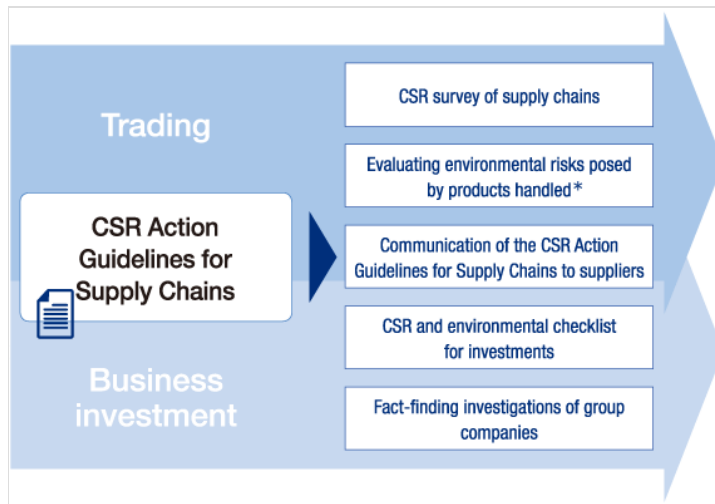


# CSR in Our Supply Chain and Business Investment

Engaged in trading and business investment on a worldwide basis, ITOCHU Corporation also takes full consideration for human rights, labor, and the environment etc., through CSR management that is commensurate with respective business activities for its supply chain and business investment.

Through such consideration, the Company is determined to build a sustainable value chain and link this to a heightening of the competitiveness and corporate value of the ITOCHU Group.



\* Please refer to page97

## Supply Chain Management

### Basic stance on supply chain management

Trading firms are engaged in the trading of all sorts of articles, from resources to intermediate materials and finished products, around the world. In light of the increasing complexity of their supply chains, their business requires risk management concerning human rights, labor, and the environment not only in processes under their direct control but also in areas such as procurement of raw materials, production sites, intermediate distribution, and the regions of consumption. We at ITOCHU Corporation pay particular attention to management on the site of suppliers which occupy a fairly high share of our purchasing, and view our consideration and sense of responsibility for these areas as matters of great importance to be addressed with a high priority.

ITOCHU Corporation has set out its CSR Action Guidelines for Supply Chains, and implements the following surveys and reviews. Through these activities, it is striving to prevent the occurrence of any problems. When problems are detected, it aims for improvement in the concerned areas through communication with suppliers.

#### ITOCHU Corporation's CSR Action Guidelines for Supply Chains

1. Suppliers shall respect the human rights of its employees, and shall not treat employees in an inhumane manner including verbal abuse and physical punishment.
2. Suppliers shall not engage in forced labor or child labor.
3. Suppliers shall not practice discrimination in hiring and employment.
4. Suppliers shall prevent unfair low-wage labor.
5. Suppliers shall respect the rights of employees to organize and bargain collectively to promote smooth negotiation between labor and management.
6. Suppliers shall ensure that employees' working hours, holidays, and use of leave of absence are properly managed so as to comply with statutory standards.
7. Suppliers shall strive to provide employees with a safe and healthy work environment.
8. In the course of their business activities, suppliers shall duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.
9. Suppliers shall observe all related laws and international rules, and ensure fair transactions and prevent corruption.
10. Suppliers shall disclose information regarding the above items in a timely and appropriate manner.

## Communication of the CSR Action Guidelines for Supply Chains to suppliers

We believe it is important to win the understanding and cooperation of all our suppliers for our procurement-related policies. In keeping with this belief, in fiscal 2014, we again made notice of the ITOCHU Corporation's CSR Action Guidelines for Supply Chains to the approximately 4,000 suppliers with whom we have continuing transactions. We are endeavoring to deepen communication with them on our CSR-related policies.

## Response to non-compliant supplier

When a case that does not comply with the intent of guidelines has been confirmed, ITOCHU will request the relevant supplier to take remedial action, and will provide support and guidance as needed. If a remedy is deemed difficult despite ITOCHU making continuous requests for remedial action, ITOCHU will reexamine its dealings with the supplier concerned.

## CSR Survey of Supply Chains

In order to check the status of our various suppliers, ITOCHU conducts survey with a method suited to the characteristics of the goods of each Division Company, along with mandatory questions on the ten items in our "CSR Action Guidelines for Supply Chains." In addition to the ten items covering human rights, labor, and environmental issues, we added further items specific to each Division Company. For example, we added check items for forest conservation for the Forest Products & General Merchandise Division (lumber, pulp & paper); product safety items for the Food Company; and items on protection of intellectual property for our Textile Company.

Each Division Company selects target suppliers and creates a survey plan based on such parameters as high-risk countries, products handled, and transaction amounts. Sales representatives or locally assigned ITOCHU employees of each Division Company visit the suppliers, and survey them by means of interviews or questionnaires.

For our significant suppliers, we also have personnel from the CSR Promotion & Global Environment Department of our Corporate Communications Division make visits for on-site surveys together with external experts, as necessary.

Moving forward, in addition to conducting surveys of the actual situation and reviewing survey methods, ITOCHU plans to continue this initiative.

## CSR Surveys in fiscal 2014

In fiscal 2014, ITOCHU surveyed 380 companies, including 25 suppliers of overseas offices and 89 suppliers of 12 Group companies. No serious problems requiring immediate response were found in the survey results.

Even when surveys have revealed the existence of problems that are cause for apprehension, we confirm the initiatives for prompt improvement or countermeasures taken by the supplier. We are going to continue to engage in communication with suppliers to seek their understanding of our thinking. Comments from local employees in charge of the surveys included, "Through these annual surveys, supply chain management is steadily advancing." By continuing these surveys in the years ahead, we will work to raise employee awareness and enhance supplier understanding and implementation.

### CSR Survey: Survey results by organization (FY2014)

Division Companies	Suppliers
Textile Company	26
Machinery Company	13
Metals & Minerals Company	12
Energy & Chemicals Company	62
Food Company	118
ICT, General Products & Realty Company	149
<b>Total</b>	<b>380</b>

**On-site report: a fact-finding survey at a natural rubber processing plant in Indonesia**

On February 27 and 28, 2014, ITOCHU paid a visit together with an external expert to two plants operated by PT. Aneka Bumi Pratama, a member and supplier of the ITOCHU Group, in Jambi and Palembang, Indonesia. They confirmed that management was taking due consideration for the environment and labor safety in the processing sequence for natural rubber used to manufacture tires. The external expert advised action to bolster prevention of environmental and labor accidents in areas including control of plant wastewater and rainwater drainage routes, prevention of soil contamination, and anti-noise measures. The plant personnel are rapidly implementing proper initiatives and working to raise the control level even higher.

# Business Investment Management

The business activities at companies in which we invest must take account of and address their possible influence on the global environment and society at large. For this reason, we endeavor to understand the potential CSR risks and to prevent the actualization of CSR risks at the Group companies. We assess their activities by using a checklist and doing on-site visits, and take the requisite measures in response to the assessment results. We do these assessments as part of our environmental management system and try to improve their management level.

## Evaluating CSR Risks of New Investment Projects

In approaching prospective new business investment projects, the proposing unit is required to make an advance assessment using our CSR and environmental checklist for investments. Specifically, an assessment is made of items such as whether there are the policies and setups at the investment subject set in place as viewed from the standpoint of CSR and the environment and whether there is the possibility of significant adverse environmental impact, legal or regulatory violations, and the risk of litigation by concerned parties. The checklist consists of 33 items, including the seven core subjects in ISO 26000\*, the international CSR guideline. (\*Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, Community Involvement and Development) The proposing unit also takes consideration of the opinions deriving from assessment based on risk analysis by the related administrative division. If any causes for apprehension are identified, a request is made for an advance due diligence study by an external specialized institution in the case of projects requiring an expert perspective. The actual project will commence only after this study confirms the absence of any problems.

## Fact-finding Investigations of Group Companies

To prevent environmental pollution and related problems among the ITOCHU Group companies, ITOCHU (the CSR Promotion & Global Environment Department of our Corporate Communications Division) has been making on-site visits for the purpose of survey work continuously since 2001. In fiscal 2014, such visits were made to a total of 10 companies, some involving the participation of external experts, with consideration of the level of environmental risk at each company. By the end of March 2014, such surveys had been completed at a total of 249 establishments.

The survey work consists of interviews with management, a survey of facilities such as factories and warehouses as well as drainage into rivers, and checks of compliance with environmental laws and regulations. Based on the findings, the survey work team points out problems, indicates measures for prevention, and confirms the status as regards correction.

### On-site report: a fact-finding environmental survey at Marine Access



On August 7, 2013, ITOCHU visited a site of Marine Access Corporation (which was then named the Shizuoka Center of Access Fresh Food Processing Corporation). The site performs storage and processing of marine products, and there are many environmental laws and regulations pertaining to these operations, such as the Waste Management and Public Cleansing Act and various local ordinances. We consequently advised the site to practice surer control. They also confirmed that the site's determination to work in response to such advice for prevention of environmental pollution on a continuous basis.