

Checking Suppliers in Relation to CSR

Ensuring consideration for human rights and labor issues in supply chains is one of the most important CSR issues that global companies face. In response to recommendations from experts during the stakeholder dialogue in 2007 that we should step up initiatives, we discussed the type of measures that we should take and decided to begin corporate-wide checking of suppliers in relation to CSR.

Our approach to promoting CSR in supply chains

For ITOCHU Corporation and its business partners, business activities have to be sustainable. In the supply chains of the businesses that we are involved in, we engage business partners in dialogue to find out whether there are any problems, particularly those related to human rights, labor issues, and the environment. If we discover a problem, we consider how to resolve it. Promoting CSR initiatives in our supply chains, those efforts are one of our measures focused on "Expanding the scope of CSR activities," which is one of our "Basic policies for CSR promotion activities during Frontier+ 2008."

Initiatives to promote CSR in supply chains

ITOCHU Corporation has seven Division Companies, which are engaged in a wide range of businesses. Each Division Company prepares its own CSR action plans, which guide the Division Company's implementation of CSR initiatives. Therefore, the most practical method for promoting CSR initiatives in supply chains is on a Division Company basis. Specifically, each Division Company prepares a checklist that reflects current conditions in the industries it is involved in and that mainly centers on human rights and labor issues (please see the example checklist below). Using those checklists, managers visit suppliers to conduct investigative interviews or conduct surveys through

questionnaires. Division Companies choose target suppliers based on such parameters as operating regions, products handled, and transaction amounts and by referring to the criteria of the FTSE4Good Index, which is an internationally recognized index of socially responsible investment. Each Division Company independently began checking suppliers from fiscal 2007. ITOCHU Corporation does business with a huge number of suppliers, and its checking of suppliers in relation to CSR has just begun. However, we will steadily continue those initiatives.

Checking suppliers in relation to CSR in fiscal 2007

In fiscal 2007, six Division Companies prepared plans for checking 284 suppliers and conducted surveys accordingly. To help us launch the checking of suppliers and increase our managers' knowledge of this area, we invited Dr. Naoki Adachi of Response Ability, Inc., to give us lectures and advices on how to proceed with checking suppliers.

The number of companies we surveyed is shown in the table below. Among the suppliers surveyed, we did not discover any serious CSR problems. Meanwhile, communicating with suppliers through the surveys proved to be a good opportunity to further their understanding of ITOCHU Corporation's CSR philosophy.

An example of a checklist used for checking suppliers in relation to CSR (Textile Company)

[Textile Company]		Supplier name: _____		
		ITOCHU unit in charge: _____		
		Person in charge: _____		
CSR Checklist for Supplier			Check	Comments
1	The company has a policy or system for compliance with laws and regulations, and implements them.			
2	The company guarantees the rights of freedom of association and collective bargaining .			
3	The company does not practice forced labor .			
4	The company does not practice child labor .			
5	The company does not practice discrimination in hiring and employment .			
6	The company has taken measures to protect occupational health and safety .			
7	The company observes the national (host country) laws and regulations regarding working hours .			
8	The company observes the national laws and regulations regarding minimum wage .			
9	The company has a policy or system for dealing with complaints from its business partners, and implements them.			
10	The company has a policy or system for environmental conservation / complies with national laws and regulations concerning environmental conservation .			
11	The company does not handle goods infringing upon intellectual property rights .			
12	The company ascertains the country of origin of the procured items and checks the environmental and social aspects of its suppliers .			

* Respective Division Companies, except the Aerospace, Electronics & Multimedia Company, prepared their own checklists similar to the one above and conducted surveys.

Number of suppliers each Division Company targeted and surveyed

Division Company name	Number of suppliers targeted	Number of suppliers surveyed
Textile Company	21	16
Machinery Company	12	12
Energy, Metals & Minerals Company	8	7
Chemicals, Forest Products & General Merchandise Company	160	139
Food Company	64	52
Finance, Realty, Insurance & Logistics Services Company	19	3

In tandem with the checking of suppliers by the managers of respective Division Companies, a department responsible for CSR promotion helped to make the checking of suppliers more practical by conducting pilot investigative visits to suppliers and sharing information among Division Companies. The following are two cases from such investigative visits.

Case 1

PT. Aneka Tuna Indonesia (Food Company supplier)

Implementation date: February 21, 2008
Location: Surabaya, Indonesia

PT. Aneka Tuna Indonesia mainly manufactures and sells canned tuna. Particularly praiseworthy aspects of the company are its rigorous product safety controls, essential for food manufacturers, under the slogan "Safety, Good quality, Clean;" its appropriate management of local employees in accordance with local labor laws and statutory regulations; and its adequate labor health and safety measures at plants. Issues the company should consider as a procurer of tuna, which is a natural resource, are the labor conditions of its own suppliers and continued care regarding the protection of biodiversity.



Comments from the Supplier

Mr. Kenji Tanaka
President Director,
PT. Aneka Tuna Indonesia

The recent visit by members of the CSR Promotion Office reaffirmed to me the importance that ITOCHU Corporation places on CSR. As a company operating in Indonesia and producing canned foods, I think we have two corporate social responsibilities. The first is our responsibility to the 2,000 local employees that work hard with us and the local community that supports their everyday lives. The second is our responsibility to realize food safety, an area that is becoming ever-more important. All of our employees are firmly resolved to tackle that area.



The plant takes appropriate labor health and safety measures



Site check

Case 2

DEVELOPMENT CO., LTD. (Chemicals, Forest Products & General Merchandise Company supplier)

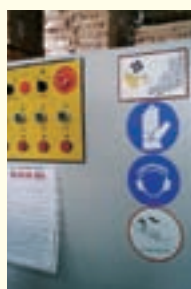
Implementation date: February 29, 2008
Location: Ho Chi Minh, Vietnam

DEVELOPMENT CO., LTD., manufactures laminated lumber*. We highly evaluate the company for providing appropriate working conditions and labor management for its 550 employees amid Vietnam's volatile economic conditions, which are characterized by inflation and rising personnel costs. Further, the company takes environment-friendly measures. It appropriately controls the adhesive agents (chemicals) used for laminated lumber. Also, the company sustainably recycles the materials that it procures by reusing the gum trees from which it extracts latex (rubber sap) and planting trees in areas that have been cleared. We look forward to seeing the company's management team and employees cultivate a shared awareness of CSR to further develop the company and increase its corporate value.

* Laminated lumber: Boards, sawed boards, or small cuts of timber that are glued together using adhesive agents after being dried and having defective areas such as knots and cracks removed and grain directions made parallel



Laminated lumber plant



Comments from the Supplier

Mr. Nguyen Tien Dat
Managing Director,
DEVELOPMENT CO., LTD.

Last year, Vietnam joined the WTO. In order to achieve further economic development, the country has to step up the incorporation of technology and advice from industrialized nations. At the same time, rather than focusing on earnings, we need to consider corporate management from a long-term perspective. With that in mind, we take care of our employees as our most important asset and regard improving working conditions as important. In response to continuing inflation in Vietnamese society we are improving wages and welfare for employees. Also, we are undertaking ongoing initiatives to contribute to the environment and society through afforestation projects. Because we think CSR is very important for our growth, we will continue business activities based on CSR.

Stakeholder Engagement Initiatives

At ITOCHU Corporation, we are concentrating efforts on stakeholder engagement.

With a view to “Strengthening communication with stakeholders” as set out in our “Basic policies for CSR promotion activities during Frontier+ 2008,” we listen to the views of in-house and external stakeholders and reflect them in CSR activities.

Meetings with third-parties regarding the CSR action plans of Division Companies

ITOCHU Corporation furthers CSR initiatives based on CSR action plans that each of its seven Division Companies formulate. Aiming to upgrade the content of those plans for fiscal 2008, each Division Company invited experts in its business area to participate in third-party CSR meetings. The meetings saw lively discussions about whether, from an outsider’s viewpoint, each Division Company’s CSR action plans identified the material issues and responded adequately to society’s demands.

Reference P. 19–32, “Perspectives from a third-party participant in our CSR meeting”



The Finance, Realty, Insurance & Logistics Services Company's third-party CSR meeting



The Chemicals, Forest Products & General Merchandise Company's third-party CSR meeting

CSR seminars

ITOCHU Corporation regularly organizes internal CSR seminars to incorporate the views and expertise of stakeholders about a wide variety of CSR issues within the company and to educate employees. In fiscal 2007, we held three seminars and invited outside experts and representatives of companies with advanced CSR initiatives to discuss the subjects (shown below) that we should focus on.

We plan to continue organizing CSR seminars focused on the CSR issues that each Division Company should pay particular attention to in its business activities.



First seminar

Seminer	Date / Subject
First:	October 18, 2007 Subject: Human rights / labor issues
Second:	February 25, 2008 Subject: Global warming and the business of general trading companies Reference P. 49
Third:	March 12, 2008 Subject: The influence of information technology on Japanese society

Comments from a speaker

Akira Sakaino
Manager, Sales Promotion Department,
Net Business Division, NTT Communications Corporation



I felt that the idea of a panel discussion in which executives participated was very meaningful. The meeting enabled participants to pose problems from a wide variety of perspectives, such as the contradictions of market fundamentalism and the dangers of an Internet-based society, and it was a good opportunity to motivate employees to consider CSR policies. In the areas that executives mentioned, such as education, medical-related business, and work-life balance, I look forward to ITOCHU Corporation developing new CSR initiatives that use information and communication technology and seek cooperation among industry, academic institutions, governments, and citizens.



Panel discussion at third seminar

Results of CSR Report 2007 questionnaire for employees

Continuing from fiscal 2006, after issuing *CSR Report 2007*, we conducted via intranet a *CSR Report 2007* employee questionnaire targeting all employees. Further, in fiscal 2007 we extended the questionnaire's scope to include national staff*. These questionnaires are becoming a useful tool for gathering CSR-related feedback from our employees worldwide. The questionnaire comprises eleven questions (nine questions in the overseas version) and is designed to ascertain the level of familiarity with the words corporate social responsibility and identify CSR issues that require corporate-wide

initiatives. Below are some representative replies to some of the questionnaire's open-ended questions.

Replies to the CSR Report 2007 questionnaire for employees

	Number of employees	Number of replies	Reply rate
Questionnaire for domestic employees	4,742	2,971	62.7%
Questionnaire for national staff*	1,743	836	48.0%

* National staff refers to locally hired staff at overseas offices.

Feedback from employees

Q9. What do you think about the opinions in the 2007 stakeholder dialogue?



Shunichi Ohtani
Manager,
Fresh Food & Business Solution Section,
Food Company

I think the opinion that trading companies should play a linking role between upstream and downstream areas was significant because there is information that only trading companies can gather through extension of their mainstay business. Furthermore, fully realizing that role as a trading company is also important from the perspective of differentiating our products and information. At the same time, I think it will become increasingly important to educate employees throughout the ITOCHU Group, including those overseas, about CSR initiatives.



Hiroaki Shiokawa
Europe Textile Group

Regarding the opinion that the key word "people" is missing, I felt a dilemma. Even if in principle we agree with that opinion, I wonder if companies can function by only following principles. I understand the desirability of realizing the *sampo yoshi* philosophy of being good for the seller, the buyer, and the society, but in reality it is difficult to be good for people all over the world. I have a renewed sense that the role of trading company employees is to strike a balance between ideals and reality, but this task is quite difficult and challenging to me.

Q10. What do you regard as CSR initiatives unique to ITOCHU Corporation? What is needed in order to promote CSR initiatives unique to ITOCHU Corporation?



Mihoko Kato
Planning and Coordination Department,
International Operations Division

I think CSR initiatives unique to ITOCHU Corporation are those that reflect value judgments based on a global, wide-ranging perspectives and that contribute to society accordingly. To realize such initiatives, I think that each employee must heighten their awareness accordingly.



Yoshiharu Fujita
Overseas/Trade Insurance Section,
Insurance Department No.1,
Finance, Realty, Insurance & Logistics
Services Company

CSR initiatives pursued on a global scale in the spirit of *sampo yoshi* are unique to ITOCHU Corporation. To advance such unique initiatives, the continuing education of all employees is necessary. Further, I think we need to listen to the opinions of stakeholders worldwide.



Yoshihide Sakai
Infrastructure/Utility Section No.3,
Plant & Project Department No.2,
Machinery Company

I think we should look for initiatives that only we as an organization with knowledge about a wide variety of industries can achieve. Increasing efficiency in value chains based on various types of indicators to further benefit society and reduce burdens will realize CSR initiatives unique to ITOCHU Corporation. To achieve that, I think we have to exchange knowledge through lateral operations within the Company and also by circulating personnel laterally.

Opinion of a national staff



Mohammad Faisal
Kuala Lumpur Office

CSR reflects our belief that our business agenda should include improving the conditions surrounding our stakeholders. The first step for CSR is educating our own staff on how they can be an important part of it. Overall, I do think that our company is moving on the right path in the CSR world!