

Proposal - From Ethical Issues to Management Challenges

Putting Respect for Human Rights at the Center of Corporate Governance

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1. Introduction

- - In October 2023, JACD published the Standard Governance Code on the Issue of Sexual Abuse of Minors² (hereinafter referred to as the "Standard Code") in response to cases of sexual abuse of minors committed by the former head of a talent agency. While the Standard Code was initially prompted by such incidents, it was intended to serve as a practical guide for all companies seeking to embed respect for human rights as a fundamental management principle and to establish effective governance mechanisms. It was designed to be widely applicable, not just as a guideline, but as a practical tool for corporate governance.
- - However, a new case involving the entertainment and media industry has brought corporate responsibility for human rights back into the spotlight. In late 2024, a weekly magazine reported a sexual misconduct case (hereinafter "this case") in which a male celebrity was alleged to have potentially committed acts of sexual abuse against a female employee of Fuji Television Network, Inc. ("Fuji Television"). The initial report alleged that another Fuji Television employee was involved in arranging the dinner meeting in question; although Fuji Television denied this, the magazine later retracted this part. Nevertheless, the social impact of this case was enormous. All programs in which the celebrity appeared were canceled, and he announced his retirement from the entertainment industry in January 2025. In addition, a rapid wave of advertising withdrawals by sponsors followed, forcing Fuji Television to change or suspend commercials, resulting in serious business repercussions.
- - On February 12, 2025, the Program Deliberation Council, composed of external experts, strongly criticized Fuji Television's handling of the case. Their comments had significant implications from a corporate governance perspective. The case not only raised the possibility of serious human rights violations (i.e., sexual misconduct), but also revealed structural deficiencies in corporate governance. Despite the serious social responsibility at stake, Fuji Television continued to cast the individual in major programs for 18 months after the issue came to light. This reflected a deeply ingrained corporate culture that prioritized economic interests over human rights and demonstrated a serious lack of compliance awareness.

- - Internal control systems should function as a three-line structure:

(1) the first line (compliance activities at the operational level),

(2) the second line (oversight by corporate departments), and

(3) the third line (validation by an independent internal audit function).

In particular, for the third line to function properly, a reporting channel to the board of directors or audit and supervisory committee must be firmly established and operational. However, in this case - despite being a critical risk capable of shaking the credibility of the entire group - the matter was handled arbitrarily by the management of the subsidiary Fuji Television without proper escalation to the parent company, Fuji Media Holdings, Inc. ("FMH"). There was a breakdown at every level: compliance failure at the first level, information blocking at the second level, lack of assurance at the third level, and lack of reporting to the Audit and Supervisory Committee. The entire internal control system was effectively dysfunctional.

- - To address such serious governance failures, it is essential to thoroughly investigate the root causes and uncover the structural problems. The independent committee must look beyond the superficial events and delve into the organizational factors, conducting a comprehensive review of group-wide governance deficiencies. At the same time, FMH's board and management must conduct a rigorous self-examination of the dysfunction in the company's governance and implement effective reforms. Embedding respect for human rights not just as a slogan but as a fundamental criterion in management decision-making is key to achieving meaningful reform in response to this case.

² JACD, "Standard Governance Code on the Issue of Sexual Abuse of Minors" (October 12, 2023): https://www.jacd.jp/news/opinion/231012_content-6.html

2. Learning from the Case - Ongoing Implementation of Effective Human Rights Due Diligence

- - This case should not be dismissed as an isolated scandal. It serves as an opportunity to rethink how companies address human rights issues and fulfill their responsibilities. For business leaders, managing human rights risks in business operations and taking preventive or corrective action is not just a social duty-it is a core management responsibility necessary for sustainable business growth. The following sections examine the key issues underlying this case and clarify the stance that business leaders must take on human rights.
- - Businesses are expected to act responsibly and continuously to promote a society free from human rights abuses. This includes conducting human rights due diligence, which involves identifying (Plan), preventing or mitigating (Do), evaluating (Check), and improving or disclosing (Action) responses to human rights risks throughout the business and supply chain³.

This process must be institutionalized and continuously practiced throughout the organization, not just written as a policy or addressed on an ad hoc basis⁴.

- - In identifying human rights risks, it is important to recognize that any risk - whether directly or indirectly related to the company - becomes a business risk when the company is involved through its operations. Companies need to continually update comprehensive human rights risk scenarios that reflect the specific nature of their business, using internationally and nationally recognized standards such as the UN Guiding Principles on Business and Human Rights.
- - FMH had a documented human rights policy and reported that it conducted human rights due diligence. In addition, their investigation found no reports of inappropriate behavior by celebrities at the dinner in question. Yet the incident occurred. At the very least, statements made by company executives at a press conference indicate that they were aware of sexual misconduct. That such a serious risk was not escalated from the second or third line to the audit and supervisory committee of the parent company raises serious doubts about the effectiveness of their human rights' due diligence. This appears to be a case of form over substance. The key question is not simply whether a policy or due diligence process exists, but whether it works. Particularly for media companies, which are charged with informing society about human rights abuse, their own governance must be subject to rigorous scrutiny. It is not enough to say that human rights due diligence has been conducted. Companies must regularly review the operation of the PDCA cycle, make improvements where necessary, and ensure its effectiveness. They must also communicate transparently with society and fulfill their public responsibility as media institutions.
- - This issue is not limited to a single media company. Many listed companies in Japan claim to have human rights policies and to conduct human rights due diligence. However, whether these systems actually work is another matter. In Japan, where such frameworks are largely governed by soft law and social pressure to conform is strong, there is a tendency for efforts to respect human rights to result in blue-washing. Respect for human rights must not be an abstract ideal or moral rhetoric - it must be operationalized within corporate processes⁵. For example, companies should have a clear zero-tolerance policy against doing business with those involved in serious misconduct such as sexual abuse⁶. They must reflect this stance in their contractual terms and apply it rigorously throughout their operations⁷ to ensure that their human rights policies are truly effective.
- - It goes without saying that companies must take appropriate action when they have caused or contributed to human rights abuses. But corporate responsibility does not end there. Companies also have a responsibility to address human rights issues that are directly related to their

operations, products or services. They must affirm that their responsibility is not limited to their own direct actions but extends to managing human rights risks throughout their value chain⁸. In this case, for example, the public debate has focused on whether another Fuji Television employee was involved in arranging the dinner. But this is not the essence of corporate human rights responsibility. Even if a human rights violation cannot be clearly judged as having been caused or contributed to by the company, if it is directly related to the company's business, products, or services, the company must still be held responsible for addressing it appropriately.

- - The same principle applies to sponsoring companies that advertise on the media platform. These companies are not simply placing advertisements; they are entrusting their brand and reputation to a media platform. If a human rights violation occurs within that platform, the sponsoring companies also have a responsibility to respond appropriately. Sponsoring companies must therefore demand transparency and corrective action from the media company and are expected to select media partners that are in line with their own human rights policies. Responsibility does not end with the suspension of advertising. Sponsors must articulate clear human rights policies and proactively communicate them to society.

³ See Basic Principle 3 of the *Standard Governance Code on the Issue of Sexual Abuse of Minors* (JACD, October 12, 2023).

⁴ See Supplementary Principle 3-2, Comment (1) of the *Standard Governance Code on the Issue of Sexual Abuse of Minors* (JACD, October 12, 2023).

⁵ See Basic Principle 1, Commentary of the *Standard Governance Code on the Issue of Sexual Abuse of Minors* (JACD, October 12, 2023).

⁶ See Supplementary Principle 3-1 (iii) of the *Standard Governance Code on the Issue of Sexual Abuse of Minors* (JACD, October 12, 2023).

⁷ See Supplementary Principle 3-1 (vi) of the *Standard Governance Code on the Issue of Sexual Abuse of Minors* (JACD, October 12, 2023).

⁸ See Basic Principle 2, Commentary of the *Standard Governance Code on the Issue of Sexual Abuse of Minors* (JACD, October 12, 2023).

3. Building Genuine Internal Control Through Organizational Reform Beyond Moral Idealism

- This case calls for a fundamental reevaluation of corporate governance and internal control frameworks. Addressing human rights abuses through human rights due diligence is not simply a matter of legal compliance - it is at the heart of corporate risk management. At its core, internal control is about identifying "mission-critical" risks in advance, detecting and assessing them in corporate activities on an ongoing and timely basis, and ensuring that they are reported quickly and accurately to the board of directors, which can then initiate appropriate corrective action. As

this case illustrates, the occurrence of human rights violations not only damages a company's reputation but also leads to intense stakeholder scrutiny and can ultimately threaten business continuity. Sexual abuse undermines a company's brand and credibility at the deepest level and must be recognized by the board as a red flag of the highest order. If information about such serious risks is not properly communicated to the board or compliance functions, it is a clear sign that internal controls are not working. To build effective internal control, it is essential to establish clear reporting lines to the board and a system that allows management to respond immediately.

- - In Japanese society, when such incidents occur, public discourse tends to focus on identifying a scapegoat. Calls for accountability led to the resignation of executives, and the problem is often perceived as being solved. However, this approach fails to address the root of the problem. In many Japanese companies, misconduct stems not only from individual misbehavior, but also from "Gemeinschaft"-type dynamics-organizational cultures rooted in collective thinking and closed systems that allow misconduct to be hidden. Simply replacing top management is rarely enough to prevent recurrence. To correct this fundamentally Japanese pattern of misconduct, the solution lies not in changing individuals but in changing corporate culture, recognizing that human nature is inherently fallible. In organizational theory, "culture" refers to patterns of behavior-not moral ideals, but patterns shaped and reinforced by incentives and evaluation systems.
- - While it is important to reward those who work hard and deliver results for the organization, it is equally important for management and governance to continually assess whether the organization's principles, goals, and day-to-day behaviors are consistent with societal norms. As the phrase "from respecting human rights to taking action" suggests, human rights risks are not just about corporate philosophy-they are about behavior and accountability. The role of management is to change behavior so that members of the organization put societal norms ahead of individual or group interests. This cannot be achieved by relying on bottom-up attitudinal reform from the front lines. What is needed is a redesign of incentive structures throughout the organization, driven by top-down leadership.
- - This is an opportunity for all companies to reassess their human rights records and strengthen their corporate governance and internal control systems in line with global standards.

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