Pursuing Sustainability

Key Sustainability Issues (Materiality)

To continue creating these “two types of value” in the future, Sojitz has determined 6 Key Sustainability Issues (Materiality) to focus on in our business over the medium- to long-term. Based on these issues, we are striving to integrate solutions to global environmental and social problems with our corporate activities and build systems for such integration.

Respect the human rights of people involved in our businesses
Sojitz respects the human rights of people involved in its businesses. This applies not only to Sojitz employees, but also to everyone affected by Sojitz’s businesses throughout its supply chains. Should there be any instances of child labor or forced labor, we will rectify them.

Contribute to the global environment through our businesses
Sojitz strives to preserve the environment and create businesses that are both highly competitive and environmentally friendly by pursuing environmental sustainability in its businesses. We work to minimize our environmental burden with initiatives that include preventing climate change, reducing CO₂ emissions, and preserving biodiversity.

Develop and grow together with local communities
Sojitz promotes businesses that grow together with local communities. We work to reduce environmental and social burdens on local communities through our businesses. Through ongoing communication with local communities, we strive to achieve business sustainability, address local problems, and support children’s education.

Develop, supply and use sustainable resources*
Sojitz pursues the development, supply, and use of sustainable resources. We strive to conserve resources, propose suitable energy mixes, and provide a stable supply of resources.
* Includes energy, mineral, food, water, forest, marine, and other resources

Promote opportunities for diverse human resources and workplace diversity
The greatest business asset is a diverse workforce. We strive to build a positive work environment, to establish systems for hiring, evaluating and training employees, and to promote diversity in the workplace through active involvement of human resources with diverse values.

Emphasize effectiveness and transparency
Sojitz strives for corporate governance and transparency by strategically linking Group activities, including compliance and efforts to achieve medium- to long-term business sustainability.
The Sojitz Group strives to attain sustainable growth for both the Group and society, based on the Sojitz Group Statement and in cooperation with our stakeholders, by optimizing “two types of value” through our business. Sojitz believes that maximizing shared value for both the Group and society is key to creating the value and prosperity highlighted in our Group’s corporate statement.

Formulation of Long-Term Vision for 2050

In April 2018, we established our long-term vision: “Sustainability Challenge.” In order to achieve this vision, we will strive to expand our low-carbon businesses over the next 10 years and broaden our initiatives to ensure human rights are always respected. The MTP 2020 is a preparatory phase for us to achieve the Sustainability Challenge; our management will lead us in understanding and assessing the CO2 emissions from our business activities, and we will accelerate the creation of businesses that contribute to the achievement of a low-carbon society.

* See the Sojitz website for information on the key initiatives that Sojitz is undertaking as part of its Sustainability Challenge. https://www.sojitz.com/en/csr/priority/challenge.php

External Awards and Commendations

There is an ongoing rise in ESG investments, which consider non-financial information such as environmental, social, and governance factors, and encourage sustained corporate growth (sustainability) from a long-term perspective. The following examples represent the major external ESG awards and commendations we have received.

- Sojitz was selected as an FY2018 constituent of the Dow Jones Sustainability Indices (DJSI) World and Asia Pacific listings, which are internationally recognized, Socially Responsible Investment-focused global stock price indices.
- Sojitz was selected as a constituent of the FTSE4 Good Index Series and FTSE Blossom Japan Index provided by FTSE Russell for two consecutive years.
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- In 2018, Sojitz was recognized with a management level “B” from CDP in relation to climate change.
- Sojitz has been selected as a Nadeshiko Brand company for three consecutive years in recognition of its efforts to empower women in the workplace.
**Stakeholder Dialogue**

Sojitz Corporation  Integrated Report 2019

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Working to Promote Integrated Sustainability for Both Sojitz and Society

**Systems to Promote and Implement Sustainability**

To promote management that incorporates a sustainability perspective, we established the Sustainability Committee, headed by the CEO. This committee decides sustainability-related policies and targets for the whole Company, constructs and maintains systems to implement them, and monitors the progress and status of each policy. The policies and issues discussed by the Sustainability Committee are also submitted or reported to the Business Divisions and the Board of Directors, based on specified criteria. The Board of Directors supervises this process, and gives directives as necessary.

In the year ended March 2019, the committee met five times, and held discussions on matters such as environmental issues, including climate change; policies and risk management systems to address social issues, including human rights; and policies for social contribution activities. They also monitored our progress towards our targets. In addition, COOs of each business division and members of the Sustainability Committee had the opportunity to discuss the medium and long-term risks and opportunities presented by external trends and environmental and social issues for the sustained growth of Sojitz’s business divisions. These discussions helped to ensure that the business strategies of each division are in alignment with company-wide sustainability practices.

**The Process of Establishing Key Sustainability Issues and Determining Our Long-Term Vision Leading up to 2050**

Define Sustainability Within Sojitz

- Define and frame a perspective and process for creating value

- Develop a perspective and process for creating value

- Derive sustainability issues through consideration for international norms and the external environment

- Create “Two Types of Value”
  - Prosperity
  - New Value

- Reference international norms such as SDGs*

- Stakeholder Dialogue

Key Sustainability Issues (Materiality)

- Human Rights
- Environment
- Resources
- Local Communities
- Human Resources
- Governance

* For details on the U.N. Global Compact and the SDGs, see our website https://www.sojitz.com/en/csr/group/effort/
Stakeholder Dialogue

As environmental and social issues continue to become more acute on a global scale, we make a point of holding regular dialogues between management and our external stakeholders to enable us to reflect our stakeholders’ opinions and their expectations for us in our Group’s initiatives. In the year ended March 2019, we invited experts in the environmental, social, and governance-related fields to exchange opinions on climate change and human rights, which are the themes of Sojitz Group’s Sustainability Challenge.

Through these dialogues, we have received a variety of opinions and points to note that will help improve our sustainable company management and company value, including the necessity of understanding continuous social trends and ensuring the objectivity of our sustainability, and, based on this, the importance of commitment and disclosure from top management.

The experts who participated in our dialogues
Masako Konishi
WWF Japan
Saul Takahashi
(Former) Business & Human Rights Resource Centre
Akitsugu Era
BlackRock Japan Co., Ltd.
Working to achieve the Sustainability Challenge
(Initiatives in the Year Ended March 2019)

Initiatives for Low Carbon and Decarbonization
Our Group is "working to achieve a decarbonized society through our business activities" as set out in the "Sustainability Challenge", and we are promoting initiatives that link business to measures against climate change, such as our renewable energy business. These initiatives are based on the requirements of the Paris Agreement adopted in the United Nations Framework Convention on Climate Change (COP21) in 2015. In August 2018, we declared our endorsement of the final recommendations of the TCFD*1 and are striving to cooperate with a wide range of stakeholders, proactively disclose information, and improve our transparency.

*1 The TCFD recommends disclosure in relation to risks and opportunities linked to climate change in terms of four themes: governance, strategy, risk management, and metrics and targets.

Status of Initiatives According to the TCFD Framework

Governance
We scrutinize climate-related risks and opportunities and discuss their influence on our business strategies based on promotion and implementation systems centered on the Sustainability Committee (Committee Head: CEO).

The details of these proceedings are regularly reported to the Management Committee and the Board of Directors, and the latter supervise and give direction when necessary.

Risk Management
We assess and identify the CO₂ emissions risk of each of our Group-operated businesses by using external investigations by third parties which cover the greenhouse gas emissions statistics by industry, alternative technology trends, and policy and regulatory trends. In addition to the deliberation process for investments and loans that involves managing individual business risks, we also hold regular meetings between our business divisions and management to discuss and assess the effect of climate-related risks and opportunities on our businesses.

Strategy
Based on external investigations and internal analysis, we are working on sequential scenario analysis of the business fields believed to present the greatest risks and opportunities to our Group’s business activities, management strategy, and financial planning. The scenario analysis is then analysed to determine financial impact. *2

Scenario analysis of coal interests business and power generation business

<table>
<thead>
<tr>
<th>Method</th>
<th>Financial Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal interests business</td>
<td>Demand and price forecasting is conducted based on a number of assumed scenarios by 2040, including the 2°C scenario, followed by analyzing the value of Sojitz’s assets</td>
</tr>
<tr>
<td>Power generation business</td>
<td>Analyzing the cost influence of Sojitz’s assets accompanying an anticipated increase in environmental taxes conducted based on a number of assumed scenarios by 2040, including the 2°C scenario</td>
</tr>
<tr>
<td>Power generation business</td>
<td>- Our thermal and coking coal businesses have a certain cost competitiveness</td>
</tr>
<tr>
<td>Power generation business</td>
<td>- Even in the scenario that might influence asset value, the effect on Sojitz businesses is limited</td>
</tr>
<tr>
<td>Power generation business</td>
<td>- We have confirmed the cost resilience of our assets</td>
</tr>
<tr>
<td>Power generation business</td>
<td>- We have made predictions to enable us to respond to conditions, even if those conditions change in the future, so the effect on Sojitz businesses is limited</td>
</tr>
</tbody>
</table>

Metrics and Targets

Formulating policies for initiatives related to the coal equity business and the coal-fired power generation business (May 2019)
- Reducing the assets of our thermal coal equity to half or less by 2030
- In principle, not acquiring new thermal coal equity
- Not undertaking new initiatives in the coal-fired power generation business (we have no current projects)

Change in Thermal Coal Interests Assets

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
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<tbody>
<tr>
<td>60</td>
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<tr>
<td>50</td>
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<tr>
<td>40</td>
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</tbody>
</table>

- Approx 60.0
- Approx 50.0
- Half or less

- End of FY2015
- End of FY2018
- End of FY2030

*2 Please see the Sojitz website for our scenario analysis https://www.sojitz.com/en/csr/environment/tcfd/
Initiatives Respecting Human Rights, Including Our Supply Chains

In developing a wide range of companies across the globe, the Sojitz Group supports the United Nations Declaration of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and is promoting initiatives that respect human rights in regard to business, in accordance with the UN Guiding Principles on Business and Human Rights.

Risk Assessment and Approach to Prioritization

In the year ended March 2019, we organized prioritization within our risk assessments to promote the reduction of environmental and social (human rights) risks in a more systematic manner.

- We have analyzed business fields that typically present high risks based on case studies of environmental and human rights risks that have occurred around the world since 2000; information on these cases come from the Business & Human Rights Resource Centre, a British NGO. Based on this analysis, we adjusted our approach to prioritization for both Group companies and suppliers.
- In terms of our Group companies, all of our businesses will be subject to risk assessment and improvements regardless of country, but we will especially prioritize businesses we predict will have a major impact on the environment and society (human rights).
- We will prioritize and focus on suppliers starting with high-risk fields of business, regardless of transaction amounts or revenue. As environmental and social risks exist in upstream supply chains, we will continue our leading wood procurement initiatives alongside this focus on suppliers in high-risk fields.

Entire Implementation Process

Establish and share policies*1 | Risk assessment | Improvements/remedial action | Disclose results
--- | --- | --- | ---

Note: Please see the Sojitz website for more details on the Sojitz Group Human Rights Policy, Environmental Policy, and CSR Action Guidelines for Supply Chains.


Promoting Sustainable, Responsible Procurement

Sojitz Group established the Sojitz Group Wood Procurement Policy, and, together with various suppliers, we are striving to achieve sustainable wood procurement that is both environmentally-conscious and respects human rights. In the year ended March 2019, the results of a survey showed that 0% of our wood was lacking traceability (Level D), meaning that we reached our target for FY 2020 ahead of time. *1

In addition to wood, we are working to gain certification for a variety of products that require further consideration when it comes to sustainable procurement. *2

*1 For more details about our wood procurement initiatives, please see the Sojitz website: https://www.sojitz.com/en/csr/supply/lumber/

*2 Certifications newly obtained in FY2018

(1) RSPO certification (Sojitz Corporation)

This certification comes from the Roundtable on Sustainable Palm Oil, an international organization. Sojitz has succeeded in obtaining segregation—providing certified oil that is shipped from multiple certified plantations to manufacturers without mixing it with uncertified oil—and obtaining a mass balance between controlling the quantity of oil used in the distribution process and the certified oil production locations (certified plantations).

(2) MSC Chain of Custody (Dalian Global Food Corp. in China)

This supply chain certification from the Marine Stewardship Council, an international NPO, is granted to companies that can process and distribute marine products (with MSC certification) obtained through sustainable marine industry without mixing them with uncertified marine products.

(3) SCSA certification (Sojitz Tuna Farm Takashima Co., Ltd.)

The Seedlings Council for Sustainable Aquaculture, a Japanese NPO, grants this certification to producers and cultivators of sustainable seedlings who use artificial seeds as seedlings for aquaculture.