Supply Chain Management

Promotion of Supply Chain Management

Mitsui & Co. has built diverse value chains throughout the world and provides a wide range of functions and services. We are active at every stage of the supply chains, from upstream to downstream, and have as many as 20,000 suppliers. In conducting business globally, we are fully aware of our responsibilities, such as complying with laws, respecting human rights, and maintaining occupational health and safety, giving comprehensive consideration to reduction of the environmental load, and ensuring safety for products and services and consumer confidence. Together with our suppliers, we endeavor to correctly assess and solve ethical and social issues in the supply chains in order to meet society’s demands.

To correctly assess and solve issues in the supply chains, Mitsui formulated its Supply Chain CSR Policy in December 2007, and has since made efforts to ensure that all of Mitsui’s suppliers fully understand our standards and cooperate in the implementation of the policy. We reviewed the policy based on society’s changing expectations and demands, and upgraded it to the Sustainable Supply Chain Policy in August 2020, and are working to ensure compliance with and implementation of this policy. We make every effort to enhance our supply chain management by identifying potential problems in our supply chains and identify key issues based on the characteristics of each business model, country/region, and industry.

Sustainable Supply Chain Policy

1. Mitsui & Co.’s mission is to “build brighter futures, everywhere” through realizing a better tomorrow for earth and for people around the world. Toward the realization of this goal, Mitsui & Co. will strive to gain, through business activities of the Mitsui & Co. group, an understanding of issues associated with the supply chains in which Mitsui & Co. group is involved. Furthermore, based on various perspectives of stakeholders who may be affected by these issues, Mitsui & Co. will value dialogue with relevant parties, while working to find solutions to these issues on a global group basis. In this way, Mitsui & Co. will do its utmost to achieve sustainable development.

2. Mitsui & Co. will require its business associates, including suppliers, to understand and implement the following principles, and will strive to create sustainable supply chains in cooperation with them:

   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.

   Reduction of Environmental Burden
   To reduce the burden on the environment through the efficient utilization of resources, energy, and water, as well as the thorough reduction, reuse, and recycling of waste, including harmful substances, and its proper disposal. To give the utmost consideration to the environment to the extent technologically and economically feasible by exercising an appropriate degree of influence and evaluating the impact on the environment, not only in the prevention of pollution, but also on such issues as climate change and the conservation of biological diversity.

   Safety and Security of Products and Services
   To ensure safety and security of products and services.

   Information Disclosure
   To properly disclose information related to the above principles in a timely manner.

3. Where it is identified that in violation of this policy, Mitsui & Co. group’s business activities have caused adverse human rights impact or contributed to it through its business transactions including its supply chains, Mitsui & Co. will work to remediate such impacts through appropriate processes.
Heightening Employee Awareness and Providing Training Seminars

To increase the awareness and sensitivity of all employees with respect to human rights, labor rights and other issues in our supply chains, and to prevent problems, we will continue to heighten employee awareness and provide training seminars.

<table>
<thead>
<tr>
<th>Number of Participants for the Training Seminars</th>
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<tbody>
<tr>
<td>FY2016</td>
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<tr>
<td>FY2019</td>
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<tr>
<td>FY2020</td>
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Initiatives with Suppliers

When engaging in business with new suppliers, we conduct a survey based on our Supply Chain CSR Policy (currently Sustainable Supply Chain Policy) to assess various risks of social issues beforehand, and to ensure that all suppliers of Mitsui understand the said policy. As for the existing business and relevant suppliers, we also conduct regular supplier surveys and supplier on-site surveys, in order to confirm the actual situation of business operations and identify suppliers with high risks in relation to social issues such as climate change, biodiversity, environment management, human rights, and working environment.

Company-Wide Uniform Supplier Communication Forms

Beginning in the fiscal year ended March 2009, we started sending letters (in Japanese, English, Chinese, French, Spanish, and Portuguese) to all new suppliers of Mitsui’s business units, overseas offices, and subsidiaries (about 50,000 suppliers in total) requesting their understanding and cooperation in regard to our policy, in a move to ensure that all Mitsui suppliers are aware of this policy. In addition, we conduct internal examinations in alternate years, to verify that the letters were dispatched to the suppliers.

<table>
<thead>
<tr>
<th>Target period</th>
<th>Number of Letters Sent to New Suppliers</th>
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<tbody>
<tr>
<td>FY2014–FY2015</td>
<td>6,130</td>
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<tr>
<td>FY2016–FY2017</td>
<td>7,130</td>
</tr>
<tr>
<td>FY2018–FY2019</td>
<td>4,752</td>
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</tbody>
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Supplier Surveys

In promoting compliance with this policy, we consider interactive communication with our suppliers to be very important. We work to build relationships of trust, and strengthen our supply chain management by working jointly on ideas for improvements with our partners, wherever needed. For this reason, we regularly conduct surveys targeting the suppliers of Mitsui and its subsidiaries to confirm the status of their adherence to our policy, and whether they have their own policies related to such areas as human rights and labor practices, health and safety, business ethics, and environmental management. Mitsui started to conduct supplier surveys from the fiscal year ended March 2012, and specified the targets in the fiscal year ended March 2020 to suppliers that handle products in high-risk business domains in accordance with the human rights due diligence.

<table>
<thead>
<tr>
<th>Number of companies surveyed</th>
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<tbody>
<tr>
<td>FY2016</td>
</tr>
<tr>
<td>FY2017</td>
</tr>
<tr>
<td>FY2018</td>
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<tr>
<td>FY2019</td>
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<tr>
<td>FY2020</td>
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Supplier On-Site Surveys

In addition to the abovementioned surveys of suppliers, we also conduct interviews with persons in charge and on-site inspections of suppliers’ manufacturing facilities using a checklist based on the compliance items in our policy. Furthermore, we provide advice and guidance after the on-site surveys when required.

<table>
<thead>
<tr>
<th>Survey Target</th>
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<tbody>
<tr>
<td>FY2016 Supplier of paper raw materials (wood chips)</td>
</tr>
<tr>
<td>FY2017 Supplier of food raw materials (apple juice)</td>
</tr>
<tr>
<td>FY2018 Supplier of oleochemical products (oleochemicals)</td>
</tr>
<tr>
<td>FY2019 Supplier of seafood (salmon), feed manufacturer</td>
</tr>
<tr>
<td>FY2020 Suppliers of apparel products</td>
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</tbody>
</table>
On-site Surveys of Suppliers (Apparel Business)

In the fiscal year ended March 2020, Mitsui and a third-party expert jointly conducted on-site surveys at the suit factory of MAY10 Joint Stock Company (“MAY10”), and the sewing factory of Viet Thinh Garment Joint Stock Co. (“Viet Thinh”) in Vietnam. Both are suppliers of Mitsui Bussan I-Fashion Ltd. (“MIF”), Mitsui’s consolidated subsidiary, which trades in textile raw materials, industrial raw materials, and woven and knitted fabrics, and also produces and procures apparel and fashion goods, as well as accessories. The two-day surveys consisted of site inspections, interviews with managers and workers, and checks of related documents. The main focal points of the surveys were human rights, occupational safety and health, compliance with laws and regulations, environmental management, and relationships with local communities.

The results of the surveys confirmed that both companies are taking appropriate action on all items, and that both factories meet the requirements stipulated in the Supply Chain Policy.

Results of Supplier On-site Surveys

Acquisition of Certification

- Both factories have been certified under the SA8000, ISO14001, and ISO9001 international standards. They comply with local laws and regulations concerning working hours and employment, etc.

Human Rights, Labor

- Child labor: No workers aged under 18 are present in either factory.
- Forced labor: No foreign workers are employed, and no forced labor is occurring.
- Freedom of association: Labor unions have been formed at both factories, and the collective bargaining right of workers is guaranteed. At the MAY10 factory, 100% of workers belong to the union.
- Wages: Both factories are located in Minimum Wage Region I, which has the highest minimum wage. They meet this standard.
- Working hours: Hours worked are within the regulatory limits (maximum of 48 hours per week + 30 hours of overtime per month).
- Occupational safety and health
  - Occupational safety officers are appointed in accordance with laws and regulations.
  - Working environments and conditions are satisfactory in terms of lighting and ventilation, etc. Steps have been taken to control the temperature inside sewing areas, including the installation of numerous wall-mounted fans. Adequate working space is also provided.
- No work accidents have been reported to the authorities over the past three years. Through the on-site surveys, it was confirmed that appropriate actions are being taken on minor cases, such as follow-up actions by in-house health, safety, and environment (HSE) departments.
- Emergency preparedness: Evacuation routes, safety equipment, first aid kits, fire extinguishers, and other items are equipped. A fire alarm system has been installed at the Viet Thinh factory, which is a large-scale facility.
- Provision of good working conditions: Both factories have female factory managers, and a high percentage of workers are female. For this reason, the factories have excellent welfare systems for female workers, including menstrual and maternity leave, subsidies for workers with children aged up to six, and healthcare programs for female workers aged 40 and older.

Environmental Management

- The companies have formulated environmental management policies in accordance with laws and regulations, and are implementing those policies.
- The companies have obtained discharge permits for industrial wastewater and hazardous waste, etc.
- From an operational viewpoint, the risk of environmental contamination resulting in air or water pollution, etc., is low.
- The usage amounts of energy (electric power) and water (mainly water supplies and sewage) are relatively low for both companies.

Local Communities

- The companies view relationships with local communities as an important part of their environmental management systems and have established contact points for consultation with local residents.

Summary of Supplier On-site Surveys

The suppliers have established effective PDCA systems covering human rights, labor, environmental management, regulatory compliance, and relationships with local communities, in part because of the requirements of their customers in Europe and North America. There was no evidence of the human rights violations that typically affect female workers in Southeast Asia, especially in the fashion and sewing industries, such as sexual harassment and wage discrimination. Nor was there any evidence of forced labor, child labor, or any problems related to the employment of foreign workers.

The third-party expert raised one minor issue, suggesting that it would be better from an ergonomic viewpoint to attach backrests to the workers’ chairs. Viet Thinh began to provide chairs with backrests on a prioritized basis, starting with approximately 100 pregnant workers.
Identifying and Providing Solutions for Issues in the Supply Chain

MIF continuously promotes supply chain CSR activities, encourages business that seeks to create environmental value, and pursues initiatives in human rights management, with the aim of becoming a company that is trusted by stakeholders, including customers, suppliers, employees, consumers, and local communities. Through global partnerships, the company makes earnest efforts to find solutions to problems and issues in the supply chain and realize sustainable growth while coexisting harmoniously with society.

In accordance with the SDG Compass process, in the fiscal year ended March 2019, MIF identified material issues as important management priorities out of the 17 SDGs.

<table>
<thead>
<tr>
<th>MIF’s Materiality</th>
<th>Theme of Initiatives</th>
<th>Corresponding SDG</th>
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</table>
| Respecting human rights in the value chain | • Ensure that human rights are respected at all companies in the value chain  
• Work to strengthen checking functions at supplying factories and undertake the elimination of human rights violations, such as forced labor and child labor  
• Work to respect the human rights of foreign workers |  |
| Function to "connect" as a trading company | • Support initiatives to contribute to the Sustainable Development Goals (SDGs) at all companies across countries and regions in the value chain  
• Lead the development, manufacture, and sales of eco-friendly materials and products |  |
| Water safety and environmental conservation | • Eliminate the use of harmful dyes, and work to purify factory wastewater  
• Adopt dyeing methods that reduce water use by 99% |  |
| Promoting recycling and reuse | • Work to reduce the use of fluorine water repellents  
• Reduce harmful waste disposal  
• Develop recycled and sustainable materials |  |

Environmental Value Creation

MIF engages in the development and sale of environmentally-friendly, textile-related products with advanced functionality that are eco-friendly. MIF has also obtained certification and registration under bluesign® and the Global Recycle Standard (GRS) and maintains compliance with these standards, which are regarded as among the most stringent in the world.

To obtain bluesign® certification and registration, MIF is required to ensure that its collaborating supply chain manufacturing facilities in Japan and overseas are taking comprehensive steps to care for not only the environment but also their workers. An applicant company and its supply chain facilities must meet the standards set out for bluesign® certification, such as the prohibition of child labor, the elimination of forced labor and discrimination, the upholding of freedom of association, and occupational safety and health.

Occupational Health and Safety/Labor Management and Human Rights Management

To meet the demands of customers both in Japan and overseas, MIF carries out centralized management of its supplying factories and offers them technical guidance and other support. With the aim of building the MIF quality control system, it has been strengthening its sustainability measures, including the establishment of a dedicated organization, the quantification of quality control levels, and the addition of the check point “labor management in consideration of human rights” to the check-sheet items for MIF factories. “Occupational health and safety” and “labor management” are important points in audits. For this reason, before customers carry out their CSR audits (regular audits or new audits) MIF carries out preliminary reviews at domestic clothing factories to see if any major issues exist from the customers’ standards, and deals with them accordingly, thereby supporting the factories’ acquiring certification (passing audits), when necessary.

In regard to occupational health and safety, MIF provides support for the introduction of related measures, such as ensuring the appropriate configuration of aisles and emergency exits, providing evacuation routes and evacuation drills, installing firefighting equipment (fire extinguishers and fire hydrants) and safety equipment, managing chemicals, and collecting employees’ opinions and providing hotlines. Regarding labor management, MIF provides domestic clothing factories with checks in respect to issues such as child or forced labor, harassment, human rights violations, discrimination, and punishments (fines). It also reviews and offers support for improvements when required regarding other related aspects such as guaranteeing a minimum wage, appropriate working hours (prohibiting working on holidays and long working hours), and the right to organize and carry out collective bargaining. Furthermore, it examines the actual management of foreign trainees at its domestic clothing factories, and provide support for improvements as needed.

Results in the fiscal year ended March 2020

- MIF has sent its Supply Chain CSR Policy to 161 companies (80 domestic suppliers and 81 overseas suppliers) in total (cumulative total of 5,715 companies [domestic suppliers: 4,306, overseas suppliers: 1,409] since the establishment of the policy in 2008).
- MIF’s partner brands accepted CSR audits that MIF carries out at supplier factories.
- Survey based on a check sheet: 24 domestic factories and 8 overseas factories
- Audit by partner brands: two domestic factories and 30 overseas factories

Prior to these audits, MIF dispatched personnel dedicated to audit matters to supplier factories as necessary, in order to carry out preliminary reviews and make necessary improvements.