and human rights issues have a strong influence not only on corporate activities but also on national and local government policies.

## **6.1 Clearly articulate a corporation's philosophy on community involvement activities and set up the in-house structure.**

### **<<Basic attitude and stance>>**

A corporation should consider community involvement activities as an "investment in society" and invest its corporate resources and expertise. Once a corporation has decided to invest its resources, it should articulate a basic philosophy, set specific goals and build the necessary organizational structure within itself. Also, a corporation should regularly monitor progress made toward the goals it has set, evaluate the performance and make the necessary improvements so that its community involvement activities are more effective. At the same time, a corporation should explain its community involvement activities to its internal and external stakeholders in plain language.

### **<<Examples of related actions>>**

- (1) Articulate its basic concept on community involvement activities in line with its management philosophy and CSR policies.
- (2) Build the necessary in-house structure, such as creating a department in charge of community involvement activities and assigning staff members, setting up an internal organization (such as community involvement committee) as the decision-making body with the participation of top management and designating a board member in charge of such activities.
- (3) Set up an in-house education and training system and promote understanding within the corporation on community involvement activities.
- (4) Promote community involvement activities throughout the corporation and its corporate group (collect information on the community involvement activities of its corporate group, share the basic philosophy within the group, and ensure coordination between the related departments of member corporations of the group.)
- (5) Set up a corporate foundation and together undertake community involvement activities.
  - (a) A corporate foundation is valuable in that it can provide funding and the opportunity to engage in public interest activities in a relatively stable manner without being affected by the financial performance of the founder corporation. It can also enable the buildup of expertise and experience on public interest activities within the organization.
  - (b) A corporation that has set up a corporate foundation has the option to make appropriate choices on how to sponsor community involvement activities. A corporation itself can host a short and focused program as part of its business strategy and use the corporate foundation to sponsor long-term activities on a stable basis, insulated from the impacts of changes in the founder corporation's financial performance.
- (6) Extensively publicize the achievements of community involvement activities (through CSR reports, the corporate website, and so on) and promote communication with the public.
- (7) Conduct assessment using multiple viewpoints on the results of community involvement activities and use the outcomes as the starting point for making future improvements. Also, set up a PDCA cycle to improve community involvement activities and make them more effective. To improve the work, it is more effective to conduct assessments objectively and

canvass opinions of those employees that are not involved in community involvement activities and external stakeholders. In line with the assessment results, make a timely and appropriate decision on whether to expand, continue, fundamentally change or discontinue the identified program.

## **6.2 Identify priority issues in light of its management philosophy and promote community involvement activities by making use of a corporation's resources.**

### **<<Basic attitude and stance>>**

A corporation should show broad interest on social issues, and regularly keep abreast of the trends, including issues confronted by consumers and the general public, issues faced by international society and issues that have emerged recently as a result of changes in the economy and society. On this basis, a corporation should select the field where it intends to pursue its domestic and overseas community involvement activities, making the choice in line with its management philosophy, types of business, the extent of its available resources, and so on. When working on a priority project, it is important to take into account the perspective of human resource development to support sustainable development of society.

It is on such premise that a corporation should make use of its available resources and promote community involvement activities. The means of contributing to society varies, and options may include: cash and in-kind donation, organizing one's own programs, working together and collaborating with NPOs/NGOs, and giving support to employees' participation in community involvement activities. Combine the options appropriately in conducting community involvement activities.

### **<<Examples of related actions>>**

- (1) With regard to the following types of social issues, seek dialogue with its stakeholders, keep abreast of the prevailing trend, and identify the field of issues a corporation intends to address. Also, consider taking a combined approach with other social issues of interest to the corporation.

#### **<Examples of social issues to be addressed>**

- (a) Social welfare and social inclusion: Support self-help for the socially vulnerable, encourage them to take part in society, and eliminate barrier-forming factors.
- (b) Health, medicine and sports: Make donations to research programs to improve public health, assist those who attend to ailing family members, promote health activities, support international efforts to combat infectious diseases, provide funding for sports activities, help train young athletes, and so on.
- (c) Academic and research programs: Set up scholarships, fund research programs, establish an award program, and so on.
- (d) Education including social education: Prepare teaching materials, delegate employees to lecture at schools, arrange tours of its facilities, and so on.
- (e) Culture and the arts: Provide sponsorships and financial contribution, promote exchange activities between artists and the public, and so on.
- (f) The environment: Promote cleanup campaigns, tree-planting and other activities to protect the local environment, promote the protection of biodiversity, organize environmental study programs, and create a better environment by using technologies gained through business activities, and so on.

- (g) Local community activities: Attend and sponsor local community events, open up a corporation's facilities to the public, organize events for local residents, promote activities to conserve historical sites and traditional culture, and so on.
  - (h) International exchange and cooperation: Youth exchange programs, refugee support programs, prevention of contagious diseases, peace-building projects, social development in developing countries, and so on.
  - (i) Assistance to disaster-stricken areas: Contribute to charities that donate money directly to the victims of disasters, support the relief activities of mission-focused volunteers in affected areas, and so on.
  - (j) Community disaster-prevention and crime prevention: Conclude agreements with local communities on the contribution of relief supplies and the use of a corporation's facilities, participate in the local community's disaster-prevention drills, take part in and cooperate with the local community's crime-prevention activities, and so on.
  - (k) Human rights and human security: Raise awareness on human rights, provide teaching materials to create more integrated society, and so on.
  - (l) Capacity building for NPOs/NGOs: Provide the know-how of ICT-based organizational management, effective public relations skills, and so on.
  - (m) Creating jobs, promoting skills development and providing assistance in searching employment: Organize technical training programs and vocational education programs to help relieve poverty and promote economic development, and so on.
- (2) Choose the following methods appropriately in light of its circumstances.
- (a) Donations (such as money, goods and services)
  - (b) Self-organized and collaborative programs.
- A corporation can create and conduct its community involvement activities from planning to implementation. A corporation should collaborate and coordinate with NPOs/NGOs and other specialist organizations for such activities.
- (c) Support employees who volunteer to participate in community involvement activities.
- (3) Separate its resources into the following categories. Gather the resources that can be used for community involvement activities in a balanced mix while taking the public's needs into consideration.
- (a) Donations and cost-sharing: Formalize the criteria for identifying the recipients of donations or cost-sharing contribution and the internal decision-making process, organize cash donations and cost-sharing contribution in line with the policy and strategy.
  - (b) Provision of human resources: Dispatch volunteers and personnel with expert knowledge or skills in a particular field. (In recent years, there has been increasing interest on the "pro bono" idea, where people with expert knowledge in accounting, law and other fields work for NPOs/NGOs and other public interest groups without remuneration.)
  - (c) Provision of goods and services: Provide free use of its facilities and donate goods, services, technology, and so on. Take the aspects of community involvement activities into consideration during the stage of product design and development.

- (d) Information and know-how: Support the activities of NPOs/NGOs and other public interest groups by sharing with them expert knowledge and know-how, and the skills of cost control and efficient organizational management. Also, help them train social entrepreneurs and other expert personnel.
- (e) Network and publicity: Publicize community involvement activities by making use of various information channels, such as in-house newsletters, the intranet, group's newspapers or magazines. Also, organize public donation campaigns at stores, employee donation campaigns and other donation programs.
- (f) Purchasing ability: Support organizations that perform community involvement activities by making purchase transactions with them. It is worth noting that such transactions would increase the level of trust of these organizations when they negotiate contracts with other corporations.

### **6.3 Work together and collaborate with a broad range of stakeholders, including NPOs/NGOs, the local community, government agencies and international organizations.**

#### **<<Basic attitude and stance>>**

In dealing with social issues, a corporation should value the idea of cooperating with NPOs/NGOs, local volunteer groups, government agencies, or other public sector partners. This will help all parties to complement their resources and know-how and cover each other's information gaps, making it possible to organize extensive programs in a short time. By thinking and acting together (i.e., collaborating) with these partners, a corporation will be able to obtain information swiftly about grass-root views, social circumstances, social trends and public reactions, information it cannot obtain given its corporate status. This is also the way for a corporation to check whether its community involvement activities can obtain support and rapport from the public. It also helps resolve issues more speedily and efficiently and enables a corporation to conduct the activities more effectively.

#### **<<Examples of related actions>>**

- (1) Collect information about potential partners.

The fields of issues in which a corporation is interested overlap with those areas where many NPOs/NGOs are actively involved. In collecting information about these organizations, a corporation should encourage potential partners to contact the corporation by making clear the priority area of its community involvement activities and the standards of judgment for giving assistance and collaboration. Also, a corporation should participate in symposiums, seminars and other events that are related to the themes of its community involvement activities and build a network of potential partners.

- (2) Make use of intermediary support organizations.

Obtain information about the NPOs/NGOs that a corporation plans to collaborate with by seeking the service and assistance of intermediary support organizations (In Japan, for example, Japan NPO Center and Japan NGO Center for International Cooperation).

- (3) Support activities of the local community.

In the locations where a corporation has its business operations and therefore has established close community ties, participate in local volunteer activities and contribute to the development of the local community.

- (4) Coordinate with government agencies and international organizations, if necessary.

Collect information about community based NPOs through local government departments that support their work. Also, a corporation should coordinate with government agencies, and international agencies while conducting its own community involvement programs, depending on content.

- (5) Build a balanced collaborative relationship with partner organizations.

Resolve social issues through collaboration after specifying the role of each side based on resources and strength. In this regard, it is important to understand the behavioral principle and character of the partner and establish an equal relationship.

- (6) Deepen mutual understanding through dialogue with its broad range of stakeholders (stakeholder engagement).

Hold extensive surveys to gather information from stakeholders including relevant beneficiaries on social issues and on the measures needed to resolve these issues. Through these activities, share a common understanding and establish a common goal with its stakeholders. Use the information to improve its community involvement activities.

## 6.4 Support employees' voluntary efforts to take part in community involvement activities.

### <<Basic attitude and stance>>

As their values diversify, employees are increasingly seeking to play some role in society beyond their professional work or to build a relationship with the community. Having a large number of such employees will help ensure to fulfill the greater need for fairness and transparency of a corporation. Supporting their efforts to participate in community involvement activities will also enhance employees' pride in the corporation and create positive impacts on their work behaviors and increase the awareness of their professional goals. To maximize the effects of its support, a corporation should respect the motivation of the individual and create the opportunities and the appropriate environment for employees to engage with the public. Also, as an increasing number of people of the baby-boom generation are retiring, a corporation should help pensioners in building a second life and support them through its community involvement programs.

### <<Examples of related actions>>

- (1) Ascertain the awareness of employees and the situation of employee volunteering.

It is important to ascertain the awareness of employees and the situation concerning volunteering and donations and to build a support system in line with their degree of interest and involvement in those activities. Many corporations organize employee surveys for this purpose.

- (2) Introduce a support system.

Set up a support system in light of the corporate culture and the level of involvement of employees.

### <Examples of major support systems>

- (a) Leave of absence for volunteering: A system where employees can take a long leave of absence for extended volunteer activities. This system applies, for instance, to employees who want to join the Japan Overseas Cooperation Volunteers program.
- (b) Volunteering aid holiday: A system where employees will be given paid holidays to participate in volunteer or community work.
- (c) Volunteer workers commendation program: A system to commend employees who participate in volunteer activities.
- (d) Volunteering training program: A training program to promote volunteer activities among employees.
- (e) "Matching gift" funding support: A system where a corporation matches or exceeds the donation of an employee for the same public interest organization.
- (f) Campaign to promote community involvement activities: A company-wide campaign to draw up policies for community involvement activities and promote such activities.
- (g) Temporary transfer to NPOs/NGOs: A system facilitating the opportunities for employees to work at NPOs/NGOs for a specific period of time.

- (3) Provide information on volunteering activities and programs organized by NPOs/NGOs

Provide information on volunteering activities and programs organized by NPOs/NGOs that are of interest to employees or as requested by the local community and post the information on the intranet, bulletin boards, and in-house newsletters. Recently, there are examples where the quality of employees' volunteer work has been improved and the scope of volunteer activities has also been broadened by posting the experience and know-how acquired by the corporation on the intranet.

- (4) Provide opportunities for employees to participate in community involvement activities.

To create opportunities for employees to participate in community involvement activities, some corporations encourage their employees to join their own community work programs, arrange volunteer workshops, and so on. Organize in-house lectures and other programs to present the activities of NPOs/NGOs.

- (5) Provide support to an in-house volunteer organization.

<Examples of major forms of support>

- (a) Organize a volunteer organization within the corporation.
- (b) Assign employees in charge of community involvement activities to run the administrative work of its volunteer organization.
- (c) Provide a corporation's facilities for volunteers to meet or host events and allow them to use facilities to communicate with each other inside the corporation.
- (d) Set up a "give as you earn" scheme where employees can give donations directly from their pre-tax salary.

## 6.5 Participate in community involvement activities as part of a program sponsored by an industry and trade sector or the entire business community.

### <<Basic attitude and stance>>

When an industry and trade sector or the business community as a whole issues an appeal to its members for assistance, such as providing emergency relief to victims of a major natural disaster or a refugee crisis, extending international cooperation or sponsoring programs of welfare and environmental projects or educational and cultural events, a member corporation should actively respond to the appeal, discharge its responsibility as a corporate citizen and member of society and provide whatever help it can offer in order to maximize the effects of support from the business community.

### <<Examples of related actions>>

- (1) Promote programs by making use of the strength of an industry and trade sector.

<Examples of major forms of support>

- (a) Delegate expert employees to help organizations in charge of community involvement activities.
- (b) Organize public seminars on risk management.

- (2) Cooperate with community involvement activities undertaken by the business community as a whole.

A corporation should participate in large-scale donation campaigns or socially meaningful business community projects, as part of its own community involvement activities. Also, a corporation should actively participate in international donation projects through the Council for Better Corporate Citizenship, an organization established by *KEIDANREN* in 1989.

- (3) Cooperate with emergency relief.

In case there is a major natural disaster or a refugee crisis, a corporation should make donations and provide all forms of support in response to appeals from *KEIDANREN* or "the 1% Club", an organization established by *KEIDANREN* in 1990.

<Examples of major forms of support>

- (a) Donate money.
- (b) Provide transportation.
- (c) Provide relief supplies.
- (d) Provide the use of facilities.
- (e) Send donations and relief supplies to disaster-relief organizations. (In Japan, for example, Japan Platform, the Japanese Red Cross Society and the *Saigai Volunteer Katsudo Sien Project Kaigi* (Joint Committee for Coordinating and Supporting Voluntary Disaster Relief Activities)).

## Clause 7

### **Resolutely confront antisocial forces and organizations that pose a threat to the order and security of civil society and sever all relations with such individuals and groups.**

#### **<<Background>>**

##### **(1) Diversifying nature of antisocial forces and organizations**

In recent years, the activities of antisocial forces and organizations, which have posed a threat to the social order and security and extended its harmful influence to economic activities, have increasingly turned to intellectual crimes, and their operations have become more subtle and diversified. The activities of organized crime groups (*boryokudan*) are no exception. These days, these groups are operating over extensive areas, their operations have become oligopolistic while their activities have become increasingly diversified and vicious.

##### **(2) Enforcement of the Anti-Organized Crime Act and the changed nature of organized crimes**

Due to the Act on Prevention of Unjust Acts by Organized Crime Group Members (the Anti-Organized Crime Act), the awareness to combat organized crime has steadily deepened among the public and in the business community, and as a result organized crime groups have become more socially isolated.

While demands for benefits and favors with organized crime groups blatantly showing off their power have declined in recent years, they now tend to worm their way into corporate activities under the guise of routine business transactions. Even corporations firmly determined to drive out organized crime may find themselves unknowingly conducting business with corporations or entities linked to organized crime.

It is not a rare case that corporations and individuals close to organized crime groups commit crimes by playing on the public's fear of organized crime's power. Thus, their acts of violence and illegal behaviors targeted against the general public, corporations and administrative bodies have posed a threat to normal public life as well as corporate activities.

##### **(3) The corporate stance to fight antisocial forces and organizations**

After a series of incidents of corporations' giving economic favors to corporate racketeers came to light in 1997, corporations have vowed to sever all ties to corporate racketeers, (*sokaiya*), and made efforts to implement a compliance management so as to restore any public and international faith that had been lost by the incidents. At the same time, crimes concerning demands for giving benefits have been incorporated into the Companies Act and penalties have been strengthened for such offenses. As a result, while the number of corporate racketeers has declined in recent years, the activities of antisocial forces have become more murky and subtle. Hence, corporations should continue taking the necessary measures to sever all ties with them.

Corporations should firmly recognize their social responsibility and take measures to protect themselves. Corporations should reaffirm the fundamental principle that they will not tolerate any behavior that violates social justice and their determination to fight antisocial forces and antisocial organizations. Also, corporations should make a public commitment to

society and take the necessary anti-organized crime measures in an organized manner in close coordination with the proper external authorities.

## **7.1 Establish a basic policy to drive out antisocial forces and organizations.**

### **<<Basic attitude and stance>>**

Taking a tough stand against antisocial forces and organizations and adopting business practices that allow zero tolerance will contribute toward the development of sound civil society and raise the value of a corporation. Top management should make it absolutely clear to employees and the public (through a “no deal” declaration) that a corporation has blocked all relations with antisocial forces and organizations, including corporate racketeers, and is determined to rid society of them, as they pose a grave threat to corporate activities. At the same time, a corporation should build a system whereby it can take an organized response against organized violence by them under the so-called “three no’s” i.e., “no to being cowed,” “no to payoffs,” and “no to contracting them.”

### **<<Examples of related actions>>**

- (1) Top management issues a public declaration that the corporation will have no relations with antisocial forces and organizations.
  - (a) Top management declares in clear-cut terms (“no deal” declaration) to employees and the public that a corporation has blocked all ties with them and is determined to rid society of them.
  - (b) In carrying out its business activities, a corporation should raise the promote legal awareness for all employees, from top management to new recruit employees (including part-time workers and dispatch employees), block any contact with antisocial forces and organizations in all levels of corporate activity, and foster a healthy corporate culture by establishing codes of conduct as a good citizen with social conscience and ensuring compliance with the codes.
- (2) Establish an in-house response system.

Antisocial forces and organizations are focus on a corporation's need for social trust and any reluctance to take legal action. They also make individual employees in charge isolated by focusing on their personal responsibility. Thus, a corporation should establish a section in charge of organized crime as part of its internal structure and draw up corporate regulations so that it can take criminal or civil actions against organized crime in line with corporate regulations.

- (a) Regularly maintain and improve a response system and problem-solving skills. Keep central management of all internal and external information necessary to maintain its “no deal” stance against antisocial forces and organizations. At the same time, regularly coordinate with outside specialized authorities, prepare a list of organizations that can provide guidance and assistance when a corporation needs to resolve problems involving them, and train personnel to handle such tasks.
- (b) Always keep a sense of crisis-management, draw up internal regulations and operation manuals to cope with approaches made by antisocial forces and organizations, providing zero tolerance, and conduct in-house education and training for this purpose. Also, strengthen operational audits to verify the effectiveness of its organized defense against antisocial forces and organizations.

## **7.2 Mobilize the entire corporation to act in accordance with the law and prevent antisocial forces and organizations from inflicting damage on a corporation.**

### **<<Basic attitude and stance>>**

In dealing with organized violence from antisocial forces and organizations, it is most dangerous when a board member or employee in charge is isolated. Undue claims made by them are meant to strike a sense of anxiety and terror into a person's heart and, unless a corporation has set up standards for action, it is possible that the employee in charge of organized crime may feel pressured to accept the claims. A corporation, therefore, should always have more than one employee working in the office in charge of dealing with them and foster a corporate culture within the entire corporation to take prompt and organized action against them.

In business transactions, a corporation should block the involvement of antisocial forces and organizations by checking the background of potential business counterparts, incorporating a clause to eliminate organized crime groups in the contract or in the terms of transaction.

From the perspective of social justice, a corporation should file a report with the police on any damage caused by them. Even if a corporation faces undue claims on grounds that it is at fault or because of a scandal, act firmly and resolve the issue by legal means. The corporation should promptly conduct an investigation to ascertain the facts and the cause of what happened, determine the legal responsibility of the people involved, report the matter to the police without hesitation, and take other relevant actions.

Dealing behind the scenes with antisocial forces and organizations and a cover-up will increase the scale of damage and trigger problems that can affect the continued existence of a corporation. Thus, a corporation should by no means engage in such acts.

### **<<Examples of related actions>>**

- (1) Work closely with the police and other relevant authorities and take prompt and organized action.
  - (a) Set up a contact section in a corporation and assign staff to notify the police and other relevant authorities. Also, draw up a reporting system and the chain of command within a corporation and regularly maintain close coordination with the police and other relevant authorities.
  - (b) Appropriately handle information concerning antisocial forces and organizations from the viewpoint of protecting a corporation, protecting employees and others involved from being harmed or even killed, and protecting their property.
  - (c) Follow corporate policies and raise awareness regularly. When in contact with antisocial forces and organizations, make efforts to determine their identity from the very beginning, keep a record of any conversation or meeting by taking notes or making an audio or video recording, and make use of the records in legal actions.
  - (d) Incorporate a clause to eliminate organized crime groups in contracts or in the terms of transaction in order to prevent damage through business transactions. Also, properly manage shareholders information by keeping an eye on the transactions of its own shares and checking the background of shareholders and make efforts to prevent

stock-cornering by antisocial forces and organizations.

- (e) Always pay attention whether those whom a corporation is dealing with are antisocial forces and organizations. If a relationship is unwittingly established with them, promptly notify the section in charge and sever the relationship once it is found that the business counterparts are, or are suspected of, antisocial forces and organizations.
  - (f) Establish a database of materials across a corporation including past records of intervention by camouflaged antisocial forces and organizations, the current trends of their behavior, manuals on how to respond and other relevant information, and keep all employees informed.
  - (g) With respect to corporate racketeers, regularly keep in touch with the police. If their undue claims amount to "making demands for benefits," a crime as defined in the Companies Act, promptly notify the police once their intention is clear and seek police guidance and assistance in a timely and appropriate manner.
- (2) No behind-the-scenes transactions and cover-up.
- (a) If business counterparts make an undue claim on grounds that a corporation is at fault, assess the legal responsibility and handle the situation appropriately. Do not deal behind the scenes.
  - (b) If antisocial forces and organizations make undue claims on grounds that a corporation or a person including board members or employees is at fault, take appropriate measures in light of the nature of the problem and make the case public, if necessary. The demand itself is firmly rejected.
  - (c) If a corporation is damaged by antisocial forces and organizations, promptly notify the police, irrespective of the nature and the amount of damage. Also, take all necessary legal actions, criminal and civil, without hesitation.

### 7.3 Work with organizations concerned to drive out antisocial forces and organizations.

#### <<Basic attitude and stance>>

To drive out antisocial forces and organizations, a corporation should build a trustworthy relationship with the police in charge of organized crime and other relevant organizations, including the National Center for the Elimination of *Boryokudan*, lawyers who specialize in dealing with racketeers who intercede in civil disputes under the threat of violence, and the liaison network of industry and trade associations. When a corporation is concerned of being victimized by antisocial forces and organizations, it should promptly coordinate with the proper organizations and take legal measures.

#### <<Examples of related actions>>

- (1) Build a trustworthy relationship with the police and other authorities concerned.
  - (a) A section in charge of organized crime should verify how to contact the officials in charge of organized crime at police departments and other relevant authorities and strive to exchange information with them regularly and build a trustworthy relationship. Also, employees in charge of organized crime should attend seminars on organized crime and improve their skills to cope with racketeers who try to squeeze money by interceding in civil disputes under the threat of violence.
  - (b) Work together with corporations and organizations who share a similar determination to fight organized crime and swap information with them. Participate in anti-organized crime programs organized by *Tokuboren* (the Federation on Special Organized Crimes within the Jurisdiction of the Tokyo Metropolitan Police Department) and other relevant organizations such as the prefectural chapters of the National Center for the Elimination of *Boryokudan* and the Council for the Defense of Business Enterprises.
  - (c) Draw up and disseminate a model clause to eliminate organized crime groups for use in contracts and as terms of transaction through cooperation between industry and trade sectors.
  - (d) Cooperate with the development of an industry and trade database of information concerning antisocial forces and organizations.
- (2) In time of emergency, work with public authorities and ensure the security of the corporation and secure the safety of the people involved.
  - (a) In fighting antisocial forces and organizations, take all necessary legal measures, such as using the services of lawyers, using content-certified mail in correspondence, seeking provisional injunctions against improper behavior, actions for declaratory judgment of absence of obligation, and actions for damages.
  - (b) In case police authorities ask for cooperation to pursue responsibility, from the perspective of social justice, do not hesitate to file a damage report and actively cooperate with police investigation.
  - (c) With respect to shareholders meetings, make efforts to regularly collect information about potential corporate racketeers, notify the police once there are signs of improper demands for economic benefits, and ask for police guidance and assistance.

## **Clause 8**

**In line with the globalization of business activities, comply with laws and regulations of the countries and regions where its business operations are based and respect human rights and other international norms of behavior. Also, conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society.**

### **<<Background>>**

- (1) Advances in globalization of business activities and contribution to the economy and society of the countries and regions where a corporation's business operations are based**

As a supply chain and a market are extended in the world, all business activities of corporations these days have a certain global dimension. Wherever the main business activities are based, corporations should comply with the applicable law. They should also respect international norms of behavior and run their business while taking the interests of various stakeholders into consideration.

Furthermore, in addition to community involvement activities as a "good corporate citizen," it has become widely accepted in recent years that corporations, through their business activities, should not only explore new markets in developing countries, but also address and resolve local social issues so as to contribute toward the development of society.

- (2) The role of the business in respect of human rights**

While protection of human rights is the duty of the state, according to the United Nations report on "Protect, Respect and Remedy: A Framework for Business and Human Rights" (the so-called "Ruggie Report") and ISO 26000, there are rising expectations that corporations should respect and give consideration to international norms of behavior including the respect of human rights in the countries and regions where their business operations are based.

- (3) Global awareness on problems of irregularities and corruption, including bribery of foreign public officials**

After ratifying the OECD's "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions", Japan has strengthened legislative and administrative measures to combat bribery of foreign public officials. The Unfair Competition Prevention Act was revised in February 1999 to introduce punishment on bribery of foreign officials. The regulations were strengthened in January 2005 to include punishment of offenses in foreign countries. Also, there is now a global trend to take action against international corruption. The issue was discussed at the G8 Summit at Evian-les-Bains, France, in June 2003, the "UN Convention Against Corruption" was concluded in December that year (Japan was also a signatory state), and anti-corruption was added as the 10th Principle of the UN Global Compact. At the same time, various countries have stepped up legal measures like the Foreign Corrupt Practices Act in the United States and the 2010 Bribery Act in Britain. All these developments demonstrate a rising global awareness on problems of irregularities and corruption.

## **8.1 Comply with codes of conduct of a corporation and applicable laws and regulations where its business operations are based and respect human rights and other international norms of behavior.**

### **<<Basic attitude and stance>>**

A corporation should make sure that its management philosophy and codes of conduct are clearly reflected in its global operations. It should also collect information on and comply with laws of the countries and regions where its business operations are based as well as understand and respect human rights and other international norms of behavior. A corporation should check whether its management strategy and business plans are in accordance with not only management philosophy, codes of conduct, but also international norms of behavior. When a corporation realizes that there are violations or possible violations of its management philosophy and codes of conduct, it should take appropriate measures. To avoid such a situation from occurring, a corporation, together with its affiliates, should, therefore, build a system to prevent violations that can be applied globally for both a corporation and its affiliates.

### **<<Examples of related actions>>**

- (1) Comply with the laws of the countries and regions where its business operations are based.
  - (a) Collect information on and comply with applicable laws and regulations of the countries and regions where its business operations are based. These laws and regulations include business laws, antimonopoly laws, labor laws, consumer laws, tax laws, environmental laws, as well as product standards and so on. Establish, if necessary, related manuals and guidelines of the corporation.
  - (b) Make sure that employees at overseas branches and affiliates – whether transferred from Japan or hired locally – are kept current with, understand and comply with the applicable Japanese laws that are closely related to overseas operations including the Unfair Competition Prevention Act (the provision banning the giving of illicit benefits to foreign public officials) and the Foreign Exchange and Foreign Trade Act. Also, encourage overseas business counterparts to follow the rules.
- (2) Respect human rights and other international norms of behavior.
  - (a) Understand and respect international norms of behavior, including the human rights listed in “the Universal Declaration of Human Rights” (see page 93).
  - (b) Recognize that infringement of human rights can become a management risk. In light of this reality, adopt measures to prevent the infringement of human rights by staff in both domestic and overseas branches and offices. Also, set up a mechanism to check whether any business activity or management conduct constitutes an infringement of human rights, and to deal with the situation fairly and appropriately in case of an infringement.
- (3) Observe its management philosophy and codes of conduct at the branches and offices in the countries and regions where its business operations are based.
  - (a) Make sure that every employee is familiar with its management philosophy.

- (i) Top management should repeatedly convey the management philosophy to overseas employees in an effective manner.
    - (ii) Provide the necessary educational tools and programs.
  - (b) Observe its codes of conduct.
    - (i) In case of difficulty in direct application of its codes of conduct to overseas branches and affiliates, make necessary adjustments or prepare additional codes reflecting local laws and culture.
    - (ii) Apply the codes to its overseas branches. Also, consider applying the codes to its overseas affiliates depending on the degree of its control and the local conditions.
    - (iii) Provide the necessary educational tools and programs.
- (4) Take measures to prevent violations of the management philosophy and codes of conduct.
  - (a) Build a human network.

For its overseas affiliates, assign correspondents in charge of promoting its management philosophy and codes of conduct.
  - (b) Set up a helpline.

Set up a helpline, independent from the regular chain of command, to handle inquiries and reports on violations. If necessary, expand the scope of helpline users to employees at its overseas affiliates and business counterparts.
- (5) Set up a check system.

A corporation should set up a system to check regularly whether its operations at overseas branches and offices comply with its codes of conduct and applicable laws, as well as respect international norms of behavior, local customs and culture. For its overseas affiliates, provide guidance as needed on matters of observing and respecting the codes.

## **8.2 Respect local customs and culture of the countries and regions and promote business activities on the basis of mutual trust with local stakeholders.**

### **<<Basic attitude and stance>>**

From a long-term perspective, a corporation should make efforts to promote its business activities on the basis of mutual trust with its stakeholders. To achieve this goal, a corporation should make efforts to understand the social circumstances of the countries and regions where its business operations are based and conduct business considering the local culture, customs and religion. Also, a corporation should carry out community involvement activities as a “good corporate citizen” and earn the trust of the local community by promoting a better understanding of the Japanese culture and value. Furthermore, a corporation should actively support community involvement activities of its overseas affiliates and their employees.

### **<<Examples of related actions>>**

- (1) Turn a corporation into a globalized organization.
  - (a) Organize educational programs on a continuous basis not only to study foreign language but also to understand foreign culture and learn how to communicate with people with a different cultural background.
  - (b) Regularly invite overseas employees to Japan and create other opportunities to promote interaction and mutual understanding between a corporation and its overseas affiliates.
  - (c) Make efforts to foster international personnel by giving diverse career paths irrespective of nationality.
  - (d) Put the right person in the right job on a global scale.
  - (e) Conduct training at a corporation on the ways of global management.
  - (f) Set up an organization or a network for employees to consult on how to cope with specific issues overseas.
- (2) Cooperate closely with local corporations and contribute toward the development of local industries.
  - (a) Expand the purchase of parts and raw materials locally.
  - (b) Strengthen alliance and cooperation with local corporations.
  - (c) Actively provide technical guidance and transfer the expertise to local corporations including production technologies and quality control management.
  - (d) Join local industry and trade associations including chambers of commerce and cooperate with their activities.
- (3) Give enough consideration to the impacts of setting up or pulling out a business.
  - (a) When setting up an overseas affiliate, downsizing its business, pulling out, or making other corporate changes, fulfill contract obligations to its business counterparts, and handle the situation in good faith.

- (b) When pulling out an overseas business, make efforts to minimize the impacts on local employees, business counterparts and the local community and consider whether it can transfer its business to another corporation, implement a management buyout by the local management team, or arrange other deals that enable the local affiliate to stay in business.
- (4) Understand the social circumstances of the countries and regions where its business operations are based and carry out business activities by paying attention to the local culture, customs and religion.
- (a) As a member of the local community, be aware of such local social issues as minority issues, education, crimes and poverty and handle the issues in good faith. Communicate and collaborate with local NGOs to solve the issues.
  - (b) Participate in activities sponsored by the local chambers of commerce, local communities, as well as activities organized by the national government, state governments and local authorities. Also, actively arrange public relations events to promote better understanding of a corporation.
  - (c) Contribute toward the training of local personnel by giving support to local educational bodies, conducting business internships, providing scholarships, and other measures.
- (5) Undertake its community involvement activities.
- (a) Set up procedures for community involvement activities and donations such as establishing a philanthropy committee at an overseas affiliate and improve transparency of the procedures.
  - (b) Understand the importance of undertaking community involvement activities overseas, show maximum respect to local judgments, and, if necessary, provide funding and other assistance to the activities.
  - (c) Encourage local employees to participate in volunteering. Employees assigned to work at overseas branches or affiliates should also take the lead in volunteering.
  - (d) A corporation should understand the necessity of volunteering and encourage local employees to get involved in the activities by allowing them to take paid leave.

### **8.3 Make efforts to turn the management team into a local operation and build an appropriate work environment in line with the circumstances of the countries and regions.**

#### **<<Basic attitude and stance>>**

A corporation should turn the overseas management team into a local operation so that a corporation can be blended with the local community where its business operations are based and gain public trust. For this purpose, a corporation is committed to human resources development such as providing the necessary education and training to local employees as well as makes efforts to build an appropriate work environment in line with the local circumstances. It should actively make use of local staff and provide equal promotional opportunity. Also, it should encourage overseas branches and affiliates to set up an appropriate governance system with respect to risk management, legal compliance and evaluation of business performance. By taking these measures, a corporation should improve the productivity of overseas branches and affiliates and enhance the performance of employees.

#### **<<Examples of related actions>>**

- (1) To turn the management team in an overseas branch and affiliate into a local operation, actively promote local staff and provide the necessary education and training. Also, explain its management philosophy and business policy to local employees.
  - (a) Establish a promotion system for local employees and actively assign local employees to middle-management and other management positions at overseas affiliates.
  - (b) Place the right person in the right job regardless of nationality.
  - (c) Organize the following education and training programs.
    - (i) Provide education and job training for local employees.
    - (ii) Organize management seminars sponsored by overseas branches and affiliates.
    - (iii) Provide training opportunities for local employees at overseas branches and affiliates equal to those who are assigned to work there.
  - (d) Hold regular staff meetings with the participation of local employees.
- (2) Make its employees working at overseas branches and affiliates realize that they have an important role in its local operations.
  - (a) In assigning employees to work at overseas branches and affiliates, the decision should be made by considering whether they can respect the local culture and customs and whether they can adapt themselves to the local lifestyle. Provide enough education and training to the employees and give them information. Also, pay attention to provide information and other assistance to their families.
  - (b) Provide training programs to its employees who are assigned to work at overseas branches or affiliates, giving enough consideration to such topics as adapting to the local culture, learning the local language and understanding the local customs. Also, give them guidance on how to communicate with local employees and promote mutual understanding.

- (c) Make its employees who are assigned to work at overseas branches or affiliates understand that they bear the responsibility to take the initiative in following, both in public and private life, the codes of conduct based on its management philosophy. Also, encourage these employees to conduct awareness-raising activities repeatedly for local employees observing the codes of conduct.
  - (d) Its employees on overseas assignment should realize that they serve as representatives of a Japanese corporation and endeavor to deepen their knowledge and understanding of local society.
- (3) Establish a proper relationship between a corporation and its overseas affiliates.
- (a) Make efforts to turn overseas management into a local operation, and at the same time set up an appropriate governance system with respect to risk management, monitoring of legal compliance, evaluation of business performance.
  - (b) Respect the proposals and decisions made by overseas branches and affiliates and set up a structure of equal partnership between a corporation and its overseas units.
  - (c) Establish proper and fair transaction rules among members of its corporate group.
- (4) Make efforts to build a proper working environment in accordance with the local circumstances, its business situations and other conditions.
- (a) With respect to labor conditions, comply with the local laws and regulations and make appropriate decisions by giving comprehensive consideration to the local circumstances and culture, local labor practices, its business situations and other conditions.
  - (b) Build a proper labor-management relationship by giving opportunities to local employees to dialogue with management and through other interactions.

## **8.4 Pay attention whether overseas business counterparts discharge their social responsibility and, if necessary, give them assistance to make improvements.**

### **<<Basic attitude and stance>>**

A corporation should make sure that its overseas business counterparts such as equipment suppliers and sales partners comply with laws, respect human rights and other international norms of behavior and share a common stand on social responsibility by showing them its management philosophy and codes of conduct. It should also make sure that its overseas business counterparts understand the necessity for collective actions to implement their social responsibility while giving due consideration to different values. If necessary, a corporation should request them to set up an appropriate mechanism to achieve this objective.

### **<<Examples of related actions>>**

- (1) Request its overseas business counterparts to comply with laws and to respect human rights and other international norms of behavior.
  - (a) Make sure that overseas business counterparts comply with laws and respect human rights and other international norms of behavior, and give them assistance to enable them to take appropriate measures to discharge their social responsibility.
  - (b) In case overseas business counterparts are not taking the proper measures, actively encourage them to make improvements or set up a proper corporate system.
- (2) Publicize its management philosophy and codes of conduct.
  - (a) Use a corporate website, documents, conferences and other venues to publicize its management philosophy and codes of conduct and let overseas business counterparts understand its stance on social responsibility and make sure they share the position.
- (3) Encourage overseas business counterparts to discharge their social responsibility.
  - (a) Encourage overseas business counterparts to discharge their social responsibility.
  - (b) Use questionnaires and other methods to find out how overseas business counterparts are discharging their social responsibility. Such surveys, however, should be done only after getting their understanding.
  - (c) If improvements need to be made, notify the business counterparts concerned and at the same time actively give them assistance to make improvements.

(With respect to supply chains including business counterparts, see Clause 9.4)

## **8.5 Do not give gifts to or entertain foreign public officials for the purpose of obtaining illicit gains.**

### **<<Basic attitude and stance>>**

A corporation should not bribe, such as giving money or favors, foreign public officials, including employees of local governments and quasi-government organizations, for the purpose of obtaining illicit gains in business. It should also take preventive measures against bribery by following the guidance issued by the Japanese government. Also, it should set up an in-house mechanism and educate employees and raise their awareness so that there can be no illegal or suspicious behavior. A similar control mechanism should be applied to its overseas branches and affiliates and arrange educational and awareness-raising programs.

### **<<Examples of related actions>>**

- (1) Conduct thorough educational and awareness-raising activities.
  - (a) In addition to complying with Japan's Unfair Competition Prevention Act, collect information on and comply with the equivalent laws in other countries and regions.
  - (b) Compile an easy-to-understand anti-bribery manual, giving specific examples of behaviors that are banned, and educate board members and employees who have contacts with foreign public officials. Direct employees not to get into behaviors that are clearly illegal or even behaviors that raise suspicion.
  - (c) As regards the OECD's "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions", the domestic implementation law is subject to interpretive revisions depending on the circumstances of various countries. Keep abreast of the revisions, and educate and raise the awareness among employees of the changes in case the law is revised.
- (2) Set up a checking system.
  - (a) Set up an internal control mechanism, using the "Guidelines to Prevent Bribery of Foreign Public Officials" as reference.
  - (b) Identify the section in charge and arrange anti-bribery seminars and awareness-raising programs. The section in charge should handle inquiries concerning specific cases of bribery and take necessary actions.
  - (c) As for expenditures involving foreign public officials, make it obligatory to apply for permission in advance not only for entertainment expenditures but also for such funds as training expenditures and consultant fees. Set up a mechanism whereby such spending is not possible without prior approval by the section in charge.
  - (d) Conduct regular audit and assessment to determine the effectiveness of internal control and review the mechanism, if necessary.

## **Clause 9**

**Top management recognizes that it is its role to realize the spirit of this Charter and takes the lead in an exemplary manner to implement the Charter within the corporation and its entire corporate group, while encouraging its business counterparts to follow the same example. Furthermore, it should always try to keep abreast of what people inside and outside the corporation say and set up an effective mechanism throughout the corporation to implement the Charter.**

### **<<Background>>**

#### **(1) Importance of corporate ethics and the duties of top management**

Compliance with laws and regulations, enforcement of corporate ethics and implementation of CSR have become increasingly important in order for corporations to act in unity under the leadership of top management to aim for greater corporate value. Top management should properly cope with the trends of increasingly complicated changes in the business environment such as advances in the concept of group management, stronger relationships with its stakeholders, supply chain management, globalization and diversified value.

In coping with these changes, top management should establish a corporate identity, a basic philosophy and ethics, set up a mechanism for the effective functioning of these standards, take a firm stand on principles, and share the goals with its stakeholders.

Once corporations get involved in a scandal, the world will turn a stern eye to them. Corporate activities will not be feasible without the trust and rapport from the public. The basis of survival and the corporate value is that top management should stand at the forefront, take public criticism in a humble manner, comply with laws and regulations, establish corporate ethics and implement CSR activities. Top management should reaffirm this basic stance. The duty of top management, therefore, is to provide socially useful goods and services, set up an internal control system as required by the Companies Act and the Financial Instruments and Exchange Act, and take the lead in building an organizational mechanism that would prevent scandals from occurring.

With the enforcement of the Whistle-blower Protection Act, corporations should also voluntarily set up an in-house system to discern the budding signs of scandals and nip them out.

#### **(2) Changing patterns of corporate scandals and rising public criticism**

From the late 1980s through the 1990s, most corporate scandals involved irregularities with outside parties such as corrupt politicians and government officials, financial transgressions such as shady compensation for losses caused by the collapse of the bubble economy and irresponsible lending practices, and giving economic favors to antisocial forces and organizations.

By contrast, most of the scandals that took place from 2000 onward concerned behaviors that occurred inside corporations, such as the failure of top management to get swiftly informed of illegal behaviors that occurred in manufacturing, R&D, marketing and other departments, or attempts to cover up such scandals.

It is impossible for corporations to keep on covering up scandals. Indeed, attempts to cover up scandals will bring denunciation from the public and could even make survival of corporations involved more difficult.

## **9.1 Top management should display leadership to the fullest possible extent, clearly lay out the management philosophy and codes of conduct, implement the philosophy and codes within the corporation and promote CSR.**

### **<<Basic attitude and stance>>**

Top management should take it to heart that earning the trust of society is the basis of business and should spare no effort to achieve this goal. Top management should take own initiative in demonstrating the lofty determination to turn the corporation into an entity that benefits entire society, comply with laws and regulations, establish corporate ethics and strengthen cordial ties with its stakeholders. Sincerity of top management helps the corporation gain trust from the public. Top management should instill such spirit in each employee and make it the basis for day-to-day operations. When its employees are involved in a scandal, to say "I had no idea" will not be accepted. Top management should not act simply in self-protection; it should take actions that are evaluated as responsible by its stakeholders.

### **<<Examples of related actions>>**

- (1) Top management should take every opportunity to emphasize the importance of establishing corporate ethics and to strengthen CSR activities. Top management should take the initiative in seeing to it that this spirit takes hold within the corporation.
  - (a) Make continuous efforts to publicize in as much detail as possible the policy of pursuing corporate ethics by using in-house newsletters, the intranet, pamphlets, posters and other publicity tools.
  - (b) Invoke a corporation's management philosophy and the basic management stance in board meetings, New Year's greetings, the announcement of management policies, as well as on relevant occasions such as initiation ceremonies for its new employees.
  - (c) Take the initiative and visit work sites to talk to its employees and underscore the importance of corporate ethics. Also, make efforts to detect any premonition of scandal and promote measures that would prevent scandals from occurring.
  - (d) Underline the need to establish corporate ethics during the "Corporate Ethics Month" in October each year that has been set by *KEIDANREN* since 2003.
  - (e) Conduct regular reviews of the internal structure and draw up the measures if improvement is needed.
- (2) Top management should take the initiative in instilling the concept of ethics among board members and its employees.
  - (a) Always demonstrate the spirit of corporate ethics and behavior through its own actions.
  - (b) Recognize that its attitude, language and behavior have immense influence on the behavior of board members and its employees.
- (3) Top management should display leadership in drawing up new codes of conduct, internal regulations and business manuals, when needed, and in reviewing and revising the current editions.

- (a) Encourage discussion on corporate behaviors in every department of the corporation.
  - (b) Regularly review corporate practices by assuming that incidents that occurred in other corporations may occur in its own corporation as well.
- (4) Top management should display leadership in promoting CSR along with enforcing its corporate ethics.

## **9.2 Top management should issue a declaration on its management philosophy, codes of conduct and basic policy on CSR and disclose information on the concrete measures to achieve these goals.**

### **<<Basic attitude and stance>>**

Top management should realize that a corporation is a public entity of society, comply with laws and regulations as a member of society, establish corporate ethics, and run its business with lofty aspirations. This is how top management should fulfill its responsibility to its stakeholders. To actively disclose information to the public on its management philosophy and its activities is an effective tool to deepen the understanding and trust of society and will help raise the corporate value.

### **<<Examples of related actions>>**

- (1) Take every opportunity to disclose its codes of conduct, its stance on compliance, and the in-house mechanism to promote the codes.

#### **<Examples of information disclosure tools>**

- (a) Corporate website
  - (b) Annual reports
  - (c) CSR reports, sustainability reports and other publications that feature the economic, environmental and social aspects of corporate activities
  - (d) Investor relations meetings
  - (e) General shareholders meetings
  - (f) Stakeholders meetings
  - (g) Intranet and handouts for its employees
  - (h) Press conferences and media interviews with newspapers and magazines
- (2) Improve the substance and contents of information disclosed in its CSR reports and sustainability reports by taking into consideration the views of its shareholders, representatives of its employees and other stakeholders.

### **9.3 Build a company-wide system for implementation.**

#### **<<Basic attitude and stance>>**

Top management should build a risk-management system related to the pursuit of corporate ethics and CSR and a system to promote corporate ethics by appointing and assigning staff to gather information in the corporation swiftly and accurately, and use them for making management decisions. Also, top management should take the initiative and ensure that this internal mechanism works effectively and produces results. These measures will lead to the establishment of solid governance.

#### **<<Examples of related actions>>**

- (1) Designate one of executive officers to take charge of corporate ethics. In some cases, the person should also oversee its CSR activities correspondently. In case of emergency, top management should investigate and report on the matter, either by itself or under its command.
- (2) Set up and operate a corporate ethics committee (or a CSR committee).
  - (a) Hold committee meetings regularly.
  - (b) At least once a year, report the contents of its activities to the board of directors and the board of auditors (the auditing committee for corporations employing a committee-based corporate governance system) and check on the promotion of corporate ethics and whether the framework related to CSR functions effectively.
- (3) Set up a company-wide department in charge of corporate ethics, give it properly defined authorities and duties, and assign it as the administrative office for the corporate ethics committee.
  - (a) In addition to convening and running the corporate ethics committee, the department should perform some of the following duties: draw up and run a corporate ethics program through company-wide efforts, work and coordinate with personnel and other departments in charge of education and training, establish and renew its codes of conduct, employment regulations and other internal rules, liaise and coordinate with the supervising government agencies and industry and trade associations, gather and report on information inside and outside the corporation, investigate and report on scandals that occur inside or outside the corporation, work with the department in charge of customer complaints, operate the helpline on corporate ethics, and protect whistle-blowers and victims.
  - (b) Top management should give maximum consideration to the department in charge of corporate ethics in terms of budget and staffing so that it can perform its duties properly.

## **9.4 Ensure compliance with corporate ethics and promotion of CSR throughout the corporation and its corporate group as a whole. At the same time, encourage its supply chain partners including business counterparts to do the same.**

### **<<Basic attitude and stance>>**

In order for a corporation's CSR program to be effective, action by one corporation alone will not produce effective results. Amid advances in the concept of group management and also in light of the need to strengthen governance, ensure compliance with corporate ethics and CSR promotion in the corporation and its corporate group as a whole.

In the past, many corporations focused on issues of product quality and the environment in their involvement with their supply chain including business counterparts and give them advice, treating the practice as an extension of their business relations. Recently, some partners in its supply chains have been harshly denounced for violating corporate ethics, including issues of the respect of human rights, labor conditions, and corruption, thus precipitating loss of public trust toward the corporation itself. In light of this situation, and also from the perspective of sound development of society, top management should encourage its supply chain partners to comply with corporate ethics and promote CSR as well.

### **<<Examples of related actions>>**

- (1) Ensure compliance with corporate ethics and promote CSR throughout the corporation and its corporate group as a whole.
  - (a) Make the entire corporate group share the basic philosophy and views on corporate ethics and CSR. Set codes of corporate ethics and CSR policy either for the entire corporate group or each individual member corporation in accordance with the type of business and business conditions of each member corporation in the group.
  - (b) Strengthen the partnership and share information on corporate ethics and CSR within the corporate group through a close cooperation among relevant departments of each member corporation.
  - (c) Conduct education and training for employees of the corporate group and raise the awareness about CSR actions.
- (2) Encourage partners in its supply chains to comply with corporate ethics and promote CSR among them.
  - (a) Incorporate matters concerning corporate ethics in the purchase guideline and, if necessary, include them as a clause in the transaction contract.
  - (b) Make efforts to meet regularly with supply chain partners to hear their views and exchange information with them about compliance with corporate ethics and the promotion of CSR. Also, try to underline the importance of CSR activities and corporate ethics during daily business transactions or at gatherings involving its business counterparts.
  - (c) If necessary, organize education, training and auditing programs for supply chain partners.

- (d) With regard to those partners who intend to set up a system to undertake CSR activities, support their efforts to an appropriate extent, such as helping them raise awareness about CSR and provide support staff and know-how.

(For relationships with overseas business counterparts, see Clause 8.4)

## **9.5 Set up a helpline (consultation service) on corporate ethics independent from the regular chain of command and make use of the facility, which should lead to better corporate behavior.**

### **<<Basic attitude and stance>>**

Top management should make available a facility where its employees would feel comfortable making inquiries when they have misgivings, questions or suggestions arising from day-to-day operations. The normal work reporting line through its employee's immediate supervisor is not necessarily the right medium to convey relevant information on corporate ethics to top management rapidly and appropriately. In view of the purpose of the Whistle-blower Protection Act, a corporation should realize that using a helpline is effective for risk management. It should set up a special reporting channel on a permanent basis in line with the nature of its business so that information can flow straight from the workplace or its individual employee to top management and encourage its employees to use the helpline. To make the helpline an effective tool, top management should always keep an eye on its operation.

Top management should carefully examine the contents of the information received and use the information to make improvements. Also, top management should put whistle-blowers under protection through personnel and other measures and make sure no reprisal is allowed.

### **<<Examples of related actions>>**

- (1) Set up a helpline (consultation service) on corporate ethics.
  - (a) Depending on the circumstances, the helpline can be located either inside or outside the corporation, or in both locations. If it is placed outside, a corporation has options, in response to the nature of its business, of using the service of law firms, companies that specialize in taking down information from informants, and other organizations. Make it possible for the information from whistle-blowers transmitted by multiple means, such as telephone, letter and e-mail.
  - (b) Protect the secrecy of whistle-blowers and properly manage information. During the process of investigation, make sure that the person or persons named by whistle-blowers are not subject to unilateral penalty. Ensure that there is no reprisal against whistle-blowers who acted in good faith.
- (2) Encourage the use of the helpline on corporate ethics.
  - (a) If the helpline is set up inside the corporation, assign at least one male and one female employee to the service, and disclose information about their personalities and contact information to win the trust of its users. Make as much effort as possible to make the helpline open even after working hours.
  - (b) Expand the scope of target helpline users not only to its employees and their family members, but also to employees of member corporations in the group and their families, and its business counterparts, according to the nature of its business.
  - (c) Prepare a booklet of samples of information that can be given on the helpline and the nature of information sought by a corporation, and circulate the booklet. Also, set up a corporate ethics site on the intranet and post the information there.

- (d) Ask users to promptly contact the helpline staff for advice in case of doubt whether some particular information should be reported.
  - (e) Organize regular publicity events to let more people know about the helpline. If the helpline is not used very often, review the system and the methods of operation and make changes as appropriate.
- (3) Make use of the information collected through the helpline.
- (a) The contents of advice sought at the helpline should be promptly conveyed to top management in line with the established procedures.
  - (b) Top management should promptly take appropriate corrective measures. At the same time, notify the informants as appropriate on the measures taken and make efforts to win their trust of its users and get their cooperation.
  - (c) Use the successful cases handled through the helpline as reference in training and other opportunities, while keeping whistle-blowers' identity confidential, and make efforts to prevent similar irregularities from occurring in the future.

## 9.6 Provide and strengthen education and training on corporate ethics and CSR

### <<Basic attitude and stance>>

To provide education and training opportunities repeatedly is extremely relevant for raising the awareness of its employees about corporate ethics and CSR, and give them a solid grounding on these issues. Top management thus should make sustained efforts in this regard. The contents of the educational program should be strengthened in light of the nature of its business and its employee's duties so that it can be of use for day-to-day operations. The educational program should also be made comprehensive so that everyone can participate.

### <<Examples of related actions>>

- (1) Organize training programs for board members.
  - (a) Organize regular training programs for top management and other members of the board.
  - (b) As regards corporate ethics programs, actively use outside lecturers and turn the programs into a forum to discuss corporate ethics from an outside and global point of view. The programs should be organized in a dialogue format and should cover practical matters.
- (2) Organize education and training programs for its employees.
  - (a) Organize education and training programs regularly.
  - (b) Focus on corporate ethics and its basic stance on CSR.
  - (c) Prepare case studies, distribute them to its employees and ensure that everyone follows these studies.
  - (d) Conduct examinations, and its employees who fail should repeat the programs.
  - (e) Issue certificates to its employees who have completed training programs and passed the examinations, making it a condition for promotion. At the same time, ask them to make a written pledge to comply with laws and regulations.
  - (f) In addition to education and training opportunities, publicize its codes of conduct and raise its employees' awareness regularly.
- (3) Organize training programs for its employees who have been newly promoted to managerial positions. The programs should be of practical use for these managerial employees in complying with corporate ethics and discharging their CSR activities, while demonstrating the way to raise the level of awareness and the standard of action of their own staff.
- (4) Encourage its employees to take part in seminars on corporate ethics and CSR organized by *KEIDANREN*, including corporate ethics seminars for top management and training programs for people in charge of corporate ethics.
- (5) Prepare legal compliance manuals (compliance with the Antimonopoly Act, protection of corporate secrets, prevention of insider trading, ban on discrimination in the workplace, protection of the environment and other relevant laws and regulations) and organize regular

education and training programs.

- (6) Set up a corporate ethics site on the intranet, post a list of case studies and Q&As, and allow users to post comments or ask questions. The contents of frequently asked questions should be added to the training program.

## **9.7 Check and assess how far corporate ethics and CSR promotion have penetrated and taken hold within a corporation.**

### **<<Basic attitude and stance>>**

Top management should regularly check and assess how far corporate ethics and CSR promotion have penetrated and taken hold within a corporation in order to make the system built in the corporation for achieving these objectives function effectively, and endeavor to make continuous improvements to the system.

### **<<Examples of related actions>>**

- (1) Set up a system for the supervisor of a workplace or his deputy to regularly report to the corporate ethics committee and the department in charge of corporate ethics on compliance with codes of conduct and corporate ethics in the workplace.
- (2) Conduct questionnaires and hearings regularly among its employees on their level of awareness of corporate ethics and compliance with codes of conduct.
- (3) Top management should take the initiative in visiting workplaces to promote communication with its employees. Meet informally with its employees to grasp the situation of the organization with the aim of enforcing the management philosophy and policy.
- (4) To prevent delays in uncovering improprieties and scandals due to segmentation and complex of business operations, strengthen the exchange of activities, including personnel, between departments and set up a system where its employees of various departments can keep one another in line.
  - (a) Check each other's corporate behavior and ethics at interdepartmental meetings.
  - (b) Provide more opportunities of exchanging views between employees at administrative departments and those at operative departments.
  - (c) Intensify the rotation of personnel.
  - (d) Prevent misconducts from occurring with the help of an advanced ICT-based business system. Once misconducts are found, make efforts to prevent a reoccurrence.
  - (e) Regularly review its business operations and impose strict disciplinary measures against employees who have committed improprieties and, if necessary, against the head of department and other employees with supervisory responsibilities.
- (5) Audit corporate ethics (through the internal auditing department, the corporate auditor, or third-party organs) and report to top management.
- (6) Keep abreast of the needs of society and provide more opportunities to interact with its stakeholders to make sure that corporate behaviors do not deviate from common sense.
  - (a) Hold informal meetings regularly for top management to talk with opinion leaders, consumer groups and others.
  - (b) Set up and strengthen a system that can reflect the voice of consumers obtained from customer consultation service and other channels on its management.
  - (c) Ask outside auditors and outside board members to check on corporate behavior and ethics.

## **Clause 10**

**In case the Charter is violated, top management should clarify both internally and externally that it will take charge to resolve the situation, determine the cause of infringement and make efforts to prevent similar violations in the future. At the same time, top management should promptly make full public disclosure, explain what has occurred, and, upon determining the source of competence and responsibility, impose strict disciplinary action against those held responsible, including top management itself.**

### **<<Background>>**

#### **(1) Public criticism about the lack of leadership among top management**

Top management should always display strong leadership and prevent scandals from occurring.

As seen in recent revisions of statutes and court decisions, top management can no longer claim it was not aware of scandals involving its corporation. When a scandal occurs, it is vital that top management acts promptly, takes control of the situation in the corporation and shows the leadership needed to overcome the difficulty. A corporate scandal could develop into a major social problem that may gravely affect the life and property of the people. From this perspective, top management should display all the leadership necessary to prevent scandals from occurring, act properly when a scandal occurs and take measures to prevent a reoccurrence.

#### **(2) Distrust of corporate information**

It is the responsibility of top management to ascertain the details of a scandal and disclose such information to the corporation's stakeholders. If top management does not promptly and accurately disclose the necessary information to its stakeholders despite the gravity of the scandal and if the corporation attempts to cover up the facts and avoid responsibility, it will invite social criticism and increase distrust from society.

#### **(3) Clarifying responsibility**

A corporation hit by a scandal should undertake a full investigation of its own, make it clear to its stakeholders where the responsibility lies and its determination to prevent a reoccurrence, as well as impose strict punishments, including the resignation of top management.

## **10.1 Top management should, from the viewpoint of crisis management, set up an internal system to prevent an emergency situation from occurring.**

### **<<Basic attitude and stance>>**

Top management should display strong leadership, set up the necessary internal system and strengthen corporate governance. Also, top management should establish a crisis management mechanism for taking prompt and appropriate measures to cope with the anticipated contingencies in an emergency situation.

### **<<Examples of related actions>>**

- (1) Set up an internal system to cope with an emergency situation.
  - (a) Draw up standing procedures on how to organize an emergency taskforce to be headed by top management.
    - (i) Assign in advance the membership of the taskforce and define its tasks, functions, and so on (procedural preparations). Taskforce members should include staff of the public relations department, general affairs department, personnel department, legal affairs department and other related sections, plus legal adviser.
    - (ii) Define the channel of communication between the taskforce and workplace and make clear the chain of command.
  - (b) Draw up a crisis management manual.

#### **<Subjects to be covered in the manual>**

- (i) A corporation's policy and basic philosophy concerning crisis management.
- (ii) The role of top management in time of emergency.
- (iii) The administrative structure in time of emergency, and the role and authority of related organizations.
- (iv) A communication system.
- (v) Securing the basic infrastructure.
- (vi) A manual of action for its individual employees.
- (vii) Other measures, depending on the nature of its business.

#### **<Items to be described in the manual>**

- (i) Take inventory of the risks involved in its business activities and use concrete examples to analyze scandals that could occur in the corporation.
  - (ii) Compile a categorized and itemized list of what should be done and what should absolutely not be done in each situation.
- (2) Conduct education and training on how to cope with an emergency situation.
    - (a) Arrange separate educational programs for its employees regarding rank (separate whether employees are management or not), and programs for each department

(administration, marketing, manufacturing, research, and others).

- (b) Use scenarios of an emergency to conduct training on how to organize a taskforce to cope with an emergency situation, how to keep in touch with various departments, how to handle publicity, and so on.
- (c) Arrange media training for top management on how to handle the media in case an emergency situation arises.

## **10.2 When an emergency situation arises, promptly conduct an investigation under the leadership of top management, determine the facts and causes, and adopt responsible and appropriate policies and measures as a corporation to handle the situation.**

### **<<Basic attitude and stance>>**

When an emergency situation arises, top management should take the initiative in promptly conducting an investigation using all available means to determine the facts and causes and drawing up measures to prevent a reoccurrence. Also, top management should make public where responsibility lies and impose strict disciplinary measures against everyone involved, including top management itself.

### **<<Examples of related actions>>**

- (1) Promptly contact the people concerned.
  - (a) Contact the supervisor.
  - (b) Assemble the personnel concerned.
- (2) Set up an emergency taskforce headed by top management.
  - (a) Streamline information gathering and the chain of command.
  - (b) Collect all relevant information as soon as possible and keep abreast of the situation.
  - (c) Secure a hotline to keep contact between the responsible person on-site and the taskforce.
    - (i) Report the situation fully to the taskforce based on the information available at the site of an emergency situation.
    - (ii) Collate the information received and analyze the situation promptly and accurately among members of the taskforce.
- (3) Make efforts to determine the facts and causes and prevent a reoccurrence.
  - (a) Find out objectively and accurately what the facts are and make every effort to determine the causes.
  - (b) Consider effective measures to prevent a reoccurrence, including a review its internal structure.
  - (c) Sort out and confirm information for internal reporting purposes and for use in making public release.
  - (d) Adopt reoccurrence prevention measures by holding regular educational programs and taking other measures.
- (4) Determine where responsibility lies and impose strict disciplinary measures.
  - (a) Discipline the person directly involved.

As soon as the facts and causes are determined, promptly take appropriate, strict disciplinary measures against the person directly involved in line with its employment

regulations and other internal rules.

- (b) Take appropriate, strict disciplinary measures against the supervisor and, depending on the nature of the case, against top management itself.
- (c) Promptly announce the disciplinary measures.
- (d) Explain the case to its stakeholders.

**10.3 Top management should take the lead in prompting action to give the public an explanation of the relevant facts, the policies adopted to address the matter and the measures taken to prevent a reoccurrence.**

**<<Basic attitude and stance>>**

When an incident running counter to this Charter occurs, top management should fulfill its accountability to the public. This is the first step for a corporation to regain public trust. As part of CSR, top management should give a timely and appropriate explanation to its stakeholders and make all information public. Top management should make sincere efforts to overcome the difficulty in light of the spirit of this Charter and the fundamental requirement to enhance the corporate value.

**<<Examples of related actions>>**

- (1) Make a timely report to its stakeholders. Also, post top management's statements verbatim on its website and provide accurate information.
- (2) Promptly disclose information as soon as relevant facts are available, without holding out for the preparation of countermeasures.
  - (a) Give a frank account of what happened, without making justifications.
  - (b) Give additional information or make corrections, if warranted by changes in the situation.
  - (c) Top management should take the lead in meeting the press, speaking frankly with a sincere attitude and showing that it is acting in good faith.
  - (d) Do not make a false statement under any circumstances. When information is not clear and when the situation does not call for comment, do not provoke speculation. Explain why comments cannot be made and, if possible, let the press know when it will be able to comment.
- (3) To avoid confusion, set up a single channel for media communication.

# References

## **The Universal Declaration of Human Rights**

The Declaration was adopted at the third General Assembly of the United Nations in 1948 and was proclaimed as a “common standard of achievement for all peoples and all nations” to respect and secure human rights and fundamental freedoms. This is the most widely recognized document on human rights, and the Declaration has become the foundation of human rights laws. The Declaration addresses civil rights from Article 1 to Article 20, political rights in Article 21, economic, social and cultural rights from Article 22 to Article 27, and general provisions from Article 28 to Article 30. Also, the Preamble requires that every organ of society strives to secure human rights.

The Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights (1966), the International Covenant on Economic, Social and Cultural Rights (1966), and the two Optional Protocols to the Covenants are together known as the International Bill of Human Rights.

## **The OECD Guidelines for Multinational Enterprises**

The Guidelines, adopted in 1976, are recommendations addressed by governments to multinational enterprises. They provide principles and standards for responsible corporate behavior in areas such as disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation. The Guidelines are not legally binding. Adhering countries shall set up National Contact Point (NCP) for undertaking promotional activities, handling inquiries and contributing to the solution of problems which may arise. To cope with the changes of the circumstances surrounding multinational enterprises, the Guidelines have been updated four times (in 1979, 1984, 1991 and 2000). The OECD is now conducting a fifth update of the Guidelines with the aim of completing the process by mid-2011.

## **ISO 26000 (International Standard: Guidance on social responsibility)**

ISO 26000, prepared by ISO (the International Organization for Standardization), is the world's first international standard on social responsibility applicable to all types of organizations. It was published on November 1, 2010. ISO 26000 is a guidance document, not a management system standard nor a standard for certification purposes. The standard has identified seven core subjects concerning social responsibility: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. It also provides a comprehensive list of issues under each core subject. An organization is encouraged to go through all the issues cited in the seven core subjects, identify those issues that are relevant and urgent to the organization in light of its type, size and location, and address issues in accordance with their priorities. Furthermore, the standard emphasizes the importance of stakeholder engagement in integrating social responsibility throughout an organization. .

# Main Points of Revision

## - Additions and Changes from the Fifth Edition -

### **Clause 1: Developing and providing socially beneficial and safe goods and services.**

#### General:

Cope with new developments in Japan's consumer policy such as establishment of the Consumer Affairs Agency and the Consumer Commission and revision of related laws and regulations.

Use the term "goods" that includes manufactured products, financial products, food and others.

Emphasize the importance of ensuring safety in providing goods and services.

Rearrange the descriptions in "Background" and "Basic Attitude and Stance." (e.g. moving "The rising importance of CSR through business activities" to "Background".)

Spell out the necessity of consumer education and awareness-raising activities.

#### 1.1

Give consideration to sustainable development of society, including environmental issues, in providing goods and services.

Coordinate not only with the R&D department but also with the production and sales departments in understanding the needs of consumers and customers and utilizing them effectively.

#### 1.2

Set up a system where information on defects would lead to prevention of a reoccurrence.

#### 1.3

Provide information on goods and services using appropriate and easy-to-understand methods.

Make voluntary efforts to conduct consumer education and awareness-raising activities in cooperation with the government, consumer groups and others.

#### 1.4

Reflect the views of consumers and customers in making improvements to existing products and in developing new goods and services.

## **Clause 2: Fair, transparent and free competition and a sound relationship with political bodies and government agencies.**

### General:

Reflect changes in the Antimonopoly Act, the current situation in enforcement of international competition policies and imposition of more rigorous sanctions.

Rearrange descriptions related to the use of intellectual property and protection of intellectual property rights.

### 2.1

Strengthen awareness to comply with competition laws and set up a compliance system in conformity with Japanese and overseas legal provisions.

### 2.2

Ensure safety of cargo transportation by trucks among shippers and all other interested parties.

### 2.3

Make contribution to society by making use of intellectual property and nourish awareness to protect intellectual property rights at home and abroad.

### 2.4

Reflect the latest revisions of laws and regulations concerning security trade control policy.

## **Clause 3: Disclosure of corporate information, communication and management of data.**

### General:

Reflect the concept of two-way communication and stakeholder engagement in addition to providing information to stakeholders.

Give a description on insider trading (Clause 3.2 in the previous version) and protection of personal and customer data (Clause 1.5 in the previous version) in the latter part of the clause from the viewpoint of information management.

### 3.1

Make efforts to present information in plain language to its shareholders and investors, bearing overseas investors also in mind.

### 3.2

Disclose information regularly by publishing reports or using other methods.

### 3.3

Conduct business and other activities by keeping the concept of two-way communication and stakeholder engagement in mind.

### 3.5

Set up a system to protect and manage personal and customer data.

## **Clause 4: Respecting diversity and character of employees and providing a safe and comfortable working environment.**

### General:

Cope with revisions of labor-related laws and regulations.

Cope with diversification of the employee status and working conditions.

### 4.1

Strengthen a support system that enables employees to work while taking care of their family in accordance with the revised labor-related laws and regulations.

### 4.2

Make sure that the principle of equal and balanced treatment is incorporated in the rules of employment and ban the practice of treating employees unfairly on grounds of taking child care or family care leave or asking for shorter working hours, in accordance with the revised labor-related laws and regulations.

### 4.3

Carry out risk assessment in the workplace and provide assistance to employees to make the practice of promoting industrial safety and health take hold.

Provide guidance on the prevention of lifestyle diseases and enforce a strict policy against passive smoking.

Promote employees' health by encouraging them to take annual paid leaves and raise the awareness to prevent mental illness as a result of stress in personal relations in the workplace.

### 4.4

Provide training programs and skills development opportunities to employees to build their career through their own efforts.

### 4.5

Maintain and develop sound labor-management relations in addition to promoting the practice of constructive consultations and negotiations.

Share information with employees and foster mutual trust in order to accomplish the management goals and mission as stipulated by top management.

## 4.6

Ban child labor and forced labor not only in a corporation but also in its affiliates, and urge business counterparts to abide by the same principle.

## **Clause 5: Addressing environmental issues proactively.**

### General:

Cope with heightened recognition of environmental issues and advancement of legislative efforts.

Rearrange the structure of descriptions into different segments: a low-carbon society, a material-cycle society, measures against environmental risks and biodiversity.

### 5.1

Promote efforts to build a low-carbon society on a global scale.

Draw up action plans for achieving a low-carbon society, aim for the world's most energy-efficient processes, develop innovative technologies, and transfer technologies overseas.

Promote energy conservation in the office and at home, conduct aware-raising activities on energy conservation among employees and the public, and cooperate with scientific programs to study causes and impacts of climate change.

### 5.2

Promote efforts to build a material-cycle society, not only because of a shortage of waste disposal sites but also from the viewpoint of resource efficiency and improving the productivity of resources.

Contribute toward the recycling of resources on an international level.

Promote aware-raising activities among consumers and autonomous bodies on holding down the output of waste and separating waste prior to disposal. Provide easy-to-understand distinguishing labels.

### 5.3

Lessen environmental burdens and risks not only for the aim of ensuring the health and security of the public and the corporation's own employees but also for the impacts on the environment.

Set up and operate an effective environmental management system by taking such measures as defining the responsibilities and duties of people who bear overall anti-pollution responsibilities.

Develop and disseminate technologies and know-how, transfer technologies and know-how overseas, and release environmental information concerning the entire range of its business activities.

#### 5.4

Lessen the burden on biodiversity in carrying out business activities and promote a sustainable utilization of resources.

Promote the development of technologies, education and training within a corporation, and build a system to work together with NPOs/NGOs.

Introduce the recent environmental activities at *KEIDANREN* (*Keidanren* Committee on Nature Conservation, "The Declaration of Biodiversity by *KEIDANREN*", and so on)

### **Clause 6: Promotion of community involvement activities including philanthropy.**

#### General:

Rearrange the structure of descriptions to reflect current practices of community involvement activities including philanthropy.

Cope with changes in the environment concerning social issues and the methods of addressing these issues.

#### 6.1

Promote community involvement activities in a corporation, from the stage of articulating a basic philosophy to the stage of assessing the results of the activities as a PDCA cycle.

#### 6.2

List up social issues a corporation may choose to address. Among them are new issues that have come into the limelight in recent years, including human rights issues and social inclusion.

#### 6.3

Promote cooperation and collaboration with a broad range of stakeholders.

### **Clause 7: Severance of relations with antisocial forces.**

#### General:

Point out the obscurity and subtleness of activities of antisocial forces that tend to worm their way into corporate activities under the guise of routine business transactions.

#### 7.2 & 7.3

Incorporate a clause to eliminate organized crime groups in the contract or in the terms of transaction as a means to eliminate antisocial forces.

Develop a database for information on antisocial forces and share the information widely within a corporation as well as in an industry and trade sector.

**Clause 8: Contributing toward the development of the countries and regions where its business operations are based in line with the globalization of business activities.**

General:

Emphasize the necessity to respect human rights and other international norms of behavior in addition to complying with a corporation's codes of conduct and applicable laws and regulations of the countries and regions where its business operations are based in line with the globalization of business activities.

8.1

Set up a system to prevent and check infringement of human rights and to deal with the situation in case of an infringement.

Observe a corporation's management philosophy and codes of conduct at the branches and offices in the countries and regions where its business operations are based.

8.3

Build a proper working environment in accordance with the local circumstances.

8.4

Request its overseas business counterparts to comply with laws and respect human rights and other international norms of behavior.

8.5

Use the term "illicit gains" in accordance with the Unfair Competition Prevention Act.

**Clause 9: Responsibilities of top management.**

General:

Top management should take the lead in realizing the spirit of this Charter not only within a corporation but also in its corporate group as a whole.

9.4

Ensure compliance with corporate ethics and promotion of CSR throughout a corporation and its corporate group as a whole. At the same time, encourage its supply chain partners including business counterparts to do the same.

9.5

Contribute toward an improvement of corporate activities by making use of the information collected through the helpline.

**Clause 10: Top management's role in dealing with corporate scandals.**

No change.

**Charter of Corporate Behavior  
&  
Its Implementation Guidance**

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*KEIDANREN* (Japan Business Federation)

1-3-2, Otemachi, Chiyoda-ku, Tokyo 100-8188, Japan

(TEL) 81-3-6741-0152

(FAX) 81-3-6741-0352

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