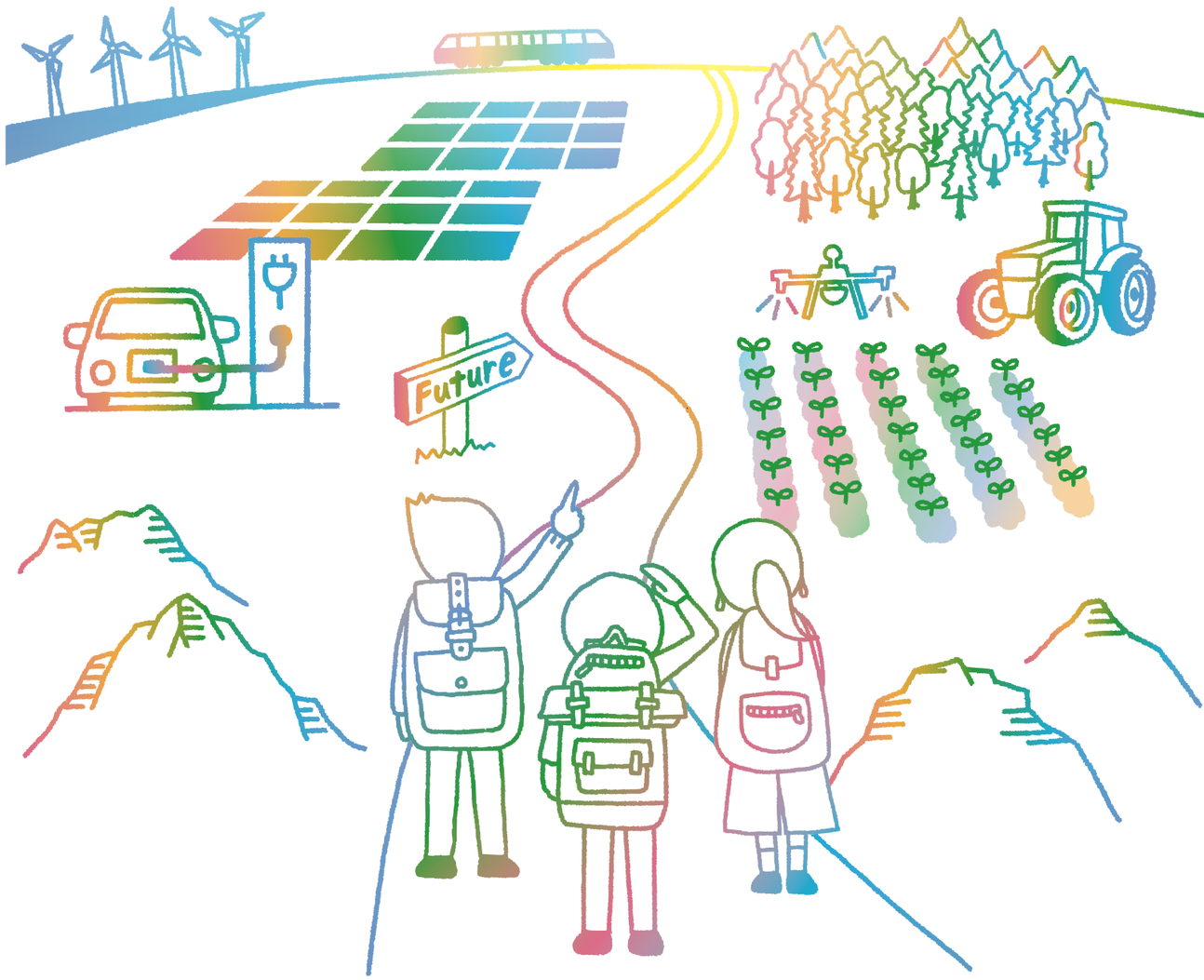
Marubeni

Our Journey

Building a Better Tomorrow

Marubeni

https://www.marubeni.com/en/



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Editorial Policy

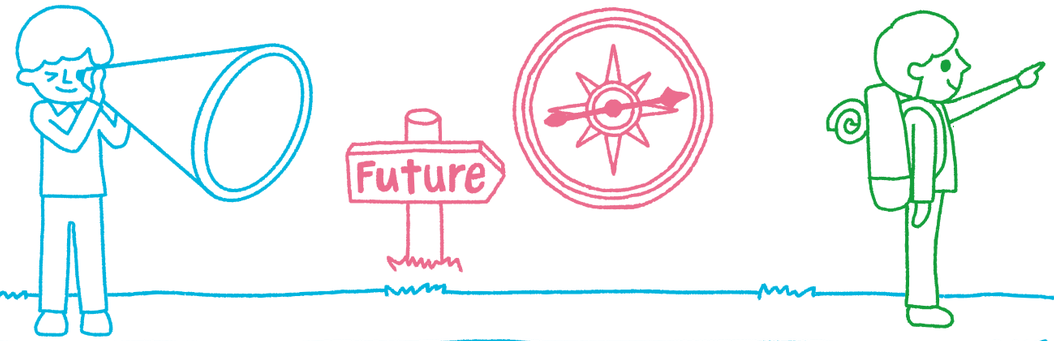
This booklet introduces the Marubeni Group's approach to sustainability, along with our awareness of environmental and social issues and the initiatives we are currently working on. It was edited and prepared to be easily accessible and read by our stakeholders including business partners.
"Our Journey—Building a Better Tomorrow"
This title incorporates our hope that we will be able to work with everyone who reads this booklet to build a more sustainable environment and society.

Terms Used in Our Journey

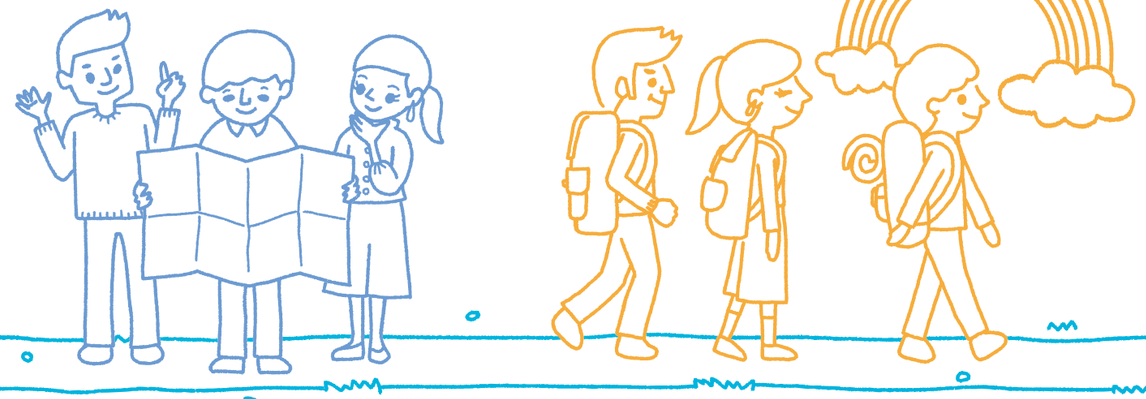
- Unless otherwise indicated, the Marubeni Group refers to Marubeni Corporation and Group companies (consolidated subsidiaries).
- Forecasts and forward-looking statements in the text are based on available information and certain assumptions and expectations at the time of disclosure. The specifics of actual actions and their results may differ from those described.

Our Journey Introduction

Embarking on an Innovation Journey for a Sustainable Future



This booklet was prepared to share the Marubeni Group's approach to sustainability with stakeholders including business partners so that we can all move forward together.
Let's embark together on our journey to an exciting future.



p. 1-2 **Introduction**

p. 3-4 **Our Thoughts**
Our Message to Stakeholders

p. 5-6 **Our Initiatives**
Our Initiatives for the Future

p. 7-10 **To Our Future**
The Future of the Marubeni Group as Seen by Junior Employees

p. 11-14 **Our Journey**
The Future That the Marubeni Group Seeks: A Discussion with Top Management

Environmental and Social Issues We Are Facing

Climate Change

Unless additional greenhouse gas mitigation measures are taken, it is projected that mean global temperatures in 2100 will increase by

3.7°C to 4.8°C,

leading to severe climate change impacts.

(Reference: United Nations Intergovernmental Panel on Climate Change, *Fifth Assessment Report*, 2014)

Resource Depletion

Land and water area to produce resources all humankind consumes and to absorb the waste it generates in one year.

1.6 Earths

(Reference: Global Footprint Network, https://www.footprintnetwork.org/ Accessed 2020)

Severe Forest Destruction

In the space of thirty years between **1990–2020**, the area of forests worldwide **has decreased** by **178 million ha**

II

a **decrease five times** the size of the land area of **Japan**

(Reference: Ministry of Agriculture, Forestry and Fisheries, *Evaluation of Global Forest Resources Assessment (FRA) 2020, Main Report/Overview*)

Increase in Global Population

2020 **7.8 billion people** ▶ Projected population in 2050 **9.7 billion people**

(Source: United Nations, *World Population Prospects 2019*)

Pandemics

The outbreak of COVID-19
changes our values and lifestyle behaviors

Expanding Economic Disparities

In 2018,
the richest 10% of the world's population owned **85%** of **global wealth**

(Reference: United Nations, *World Social Report 2020*)

Child Laborers (age 5–17 years) Worldwide

152 million
(of which **73 million** are in hazardous work)

(Reference: ILO, *Global Estimates of Child Labour 2017*)

Our Thoughts

Our Message to Stakeholders

Takayuki Furuya
Managing Executive Officer, Member of the Board
CFO;
Chief Operating Officer, Investor Relations and Credit Ratings;
Chairman of Investment and Credit Committee;
Chief Sustainable Development Officer;
Chairman of Disclosure Committee

Why Sustainability Now?

I believe that for the Marubeni Group, sustainability means anticipating environmental and social issues, evolving business models, and continuing growth in tandem with society.
As a result of rapid economic development since the Industrial Revolution, we have enjoyed material prosperity, but we are also confronting environmental and social issues including climate change and human rights problems that will impact generations in the future. The international community is making a correction to the direction of economic development by adding the new value of sustainability to the earlier value of material prosperity.
The spread of COVID-19 has increased the need for sustainable and resilient supply chains and social development more than ever. We hope to move forward on the building of a sustainable and resilient future society—Our Journey—while continuing business activities with the highest priority on ensuring the safety of Group employees and business partners*1 in countries around the world and taking every precaution.

*1 Refers broadly to suppliers, customers, and other business partners.

Sources of Value Creation

In order to continuously provide solutions to environmental and social issues, it is necessary that we gain insight into changes in the world and continue to overcome the challenges of value creation without being constrained by existing business models.
The Marubeni Group has identified three categories of "Fundamental Materiality" as basic elements necessary for value creation: (1) human capital with high social value, (2) robust management foundation, and (3) governance for coexistence with society.
In addition, we have identified four categories of "Environmental and Social Materiality" to be addressed with priority by utilizing our Fundamental Materiality: (1) climate change, (2) sustainable forestry, (3) human rights and co-development with communities, and (4) sustainable and resilient value chains.
Based on an awareness that climate change is a serious risk that we face, the Group has announced greenhouse gas emissions reduction targets*2 and action policies for individual businesses.*3
Going forward, in order to achieve the level required by the Paris Agreement, we will not only reduce greenhouse gas emissions as a group, but also deepen our efforts regarding actions that we can take with the creation of business that leads to reducing the greenhouse gas emissions of other companies as one of our growth strategies. We will also pursue new possibilities of forestry resources while promoting forest conservation through the forest plantation business, thereby contributing to the development of a circular economy. With regard to human rights, we established the Basic Policy on Human Rights*4 and we respect human rights, conduct human rights due diligence, and are working to create grievance mechanisms in accordance with international standards. Sustainability Guidelines are provided in the Basic Supply Chain Sustainability Policy*5 for the development of sustainable and robust supply chains.

Marubeni Group's Sustainability Conceptual Diagram

*2 Announced September 2020
"Marubeni Group to Promote Carbon Neutral Electricity Purchase and Greenhouse Gas Emissions Reduction Target"
https://www.marubeni.com/en/news/2020/release/00011.html
*3 Announced September 2018
"Notification Regarding Business Policies Pertaining to Sustainability (In Relation to Coal-Fired Power Generation Business and Renewable Energy Generation Business)"
https://www.marubeni.com/en/news/2018/release/00028.html
*4 Basic Policy on Human Rights
https://www.marubeni.com/en/sustainability/social/human_rights/
*5 Basic Supply Chain Sustainability Policy
https://www.marubeni.com/en/sustainability/social/supply_chain/

Taking Action with Our Business Partners

By adding a new value of sustainability to the products and services we handle, the added value of existing products and services will be further enhanced.
The Marubeni Group seeks to enhance competitive advantage throughout the supply chain by anticipating the changing needs of society and consumers and providing safe and secure products and services with high added value. We are confident that this will lead to the building of value chains that contribute to solving social and environmental issues and are needed throughout the world.
Specific actions include ascertaining the status of environmental, safety and health, and social measures in supply chains through on-site inspection and written surveys, sharing information and issues that can be useful and raise awareness for improvements.
In the future, we hope to reinforce the sustainability of the entire value chain by sharing best practices.

Partnerships for a Sustainable Future

We have conducted business with the support of business partners around the world. We are aware that sustainable and resilient supply chains that provide solutions to environmental and social issues will become more important as social infrastructure. By pursuing the building of such supply chains with our business partners, we seek to create win-win relationships.
To enhance the value provided by the wonderful products and technologies of our business partners, we request understanding of and cooperation with our initiatives and that we work together as irreplaceable partners to achieve "Our Journey—Building a Better Tomorrow."

Our Initiatives Our Initiatives for the Future

Here we introduce some of the Marubeni Group's initiatives to address environmental and social issues and the challenges for the future.

Toward the Realization of a Carbon-Free Society

Sweihan Photovoltaic IPP Project
(United Arab Emirates)

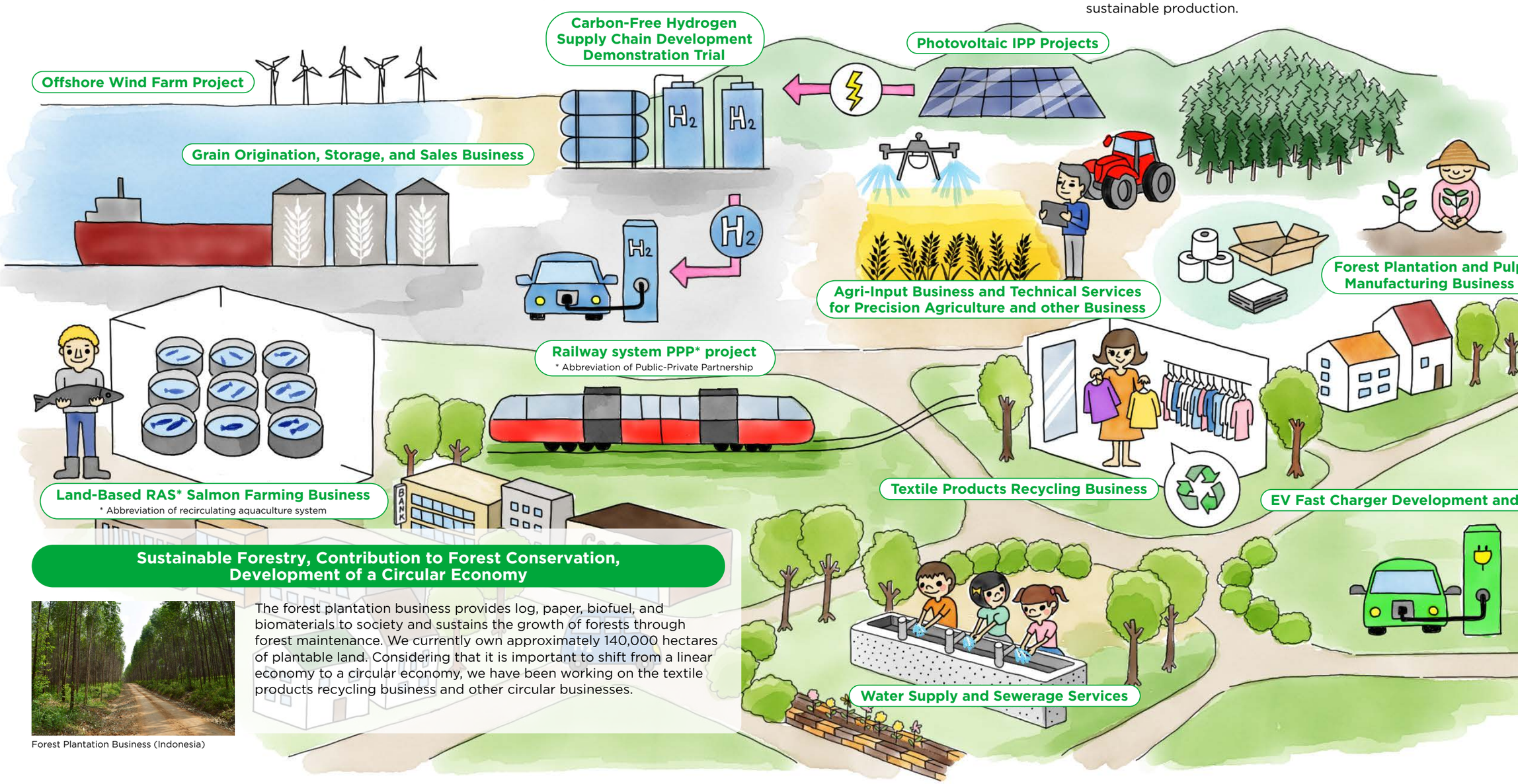
Looking ahead to the future of a carbon-free society, we are taking highest priority on using renewable energy solutions in, but not limited to, developing power generation projects as well as electric power wholesale and retail business, local power generation for local consumption, de-centralized power business, and smart city related businesses in Japan and overseas. We are also taking a multifaceted approach to the development of clean energy systems including the supply of materials for lithium batteries needed for renewable energy, such as copper, cobalt, and nickel, and conducting low-carbon and decarbonization-related businesses such as hydrogen, ammonia, biofuels, and CCUS.*

* Abbreviation of Carbon Dioxide Capture, Utilization and Storage.

Respect for Human Rights and Building of Sustainable and Resilient Supply Chains

Instant Coffee Processing and Sales Business
(Brazil)

We are cognizant that fulfilling our responsibilities through business is among the most important issues for respecting the human rights of all people who are affected by our business and building a better tomorrow. As one aspect of our efforts to build sustainable and resilient supply chains, in our imports of coffee beans, of which our share of the domestic market is approximately 30%, we are working to develop safe and secure supply chains that track a product from production to consumption. We are working to enhance the value of production at the farm level by providing technical guidance to coffee producers so they can raise quality and increase yields. We also proactively handle products that have acquired certification for supporting sustainable coffee production. These initiatives are contributing to the realization of sustainable production.



Sustainable Forestry, Contribution to Forest Conservation, Development of a Circular Economy

Forest Plantation Business (Indonesia)

The forest plantation business provides log, paper, biofuel, and biomaterials to society and sustains the growth of forests through forest maintenance. We currently own approximately 140,000 hectares of plantable land. Considering that it is important to shift from a linear economy to a circular economy, we have been working on the textile products recycling business and other circular businesses.

To Our Future

The Future of the Marubeni Group as Seen by Junior Employees

In February 2020, we held a workshop to discuss the image of the Marubeni Group in 2050, and 18 junior employees engaged in a free and open-minded exchange of views taking into consideration the perspective of sustainability.

Working with a Will for the Future

The only qualification for participation in the workshop was to be a junior Marubeni Group employee who works with a will for the future.
In a time when conventional values and working styles are undergoing major changes, we need to respond through our work to the concerns of business partners regarding how Marubeni will be when they pass down their businesses to their successors and whether Marubeni will be a sustainable company with future potential.
Marubeni Group's mission is to solve, through its business, the various issues that society and business partners are facing by engaging in active discussions of the future from a long-term perspective.
To convey this image, the key points of the various discussions that took place in the workshop regarding the image of the Marubeni Group in 2050 and the challenges that will be tackled to achieve that image are presented on pages 8 to 10.

Discussions at the Workshop

1 Marubeni Filters Megatrends, Environmental and Social Issues, and Solution Tools —The Marubeni Group as an Environmental and Social Issues Solution Provider

The Marubeni Group will function as a filter of issues and solution tools for the environmental and social issues that are expected to be present in 2050 including climate change, population increase, and food shortages.
We hope to provide solutions by performing the function of selecting from among combinations of multiple environmental and social issues and solution tools while considering the Group's strengths. In this way, we hope to make the Marubeni Group even more acceptable to society.

2 Innovative Marubeni

Against the backdrop of diversification of values, environmental and social issues in 2050 will be more complex. Marubeni Group employees will need to pay attention to and be sensitive to changes in the times, anticipate all types of issues, and solve them. To achieve this, we hope to be a corporate group that can get things done in a timely manner and is known both internally and externally as “innovative Marubeni.”

▶Details of the discussions that took place at the workshop continue on the following page.

Comments from Participants

Shinnosuke Fukuta
Aerospace & Ship Division
Aviation, Space & Defense Dept.

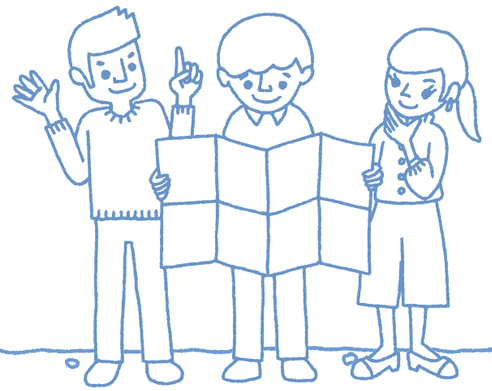
Yuki Nonaka
Metals & Mineral Resources Division
Copper Mining Dept.

Sayaka Aoki
Next Generation Business Development Division
Asia Business Dept.

* Affiliations and work responsibilities are as of February 2020.

Nonaka: I got a good sense of the participants' high level of awareness regarding sustainability. My work concerns copper mine development. Copper is essential for development in the IoT field and for making society green, but mine development also makes significant environmental impact. In addition, there is also a social aspect to be considered in that many regions are economically dependent on mine development. I hope that we can work with business partners to actively introduce new technologies in order to achieve operations and development with low environmental impact, contributing to sustainable mine development.
Aoki: I feel that the term SDGs*1 has already spread throughout society, but there is little talk about specific actions that can be taken. I believe that it would be beneficial if employees with diverse backgrounds engaged in periodic discussions and broadly disseminated slogans promoting sustainability. I myself am working on development of services that will reduce the burdens on companies concerning products with sustainability certification and will generate consumer demand. I hope that I can disseminate the knowledge that I have acquired through this both inside and outside the company in my own way.
Fukuta: My team shares an understanding of diversity from the perspective of creating an environment where everyone can be happy in their work, and based on that we have developed ideas. The expectation that it would be beneficial if the company established offices in regions outside of Tokyo and the surrounding areas became like countries further developed into an idea of business opportunities being generated in those regions. We have always thought about the near future, but the opportunity to think about 2050 was a rare experience.

*1 Abbreviation of Sustainable Development Goals. The SDGs are international goals for a sustainable world to be achieved by 2030 adopted at a United Nations Summit in September 2015. The SDGs comprise 17 goals and 169 targets.



3 Benijuku*—Developing Problem-Solving Skills Regarding Environmental and Social Issues

We propose the establishment of Benijuku, an in-house school for the development of internal and external human resources and one of the platforms supporting “filtering functions.”
As a capacity-building organization, Benijuku will have the role of enabling all Marubeni Group personnel to explain what kind of organization the Marubeni Group is and the principles and social mission of the Group. It will also expand access beyond the Group and serve as an organization that develops human resources who can solve environmental and social issues.
We hope to deepen the Group’s role as an environmental and social issue solution provider by making use of Benijuku’s human resource development systems.

* The word of Beni in our company name means crimson in Japanese. The Juku represents a capacity-building organization in the text.

4 The Marubeni Company Town—Marubeni’s Distinctive Characteristics

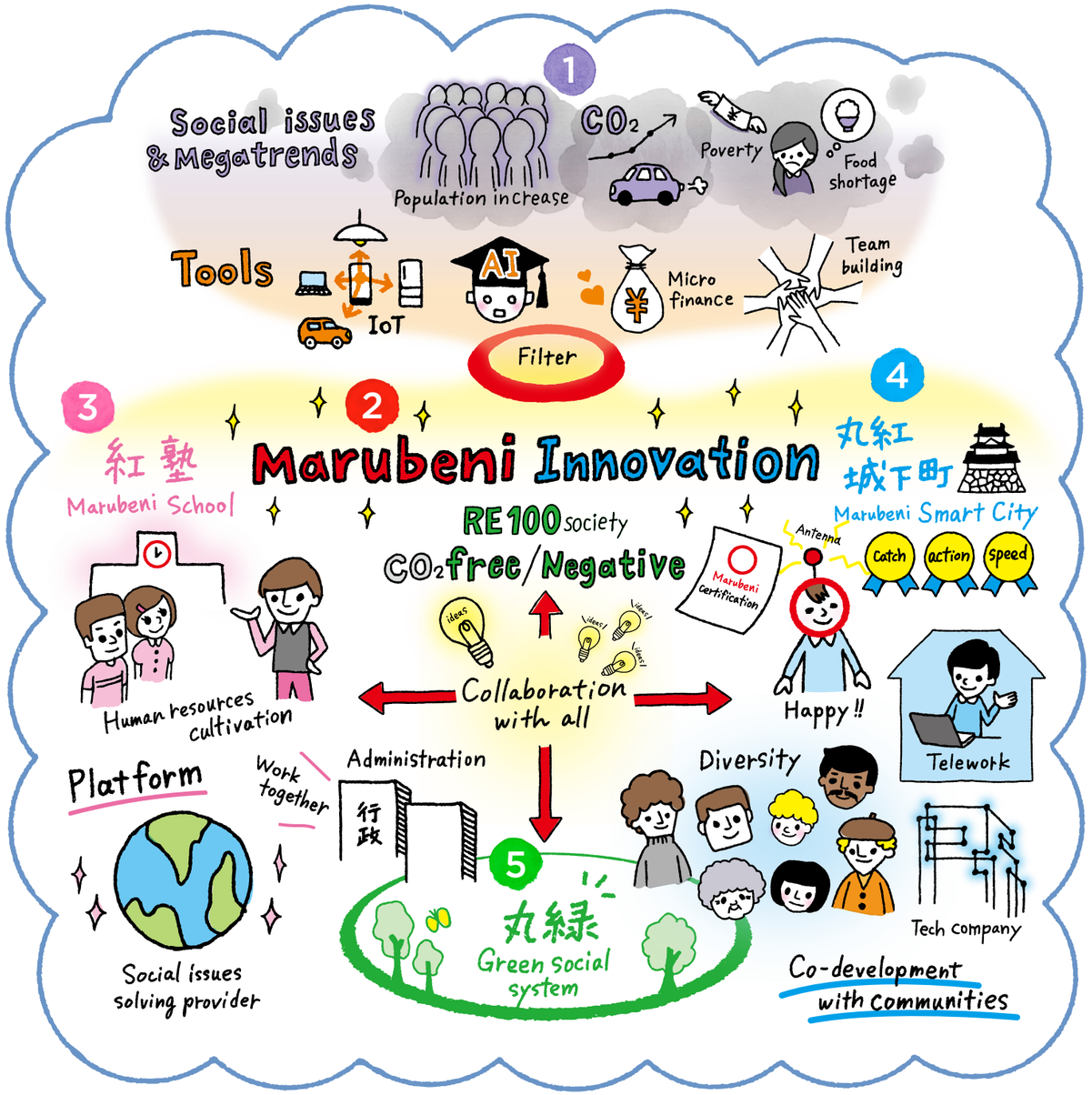
When considering the connections between increasingly complex and diverse environmental and social issues and the future image of the Marubeni Group, the question of how the Marubeni Group can enhance the added value of goods and services comes up.
One possible solution is to relocate as many head office functions as possible to a provincial city, create a “Marubeni Company Town,” and make it into an innovation hub that attracts human resources, capital, and technology. Ideas will be gathered from various organizations and people with a high level of diversity of values such as high-tech firms and startups, leading to the formation of a community where people share varied lifestyles. We hope to actively engage in collaboration with new partners different from those of the past.
The Marubeni Company Town depicts the steady creation of new value through the enthusiastic and joyful performance of work. The objective is to leverage the Marubeni Group’s resources and create happiness, not just for Group employees, but throughout society, in order to make “innovative Marubeni” a reality.

5 From Marubeni to Maru-green—Green Branding

To lead society, the Marubeni Group should disseminate a clear message to the environment and society and gain the trust of future generations and wide-ranging stakeholders. Based on the ideas of “creating a carbon-free or carbon-negative society that can carry out RE100” and “becoming a company that accepts diverse work styles and cross-organizational collaboration,” we anticipate branding our transformation from “Marubeni to Maru-green.” We will leverage the strengths of a general trading company with the aim of becoming a leader in the creation of green social systems. We hope to gain trust as a company that creates new environmental value which transforms society as a whole and to evolve into a company that is an essential presence. To achieve this, we want to delve deeper into specific areas such as the creation of human resource databases and utilization of block chains.

Graffiti to the Future—Our Journey to Better Tomorrow

We depicted a scene of the main deliberations during the workshop as a single picture intended for the future. In light of the environmental and social issues that we are facing, the attempt to draw a picture of the Group’s future and achieve it is something that we will all do in the future. We will always look to the future when performing our day-to-day work and strive to build a sustainable environment and society in collaboration with our business partners.



Our Journey

The Future That the Marubeni Group Seeks

Sustainability expert Peter D. Pedersen and Marubeni Corporation President and CEO Masumi Kakinoki discussed the Marubeni Group's approach to sustainability and the future that it seeks. Chief Executive Officer, Cre-en, Inc., Ayako Sonoda served as facilitator for this dialogue with top management.

Peter David Pedersen
Co-founder, NELIS (Next Leaders Initiative for Sustainability),
Professor of Sustainability and Innovation,
Shizenkan University

Masumi Kakinoki
Marubeni Corporation
President & CEO

Ayako Sonoda
Cre-en, Inc.
Chief Executive Officer

* This interview was conducted in February 2020.

The Marubeni Group's Mission of "Filling in Gaps"

Sonoda: We are entering an era when companies are being called on to take action for the creation of a sustainable society, as exemplified by the increasing focus on the SDGs. To begin, what is your take, President Kakinoki, on the current status of sustainability?
Kakinoki: Since the Industrial Revolution, human society has dashed forward at a breathtaking pace in the pursuit of rapid growth, but I think we are now in a time when we can see the end to this. As various issues, including climate change, resource depletion, and poverty, become more apparent, people's values are changing. In contrast to the unending cycle of mass production and mass consumption in the pursuit of all that is convenient, comfortable, and inexpensive, greater emphasis is now being placed on production and consumption in appropriate quantities using suitable methods and at reasonable prices.
Pedersen: The definition of sustainability put forth by then Prime Minister of Norway Gro Harlem Brundtland in 1987—"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"—was a groundbreaking concept that expressed the need for sustainability across generations. The current generation pursues its own prosperity by exhausting the earth's limited resources and imposes that burden on future generations. This situation is pushing humankind to the brink of a dead end. This is the concept of intergenerational responsibility—responsibility that we owe to other generations. From now on, companies will be expected to satisfy the needs of the current generation without threatening the needs of future generations.
Kakinoki: I think that the very reason for trading companies to exist is to fill in these various gaps. In the twentieth century, trading companies filled in geographical gaps through trade, and in the twenty-first century, they have filled in gaps between future and current value through investment. Now, we are expected to fill in the gap between a difficult-to-discern future and the present. This is essentially taking action to address social issues. I believe that it is necessary to consider human society from an ultra-long-term perspective that goes far beyond our children's and grandchildren's generations, extending hundreds of years into the future.

Viewing Business through the Lens of Our Vision for 2050

Pedersen: Assuming that in 2050, the global population will be 9.7 billion and that 90% of those people will be in the middle class or higher, it is projected that 8.8 billion people will be in the middle class or higher. If the people of that future are to live secure lives, free from the threat of climate change, net zero CO_2 emissions are a must. When promoting sustainability, it is extremely important to consider next actions based on back casting from a desired future. For instance, the Marubeni Group has already announced that we will withdraw from the coal-fired power generation business.
Kakinoki: When considering climate change issues, it is essential that we eliminate our reliance on fossil fuels and promote the use of renewable energy. Among the many and varied issues that we are facing, I believe that the environment is one area that is easy to approach directly.
Pedersen: If the percentage of the global population in the middle class and higher that engages in consumption increases from about 50% today to 90% by 2050, some 5 billion new consumers will be created in the next 30 years. It would be difficult if we only had to provide for basic needs for these people—food, housing and clothing—especially considering the limited nature of resources and energy, as well as environmental impact. On the other hand, this will present significant business opportunities, and a key question will be what types of business models companies will create.

Kakinoki: I believe that businesses that satisfy fundamental human needs such as food, housing, and clothing as well as medical and health care also have high potential to contribute to sustainability. In terms of food, housing, and clothing, what we can start with is the concept of appropriate quantities mentioned earlier. We noticed the massive disposal of excess production in the apparel industry, so we teamed up with Circ LLC (formerly known as Tyton BioSciences LLC), an American venture company, in 2019 to start a business that would recover unneeded clothing and discarded fabric from the supply chain and recycle them into textile raw materials (see p. 6). The aim is to recover and reuse limited resources as much as possible and reduce waste to create circular supply chains.

Creating New Value by Going Beyond Existing Business Models

What the Marubeni Group Asks of Its Employees

Sonoda: The Marubeni Group established the Next Generation Business Development Division in April 2019 as a new business division to develop next-generation businesses by identifying growth topics backed by social issues. What was the thinking behind this move?
Kakinoki: The mission of the Next Generation Business Development Division is to find new business in areas where the Group has not been active in the past. Normally, when a new business division is established, targets such as generating a profit a certain number of years in the future are set, but that is not the case for this new division. The division was established not with the expectation of generating profits a certain number of years in the future, but with a future orientation that focuses on the creation of new business models that future generations can use to generate profits.
Pedersen: I think that this is an extremely interesting initiative. What impact do you think the establishment of the Next Generation Business Development Division has had on the corporate culture and the mindset of employees?
Kakinoki: One of the original and main objectives of establishing the division was to provide stimulus within the company. The division presents the details of its actions to the entire company each quarter, broadly informing personnel about the possibilities of tackling challenges in new areas that have previously been undeveloped. There is also an expectation that doing this will motivate junior employees in existing business departments to take on similar challenges.
Sonoda: At the recent workshop on the future of the Marubeni group in 2050 attended by junior employees (see pp. 7–10), there was an impressive number of ideas for tackling new challenges as a provider of solutions to environmental and social issues in collaboration with various organizations and people both inside and outside the company. There was some discussion about the need to become a company that can provide new value to society by creating platforms for the development of human resources who can innovatively solve social issues and by building innovative cities, green social systems, and so on. No one knows what will happen in 2050, but at the foundation was a shared awareness of the future image of a truly new Marubeni—one that can be achieved if everyone acquires problem-solving skills and if there are mechanisms in place that enable them to continuously take action while looking ahead to the future. Engaging in various businesses in multiple fields is one of the strengths of *sogo shosha* (Japanese term for diversified trading and investing conglomerates) like Marubeni, and I think it is wonderful that this can be leveraged to create collective action.
Kakinoki: I am always telling employees that I want them to be interested not just in their own work, but also in the work of their colleagues as well as other sections and departments. The unique strength of a company like Marubeni is the gathering of many different kinds of businesses. Having various businesses in a single organization enables us to access large amounts of information and resources. By gaining inspiration from this and cooperating with one another, we are able to better solve the problems that we are currently facing. If you think that you can't do what you want within the existing framework, you can always jump outside. I want employees to think about business that is looking outward and taking new steps outside existing frameworks.

Taking Action with Our Business Partners

An Innovation Journey for a Sustainable Future

Sonoda: Lastly, please describe your vision for the Marubeni Group 30 years and 50 years in the future.
Kakinoki: Our fundamental stance of providing solutions through innovation that anticipates environmental and social issues in line with the Marubeni Company Creed, "Fairness, Innovation and Harmony," will remain unchanged, even in the future. The traditional business model of the *sogo shosha*—transferring goods from the maker to the user—will not be sufficient to respond to the extreme change our world is now experiencing. Today, there are many suppliers who, while in possession of top tier technology and products, are concerned with how those things will be used by consumers. Meanwhile, there are even more consumers who themselves do not have a clear idea of their own wants and needs. We will generate new demand and supply between the two sides by thinking and working together with both suppliers and consumers to create new goods and business models that respond to their needs. I believe that opportunities to engage in this type of innovation journey will increase even more in the future.
Pedersen: I look forward to the Marubeni Group joining hands with diverse business partners and embarking on an innovation journey to a sustainable society.
Kakinoki: I feel that there is a growing momentum; we are raising our awareness as the center of supply chains and seeing innovation as broader social value, making it "open" rather than simply "closing in" it. Over the long-term, I would like the Marubeni Group to strive to become an SDG goal creator working to create a sustainable society, rather than just one trading company. If we can do this, I am confident that the Marubeni Group will demonstrate a solid presence as a company needed by society 30 and 50 years from now.