

Progress of Human Rights Due Diligence FYE2023

ITOCHU Group is involved in a diverse range of business activities in various regions around the world. This makes ensuring due respect and consideration of human rights a critical issue for our group.

In FYE 2023, with the cooperation of J.S. Held Japan LLC, we conducted a comprehensive assessment of the business operations of the Textile Company, which deals in textile products, selected products that may have a real or potential negative impact on the human rights of stakeholders, and conducted a human rights due diligence process. The process is outlined below.

■ Human Rights Due Diligence Overview

◇ Implementation Procedures:

- ① Within the business activities of the Textile Company and based on various document reviews and interviews with sales departments, etc., identify commercial materials and the countries from which they are sourced that may have a real or potential negative impact on the human rights of stakeholders, and select commercial materials and target countries for priority investigations. (First Screening)
- ② Conduct a survey of suppliers of the merchandise selected in the first screening and suppliers in the target countries. Based on the results of the analysis of responses to the survey, select suppliers whose specific human rights risk status requires confirmation as engagement targets for a more detailed investigation. (Second Screening)
- ③ On-site visit and interviews with the targets of engagement.
- ④ Based on the results of the above investigations and interviews, ascertain the current human rights risk status and discuss future action plans.

◇ Scope:

Target		Number of Indicators and Companies
Human rights risk indicators investigated (Note 1)		Child labor, Forced labor, Safe and healthy work environment, Freedom of association and collective bargaining, Discrimination, Punishment, Working hours, Compensation, Impact on communities and residents
Selection Criteria	Target countries and regions (Note 2)	Israel, India, Indonesia, Uganda, Egypt, Australia, Canada, Cambodia, Thailand, Turkey, Pakistan, Bangladesh, Philippines, Brazil, Burkina Faso, Vietnam, Peru, Malaysia, South Korea, China, Hong Kong, Japan
	Monetary basis	Purchases: 100 million yen or more (overseas) Purchases: 300 million yen or more (domestic)
Investigation subject (First Screening)		Tier 1 or Tier 2 business partners located in surveyed countries

Survey subject	112 companies (Note 3)
Additional investigation (Second Screening)	21 companies
On-site visit/interview	12 companies

(Note 1) Elements that are directly linked to human rights risks are taken from items required by international standards such as Social Accountability International’s SA8000 workplace evaluation standard and the ILO Declaration on Fundamental Principles and Rights at Work.

The four human rights issues listed in bold are items related to core labor standards set out in the ILO Declaration on Fundamental Principles and Rights at Work.

(Note 2) Target countries/regions are selected based on external evaluation reports such as those of the ILO regarding SA8000 compliance status from all suppliers.

(Note 3) Covers approximately 70% of all Textile Company suppliers on a purchase amount basis.

■ On-site visit/interview survey items

Action Items	Contents
Briefing	Explanation of reason for audit, confirmation of progress schedule, confirmation of submitted documents
Manager Interview	Understand operations from a management perspective
Factory Audit	Health and safety status check
Employee Interviews	Multiple interviews with employees with different job types, years of employment, and genders
Closing	Feedback on key findings, explanation of upcoming schedule



(Left) Management Interview



(Center) Easy-to-understand installation of fire extinguishing equipment



(Right) Cafeteria with infection prevention measures

■ Survey Implementation Status and Identified Issues

- Our human rights due diligence process did not identify any items indicating human rights infringements or adverse impacts on human health and safety that had already occurred, or where there is imminent concern that they will occur.
- However, the following three findings may develop into human rights issues in the future. (monitoring is recommended)

(1) Health and safety

Although there were no violations of local fire codes, cases were discovered of inadequate health and safety management of facilities, including partially inadequate fire safety equipment based on standards required by international norms, and inadequate regular cleaning and maintenance of toilets and water dispensers. We pushed for improvements to be undertaken, starting with high-priority items.

(2) Undeveloped policies and manuals

In some cases, policies related to human rights, discrimination and harassment, and grievance processing, as well as fire and evacuation response and relief manuals, were not in place. We requested that they be developed as appropriate in the future.

(3) Discrimination

At a particular supplier, a case was discovered of possible discrimination in the recruitment confirmation. Even if not necessarily in violation of laws and regulations, the practice could be considered discriminatory or an invasion of privacy under the standards required by international norms, so we requested improvements.

■ Our Way Forward

In order to identify human rights issues as early as possible and respond to them seriously, we will continue to include the companies above that were subject to the human rights due diligence process above in future supply chain sustainability investigations.

In addition, we will regularly provide opportunities for sustainability-related dialogue and cooperate with suppliers through ongoing review and communication in order to encourage each supplier to properly address human rights issues.

Furthermore, by continuing to implement initiatives and improvements in accordance with the human rights due diligence process for each business area on a regular basis, we will prevent, mitigate and remedy any real or potential negative impact on human rights. By implementing and strengthening initiatives that respect human rights together with related companies, including suppliers, we aim to build a resilient value chain and achieve sustainable growth.