

SDGs Bond (Sustainability Bond)

Framework

ITOCHU has established this SDGs Bond Framework in alignment with the Green Bond Principles, 2018, the Social Bond Principles, 2020 and the Sustainability Bond Guidelines, 2018 as administered by the International Capital Market Association (ICMA).

- SDGs Bond Framework (https://www.itochu.co.jp/en/csr/pdf/sdgs_framework_en.pdf) 

Second Party Opinion

ITOCHU has obtained an external evaluation (second party opinion) from Vigeo Eiris (Moody's ESG Solutions) for the conformity of our Framework with principles such as the Sustainability Bond Guidelines.

- Second Party Opinion (Vigeo Eiris) (https://www.itochu.co.jp/en/csr/pdf/sdgs_spo_en.pdf) 

Reporting

Fund Allocation Report and Impact Report (May 2022)

Funds raised from SDGs bonds issued in March 2021 USD500M have been allocated to qualified projects in accordance with Section 3.2 of the SDGs Bond Framework. In addition, we calculated the impact on the environment and society of qualified projects to which the funds raised were allocated.

* ITOCHU's SDGs Bond was issued based on the SDGs Bond Framework (the "Framework"), established by ITOCHU in March, 2021, in alignment with the Green Bond Principles, 2018, the Social Bond Principles, 2020 and the Sustainability Bond Guidelines, 2018 as administered by the International Capital Market Association (ICMA).

* Use of Proceeds

ITOCHU allocated the amount equal to the net proceeds from the issuance of SDGs Bond to the eligible projects set forth on the right. For allocation to existing projects, projects financed up to 36 months prior to the date of the SDGs bond issuance are eligible.

* Process for Project Evaluation and Selection

ITOCHU's Finance Division and Sustainability Management Division cooperated and decided on the eligible projects which the proceeds from the issuance of SDGs Bonds were allocated, in alignment with the categories and criteria set forth above. For the purpose of the environmental and social risk management, ITOCHU holds the Sustainability Committee and discusses ESG risks, reports to the Board of Directors, evaluates ESG risks, and conducts surveys and reviews in alignment with Sustainability Action Guidelines for Supply Chains.

* Management of the Proceeds

The Finance Division will allocate and manage the proceeds from the issuance of SDGs Bonds to Eligible Projects. The Finance Division will also monitor an amount equal to the net proceeds from the issuance of SDGs Bonds based on the Framework to applicable Eligible Projects and periodically adjusted to match allocations to eligible projects/categories. Any pending allocation will be invested temporarily in cash and cash equivalents.

* The share of refinancing for "Efforts to reduce greenhouse gas emissions" and "Sustainable Food System" was 95% while "Efforts to reduce greenhouse gas emissions in FamilyMart" was a newly financed projects. The proceeds from the issuance of SDGs Bond were allocated to the refinanced projects as of the end of March, 2021 and to the newly financed projects as of the end of March, 2022. The proceeds were invested temporarily in cash and cash equivalents until the allocation.

Post-issuance Review (May 2022)

Itochu has obtained a post-issuance review from Moody's ESG Solutions (renamed from Vigeo Eiris) for the fund allocation report and impact report created by us.

- Post-issuance Review (https://www.itochu.co.jp/en/csr/pdf/sdgs_independent_review_en.pdf) 

• Click here for a press release regarding this matter. (<https://www.itochu.co.jp/en/news/press/2021/210324.html>)

- Fund Allocation Report and Impact Report

1. Efforts to Reduce Greenhouse Gas Emissions (Eligible Green Project Categories)

Eligible Category	Eligibility Criteria	Allocation of Proceeds (USD/M)	Impact
Renewable Energy	Increase Renewable Energy Use	331	Power generation amount/ Estimated power generation amount 2,428,216MWh Estimated achieved reduction in CO ₂ emissions 1,426,767 t-CO ₂ e
	<ul style="list-style-type: none"> • Development, construction, acquisition, management, and/or Operation & Maintenance of solar and wind (onshore and offshore) with direct emissions of less than 100g-CO₂ / kWh • Supply energy storage systems (ESS) which contribute to the spread of self-consumption solar power generation • R&D and manufacturing of next-generation lithium-ion batteries mainly for storage of solar power generation 		Estimated achieved reduction in CO ₂ emissions 265,573 t-CO ₂ e

2. Efforts to Reduce Greenhouse Gas Emissions in FamilyMart (Eligible Green Project Categories)

Eligible Category	Eligibility Criteria	Allocation of Proceeds (USD/M)	Impact
Renewable Energy	Introduction of Renewable Energy	27	Estimated achieved reduction in CO ₂ emissions 336t-CO ₂ e
Energy Efficiency	Improved Energy Efficiency		Estimated achieved reduction in CO ₂ emissions 8,467 t-CO ₂ e

3. Sustainable Food System (Eligible Social Project Categories)

Eligible Category	Eligibility Criteria	Allocation of Proceeds (USD/M)	Impact
Sustainable Food System	Procurement of externally certified coffee beans	142	Ratio of supplied/sourced products with eligible certifications 26%
	Procurement of externally certified bonito and tuna		Ratio of supplied/sourced products with eligible certifications 3%
Sustainable Management of Food Waste	Procurement of grape seed oil	-	-

4. Providing Access to Essential Services - Medical and Infrastructure (Eligible Social Project Categories)

Eligible Category	Eligibility Criteria	Allocation of Proceeds (USD/M)	Impact
Healthcare	Providing medical services	0	-
Affordable Basic Infrastructure	Mini Grid		-