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The Japanese original should be considered as the primary version.



# **ITOCHU Corporation**

# **Green Loan Framework**

**September 2023**

## **Table of Contents**

### **1. Introduction**

### **2. Approach to SDGs**

### **3. Alignment with the Green Loan Principles, 2023, and the Green Loan Guidelines, 2022**

#### **3.1 Use of Proceeds**

#### **3.2 Process for Project Evaluation and Selection**

#### **3.3 Management of the Proceeds**

#### **3.4 Reporting**

### **4. External Review**

#### **4.1 Second Party Opinion**

## 1. Introduction

The history of ITOCHU Corporation dates back to 1858 when the Company's founder Chubei Itoh commenced linen trading business. With approximately 90 bases in 61 countries, ITOCHU, one of the leading Japanese trading companies, is engaging in domestic trading, import/export, and overseas trading of various products such as textile, machinery, metals & minerals, energy & chemicals, food, general products & realty, and information/communications technology & finance, as well as business investment in Japan and overseas.

The origin of ITOCHU's continued development for more than 160 years is “Sampo-yoshi” (good for the buyer, good for the seller and good for society). That means it is extremely important to collect information about what is happening in society, what may happen and what the market wants. We then need to uncover opportunities and uncertainties—that is, risks—before taking a thorough response to prevent them. We will continue to put “Sampo-yoshi” capitalism into practice, valuing all our stakeholders with the aim of achieving further sustainable growth in our corporate value.

## 2. Approach to SDGs

ITOCHU Group, conducting business globally under the spirit of “*Sampo-yoshi*” which is our Corporate Mission, considers that addressing global environmental and social issues is one of the top priority issues in our management policy. We contribute to the realization of a sustainable society based on the ITOCHU Group Code of Ethic Conduct, in order to achieve the goals of The ITOCHU Group Corporate Guideline of Conduct, “I am One with Infinite Missions”.

In order to implement our initiatives to further sustainability organizationally and systematically, we established the “The ITOCHU Group Sustainability Policy”.

### (1) Identification of Material Issues and Promotion of Businesses that Address the Social Issues

As a member of the international community, we will identify and assess material issues where we can create the most social and environmental value for that can enhance the sustainable growth of both society and our business.

### (2) Establishment of Mutual Trust with Society

We will take necessary measures to ensure that we disclose accurate and clear information and expand the information we disclose, and maintain a communicative relationship with our stakeholders. In doing so, we aim to be receptive and responsive to the expectations and demands of society.

### (3) Strengthening Sustainable Supply Chain and Business Investment Management

We will promote sustainable business activities by preventing and continuing to give consideration to problems for the conservation of the global environment, climate change mitigation and adaption, pollution control, resource recycling, protection of biodiversity and ecosystems, and basic human and labor rights.

We will endeavor to effectively use resources (such as air, water, land, food, minerals, fossil fuels, animals and plants), respect human rights and consider occupational health and safety in the businesses where we invest and in the supply chains of the products we handle.

We request our business partners to understand and implement the concept of sustainability in the ITOCHU Group, and aim to build a sustainable value chain.

We will respect the legal systems of each country and international norms. We will strive to understand the cultures, traditions and customs of countries and regions around the world. We will then engage in fair and sincere corporate activities.

#### (4) **Education and Awareness of Employees to Promote Sustainability**

We believe that the promotion of sustainability starts with each and every employee. Therefore, we will take necessary measures to educate our employees on the material issues we have identified and nurture a sustainability mindset among the workforce. Every employee is expected to adhere to this policy by executing respective action plans drafted in alignment to this policy.

To provide a range of goods and services that will support people's lives, the ITOCHU Group operates in a comprehensive array of business domains, from upstream areas, such as transactions involving raw materials, to downstream domains, such as retail and consists of 8 Companies. Under the Basic Policy on Promotion of Sustainability, the ITOCHU Group encourages each business line to promote sustainability and to commit to the Sustainable Development Goals (SDGs) adopted by the United Nations (U.N.), enhancing sustainability initiatives as a whole group. The ITOCHU Group as a whole is strongly committed to all of the 17 U.N SDGs.

Furthermore, the ITOCHU Group announced "FY 2022-2024 Outline of Medium-Term Management Plan" on May 10, 2021, and stated its enhanced contribution to and engagement with the SDGs as follows.

- **【Sampo-yoshi capitalism】**
  - To realize a sustainable society, we embrace an approach to capitalism with greater emphasis on serving all stakeholders.
  - Through our business activities, we will contribute to the achievement of SDGs in such ways as maintaining the foundations of everyday life and protecting the environment.
- **【Priority Measures】**
  - Promoting decarbonization by fully divesting thermal coal mining assets.
  - Reinforcing initiatives related to environmentally friendly products and circular economy businesses and services. (e.g., sustainable materials, recycling, storage batteries, water and waste management)

The ITOCHU Group intends to contribute to the realization of the SDGs while achieving growth through business format reforms in response to the expansion of business opportunities due to the growing social demand for the SDGs.

### **3. Alignment with the Green Loan Principles, 2023, and the Green Loan Guidelines, 2022**


ITOCHU has established this Green Loan Framework (the "Framework") in alignment with the Green Loan Principles, 2023 as administered by the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA), and the Loan Syndications and Trading Association (LSTA), as well as the Green Loan Guidelines, 2022 as administered by the Ministry of the Environment of Japan.

#### **3.1 Use of Proceeds**

ITOCHU will allocate an amount equal to the net proceeds from the implementation of Green Loans to new or existing projects that meet at least one of the Eligibility Criteria set forth below (Eligible

Projects). Eligible Projects are comprised of “Eligible Green Projects”. For allocation to existing projects, projects financed up to 36 months prior to the date of the relevant loans execution will be eligible.

## Eligibility Criteria

Eligible Category	Eligible Criteria	Environmental Objective	SDGs Alignment
<b>Renewable Energy</b>	<b>Renewable Energy Power Generation Projects</b> <ul style="list-style-type: none"> <li>Development, construction, acquisition, management, and/or Operation &amp; Maintenance of renewable energy power generation projects such as solar power, wind power, and hydropower.</li> </ul>	Climate change mitigation (Reduction of greenhouse gas emissions, Introduction of renewable energy)	   
<b>Pollution Prevention and Control</b>	<b>Energy from Waste Projects (Advanced collection and disposal of waste)</b> <ul style="list-style-type: none"> <li>Development, construction, management, and/or Operation of facilities for pollution prevention and control such as waste recycling and energy from waste.</li> </ul>	Contribution to the realization of the circular economy (Reduction of an amount of landfill waste, Reduction of greenhouse gas emissions)	    
<b>Projects concerning production technologies and processes and environmentally friendly products for the circular economy</b>	<b>Projects for the circular economy</b> Waste-to-Renewable Hydrogen and Renewable Fuels	Climate change mitigation (Reduction of greenhouse gas emissions)	 
<b>Pollution Prevention and Control</b>			

## Exclusionary Criteria

ITOCHU has developed an exclusionary criteria to be applied to the allocation of the proceeds from Green Loans. In this regard, ITOCHU commits to not knowingly allocating the net proceeds for projects included in the following:

- Landfill related to waste treatment, among the project scope of Energy-from-Waste

## 3.2 Process for Project Evaluation and Selection

The following departments will cooperate and decide on the following items for the projects which the proceeds from the issuance of Green Loans will be allocated.

### Relevant departments (the following relevant departments will cooperate and decide)

- Finance Division
- Sustainability Management Division

### Decision items

- Evaluating the compliance of proposed assets with the eligibility criteria  
Eligibility:
  - Projects with positive long-term effects on the environment/society
  - Projects with appropriate procedures such as complying with laws and regulations, obtaining permits and licenses, and environmental assessment.
- Ensuring that the portfolio of Eligible Assets is aligned with the categories and criteria as specified in the "Use of Proceeds" section
- Replacing investments that no longer meet the eligibility criteria
- Confirming the content of the Framework, and reflecting/updating the relevant changes in ITOCHU's business strategy, technology and market developments

### Responding to environmental and social risks

In order to promote sustainability as part of a company-wide risk management, the ITOCHU Group has related committees centered on the Sustainability Committee regarding ESG risks such as human rights, occupational safety, climate change, natural disasters, and ESG investment. After discussing ESG risk policies and measures and the penetration of risk management systems, the ITOCHU group reports to the Board of Directors at least once a year.

In the business investment process, the ITOCHU group has introduced ESG risk evaluation<sup>1</sup> as one of the items to consider when making investment decisions. Specifically, the ITOCHU Group evaluates in advance the impact on the environment, society and the governance status of investment targets using an ESG checklist consisting of 33 items. In addition, even after the investment has been made, ESG assessments are conducted from various perspectives, such as by visiting sites, with the aim of preventing environmental pollution at group companies.

Against the background of expansion of business domain, ITOCHU's supply chain has become wider and more complicated, and not only processes that can be directly managed by the company, but also human rights, labor and environment in raw material procurement, production areas, intermediate distribution and consumption areas, etc. Risk management is more needed. In particular, on-site management of suppliers with a relatively high share of their purchasing is considered to be a matter that should be prioritized because of its great consideration and responsibility.

ITOCHU has established the "Sustainability Action Guidelines for Supply Chains" and is working to prevent problems from occurring by conducting the following surveys and reviews, and if problems are found, ITOCHU improves them through dialogue with suppliers. In order to understand the

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<sup>1</sup> ESG Report FYE2023 (for the year ended March 31, 2023) P.192

actual situation of suppliers, each company and applicable group companies select important suppliers based on certain guidelines such as high-risk countries, products handled, and transaction amount, with the seven core subjects of ISO26000 as essential survey items. The sales staff of each company and the staff of overseas subsidiaries and group companies visit the suppliers and conduct hearings. In addition, the ITOCHU Group has been conducting a sustainability survey<sup>2</sup> in the form of a questionnaire (sustainability checklist) since fiscal 2008.

We will continue to monitor ESG risks and ESG controversies, including the above risk measures, even when Green Loans are repaid.

### 3.3 Management of the Proceeds

ITOCHU's Finance Division will allocate and manage the proceeds from Green Loans to Eligible Projects. The Finance Division will also monitor an amount equal to the net proceeds from Green Loans 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. In case a project is cancelled or postponed, proceeds will be reallocated to projects that are compliant with the Framework. Proceeds will be allocated within 24 months.

### 3.4 Reporting

ITOCHU will report on our website annually until all of the funds raised for Green Loans under this Framework are applied to eligible businesses. In addition, we will report any significant changes in the appropriation business as appropriate.

#### Allocation Reporting

ITOCHU will report to the extent feasible, including the following components:

- Allocated amount and appropriation of Eligible Green Projects in the following business categories (including the ratio of refinancing and new financing)
  1. Renewable Energy Power Generation Projects
  2. Energy from Waste Projects
  3. Projects for the circular economy
- The balance of any unallocated proceeds and information on how unallocated proceeds, if any, have been held in line with the guideline set in the "Management of the Proceeds"

#### Impact Reporting

ITOCHU will strive to report on the environmental impact of Eligible Projects financed by Green Loans based on the Framework when feasible and subject to data availability:

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<sup>2</sup> ESG Report FYE2023 (for the year ended March 31, 2023) P.148

<b>1. Renewable Energy</b>	
<b>Renewable Energy Power generation</b>	<ul style="list-style-type: none"> <li>• Power generation capacity (KW)</li> <li>• Power generation amount / Estimated power generation amount (kWh)</li> <li>• Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)</li> </ul>
<b>2. Pollution Prevention and Control</b>	
<b>Energy from Waste Projects (Advanced collection and disposal of waste)</b>	<ul style="list-style-type: none"> <li>• Power generation amount / Estimated power generation amount (kWh)</li> <li>• Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)</li> <li>• Amount of metal recovered from bottom ash / Estimated amount of metal recovered from bottom ash (t)</li> </ul>
<b>3. Projects concerning production technologies and processes and environmentally friendly products for the circular economy</b>	
<b>Pollution Prevention and Control</b>	
<b>Projects for the circular economy</b>	<ul style="list-style-type: none"> <li>• Hydrogen production amount (MT) and fuel production amount (BBL)</li> </ul>

## 4. External Review

### 4.1 Second Party Opinion

ITOCHU has retained Japan Credit Rating Agency, Ltd. to provide a Second Party Opinion (SPO) on the environmental benefits of ITOCHU's Green Loan Framework as well as alignment to the Green Loan Principles and Green Loan Guidelines. The SPO is available on our website.



## Disclaimer

The information and opinions contained in this ITOCHU Corporation Green Loan Framework (the Framework) are provided as at the date of the Framework and are subject to change without notice. None of ITOCHU Corporation or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. The Framework represents current ITOCHU Corporation policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. The Framework is intended to provide non-exhaustive, general information. The Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by ITOCHU Corporation and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ITOCHU Corporation as to the fairness, accuracy, reasonableness or completeness of such information. The Framework may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any Green Loans to fulfil environmental and sustainability criteria required by prospective investors. Each potential lender of Green Loans should determine for itself the relevance of the information contained or referred to in the Framework or the relevant loan documentation for such Green Loans regarding the use of proceeds and its lending of Green Loans should be based upon such investigation as it deems necessary. ITOCHU Corporation has set out its intended policy and actions in the Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with Green Loans. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such Green Loans if ITOCHU Corporation fails to adhere to the Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in the Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by the Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in the Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts.