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## Sustainable Supply Chain Management Handbook

-Building Brighter Futures, Everywhere, Together-



MITSUI & CO., LTD.

**MITSUI & CO.**

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# Introduction

Business enterprises can contribute to creating environmental and social values by respecting and protecting the rights of stakeholders such as workers, residents, and consumers. This will lead them to achieve the Sustainable Development Goals (SDGs). In addition, such efforts will also help them enhance their own corporate values over the medium to long term through maintaining and improving trust relationships with business partners and other stakeholders.

Mitsui & Co. operates our business activities under our management philosophy of "Build brighter futures, everywhere." Business partners are our important partners in achieving our management philosophy. Aiming to realize a better society, we hope that our business partners and Mitsui & Co. can work together to resolve environmental and social issues. Bearing this in mind, we have formulated this handbook.

## ■ Readers of the Handbook

This handbook is prepared mainly for the suppliers and other business partners (whether direct or indirect) of the Mitsui & Co. Group ("Our Company" or "We"). The contents of this handbook are also available for any other stakeholder.

## ■ Purpose of the Handbook

Mitsui & Co. has formulated this handbook for the following three purposes:

- 1) Present our sustainability approach and our supply chain management to our business partners and deepen their understanding of our policies and efforts.
- 2) Share our expectations on sustainability with our business partners and request them to cooperate in our efforts.
- 3) Provide our business partners with information on sustainability issues, the backgrounds, and practical actions, to support them in solving sustainability issues.

We hope you find this handbook useful on sustainable supply chain management practices.

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# Chapter 1 Why do We Need a Sustainable Supply Chain Management?

## 1. Human Rights and Environmental Issues Are not Someone Else's Business

Some companies feel that it is not necessary to strengthen their efforts to address human rights and environmental issues, saying that "we do not need to rethink the situation right now because we have already taken measures to respect human rights and give due consideration to the environment."

Due to the growing public concerns and the trend towards mandatory due diligence legislation in Europe and other countries, the scope of human rights and environmental issues that companies must consider has been expanding. Human rights issues include not only the rights of the company's employees but also issues related to the rights of various stakeholders, including, but not limited to, business partners and residents. In addition, environmental issues would cover not only issues locally where companies operate but also the ones at the stages of raw material suppliers and product suppliers.

Thus, companies should recognize being required to address not only human rights and environmental issues that they may directly cause but also any human rights and environmental issues that are linked to their business activities through their business relationships, such as supply chains. Accordingly, we need to revisit our current efforts.

## 2. Formation of International Norms and Rules on Human Rights and Environmental Issues

As a result of international norms and various rules having been created, companies are expected to address human rights and environmental issues through their supply chains.

### 1 International Norms

#### A. United Nations Guiding Principles on Business and Human Rights

In 2011, the United Nations Human Rights Council endorsed the Guiding Principles on Business and Human Rights (the "UN Guiding Principles") in response to heightened concerns about the negative impacts of global business activities on stakeholders.<sup>1</sup>

UN Guiding Principles make it clear that business enterprises have a responsibility to respect human rights, and in order to fulfill their responsibilities, they should carry out human rights due diligence

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<sup>1</sup> [https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr\\_en.pdf](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr_en.pdf)

("HRDD") to assess and address the negative impact of their activities on stakeholders' human rights. What is particularly important concerning this HRDD is encouraging all companies, regardless of their positions in the supply chains and their nationalities, sectors, and sizes, to conduct HRDD. A company is expected to address its negative impact on human rights not only through the company or its group companies' operation but also indirectly through its business relationships such as supply chains.

Under the UN Guiding Principles, the human rights that the enterprises should respect are "internationally recognized human rights" and include a wide range of human rights stipulated in the International Bill of Human Rights and fundamental rights stipulated in the ILO Declaration on Fundamental Principles and Rights at Work.<sup>2</sup>

## **B. OECD Guidelines for Multinational Enterprises**

The HRDD elements of the UN Guiding Principles are also incorporated into the Guidelines for Multinational Enterprises (MNE Guidelines) issued by the Organization for Economic Co-operation and Development (OECD).<sup>3</sup>

OECD MNE Guidelines call for due diligence ("DD") through supply chains and other business relationships in the areas not only of human rights but also of the environment and other sustainability issues, often referred to as "Human Rights and Environmental DD".

In 2018, OECD published the OECD Due Diligence Guidance for Responsible Business Conduct ("OECD DD Guidance"), concretely describing the content of DD recommended by the OECD MNE Guidelines, and presenting practical actions to implement DD.<sup>4</sup>

## **C. ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy**

The HRDD elements of the UN Guiding Principles are also incorporated into the ILO (International Labor Organization) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).<sup>5</sup> The ILO MNE Declaration encourages companies to achieve decent work (productive work for women and men in conditions of freedom, equity, security, and human dignity) through business relationships, such as the supply chains.

## **D. SDGs**

"The 2030 Agenda for Sustainable Development"<sup>6</sup>, including the SDGs (Sustainable Development Goals), declares its aims to realize the human rights of all, based on the pledge that "no one will be left behind," and states that companies also have a role to fulfill their responsibilities<sup>7</sup>. Respect for

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<sup>2</sup> <https://www.ilo.org/declaration/lang--en/index.htm>

<sup>3</sup> <https://www.oecd.org/daf/inv/mne/48004323.pdf>

<sup>4</sup> <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

<sup>5</sup> <https://www.ilo.org/empent/areas/mne-declaration/lang--en/index.htm>

<sup>6</sup> <https://sdgs.un.org/2030agenda>

<sup>7</sup> 2030 Agenda Paragraph 67 (Private Business Activity)

human rights is the foundation of all the goals of SDGs, and respect for human rights based on the UN Guiding Principles is regarded as the baseline responsibility for businesses in achieving SDGs.

## **2 Rule Making and Impact in Different Countries and Regions**

### **A. Supply Chain Related Regulations in Various Countries and Regions**

Triggered by international norms on human rights and environmental DD, including the UN Guiding Principles, having been introduced, laws and regulations mandating companies to implement and/or disclose human rights and environmental DD throughout their supply chains have been established mainly in Europe and the United States. These include, but are not limited to, EU Non-Financial Reporting Directive (adopted in 2014); UK Modern Slavery Act (adopted in 2015); French Vigilance Law (adopted in 2017), Australian Modern Slavery Act (adopted in 2018), the Dutch Child Labor DD Act (adopted in 2019); and German Supply Chain DD Act (adopted in 2021). In February 2022, a draft of the Corporate Sustainability DD Directive was submitted by the European Commission that mandates human rights and environmental DD throughout the supply chains. Companies may be required by their business partners as part of their supply chain management to respond to these regulations even if they are not directly subject to these regulations.

The customs laws of the United States and Canada prohibit the import of goods produced by forced labor. Companies are also required to carry out human rights and environmental DD throughout their supply chains in order to avoid embargoes.

### **B. Expectations for HRDD in the Japan's National Action Plan on Business and Human Rights**

The Japanese Government published a National Action Plan on Business and Human Rights in 2020. The Government also expressed its expectations of HRDD for business enterprises as follows.<sup>8</sup>

"The Government expects Japanese enterprises, regardless of their size and sector of industry, to respect internationally recognized human rights and the principles concerning the fundamental rights set out in the ILO Declaration; introduce the process of human rights due diligence based on the UN Guiding Principles and other related international standards; and engage in dialogue with stakeholders, including those that are part of supply chains."

### **C. Expansion of ESG Investing and Sustainable Finance**

ESG investing and sustainable finance that takes environmental, social, and governance factors into account have been expanding. In making their investment and financing decisions, institutional investors and financial institutions are increasingly assessing their investee and borrower companies from the viewpoint of whether their corporate activities lead to solving social and environmental sustainability issues and transforming society into a sustainable form over the medium to long term.

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<sup>8</sup> See Ministry of Foreign Affairs of Japan website (<https://www.mofa.go.jp/files/100173319.pdf>), Chapter 3.

As Institutional investors and financial institutions put on importance particularly human rights and environmental issues, business enterprises are expected to act urgently on these.

### **3 Importance of Responding to Human Rights and Environmental Issues**

It is important for both our business partners and Our Company not only to comply with laws and regulations, but also to respect international norms on human rights and environmental DD, and to work on resolving human rights and environmental issues through the supply chains and other business relationships.

The implementation of human rights and environmental DD is beneficial for companies in terms of both risk management and the business opportunities' creation from a variety of perspectives: preventing human rights and environmental issues, promoting early detection and response to the issues; complying with laws and regulations in different countries; strengthening relationships with customers, and increasing the attractiveness of the companies to receive investment and loans, and so on. From a long-term perspective, efforts to address human rights and environmental issues will maintain and improve the trust of business partners and other stakeholders, leading to enhancing corporate values.



## Chapter 2 Request for Understanding and Cooperation in Our Sustainable Supply Chain Management

### 1. Our Approach to Sustainability and Overview of Various Policies

Mitsui & Co.'s corporate mission is to realize a better tomorrow for earth and for people around the world and to "Build brighter futures, everywhere."

Based on this corporate mission, Mitsui & Co. has positioned sustainability initiatives as important management priorities, and have clarified that we put a strong emphasis on sustainability in our corporate management in our Sustainability Policy.

In addition, Mitsui & Co. has formulated the Environmental Policy, the Human Rights Policy, and the Sustainable Supply Chain Policy as policies related to each sustainability issue. Please refer to the appendix for the details of these policies.

### 2. Content and Background of Our Sustainable Supply Chain Policy

Mitsui & Co. has formulated the Sustainable Supply Chain Policy to procure products and raw materials in accordance with our Sustainability Policy, Environmental Policy, and Human Rights Policy described above. In accordance with this policy, Our Company strives to understand the issues associated with the supply chains of our group's business activities in countries and regions around the world. Further, Our Company works with suppliers and other business partners to achieve a sustainable supply chain.

We request our suppliers and other business partners to understand and implement the four principles: "Respect for International Standards"; "Respect for Human Rights"; "Initiatives to Address Environmental Issues"; and "Safety and Security of Products and Services" in our Sustainable Supply Chain Policy

If suppliers violate this policy and cause negative impacts on human rights and the environment, Our Company will request suppliers to remediate the situation. If the situation has not improved despite our repeated request for remediation, Our Company may have to review the transaction with such suppliers.

As of May 2022, Mitsui & Co. formulated procurement policies for specific commodities including the Natural Rubber Procurement Policy; the Palm Oil Procurement Policy; the Timber Procurement Policy; and the Paper Products Procurement Policy as these commodities may pose a high potential risk of deforestation, environmental impact, or human rights violations. Mitsui & Co. will review and revise these policies regularly by comprehensively taking into account social demands and our business activities. Please refer to the appendix for details of the Sustainable Supply Chain Policy and the procurement policies for specific commodities.

### 3. Our Supply Chain Management Activities

Our Company strives to implement appropriate supply chain management through the following activities while referring to international norms, such as the UN Guiding Principles, the OECD MNE Guidelines, and the OECD DD Guidance, which embody these standards.

#### Implementation of Supply Chain Due Diligence



#### 1 Policy Promotion to Suppliers

Cooperation with business partners is essential for our supply chain management. To this end, Our Company has clarified our expectations for our business partners in the "Sustainable Supply Chain Policy," and sent the "Sustainable Supply Chain Policy" to all our suppliers to raise awareness of the policy.

#### 2 Identification of High-Risk Business Areas

As a starting point for human rights and environmental DD throughout our supply chains, Mitsui & Co. engaged independent experts to conduct human rights risk assessments in our business activities.

As a result, it has recognized a significant risk in some areas potentially occurring human rights issues such as forced labor and child labor in our supply chains mainly related to food, textiles, building materials, and mining, primarily in emerging countries in production regions including Southeast Asia, Africa, and South America. Therefore, Mitsui & Co. has identified these as business areas that have a particularly high potential impact on human rights and the environment (the "High-Risk Business Areas"). Mitsui & Co. will review regularly High-Risk Business Areas.

#### 3 Investigation of High-Risk Business Areas

Our Company focuses on investigating negative human rights and environmental impacts in our supply chains, particularly for suppliers that operate in High-Risk Business Areas having potentially a significant impact on human rights and the environment. Concretely, Our Company regularly conducts supplier

surveys to understand the actual status of human rights and environmental issues related to our business, such as human rights, occupational health and safety, climate change, biodiversity, and environmental management in the supply chains.

If necessary, Our Company also conducts on-site inspections as well as an investigation of the second tier and more upstream suppliers.

#### **4 Request for Remedial Actions**

If the result of the investigation shows that the supplier's response is inadequate or that violations of human rights and environmental issues are identified in the supply chains, Our Company requests corrective actions for suspending, preventing, and mitigating the negative impact on human rights and the environment.

If Our Company finds out that the situations have not improved despite our repeated request for remedial actions, we may need to consider reviewing our transactions with the supplier.

For more information on the status of our efforts in supply chain management, please refer to Mitsui & Co.'s website on Supply Chain Management.<sup>9</sup>

### **4. Expectations for Our Business Partners and Request for Cooperation in Supply Chain Management**

Our Company considers our suppliers and other business partners as important partners for building brighter futures, everywhere together. In order to collaborate in resolving environmental and social issues, Our Company requests our business partners to understand our expectations and respond to them as follows:

#### **1 Expectations for Our Business Partners**

Our Company expects our business partners to comply with all the items of our Sustainable Supply Chain Policy, including respect for international norms.

Our Company also strongly expects that our business partners should address human rights and environmental issues not only through their own business operations, but also through their supply chains and other business relationships.

#### **2 Request for Cooperation in Our Supply Chain Management**

Our Company values the importance of working together to address human rights and environmental issues through constructive dialogue with our business partners. From the perspective of implementing human rights and environmental DD in cooperation with suppliers and other business partners, Our Company may request them to take the following actions. Our Company appreciates your cooperation with us.

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<sup>9</sup> [https://www.mitsui.com/jp/en/sustainability/social/supply\\_chain/index.html](https://www.mitsui.com/jp/en/sustainability/social/supply_chain/index.html)

- Providing information for our risk assessment
- Answering our supplier questionnaires
- Accepting on-site inspections
- Cooperating with our surveys on the second tier and more upstream suppliers
- Conducting dialogues with stakeholders
- Reporting the status of your response to issues
- Other matters necessary for the implementation of human rights and environmental DD

## Chapter 3 Sustainability Issues and Examples of Possible Actions

Human rights and environmental issues are by no means someone else's business. Addressing sustainability issues is significant not only for us but also for our business partners. However, it may be difficult to understand what specific issues exist and how they should be addressed. This chapter explains the details of specific sustainability issues and examples of possible actions through a Q&A format.

The contents of this chapter are for reference purposes only. If your company addresses sustainability issues, please take appropriate actions based on your actual circumstances.

### 1. Specific Individual Sustainability Issues and Examples of Possible Actions

In this section, we explain the contents of specific sustainability issues and examples of possible actions through Q&A in accordance with the items set out under Mitsui & Co.'s "Sustainable Supply Chain Policy."

#### 1 Forced Labor and Modern Slavery

**Q** We do not recognize that we are involved in forced labor or modern slavery, and we do not think of the risks at all. Is there any risk?

**A** The concepts of forced labor and modern slavery are quite broad, and the risks of forced labor and modern slavery, including the problems in the supply chains, exist around us. If by any chance the procured goods were produced by forced labor or modern slavery, our business partners themselves could be subject to criticism for contributing to human rights abuses and could be subject to trade restrictions.

### Commentary

#### ■ Risks of Forced Labor and Modern Slavery

Forced labor means "all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily" (ILO Convention No. 29).

Modern slavery includes slavery, servitude, and human trafficking, in addition to forced labor, according to the provisions of the UK Modern Slavery Act.

Debt bondage, a situation in which workers are forced to work for an employer in order to pay off their

own debts or those they have inherited, is said to be one of the situations that tend to lead to forced labor and modern slavery.<sup>10</sup>

It is also said that various factors increase the risk of forced labor and modern slavery, including state-orchestrated forced labor; private recruitment & employment agencies; credit-arrangements and debt; children and adolescents in the workplace; employment of migrants; onsite housing of workers; prison labor; subcontracting; informal workers; and production pressures.<sup>11</sup>

In this way, the risk of forced labor and modern slavery exists around us. Many companies procure products from a variety of suppliers around the world. Even if the company does not directly cause forced labor and modern slavery risks, it may link, with a high possibility, to such risks through the supply chains.

## ■ Related Rules and Actions

The elimination of forced or compulsory labor is one of the ILO's core labor standards and is positioned as a fundamental human right for workers. International labor standards for forced labor include the Forced Labour Convention, 1930 (No. 29) and the Abolition of Forced Labour Convention, 1957 (No. 105).

The UN Guiding Principles and other international norms require companies to assess, and address forced labor and modern slavery risks through business relationships, such as the supply chains, as part of human rights DD.

As explained in Chapter 2, supply chain-related regulations have been introduced in some countries, requiring disclosure and DD implementation. The U.S. Customs Law prohibits the import of any goods produced by forced labor. In addition, the G7 Trade Ministers' Statement on Forced Labor released in November 2021 made it clear that countries would work to eliminate forced and compulsory labor through their supply chains.<sup>12</sup>

Based on the above, it is important for companies to assess and address the risks of forced and modern slavery through their supply chains also from the perspective of their own risk management.

For specific methods of human rights and environmental DD through the supply chains, please see the Q&A in Section 3.

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<sup>10</sup> ILO Helpdesk Forced Labour ([https://www.ilo.org/empent/areas/business-helpdesk/WCMS\\_DOC\\_ENT\\_HLP\\_FL\\_EN/lang--en/index.htm](https://www.ilo.org/empent/areas/business-helpdesk/WCMS_DOC_ENT_HLP_FL_EN/lang--en/index.htm))

<sup>11</sup> See p.126 and below of OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector ([https://read.oecd-ilibrary.org/governance/oecd-due-diligence-guidance-for-responsible-supply-chains-in-the-garment-and-footwear-sector\\_9789264290587-en#page128](https://read.oecd-ilibrary.org/governance/oecd-due-diligence-guidance-for-responsible-supply-chains-in-the-garment-and-footwear-sector_9789264290587-en#page128))

<sup>12</sup> See Ministry of Economy, Trade and Industry of Japan website (<https://www.meti.go.jp/press/2021/10/20211022008/20211022008-2.pdf>)

## ■ Reference Materials and Guidance

- ILO Helpdesk: Q&As on Business and Forced Labour<sup>13</sup>
- ILO "Combating forced labor: A handbook for employers and business"<sup>14</sup>
- Guidance on due diligence for EU businesses to address the risk of forced labour in their operations and supply chains<sup>15</sup>
- U.S. Responsible Sourcing Tool, which maps high-risk sectors, products, and countries from the viewpoint of human trafficking<sup>16</sup>

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<sup>13</sup> [https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS\\_DOC\\_ENT\\_HLP\\_FL\\_FAQ\\_EN/lang--en/index.htm](https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_FL_FAQ_EN/lang--en/index.htm)

<sup>14</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_101171.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_101171.pdf)

<sup>15</sup> [https://trade.ec.europa.eu/doclib/docs/2021/july/tradoc\\_159709.pdf](https://trade.ec.europa.eu/doclib/docs/2021/july/tradoc_159709.pdf)

<sup>16</sup> <https://www.responsiblesourcingtool.org/>

**Q**

The factories of our company, our suppliers or business partners employ a large number of migrant workers. What do we have to check and what actions do we have to take to address the risks of forced or compulsory labor?

**A**

Since migrant workers are in a socially vulnerable position, they are particularly at high risk of forced or compulsory labor and require careful attention. It is important for business enterprises not only to properly treat migrant workers in accordance with relevant laws and regulations, but also to explain to them their working conditions in writing in a language understandable for them. In addition, it is also important to check out whether substantial amounts of fees are collected by intermediaries, whether passports and other documents are taken up, whether any restrictions to freedom of movement are imposed, and whether there is any overtime work without overtime payments.

## Commentary

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### ■ Risk of Forced or Compulsory Labor Faced by Migrant Workers

Migrant workers are generally at high risk of forced or compulsory labor because of the barriers of language and culture, the difficulty of gathering information at the recruitment and hiring stages and negotiating working conditions, the restrictions on their work changes due to their status of residence, and the risk of exploitation by intermediaries.

Japan's technical intern trainees are protected under the Technical Intern Training Act. However, the ILO Committee of Experts on the Application of Conventions and Recommendations has pointed out that they may lead to forced or compulsory labor since the employer cannot be changed in principle under the technical intern training program.<sup>17</sup>

Therefore, companies that employ a large number of migrant workers need to carefully confirm whether there is any risk of forced or compulsory labor.

### ■ Necessity of Eliminating the Collection of Recruitment Fees

One key point that needs to be checked to determine whether there is any risk of forced or compulsory labor is to verify whether there is any recruitment fee charged to the workers. In the recruiting stages of migrant workers, charging recruitment fees may cause migrant workers to suffer from large debts, and then lead to debt bondage and forced labor. In Japan, there are cases where foreign technical intern trainees who have borrowed money and come to Japan are forced to work due to high fees and security deposits required by the intermediaries.

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<sup>17</sup> Observation by the ILO Committee of Experts on the Application of Conventions and Recommendations ([https://www.ilo.org/dyn/normlex/en/f?p=1000:13100:0::NO:13100:P13100\\_COMMENT\\_ID:3958065](https://www.ilo.org/dyn/normlex/en/f?p=1000:13100:0::NO:13100:P13100_COMMENT_ID:3958065)).



Therefore, when companies use intermediaries to recruit and they recruit migrant workers, it is important to check whether fees have been illegally collected from the migrant workers to the intermediaries. Article 7 of the Private Employment Agencies Convention, 1997 (No. 181) also expressly prohibits the collection of recruitment fees.

In addition, it is necessary to carefully check out as there is a high risk of forced labor and modern slavery in situations where passports and other documents are taken up and the freedom of movement is restricted; where there is a difference between the prior explanation and the actual contents of the employment contract; and where excessive long working hours are required, and overtime payments are not paid.

## ■ Reference Materials and Guidance

- United Nations Global Compact and Verité, "Eliminating Recruitment Fees Charged to Migrant Workers"<sup>18</sup>
- ILO General principles and operational guidelines for fair recruitment and definition of recruitment fees and related costs<sup>19</sup>
- JP-MIRAI "Japan Platform for Migrant Workers towards Responsible and Inclusive Society"<sup>20</sup>
- Business & Human Rights Lawyers Network, Lawyers Network for Foreign Workers, and Lawyers' Network for Foreign Technical Interns "Guidelines on Improvement of Working Environment for Migrant Workers in Supply Chains"<sup>21</sup>

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<sup>18</sup> <https://www.unglobalcompact.org/library/3671>

<sup>19</sup> [https://www.ilo.org/global/topics/labour-migration/publications/WCMS\\_536755/lang--en/index.htm](https://www.ilo.org/global/topics/labour-migration/publications/WCMS_536755/lang--en/index.htm)

<sup>20</sup> <https://jp-mirai.org/en/>

<sup>21</sup> <https://www.bhrlawyers.org/en-migrantworkers>

## 2 Child Labor

**Q**

Some raw materials for the commodities we produce are sourced from farms in emerging and developing countries. We do not have a direct contractual relationship with the farms. Is there any problem if children work on these farms?

**A**

There is a risk of child labor in the supply chains if children work on these farms. Even in the absence of direct transactions, there is a possibility that your company itself may be criticized as being involved in human rights violations, or that your products may be subject to trade restrictions. Child labor is a serious violation of the human rights of workers and children. It is necessary to assess and address risks related to child labor through the supply chains.

### Commentary

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#### ■ Definition of Child Labor and Related Rules

"Child labor" means any work performed by children below the minimum age for employment prescribed by laws. Child labor is a serious violation of human rights that poses a risk of depriving children of the opportunity to receive education and impeding their development.

The abolition of child labor is one of the ILO's core labor standards and is positioned as a fundamental human right of workers. The related international labor standards include the Minimum Age Convention, 1973 (No. 138) and the Worst Forms of Child Labor Convention, 1999 (No. 182).

According to ILO Convention No. 138, the minimum age for employment is, in principle, 15 years old after completion of compulsory schooling (light work is possible between the ages of 13 and 15). However, in developing countries, exceptional measures are in place to permit the minimum age of employment to be 14 years old (light work is possible between the ages of 12 and 14). On the other hand, it is widely prohibited to engage children under the age of 18 years old in hazardous work. Companies shall comply with the minimum age for employment as defined by the applicable laws of each country.

Work done by children who go to school and voluntarily assist their homes or work part-time jobs to the extent that it does not interfere with their education is called "child work" and may be allowed as it is different from "child labor."

ILO Convention No. 182 also prohibits "the worst forms of child labor" by children under the age of 18. "Worst forms of child labor" refers to (a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom, and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict; (b) the use, procuring or offering of a child for prostitution, for the production of pornography or pornographic performances; (c) the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties; (d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

In the Netherlands, regulations have been introduced that require human rights DD exclusively for child labor.

## ■ Necessity of Assessing and Addressing Child Labor Risks through the Supply Chains

Even when the company and its direct business partners do not appear to cause child labor, risks associated with child labor in the supply chains need to be addressed as part of the human rights DD throughout the supply chains.

This company procures part of the raw materials for its products from farms that are potentially at high risk of child labor in emerging and developing countries. Therefore, careful due diligence is necessary. It is important to ensure that farms comply with the applicable rule on the minimum age for employment, that children are given access to education, and that children under the age of 18 do not fall under hazardous work or "worst forms of child labor".

Nevertheless, it may be difficult to conduct due diligence if there is no direct business relationship with the farm or if the raw material is procured from a large number of small-scale farmers. In such cases, it is also effective to investigate and engage control point suppliers (e.g., processors) which consist of a relatively small number of companies that are able to use leverages towards the upstream of the supply chains as a way to fulfill corporate accountability. Refer to 3. ② for details on how to investigate suppliers in sub-suppliers beyond "tier 1".

## ■ Reference Materials and Guidance

- ILO Helpdesk: Q&As on business and child labour<sup>22</sup>
- ILO-IOE "Child Labour Guidance Tool for Business: How to do business with respect for children's right to be free from child labour"<sup>23</sup>
- United Nations Children's Fund (UNICEF), United Nations Global Compact, and Save the Children "Children's Rights and Business Principles"<sup>24</sup>

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<sup>22</sup> [https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS\\_DOC\\_ENT\\_HLP\\_CHL\\_FAQ\\_EN/lang--en/index.htm](https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_CHL_FAQ_EN/lang--en/index.htm)

<sup>23</sup> [https://www.ilo.org/ipec/Informationresources/WCMS\\_IPEC\\_PUB\\_27555/lang--en/index.htm](https://www.ilo.org/ipec/Informationresources/WCMS_IPEC_PUB_27555/lang--en/index.htm)

<sup>24</sup> <https://www.unicef.org/documents/childrens-rights-and-business-principles>

### 3 Elimination of Discrimination

**Q** In our company or our suppliers' company, the wages of female employees are on average lower than those of male employees. In this case, would it be discriminatory?

**A** It cannot be concluded that discrimination is caused only by the fact that the wages of female employees are on average lower than those of male employees. It is more likely to be evaluated as discriminatory if women's wages are lower than those of men's even though they provide an equally valued work. From the perspective of eliminating discrimination in employment and the workplace, it is necessary to respect the principle of equal pay for work of equal value. Promoting women's active participation and diversity management is also important from the perspective of enhancing corporate value.

In this Q&A case, we feature an example of gender discrimination. It is necessary, however, to respect the principle of equal pay for work of equal value for other types of discrimination, and not only gender discrimination.

## Commentary

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### ■ Elimination of Discrimination and Related Rules

Elimination of discrimination is also one of the ILO's core labor standards and it is positioned as a fundamental human right of workers. Relevant international labor standards include the Discrimination (in Employment and Occupation) Convention, 1958 (No. 111) and the Equal Remuneration Convention, 1951 (No. 100).

According to the ILO Convention No. 111, discrimination in the employment and occupation is defined as any distinction, exclusion, or preference made on the basis of race, the color of skin, sex, religion, political opinion, national extraction, or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in the employment or occupation.

The ILO Convention No.100 also sets out the Principle of Equal Wages for Work of Equal Value, which states that equal remuneration should be paid to men and women carrying out work of equal value. The Part-Time and Fixed-Term Employment Act and the Guidelines on Equal Pay for Equal Work have been introduced in Japan as part of the Work Style Reform Act enacted in 2018.

### ■ Necessity of Respecting the Principle of Equal Wages for Work of Equal Value

The Principle of Equal Wages for Equal Work is based on the principle that the same wage shall be paid for work under the same conditions. However, the "Principle of Equal Wages for Work of Equal Value" is a broader concept, and it is the principle that men and women should receive the same remuneration if they provide the same value through their work even under different conditions.

It cannot be concluded that the principle is immediately violated only because the wages of female employees are on average lower than that of male employees like the case in question. However, if there is a difference in wages between men and women who engage in equal value work, it is expected that the situation should be remediated.

In this Q&A case, a case of possible gender discrimination in wages is featured. Unfair treatment not only on the basis of sex but also on the basis of race, the color of skin, gender, political opinion, nationality, social status, etc. may be regarded as discriminatory. Therefore, it is important to respect the principle of equal wages for work of equal value for other cases additionally to those of the gender pay gap.

## ■ Women's Active Participation and Diversity Management that Leads to Enhancement of Corporate Values

Eliminating the pay gap between men and women and promoting the active participation of women are important not only from the perspective of international labor standards but also from the perspective of enhancing corporate values. In addition to promoting the active participation of women, eliminating discrimination, and utilizing human resources with a variety of backgrounds, including gender, nationality, religion, culture, and values may create and provide new corporate values and lead to the growth of the company. The Japanese Corporate Governance Code also stipulates the company should ensure diversity in the board of directors and executives.

The report released by the "the Study Group for Ideal Approaches to Diversity Management (Diversity 2.0) as a Competitive Strategy" under the Ministry of Economy, Trade, and Industry (METI) also points out that diversity is important for management strategies that enhance the ability for companies to generate innovation and create value, as well as to acquire outstanding human resources.

## ■ Reference Materials and Guidance

- ILO Helpdesk: Q&As on business, discrimination and equality<sup>25</sup>
- ILO's Guidebook for Equal Remuneration of Work of Equal Value<sup>26</sup>
- Ministry of Health, Labor, and Welfare of Japan, "Guidelines on Equal Pay for Equal Work"(Japanese)<sup>27</sup>
- METI, "Report of the Study Group for Ideal Approaches to Diversity Management (Diversity 2.0) as a Competitive Strategy".<sup>28</sup>

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<sup>25</sup> [https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS\\_DOC\\_ENT\\_HLP\\_BDE\\_FAQ\\_EN/lang--en/index.htm](https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_BDE_FAQ_EN/lang--en/index.htm)

<sup>26</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_216695.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_216695.pdf)

<sup>27</sup> <https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000190591.html>

<sup>28</sup> [https://www.meti.go.jp/english/press/2018\\_06/0608\\_006\\_00.html](https://www.meti.go.jp/english/press/2018_06/0608_006_00.html)

## 4 Harassment

**Q** Our company received a consultation from an employee of our company (or a supplier or business partner) that he/she had suffered from harassment by his/her superior. What behavior is regarded as harassment and how should we deal with it?

**A** Harassment generally refers to any word or action made consciously or unconsciously that causes other persons to feel uncomfortable. Your company needs to carefully check out whether the words or behaviors at issue constitute harassment based on the definitions of the ILO international labor standards and national legislation.

When your company receives a consultation on harassment issues, it is necessary to investigate the facts while protecting the privacy of the parties involved. In addition, it is necessary to take appropriate measures for the victims and against the perpetrator, and to take measures to prevent such harassment from recurring. It is also important to ensure that the person that reported the harassment does not receive any retaliatory measures.

Harassment may lead to human rights abuses, such as forced labor. Even when the problem occurs to employees of your suppliers and business partners, the company may need to conduct due diligence through the supply chains.

## Commentary

### ■ International Standards on Harassment

In 2019, the ILO adopted the Violence and Harassment Convention (No. 190). According to the Convention, the “violence and harassment” in the world of work means a range of unacceptable behaviors and practices, or threats thereof, whether a single occurrence or repeated, that aim at, result in, or are likely to result in physical, psychological, sexual, or economic harm, and includes gender-based violence and harassment.

### ■ Laws and Regulations on Harassment in Japan

In Japan, based on the Equal Employment Opportunity Act, the Child Care and Family Care Leave Act, and the Comprehensive Promotion Law on Labor Policy, businesses are obliged to take measures against various types of harassment in the workplace including sexual harassment; harassment related to pregnancy, childbirth, and childcare and family care leave (so-called maternity harassment); and power harassment.

Sexual harassment is defined as any harassment that causes workers to suffer disadvantages in terms of working conditions (compensation type) or harm to the work environment (environmental type) due to verbal and other behavior of a sexual nature that is against the will of workers in the workplace.<sup>29</sup>

<sup>29</sup> Companies are obliged to take necessary action in terms of employment management as measures against sexual harassment at the workplace (Ministry of Health, Labor, and Welfare Public Notice No. 615, 2006)

Maternity harassment refers to harassment related to pregnancy, childbirth, and for requesting and taking childcare leave or family care leave, that may be committed in the workplace by supervisors or colleagues.<sup>30</sup> Power harassment is defined as "words and acts by offenders, taking advantage of their position of authority over victims beyond the scope required and appropriate for work, which harms the work environment".<sup>31</sup>

## ■ Companies Measures against Harassment

For example, regarding sexual harassment, companies are required to take the following measures against it under the Equal Employment Opportunity Act in Japan:

- Clarify the employer's policy and communicate it to all the workers, including managers and supervisors.
- Establish systems to respond appropriately to inquiries and complaints.
- In the event of a consultation, investigate the facts promptly and accurately, take appropriate measures for the victim and against the perpetrator, and take measures to prevent a recurrence.
- Protect the privacy of the parties involved. Clarify that any disadvantageous treatment shall not be made on the grounds that the person has sought the consultation or has cooperated in the investigation of the facts. Communicate these rules to all the workers.
- Take necessary measures to eliminate the causes and background factors of harassment, such as the improvement of the work environment.

It is important to establish systems to respond to harassment after it has been discovered. It is also important to ensure the psychological safety of employees by establishing internal and external consultation routes that enable victims of harassment to seek advice about the harm suffered.

Harassment can also lead directly to violations of the fundamental human rights of workers, such as discrimination and forced labor. Therefore, it is expected that companies check out whether there are any serious harassment issues as part of the Human Rights DD through the supply chains, even if these are problems faced by suppliers and business partners.

## ■ Reference Material and Guidance

- ILO "Eliminating Violence and Harassment in the World of Work"<sup>32</sup>
- Ministry of Health, Labor, and Welfare "Prevention of Harassment in the Workplace (Sexual Harassment/Harassment Regarding Pregnancy, Childbirth and Childcare Leave, etc.)" website (Japanese)<sup>33</sup>

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<sup>30</sup> Companies are obliged to take necessary action in terms of employment management as measures against maternity harassment at the workplace (Ministry of Health, Labor, and Welfare Public Notice No. 312, 2016)

<sup>31</sup> Guidelines on Measures to be Taken by Employers in Employment Management Concerning Problems Caused by Speech and Behavior in the Workplace Based on Superior Relationships (Ministry of Health, Labor, and Welfare Public Notice No. 5 of 2020)

<sup>32</sup> <https://www.ilo.org/global/topics/violence-harassment/lang--en/index.htm>

<sup>33</sup> [https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou\\_roudou/koyoukintou/seisaku06/index.html](https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/koyoukintou/seisaku06/index.html)

## 5 Freedom of Association

**Q** Our suppliers' factories have labor unions. Does this mean that there is no problem with the freedom of association?

**A** Even if there is a labor union, we cannot conclude that there is no problem unless it is freely and voluntarily established by workers and there is no intervention by the companies. In some cases, even with labor unions, the right to collective bargaining cannot be carried out if there is no forum for discussion with the companies.

### Commentary

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#### ■ Freedom of Association and Related Rules

Freedom of association and the effective recognition of the right to collective bargaining are one of the ILO's core labor standards and are positioned as fundamental human rights of workers. Relevant international labor standards include the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

Freedom of association is said to be indispensable for realizing workers' fundamental principles and rights through social dialogue between workers and employers.

#### ■ Freedom of Association and Recognition of the Right to Collective Bargaining

Freedom of association means the right of all employers and workers, freely and voluntarily, to establish and join organizations to promote and protect occupational interests. In order to respect the freedom of association, companies are required not to interfere with the formation and membership of labor unions; not to discriminate against unions; and not to interfere with the activities of labor unions. In this Q&A case, it is necessary to confirm whether or not a labor union is freely and voluntarily established by the workers at the supplier factories, and whether or not there is any interference by the company.

Even if a labor union is established, it would be meaningless if the union does not have a forum to conduct dialogues with the company. It is also important to effectively recognize the right to collective bargaining, a process in which labor unions freely and independently discuss and negotiate working conditions in good faith with the employers. Therefore, it is also necessary to confirm the frequency and content of negotiations between workers and management.

#### ■ Reference Materials and Guidance

- ILO Help Desk: [Business and Freedom of Association](https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_FOA_FAQ_EN/lang--en/index.htm)<sup>34</sup>

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<sup>34</sup> [https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS\\_DOC\\_ENT\\_HLP\\_FOA\\_FAQ\\_EN/lang--en/index.htm](https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_FOA_FAQ_EN/lang--en/index.htm)



## 6 Working Hours and Wages

**Q** We recently found out that in our supplier's factories workers have worked for long hours and overtime wage has not been fully paid. In this case, what risks exist and how should we deal with them?

**A** Long working hours and overtime payments are a high risk of violations of laws and regulations concerning working hours and wages in each country. There is also a risk of forced or compulsory labor if workers are forced to work illegally long hours under the threat of punishment or if overtime payments are becoming chronic. Therefore, it is important to investigate the problems at the supplier's factory and encourage them to remediate the issues through dialogue.

### Commentary

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#### ■ Rules for Working Hours and Wages

Regarding working hours, the ILO Hours of Work (Industry) Convention, 1919 (No. 1) stipulates that the working hours of all workers in the industry, excluding domestic workers, shall not exceed eight hours per day or forty-eight hours per week. The ILO MNE Declaration also encourages multinational enterprises to gradually reduce normal working hours from 48 hours to 40 hours. In addition to respecting such international labor standards, enterprises must comply with applicable national regulations on working hours.

For wages, companies must comply with applicable national regulations on wage payment methods and minimum wage. The ILO Minimum Wage Fixing Convention, 1970 (No. 131) stipulates that in determining the level of minimum wages, companies should take into consideration the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups and economic factors.

#### ■ Risks of Forced Labor with Respect to Long Working Hours and Non-Payment of Overtime Wages

Long working hours and non-payment for overtime wages are a high risk of violating the laws and regulations concerning working hours and wages in each country mentioned above. It cannot be immediately considered as forced labor based solely on the fact of the long working hours or non-payment for overtime. However, when workers are forced to work illegally long hours under the threat of punishment or when overtime payments are becoming chronic, there is a risk of forced or compulsory labor.<sup>35</sup>

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<sup>35</sup> See ILO website "Combating forced labour: A handbook for employers and business" ([https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_101171.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_101171.pdf))

In this Q&A case, although it is a problem that occurs at the supplier's factory, from the viewpoint of preventing the risk of forced labor through the supply chains, it is important for companies to investigate the problems at the supplier's factory and encourage them to remediate them through dialogue.

## ■ Reference Materials and Guidance

- ILO Help Desk: Q&As on business and working time<sup>36</sup>
- Ministry of Health Labor and Welfare of Japan, "Efforts to Reduce Long Working Hours"(Japanese)<sup>37</sup>

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<sup>36</sup> [https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS\\_DOC\\_ENT\\_HLP\\_TIM\\_FAQ\\_EN/lang--en/index.htm#Q7](https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_TIM_FAQ_EN/lang--en/index.htm#Q7)

<sup>37</sup> <https://www.mhlw.go.jp/kinkyu/151106.html>

## 7 Forced Relocation of Local Residents

**Q** We (or our suppliers and suppliers' factories) conduct business in a site in emerging and developing countries where local residents have been forcibly relocated from. In this case, what risks exist and how should we deal with them?

**A** If the relocation of neighboring residents is not agreed upon, there is a risk that the company may be viewed as contributing to the human rights violations of the residents, or that the company may be faced with unexpected lawsuits. It is necessary to conduct due diligence to check out the history of land acquisitions and to assess the adverse impacts of forced relocation on local residents.

### Commentary

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#### ■ Risks and Related Rules Associated with Forced Relocation of Local Residents

There is a risk that the forced relocation of local residents may cause various adverse impacts on the living environment of each local resident and the local community.

Regarding Indigenous peoples, the United Nations adopted the UN Declaration on the Rights of Indigenous Peoples and recognize "Free, Prior and Informed Consent (FPIC)" as a human right. The Equator Principles and IFC Performance Standards clarify the importance of obtaining the FPIC in project financing.

#### ■ Importance of the Implementation of Human Rights DD

In this Q&A case, the company was not directly involved with the relocation of local residents. Nonetheless, the company is operating its business in a site where local residents have been forcibly relocated from. The company may be viewed as contributing to human rights violations or being linked to human rights violations through its business relationships.

Therefore, it is necessary to investigate whether or not the relocation of local residents has caused any negative impact on the human rights of local residents. Especially in emerging and developing countries where the legal system is unstable, it is necessary to carefully confirm whether the relocation has been carried out under corruption, violence, and threats, even if it seems to have been carried out legally at first glance.

## ■ Reference materials and guidance

- United Nations Declaration on the Rights of Indigenous Peoples<sup>38</sup>
- FSC Guidance on the Implementation of FPIC<sup>39</sup>
- Equatorial principles<sup>40</sup>
- IFC Performance Standards<sup>41</sup>

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<sup>38</sup> <https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html>

<sup>39</sup> <https://fsc.org/en/document-centre/documents/resource/332>

<sup>40</sup> <https://equator-principles.com/>

<sup>41</sup> [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

## 8 Conflict-Affected Areas

**Q**

Our suppliers and business partners operate their plants in countries and regions where conflicts continue, and the legal system is unstable. What do we need to pay attention to in dealing with these companies?

**A**

In conflict-affected areas, legal systems tend to become unstable, increasing the risk of human rights violations. It is not always necessary to terminate transactions with companies in conflict-affected areas. There may be a variety of ways for companies to deal with systemic issues.

On the other hand, if your business partners in conflict-affected areas have a relationship with armed groups or similar groups, your company may be criticized for providing funds to such groups through transactions with the aforesaid enterprises. Therefore, it is necessary to carefully ensure that your business partners are not related to armed groups or similar groups.

### Commentary

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#### ■ Risk of Human Rights Violations in Conflict-Affected areas

In conflict-affected areas, the unstable legal systems increase the risk that companies will have to engage in regional systemic issues such as violence, corruption, forced labor, child labor, and environmental pollution. In addition, it is often difficult for victims of human rights violations to have access to remedies. When procuring conflict minerals, there is also a risk of financing armed groups (see also 2. [6](#) for the procurement of conflict minerals).

Therefore, when dealing with enterprises operating in conflict-affected areas, it is necessary to assess and address the risk of human rights violations with special caution.

#### ■ How to Deal with Systemic Issues

International norms such as the Guiding Principles do not always require companies to terminate their transactions with companies operating in conflict-affected areas. Terminating the transactions does not necessarily lead to improve the situation. Rather, it may increase the risk of human rights violations, leaving people in conflict-affected areas.

According to the OECD DD Guidance, human rights violations in conflict-affected areas can be viewed as systemic issues. Systemic issues refer to problems or challenges that are prevalent within a context and are driven by root causes outside of the enterprise's immediate control, but that nonetheless increase the risk of adverse impacts within the enterprise's own operations or supply chains. The OECD DD Guidance proposes various ways that enterprises can seek a way to address risks linked to systemic issues including 1) Collaborate across sectors, 2) Engage government, and 3) Identify effective existing initiatives.

Although companies are not responsible for the failure of governments, they should be prepared to be transparent in their decision and rationale for their decision to conduct activities in contexts where systemic risks exist. In this sense, there is a need to strengthen DD in the supply chains.

## ■ Reference Materials and Guidance

- OECD Due Diligence Guidance for Responsible Business Conduct<sup>42</sup>
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas<sup>43</sup>

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<sup>42</sup> <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

<sup>43</sup> <https://mneguidelines.oecd.org/mining.htm>

## 9 Measures for Environmental Issues

Q

We are striving to comply with environmental laws and regulations, and we do not recognize that our company is causing any environmental problems. Do you have any particular points to keep in mind when dealing with environmental issues, including supply chains?

A

Even without realizing, there are risks that we will be linked to environmental pollution, deforestation, loss of biodiversity, climate change, waste, and other negative impacts on the environment through the supply chains, such as the procurement of raw materials. Therefore, it is expected for companies to implement environmental DD throughout the supply chains.

### Commentary

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#### ■ Negative Environmental Impacts that May Occur through Supply Chains, etc.

Even if the company is thoroughly complying with environmental laws and regulations, it may cause some negative impacts on the environment through the supply chains and other business relationships, such as the deforestation, loss of biodiversity, its involvement in businesses that generate large amounts of greenhouse gases, and the discharge of large amounts of waste.

The aforementioned negative environmental impacts may also lead to the human rights violations of local residents. In 2021, the UN Human Rights Council adopted a resolution recognizing the right to a clean, healthy, and sustainable environment as a human right.<sup>44</sup>

#### ■ Importance of Environmental Due Diligence and Related Rules

In addition to human rights DD, companies are increasingly being expected to also carry out environmental DD, which addresses negative impacts on the environment through the supply chains and other business relationships.

The supply chain-related regulations including the French Vigilance Law; the German Supply Chain DD Act, and a draft of a Corporate Sustainability DD Directive submitted by the European Commission mandate companies to conduct DD on both human rights and the environment.

The Ministry of the Environment of Japan has also published "An introduction to Environmental Due Diligence in the Value Chain: Referring to OECD Guidance".

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<sup>44</sup> <https://www.ohchr.org/en/press-releases/2021/10/human-rights-council-adopts-four-resolutions-right-development-human-rights?LangID=E&NewsID=27634>

## ■ Reference Materials and Guidance

- Ministry of the Environment of Japan, "An Introduction to Environmental Due Diligence in the Value Chain: Referring to OECD Guidance" (Japanese)<sup>45</sup>
- OECD Case Studies on Environmental Due Diligence: Examples from Japanese Businesses<sup>46</sup>

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<sup>45</sup> <http://www.env.go.jp/policy/j-hiroba/kankyoDDnyumon.pdf>

<sup>46</sup> <https://mneguidelines.oecd.org/case-studies-on-environmental-due-diligence-english-version.pdf>



## 2. Sustainability Issues and Examples of Possible Actions Relating to Specific Sectors and/or Commodities

This section focuses on examples of some high-risk sectors and commodities in general and explains the content of their sustainability issues and examples of responses through a Q&A format. Please note that there are other sectors and products that you should keep in mind even if they are not listed in this section.

### 1 Agriculture, Forestry and Fishery Products, and Other Foods

**Q** We produce or procure agricultural, forestry and fishery products, and other foods. Are there any risks to human rights and the environment that we need to keep in mind?

**A** Regarding agriculture, forestry and fishery products and foods, human rights risks such as forced labor and child labor and environmental risks such as deforestation and loss of biodiversity due to agricultural land conversion are generally high in the upstream supply chains. Therefore, it is necessary to carefully assess and address these risks.

## Commentary

### ■ Examples of Risks Specific to Agriculture, Forestry and Fisheries, and Food Supply Chains

In supply chains related to agriculture, forestry, fisheries, and food products, the following risks related to human rights and the environment could be found among the common practices:

- Unfair contracts and labor conditions with respect to small business owners
- Child labor at production sites
- Forced labor of migrant workers
- Child labor, unfair wages and poor working conditions on plantations that produce palm oil.
- Forced relocations that are associated with the development of plantations
- Health hazards caused by pesticides
- Forced relocation for farmland development
- Violence and forced labor on ships
- Disruption of Indigenous people's livelihoods due to illegal deforestation

(See page 9 of the Business Policy Forum, Japan's Investigative Research on How "Business and Human Rights" Should Be for The New Era)

OECD-FAO Guidance for Responsible Agricultural Supply Chains describes risk-mitigation and prevention measures in the areas of human rights, labor rights, health and safety, food security and nutrition, tenure right over and access to natural resources, animal welfare, environmental protection, and sustainable use of natural resources, governance, and technology and innovation.

## ■ Reference Materials and Guidance

- Business Policy Forum, Japan "Investigative Research on How "Business and Human Rights" Should Be for The New Era"<sup>47</sup>
- OECD-FAO Guidance for Responsible Agricultural Supply Chains<sup>48</sup>

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<sup>47</sup> <https://www.bpfj.jp/cms/wp-content/uploads/2020/05/Investigative-Research-on-How-Business-and-Human-Rights.pdf>

<sup>48</sup> <https://mneguidelines.oecd.org/OECD-FAO-Guidance.pdf>

## 2 Apparel and Textile Industry

**Q** We produce or procure apparel and textiles. Are there any risks to human rights and the environment that we need to keep in mind?

**A** Regarding apparel and textiles, there are generally high risks associated with labor practices and environmental pollution at every stage of the supply chains from cotton-harvesting farms to garment factories. Careful investigation and responses are important throughout the supply chains.

### Commentary

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#### ■ Examples of Risks Specific to the Apparel and Textile Supply Chain

In the supply chains related to apparel and textiles, the following risks related to human rights and the environment could be found among the common practices:

- Long work hours, unfair wages, and working conditions in sewing factories.
- Impacts on health regarding occupational health and safety, and the use of chemical products in dyeing factories.
- Health hazards caused by the use of pesticides in cultivating cotton as a raw material.
- Child labor, forced labor.
- Forced labor of migrant workers.
- Effects on health associated with water pollution from the release of wastewater containing hazardous substances.
- Sexual harassment in the workplace and gender-based violence.

(See page 9 of the Business Policy Forum, Japan's Investigative Research on How "Business and Human Rights" Should Be for The New Era)

The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector explains the nature of human rights and environmental risks in the apparel and footwear sector, as well as risk prevention and mitigation measures.

#### ■ Reference Materials and Guidance

- Business Policy Forum, Japan "[Investigative Research on How "Business and Human Rights" Should Be for The New Era](https://www.bpfj.jp/cms/wp-content/uploads/2020/05/Investigative-Research-on-How-Business-and-Human-Rights.pdf)"<sup>49</sup>
- [OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector](https://mneguidelines.oecd.org/oecd-due-diligence-guidance-garment-footwear.pdf)<sup>50</sup>

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<sup>49</sup> <https://www.bpfj.jp/cms/wp-content/uploads/2020/05/Investigative-Research-on-How-Business-and-Human-Rights.pdf>

<sup>50</sup> <https://mneguidelines.oecd.org/oecd-due-diligence-guidance-garment-footwear.pdf>

### 3 Natural Rubber

Q

Natural rubber is included in the products we handle. What do we need to pay attention to when procuring natural rubber?

A

As human rights and environmental risks are generally high in the procurement of natural rubber, Our Company requests our business partners, including suppliers, to carefully assess and address these risks and disclose the information in accordance with our Natural Rubber Procurement Policy.

## Commentary

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### ■ Risks and Related Rules for Procurement of Natural Rubber

With regard to natural rubber, there are various risks in general, including environmental impacts such as deforestation and loss of biodiversity due to illegal logging and plantation development and social impacts such as human rights violations of workers and local residents.

From the viewpoint of preventing such environmental and human rights risks, Mitsui & Co. has formulated the Natural Rubber Procurement Policy as shown in the Appendix. Regarding natural rubber, Our Company requests our business partners, including suppliers, to procure it in compliance with the requirements stipulated in our policy.

In 2018, WBCSD's TIP (Tire Industry Project), which is composed of global tire manufacturers, established the Global Platform for Sustainable Natural Rubber (GPSNR) and in 2020 published its policy framework.

### ■ Reference Materials and Guidance

- Mitsui & Co. "[Natural Rubber Procurement Policy](#)"
- [Global Platform for Sustainable Natural Rubber \(GPSNR\)](#)<sup>51</sup>
- [GPSNR Policy Framework](#)<sup>52</sup>

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<sup>51</sup> <https://sustainablenaturalrubber.org/>

<sup>52</sup> <https://sustainablenaturalrubber.org/policy-framework/>

## 4 Palm Oil

**Q** The products we handle include palm oil. What do we need to pay attention to when procuring palm oil?

**A** As human rights and environmental risks are generally high in the procurement of palm oil, Our Company requests our business partners, including suppliers, to carefully assess and address these risks and disclose the information in accordance with our Palm Oil Procurement Policy.

### Commentary

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#### ■ Risks and Related Rules for Palm Oil Procurement

Regarding palm oil, there are various risks in general, including environmental impacts such as deforestation and loss of biodiversity due to illegal logging and plantation development and social impacts such as human rights violations of workers and local residents.

From the viewpoint of preventing environmental and human rights risks, there is an increasing demand for palm oil to be produced and procured based on NDPE (No Deforestation, No Peat, and No Exploitation) policy.

Based on the above, Mitsui & Co. has formulated the Palm Oil Procurement Policy as shown in the Appendix. Concerning palm oil, Our Company has set targets based on our policy and requests our business partners, including suppliers, for timely and appropriate disclosure of information on the progress.

It may be also useful to procure palm oil certified by RSPO, an internationally recognized certification body.

#### ■ Reference Materials and Guidance

- Mitsui & Co. "[Palm Oil Procurement Policy](#)"
- [RSPO \(Roundtable on Sustainable Palm Oil\)](#)<sup>53</sup>

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<sup>53</sup> <https://rspo.org/>

## 5 Timber and Paper Products

**Q** The products we handle include timber and paper products. What do we need to pay attention to when procuring timber and paper products?

**A** As human rights and environmental risks are generally high in the procurement of wood and paper products, Our Company requests our business partners, including suppliers, to carefully assess and address these risks and disclose the information in accordance with our Timber Procurement Policy and Paper Product Procurement Policy.

### Commentary

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#### ■ Risks Related to Timber and Paper Products Procurement and Related Rules

Regarding timber and paper products, there are various risks in general, including environmental impacts such as deforestation and loss of biodiversity due to illegal or excessive logging and social impacts such as human rights violations of workers and local residents.

In light of the above, imports of illegally logged timbers are restricted in accordance with the Lacey Act in the United States and the Timber Regulations in the EU. In Japan, although there are no regulations comparable to those in Europe and the United States, the distribution and use of legally logged timber have been promoted in accordance with the Clean Wood Act.

From the viewpoint of preventing environmental and human rights risks, Mitsui & Co. has formulated procurement policies for timber and paper products, and Our Company requests our business partners, including suppliers, to procure products in compliance with the requirements stipulated in our policies.

In addition, there are FSCs and PEFC as certifications for timber and paper products produced from forests that are managed in a sustainable manner. It may be also useful to procure these certified products.

#### ■ Reference Materials and Guidance

- Mitsui & Co. "[Timber Procurement Policy](#)" and "[Paper Products Procurement Policy](#)"
- Ministry of Agriculture, Forestry and Fisheries of Japan "[Clean wood Act](#)" website, which provides information on legally harvested timbers<sup>54</sup>
- [Forest Management Council \(FSC\)](#)<sup>55</sup>
- [PEFC \(Programme for the Endorsement of Forest Certification\)](#)<sup>56</sup>

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<sup>54</sup> <https://www.rinya.maff.go.jp/j/riyou/goho/english/english-index.html>

<sup>55</sup> <https://fsc.org/en>

<sup>56</sup> <https://www.pefc.org/>

## 6 Conflict Minerals

**Q** We procure conflict minerals such as tin, tantalum, tungsten, and gold for our products. What do we need to pay special attention to in procuring conflict minerals? What about minerals other than conflict minerals?

**A** Regarding conflict minerals, the law obligates certain companies to carry out and/or disclose DD in Europe and the United States in consideration of the risk of complicity in human rights violations. It is crucial to ensure transparency in the supply chains by utilizing the OECD Conflict Minerals DD Guidance, and templates, and the refinery lists published by the Responsible Business Alliance (RBA)'s Responsible Minerals Initiative ("RMI").

For minerals other than conflict minerals, cobalt, mica, copper, lead, nickel, and zinc may need to be reviewed carefully.

### Commentary

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#### ■ Risks Related to Conflict Minerals

Conflict minerals generally refer to tin, tantalum, tungsten, and gold, which are referred to as the 3TG metals by their acronyms.

Extraction and trade of minerals in conflict-affected areas, with the involvement of armed groups, can lead to the funding of armed groups, and can also cause human rights violations such as forced labor and child labor, and environmental pollution. Companies need to implement DD on the use of conflict minerals throughout the supply chains in order to avoid issues such as conflicts and human rights violations. The OECD has issued the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Conflict Minerals DD Guidance).

#### ■ Relevant Rules for Conflict Minerals

In the United States, based on the Dodd-Frank sect's Section 1502 on conflict minerals, listed U.S. companies are required to conduct DD and make disclosure regarding the use of conflict minerals procured from the Democratic Republic of the Congo and its neighboring countries.

Moreover, the EU requires importers to disclose DD on conflict minerals extracted and traded in "conflict-affected areas and high-risk areas (CAHRAs: Conflict-Affected and High-Risk Areas)" in accordance with the EU Conflict Mineral Regulations. CAHRAs list has also been published and updated. Both regulations specify 3TG as conflict minerals and refer to the OECD Conflict Minerals DD Guidance as guidance for DD.

In order to effectively implement DD on conflict minerals, it is also useful to use RMI's Conflict Minerals Reporting Template (CMRT) and its audited refinery list.

## ■ Minerals other than Conflict Minerals

Minerals other than 3TG may also pose risks related to human rights violations. The RMI also publishes conflict mineral reporting templates for cobalt and mica.

The RMI and other mineral industry groups have also published the Joint Due Diligence Standard for Copper, Lead, Nickel, and Zinc.

## ■ Reference Materials and Guidance

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas<sup>57</sup>
- CAHRAs List<sup>58</sup>
- RMI (Responsible Minerals Initiative)<sup>59</sup>
- The Copper Mark, the International Lead Association (ILA), the International Zinc Association (IZA), the Nickel Institute and the Responsible Minerals Initiative (RMI) "Joint Due Diligence Standard for Copper, Lead, Nickel, and Zinc"<sup>60</sup>

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<sup>57</sup> <https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>

<sup>58</sup> <https://www.cahraslist.net/cahras>

<sup>59</sup> <https://www.responsiblemineralsinitiative.org/>

<sup>60</sup> [https://coppermark.org/wp-content/uploads/2021/01/Joint-Due-Diligence-Standard\\_FINAL\\_09FEB21.pdf](https://coppermark.org/wp-content/uploads/2021/01/Joint-Due-Diligence-Standard_FINAL_09FEB21.pdf)



### 3. Practical Actions in Sustainable Supply Chain Management

This section explains how our business partners can take practical actions for implementing sustainable supply chain management.

#### 1 DD Implementation Steps

**Q**

How can we implement human rights and environmental DD throughout the supply chains?

**A**

For the implementation of human rights and environmental DD, following the six steps presented in the OECD DD Guidance is helpful: (1) embedding RBC into the enterprise's policies and management systems; (2) identifying actual or potential adverse impacts on RBC issues; (3) ceasing, preventing, or mitigating them; (4) tracking implementation and results; (5) communicating how impacts are addressed; and (6) enabling remediation when appropriate.

In order to maintain internal control over human rights and environmental risks, it is important to continuously implement these steps. Our Company requests our suppliers to consider the implementation of human rights and environmental DD in accordance with the steps described in the explanation.

#### Commentary

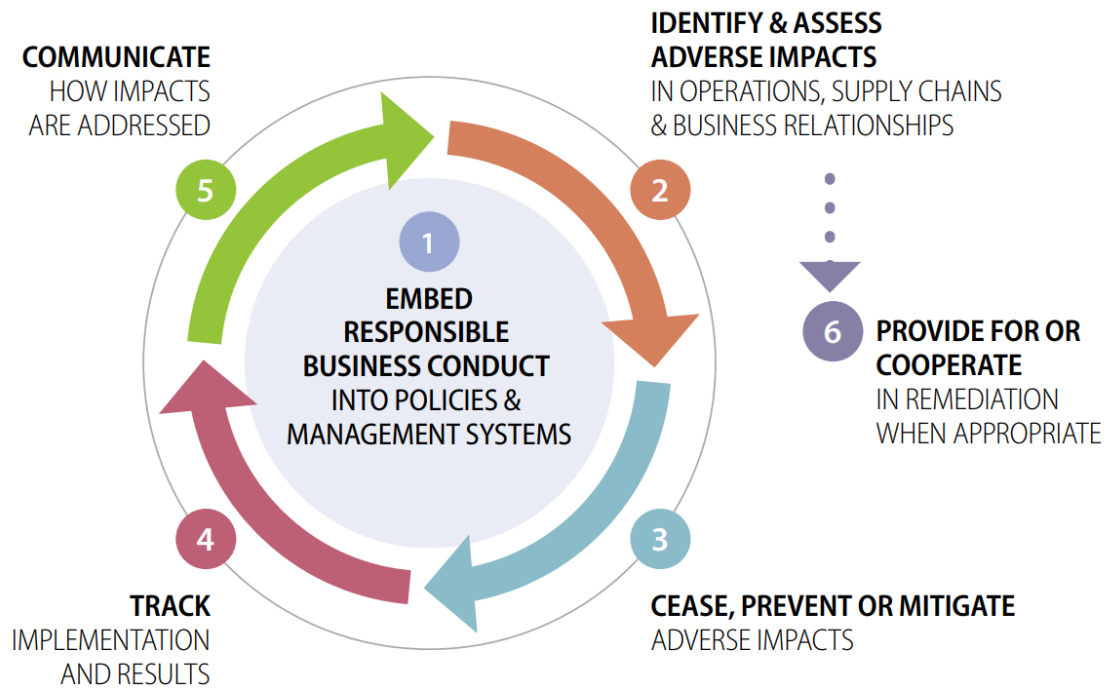
##### ■ Meaning of Due Diligence

The term due diligence (DD) may lead some readers to associate with research into corporate Mergers & Acquisitions. However, DD in general terms means reasonable care. The situations in which companies should take a reasonable duty of care are not limited to the situations of corporate M&A but extend to all business activities.

##### ■ Six Steps Presented by OECD DD Guidance

The OECD DD Guidance, based on the UN Guiding Principles on Human Rights DD and OECD Guidelines, classifies the six steps of human rights and environmental DD through the supply chains and the supporting measures: (1) embedding Responsible Business Conduct ("RBC") into the enterprise's policies and management systems; to undertake due diligence by (2) identifying actual or potential adverse impacts on RBC issues, (3) ceasing, preventing or mitigating them, (4) tracking implementation and results, (5) communicating how impacts are addressed; and (6) enabling remediation when appropriate. DD is a dynamic process that repeat these steps and can be viewed as an "internal control process for human rights and environmental risks."

**FIGURE 1. DUE DILIGENCE PROCESS & SUPPORTING MEASURES**



(Source: OECD DD Guidance p. 21)

The OECD DD Guidance summarizes concrete actions and frequently asked questions about each step of these DD processes and supporting measures

#### ■ Reference Materials and Guidance

- OECD Due Diligence Guidance for Responsible Business Conduct<sup>61</sup>

<sup>61</sup> <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

## 2 Supply Chain Management

**Q** How can we investigate and manage a large number of supply chains, including sub-suppliers beyond “tier 1”?

**A** It would be difficult to uniformly manage all the supply chains. It is efficient and effective to carry out a scoping exercise to identify business areas where negative impacts on human rights and the environment are significant in the business’ operation and supply chains and then to prioritize suppliers which have significant risks.

### Commentary

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#### ■ Risk-Based Approach

It is likely that most companies have a large number of suppliers and other business partners, including sub-suppliers beyond “tier 1”. It would be impossible to uniformly manage a wide range of human rights and environmental issues for all the suppliers and business partners. Therefore, it is efficient and effective to identify business areas and suppliers that are likely to have significant negative impacts on human rights and the environment and to conduct investigations of issues and suppliers that may have significant risks. However, this risk-based approach requires a careful assessment of the human rights and environmental impacts of the company's business activities and supply chains through a scoping exercise, which will be described below. This process is positioned in the Step 2 “Identify and Assess Impacts” of the OECD DD Guidance.

#### ■ Scoping Exercises

In assessing negative impacts through the supply chain, it is necessary to conduct an impact assessment on the enterprise's business activities and supply chains, and on the enterprise as a whole.

It is important to assess which sectors, countries, regions, products, and business partners have significant impacts and to identify business areas that are likely to have significant human rights and environmental issues, by utilizing reports and data published by various entities, such as governments and NGOs, and by conducting questionnaire surveys of their business units, subsidiaries, suppliers, etc.

#### ■ Detailed Investigation of Business Areas Identified with Scoping

For the business areas to have significant risks that are found out as a result of the scoping exercise, it is necessary to address those risks by conducting more detailed investigations.

For suppliers in the business areas with significant risks, it is important to conduct additional investigations, such as conducting detailed questionnaires and conducting on-site inspections, and then to consider appropriate responses upon understanding the actual situation.

It is also useful to conduct "supply chain mapping" that traces back the company's supply chains up to the raw materials.

It may also be necessary to obtain risk information about business partners positioned as sub-suppliers beyond "tier 1" with whom your company does not have a direct contractual relationship.

### ■ Investigation of Sub-Suppliers Beyond "Tier 1"

Although there may be difficulties with investigating sub-suppliers beyond "tier 1" due to the lack of direct contractual relationships, the following methods are recommended in Q28 (page 68) and BOX 5 (page 69) of the OECD DD Guidance:

- Request the direct suppliers to disclose the information needed for assessing the risks associated with sub-suppliers beyond "tier 1".
- Use an existing traceability or chain of custody scheme to gain visibility of its business relationships further up the supply chains.
- Collect sub-suppliers beyond "tier 1" information based on existing credible assessments of business relationships further up the supply chains, such as assessments shared through a collaborative initiative or passed down through cascading disclosure or flow down provisions on written agreements (Cascading disclosure refers to the situation when an enterprise discloses information to immediate downstream purchases, who then pass them down to their purchases).
- Investigate and engage suppliers operating at the "Control Points" in the supply chains (companies with significant leverage over upstream suppliers. e.g., smelters and refineries for conflict minerals).

### ■ Reference Materials and Guidance

- OECD Due Diligence Guidance for Responsible Business Conduct<sup>62</sup>

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<sup>62</sup> <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

### 3 Exercise of Leverages

**Q**

We found out that there are companies in the supply chains that are suspected of violating human rights, but how should we deal with them?

**A**

Your company may be expected to prudently review companies suspected of human rights violations with respect to the existence and manner of human rights violations and to encourage them to remediate any risks of human rights violations. Before considering terminating the business relationship from the beginning, it would be effective to increase the leverage on business partners in various ways and explore ways to remediate the problems. This approach also helps to maintain a trust relationship with your business partners.

## Commentary

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### ■ Necessity of Preventing and Mitigating Negative Impacts

If any company in the supply chains is suspected of violating human rights, there may be potential or actual negative impacts on human rights. Therefore, your company may be expected to take actions to prevent and mitigate such negative impacts.

Even if your company does not contribute to the human rights violations caused by your suppliers, your company may be connected to human rights violations through your business relationships. In this sense, your company is expected to seek ways to use your leverage and encourage your supplier to remediate them.

These actions are positioned as the Step 3 “Cease, Prevent, and Mitigate Impacts” of the OECD DD Guidance.

### ■ Terminating Business Relationships as the Last Resort

The UN Guiding Principles do not always require business enterprises to terminate business relationships with suppliers, and other parties that have caused human rights violations in the event of a human rights violation situation in the supply chains. Terminating business relationships immediately to avoid reputation risk may leave the situation in violation of human risks. As a first step, it is important for business enterprises to use their leverage in a variety of ways to seek remedial measures from companies that cause human rights violations. If it is still not possible to remediate the situations, it is necessary to consider terminating transactions as the last resort (Please see the Commentary of Principle 19 of the UN Guiding Principles).

### ■ Method of Exercising Leverages

Page 30 of the OECD DD Guidance explains that there are various ways in which companies can exercise their leverage over their business partners. Some of the methods are:

- Support or collaborate with the relevant business relationship(s) in developing fit-for-purpose plans for them to prevent or mitigate adverse impacts identified within reasonable and clearly defined timelines, using qualitative and quantitative indicators for defining and measuring improvement (sometimes referred to as “corrective action plans”)
- If the enterprise does not have sufficient leverage, consider ways to build additional leverage with the business relationship, including for example, through outreach from senior management and through commercial incentives; by collaboration with industry associations; or through engagement with governments.
- Seek to build leverage into new and existing business relationships. For example, through policies or codes of conduct, contracts, written agreements, or the use of market power.
- Encourage entities causing or contributing to adverse impacts to consult and engage with impacted or potentially impacted rightsholders or their representatives in developing and implementing corrective action plans.
- Support relevant suppliers and other business relationships in the prevention or mitigation of adverse impacts or risks. For example, through training, upgrading of facilities, or strengthening of their management systems, striving for continuous improvement.
- Support business partners in preventing or mitigating negative impacts or risks.

## ■ Reference Materials and Guidance

- OECD Due Diligence Guidance for Responsible Business Conduct<sup>63</sup>

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<sup>63</sup> <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

## 4 Grievance Mechanisms

Q

How should we respond to stakeholder complaints?

A

Effective grievance mechanisms must be in place to adequately respond to stakeholder complaints. For example, your company can clarify who is the person in charge of handling complaints and the department in charge; establish a contact point for reporting and consultation; and formulate the complaint handling procedures in advance.

In dealing with specific complaints, it is more effective to take more prudent responses according to the severity of the complaint. Even if your company recognizes that your company may not assume any legal responsibility for the complaints, your company may be able to voluntarily resolve issues at an early stage by providing and supporting access to remedies for stakeholders. This may enable your company to contribute to resolving the social agenda.

### Commentary

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#### ■ Importance of Grievance Mechanisms

Principle 29 of the UN Guiding Principles stipulates that business enterprises should establish an effective operation-level grievance mechanism. It is important for business enterprises to timely respond to complaints and provide remedies for a wide range of stakeholders who may be negatively affected by business activities.

These grievance mechanisms support and complement DD processes. They facilitate the assessment of negative impacts of business activities as an "early warning system" and enable remedial actions in the event of actual negative impacts.

An early response to stakeholder complaints is beneficial for business enterprises in preventing and mitigating damage to the corporate value through ensuring appropriate prevention and response to corporate scandals.

#### ■ Criteria for Effectiveness of Grievance Mechanisms

The grievance mechanism should be effective. As criteria for the effectiveness of the grievance mechanism, Principle 31 of the UN Guiding Principles clarifies eight elements including 1) legitimate 2) accessible 3) predictable 4) equitable 5) transparent 6) rights-compatible 7) a source of continuous learning and 8) based on engagement with stakeholders.

For example, it is important to establish a whistleblowing and consultation desk and disseminate it to stakeholders, including business partners, from the perspective of enhancing its accessibility. In addition, companies can increase the predictability and transparency of grievance mechanisms by designating the persons and department responsible for handling complaints and clarifying in advance how to handle them after receiving reports and consultations.

## ■ Proactive Actions in Complaint Handling

In order to effectively handle complaints while keeping in mind the limitations of a company's resources, a risk-based response is effective in implementing a more focused response to complaints of greater severity. In determining the severity of such complaints, it is important to deliberate the extent of any negative impact on stakeholders, in line with the human rights and the environment DD process. On the other hand, it is also useful to incorporate the stakeholder's concerns and expectations gained through the grievance mechanism to risk assessment in conducting supply chain DD of human rights and the environment.

Companies may be concerned that responding to stakeholder complaints may lead to recognizing their legal responsibility. Regardless of whether a company is legally responsible or not, providing and supporting remedies for stakeholders faced with difficulties can contribute to the ultimate goal of the SDGs "no one will be left behind".

In some cases, supporting stakeholder remedies may lead to an early resolution of the problem with clarification that the company is responding voluntarily from the perspective of resolving social issues, rather than with the intent of admitting legal responsibility. This initiative-taking commitment, rather than backward-looking conflict with stakeholders, may lead the company to avoid risks and, rather, to receive positive feedback from complainants and other stakeholders.

## ■ Reference Materials and Guidance

- Japan Responsible Supply Chains Committee "Engagement" and "Remedy" Guidelines for Promotion of Responsible Business Conduct and Responsible Supply Chains<sup>64</sup>

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<sup>64</sup> <https://www.bhrlawyers.org/en-erguidelines>



## 5 Points to Note for Small and Medium-sized Enterprises (SMEs)

**Q**

How can Small and Medium-sized Enterprises (SMEs) work on DD?

**A**

SMEs can also effectively carry out DD. For example, the strong leadership of management can lead to a change in awareness of the human rights among employees and the company can conduct its business activities with respect for human rights. Effective DD can be achieved also through thoroughly implementing risk-based DD while using external resources.

### Commentary

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#### ■ Executives Can Demonstrate Strong Leadership

In the case of SMEs, managements can demonstrate their leadership in resolving human rights and environmental issues, thereby exerting a strong influence on other officers and employees as well as on the entire corporate culture, and thus transforming the enterprise flexibly.

It is also important for managers to continuously send a message about their stance with respect to human rights and environmental considerations to officers and employees while securing certain budgets and personnel for tackling the issues.

#### ■ Thoroughly Implement Risk-Based Measures

It is not necessary to respond uniformly to all human rights and environmental issues. It is efficient to identify and assess negative impacts on human rights and the environment in relation to the company's business activities and supply chains, and to respond appropriately according to the level of risk.

Especially for companies with limited resources such as human resources and funds, it is effective to focus on addressing the business areas that can have significant risks. As a precondition for such a risk-based approach, it is essential to conduct ongoing and periodic assessments of the risks faced by the business or its supply chains.

#### ■ Actively Use External Resources

Due to the limited resources within the enterprise, it is also important to actively use resources outside the enterprise. Please also utilize this handbook published aiming to provide useful information on sustainable supply chain management practices and to support our business partners.

## ■ Reference Materials and Guidance

- Center for International Economic Collaboration (CFIEC) "Human Rights Due Diligence Guidelines for Small and Medium Enterprises - Achieving a Sustainable Society- "(Japanese)<sup>65</sup>
- European Commission "My business and human rights: A guide to human rights for small and medium-sized enterprises"<sup>66</sup>

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<sup>65</sup> <https://www.cfiec.jp/jp/pdf/gsg/guideline-20220215.pdf>

<sup>66</sup> <https://ec.europa.eu/docsroom/documents/10375/attachments/1/translations/en/renditions/pdf>

# Sustainability Policy

Formulated November 2021

Mitsui & Co.'s corporate mission as defined in its Mission, Vision, Values (MVV) is to realize a better tomorrow for earth and for people around the world and to "Build brighter futures, everywhere." Based on the MVV, we regard sustainability initiatives as important management issues, and, in accordance with the Mitsui & Co. Group Conduct Guidelines —With Integrity, this policy and sustainability-related policies, place a strong emphasis on sustainability in our corporate management. Our Group will take on the challenge of addressing global issues and contributing to the realization of a sustainable society and economic growth through our business activities.

## **Identification of Materiality and Promotion of Initiatives**

For the sustainable growth of both society and the company, we identify important business issues that impact the company and its stakeholders as material issues ("Materiality"). We put this policy into practice by formulating our business policies and strategies, including medium-term management plans and business plans, based on our Materiality, given that each material issue may become a significant source of both risks and opportunities in the medium to long term.

## **Role of the Board of Directors**

The Board of Directors appropriately supervises the Company's sustainability initiatives, striving to enhance the Company's corporate value in the medium to long term. Decisions on important issues related to sustainability are subject to final approval by or report to the Board of Directors, following a review by the Sustainability Committee and Corporate Management Committee.

## **Stakeholder Engagement and Information Disclosure**

We regard dialogue with stakeholders as highly important. We strive to implement appropriate disclosure of information and respond sincerely and faithfully to the trust and expectations of our stakeholders.

This policy was approved by the Board of Directors.

# Environmental Policy

Formulated in 1998  
Revised in February 2022

We will work to resolve environmental issues through our group business activities in countries and regions around the world, in accordance with our Sustainability Policy and this Policy.

We also expect various stakeholders, including our business partners, to understand and address environmental issues in accordance with this Policy, and aim to collaboratively achieve harmony with the environment.

## **Compliance with Relevant Environmental Laws and Regulations**

In pursuing our business activities, we will comply with relevant environmental laws and regulations, international standards and other such agreements made by our company.

## **Environmental Issues Related to Business Activities**

- **Climate Change**  
We will act to reduce greenhouse gas emissions, and also work to mitigate and adapt to climate change by pursuing businesses that contribute to the transition to a decarbonized society and to reducing the negative impacts of climate change.
- **Water Resources**  
We will work to conserve water resources by reducing water consumption and improving the efficiency of water resource use.
- **Biodiversity**  
We will assess the environmental impact of our business activities and work to conserve biodiversity.
- **Pollution Prevention**  
We will act to reduce hazardous waste and pollutants and ensure the proper handling of any such materials, and strive to prevent air, water and soil pollution.
- **Sustainable Resource Use**  
We will improve efficiency in the use of resources and energy and reduce waste. By pursuing business in the circular economy, we will work to achieve economic growth while reducing our burden on the environment.
- **Technology Development and Business Creation to Reduce Environmental Impact**  
We will develop and promote technologies and new businesses that reduce environmental impact.

**Construction of Environmental Management System**

We will set environmental targets, build a robust environmental management system to achieve them, and pursue continuous improvement and appropriate governance through periodic review.

**Stakeholder Engagement**

We will place importance on stakeholder dialogue, and appropriately address environmental issues relevant to our business activities.

**Remedy**

We will use appropriate processes to remedy environmental impacts found to have arisen from our business activities or relevant supply chains.

**Education and Training**

We will provide training and development opportunities for our employees and officers to enhance their ability to understand and act in accordance with this Policy.

**Reporting**

We will continuously report our efforts and progress on addressing environmental issues through our reports, websites, and other communication channels.

# Human Rights Policy

Formulated in August 2020

Revised in February 2022

We will strive to respect human rights through our group business activities in countries and regions around the world, in accordance with our Sustainability Policy and this Policy.

In addition, we expect various stakeholders including our business partners, to understand and respect human rights in line with this Policy, and aim to collaboratively promote respect for human rights.

## **Respecting Human Rights in our Business Activities**

We strive not to infringe on human rights in our business activities, nor to contribute to human rights infringements by others through our business relationships, including supply chains.

## **Respecting Internationally Recognized Human Rights Standards**

We are committed to respecting human rights, which we understand as, at minimum, those set out in the International Bill of Human Rights and the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work. We also support the United Nations Guiding Principles on Business and Human Rights and the Ten Principles of the United Nations Global Compact and conduct our business activities in line with these Principles. We comply with the laws and regulations of the countries and regions in which we conduct our business activities. Where internationally recognized human rights standards and national/regional laws and regulations are in conflict, we seek ways to honor the principles of internationally recognized human rights while complying with the laws and regulations.

## **Governance / Management Structure**

Our Board of Directors is responsible for overseeing the adherence to this Policy and the Policy implementation.

## **Human Rights Due Diligence**

We will implement human rights due diligence to identify, assess, prevent and mitigate adverse human rights impacts associated with our business activities.

## **Human Rights Issues related to Business Activities**

- **Forced Labor**

We do not tolerate forced labor. In addition, we do not tolerate any forms of modern slavery, including bonded labor or human trafficking.

- **Child Labor**

We do not tolerate child labor, and we comply with the minimum working age stipulated by the law. We do not hire individuals that are under the age of 18 for roles requiring hazardous work.

- **Discrimination**

We prohibit any form of discrimination based on race, creed, sex, social status, religion, nationality, age, sexual orientation, gender identity, physical and mental disability, or any other grounds. We respect the individuality and diversity of each individual employee and officer of the Mitsui & Co. group, and seek to cultivate an environment in which they can perform to the best of their abilities.

- **Harassment and Inhumane Treatment**

We do not tolerate any form of harassment, whether physical or mental, including sexual harassment or power harassment. Furthermore, we prohibit any language or behavior that could be harmful to the working environment of others including discriminatory language or behavior as well as harassment.

- **Freedom of Association and Right to Collective Bargaining**

We respect the rights of employees to associate freely and bargain collectively in our labor-management relations.

- **Working Hours and Wages**

We monitor employees' working hours, holidays, leaves of absence, and wages to ensure we are operating in accordance with applicable laws and regulations.

- **Occupational Health and Safety**

In line with applicable laws and regulations, we aim to develop safe, healthy working environments in which every individual employee can work with peace of mind.

- **Community Impact**

To prevent adverse impacts on the safety and health of local communities, we conduct human rights impact assessments, covering issues such as prevention of pollution and water stress, and implement necessary measures in line with international standards to avoid risks and mitigate negative impacts.

## **Stakeholder Engagement**

We believe it is critical to understand human rights issues from the perspectives of affected stakeholders. We further recognize that certain groups of stakeholders are more vulnerable to adverse human rights impacts and thus require special attention. We, therefore, value the importance of dialogues with relevant parties and strive to properly respond to human rights issues associated with our business activities.

## **Remedy**

Where we identify that our business activities have caused adverse human rights impact or contributed to it through our business transactions including our supply chains, we will work to remediate such impacts through appropriate processes.

**Grievance Mechanisms**

We continue to build upon our whistleblowing procedures and grievance mechanisms to promptly identify and respond to human rights issues related to our employees and officers or wider business activities.

**Education and Training**

We will provide necessary training and capacity building to our employees and officers to ensure that they understand this Policy and act in line with the commitments in this Policy.

**Reporting**

We will continuously report our efforts and progress on respecting human rights through our reports, websites, and other communication channels.



# Sustainable Supply Chain Policy

Formulated in December 2007

Revised in February 2022

We will strive to understand the issues associated with the supply chains of our group's business activities in countries and regions around the world, in accordance with our Sustainability Policy and this Policy, and work with suppliers and other business partners to achieve a sustainable supply chain.

## **Expectations for Business Partners**

We will require our suppliers and other business partners to understand and implement the following principles, and will work collaboratively with them to promote the objectives of this Policy across the entire supply chain:

### **Respect for International Standards**

To ensure compliance with applicable laws and regulations of relevant countries, fair transactions in accordance with international rules and practice, and corruption prevention.

### **Respect for Human Rights**

To strive not to infringe on human rights in our business activities, nor to contribute to human rights infringements by others through our business relationships, including supply chains.

- **Forced Labor**  
Not to tolerate forced labor or any forms of modern slavery, including bonded labor or human trafficking.
- **Child Labor**  
Not to tolerate child labor and to comply with the minimum working age stipulated by the law. Not to hire individuals that are under the age of 18 for roles requiring hazardous work.
- **Discrimination**  
To prohibit any form of discrimination in employment.
- **Harassment and Inhumane Treatment**  
Not to tolerate any form of harassment, irrespective of whether it is physical or mental harassment.
- **Freedom of Association and Right to Collective Bargaining**  
To respect the rights of employees to associate freely and bargain collectively in our labor-management relations.
- **Working Hours and Wages**  
To properly manage employees' working hours, holidays, leaves of absence, and wages in accordance with applicable laws and regulations.

- **Occupational Health and Safety**

To secure the health and safety of employees in the work environment.

- **Community impact**

To conduct human rights impact assessments, covering issues such as prevention of pollution and water stress, for prevention of adverse impacts on the safety and health of local communities. To implement necessary measures in line with international standards to avoid risks and mitigate negative impacts.

### **Initiatives to Address Environmental Issues**

To work with our suppliers and other business partners with the aim of achieving harmony with the environment in our business activities.

- **Climate Change**

To act to reduce greenhouse gas emissions.

- **Water Resources**

To work to conserve water resources by reducing water consumption and improving the efficiency of water resource use.

- **Biodiversity**

To assess the environmental impact of our business activities and work to conserve biodiversity.

- **Pollution Prevention**

To act to reduce hazardous waste and pollutants and ensure the proper handling of any such materials, and strive to prevent air, water and soil pollution.

- **Sustainable Resource Use**

To improve efficiency in the use of resources and energy and reduce waste

### **Safety and Security of Products and Services**

To ensure safety and security of products and services.

### **Remediation Guidance**

If a business partner acts in violation of this Policy and causes an adverse impact on the environment or on human rights, we will provide remediation guidance to the business partner. If it is determined that the situation has not improved despite ongoing guidance, we will take measures including a potential reconsideration of the business relationship.

### **Information Disclosure**

We will properly disclose information related to the above principles in a timely manner.

# Natural Rubber Procurement Policy

Formulated in July 2021

Revised in February 2022

Mitsui & Co. recognizes that our handling of natural rubber comes with various inherent risks, including environmental risks such as deforestation caused by illegal logging and agricultural development and the loss of biodiversity that accompanies this, and social risks such as violations of worker's rights and the human rights of local communities.

Therefore, we have formulated a natural rubber procurement policy under our Sustainable Supply Chain Policy with the aim of realizing natural rubber procurement that results in zero deforestation and exploitation of workers, indigenous peoples and local peoples.

## Scope of Coverage

Mitsui & Co. and consolidated subsidiaries ("Mitsui & Co. group")

## Applicable Products

Natural rubber handled by the Mitsui & Co. group ("Natural Rubber")

## Conduct Guidelines

We recognize the importance of natural capital. That is why we work to obtain environment-related certifications, as well as practice the sustainable procurement and supply of resources, materials, foods, and products that are essential for developing a society that takes into account the need to address climate change and biodiversity conservation.

In addition to implementing the following principles ourselves, we also require business partners, including suppliers, to understand and implement these principles with the aim of building sustainable supply chains collaboratively with our partners.

- To carry out fair transactions that take into account international rules and customs and that comply with laws and regulations of the countries and regions in which business activities take place, including export destinations, and to thoroughly prevent corruption.
- To confirm that there will be no procurement from suppliers connected to serious environmental or human rights violations when beginning a new transaction.
- To strive to ensure traceability in Natural Rubber production areas.
- To avoid being complicit in development that affects high conservation value (HCV), high carbon stock (HCS), or peat swamp forests.

- To confirm that business partners have taken environmental impact into account, including the conservation of ecosystems and water resources in production areas, and chemical substance management.
- To request that business partners ensure freedom from forced labor and child labor, and employee freedom from discrimination, harassment, and inhumane treatment, respect for freedom of association and the right to collective bargaining are being maintained and that work hours and wages and occupational health and safety are appropriate.
- To confirm that business partners are showing sufficient consideration to relationships with local communities and the customary rights of local peoples.
- To strive to respect the human rights and cultures of indigenous peoples in accordance with relevant international standards such as the United Nations Declaration on the Rights of Indigenous Peoples, the Convention concerning Indigenous and Tribal Peoples in Independent Countries (ILO Convention: C169), the principle of Free, Prior and Informed Consent (FPIC), as well as all applicable laws and regulations.
- To encourage suppliers to maintain dialogue with various stakeholders, including local peoples, NGOs, experts, and third-party institutions.

### **Information Disclosure**

We will set targets based on the above principles and properly disclose in a timely manner.

# Palm Oil Procurement Policy

Formulated in July 2021

Revised in February 2022

Mitsui & Co. recognizes that our handling of palm oil comes with various inherent risks, including environmental risks such as deforestation caused by illegal logging and agricultural development and the loss of biodiversity that accompanies this, and social risks such as violations of worker's rights and the human rights of local communities.

Therefore, we have formulated a palm oil procurement policy under our Sustainable Supply Chain Policy with the aim of realizing palm oil procurement that results in zero deforestation and exploitation of workers, indigenous peoples and local peoples.

## Scope of Coverage

Mitsui & Co. and consolidated subsidiaries ("Mitsui & Co. group")

## Applicable Products

Palm oil and palm kernel oil handled by the Mitsui & Co. group ("Palm Oil")

## Conduct Guidelines

We recognize the importance of natural capital. That is why we work to obtain environment-related certifications, as well as practice the sustainable procurement and supply of resources, materials, foods, and products that are essential for developing a society that takes into account the need to address climate change and biodiversity conservation.

We support the RSPO's philosophy of contributing to sustainability through industry and joined the organization in 2008.

In addition to implementing the following principles ourselves, we also require business partners, including suppliers, to understand and implement these principles with the aim of building sustainable supply chains collaboratively with our partners.

- To carry out fair transactions that take into account international rules and customs and that comply with laws and regulations of the countries and regions in which business activities take place, including export destinations, and to thoroughly prevent corruption.
- To confirm that there will be no procurement from suppliers connected to serious environmental or human rights violations when beginning a new transaction.
- To strive to ensure traceability in palm production areas.
- To promote procurement based on the NDPE (No Deforestation, No Peat, No Exploitation) principle.

- To avoid being complicit in development that affects high conservation value (HCV), high carbon stock (HCS), or peat swamp forests.
- To confirm that business partners have taken environmental impact into account, including the conservation of ecosystems and water resources in production areas, and chemical substance management.
- To ensure that freedom from forced labor and child labor, and employee freedom from discrimination, harassment, and inhumane treatment, respect for freedom of association and the right to collective bargaining are being maintained and that work hours and wages and occupational health and safety are appropriate.
- To confirm that business partners are showing sufficient consideration to relationships with local communities and the customary rights of local peoples.
- To strive to respect the human rights and cultures of indigenous peoples in accordance with relevant international standards such as the United Nations Declaration on the Rights of Indigenous Peoples, the Convention concerning Indigenous and Tribal Peoples in Independent Countries (ILO Convention: C169), the principle of Free, Prior and Informed Consent (FPIC), as well as all applicable laws and regulations.
- To maintain dialogue with various stakeholders, including local peoples, NGOs, experts, and third-party institutions.

### **Information Disclosure**

We will set targets based on the above principles and properly disclose in a timely manner.

# Timber Procurement Policy

Formulated in July 2021

Revised in February 2022

Mitsui & Co. recognizes that our handling of timber comes with various inherent risks, including environmental risks such as deforestation caused by illegal logging and agricultural development and the loss of biodiversity that accompanies this, and social risks such as violations of worker's rights and the human rights of local communities.

Therefore, we have formulated a timber procurement policy under our Sustainable Supply Chain Policy with the aim of realizing timber procurement that results in zero deforestation and exploitation of workers, indigenous peoples and local peoples.

## Scope of Coverage

Mitsui & Co. and consolidated subsidiaries ("Mitsui & Co. group")

## Applicable Products

Timber handled by the Mitsui & Co. group (including chips and other raw materials for paper products) ("Timber")

## Conduct Guidelines

We recognize the importance of natural capital. That is why we work to obtain environment-related certifications, as well as practice the sustainable procurement and supply of resources, materials, foods, and products that are essential for developing a society that takes into account the need to address climate change and biodiversity conservation.

In addition to implementing the following principles ourselves, we also require business partners, including suppliers, to understand and implement these principles with the aim of building sustainable supply chains collaboratively with our partners.

- To carry out fair transactions that take into account international rules and customs and that comply with laws and regulations of the countries and regions in which business activities take place, including export destinations, and to thoroughly prevent corruption.
- To confirm that there will be no procurement from suppliers connected to serious environmental or human rights violations when beginning a new transaction.
- To confirm that Timber has been legally certified.
- To strive to ensure traceability in Timber production areas.
- To strive to expand handling of products that have received internationally trusted forest certification.

- To strive to avoid being complicit in development that affects high conservation value (HCV), high carbon stock (HCS), or peat swamp forests. (There are exceptions, such as selectively cut natural forests.)
- To confirm that business partners have taken environmental impact into account, including the conservation of ecosystems and water resources in production areas, and chemical substance management.
- To ensure that business partners are ensuring that freedom from forced labor and child labor, and employee freedom from discrimination, harassment, and inhumane treatment, respect for freedom of association and the right to collective bargaining are being maintained and that work hours and wages and occupational health and safety are appropriate.
- To confirm that business partners are showing sufficient consideration to relationships with local communities and the customary rights of local peoples.
- To strive to respect the human rights and cultures of indigenous peoples in accordance with relevant international standards such as the United Nations Declaration on the Rights of Indigenous Peoples, the Convention concerning Indigenous and Tribal Peoples in Independent Countries (ILO Convention: C169), the principle of Free, Prior and Informed Consent (FPIC), as well as all applicable laws and regulations.
- To encourage suppliers to maintain dialogue with various stakeholders, including local peoples, NGOs, experts, and third-party institutions.

### **Information Disclosure**

We will set targets based on the above principles and properly disclose in a timely manner.



# Paper Products Procurement Policy

Formulated in July 2021

Revised in February 2022

Mitsui & Co. recognizes that our handling of paper products comes with various inherent risks, including environmental risks such as deforestation caused by illegal logging and agricultural development and the loss of biodiversity that accompanies this, and social risks such as violations of worker's rights and the human rights of local communities.

Therefore, we have formulated a paper products procurement policy under our Sustainable Supply Chain Policy with the aim of realizing paper products procurement that results in zero deforestation and exploitation of workers, indigenous peoples and local peoples.

## Scope of Coverage

Mitsui & Co. and consolidated subsidiaries ("Mitsui & Co. group")

## Applicable Products

Paper products (including pulp raw materials and paper products derived from natural resources such as forest resources, but excluding products derived from recovered paper raw materials) ("Paper Products") handled by Mitsui & Co. group

## Conduct Guidelines

We recognize the importance of natural capital. That is why we work to obtain environment-related certifications, as well as practice the sustainable procurement and supply of resources, materials, foods, and products that are essential for developing a society that takes into account the need to address climate change and biodiversity conservation.

In addition to implementing the following principles ourselves, we also require business partners, including suppliers, to understand and implement these principles with the aim of building sustainable supply chains collaboratively with our partners.

- To carry out fair transactions that take into account international rules and customs and that comply with laws and regulations of the countries and regions in which business activities take place, including export destinations, and to thoroughly prevent corruption.
- To confirm that there will be no procurement from suppliers connected to serious environmental or human rights violations when beginning a new transaction.
- To confirm that Paper Products are made from raw materials for which the legality has been confirmed.
- To strive to ensure traceability in Paper Products production areas.

- To strive to expand handling of products that have received internationally trusted forest certification.
- To avoid being complicit in development that affects high conservation value (HCV), high carbon stock (HCS), or peat swamp forests.
- To confirm that business partners have taken environmental impact into account, including the conservation of ecosystems and water resources in production areas, and chemical substance management.
- To ensure that freedom from forced labor and child labor, and employee freedom from discrimination, harassment, and inhumane treatment, respect for freedom of association and the right to collective bargaining are being maintained and that work hours and wages and occupational health and safety are appropriate.
- To confirm that business partners are showing sufficient consideration to relationships with local communities and the customary rights of local peoples.
- To strive to respect the human rights and cultures of indigenous peoples in accordance with relevant international standards such as the United Nations Declaration on the Rights of Indigenous Peoples, the Convention concerning Indigenous and Tribal Peoples in Independent Countries (ILO Convention: C169), the principle of Free, Prior and Informed Consent (FPIC), as well as all applicable laws and regulations.
- To maintain dialogue with various stakeholders, including local peoples, NGOs, experts, and third-party institutions.

### **Information Disclosure**

We will set targets based on the above principles and properly disclose in a timely manner.