

Third-Party Opinion

Below is a summary of the opinions of the four team members of the CSR Review Forum-Japan* in relation to ITOCHU Corporation's CSR promotion and associated major issues, as well as other matters such as the state of the reporting based on this CSR Report 2012 (Full Report).

1. ITOCHU Corporation's CSR Promotion

As a general trading company, ITOCHU Corporation consists of a diverse range of business fields, such as textiles, food, and energy, and each industry has very different sustainability issues. In keeping with this business structure, ITOCHU is implementing different action plans for each Division Company, by setting different CSR targets for each Division Company. This can be evaluated as a realistic approach with substantial benefits.

On the other hand, standards such as the United Nations Global Compact and ISO 26000 look for initiatives to tackle universal issues facing modern societies, such as human rights and labor practices. These initiatives are reflected in the corporate policies (page 4), as well as in the correspondences with each of the themes in ISO 26000 (page 8), and these policies encompass all of the action plans for each individual company. This seems to be an excellent and realistic measure, but in future if any of these universal issues might be better pursued laterally throughout ITOCHU then we would like to see ITOCHU consider incorporating these into a corporate-wide action plan.

We also sense a huge future for the action plans for the business activities of each Division Company. We would like to see ITOCHU further enhance this initiative through dialogue, by organizing information (such as the expected positive and negative impacts on society following from the business strategies of each Division Company) in a way that is easy for stakeholders to understand the key points.

ITOCHU Corporation is engaged in various kinds of business projects around the world, and has considerable influence. This makes it extremely important for ITOCHU to keep track of the impact that it is having on society, and to take concrete steps to address these issues as necessary ("due diligence"). It would appear that there is due diligence that can and should be done precisely because ITOCHU is a global trading company. In developing due diligence policies, perhaps ITOCHU could start by clarifying the stance and concept that "ITOCHU is attempting to integrate CSR into its business management."

2. Basic stance towards reporting

ITOCHU Corporation has adopted the United Nations Global Compact and ISO 26000 as basic indicators of CSR, and has indicated this on page 8 of the CSR Report, "Core Subjects of ISO 26000 and Our Initiatives." Looking at this section, it would appear that further improvements are expected, including an explanation of organizational governance, but this message demonstrates an understanding of the trend in international corporate social responsibility, and is a good guidepost for promoting CSR.

CSR reports have started to change from being reports mainly focusing on the strong points of the company, and are gradually becoming reports that also touch upon the negative aspects of the impact that the company's business has on society, and how the company is working to solve these problems. Here "negative aspects" does not refer to so-called scandals but rather to the negative aspects that accompany corporate business activities.

As the reporting stance changes in this way, this sincerity is conveyed to society, and the dialogue between the company and society becomes steadily ever deeper. The CSR Review Forum-Japan suggests that ITOCHU Corporation take steps in this direction.

3. Particulars

■ 1. Supply chain management

Supply chain management is a major problem that is common to the CSR of modern international corporations. ITOCHU Corporation selects suppliers based on important indicators (such as whether they are located in high-risk countries, the products they handle, and the value of the transactions), and then conduct investigations as well as indicating supply chain principles and checklists, and the results of the investigations. This is an advanced example of supply chain management for a general trading company.

We propose the following measures in order to increase the effectiveness of these investigations.

- The report indicates that “no serious problems were found” in the factual investigation but if the circumstances of the factual investigations in a few countries were to be shown in addition to disclosing the data then readers would be able to catch a glimpse of whether the responses to the questionnaires were simply going through the motions, or whether concern for day-to-day business is given too much precedence, for example.
- The overall picture would be easier to understand if it were indicated (using tables, for example) that business investment recipients are also subject to supplier investigations as well as product vendors, and if information such as the different results for vendors and investment recipients were also included in the report.
- In the future, ITOCHU could consider creating organizational structures where by either someone responsible for CSR or a third party conducts on-site inspections to hear feedback from the local community, NGOs, labor unions, and so on.

If progress can be made in these areas we believe that this will probably lead to the creation of the kind of due diligence befitting a company such as ITOCHU, as discussed in Part 1. above.

■ 2. Human rights

In the international community, human rights are becoming mainstream as an issue of corporate social responsibility. ITOCHU Corporation is aware of this point, and describes its respect for human rights on pages 9 and 10, where its policy in relation to human rights is indicated. In order to put this concern for human rights, labor and so on into effect, it is necessary to incorporate it into the mechanisms of business activities. For example, we recommend a policy of creating mechanisms whereby questions such as whether human rights have been taken into account, or whether plans are based on human rights due diligence can be checked using checklists at the planning stages of various business projects. At the same time, what is demanded is an intrinsic understanding rather than just standards for appearance's sake, and it is important to continuously enhance human rights education and training.

Furthermore, it is also important for corporations to think about structural human rights violations against employees and others that may result from organizational structures and business operations. We would like to see ITOCHU create organizational structures that can objectively check whether human rights are being violated at the organizational level when decisions are made in relation to whether or not go ahead with organizational changes or business projects.

■ 3. Labor practices

1) Labor environment

Everyone knows that the people working for general trading companies find themselves in a challenging business environment, but if ITOCHU can demonstrate a stance of earnestly working to improve the environment for the people working in this difficult environment then these efforts will almost certainly be well-received by society.

From this perspective, we would like to see ITOCHU develop more concrete initiatives in relation to issues such as the status of local employees in countries and non-permanent employees that provide labor for the ITOCHU Group and the consideration given to such employees, the advancement and treatment of women, and health and safety (including mental health). On the other hand, initiatives such as career counseling are positive examples, and we would like to have seen more specific information presented.

Moreover, given that relations between labor and management are a key aspect of labor practices, it would be desirable for these relations to be treated independently rather than being simply included in a general report about communication with employees. In connection to this issue, it is highly significant that head of the labor union has been introduced and given an opportunity to make comments.

2) Diversification of human resources

In contrast the clear policies and measures for diversifying human resources globally, it was not clear from the report what ITOCHU is trying to do about diversity in Japan (page 54). A good way to do this might be to indicate the goals in the Promotion Plan on Human Resources Diversification 2013, and to compare actual achievements to these goals. Moreover, aid and recruitment of minorities and the socially vulnerable is the key to diversity. Creating an environment where employees can be themselves, and an environment that provides them with opportunities to participate actively and show their full potential would appear to be important both in terms of business strategy as well as in terms of corporate responsibility.

4. Environment

Previously environmental impacts were only tracked for the headquarters, but the scope of tracking has now been extended to cover the group companies, and this step forward deserves a special mention even if it is somewhat mundane. By tracking the entire group, it will become possible to focus effort on those individual businesses where it is most needed. In the future we would like to ask for the scope of data collection to be expanded even further, and for efforts to be made to minimize the environmental impact at those workplaces with the greatest footprints.

In addition, the information relating to the environment are scattered throughout the report, which leave a weak impression. It would be good to see innovations such as giving a broad treatment in a preceding paragraph of the main sentence and then presenting a diagram showing the full picture. We hope to see ITOCHU demonstrate its awareness of the latest important issues (such as measures to address biodiversity in business operations) from a due diligence perspective.

5. Coexistence with society

"Promoting businesses that help solve social issues" (part of the basic policies for CSR promotion) is the thing that is most demanded when working in each country. The report on the pulp business in Brazil traces the full lifecycle from tree planting through to processing and retail, so that it was easy to understand the nature of the coexistence with the local community.

Nevertheless, most of the information on coexistence with society was scattered throughout the report, which leaves a poor impression. It would probably be easier to understand the full situation if these scattered piece of information could be integrated and organized.

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The CSR Review Forum-Japan is an alliance of citizen organizations, including NPOs, NGOs, consumer organizations, and labor organizations. The forum conducts reviews of corporate activities based on ISO 260000 as a common foundation.

<http://www.csr-review.jp/> 

Response to Third Party Opinion

ITOCHU Corporation is developing a diverse range of business activities in various places around the world, and CSR issues that we face vary considerably from industry to industry and from region to region. In promoting CSR, since 2006 we have asked each business division and region to identify the material issues and establish CSR action plans, which are then carried out in accordance with PDCA cycles. While humbly accepting that these activities have received a certain degree of positive evaluation from the Review Forum, we will continue to make the promotion of CSR for the entire company even more sophisticated, by ascertaining the challenges for our company for each of the core subjects of ISO 26000, which was released in November 2010.

In relation to reporting practices, we will focus on new trends such as integrated reporting while also aiming for information disclosure that leads to dialogue with stakeholders.

Since the company was first founded, ITOCHU Corporation has been based on the spirit of sampo yoshi (Good for the seller, Good for the buyer, and Good for society), a management philosophy embraced by Ohmi merchants. This spirit has remained unchanged for more than 150 years until the present, and continues in the form of our corporate philosophy of being Committed to the Global Good. As a global company, we will work towards strategies for further growth by creating shared value with society and contributing to the realization of a sustainable society through our business activities.

We will continue to make efforts to further enhance our CSR activities in the light of the feedback that we have received as part of this review.

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