

# Sustainability for ITOCHU Corporation

ITOCHU Corporation is pursuing multi-faceted corporate activities in various regions of the world and a wide range of fields, and as such, we strongly believe that responding to the expectation of society through business activities keeps our sustainability and further growth.

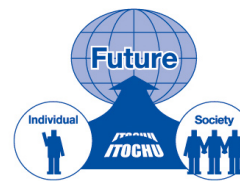
We believe that corporate social responsibility (CSR) lies in corporate thought and action on the question of how to play a role in building sustainable societies through business activities. We also believe that our mission is to fulfill our Corporate Social Responsibility as a global enterprise, always working from the viewpoint of whether we are contributing to the countries of the world and to society.

## ITOCHU Group Corporate Message

ITOCHU founder Chubei Itoh first launched a wholesale linen business in 1858. For more than 150 years since, ITOCHU has passed down the spirit of sampo yoshi (good for the buyer, seller and society), a management philosophy embraced by Ohmi merchants that is the source of its sustainability thinking today. After considering ways to demonstrate its commitment to society as an international corporation and to put this commitment into practice, in 1992 ITOCHU formulated "Committed to the Global Good" as a corporate philosophy. The conceptual framework for this philosophy was reorganized in 2009. In order for all employees to properly understand the responsibility that the ITOCHU Group is charged with fulfilling for society and to make this philosophy an integral part of actions everyday, its core element, "Committed to the Global Good," was set as the ITOCHU Mission for the entire ITOCHU Group. Accompanying this is a new set of five values, called the ITOCHU Values, considered vital for enabling each employee to fulfill their role in realizing the ITOCHU Mission. To embed the ITOCHU Values, ITOCHU has formulated "5 self-tests" that employees can refer to in order to determine that the five values are present in their actions.

In June 2014, we formulated our corporate message, "I am One with Infinite Missions," which clarifies our corporate philosophy of "Committed to the Global Good" and is a promise to society that we will fulfill our responsibilities. The Corporate Message incorporates our promise to society, that we will continue to provide the abundance that results from business activities, and it also incorporates diverse aspects "typical to ITOCHU," such as the rich personalities of our employees, our free spirited corporate culture, and "individual capabilities." In this way, the Corporate Message expresses the values that must be shared by all employees as we take on further challenges.

### ITOCHU Mission Committed to the Global Good



The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good.

### ITOCHU Values



Mistake me not for just any ordinary person. I am one with countless missions.  
My workplace is the entire world. I engage in business across borders,  
touching people's lives and creating new lifestyles.  
Through my business, I bring about a brighter tomorrow for all around me.  
I dedicate myself to our common future, mindful of my responsibility to  
promote the prosperity of all earthly beings.  
In the end, I believe this leads to my own betterment.  
I am Itochu, with infinite missions around the world.

# Sampo Yoshi and ITOCHU Sustainability

## Basic Perspective on Sustainability at ITOCHU

ITOCHU Corporation strongly believes that responding to the expectation of society through business activities keeps our sustainability and further growth.

We also believe that corporate social responsibility (CSR) is to think about how corporations can play a role, in order to achieve sustainable society through business activities. This concept ties into our management philosophy of *sampo yoshi*, which was the foundation of our founder, Chubei Itoh, to build his business. We believe that our mission is to understand diverse values as a global enterprise, meet the expectations of the society, and continue to be a corporation that is needed by the society.



"Itoh Itomise" thread and yarn store at the time of its opening in 1893

## Our Founder Chubei Itoh and *Sampo Yoshi*

The foundation of ITOCHU Corporation traces back to 1858, the year in which Chubei Itoh set out from Toyosato Village, in Shiga Prefecture, to Nagasaki as a traveling linen merchant.

The base of Chubei Itoh's business was the spirit of *sampo yoshi*, which was a management philosophy of merchants in Ohmi, a province where he was born. The philosophy started in the shogunate era. Due to the merchants' contributions to the society, they were permitted to promote business activities in the region. Since then, not only good for the seller and the buyer, but also for the society became the management philosophy. This can be said to be the roots of today's idea of sustainability, which requires corporations to balance their business activities with the interests of a variety of stakeholders. That spirit is evident in Chubei Itoh's personal motto, "Trade is a compassionate business. It is noble when it accords with the spirit of Buddha by profiting those who sell and those who buy and supplying the needs of the society."



Our founder  
Chubei Itoh  
(1842 - 1903)



Ohmi merchants  
(courtesy of  
Museum of Ohmi  
Merchant)

## The Roots of a Management Philosophy Inherited Since the Foundation

Our founder Chubei Itoh established a "store law" in 1872, and adopted a meeting system. The store law was a set of house rules covering what in modern parlance called management philosophy, a human resources system and employment regulations, which subsequently became the foundation of ITOCHU Corporation's management philosophy. Emphasizing communication with employees, Chubei Itoh chaired meetings himself. Moreover, he incorporated a series of what were at the time groundbreaking management systems, including the codification of "sharing of profit by three parties"<sup>(\*)</sup> and western bookkeeping methods. Those initiatives built the foundations of mutual trust between the store owner and the employees. Since that era, we have based our corporate management on sustainability.

\* Sharing of profit by three parties: In a predominately feudal era, this was an extremely progressive philosophy of sharing profits with employees. The store's net profit was divided among three parties: the store owner, the store's reserve fund, and store employees.



A daifukucho ledger from the time of ITOCHU's founding

## 150 Years of History and Sustainability

In 2008, ITOCHU Corporation marked its 150th anniversary. Why were we able to keep developing for such a long period of time? We believe that it is because we have put into practice the spirit of *sampo yoshi* for 150 years, which is the root of sustainability. At the same time, as the business environment has changed with the times, we have established a corporate culture that anticipates changes and turns it into opportunities.

Since the foundation, ITOCHU Corporation has consistently thrived despite the turmoil it has faced in different eras, including two world wars and economic volatility. Starting as a trading company mainly handling textiles, we have fulfilled the role of a trading company that has responsively changed according to the demands of each generation. Furthermore, while significantly changing its products and business portfolios, we have expanded our sphere of influence from upstream raw materials to downstream consumer sales. ITOCHU Corporation has evolved into a general trading company, and from there into a globally integrated corporation.

We are convinced that our history has continued for more than 150 years because we have surely upheld and passed on the spirit of *sampo yoshi* while remaining an essential component of society by responding to changes, in its expectations in different eras.



The headquarters with modern amenities built in 1915

# Basic Policy on Sustainability

## Sustainability Promotion at ITOCHU Corporation

ITOCHU Corporation believes in the importance of fulfilling its social responsibilities through the continuous enhancement of sustainable corporate value with its core business, in accordance with the ITOCHU Mission "Committed to the Global Good," in the spirit of *Sampo Yoshi* (good for the buyer, good for the seller, and good for society), the management philosophy of merchants in the province of Ohmi that has been embraced by the company for over 160 years since its founding in 1858.

The corporate message "I am One with Infinite Missions" expresses the intention contained in the corporate philosophy "Committed to the Global Good."

In order to promote sustainability over the medium to long terms, ITOCHU Corporation developed a direction for the promotion of sustainability as the Basic Policy on Promotion of Sustainability based on the spirit of the original management philosophy *Sampo Yoshi*, by integrating and consolidating existing Basic Policies for CSR Promotion and Environmental Policy from an ESG perspective.

The Basic Policy on Promotion of Sustainability is as follows:

### Basic Policy on Promotion of Sustainability

#### [ I ] Basic Philosophy

ITOCHU Group, conducting business globally under the spirit of *Sampo Yoshi*, the management philosophy of merchants in the province of Ohmi, considers that addressing global environmental and social issues is one of the top priority issues in its management policy. We contribute to the realization of a sustainable society based on the ITOCHU Group Code of Conduct, in order to achieve the goals of The ITOCHU Group Corporate Philosophy, "Committed to the Global Good."

#### [ II ] Activity Guidelines

In keeping with the basic philosophy presented above, ITOCHU Group sets out the following activity guidelines to promote its sustainability.

<p><b>(1) Identification of material issues and promotion of businesses that address the social issues</b></p>	<p>As a member of the international community, we seek to identify sustainability issues that lead to the sustainable growth of society as well as our businesses, and aim to enhance corporate value through our business activities.</p>
<p><b>(2) Establishment of mutual trust with society</b></p>	<p>We continue to address society's expectations and requests by increasing the disclosure of information and facilitating two-way dialogues with stakeholders. By pursuing these initiatives, we aim to become a trusted Group.</p>
<p><b>(3) Strengthening of supply chains and business investment management that lead to sustainable use of natural resources, with consideration for the environment and respect for human rights</b></p>	<p>In pursuing business activities, we respect the legal systems of each country and international rules, and strive to prevent the occurrence of environmental pollution and/or human right and labor issues that threaten our lives. In addition, we give due considerations to the mitigation of, and adaption to climate change, the preservation of the global environment, such as the conservation of biodiversity and ecosystems, and human rights issues.</p> <p>We endeavor to grasp the utilization status of natural resources (such as air, water, land, food, minerals, fossil fuels, animals, plants, and others) and conditions of consideration for human rights and labor issues in the businesses that we invest and on the supply chains related to the products that we handle. We request our business partners to understand and implement our concept of sustainability, and aim to build a sustainable value chain.</p>

**(4) Education and awareness of employees to promote sustainability**

We conduct employee education and awareness activities to deepen their awareness about solving social issues since promoting sustainability rests in the hands of individual employees.

All employees observe the domestic and foreign laws and regulations along with other requirements to which we have subscribed, and execute the action plans of each organization, based on this policy. Through this approach, ITOCHU aims to contribute to society through its business.

April 2018

**Masahiro Okafuji**

Chairman & Chief Executive Officer

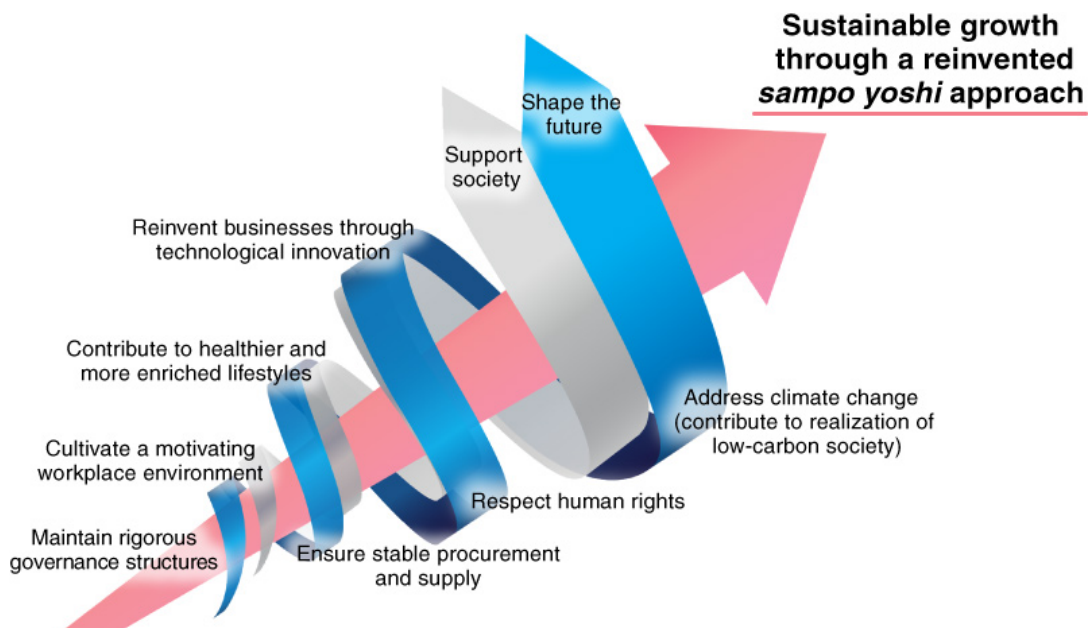
# Material Sustainability Issues

In April 2018, ITOCHU put forth material sustainability issues (Materiality) that incorporate an ESG perspective. Addressing these issues through its main business will help ITOCHU accomplish Brand-new Deal 2020's goal of achieving ongoing growth through a reinvented *sampo yoshi* approach.

Sustainability initiatives of ITOCHU, which fulfills its responsibilities for the present and future society, also contribute to the achievement of the Sustainable Development Goals (SDGs)\*, which were adopted at a UN Summit in 2015.

\* SDGs: Sustainable Development Goals to be achieved by 2030, which were adopted by United Nations member states in September 2015

## Material Sustainability Issues



Materiality:

Reinvent businesses through technological innovation



**We will create new value by working on new technologies proactively and trying to respond to changes in the industrial structure beyond the framework of existing businesses.**

— Example of initiative

Utilization of AI, IoT and Fintech

We are working to evolve our Group's value chains into next-generation ones, centering on FamilyMart UNY Holdings Co., Ltd. In 2017, we established an operating company that promotes Fintech-related businesses with FamilyMart UNY Holdings. Therefore, we strive to promote businesses related to Fintech, including electronic money, credit cards, point programs and ID by involving Group companies.



Materiality:

Address climate change (contribute to realization of low-carbon society)



**We will strive to adapt to the impact of climate change on business. At the same time, we will work to promote business activities aimed at contributing to realization of low-carbon society and reduce greenhouse gas emissions.**

— Example of initiative

Offshore wind power plant operated off the German North Sea Coast

Given the growing demand for renewable energy, we participate in a power generation project in Germany with the CITTIC Group, with which we have formed a strategic business alliance and capital participation. With a total power generation capacity of 288 MW, it is one of the largest offshore power generation projects being operated off the German North Sea Coast. It supplies a sufficient amount of electricity for approximately 370,000 houses for standard German families, thereby contributing to the shift to a low-carbon society.



Materiality:

Cultivate a motivating workplace environment



**We will create an environment that enables each employee to fully demonstrate their capabilities with pride and motivation by taking advantage of diversity.**

— Example of initiative

Support measures for balancing cancer care and work

In 2017, we began to provide support for balancing cancer care and work. The support measures include cancer screenings, which we conduct in cooperation with the National Cancer Center for the first time among private companies, and the establishment of a system of support to balance cancer care and work, including an internal coordinator for this purpose. By promoting health management in this way, we will achieve a work environment in which all employees can remain motivated, find their work challenging and fully demonstrate their capabilities.



Materiality:

## Respect human rights



**We will take initiatives for the respect and consideration for human rights through our business activities to stabilize our businesses and contribute to the development of local communities.**

Example of initiative

### Desalination project in Australia

The ITOCHU Group is involved in the Victorian Desalination Project, which includes the largest desalination plant in Australia and one of the greenest in the world. As a rainfall-independent source of water, the desalination plant can produce up to 150 gigalitres of high-quality drinking water from seawater each year using energy-efficient reverse osmosis technology. Key components of the plant have a design life of at least 100 years, making it a sustainable long term water source that can be relied upon in times of drought. The plant is environmentally sustainable with all power used to operate it offset by renewable energy. It is set amongst constructed dunes and restored woodlands and wetlands in a 225 hectare ecological reserve.



Materiality:

## Contribute to healthier and more enriched lifestyles



**We will contribute to realizing a healthy, rich life, aiming to improve the quality of life of all people.**

Example of initiative

### Initiatives for Promoting People's Good Health

In response to the progress of aging and similar issues that are recognized as social problems in developed countries, we contribute to promoting people's good health and creating a dynamic society in through sales of advanced medical devices, the business of supporting the operation of designated regional cancer care hospitals, pharmaceutical development, and the business of supporting health management using ICT.





Materiality:

## Ensure stable procurement and supply



**We will work to ensure the effective utilization and stable procurement and supply of resources in accordance with demand in each country, in consideration of biodiversity and other environmental issues, aiming to achieve a recycling-oriented society.**

■ Example of initiative

### Pulp business in Finland

METSA FIBRE of Finland, one of the world's largest softwood pulp producers and our business investment destination, promotes the sustainable use of forest resources. The company's pulp production processes generate electricity and the company provides the surplus not required by its plants to the surrounding region to contribute to the local environmental preservation.



Materiality:

## Maintain rigorous governance structures



**The Board of Directors will implement highly effective supervision of management from an independent, objective standpoint and enhance the transparency of decision making and we will ensure appropriate, efficient execution of operations.**

■ Example of initiative

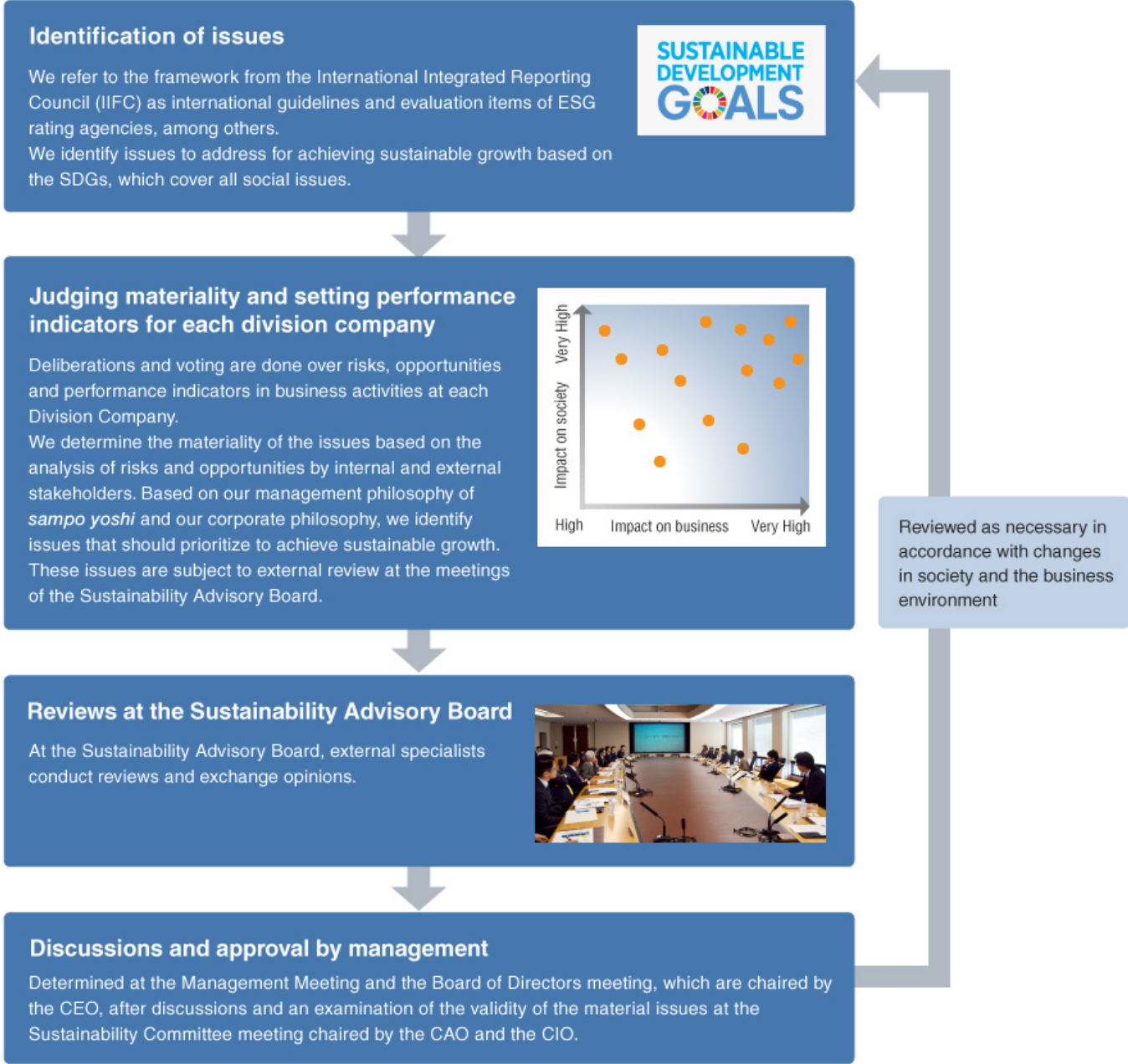
### Strengthening the corporate governance function

To ensure appropriate, efficient execution of operations, we promote effective measures for strengthening the monitoring function of the Board of Directors and improving the operation of the Board of Directors.



# Selection and Review Process of the Materiality

Since ITOCHU Corporation identified material issues for the first time in 2013, the company has regularly reviewed the issues based on trends in international society, expectations of its stakeholders. In response to the recent social circumstances and changes in the business environment, such as the adoption of SDGs and the entry into the Paris Agreement, we took the medium-term management plan that commenced in fiscal 2019 as an opportunity to identify seven new material issues.



## Risks and opportunities for each Materiality

Materiality	Risks	Opportunities
Reinvent businesses through technological innovation	<ul style="list-style-type: none"> <li>● Obsolescence of existing business models resulting from the emergence of new technologies, such as IoT and AI.</li> <li>● Labor shortage in developed countries, loss of excellent human resources in businesses in which efficiency improvement is delayed. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Creation of new markets and provision of innovative services.</li> <li>● Utilizing new technologies for optimizing human resources and logistics, increasing competitiveness by promoting work style reform. And others.</li> </ul>
Address climate change (contribute to realization of low-carbon society)	<ul style="list-style-type: none"> <li>● Decline in demand for fossil fuels resulting from business regulations on greenhouse gas emissions and other changes.</li> <li>● Damage to business by increased occurrence of abnormal weather (such as drought, flooding, typhoons and hurricanes). And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Increase of business opportunities related to renewable energy and other contributors to climate change mitigation.</li> <li>● Retaining/acquiring customers with measures, including strengthening the supply system to adapt it to abnormal weather. And others.</li> </ul>
Cultivate a motivating workplace environment	<ul style="list-style-type: none"> <li>● Decline in labor productivity, loss of excellent human resources, missed business opportunities, increase in health-related expenses, and other events that would result from failure to take appropriate measures, and others.</li> </ul>	<ul style="list-style-type: none"> <li>● Improvement of labor productivity and health and motivation, securing of excellent human resources, enhanced capability of responding to changes and business opportunities, and other events that will result from the creation of a workplace that provides job satisfaction, and others.</li> </ul>
Respect human rights	<ul style="list-style-type: none"> <li>● Business delay or business continuity risk resulting from the occurrence of a human rights problem in business activities that expands (geographically).</li> <li>● Decline in credibility that may result from defects in the social infrastructure services we provide. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Stabilization of business or securing of excellent human resources resulting from harmonious coexistence with local communities.</li> <li>● Establishment of safe, stable supply system for product enabled by the consideration of human rights and improvement of work environment in the supply chain. And others.</li> </ul>
Contribute to healthier and more enriched lifestyles	<ul style="list-style-type: none"> <li>● Decline in credibility that would result from the occurrence of a problem related to the safety or health of consumers and service users.</li> <li>● Impact on business of destabilization of the market or social security system based on policy change. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in demand for food safety and security and health improvement.</li> <li>● Expansion of information, financial and logistics services resulting from an increase in consumer spending or penetration of the Internet. And others.</li> </ul>
Ensure stable procurement and supply	<ul style="list-style-type: none"> <li>● Impact of opposition movement resulting from the occurrence of an environmental problem and worsening relationship with local communities.</li> <li>● Structural exhaustion of the overall industry caused by the occurrence of price competition, mainly in the consumer-related sector. And others.</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in resource demand attributed to an increase in population and improvement of living standard in emerging countries.</li> <li>● Winning customer trust or creating new businesses with a stable supply of environmentally friendly resources and materials. And others.</li> </ul>
Maintain rigorous governance structures	<ul style="list-style-type: none"> <li>● Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control, and others.</li> </ul>	<ul style="list-style-type: none"> <li>● Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system, and others.</li> </ul>

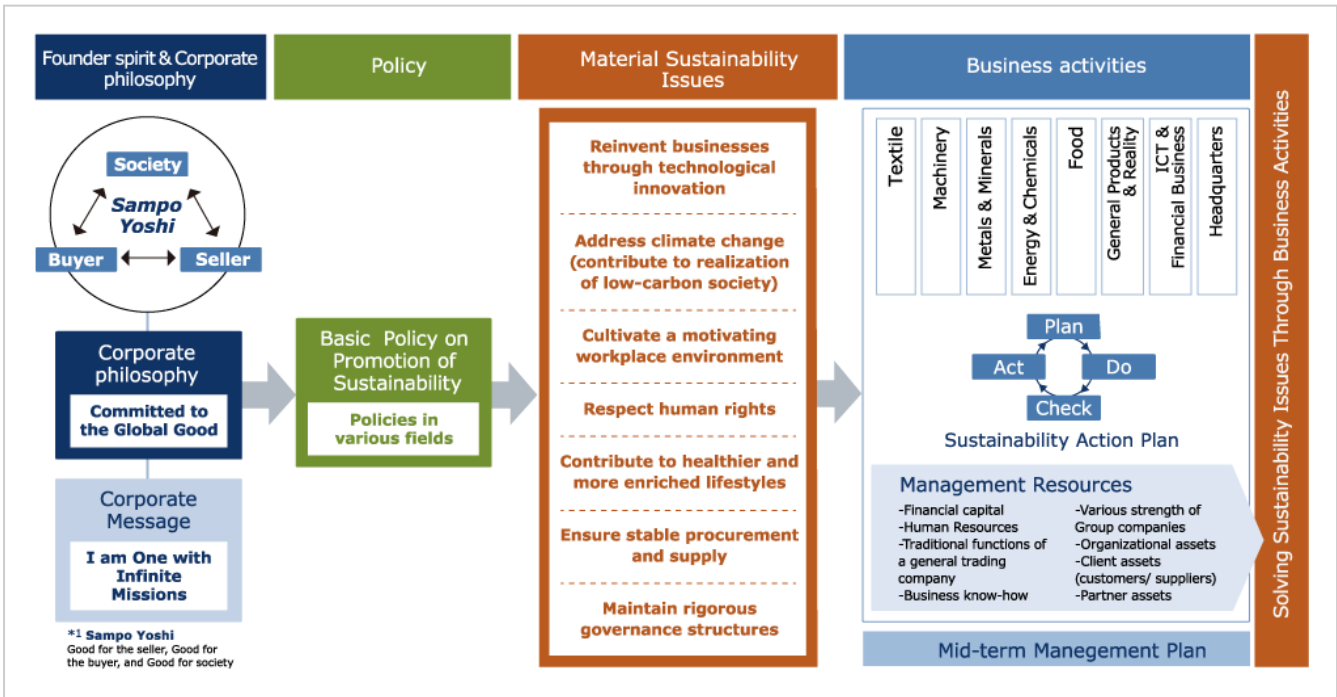
# Sustainability Promotion System

## Sustainability Promotion at ITOCHU Corporation

For nearly 160 years, since its founding in 1858, ITOCHU Corporation has followed the spirit of Sampo Yoshi (Good for the seller, Good for the buyer, Good for society), which was the management philosophy of merchants in the province of Ohmi. We believe that fulfilling our social responsibility, in accordance with the ITOCHU Mission "Committed to the Global Good," through our business activities is important.

The Corporate Message is an expression that defines the corporate philosophy of "Committed to the Global Good."

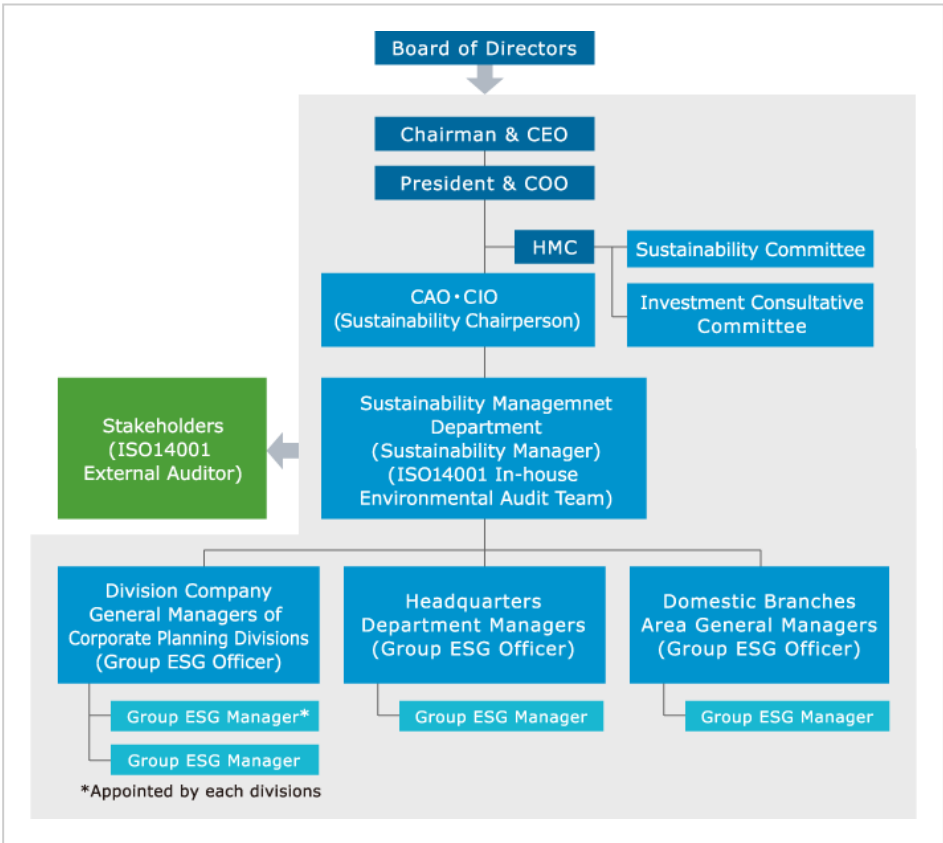
We have defined our Basic Policy on Promotion of Sustainability, which is the orientation of our sustainability related activities, based on our corporate philosophy and changes in the external environment. Under these policies, we promote sustainability in an organized and systematic manner. Each organizational unit develops sustainability action plans, according to materiality, which we set as the priority issues to be solved through our business activities. These action plans are business activities for trading and business investment, which were planned along with the Mid-term Management Plan.



Sustainability promotion flow

# Sustainability Promotion System

Sustainability Management Department takes initiatives to plan and propose companywide sustainability policies to the CAO·CIO, the Chief Officer of sustainability. Individual organizational unit in Japan and other countries promote sustainability in accordance with the sustainability policies. The establishment of policies and key issues are discussed and determined by the Sustainability Committee, which is one of the key internal committees. The Chairman of the Sustainability Committee, in addition to the role as Committee Chairman, participates in meetings of the Board of Directors, the HMC, and the Investment Consultative Committee, reporting periodically on the status of the main activities for the promotion of sustainability to the Board of Directors, and making decisions based on the social and environmental impact of those activities. We also hold dialogues, such as at advisory board, with internal and external stakeholders every year to understand what is expected and requested by society and reflect this in our activities.



Sustainability promotion framework

## Sustainability Committee meetings held in FY2018

Members	Chairperson: CAO·CIO Members: President of ICT & Financial Business Company, Chief Operating Officer of Provisions Division, General Manager of Corporate Communications Division, General Manager of Human Resources & General Affairs Division, General Manager of Legal Division, Corporate Auditors, General Manager of Planning & Coordinating Department of each Division Company
Main Resolutions	Sustainability policy, Environment management review

## | Promotion of sustainability through the Action Plans

ITOCHU Corporation develops business in a wide range of fields through its seven Division Companies. In order to ensure the promotion of sustainability through business activities in trading and business investments, each Division Company formulates sustainability action plans, by setting key tasks and objectives in its fields. We promote sustainability in PDCA cycle system, and this cycle is monitored by Sustainability Management Department by holding review meetings twice a year with each organizational unit.

In order to further strengthen the support of business activities, our headquarters' administrative divisions, domestic branches and offices, overseas sites, etc. also develop sustainability action plans, in line with their respective businesses and functions.

## | Awareness of Risks and Opportunities

ITOCHU Corporation operates businesses in a wide range of fields. Accordingly, we regularly review the industry-specific risks faced in each business field from the viewpoints of both internal factors and the external environment. Specifically, we identify the CSR risks in each business field and assess them by analyzing the frequency of incidence and materiality. By taking these assessments into account, we formulate countermeasures that lead to the prevention of the incidence of the risks and the reduction of their impact. We translate them into sustainability action plans and review them continuously.

## Opinions from Inside and Outside the Company

ITOCHU Corporation puts emphasis on communications with various stakeholders, when selecting the materiality. Opinions and suggestions from outside the company that are received via our website are referred to by the relevant departments. In addition, we also hold dialogs with our stakeholders. For major initiatives, please see Stakeholder Relations (P22~23), Penetration of Sustainability at ITOCHU (P30~31), and Sustainability Advisory Board 2017 (P24).

In promoting sustainability, we also refer to the following international guidelines, principles, etc.

- United Nations Global Compact (ITOCHU participates in this)
- United Nations Guiding Principles on Business and Human Rights
- United Nations Declaration on the Rights of Indigenous Peoples
- ISO26000
- IIRC (International Integrated Reporting Framework)
- Shosha's Corporate Code of Conduct and Supply Chain CSR Action Guidelines by the Japan Foreign Trade Council, Inc.
- OECD Guidelines for Multinational Enterprises
- United Nations Universal Declaration of Human Rights
- United Nations Sustainable Development Goals \*
- United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials
- GRI Guidelines
- Charter of Corporate Behavior by KEIDANREN
- CDP

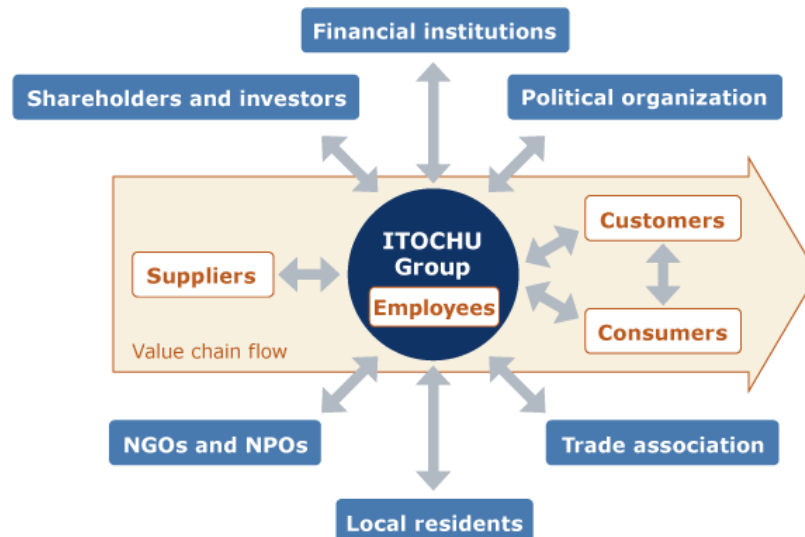
\* SDGs (Sustainable Development Goals): Sustainable Development Goals for 2030, which replaces Millennium Development Goals, terminated in 2015. It consists of 17 goals, which aims to solve poverty and hunger, energy, climate change, peaceful society, etc.



# Stakeholder Relations

## Stakeholders of the ITOCHU Group

In our diverse range of corporate activities conducted worldwide, we place strong emphasis on dialogue with the many stakeholders that surround ITOCHU. By engaging in dialogue with our stakeholders in the manner described below, we provide them with information about the activities of the ITOCHU Group, and identify their expectations and concerns regarding ITOCHU. We will continue to promote our sustainability by reflecting measures for addressing issues within our business activities, with the aim being to improve our corporate activities.



\* Besides those noted above, the list of our major stakeholders includes many other parties.

Stakeholders	Main methods of dialogue
Clients and business partners	Provision of information through the Annual Report and official website Notification of CSR action guidelines Quality control and fact-finding investigations about the status of CSR at suppliers Contact for inquiries
Shareholders, investors, and financial institutions	General meeting of shareholders Investors meeting on business results Provision of information through the Annual Report and official website Response to investigations and ratings performed by socially responsible investors Debt IR
Political organization, trade association	Participation in the government, the ministries related committees and councils Activity through the trade association (Japan Business Federation, Japan Foreign Trade Council)
Local communities	Social contribution activities and volunteer activities Stakeholder dialogue Dialogue with residents of areas around project sites Regular communication with NGOs and NPOs
Employees	Provision of information via the intranet and in-house magazines Communication via training sessions and seminars Provision of career counseling Establishment of a 24-hour employee consultation desk system Implementation of employee awareness surveys Labor-management meetings (including management meetings and settlement of accountings meetings) General employee meetings at each company



■ Reference data FY2018: The expense of trade association and social contribution

(Unit: 1 million yen)

Trade association	67	Social contribution (donation)	311 (153)
Economic association	54		
Political association	27		
Other association	101		

# Sustainability Advisory Board 2017

ITOCHU Corporation management and outside stakeholders held a CSR Advisory Board meeting at the Tokyo Head Office on January 15 to discuss sustainability. The Sustainability Advisory Board (former CSR Advisory Board) was set up to facilitate a dialogue with external stakeholders about whether the direction of ITOCHU's sustainability approach matches the needs of society within the context of the diversification and expansion of ITOCHU's business activities.

In fiscal 2018, in response to the social circumstances and changes in the business environment, such as the adoption of the SDGs and the entry into the Paris Agreement, discussions were held on issues including material sustainability issues (materiality), which were reviewed by taking Brand-new Deal 2020, the new medium-term management plan that starts in fiscal 2019, as the opportunity to do so, as well as on the shift to a low-carbon society, human rights, and the supply chain. Experts from diverse backgrounds, including an investor, a specialist in human rights in Europe, and a person who worked for a global business corporation provided their frank opinions based on such matters as the investment environment and other companies' trends during the lively discussion. They also expressed their expectations for ITOCHU by making comments such as "The perspective of ESG will be important. We request that you think about the impact society and the environment will have on your corporate activities in the medium and long term and cater to social needs with ITOCHU's solutions." ITOCHU will continue addressing those issues by expanding its businesses, taking environmental changes, such as climate change, as business opportunities. The opinions and input that the advisors provided will be reflected in future sustainability promotion efforts and, through dissemination of information, lead to enhancing understanding among stakeholders about ITOCHU's business activities.

Date	January 15, 2018
Topic	<ul style="list-style-type: none"> <li>● Review of material sustainability issues (materiality)</li> <li>● External environment related to sustainability and promotion of sustainability by ITOCHU</li> </ul>
Panelists	<ul style="list-style-type: none"> <li>● Sustainability Advisory Board members             <ul style="list-style-type: none"> <li>● Ms. Mariko Kawaguchi, Senior Researcher, Daiwa Institute of Research Holdings Ltd.</li> <li>● Mr. Takeshi Shimotaya, Managing Director, Sustainavision Ltd.</li> <li>● Mr. Hidemi Tomita Director Tomita of Lloyd's Register Japan K.K.</li> </ul> </li> <li>● ITOCHU members (Job title at the time)             <ul style="list-style-type: none"> <li>● Fumihiko Kobayashi, Member of the Board, Senior Managing, Executive Officer, Chief Administrative Officer</li> <li>● Yoshihisa Suzuki, Member of the Board, Senior Managing, Executive Officer, President, ICT &amp; Financial Business Company</li> <li>● Tomoyuki Takada, Executive Officer, General Manager, Corporate Communications Division</li> <li>● Hiroyuki Kaizuka, Executive Officer, Chief Operating Officer, Provisions Division</li> <li>● Shunsuke Noda, Executive Officer, General Manager, Corporate Planning &amp; Administration Division</li> <li>● Akira Saito, General Manager, Legal Division</li> <li>● General managers of the Planning &amp; Administration Departments of each Division Company</li> <li>● Akira Kurihara, General Manager, Sustainability Management Department (moderator)</li> </ul> </li> </ul>



# Respect for Human Rights

## Policies Related to Human Rights

The ITOCHU Mission "Committed to the Global Good" stands at the heart of the ITOCHU Group's corporate philosophy. The "Global good" refers not only to improved living standards, but also a general sense of well-being. ITOCHU, as a company with diverse operations worldwide, respect human rights and individuality, and is committed to the global good of society and individuals alike.

Accompanying this corporate philosophy, the ITOCHU Values consist of five values important for fulfilling the ITOCHU Mission "Committed to the Global Good." One of those values is "Diversity," under which the Group holds the human rights and individuality of every person as important.

Based on this policy, ITOCHU supports the Universal Declaration of Human Rights adopted by the United Nations in 1948 as a common standard of achievement for all people and all nations. Furthermore, ITOCHU participated in the United Nations Global Compact in 2009 which is derived from this Declaration and other international standards. We apply the concepts of the United Nations Guiding Principles on Business and Human Rights, which were adopted in June 2011, to our risk management and other activities. We also take steps to raise awareness of these principles among our employees.

Guided by this approach, we clearly prohibit the violation of human rights (prohibit discrimination on the basis of race, gender, religion, creed, nationality, physical condition, illness, age or other unreasonable causes) and sexual harassment (including discrimination or harassment based on sexual orientation or gender identity) in our employment regulations, and have outlined punitive measures to be taken against those who engage in such conduct.

### Excerpt from the ITOCHU Group Philosophy and Code of Conduct Booklet

#### Respecting human rights and individuality

We value the rights and individuality of each person. We show respect and are attentive to others regardless of gender, race, religion, or position. We don't discuss matters that cause discomfort; we don't discriminate or harass; we respect basic labor rights and eliminate forced labor and child labor.

### Excerpt from the United Nations Global Compact

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Business should make sure that they are not complicit in human rights abuses.

See P32 for the full text of the United Nations Global Compact.

## Respect for Human Rights in Business Activities

ITOCHU Corporation engages in business activities all over the world and conducts its business while respecting people's human rights in each of the regions in which it operates.

### — Respecting the Rights of Indigenous People

As part of its commitment to respecting human rights, when conducting business activities in regions that are home to indigenous populations, ITOCHU will recognize the unique cultures and histories of such peoples and endeavor to respect and consider their human rights in accordance with the laws of the country or region concerned as well as international agreements such as the United Nations Declaration on the Rights of Indigenous Peoples and Convention No. 169 of the International Labour Organization (ILO). Further, when considering investing in new business projects, ITOCHU will enforce prior checks on how such projects might impact the rights of indigenous people.

## – Approach to Engaging the Services of Security Firms

In December 1979, the United Nations adopted the Code of Conduct for Law Enforcement Officials to compel member states to thoroughly enforce and promote appropriate roles for law enforcement officials such as police officers and the military, and to facilitate the respect and safeguarding of people's dignity in the execution of said officials' duties. For its part, ITOCHU Corporation supports the Basic Principles on the Use of Force and Firearms by Law Enforcement Officials in which the United Nations established basic principles governing the use of firearms by law enforcement officials based on the above Code of Conduct, and will engage in the selection of security firms in accordance with such principles.

## | Human Rights in Our Supply Chain and Business Investment

Consideration for human rights and labor practice in our supply chain and business investment is an important issue for ITOCHU Corporation with business activities in various regions around the world. We regularly make checks to see that our suppliers and investment subjects are properly managing things in this respect. See P51 to read more about Sustainability Management in Our Supply Chain and Business Investment.

## – Considerations for foreigners

Along the supply chain, when conducting the acceptance of foreign workers, trainees, and interns, these people are more susceptible to illegal practices due to various factors including social and/or economic standing. From the perspective of respecting and protecting human rights, we shall comply with the labor laws of the relevant country and give due consideration to ensuring that no acts are conducted that violate the intended purpose of the acceptance system.

## – Approach to Conflict Minerals Issues

Some of the minerals produced in the Democratic Republic of the Congo and neighboring countries where conflicts are taking place can potentially provide sources of funding to armed groups which engage in inhumane acts, foment conflict or bring about human rights violations. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the United States in July 2010, required that U.S. listed companies disclose information such as their use of "conflict minerals\*" produced in the Democratic Republic of the Congo and neighboring countries in their products.

While ITOCHU Corporation is not bound by the reporting requirements of the United States' Securities Exchange Act, to fulfill its social responsibility in procurement activities, ITOCHU Corporation will coordinate with its business partners in keeping with the spirit of this legislation and promote initiatives to ensure that it does not help armed groups that engage in human rights violations.

\* "Conflict Minerals" as defined by the law refer to tantalum, tin, gold, tungsten and other minerals specified by the U.S. Secretary of State.

## – Correspondence about modern slavery and human trafficking

### **The Company's Structure and Our Supply Chain Complexity**

With approximately 120 locations in 63 countries, ITOCHU, a Japanese sogo shosha, is engaging in domestic trading, import/export, and overseas trading of products such as textiles, machinery, metals, minerals, energy, chemicals, food, general products, realty, information and communications technology, and finance, as well as business investment in Japan and overseas.

### **Our Policy on Modern Slavery and Human Trafficking**

ITOCHU is committed to ensuring that no modern slavery or human trafficking exists in our supply chains or in any part of our business. We participate in the United Nations Global Compact and apply the concepts of the United Nations Guiding Principles on business and human rights. Our existing policies contain provisions aimed at ensuring that there is no slavery or human trafficking in any part of our global business or supply chain.

Our relevant policies include:

- ITOCHU group's Corporate Philosophy and Code of Conduct (P7)
- Policies Related to Human Rights (P25)
- Respect for Human Rights in Business Activities (P25~26)
- Human Rights in Our Supply Chain and Business Investment (P26~27)
- The United Nations Global Compact (P32)
- ITOCHU's Sustainability Action Guidelines for Supply Chains (P51)
- Internal Information Reporting System (Hotlines) (P117)

### **Due diligence processes for modern slavery and human trafficking**

ITOCHU provides notice of ITOCHU's Sustainability Action Guidelines for Supply Chains to all new suppliers before engaging in any transactions. When discovering a case that does not comply with these guidelines, we will request the relevant supplier to take remedial action. If progress has not been achieved after requests for remedial action, we will reexamine its business dealings with such commercial counterparty.

We also conduct due diligence in respect of significant suppliers and new business investments, including research on the seven core fields of ISO26000 (including modern slavery and human trafficking). We do additional due diligence through external specialized institutions in the case of new business investments requiring an expert perspective.

Supply Chain Management (P51~55)

Business Investment Management (P56)

### **Risk Assessment**

ITOCHU implements on-site assessments; engages external experts; and conducts fact-finding investigations of its group companies, as needed, to ascertain whether there are any human rights issues such as, modern slavery or human trafficking. We also have established individual procurement policies and measures for products with potentially large impacts on society and/or the global environment, to minimize risk within supply chains.

Supply Chain Management (P51~55)

Product-by-Product Approaches to Sustainable Procurement (P57~58)

Precautionary Approach to Environmental Risks (P63)

### **Training**

ITOCHU works to spread understanding of the relationship between business activities and human rights through in-house training programs for organizational heads, individuals assigned overseas, and others.

In addition, a handbook on communications with suppliers was created to inform employees how to communicate with their suppliers regarding CSR issues. Along with this handbook, we have set up a check system that enables sales representatives and local ITOCHU employees to undertake more specific checks of the actual status of how key suppliers manage human rights and labor practices, and we help these employees and representatives provide such suppliers with advice on improvement.

### **— Dialogue on business and human rights**

The CSR Advisory Board for FY2015 was held under the theme of "Business and human rights : Relationships with local communities."

## Raising Awareness Internally of Respect for Human Rights

### Raising awareness through internal training programs

We work to extensively embed understanding of the relationship between business activities and human rights through in-house training programs. In the training program for new recruits, they are instructed to acquire the proper mindset for respecting human rights that they should have as members of the ITOCHU family, for example, the basic information for human rights, respect for different nationalities, ages and genders (including sexual minorities such as LGBT). In in-house training for organization heads, sexual harassment (including discrimination or harassment based on sexual orientation or gender identity) and power harassment issues are discussed, and a thorough understanding of human rights is fostered. During the training, we educate organization heads how to handle reports or incidents of harassment, and by doing so, strive to create a working environment with no harassment. Also, training conducted prior to overseas assignments includes the topic of consideration for human rights in the supply chain. In this way, we are working to raise awareness in each region. In FY2016, 426 people participated in human rights training.

#### Number of employees who participated in human rights training programs

	Number of employees who participated
Training for New Recruits	152 people
Training for newly-appointed managers	64 people
Training prior to overseas assignments	199 people

### Employee Enlightenment about "Business and Human Rights"

As a general trading company that operates around the world and plays an important role in supply chains, we are implementing educational activities about "business and human rights" in each region. The objective of these activities is to keep up with the latest developments relating to business and human rights, and to incorporate this knowledge into our business.

See P31 for the latest seminar.

### Establishment of a 24-Hour Employee Consultation Desk System

#### Employee Consultation Desk and Hotline

ITOCHU has set up an employee consultation desk to allow employees to discuss problems they may be individually confronting. A "HR Help Guide Book" has also been posted to the ITOCHU intranet, and efforts to broadly raise employee awareness of the consultation desk are made as part of a structure that allows employees to consult on issues of concern. An external Hotline System staffed by independent counselors has also been established.



The "HR Help Guide Book" posted on the intranet

#### Career Counseling Center

ITOCHU was one of the first Japanese companies to establish its own Career Counseling Center, where employees can consult regarding not only their individual careers, but on workplace culture, interaction with colleagues, remuneration, harassment, and other issues. Consultations can take place via phone, fax, email, post, or other means, and are dealt with by expert office staff.

## ■ Raising Awareness Through Various Publications

In an effort to avoid violations of human rights in the workplace, ITOCHU strives to raise awareness of human rights through a variety of publications distributed to all employees.

- ITOCHU's basic stance regarding respect for human rights is conveyed in a booklet explaining the ITOCHU Group's corporate philosophy and code of conduct to all employees.
- The Compliance Handbook has pages on respect for human rights, as well as power and sexual harassment, giving concrete examples of such conduct in an effort to avoid any violations of human rights in the workplace.
- A pocket-sized card on proper workplace etiquette details rules on the strict prohibition of any forms of harassment.

## ■ Fair and Honest Recruitment

At ITOCHU, recruitment decisions are based solely on an individual's abilities and merits, for fair and honest recruitment practices without regard for age, sex, or nationality. Measures we have taken so far for this purpose include the provision of human rights education through a guest lecturer from the Tokyo Metropolitan Human Rights Promotion Center and the reflection of the contents of this lecture in our training of interviewers. A watchdog system for ensuring fair and honest recruitment is also in place, and employees are selected and notified to serve as watchdogs and to promote awareness of human rights.

# Penetration of Sustainability at ITOCHU

## Sustainability Confirmation Test and Employee Questionnaire

Each year, we conduct the on-line Sustainability Confirmation Test and Employee Questionnaire Survey with all ITOCHU employees around the world, in order to promote the in-house penetration of Sustainability awareness and study the awareness of employees.

More specifically, once a year, our in-house magazine ITOCHU Monthly, which is published in the three languages of Japanese, English, and Chinese, puts out a special Sustainability issue. This issue presents the minimum requisite Sustainability -related knowledge and information which every employee should know. The implementation of the confirmation test on-line helps to heighten understanding of Sustainability among all employees.



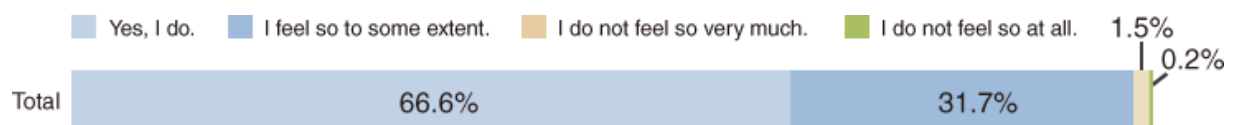
In FY2018, ITOCHU Monthly ran a special feature entitled "ITOCHU's Further Growth — ESG Investment —," including the President's message on ESG and articles on basic knowledge and the history of ESG investment, and global trends on E (Environment) of ESG. The Confirmation Test consisted of questions on the topics introduced in the articles. A total of 6,457 non-consolidated and overseas bloc employees responded.

The Employee Engagement Survey, asked employees questions about the sustainability promotion activities of ITOCHU Corporation and questions about their degree of motivation towards work.

### Response rate of the Sustainability test and Questionnaire 2017

	Questionnaire for employees of ITOCHU Corporation	Questionnaire for employees of overseas blocs	Total
Number of employees	4,794	1,663	6,457
Number of respondents	4,794	1,632	6,426
Response rate	100.0%	98.1%	99.5%

### <Questionnaire Results Excerpt> Do you feel proud to work for ITOCHU Corporation?





## Sustainability Seminars

We regularly organize internal Sustainability seminars to incorporate the views and opinions on various Sustainability issues from outside experts since 2007.

### — Latest Seminar

On March 1, a Sustainability Seminar on "Business and Human Rights" was held by inviting Mr. Saul Takahashi, the Representative in Japan of the Business and Human Rights Resource Centre, and Mr. Hidemi Tomita, who is a Director of Lloyd's Register Japan K.K. In the first part of the seminar, Mr. Takahashi gave a keynote lecture on stakeholder engagement. In the second part, based on questions from employees, Mr. Takahashi and Mr. Tomita gave talks on the "key points needed for human rights risk management by a corporation" in the form of a panel discussion. In the keynote lecture, Mr. Takahashi introduced human rights issues that trading company may face and examples of corporations' engagement in human rights problems that have actually occurred. In the panel discussion, Mr. Takahashi and Mr. Tomita talked about more specific examples of human rights issues and ways of handling them. Participants in the seminar provided many opinions such as "Knowing the specific examples enabled me to become more strongly aware of the importance of human rights and gave me an opportunity to think about whether or not ITOCHU is associated with such problems," and "The seminar was too short." With the endorsement of the Guiding Principles on Business and Human Rights, we have entered an era when Japanese companies with supply chains that spread all over the world are required to understand and commit themselves to human rights issues and the responsibility of corporations. This seminar served as an excellent opportunity to think afresh about what responsibilities ITOCHU should fulfill in its individual businesses.



Panel discussion

FY 2018	Business and Human Rights
FY 2017	What Can Be Done to Create a Sustainable Society?
FY 2016	Global Initiatives and Innovations to Implement Bold Global Warming Countermeasures
FY 2015	Business Activities from the Standpoint of Solving Global Issues
FY 2014	Climate Change: Risk and Business Opportunities

# The United Nations Global Compact

## ITOCHU's Participation in the United Nations Global Compact

In April 2009, ITOCHU Corporation joined the United Nations Global Compact, a global initiative to achieve sustainable growth of the international Community. In the compliance of the Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption, ITOCHU is striving to fulfill its corporate mission of "Committed to the Global Good."



## The Ten Principles of the United Nations Global Compact

Human rights	<ul style="list-style-type: none"> <li>● <b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</li> <li>● <b>Principle 2</b> make sure that they are not complicit in human rights abuses.</li> </ul>
Labour	<ul style="list-style-type: none"> <li>● <b>Principle 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</li> <li>● <b>Principle 4</b> the elimination of all forms of forced and compulsory labour;</li> <li>● <b>Principle 5</b> the effective abolition of child labour; and</li> <li>● <b>Principle 6</b> the elimination of discrimination in respect of employment and occupation.</li> </ul>
Environment	<ul style="list-style-type: none"> <li>● <b>Principle 7</b> Businesses are asked to support a precautionary approach to environmental challenges;</li> <li>● <b>Principle 8</b> undertake initiatives to promote greater environmental responsibility; and</li> <li>● <b>Principle 9</b> encourage the development and diffusion of environmentally friendly technologies.</li> </ul>
Anticorruption	<ul style="list-style-type: none"> <li>● <b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.</li> </ul>

## Contribution to Activities of the Global Compact Network Japan

ITOCHU Corporation actively engages in activities as a Board Member of the Global Compact Network Japan (GCNJ), the local network of United Nations Global Compact in Japan.

The GCNJ organizes the Working Groups by issues related CSR where member companies are able to learn from other companies' best practices and academic experts and to have discussions and exchange opinions regarding CSR initiatives.

In FY2018, ITOCHU took part in following Working Groups.

- the Committee of Human Rights Due Diligence
- the Committee of SRI/ESG
- the Committee of SDGs
- the Committee of Reporting Research
- the Committee of Inclusive/Social Business