Global Compact
Network Japan

The Ideal Approach to CSR / Sustainable Procurement

A Proposal from the Supply Chain Peer Learning Group

July 1, 2025

Contents

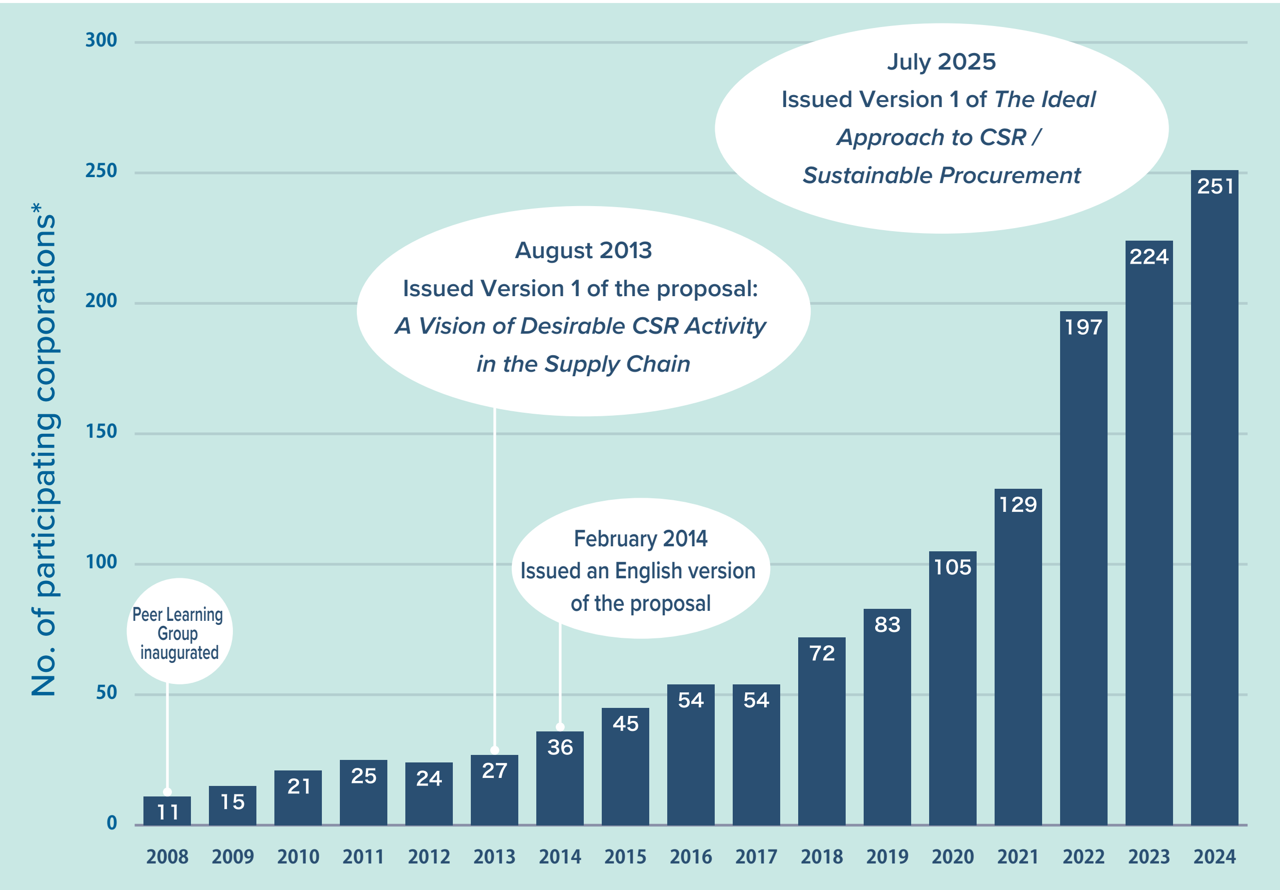
Introduction

History of the Global Compact Network Japan (GCNJ) Supply Chain Peer Learning Group

The GCNJ Supply Chain Peer Learning Group was formed in 2008 by 11 GCNJ participating corporations. This was a time when Japanese corporations were beginning to adopt Corporate Social Responsibility (CSR) requirements in their procurement policies. In the Peer Learning Group, member corporations shared their supply chain CSR initiatives and deliberated on the future direction for CSR procurement. From these deliberations, the Peer Learning Group published a proposal document in 2013 entitled *A Vision of Desirable CSR Activity in the Supply Chain: A Proposal from the Supply Chain Working Group*. The proposal positioned supplier briefings, Self-Assessment Questionnaires (SAQs), and audits as three particularly important processes and it outlined the Peer Learning Group's vision of "Triple Win Procurement" as an ideal model in which buyers, suppliers, and ultimately could society, develop in a better direction.

Since the release of this proposal, the Peer Learning Group has issued numerous publications based on the proposal to foster conditions such that Japanese business enterprises can more easily advance CSR / Sustainable Procurement. These publications are widely used and have become a cornerstone of CSR activities in the supply chains of Japanese business enterprises.

Transitions in the Numbers of Corporations Participating in the Supply Chain Peer Learning Group (2008 to 2024)



*The number of participating corporations in each year are taken from GCNJ Secretariat materials and are for reference only

Publications (most recent versions only)	Version	Date of Publication*
A Vision of Desirable CSR Activity in the Supply Chain	Japanese, Version 1	August 2013
	English, Version 1	February 2014
Practical Manual on Human Rights Due Diligence	Japanese, Version 1	May 2023
	English, Version 1	September 2024
An Introduction to CSR Procurement: Promoting CSR in the Supply Chain	Japanese, Version 2	September 2018
	Chinese, Version 2	March 2019
	English, Version 2	March 2019
An Introduction to CSR Procurement: Understanding Check Sheet	Japanese Version	June 2023
CSR Procurement Self-Assessment Toolkit: Common SAQs	Japanese, Version 1.2	November 2023
	English, Version 1.2	November 2023
	Chinese, Version 1.2	November 2023
CSR Procurement Self-Assessment Questionnaire: Understanding Check Sheet	Japanese Version	August 2024
CSR Procurement Self-Assessment Toolkit: Answer Guidebook	Japanese, Version 1	June 2020
CSR Procurement Self-Assessment Toolkit: Scoring Guide	Japanese, Version 1	June 2023
CSR Procurement Training Toolkit	Japanese Version Online Version	August 2023
	English Version	March 2021
New "Game of Choice" Case Studies for the CSR Procurement Training Toolkit	Japanese Version	August 2023
FAQs for CSR / sustainable procurement	Japanese Version	March 2025
Official Rule Description Videos that Make Learning "the Game of Choice" / CSR / Sustainable Procurement Enjoyable: Suitable for Beginners (For Training and Seminars)	Japanese Version	February 2025

*Date of publication of versions released as of April 2025

Background and Details of This Revision

The proposal issued by the Peer Learning Group in 2013 served as a progressive guide promoting CSR / Sustainable Procurement among Japanese corporations, which at the time were still lagging in their sustainability efforts.

Today, more than a decade later, legislation and guidelines concerning supply chain due diligence have moved forward both internationally and domestically. Many business enterprises now need to address not only human rights and labor issues within their supply chains, but also environmental challenges such as climate change and biodiversity.

For example, countries developed National Action Plans (NAPs) following the 2011 The United Nations *Guiding Principles on Business and Human Rights* (UNGPs), which outlined the state duty and, the corporate to protect human rights, responsibility and remedies for human rights violations. This led countries to enact laws mandating and promoting corporate due diligence, such as the UK's Modern Slavery Act (2015), France's Corporate Duty of Vigilance Law (2017), and Germany's Act on Corporate Due Diligence Obligations in Supply Chains (2021). Later, the EU issued the Corporate Sustainability Due Diligence Directive in 2024, signaling that legislation is planned by countries not only within the EU but also globally. In Japan, the NAP was formulated in October 2020, and the *Guidelines on Respecting Human Rights in Responsible Supply Chains* were issued in 2022. In a separate movement, the Sustainable Development Goals (SDGs) were adopted in 2015. Regarding responses to climate change, nations agreed under the Paris Agreement to strive to limit global warming to 1.5°C, and the Task Force on Climate-related Financial Disclosures (TCFD) was established.

At the same time as these developments, large enterprises are facing challenges regarding human rights and environmental due diligence, while small and medium-sized enterprises (SMEs) are also initiating efforts aligned with the SDGs, such as eco-friendly initiatives. Recognizing the limitations of their own corporate initiatives, more business enterprises are joining GCNJ and other initiatives, even as overall societal awareness is shifting.

The Peer Learning Group established the Mid-Term Activity Plan Formulation Committee in 2024 to rethink CSR / Sustainable Procurement in line with current realities and reflect the aforementioned societal changes and evolving regulations and legislation. The committee's discussions paved the way to this revision of the original proposal. As a result, this document proposes a vision for future CSR / Sustainable Procurement that has been developed by means of discussions and examinations involving a wide range of industries and numerous Japanese business enterprises.

The first version of the proposal defined three key processes for achieving triple-win procurement: supplier briefings, SAQs, and audits.

The 2024 version retains the core ideas of the first version while describing the position of continuous due diligence processes across all corporate activities. This new version also details approaches and implementation methods for individual processes within due diligence.

We hope this document serves as a valuable reference for those embarking on CSR / Sustainable Procurement initiatives, as well as for those seeking to enhance their existing efforts.

Fiscal Year 2024 Participating Corporations in the Supply Chain Peer Learning Group
Global Compact Network Japan

1. What is CSR / Sustainable Procurement?

Since the 1960s, an increase in corporate activities has been accompanied by growing public awareness of pollution as a societal issue, prompting demands for business enterprises to take measures to address environmental problems. Starting in the 1990s, globalization of corporate activities proceeded rapidly, compounded by increasing disparities between states and regions, which led to business enterprises being called on to take steps to combat poverty, human rights, and other global challenges. Against this background of social awareness, the United Nations Global Compact was inaugurated in 2000 and the public began to place greater expectations on business enterprises that they would contribute to sustainable development, which encompasses these many societal issues. In response, many of the world's business enterprises began engaging in their own CSR activities, taking the view that building a sustainable society was part of their CSR.

In today's globalized business environment, corporate supply chains extend around the world. Therefore, business enterprises must take initiatives, in line with global standards, that apply across entire supply chains to address societal issues. ISO 20400 *Sustainable Procurement — Guidance*, published in 2017, defines sustainable procurement as "procurement that has the most positive environmental, social and economic impacts possible over the entire life cycle". This definition clearly establishes that the social responsibility associated with procurement extends to supply chains.

There is recognition that business enterprise's largest environmental and societal impacts occur within its supply chains. Coordination and collaboration among buyers and suppliers are seen as means to improve the societal and environmental impacts of business. Moreover, through industry associations and multi-corporation initiatives, solidarity and unity among business enterprises with respect to sustainability challenges has the potential to build a sustainable society across entire supply chains.

To address various societal challenges, business enterprises must make use of such collaborations with diverse stakeholders and apply due diligence processes to improve their supply chains and enhance supply chain sustainability. CSR / Sustainable Procurement are practices that enhance supply chain sustainability.

CSR / Sustainable Procurement are, in effect, the implementation of sound governance, in collaboration with stakeholders, to manage environmental, social, and economic impacts throughout the entire life cycle of products and services. It should be noted that sustainable procurement is sometimes perceived in the context of corporate business continuity plans (BCP), but in this proposal, sustainable procurement refers to procurement that supports the development of a sustainable society. It means conducting procurement activities with consideration to ensure that future generations are not forced to make sacrifices because of our actions now.

2. The Current Situation and Issues in Japan

The Japan's NAP outlined expectations for business enterprises, stating that Japanese enterprises, regardless of size or industry, should respect internationally recognized human rights and introduce human rights due diligence processes based on the Guiding Principles and other related international standards. Subsequently, the Japanese government published *Guidelines on Respecting Human Rights in Responsible Supply Chains* in September 2022. In April 2023, the government required business enterprises participating in public procurement projects to strive to respect human rights in accordance with these guidelines.

On the other hand, problems still exist in Japanese enterprises' implementation status of human rights initiatives. The Japan External Trade Organization (JETRO) released a survey in fiscal year 2023, which allows for comparisons between the status of human rights initiatives and climate change initiatives. The survey showed that although 52.5 percent of large enterprises conduct human rights due diligence, the rate among SMEs remains around 10 percent despite an increase from the previous year, indicating that penetration of such initiatives is not progressing. A Keidanren survey from the same year confirmed a similar trend, showing that human rights efforts among SMEs with supply chains lag significantly behind those of large enterprises.

Comparing this to climate change initiatives, the same JETRO survey found that 77.7 percent of large enterprises and 35.7 percent of SMEs are engaged in decarbonization efforts. These percentages exceed those for human rights due diligence. The disparity likely stems from the fact that, with climate change, legal frameworks like the Act on Promotion of Global Warming Countermeasures require business enterprises to disclose greenhouse gas emissions, including their supply chain emissions, in consideration of international standards. In contrast, human rights lack a unified quantitative metric like greenhouse gases for climate change, and detailed disclosure standards have yet to be established.

From the standpoint of business enterprises, while 40 percent of large enterprises reported receiving requests from business partners to comply with codes of conduct, only 20 percent of SMEs did (according to the same JETRO survey). Beyond differences of the perceived necessity to take action due to company size, a 2024 Keidanren survey revealed that efforts are lagging due to two main factors: “difficulty determining the level of risks requiring concrete actions” (72%) and “inability to secure sufficient personnel or budgets” (53 %). On the other hand, many business enterprises would like to see “enhancement of tools that advance voluntary corporate initiatives” (67 %).

Status of Corporate Engagement with Business and Human Rights and Climate Change

Item	Large Enterprises		SMEs	
	FY 2022	FY 2023	FY 2022	FY 2023
Implemented human rights due diligence	47.2%	52.5%	11.2%	9.7%
Decarbonation efforts	78.4%	77.7%	38.5%	35.7%

Source: *FY 2023 JETRO Survey on Business Conditions for Japanese-Affiliated Companies Overseas* (March 2024)

Efforts Related to the United Nations Guiding Principles on Business and Human Rights

Item	No. of Employees					
	5,000 or more	1,000 to 4,999	500 to 999	300 to 499	100 to 299	99 or fewer
Implemented business and human rights initiatives	95%	77%	48%	27%	33%	10%

Source: *Key Findings from the Third Questionnaire Survey on the Implementation of Keidanren’s Charter of Corporate Behavior* (January 2024)

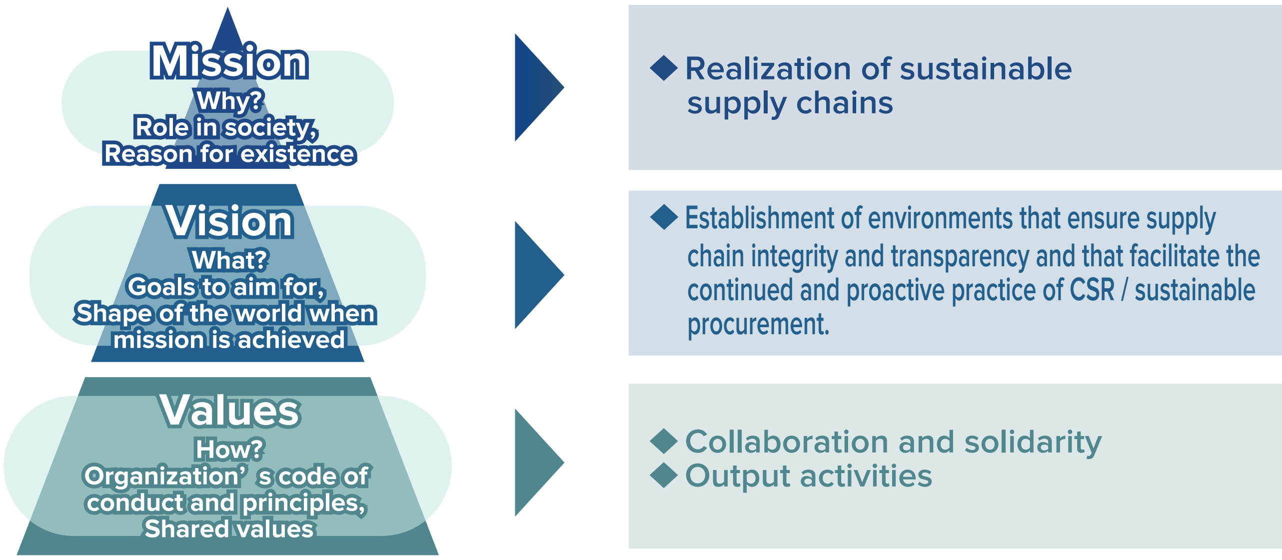
3. The Peer Learning Group’s Mission, Vision, and Values

Over the course of discussions at the Peer Learning Group on the “ideal” processes for CSR / sustainable procurement in conjunction with revising the proposal in 2013, the mission, vision, and values of the Peer Learning Group were established.

The mission of the Peer Learning Group is the ***realization of sustainable supply chains***. Previously, the CSR / sustainable procurement initiatives promoted by the Peer Learning Group focused on the stage where buyers procure raw materials and parts from suppliers — essentially the upstream supply chains. Sustainability initiatives, however, are increasingly required in downstream supply chains — specifically, the processes of selling, using, and disposing products. The aim is to achieve sustainability not only in upstream supply chains but through entire supply chains, including internal company operations and downstream processes.

We have further stated its vision to be the ***establishment of environments that ensure supply chain integrity and transparency and that facilitate the continued and proactive practice of CSR / sustainable procurement***. Ensuring integrity and transparency is essential to guaranteeing sustainability within supply chains. In order to achieve sustainability across entire supply chains, various actors, beginning with buyers and suppliers, must proactively carry out sustainability initiatives. They must also continuously improve these initiatives through dialog with stakeholders. To this end, the Peer Learning Group will foster environments conducive to practicing CSR / sustainable procurement, by providing useful tools and resources to business enterprises.

Finally, the Peer Learning Group specified two core values: ***collaboration and solidarity*** and ***output activities***. What collaboration and solidarity have in common is the principle that achieving sustainable supply chains requires cooperation by not only buyers and suppliers but also all stakeholders within supply chains. The second value — output activities — stems from the Peer Learning Group's activity policy that emphasizes output activities, such as creating tools that support business enterprises in practical implementations of initiatives, including collecting the latest information or sharing best practices. Moving forward, the Peer Learning Group will share this policy as a core value and foster environments conducive to practicing CSR / sustainable procurement to help realize sustainable supply chains.



4. The Peer Learning Group's Vision for CSR / Sustainable Procurement

During discussions on formulating its mid-term activity plan, the Peer Learning Group concluded that its vision should be to engage in the realization of sustainable supply chains to solve societal issues. More specifically, the Peer Learning Group's idea is the establishment of environments that account for many of the components listed below.

- Integrity:
  Account for the environment and society with fair and sincere values and address societal expectations
- Transparency:
  Ensure traceability in supply chains and disclose information
- Continuity:
  Engage in sustainable initiatives with methodologies that can be carried into the future
- Autonomy:
  Take responsibility for implementing initiatives oneself instead of being compelled by other business enterprises (buyers, customers, etc.)
- Effectiveness:
  Actions lead to substantive improvements, not mere formal compliance
- Shared Philosophy:
  Share in the desired vision and the values and code of conduct necessary to achieve the vision
- Environmental, Social, and Governance (ESG):
  Embed ESG initiatives into decisions on corporate conduct
- Compliance:
  Adhere to relevant laws, standards, guidelines, and codes of conduct that have been updated based on the latest knowledge

The Peer Learning Group believes business enterprises can achieve sustainable supply chains by integrating these perspectives into their supply chain management and by conducting appropriate due diligence on business relationships and impacts associated with the use of their products and services.

When a business enterprise undertakes such initiatives, it is crucial that it forms cooperative frameworks for dialog which allows for mutual understanding and problem solving with suppliers and stakeholders (including upstream, downstream, internal, and competing business enterprises). Collaboration and solidarity with domestic and international business enterprises in similar situations may yield new solutions and breakthroughs.

The Peer Learning Group will help realize sustainable supply chains by implementing supply chain improvement activities linked to addressing societal issues and by stockpiling experiences that stakeholders agree meaningful and effective.

5. CSR / Sustainable Procurement Processes Conceived by the Peer Learning Group

Commitment by Management

The first step toward CSR / Sustainable Procurement is commitment by management. The UNGPs state that for a business enterprise to fulfill its responsibility to respect human rights, there must first be approval at the highest level of the company and the ideals of CSR and sustainable procurement must be enshrined in the enterprise's business policies and procedures.

Commitment, in this context, means pledging to abide by CSR / Sustainable Procurement principles as a corporate policy. CSR / Sustainable Procurement perspectives must be integrated into procurement policies and supplier codes of conduct. In addition, policies and codes of conduct, once established, are to be made public and shared with all relevant internal and external employees, business partners, and other stakeholders.

Furthermore, management must see that policies are implemented and establish internal organizational structures to monitor compliance to fulfill its responsibilities vis-à-vis its commitment.

Shared Philosophy

Corporate management must develop a shared philosophy with stakeholders both inside and outside the business enterprise and gain their understanding to realize management's commitment.

The main methods for developing a shared philosophy include employee training and education, supplier briefings and dialog, and communication through various channels.

Developing an appropriate shared philosophy induces internal and external stakeholders to take ownership of commitment, which facilitates effective collaboration on CSR / Sustainable Procurement.

Ongoing Due Diligence throughout Supply Chains

After management declares its commitment and develops a shared philosophy with internal and external stakeholders, ongoing due diligence is performed throughout supply chains to ensure CSR / Sustainable Procurement are practiced. Due diligence is not a one-off operation. Enhancing supply chain sustainability through continued application of due diligence efforts is itself a required responsibility of business enterprises.

(1) Risk identification

The first step in due diligence is to ascertain and prioritize the potential adverse impacts (risks) that the business enterprise's operations, products, and services —including those within its supply chains — may have on society and the environment. The UNGPs emphasize the importance of including consultations with stakeholders in this step and accounting for both actual and potential adverse impacts.

- **Risk understanding**

  To effectively ascertain social, environmental, and other risks with limited resources, business enterprises should first map their own operational sites and supply chains and clarify those business domains where risks are most likely to exist (risk-based approach). To ascertain the risks in business domains and their associated supply chains, business enterprises should use the business information they possess (such as the manufactured items, locations, sizes, and other aspects of their own operational sites and those of suppliers) in combination with human rights information and risk maps from external organizations.

- **Risk surveys and assessments**

  Each individual risk enumerated in the risk ascertainment process is prioritized from the standpoint of its severity to determine which risks require subsequent action. Risks can be prioritized with SAQs or audits, but they can also be assessed with a matrix that integrates multiple risk metrics.

(2) Addressing adverse impacts

Once a business enterprise has identified potential adverse impacts (risks) that it may have on society and the environment, it must address those impacts. The UNGPs state: "Addressing adverse human rights impacts requires taking adequate measures for their prevention, mitigation and, where appropriate, remediation." Business enterprises must determine whether identified adverse impacts have already materialized or are latent, understand their relationship with the adverse impacts, and assess the strength of the impacts' linkage to their operations (i.e., how much influence the business enterprise has over the impact), before considering appropriate measures.

- **Cessation, prevention, and mitigation measures**

  If a business enterprise is actually causing adverse impacts, or if potential adverse impacts (risks) have been identified, the business enterprise must take action to cease, prevent, or mitigate the impacts. Depending on the strength of the impact's linkage to its operations, it may also need to consider exercising its leverage to solve issues within supply chains.

- **Remediation measures**

  The UNGPs state that when a remediable adverse human rights impact is identified, business enterprises have a responsibility to actively engage in remediation (Principle 22: Commentary). Business enterprises are required to take action to improve the situation regarding the identified adverse impact or to exercise their leverage such that the situation is improved.

(3) Reviews

Business enterprises conduct reviews that lead to further improvements by confirming the suitability and effectiveness of actions taken to date in light of their objectives. Business enterprises revisit the outcomes of actions and look for areas for improvement, through meetings and other venues. They check whether objectives were achieved and whether the management system functioned as expected.

- **Following up on individual issues**

  When looking back at individual issues, business enterprises examine the outcomes of actions (such as audits or remediation measures) taken at the operational level (such as those taken by employees in charge of procurement) to address identified risks. This involves reviewing individual initiatives and confirming any subsequent necessary measures. Based on identified risks and confirmed findings from interviews or audits, business enterprises establish specific improvement plans after reaching a shared understanding of improvement goals with suppliers. Maintaining close, bidirectional communications and building a cooperative relationship for improvement are crucial. Holding regular meetings to exchange views on the progress of improvements and challenges to improvements makes it possible to detect issues suppliers are dealing with at an early stage and respond promptly.

- **Comprehensive reviews**

  Business enterprises revisit whether the management system for the constructed series of due diligence processes is functioning properly. Both positives and negatives are substantiated and improvements made as needed in preparation for the next execution of due diligence processes.

(4) Information disclosures and communications

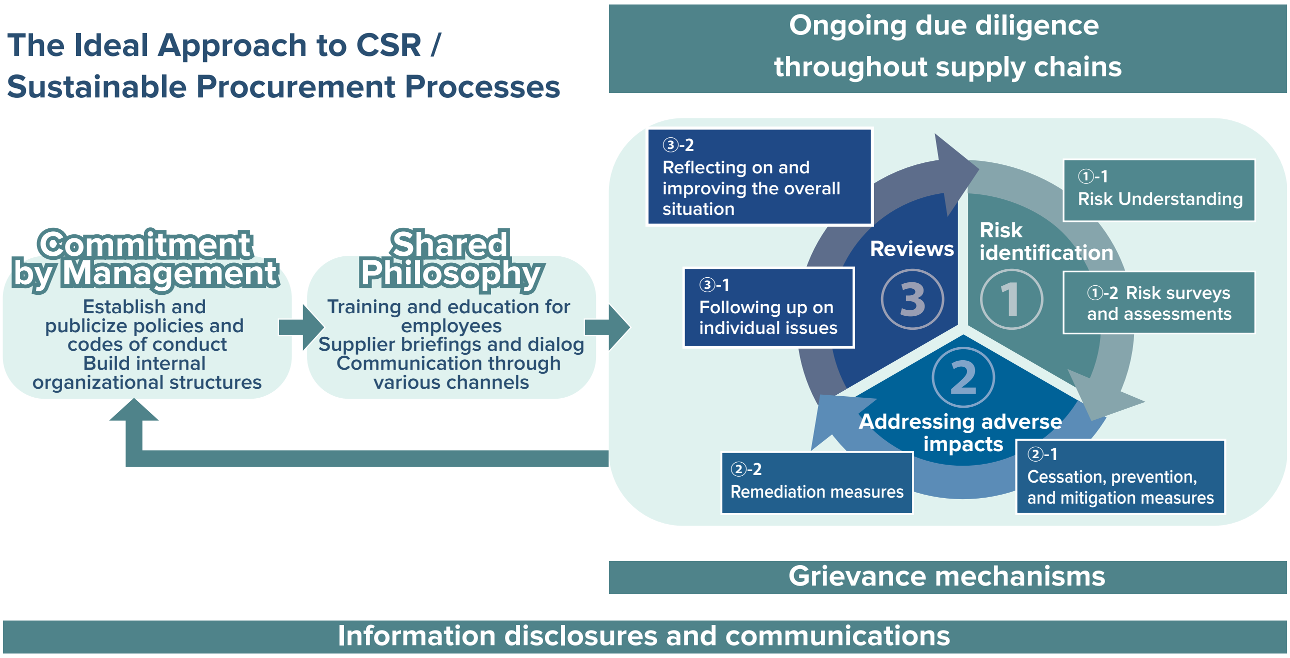
Information disclosures and communications are critical to both CSR / Sustainable Procurement processes. Business enterprises should make use of corporate websites, sustainability reports, integrated reports, video-sharing sites, social media, and other channels as needed to communicate their initiatives to both internal and external audiences. Communications should include sharing management's commitment and the corporate philosophy and the implementation of due diligence processes. Such information disclosures and communications demonstrate the business enterprise's stance on CSR / Sustainable Procurement and the transparency of its actions to its stakeholders.

(5) Grievance mechanisms

Grievance mechanisms serve as a safety net for addressing adverse impacts not sufficiently addressed by due diligence processes. They are a system for accepting reports from stakeholders that allows for the prompt identification and remediation of adverse impacts.

Grievance mechanisms must be effective and trustworthy, easily accessible for stakeholders, and designed to make reporting as easy as possible.

The Ideal Approach to CSR / Sustainable Procurement Processes



1. Commitment by Management

Obtaining commitment by management is considered the first step in advancing CSR / Sustainable Procurement. Commitment requires that management pledge their business enterprise's intention to practice CSR / Sustainable Procurement both within and outside the organization. This acts as a promise that management will be actively involved in CSR / Sustainable Procurement and that individual executives will take responsibility for the execution of it. In essence, commitment means promising to practice CSR / Sustainable Procurement as a corporate policy.

Without commitment by management, allocating the necessary personnel and securing budgets within the organization to implement CSR / Sustainable Procurement becomes difficult. The presence or absence of commitment by management significantly impacts the energy driving CSR / Sustainable Procurement; essentially, how committed management is signals how serious the business enterprise is.

As outlined in the next section, there are two primary methods to ensure commitment by management: establish and publicize corporate policies and codes of conduct, and build internal organizational structures.

1.1 Establish and Publicize Policies and Codes of Conduct

To demonstrate commitment by management to both internal and external audiences, it is recommended to first consider establishing and publicizing policies and codes of conduct. Practically speaking, preparing two documents — a procurement policy and a supplier code of conduct — is advisable in the implementation of CSR / Sustainable Procurement.

A procurement policy outlines the fundamental principles and stance guiding a business enterprise's procurement and purchasing activities. Procurement policies typically are a concise summary of the commitments the business enterprise must uphold in its procurement and purchasing activities. Examples of commitments include "We shall conduct all transactions in compliance with applicable laws, regulations, and international norms" and "We shall engage in environmentally conscious procurement activities". They generally have a simpler structure than a supplier code of conduct. A procurement policy is a document that declares this is how we, as a business enterprise, will conduct our procurement and purchasing activities. As such, the business enterprise is unambiguously the subject of the policy.

In contrast, a supplier code of conduct is a document that codifies the specific actions expected of suppliers based on the procurement policy. The subject of a supplier code of conduct is suppliers or other business partners. For example, a business enterprise with a procurement policy stating, "We shall respect human rights in procurement activities" will often include specific actions required of suppliers in its supplier code of conduct: such as "Suppliers are prohibited from discriminatory hiring or employment practices" and "Suppliers shall comply with the applicable national laws and regulations regarding working hours".

Business enterprises promoting CSR / Sustainable Procurement should actively convey, to both internal and external audiences, their philosophy as an organization and the standards they require of business partners by establishing and publicizing a procurement policy and a supplier code of conduct.

1.2 Build Internal Organizational Structures

After establishing and publicizing policies and codes of conduct, building internal organizational structures is necessary to put CSR / Sustainable Procurement into practice. Two considerations are recommended when building internal structures: (1) Building a governance framework, and (2) Constructing an implementation framework (e.g., securing personnel for the departments in charge of implementation).

1.2.1 Building a Governance Framework

Constructing a governance framework with management at the top is necessary to advance CSR / Sustainable Procurement initiatives. It is recommended to establish mechanisms to report progress regularly to the board of directors or at management meetings and to monitor progress at the management level.

Furthermore, when monitoring progress, it is important to set Key Performance Indicators (KPIs) and assess the effectiveness of implementation measures quantitatively and objectively (refer to the review items for details).

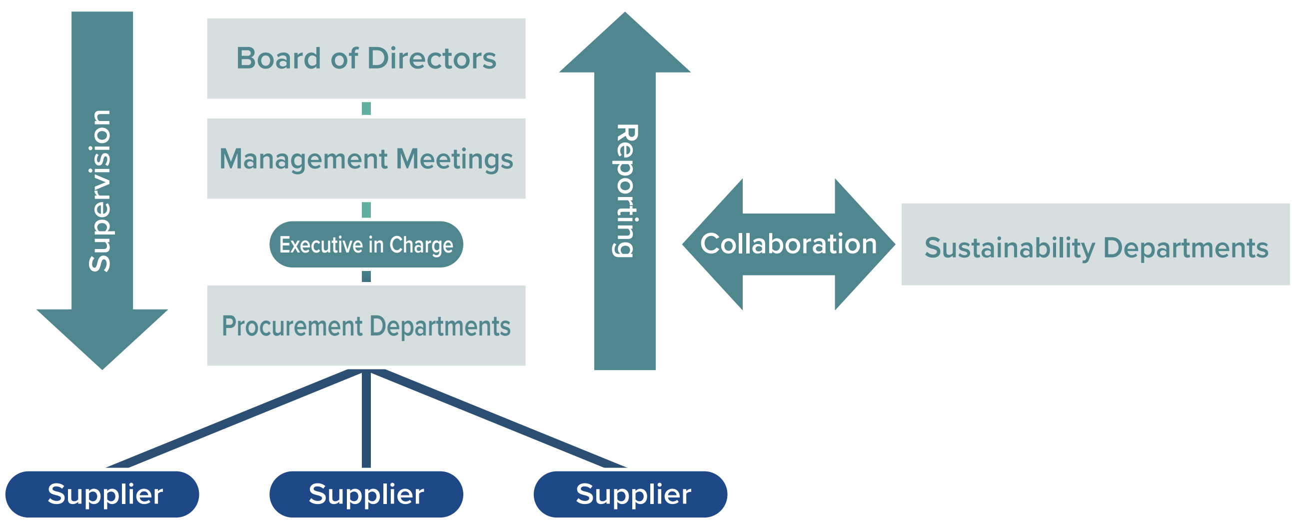
It should be noted that implementing CSR / Sustainable Procurement can never be accomplished solely by procurement and purchasing departments. It is essential that the implementation be promoted throughout the organization through collaborations with related departments, such as sustainability departments, legal departments, and sales departments. Business enterprises should set opportunities for regular meetings between related departments and should strive for collaboration on specific approaches, such as on supplier communications.

1.2.2 Constructing an Implementation Framework (e.g., securing personnel for the departments in charge of implementation)

Beyond establishing an organization-wide governance framework, business enterprises must secure adequate personnel, develop their skills, and develop systems for procurement and/or purchasing departments — which serve as the primary communication channels with suppliers. (It is not always the case that procurement and/or purchasing departments are in charge of CSR / Sustainable Procurement. Depending on the business enterprise, CSR / sustainable procurement may be the responsibility of the sustainability department, the quality assurance department, or another department.)

Promoting CSR / Sustainable Procurement requires far-reaching knowledge about the environment, labor, human rights, and other sustainability topics. Communication skills are also essential for conveying the importance of sustainability to suppliers and appropriately addressing questions and concerns from suppliers. The skills and competencies required to implement CSR / Sustainable Procurement differ from those traditionally demanded of procurement and purchasing personnel. Therefore, business enterprises must assemble the required personnel and provide training and education. In some cases, making use of outside experts may also be a viable option.

Example of Internal Organizational Structures



2. Shared Philosophy

For a business enterprise to act on its commitment to CSR / Sustainable Procurement, it is essential to share a common philosophy not only among management but also with internal and external stakeholders. Employees, as internal stakeholders, play a crucial role in practicing CSR / Sustainable Procurement. Consequently, it is required to share the philosophy across the entire organization, including sustainability departments, procurement and purchasing departments, and other directly/indirectly related departments, as well as group companies and overseas operational sites. To instill its philosophy, which represents the core principles of its organizational culture, it is important to build mechanisms that embed the philosophy into daily operations — such as incorporating the philosophy in procurement standards and adding it to assessment considerations when selecting suppliers — in addition to training and education activities.

Practicing CSR / Sustainable Procurement also requires collaboration with many external stakeholders, such as suppliers, customers, local communities, NGOs, and even competing business enterprises. Developing a shared philosophy is vital for aligning with stakeholders toward common goals. Sustained, sincere engagement centered on the corporate philosophy — involving communications through briefings and dialog and active information disclosures through websites and reports —can lead to improved employee motivation and enhanced corporate brand value.

2.1 Employee Training and Education

Employees play a crucial role in advancing CSR / Sustainable Procurement. When all employees share and actively participate in the corporate philosophy, an organizational culture is fostered that brings corporate commitment closer to reality.

To achieve this, it is essential that first understand the critical challenges surrounding the business environment and recognize the company's materiality (key sustainability issues) as well as their own roles and responsibilities in addressing them. It is recommended to include the following elements when conducting training and education on CSR / Sustainable Procurement:

- Changes in the social environment
- Stakeholder needs and expectations
- Relationship between the corporate philosophy and sustainability
- Reasons for engaging in CSR / Sustainable Procurement
- Social significance of CSR / Sustainable Procurement and benefits for the organization
- Relationship between employee activities and duties and CSR / Sustainable Procurement
- Procurement policy and supplier code of conduct

Training and education on these topics are expected to give employees a deeper understanding of how their activities and duties impact CSR / Sustainable Procurement. A beneficial way to further enhance training effectiveness is to set training themes by role and position, such as executives or relevant staff members. E-learning, adopted by many business enterprises, is one of effective training formats. Additionally, internal newsletters and bulletins are useful media for raising awareness without location or time constraints. GCNJ offers an educational e-learning site on its website. The Peer Learning Group also provides materials for understanding CSR / Sustainable Procurement, including training materials using games. We encourage everyone to make use of these resources.

For more specialized knowledge, gathering information from outside sources is essential, such as participating in field-specific practical training, workshops, and seminars. In addition to speaking with consultants and specialists, joining the GCNJ and other sustainability initiatives enables the acquisition of knowledge from fundamental to specialized levels. We recommend that both business enterprises and individuals do a comparison of organizations offering training and education based on their specific needs and join the most suitable initiatives. Many business enterprises also set KPIs for their in-house training programs and report or disclose their progress on these KPIs in their integrated reports.

2.2 Supplier Briefings and Dialog

These initiatives have two main objectives. The first is to facilitate CSR / Sustainable Procurement activities. Without the understanding of the suppliers and other partners connected in a supply chain, the objectives of these activities cannot be achieved. It is imperative, therefore, to explain clearly and thoroughly, from the perspective of suppliers and other partners, why a business enterprise requires them to engage in these activities and what the business enterprise is trying to achieve going forward as well as the social context and its corporate philosophy.

The second objective is to listen attentively to suppliers and use their feedback in making improvements. Hearing out the opinions of suppliers and other external stakeholders and engaging with them through dialog provides opportunities to reflect on and improve a business enterprise's initiatives.

For reference, three typical methods of supplier briefings and dialog are given here.

(1) Individual supplier visits (one-on-one briefings and dialog)
(2) Hold briefings for suppliers (online or group formats)
(3) Information sharing via documents, online platforms, or video content

The order (3) > (2) > (1) can outreach a larger number of suppliers, However, in terms of having more fruitful explanations and dialog with suppliers — meaning achieving a greater level of understanding and empathy from them — the order (1) > (2) > (3) gives better results.

Factoring in the objectives above and your suppliers (the types of enterprises, the number of target suppliers, etc.), as well as your own situation (scheduling, personnel, budgets, and other resources) is recommended, when weighing the optimal methods for your business enterprise.

It can also be effective to mix the three methods above with other approaches in view of the risks presented by suppliers and the suppliers' importance to your business enterprise.

The briefing and dialog details should similarly be carefully considered based on your situation and your suppliers' situations. Ordinarily, briefings and dialog follow a similar structure to that given in the previous section — *Employee Training and Education*. The following details can be used as a reference.

- Changes in the social environment around your business enterprise
- Reasons for engaging in CSR / Sustainable Procurement
- Effects and expected benefits of promoting CSR
- Your corporate philosophy, and your CSR stance and CSR operations overview
- Procurement policy and supplier code of conduct
- Future planned CSR / Sustainable Procurement activities and requests to suppliers

The organizers of supplier briefings and dialog are often the business enterprise's sustainability departments or procurement and/or purchasing departments. Involvement from upper management, however, is highly desirable.

No business enterprise in the world creates supply chains entirely on its own. For this reason, let's continue steadfastly providing explanations and engaging in dialog.

2.3 Communication through Various Channels

Various channels can be used for communications to develop a shared philosophy. Selecting channels appropriate for the intended audience is crucial. For instance, posts on your official corporate website can provide detailed information to a wide range of stakeholders. Social media, on the other hand, is well-suited for quickly sharing short messages and is particularly effective for reaching younger audiences. Publishing regular internal newsletters is an efficient means to further employee understanding.

The following points should be kept in mind in all communications.

- Sincerity:
  Strive to be as open as possible with information, while providing accurate information in a conscientious manner to avoid misunderstandings
- Consistency:
  Ensure consistent messages are conveyed across all channels
- Two-way communication:
  Strive for harmonious dialog with the other parties and be receptive to their opinions and feedback

By taking all these points into consideration, along with budgets and other resources, and by selecting appropriate channels and communicating on them effectively, relationships based on trust can be developed with the other parties.

3. Ongoing Due Diligence throughout Supply Chains

What is Due Diligence?

Due diligence has traditionally referred to investigations conducted in advance to ascertain the actual state of a business enterprise targeted for acquisition or investment. The term has long been used in the M&A and investment fields. However, in recent years, business enterprises have increasingly been required to carry out due diligence in supply chains in the sustainability field as well.

So what exactly is due diligence in the sustainability field? ISO 26000, a standard for social responsibility, defines due diligence as a "comprehensive, proactive process to identify the actual and potential negative social, environmental and economic impacts of an organization's decisions and activities over the entire life cycle of a project or organizational activity, with the aim of avoiding and mitigating negative impacts." In other words, the due diligence business enterprises should perform means identifying the impacts their business activities could have on society and the environment, and addressing those impacts.

The *OECD Due Diligence Guidance for Responsible Business Conduct* (OECD Guidance), published by the Organisation for Economic Co-operation and Development (OECD), provides detailed guidance on how to implement due diligence. According to the OECD Guidance, business enterprises have a responsibility to implement due diligence to address the risks that their business poses to society and the environment and, thereby, construct sustainable supply chains.

For most business enterprises, eliminating all risks in their supply chains is extremely difficult. This is why the Peer Learning Group concurs with the recommendation to address risks incrementally through due diligence. It is important to identify risks within supply chains and prioritize efforts accordingly. Furthermore, due diligence is meant to be a continuous process; there is no end to these efforts. What is required is a commitment to continuously improve and sustain due diligence efforts while engaging in dialog with stakeholders.

3.1 Risk Identification

The first phase of due diligence is risk identification. At this stage, business enterprises first ascertain sustainability-related risks within their supply chains. They then gather the necessary information and assess priorities for risk mitigation. By clarifying not only actual risks but also potential risks and challenges, business enterprises can take appropriate measures to build sustainable supply chains.

In this process, it is very important that business enterprises properly understand their own influence. This phase is also vital for adapting to changes in regulations and societal expectations.

3.1.1 Risk Understanding

Business enterprises are required to manage risks from their own perspective and from the perspective of their supply chains. This means they need to identify and assess risks throughout the entire life cycle, from the extraction or harvesting of raw materials or ingredients to the use of products and their eventual disposal. However, even a single product or service consists of numerous components. And with today’s globally extended supply chains, each component passes through complex, infinitely branching procurement networks, making it impossible to ascertain all underlying risks. Conversely, even products containing only a small quantity of components or products with a minimal amount of high-risk raw materials can, should problems arise, have ramifications for not only the business enterprise’s own brand but also all related stakeholders.

Attempting to ascertain every risk within supply chains would require enormous resources, yet business enterprises cannot realistically devote unlimited time and personnel to this task. Therefore, it is necessary to use a rational and efficient process to determine risks within practical limits and pinpoint high-risk areas based on accurate information. The key focus here is the implementation of appropriate risk assessments. Risks can also reside far upstream in a supply chain passing through multiple suppliers. To ascertain risks like these buried deep in supply chains, it is necessary to diligently trace back through suppliers and, at times, listen attentively to stakeholder comments.

Naturally, the points above apply not only to upstream supply chains but also to the business enterprise’s own activities and downstream supply chains (product use or service utilization).

Scope and example targets of ascertaining risks

1. Upstream supply chains

- Risks related to the extraction and harvesting of raw materials and ingredients
- Risks related to the transportation of raw materials, ingredients, parts, and semi-finished products
- Risks related to processing stages (suppliers)

2. Own activities

- Risks in product manufacturing or service provision
- Risks related to general business activities such as sales, R&D, and recruitment activities

3. Downstream supply chains

- Risks related to product use or service utilization
- Risks related to the disposal of products after use

3.1.2 Risk Surveys and Assessments

When identifying risks, business enterprises must gather information on CSR / Sustainable Procurement looking at the entire business, and prioritize to identify the major material risk areas.

To gather information, business enterprises can confirm potential high-risk factors by referencing reports issued by governments, international organizations, NGOs/NPOs, labor groups, media, academics, and others. Information obtained through grievance mechanisms (e.g., hotlines) is also useful for risk identification.

Another method for determining supplier risks is the use of SAQs. As SAQs are written surveys, they offer the advantage of determining the circumstances at many suppliers. SAQ templates are provided by ESG assessment bodies and industry associations (such as EcoVadis, Sedex, RBA, and JEITA). Business enterprises considering conducting an SAQ for the first time may find it challenging to use SAQs provided by ESG assessment bodies right away. Anticipating such situations, this GCNJ Peer Learning Group has developed the *CSR Procurement Self-Assessment Toolkit: Common SAQs*, which can serve as a reference.

SAQ answers are, ultimately, no more than self-assessments by suppliers and may not uncover latent risks at suppliers. Therefore, when implementing an SAQ, it is essential not to accept answers at face value. Business enterprises must also implement parallel CSR / Sustainable Procurement measures to compensate for the limitations of SAQs. These include in-person interviews, on-site audits, and grievance mechanisms.

When it is possible to ascertain situations by means other than an SAQ (such as third-party assessments or audits), it is not absolutely necessary to conduct an SAQ. The end objective is to identify supplier risks, and SAQs are just one method to achieve this.

In the area of human rights, it is also necessary to conduct meaningful cooperative dialog with rights holders and stakeholders to gather information.

Once information has been gathered, prioritization is required to identify the major material risk areas. Since priorities vary depending on each business enterprise’s circumstances, using the insights of internal and external experts can assist in setting priorities.

Starting with the major material risk areas that have been identified, business enterprises should flesh out their assessments and map out high-priority operations, suppliers, and other business affiliations.

It is worth noting that risk assessments are not a one-time exercise; they must be conducted routinely and in an ongoing fashion. This is because risks related to CSR / Sustainable Procurement can change, alongside changes in the business enterprise's operating landscape as well as circumstances and changes in business operations themselves.

The OECD Guidance provides useful reference information on the factors to consider in risk assessments and specific procedures for risk assessments. Information regarding assessments related to human rights is contained in the *Practical Manual on Human Rights Due Diligence: Responsible Business Conduct in the Human Rights Field,* developed by the Peer Learning Group to align with the OECD Guidance. Please make use of this document as a reference.

3.2 Addressing Adverse Impacts

Using the prioritization of identified risks developed in the previous section — *Risk Surveys and Assessments*, business enterprises should first address high-priority adverse impacts and adverse impacts that can be addressed immediately. Particular attention is needed regarding adverse impacts on human rights and the environment, as delayed responses may make it impossible to restore human rights or the environment to their original state.

It is also necessary to consider the business enterprise's connection to adverse impacts (whether it is the cause or a contribution to the impacts or whether the impacts are directly linked to its operations, products, or services). If the business enterprise is the cause or a contribution to an adverse impact, it is the enterprise's responsibility to cease or prevent the matters causing the adverse impact. On the other hand, if the business enterprise is a contribution to an adverse impact or the adverse impact is directly linked to its operations, products, or services by their business relationship with other entities, the enterprise must make serious efforts to exercise its leverage on its business affiliates. Adverse impacts include both actual and potential adverse impacts. Business enterprises take remediation measures, described below, for adverse impacts that have already materialized. But for potential adverse impacts, plans must be developed and implemented with the purpose of preventing or mitigating the impacts before they materialize.

3.2.1 Cessation, Prevention, and Mitigation Measures

Addressing actual adverse impacts requires immediate measures to cease them — in short, the business enterprise must cease those activities causing or contributing to the adverse impacts. It is very important to follow this up with developing plans to remediate the adverse impacts and prevent their recurrence. If ceasing activities causing or contributing to an adverse impact proves to be difficult, the business enterprise must engage with stakeholders and exercise its leverage to mitigate the remaining impact.

Addressing potential adverse impacts involves developing and implementing preventative measures for risk management. The execution of preventative measures can prevent or mitigate adverse impacts. Prevention refers to activities that prevent an adverse impact from occurring in the first place, while mitigation refers to activities that minimize the effects of the adverse impact if it does occur. However, the primary goal of due diligence is the prevention of adverse impacts.

Regarding adverse impacts directly linked to business operations, products, or services, by their business relationship with other entities, business enterprises must exercise their leverage over the entities responsible for causing adverse impacts to prevent or mitigate the impacts.

Business enterprises, when planning preventative measures, should consult with relevant employees, knowledgeable internal departments, outside experts or specialized organizations, and stakeholders affected by the adverse impacts.

Preventative measures encompass various actions, such as training and education, modifications to business processes, and changes to procured goods or suppliers. Business enterprises, when implementing such measures, should consider collaborations with relevant organizations, groups, and government agencies, cooperation with suppliers, support for suppliers (such as transactional incentives), and whether to terminate or maintain business relations.

3.2.2 Remediation Measures

Remediation measures, or corrective actions, are measures taken to restore adverse social, environmental, or other impacts caused by a business enterprise's operational activities and measures taken to prevent recurrence. The international standard for social responsibility (Social Accountability 8000) defines corrective action as "action to eliminate cause(s) and root cause(s) of a detected non-conformance. Note: Corrective action is taken to *prevent recurrence*."

In either case, remediation measures require getting to the root causes of identified issues and taking action to prevent their recurrence. It is crucial to develop a corrective action plan, set deadlines, and execute the plan. Deadlines typically range from immediate to several months, depending on the severity of the identified issue. To verify the implementation of remediation measures, suppliers may be required to provide documentation, or follow-up site visits may be conducted to confirm whether the situation has improved. Since failure to remediate adverse impacts could lead to business contract termination, the implementation of remediation measures demands a higher level of shared understanding and proactive leadership from the management teams of both parties.

3.3 Reviews

Reviews refer to verifying the suitability and effectiveness of past activities in relation to their objectives and using information gained from verifications to make improvements. Since CSR / Sustainable Procurement initiatives are ongoing and iterative, assessing the outcomes of past activities and the appropriateness of frameworks — considering whether to continue current activities or implement new ones — are very important processes for bolstering and improving these initiatives. Specifically, through meetings or similar venues, results are reviewed from the perspectives of whether objectives were achieved (suitability of activities for their objectives) and whether management systems functioned effectively (effectiveness of processes) and areas for improvement are considered.

The following are key points for conducting effective reviews.

- Incorporate reviews into established mechanisms like meetings or committees
- Conduct reviews on a regular basis
- Involve management, including senior leadership, in reviews
- Make the details of reviews available to internal and external stakeholders

It is possible to divide the targets of reviews into two areas: issues related to specific adverse impacts and issues concerning the overall CSR procurement/sustainable procurement management system. These areas will be described in detail in the subsequent sections.

3.3.1 Following Up on Individual Issues

Following up on individual issues is an important step for business enterprises to fulfill their social responsibilities and build sustainable supply chains.

The follow-up process involves first sharing improvement goals with the relevant supplier based on findings identified through SAQs, interviews to get feedback, and audits. The supplier then takes the lead in developing a concrete improvement plan.

The buyer next regularly monitors the supplier’s implementation status as it moves ahead with the improvement plan above. Specific monitoring methods include requiring periodic reports or conducting on-site visits. On-site visits are particularly effective because they allow verification of actual conditions that cannot be fully appreciated through written reports alone.

Setting appropriate KPIs, both qualitative and quantitative, is also an effective means of assessing improvement plan progress. For example, the business enterprise can monitor metrics related to labor environment improvements based on KPIs, such as reductions in working hours or the status of safety measures. In this way, KPIs can enable objective assessments of the outcomes of the improvements.

As the supplier progresses with the implementation plan, maintaining close, bidirectional communications and building a cooperative relationship for improvement are important. Holding regular meetings to exchange views on the progress of improvements and challenges to improvements makes it possible to detect issues the supplier is dealing with at an early stage and respond to them promptly.

On the other hand, if no progress or initiatives toward improvement are evident, it becomes necessary to carefully consider how to address the supplier going forward. Specific examples include spelling out with the supplier in advance the step-by-step procedures for terminating transactions and setting sufficient advance notice regarding the termination of transactions. However, while terminating transactions eliminates the link between the business enterprise and the adverse human rights impacts, it does not eliminate the impacts themselves. Moreover, terminating transactions could potentially worsen the adverse human rights impacts, by weakening the former business partner’s financial situation, causing employee layoffs. For these reasons, terminating transactions should be a last resort; efforts should first focus on preventing or mitigating adverse impacts while maintaining relations with the supplier.

Finally, the outcomes of the improvements should be reported both internally and externally. This enhances trust in the business enterprise’s CSR procurement activities and leads to opportunities for further improvements through feedback from stakeholders that examine the details of the reports.

3.3.2 Comprehensive Reviews and Improvements

Business enterprises are required to continually perform due diligence. Continual due diligence does not mean merely repeating the same tasks over and over. What’s important is performing due diligence while making improvements based on revisiting past outcomes and lessons learned. Even if no points for consideration or lessons are apparent and the due diligence process is considered perfect, this only represents the standard at the current moment. Given that societal demands are constantly evolving, regular comprehensive reviews and improvements are necessary.

As discussed in Section 3.3 — *Reviews*, business enterprises should verify whether due diligence objectives are being met at venues like sustainability committees, from the perspective of the suitability of activities for their objectives. They should also reflect on whether management systems are functioning properly from the perspective of the effectiveness of processes. Business enterprises should review their due diligence objectives and goals, risk assessment methods, assessment criteria, scope, personnel in charge, and implementation timing and frequency to find areas for improvement. Having members in charge of promoting due diligence, especially personnel responsible for due diligence implementation, work together to formulate revision proposals that use lessons learned for process improvements can lead to more effective due diligence. After the relevant committees approve the process changes, these personnel should incorporate the changes in the next due diligence implementation plans.Changes in the external environment must also be incorporated into due diligence processes, such as amendments to laws and regulations in Japan and other countries and revisions to international standards and guidelines. Although improving internal operational efficiency and using resources effectively are important issues, it must not be forgotten that due diligence activities impact and contribute to the sustainability of society and one's own enterprise. It is also important to account for the burden placed on the suppliers that cooperate with SAQs and audits.

During reviews, it is important to verify whether prevention and mitigation activities are being implemented with awareness of the stakeholders suffering from, or potentially suffering from, the most severe adverse impacts identified with due diligence. Stakeholders vary depending on the business enterprise and its activities. As described in Section 3.3.1 — *Following Up on Individual Issues*, it is effective to determine the uneven distribution of risks and the trends in the completion/non-completion of initiatives and to reflect these findings in how to perform due diligence going forward.

Rationale for identifying general issues and examples of items to focus on

- Information on new or revised domestic and international laws, regulations, and guidelines related to supply chain management and due diligence
- Results of assessments of compliance with and effectiveness of the business enterprise's established procedures and their operations
- Results of comparisons of the status of due diligence actions with the requests and expectations from relevant stakeholders
- Schedule management failures, or poor estimates of time requirements
- Inadequate facilities or equipment
- Insufficient skills among personnel
- Inadequate record keeping
- Uneven distribution of risks uncovered during due diligence, or risks the business enterprise has not addressed

3.4 Information Disclosures and Communications

For the continuous practice of CSR / Sustainable Procurement, business enterprises must take responsibility to provide appropriate information on their initiatives not only to stakeholders suffering from adverse impacts but also to internal stakeholders and other stakeholders. Although some business enterprises are hesitant to disclose information about human rights risks or environmental risks related to them or faced by them, there are no corporate activities that have absolutely no future human rights risks or environmental risks. Human rights risks and environmental risks exist in every business enterprise. Demonstrating how your organization specifically addresses and responds to the risks it faces — particularly your stance on the risks and initiatives to prevent and mitigate them — enhances trust among your employees and among shareholders, customers, and other stakeholders.

3.4.1 Scope and Details of Information Disclosures

While the scope and details of disclosures regarding CSR / Sustainable Procurement initiatives are ultimately at the discretion of each business enterprise, disclosures of information like that in the examples below can demonstrate the organization's approach to and methodology of CSR / Sustainable Procurement.

- Policies on CSR / Sustainable Procurement (procurement policy, procurement standards, etc.)
- Measures taken to disseminate these policies internally and among suppliers (briefings, training, etc.)
- Material risk areas and corresponding risks identified from the product/service categories the organization handles and from regional characteristics
- Policies for addressing identified risks and criteria for risk prioritization
- Details and track records of programs (including SAQs and audits) that implement CSR / Sustainable Procurement
- Insights gained from the programs above, improvement measures implemented, and their outcomes
- Outcomes of remediation measures taken
- Handling of cases by grievance resolution offices

Business enterprises are expected to disclose sufficient information about their response methods so that third parties can assess whether measures taken to prevent or mitigate identified human rights risks and environmental risks have been adequate.

When providing such information however, business enterprises must be mindful of stakeholder privacy and exclude any personal information or confidential supplier information.

3.4.2 Information Disclosure Methods

Methods for disclosing information on CSR / Sustainable Procurement initiatives include, for example, the official corporate website, annual reports, integrated reports, sustainability reports, environment reports, and human rights reports. The frequency of disclosures should be determined based on each business enterprise's specific circumstances, but disclosures should be made at least once a year. Disclosing information about efforts to address human rights risks and environmental risks ahead of decision-making timelines by shareholders and investors, such as at the general meeting of shareholders, helps stakeholders understand in advance the business enterprise's stance on engaging with these issues. It is also recommended to have these reports officially verified by independent third parties — i.e., external experts such as certification bodies, NPOs/NGOs, and consultants — to enhance the credibility of the reported details.

3.5 Grievance Mechanisms

Avoiding adverse impacts on stakeholders due to human rights or environmental risks is a critical challenge. It is not realistic, however, to completely eliminate all adverse impacts. Therefore, the UNGPs clearly state that business enterprises have a responsibility to establish or participate in grievance mechanisms at the operational level that enable prompt impact remediation and direct redress for aggrieved individuals and communities. Grievance mechanisms help the early identification of adverse impacts not adequately addressed in the due diligence process and aid impact remediation.

Principle 31 of the UNGPs state that grievance mechanisms must meet eight criteria in order to be effective and credible: legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialog. To meet these criteria while implementing due diligence based on the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the ILO MNE Declaration, the Japan Responsible Supply Chains Committee has proposed ten basic actions in the *Engagement and Remedy Guidelines for Promotion of Responsible Business Conduct and Responsible Supply Chains*.

1. Accept complaints related to responsible business conduct, including international human rights and supply chains.
2. Designate personnel and departments within the company responsible for handling complaints and stakeholder engagement.
3. Establish a contact point for receiving complaints and for stakeholder engagement and disclose the contact point to the public.
4. Establish grievance mechanism procedures and disclose them to the public.
5. Prevent conflicts of interest in grievance mechanism procedures.
6. Prevent disadvantageous treatment such as retaliatory actions against complainants.
7. Disclose the status of complaint handling and stakeholder engagement to the extent possible.
8. Engage in dialog with stakeholders and utilize independent experts in handling complaints and resolving issues.
9. Review and improve the grievance mechanism on a regular basis while referring to [these] guidelines.
10. Share the status of complaint handling and stakeholder engagement within the company, including management.

Note: Utilize collective grievance mechanism and stakeholder engagement procedures (such as grievance centers) when appropriate.

The collective grievance mechanism and stakeholder engagement procedures mentioned above also include collaborative efforts with industry associations or multi-stakeholder initiatives.

By introducing grievance mechanisms, buyers can enhance trust through risk management and compliance with international standards, thereby preserving brand value and reducing legal risks. For suppliers, these mechanisms improve transparency and competitiveness by visualizing issues and facilitating improvements, leading to more stable business relationships. Society as a whole benefits as well, as these mechanisms promote prompt remediation of human rights violations and environmental issues, function as a system ensuring transparency and fairness, and thus contribute to the realization of a sustainable society. Accordingly, the Peer Learning Group promotes grievance mechanisms in the belief that they bring broad benefits to buyers, suppliers, and society as a whole and contribute to the construction of sustainable supply chains.

The following points are considered salient when implementing CSR / Sustainable Procurement. Please use these points as a check list when carrying out each process.

Commitment by Management

☐ Commitment by management as a corporate policy is clarified, documented, and publicly disclosed.
☐ The business enterprise's top executives (CEO, etc.) demonstrate commitment.
☐ A governance framework led by management is in place to implement corporate policies.
☐ KPIs and other metrics are set, and progress is monitored regularly.
☐ Personnel are secured for departments promoting CSR / Sustainable Procurement and for other related departments.
☐ Relevant expert advice is sought from internal and external sources.

Developing a Shared Philosophy

☐ Employees receive regular training on CSR / Sustainable Procurement.
☐ The corporate philosophy is shared with suppliers and other business partners through briefings and dialog.
☐ The corporate philosophy is communicated to external stakeholders via the official website and other channels.

Ongoing Due Diligence throughout Supply Chains

Risk Identification

☐ Sustainability-related risks in supply chains are ascertained and identified.
☐ Identified risks are assessed and the risks are prioritized.
☐ Risk assessments are regularly reviewed and risks are reassessed when appropriate.

Addressing Adverse Impacts

☐ Measures are taken against adverse impacts caused by the business enterprise to cease the activities causing the impacts.
☐ Measures are taken against adverse impacts where the business enterprise is a contributor to cease the activities contributing to the impacts.
☐ Preventative measures are taken against potential adverse impacts to try to prevent or mitigate the adverse impacts.
☐ The business enterprise exerts its influence against adverse impacts directly linked to its operations, products, or services.
☐ Efforts to address adverse impacts are made together with suppliers and continuous improvement is practiced.

Reviews

- ☐ Management is involved in reviews of CSR / Sustainable Procurement.
- ☐ Meetings, committees, or other councils are organized and a framework is established to conduct regular reviews.
- ☐ The details of reviews are made public to both internal and external stakeholders.
- ☐ Reviews verify the objectives of due diligence and the effectiveness of management systems and continuous improvement is practiced.
- ☐ Suppliers are required to formulate improvement plans for individual issues and improvement progress is monitored.

Information Disclosures and Communications

- ☐ Outcomes of initiatives are regularly disclosed via the official website and other disclosure channels.
- ☐ Specifics are given about how the business enterprise is addressing and handling human rights and environmental risks.
- ☐ Information disclosures are verified by an independent third party.

Grievance Mechanisms

- ☐ Grievance mechanisms are set up for stakeholders in supply chains.
- ☐ Grievance mechanisms meet the criteria* specified in Principle 31 of the UNGPs.
- ☐ The business enterprise participates in collaborative efforts with industry associations or multi-stakeholder initiatives

*Eight criteria: Legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialog.

Key Points for All Processes

- ☐ Top executives are involved in each process to demonstrate commitment as a business enterprise.
- ☐ The business enterprise understands the importance of dialog with suppliers and other stakeholders and incorporates dialog in all processes.
- ☐ The business enterprise makes use of expert knowledge from internal and external sources to address far-reaching risks in supply chains.
- ☐ The business enterprise considers how to address risks with the presumption that human rights and environmental risks cannot be completely eliminated.
- ☐ The business enterprise recognizes that due diligence is an ongoing process and works to improve its due diligence through monitoring.

Concluding Remarks

More than ten years have passed since the Peer Learning Group published its first proposal. During that time, concepts pertaining to CSR / Sustainable procurement, and supply chain due diligence have evolved. As mentioned in the introductory section — *Background and Details of This Revision*, this evolution has been accompanied by the publication of various guidelines both domestically and internationally. Building on these developments, the Peer Learning Group has focused on more practical implementations while engaging in extensive discussions about the ideal form of CSR / Sustainable procurement.

Although the processes presented in this document should be implemented as a package, it is important to adopt an attitude of continuous improvement, advancing steadily step by step, rather than aiming for perfection from the outset. Furthermore, since various approaches are possible to achieve sustainable supply chains, the processes outlined in this document are not the only correct solution. Just as the Peer Learning Group believes that CSR / Sustainable procurement initiatives are never-ending, we will continue to discuss the ideal form of procurement processes.

We sincerely hope this document will assist business enterprises just embarking on CSR / Sustainable procurement, as well as for those seeking to enhance their existing efforts.

[Reference] List of Publications by the Supply Chain Peer Learning Group (as of April 2025)

GCNJ CSR Procurement Reference Series

https://www.ungcjn.org/objective/procurement/web/index.html

Practical Manual on Human Rights Due Diligence: Responsible Business Conduct in the Human Rights Field

This manual outlines procedures for organizations undertaking human rights due diligence, referencing the *Guiding Principles on Business and Human Rights* and other guidelines issued by various institutions. By customizing the material in this document to suit your organization's specific needs, you can create a more practical manual for your organization.

https://www.ungcjn.org/objective/procurement/web/hrdd.html

An Introduction to CSR Procurement: Promoting CSR in the Supply Chain

This introductory guide (first published in 2016, revised in 2018) was created to raise awareness about CSR procurement and create understanding of global trends. It provides foundational knowledge to promote understanding of CSR procurement among procurement personnel, management, and business partners.

Japanese version: https://www.ungcjn.org/activities/topics/detail.php?id=270

English / Chinese versions: https://www.ungcjn.org/activities/topics/detail.php?id=297

An Introduction to CSR Procurement: Understanding Check Sheet

This tool (first edition published in 2023) was created based on *An Introduction to CSR Procurement* as a means to check understanding of the document. Please use this check sheet to assess understanding after studying the introductory document and explanatory videos. The check sheet is provided as an editable Excel file to facilitate integration into your organization's systems.

https://www.ungcjn.org/objective/procurement/web/csr_check.html

CSR Procurement Self-Assessment Toolkit

This CSR Procurement Self-Assessment Questionnaire is constructed so it can be shared by buyers and suppliers regardless of their industry. The toolkit comprises nine core items extracted from the Ten Principles of the UN Global Compact, ISO 26000, and other international guidelines as well as industry-specific CSR questionnaires. Available free of charge to many companies, the toolkit was created to standardize the questions and terminology used in all kinds of CSR procurement questionnaires.

https://www.ungcjn.org/activities/topics/detail.php?id=612

CSR Procurement Self-Assessment Toolkit: Understanding Check Sheet

This check sheet tool (first edition published in 2024) was created to check understanding of the *CSR Procurement Self-Assessment Toolkit*. It is based on the *CSR Procurement Self-Assessment Toolkit* as well as its accompanying *Answer Guidebook* and *Scoring Guide*. Please use this tool to check understanding after studying the contents of the self-assessment toolkit. The check sheet is provided as an editable Excel file to facilitate integration into your organization's tools.

https://www.ungcjn.org/objective/procurement/web/self_assessment_tool_check.html

CSR Procurement Training Toolkit (Teaching Materials + Games) + Online Operation Support

This training toolkit combines teaching materials based on *An Introduction to CSR Procurement* with games that let participants experience the importance and challenges of CSR procurement. It fosters awareness of CSR procurement and understanding of global trends while enabling participants to experience the values and ethics of stakeholders with various perspectives.

Japanese in-person version: https://www.ungcjn.org/activities/topics/detail.php?id=329

Japanese online version: https://www.ungcjn.org/activities/topics/detail/01.html

English version: https://www.ungcjn.org/activities/topics/detail.php?id=409

New Game of Choice Case Studies for the Training Toolkit

The existing Game of Choice in the *CSR Procurement Training Toolkit* only featured a human rights case study from the apparel manufacturing industry. The new case studies cover all Ten Principles of the Global Compact and include case studies from industries other than manufacturing. The tool is now more accessible for business enterprises outside the manufacturing sector.

https://www.ungcjn.org/activities/topics/detail.php?id=658

CSR Procurement Self-Assessment Toolkit: Answer Guidebook

This guidebook is a compilation of accumulated knowledge and materials to facilitate completion of the *CSR Procurement Self-Assessment Toolkit: Common SAQs*. It is designed to be an aid to answering common SAQs while fostering environments conducive to implementing CSR procurement.

https://www.ungcjn.org/activities/topics/detail.php?id=357

CSR Procurement Self-Assessment Toolkit: Scoring Guide

This scoring guide explains the point scoring benchmarks, with concrete examples, for each question in the *CSR Procurement Self-Assessment Toolkit: Common SAQs.* It is designed to be an aid in estimating scores on common SAQs while fostering environments conducive to implementing CSR procurement.

https://www.ungcjn.org/objective/procurement/web/csr_scoreguide.html

***FAQs for** CSR / sustainable procurement*

This is a compilation of questions and answers regarding CSR / Sustainable Procurement discussed by the Supply Chain Peer Learning Group's Dialogue for members Working Group. Use it as a resource for resolving questions and concerns encountered while implementing CSR / Sustainable Procurement.

https://www.ungcjn.org/objective/procurement/faq.html

Official Rule Description Videos that Make Learning the Game of Choice / CSR / Sustainable Procurement Enjoyable: Suitable for Beginners (For Training and Seminars)

Essential for anyone interested in CSR / Sustainable Procurement.

Learn the importance of CSR / Sustainable Procurement while having fun with this card game. Suitable for internal training and seminars. Watch the video and start playing the Game of Choice role-playing game.

https://www.youtube.com/watch?v=KAQ8WKGDuUE

Corporations Participating in the Creation of This Proposal

ADVANTEST CORPORATION, Akatsuki Labor and Social Security Attorney Corporation, ALSOK Co., Ltd., ASKUL Corporation, Cargill Japan LLC, Chiyoda Corporation, Citizen Watch Co., Ltd., Cre-en Inc., DNV BUSINESS ASSURANCE JAPAN KK, DOWA HOLDINGS Co., Ltd., Earth Corporation, ELECOM Co., Ltd., ENEOS Corporation, Foster Electric Company, Limited, FUJI ELECTRIC CO., LTD., FUJITSU GENERAL LIMITED, HAMAMATSU PHOTONICS K.K., Japan Electrical Safety & Environment Technology Laboratories, Kanematsu Corporation, Kawasaki Kisen Kaisha, Ltd., KDDI CORPORATION, Kobayashi Pharmaceutical Co., Ltd., Lion Corporation, Mitsubishi Chemical Corporation, Mitsubishi Motors Corporation, Mitsubishi UFJ Research & Consulting Co., Ltd., Mitsui Chemicals, Inc., NEC Corporation, Nippon Ham Co., Ltd., Nippon Sanso Holdings Corporation, NISSHA Co., Ltd., Nitto Denko Corporation, Noritz Corporation, Otsuka Pharmaceutical Co., Ltd., Pigeon Corporation, SAKATA INX CORPORATION, SAMMY Inc., Sapporo Holdings Limited, SEGA SAMMY Holdings Inc., SoftBank Corp., Sumitomo Mitsui Construction Co., Ltd., Takahata Group, TAKASAGO INTERNATIONAL CORPORATION, TECHNO RYOWA LTD., TOPPAN Holdings Inc., Toyo Seikan Group Holdings, Ltd., TUV Rheinland Japan Ltd., UBE Corporation, UTSUMI CO., LTD., Zeon Corporation

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Disclaimer

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The Ideal Approach to CSR / Sustainable Procurement
A Proposal from the Supply Chain Peer Learning Group

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