Human Rights and Health Well-Being

Focus Area: Human Rights and Health & Wellbeing

Corporate respect for human rights and human capital management form the foundation of sustainable growth. As articulated in the UN Guiding Principles on Business and Human Rights, respect for human rights lies at the core of corporate responsibility, and issues such as forced labor and harassment can lead to loss of trust from business partners, brand damage, and talent attrition, thereby exerting a severe impact on corporate value. Conversely, strategic investment in human capital enhances competitiveness through innovation and productivity gains. As social issues gain greater prominence in sustainable investment, our firm will continue to encourage proactive responses on human rights and human capital through engagement activities.

Ryusei Takahashi
Research & Engagement Department
Investments Division

Saori Kurata
Sustainable Investment Department
Investments Division

Notable Events Related to Human Rights and Human Capital

2022	Japan:	Ministry of Economy, Trade and Industry (METI) publishes the Ito Report 2.0 and the Guidelines on Respecting Human Rights in Responsible Supply Chains. Cabinet Office releases the Guidelines for the Visualization of Human Capital. Establishment of a Human Capital Management Consortium.
	United States:	Enforcement of the Uyghur Forced Labor Prevention Act (UFLPA) begins.
2023	Europe:	European Parliament adopts the Corporate Sustainability Due Diligence Directive (CSDDD) and adopted EU Pay Transparency Directive
	Japan:	The introduction of mandatory human capital disclosure in annual securities reports.
2024	Global:	ISSB launches a research project on human capital-related disclosure standards. Formation of the TISFD (Taskforce on Inequality and Social-related Financial Disclosures).
	Europe:	European Parliament and Council reach provisional agreement on CSDDD.
2025	Europe:	European Commission releases EU Omnibus
	Japan:	METI releases final recommendations for diversity management and human rights due diligence (Diversity Report). Publication of the Guideline on Business and Human Rights.
	Global:	ISO 30414 (Human Capital Internal and External Reporting Guidelines) is revised.
2026	Global:	TISFD framework expected to be released. Completion of ISSB research project related to human capital.
	Europe:	Deadline for enhanced disclosure obligations by each country related to EU Pay Transparency Directive.
2027	Europe:	Start of mandatory disclosure under EU Pay Transparency Directive.
2030	Global:	Target year for achieving the SDGs.

The information on this page reflects plans as of the current date and is subject to change without prior notice.

Human Rights

Engagement Focus Points and KPIs

- Existence of a human rights policy, and the frequency and substance of board-level discussions on human rights risks
- Status of human rights due diligence, including coverage of key suppliers
- Number of identified or reported human rights violations and the company's response to them

Background of the Focus Points and KPI Setting

- Delays in addressing human rights issues—such as forced labor in supply chains, excessive working hours or harassment within a company, or health damage caused by products—have led to severe corporate value impairment.
- Regulations and guidelines relating to human rights, including those covering supply chains, have been established both domestically and internationally, and failure to respond appropriately poses a risk of losing business opportunities.
- Properly addressing human rights issues contributes to reducing business risks and, through effective appeal to consumers, enhances brand value.

Actions Expected from Investee Companies

- Executive management and the board of directors should identify and understand material human rights issues across the entire value chain in their business activities, and oversee the effectiveness of response measures.
- In addition to increasing coverage of key suppliers, companies should conduct periodic on-site assessments and other measures to enhance the effectiveness of their initiatives.
- Monitoring and disclosure of human rights issues—including the "number of identified or reported human rights violations"—contribute to improved transparency and accountability of initiatives. Companies should update these disclosures regularly, taking into account the views of experts and investors.

Human Rights and Health Well-Being

Focus Area: Human Rights and Health & Wellbeing

Toru Terasawa
Research & Engagement Department
Investments Division

Yasushi Arakawa
Research & Engagement Department
Investments Division

Human Capital

Engagement Focus Points and KPIs

- Indicators Related to Diversity
  Examples: Ratio of female employees, ratio of foreign employees, gender pay ratio by organizational level
- Indicators Related to Employee Retention
  Examples: Number of hires and leavers, turnover rate (average years of service), number of specialized personnel
- Indicators Related to Employee Satisfaction
  Examples: Employee engagement index, etc.

Background for Setting Focus Points and KPIs

- As industrial structures and societal values become increasingly complex, corporate management based on homogeneous values held solely by long-tenured internal employees can directly lead to corporate value impairment. Initiatives to enhance human capital—with DE&I at the core—must be effective in maintaining and improving corporate value. Visualizing these indicators enables deeper and more meaningful dialogue.

Actions Expected from Investee Companies

- Formulate fundamental policies and establish execution and oversight frameworks.
- Set and disclose KPIs and targets, and integrate concrete initiatives into corporate strategy.
- Align human resource strategy with medium- to long-term management plans to enhance corporate value.
- Communicate achievements to the labor market and investors to facilitate constructive dialogue.

DE&I Which Contributes to Improve Corporate Value

Executive ESG Advisor
Toru Terasawa

Since November 2024, I have served as a member of the Ministry of Economy, Trade and Industry's study group on corporate management that leverages diversity as a source of competitiveness. In April 2025, the study group published its findings in the Diversity Management Report for Strengthening Corporate Competitiveness ("Diversity Report"). During the deliberation process—against a backdrop of increasing headwinds for DE&I following President Trump's inauguration—we revisited the fundamental significance of promoting DE&I within companies and engaged in multifaceted discussions.

The Diversity Report advocates for diversity management as an approach to enhancing corporate value by fully harnessing the capabilities of diverse talent and fostering innovation. To respond to changes in the global business environment, companies must move away from highly homogeneous organizational structures and build flexible organizations that leverage diversity. The report presents concrete initiatives and solutions to key challenges for corporate leadership.

Within our company, we also held study sessions for executives and engaged in active discussions involving the President and division heads. Going forward, we will draw on this report to further advance not only our engagement with investee companies, but also our own internal initiatives.