Supply Chain Management

Policy

Overall Policy

Mitsubishi Corporation (hereafter ‘MC’), as a global company with business in a wide variety of products and services, has established the Mitsubishi Corporation Policy for Sustainable Supply Chain Management, a policy which outlines MC’s actions to address human rights, labor rights, and environmental issues in the supply chain. This policy serves to convey MC’s fundamental perspective to its suppliers around the world, and expects all suppliers to understand, embrace and abide by it.

(1) Forced Labor
Suppliers shall employ all employees of their own free will with no employee being subject to forced or bonded labor.

(2) Child Labor
Suppliers shall not employ people under the minimum legal working age of the country in question.

(3) Safe and Healthy Working Environments
Suppliers shall work to provide employees with safe and healthy working environments.

(4) Freedom of Association and Collective Bargaining
Suppliers shall respect the right of employees to associate freely and engage in collective bargaining as methods of negotiating working environments, wages and other matters with employers.

(5) Discrimination
Suppliers shall strive to ensure equal opportunities in the workplace and shall not engage in discrimination with regard to recruitment and employment practices.

(6) Abuse and Harassment
Suppliers shall respect employees’ human rights and must not tolerate abuse or any form of harassment.

(7) Working Hours
Suppliers shall ensure that employees’ working hours and use of leave entitlements are appropriately monitored and that excessive overtime labor is prohibited, so as not to infringe upon any statutory regulations.

(8) Suitable Remuneration
Suppliers shall pay employees at least the statutory minimum wage, endeavor to pay at least the living wage, and shall not unreasonably reduce wages.

(9) Anti-Corruption
Suppliers shall engage in fair business practices, avoid corruption including bribery and extortion, and comply with applicable laws and regulations.

(10) Environment
Suppliers shall endeavor to protect the environment and consider the impacts of their business activities on local communities and ecosystems, while paying special attention to energy use efficiency, climate change issues such as greenhouse gas emissions, sustainable use of resources, waste reduction, and air, soil and river pollution.

(11) Information Disclosure
Suppliers shall disclose information with respect to the aforementioned matters in a timely and appropriate manner.

Reference: Mitsubishi Corporation Policy for Sustainable Supply Chain Management
Individual Policies

Palm Oil Procurement Guidelines

Palm oil is a raw material used in a wide variety of products and originates from the oil palm, which grows in tropical regions with a certain amount of annual rainfall.

Tropical rainforests play a vital role in combating climate change and maintaining biodiversity, and the deforestation of these rainforests for the purpose of developing oil palm plantations is an important issue.

In light of this, in order to advance the procurement of sustainable palm oil, Mitsubishi Corporation (hereafter ‘MC’) became a member of the RSPO (Roundtable on Sustainable Palm Oil) in 2004, taking steps to address environmental and ecosystem conservation as well as human rights and labor issues connected to the production of palm oil. In addition, MC collaborates and cooperates with other RSPO member companies to promote the importance of procuring sustainable palm oil including RSPO certified palm oil to companies within the supply chain.

By establishing the Palm Oil Procurement Guidelines, MC conveys its fundamental perspective to its suppliers around the world and strives to ensure the following:

1. Active participation as a member company of the RSPO.
2. Total volume and ratio of sustainable palm oil including RSPO certified palm oil handled is disclosed.
3. Palm oil connected to human rights infringements such as child labor and forced labor is not procured.
4. Palm oil is procured in a manner that gives due consideration for workers’ rights and biodiversity.
5. Palm oil products which are produced in accordance with local laws in the area of origin and have cleared proper procedures are procured.
6. Palm oil connected to deforestation of High Conservation Value (HCV) forests and development on peatlands is not procured.
7. Activities of the RSPO are promoted to MC’s subsidiaries, affiliates, and customers.
8. Collaboration and cooperation with a variety of stakeholders including other RSPO member companies, suppliers, and third parties in order to achieve the above.

Supply Chain Management

Timber and Paper Products Procurement Guidelines

Forests play an important role in combating climate change and maintaining biodiversity. However, forest loss is continuing on a global basis, and one of the causes is said to be deforestation connected to the production of wood products including timber and paper.

In light of this external environment, Mitsubishi Corporation (hereafter ‘MC’) has established the Timber and Paper Products Procurement Guidelines, which serve as MC’s policy for the conservation of forests and forest ecosystems, and for addressing human rights and labor issues in forest areas.

Through this guideline, MC conveys its fundamental perspective to its suppliers around the world and strives to ensure the following:

1. Procured timber and paper products do not impose an excessive environmental impact on the forest in the area of origin.
2. Wood harvesting connected to products procured by MC is conducted in a way that conserves forests and does not adversely affect the livelihoods of local residents.
3. Timber and paper products are procured from suppliers that have established a management structure to confirm the legality of the wood-related raw materials and products they procure.
4. Timber and paper products are not procured from suppliers involved in serious social and environmental issues such as deforestation of High Conservation Value (HCV) forests.
5. Timber and paper products are procured from suppliers that meet the standards established in the “Mitsubishi Corporation Policy for Sustainable Supply Chain Management”, in the event that FSC® (Forest Stewardship Council)-certified or recycled timber and paper products are not available.
6. Procurement of FSC-certified products is prioritized to the extent possible.
Green Procurement Policy

As MC conducts office activities in line with its Environmental Policy, the company is taking the following actions in order to pro-actively show consideration for the environment through all types of procurement activities with the aim of reducing its impact on the environment. These actions are based on the Green Purchase Guidelines, which lay out in writing green purchase methods.

1. Avoid unnecessary procurement
2. Place emphasis on “environmental consideration” together with function/cost at the time of procurement, and select green products whenever possible which satisfy the following:
   (1) Those using primarily recycled/reused raw materials
   (2) Those which reduce resource and energy costs and have a lower environmental impact throughout the production/use/disposal lifecycle stages
   (3) Those which do not use hazardous chemicals, or are making efforts to reduce such substances
   (4) Those with an established recycling system
3. Make efforts to reduce environmental impact from packing and transport during procurement wherever possible
4. Strive to reuse materials and curb new procurement

Furthermore, the guidelines also stipulate that when selecting products with special procedures required by law (home electronics, etc.), the company will confirm whether or not the product takes into account environmental considerations by referencing catalogues and other sources. Furthermore, when selecting products such as stationery, printing paper and furniture, the company will also confirm by referencing catalogues and other sources whether the product is certified (with an official mark) as having met environmental regulations/standards.

Structure

<table>
<thead>
<tr>
<th>Officer in Charge</th>
<th>Masakazu Sakakida (Member of the Board, Executive Vice President, Corporate Functional Officer, Corporate Sustainability &amp; CSR, Corporate Administration, Legal (Concurrently) Chief Compliance Officer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliberative Body</td>
<td>Sustainability &amp; CSR Committee</td>
</tr>
<tr>
<td>(A subcommittee under the Executive Committee, a management decision-making body)</td>
<td>Important matters related to supply chain management deliberated by the Sustainability &amp; CSR Committee are formally approved by the Executive Committee and put forward or reported to the Board of Directors based on prescribed standards.</td>
</tr>
<tr>
<td>Department in Charge</td>
<td>Corporate Sustainability &amp; CSR Dept.</td>
</tr>
</tbody>
</table>

Reference: Diagram of the Sustainability Promotion Framework (P.09)

Each year, the methods and results of MC’s supply chain management are reported to the Board of Directors. In addition to key policies being determined by the Executive Committee, the company’s management decision-making body, the Corporate Functional Officer in charge of Corporate Sustainability is regularly briefed on sustainability-related topics including the latest external developments and the status of stakeholder dialogues.
Risk Management

MC regularly conducts surveys of suppliers, with a focus on those in industries where social risks including human rights and labor conditions, as well as environmental risks are considered higher such as marine/agricultural products and apparel, in order to monitor their compliance with the Mitsubishi Corporation Policy for Sustainable Supply Chain Management. Products subject to this assessment are determined based on external developments by the two criteria of country/region of origin and product type.

MC asks suppliers questions that take into account the specific issues and risks of the products handled by each supplier, with a focus on aspects including “existence of policies, compliance with laws and regulations”, “prevention of forced labor, child labor and discrimination towards workers”, “environmental protection” and “information disclosure”. In addition, MC employs a system to determine suppliers that may have issues or require assistance based on the results of each questionnaire response. Following this, MC considers and decides whether additional surveys or on-site inspections are necessary. Furthermore, in order to improve the convenience and accessibility of the survey for suppliers, we have built a web-based system and conduct the surveys through this system.

In the event that MC confirms, through additional surveys or on-site inspections, points that should be rectified or improved in relation to the Policy, in addition to requesting the relevant supplier to take corrective measures, MC also provides guidance and assistance as necessary. If MC determines that a resolution is unlikely even after providing continuous guidance and assistance, MC will review its business relationship with the relevant supplier.

Risk Assessment

Supply Chain Surveys

New Suppliers

New suppliers are provided with the Mitsubishi Corporation Policy for Sustainable Supply Chain Management, and MC confirms compliance by conducting surveys and, when necessary, supplier visits as well.

Existing Suppliers

Together with periodically receiving confirmation of support for the Mitsubishi Corporation Policy for Sustainable Supply Chain Management, MC conducts regular surveys of suppliers to continuously monitor the status of their compliance with this policy and to strengthen communication with suppliers. Furthermore, MC visits suppliers to confirm the status of their activities when it determines that site visits are necessary based on the regions where suppliers are active and their business activities.

MC continuously monitors existing suppliers to identify those that pose a high degree of environmental and social risk in line with this policy, for the purpose of verifying the appropriateness of current initiatives.

Going forward, MC will incorporate the results of this re-evaluation process into its regular assessments of suppliers, with the goal of ensuring the effectiveness of the supplier surveys.

Screening for Loan and Investment Proposals

In order to ensure that loan and investment proposals do not cause or contribute to adverse human rights impacts, they are vetted through an internal screening process which considers not only economic aspects but also ESG factors including human rights. In particular, for proposals to be deliberated by committees such as the Board of Directors and the Executive Committee, by having the General Manager of the Corporate Sustainability & CSR Department participate as a member of the Investment Committee, MC has put in place a screening system that reflects potential environmental and social impacts in decision-making. MC screens for ESG risks taking into account various human rights standards including the International Finance Corporation (IFC) guidelines and the Guidelines for Confirmation of Environmental and Social Considerations published by the Japan Bank for International Cooperation (JBIC). Besides screening new investment and exit proposals, MC also strives to make improvements to existing business investments by monitoring their management practices.
Initiatives

Incorporating Policy Into Initiatives

Many employees at MC have the opportunity to undertake trading activities such as purchasing and sales, or to support such activities at some time in their careers.

For this reason, MC strives to deepen the knowledge of all employees as buyers by explaining MC’s corporate philosophy, including respect for human rights in the supply chain. We also integrate the relevant supply chain policy into buyer training such as programs geared toward specific levels of management including those for new employees as well as training on trading practice.

Reference: FY2018 Slavery and Human Trafficking Statement 5. (A) Training and Awareness Raising

Data on RSPO-Certified Palm Oil

<table>
<thead>
<tr>
<th></th>
<th>2017.3 results</th>
<th>2018.3 results</th>
<th>2019.3 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book and Claim method</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Mass Balance method</td>
<td>6,950.00</td>
<td>6,130.00</td>
<td>16,350.00</td>
</tr>
<tr>
<td>Total volume of palm oil handled</td>
<td>283,000.00</td>
<td>309,300.00</td>
<td>356,000.00</td>
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<tr>
<td>Ratio (%)</td>
<td>2.46</td>
<td>1.98</td>
<td>4.59</td>
</tr>
</tbody>
</table>

Scope: Non-consolidated basis and a portion of business investments

Reference: RSPO ACOP Report
http://www.rspo.org/members/89/mitsubishi-corporation

Data on ASC-Certified Products

<table>
<thead>
<tr>
<th></th>
<th>2017.3 results</th>
<th>2018.3 results</th>
<th>2019.3 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production capacity of ASC-certified sites *</td>
<td>68</td>
<td>121</td>
<td>148</td>
</tr>
<tr>
<td>Actual sales volume of farmed salmon</td>
<td>137</td>
<td>158</td>
<td>173</td>
</tr>
</tbody>
</table>

ASC: Aquaculture Stewardship Council
Scope: MC consolidated subsidiary Cermaq
* Maximum farmed salmon volume as of December 31 for each fiscal year

Data on FSC® CoC-Certified Products

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<thead>
<tr>
<th></th>
<th>2018.3 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood chips with FSC CoC certification</td>
<td>100%</td>
</tr>
</tbody>
</table>

FSC®: Forest Stewardship Council®
FSC CoC: Certification for processing/distribution process
Scope: Non-consolidated basis
License Code: FSC® - C016424
Engagement with Suppliers

If a violation of the Mitsubishi Corporation Policy for Sustainable Supply Chain Management is confirmed, MC will demand that the relevant supplier implement corrective measures and will integrate this policy with relevant suppliers through training and assistance as necessary. For example, by sharing best practice examples from its business investees and leading industry initiatives with suppliers, MC aims to strengthen the environmental and social activities of its suppliers and build solid relationships with them. If MC determines that the supplier is unlikely to implement corrective measures even after providing continuous training and assistance, MC will review its business relationship with the relevant supplier.

Reference: Mitsubishi Corporation Policy for Sustainable Supply Chain Management, 3. Response to Compliance Violations

MC conducts annual surveys of suppliers worldwide, including those industries where environmental and social considerations are particularly impactful, such as marine and agricultural products and apparel, in order to monitor their status of compliance with the Mitsubishi Corporation Policy for Sustainable Supply Chain Management. In the fiscal year ended March 2019, MC conducted its annual survey for the fiscal year ended March 2018, and replies were received from 296 companies in 30 countries and regions including China, Vietnam and Thailand. Respondents answered questions pertaining to matters such as regulations and legal compliance; prohibition of forced labor, child labor and discrimination; environmental conservation and information disclosure. Based on the results of this survey, MC conducts additional surveys, on-site inspections and other measures for a number of suppliers.

The communication with suppliers achieved through the surveys and site visits provides a valuable opportunity to deepen the suppliers’ understanding of MC’s stance on sustainability. Therefore, MC will continue to deepen communication with each supplier and provide training and assistance to suppliers as necessary.

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of surveys distributed</th>
<th>Number (%) of suppliers MC is working with to share concerns, solve issues, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia/Oceania</td>
<td>269</td>
<td>32 (11.8%)</td>
</tr>
<tr>
<td>The Americas</td>
<td>16</td>
<td>5 (31.2%)</td>
</tr>
<tr>
<td>Europe, Middle East, Africa</td>
<td>11</td>
<td>4 (36.3%)</td>
</tr>
<tr>
<td>Total</td>
<td>296</td>
<td>41 (13.8%)</td>
</tr>
</tbody>
</table>

Reference: Surveys and Supplier Visits
Communication with Suppliers

In the year ended March 2019, MC employees visited B. Foods Product International (BFI), a poultry processing plant in Thailand which supplies fresh and processed poultry products to MC subsidiary Foodlink. Interviews were conducted with employees and company management in order to cultivate a better understanding of BFI’s sustainability practices. MC was able to confirm that BFI has a mechanism in place to internally communicate Betagro Group’s sustainability policies and the CEO message which states that BFI must consider environmental and societal impacts when doing business, and also that these points are being implemented into operations.

Through the interviews, MC was also able to confirm that employee rights are respected throughout the employment process including recruitment, execution of employment contracts, training and management of working hours. On the environmental side, MC confirmed that BFI has set targets to reduce greenhouse gas and waste emissions, and that wastewater is treated through an appropriate treatment process.

During visits to BFI’s plants, MC confirmed that adequate measures are put in place to prevent knife-related accidents within the facility. For example, employees appropriately wore uniforms and protective equipment, floors were kept clean to prevent slips and falls, and signs were posted within the facility to communicate accident prevention measures to employees.

Minor issues relating to health and safety were pointed out during the visit. For example, it was identified that some equipment in the facility were situated close to the ground and that there was a possibility of employees injuring their heads, so MC requested safety measures to be implemented accordingly. Promptly after the visit, BFI considered necessary improvement measures and set up a warning sign written in three languages in order for all employees to be able to understand.

In the event of an accident, BFI conducts an investigation and agrees on preventive measures together with employees, and this has contributed to reducing the number of accidents. From this example and from the way BFI adequately adopted improvement measures following the site visit, MC was able to confirm that BFI constantly reviews their operations and takes necessary actions for remediation.

Working in partnership with suppliers, MC will continue to promote sustainable operations throughout its supply chains.

External Collaboration

Cermaq Initiatives

Cermaq, an MC consolidated subsidiary, is committed to ensuring high standards related to the social and environmental impact of its business. The company has established a Supplier Code of Conduct, taking into account the principles of MC’s Policy for Sustainable Supply Chain Management, to ensure responsible practices throughout the supply chain, and which describes the minimum standards that all Cermaq’s suppliers are expected to uphold. Cermaq expects its suppliers to request similar standards for their suppliers and subcontractors.

Cermaq expects all its suppliers to comply with requirements in the areas of national legislation, human rights, labor rights, health and safety, anti-corruption, the environment, food quality and safety, management systems, and implementation.

In the area of the environment, adverse impact from the operations of the supplier on the community, the environment, and natural resources are expected to be minimized while safeguarding the health and safety of the public. Adverse impact may include pollution, use of limited resources, deforestation, release of chemicals and other materials to the ground, sea or air and which pose a hazard if released into the environment. To minimize the risk, including reducing chemical use in fish farming, suppliers are expected to identify, monitor and control the environmental impact of their operations.

Reference: Cermaq Supplier Code of Conduct
Lawson, Inc.

Lawson, Inc., an MC consolidated subsidiary, provides freshly brewed coffee in Lawson convenience stores under the MACHI café brand. MACHI café’s coffee is made exclusively from beans from Rainforest Alliance Certified™ farms. Lawson also conducts activities to popularize and raise awareness through activities such as participating in the Rainforest Alliance Consortium, which was set up through a collaboration between the Rainforest Alliance and companies that offer Rainforest Alliance Certified™ products. Lawson, as a member of this initiative, runs promotional retweet campaigns.

Princes

Princes, an MC consolidated subsidiary, is taking proactive steps toward creating an ethical supply chain, such as having been the first major food manufacturer in the UK to join the Ethical Trading Initiative, which aims to improve working conditions in the supply chain. From January 2019, an employee of Princes is serving on the Board of the Ethical Trading Initiative.

Furthermore, by assessing supplier information registered into the supply chain management and sharing platform SEDEX, the company strives to identify labor risks at an early stage and take necessary steps for improvement. (All manufacturing facilities owned by Princes are members of SEDEX.)

Reference:
Princes Ethical Trade Policy

Mitsubishi Corporation Packaging Ltd. Initiatives

Mitsubishi Corporation Packaging Ltd. (MP) handles Forest Stewardship Council® - (FSC®)-certified products (corrugated board, printing and communication paper, white paperboard, etc.). MP confirms whether or not its paper suppliers have obtained this certification, which requires third-party audits, in order to ascertain the level of social and environmental risk.

MP also aims to differentiate itself from competitors by obtaining FSC Chain of Custody (CoC) certification and by adhering to its requirements to procure and sell FSC-certified products.

License Code: FSC® - C007960

Reference:
Lawson’s Corporate Website
Lawson’s SDGs Handbook (Japanese)
https://www.lawson.co.jp/company/activity/library/
Olam

Olam International Limited (Olam), an MC affiliate company, has built a strong business framework in supplying sustainable materials through its corporate philosophy “Re-imagining Global Agriculture & Food Systems”. Olam defines its economic business growth as being achievable only through appropriate consideration for the environment and society, and has accordingly identified 10 material areas: Economic Opportunity, Safe and Decent Work, Education and Skills, Health and Nutrition, Diversity and Inclusion, Climate Action, Healthy Eco-systems, Healthy Soils, Water, and Reduced Waste.

As a specific example, for 11 commodities including cocoa, coffee, sesame, nuts, cotton, rice and sugarcane, the company implements an initiative called the Olam Livelihood Charter (OLC) which supports livelihood improvements for over 360,000 small-holder farmers in 21 countries worldwide by providing agricultural training, securing market access, financing projects, improving local infrastructure, and more. In terms of volume, the initiative affects around 1.4 million tons, approximately 10% of Olam’s total purchase volume (FY2016).

Taking cocoa, one of Olam’s main products, as an example, the company provided agricultural advice and labor training specifically on tackling social issues such as child labor conducted by the support of specialized in-house trainers to more than 180,000 farmers, and also built nurseries in the key producing regions of Ghana and the Ivory Coast in the fiscal year ended December 2017. As a result of initiatives such as these, improvements were achieved in crop yield and quality. Furthermore, Olam is tackling social issues by providing such sustainable materials indirectly to consumers.

Olam has received numerous awards in recognition of these efforts, including from Fortune Magazine’s Change the World 2016 corporate rankings. Olam’s CEO Sunny Verghese was also recently appointed chairman of the World Business Council for Sustainable Development (WBCSD*), which further evidences the company’s high global acclaim for its sustainability efforts.

* In addition, members of Olam’s sustainability team are appointed as co-leads in various working groups such as Climate Smart Agriculture working group of WBCSD.

Reference: Please visit the following links for details on Olam’s sustainability initiatives:
Olam Sustainability Framework
Olam Livelihood Charter