

AEON Human rights due diligence Management review

■ **Date and time:** 8 February 2022 (Tuesday), 16.00hrs-. 17:00

■ **Participant(s).**

Hiroshi Ishida, Executive Director, Japan Committee of the Caux Round Table for Business Leaders (CRT Japan Committee), a non-profit organisation

Hiroyuki Watanabe Executive Officer, Human resources and Administration, Supervisor of risk management, Aeon Co.

Yasuo Nishitoge Executive Officer, Merchandising, Aeon Co.

Kaori Miyake Sustainability Officer, Aeon Co.

Akihiko Maeda Deputy Director, Product Management, Aeon Topvalu Co.

Yukiyo Komatsu President and Representative Director, Institute of Life Quality Science Co.

Itaru Toyoshima Officer, Executive Office & Public Relations, Aeon Co.

Takahiro Suzuki General Manager, Environmental and Social Contribution Department, Aeon Co.

■ **Executive summary**

1. **Overview from CRT**



CRT Executive Director Ishida explained the latest developments in the Guiding Principles on Business and Human Rights ('UNGP'), which currently surrounds companies, and the process of the workshop on the human rights risk assessment conducted at Aeon on 25 January.

Then, a report was presented to executive officers and heads of department on the results of the analysis of following two human rights issues and risk assessments identified at the workshop held on 25 January.

(i) Foreign workers issues in the country, including in group companies and their supply chains

(ii) Producers and farmers in the cultivation and extraction sourcing areas

3-4 Key Human Rights Themes in AEON CO., LTD.

Human Rights theme 1 Foreign workers issues in Japan, including group companies and supply chain	Human Rights theme 2 Working conditions of producers and farmers of procurement items
Rightsholders Foreign workers (those in Japan including technical intern trainees for the time being.)	Rightsholders Producers and workers
Future measures to be taken <ul style="list-style-type: none"> • Assessing the working environment and economic situation of foreign workers • Direct engagement with foreign workers • Identifying human rights risks at the business and production site level • Formulating Aeon Sustainable Procurement Policy (February 2014), including tier 2 suppliers and beyond, and disseminating Sustainable Procurement Goals for 2020, etc. • Promoting and disseminating the use of a contact point for reporting grievances and concerns from workers in the supply chain, communities, and NGOs, including Group companies • Establishing and operating a multilingual grievance mechanism • Disclosing information <p>*Items that should be specifically addressed are indicated in red.</p>	Future measures to be taken <ul style="list-style-type: none"> • Assessing the working environment and economic conditions of producers and farmers of procurement items • Direct engagement with producers and farmers • Identification of human rights risks at the farmer level (in particular, whether the company is adversely impacting farmers' living wages and the local residents) • Formulating Aeon Sustainable Procurement Policy (February 2014), including tier 2 suppliers and beyond, and disseminating Sustainable Procurement Goals for 2020, etc. • Promoting and disseminating the use of a contact point for reporting grievances and concerns from workers in the supply chain, communities, and NGOs, including Group companies • Establishing and operating a multilingual grievance mechanism • Disclosing information

Lastly, the expectations of the Aeon on human rights issues in the future were communicated as follows.

Rights-holders with whom we can have direct dialogues in order to implement the PDCA based on the UNGP. (foreign workers, producers and labourers) with whom we can have a direct dialogue in order to carry out PDCA cycle based on the UNGP should be identified.

Themes to be challenged in the future are the situation of foreign workers, producers/farmers in the cultivation and extraction sourcing areas and proactive outreach to international organizations.

Not only acquiring international certification and auditing processing plants, but also checking for human rights issues through direct dialogues with rights-holders is important.

It is important to start with the areas where Aeon can have a direct impact and to listen to the people working on the ground (=engagement).

Information disclosure should be story-telling based on the UNGP. The company should also clarify what Aeon should be aiming for, disclose its current progress and future plans, and move forward.

Disclose decision made by the involvement of top management. Aeon must understand the situation regarding pre-departure fees (recruiting fees) for foreign technical interns, as this is a domestic human rights issue which attention has been paid for.

2. Question and answer session



Hiroyuki Watanabe :

Around 500 Foreign Technical Intern Trainees are adopted by Group companies.

In the living environment of the Corona Disaster, criteria was revised due to the high risk of morbidity from living with a large number of people. Credit checks on supervisory bodies in Japan have been verified, but the evaluation of local sending organizations has not yet been undertaken. Aeon has local subsidiaries in Vietnam and is also involved in the financial business, so it has the groundwork in place to carry out credit checks in the future. Aeon also has plans to open new stores in Vietnam, and considered to be as an important country for our business expansion. Therefore, while recognizing their debt issues, it is ideal to build a system (job security opportunities) that allows them to acquire skills in Japan, return to their home countries and work in local stores or companies in the Aeon Group.



Yasuo Nishitoge :

A large number of foreign workers are also working for Japanese suppliers to make up for labour shortages.

Should there be integrated standards for working hours and other working conditions in each country?

C R T Hiroshi Ishida :

Working conditions (wages) in the workplace cannot be measured simply in terms of how good or bad they are.

It is important to know whether workers are proud to work for the Aeon Group, i.e. whether they feel (happy) and live a happy life.



Itaru Toyoshima :

How should company respond to politically high-risk areas such as the Uighur Autonomous Region and Myanmar? What should be the axis and approach to judge whether it is right or wrong?

CRT Hiroshi Ishida :

First, check what business transactions and direct negative impacts your company is actually having in the area (supply chain visualization).

Then, as it is not easy to find the right solution, one way is to consult a trusted third party and ask them to disclose information about the results.



3. Statement following this meeting.

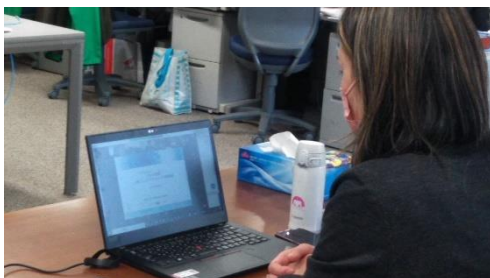


Yasuo Nishitoge :

In terms of suppliers, we recognized the importance of proceeding direct dialogue with rights-holders (producers and farmers) with whom our company has a direct influence in the future, rather than just certification and audits.

Hiroyuki Watanabe :

We thought that Aeon was relatively advanced in its human rights initiatives, but we now realize that it is not yet sufficiently prepared to deal with new risks. Aeon attaches great importance to human rights and would like to be known as a leading company in this area.



Kaori Miyake :

The importance of direct communication (engagement) was highlighted. First of all, we have to work on checking for human rights violations with our employees in our sites.

Then, we would like to expand initiatives from where we can have a direct impact (control) and, while accumulating small success stories, spread them throughout the entire supply chain. We recognized that the demands of the world on Aeon in terms of the environment and human rights are changing year by year, and I felt that we must respond to these demands.

Akihiko Maeda :

We are aware that we need to take a close look at the supply chain, both domestically and overseas. In Japan, it has become apparent that the domestic factories are relying on foreign workers and temporary workers by influence of the Covid-19, and we felt that it was most important to keep a close eye on this issue. I felt it is enough to acquire international certificate but we need to make improvements in this area as well.



4. Advice from the CRT

CRT Secretary General Ishida

In human rights due diligence, it is ideal to start with areas that have a large negative impact on society, there are many cases where this approach is not successful.

It is important to start small and build up knowledge and know-how by accumulating successful cases. Then, we expect to gain legitimacy by operating in business areas that can be directly have impacts and by disclosing information through a process based on the UNGP.

5. Future challenges identified through the management review.

- (i) Ensuring safe and secure recruiting routes and minimizing risks.
- (ii) How to use standards as a measure on the working environment in the workplace (Workers can be proud to work for the Aeon Group.).
- (iii) Identifying the scope of direct influence through the supply chain visualization process
- (iv) Importance of direct communication (engagement)
- (v) Establishment of a management system with an external perspective based on the UNGP