



**ITOCHU Corporation**  
**SDGs Bond Framework**  
**(Sustainability Bond Framework)**

March 2021

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## 1. Introduction

The history of ITOCHU Corporation dates back to 1858 when the Company's founder Chubei Itoh commenced linen trading business. With approximately 100 bases in 62 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.

ITOCHU has overcome various difficulties such as the oil shocks and the 2008 financial crisis in our history of over 160 years. Since our foundation, we have adhered to the principle of “*Sampo-yoshi*” (good for all three sides, meaning good for the buyer, good for the seller and good for society) – our founding spirit and corporate philosophy. Each one of our employees follows the approach of “I am One with Infinite Missions” by leveraging the strengths of the consumer and consumer business even in a difficult business environment of economic downturn and simultaneous global recession impacted by the global pandemic. Through our business, we will continue to contribute to the stable continuation of people’s lives and live up to the expectations of our stakeholders.

## 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 its 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 “Basic Policy on Promotion of Sustainability”.

(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 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 Supply Chain and Business Investment Management to Lead to Sustainable Use of Natural Resources with Respect for Human Rights and Consideration for the Environment**

While engaging in business activities, we respect the legal systems of each country and international rules, and strive to prevent the occurrence of environmental pollution and/or human rights and labor issues that threaten our lives. In addition, we give due consideration to the mitigation of and adaption to climate change, the preservation of the global environment, such as through the conservation of biodiversity and ecosystems, and human rights issues. We endeavor to understand how natural resources are utilized (such as air, water, land, food, minerals, fossil fuels, animals, and plants) and what consideration is given to human rights and labor issues, both in the businesses where we invest and in the supply chains related to the products we handle. We request our business partners to understand and implement our concept of sustainability, and aim to build a sustainable value chain.

#### (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 sustainability 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 January 13, 2021, and stated their 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 Bond Principles, 2018, Social Bond Principles, 2020 and the Sustainability Bond Guidelines, 2018**

ITOCHU has established this SDGs Bond Framework (the “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). ITOCHU’s SDGs Bonds will be issued based on the Framework.

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

ITOCHU will allocate an amount equal to the net proceeds from the issuance of SDGs Bonds 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” and “Eligible Social Projects”. For allocation to existing projects, projects financed up to 36 months prior to the date of the relevant bonds issuance will be eligible.

## Eligibility Criteria

### 1. Efforts to reduce greenhouse gas emissions (Eligible Green Project Categories)

| GBP Eligible Category   | Eligibility Criteria   | Environmental Objective   | SDGs Alignment   |
|-------------------------|--|---|--|
| <b>Renewable Energy</b> | <p><b>Increase Renewable Energy Use</b></p> <ul style="list-style-type: none"> <li>• Development, construction, acquisition, management, and/or Operation &amp; Maintenance of solar and wind (onshore and offshore) with direct emissions of less than 100g-CO<sub>2</sub> / kWh</li> <li>• Supply energy storage systems (ESS) which contribute to the spread of self-consumption solar power generation<sup>1</sup></li> <li>• R&amp;D and manufacturing of next-generation lithium-ion batteries mainly for storage of solar power generation</li> </ul> | Climate change mitigation (Reduction of greenhouse gas emissions) | 7. Affordable and clean energy<br>11. Sustainable cities and communities<br>12. Responsible consumption and production<br>13. Climate action |

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<sup>1</sup> ITOCHU has developed and commercialized its own ESS brand, Smart Star, with NF Corporation and has recorded cumulative domestic sales

## 2. Efforts to reduce greenhouse gas emissions in FamilyMart (Eligible Green Project Categories)

| GBP Eligible Category    | Eligibility Criteria   | Environmental Objective                                      | SDGs Alignment   |
|--------------------------|--|--|--|
| <b>Renewable Energy</b>  | <b>Introduction of Renewable Energy</b> <ul style="list-style-type: none"> <li>Investments in property plant and equipment (PP&amp;E) for installing solar panels on the roof of stores at FamilyMart</li> </ul>   | Climate change mitigation (Introduction of renewable energy) | 7. Affordable and clean energy<br>11. Sustainable cities and communities<br>12. Responsible consumption and production<br>13. Climate action |
| <b>Energy Efficiency</b> | <b>Improved Energy Efficiency</b> <ul style="list-style-type: none"> <li>Introduction of freezers and refrigerators using natural or climate friendly refrigerant at FamilyMart stores</li> <li>Investments in property plant and equipment (PP&amp;E) for LED at FamilyMart stores</li> </ul> | Climate change mitigation (Improved energy efficiency)       | 7. Affordable and clean energy<br>11. Sustainable cities and communities<br>13. Climate action   |

### 3. Sustainable Food System (Eligible Social Project Categories)

| SBP Eligible Category                       | Eligibility Criteria  | Target Population   | SDGs Alignment   |
|---|---|---|--|
| <b>Sustainable Food System</b>              | <p><b>Procurement of externally certified coffee beans<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>Procurement of externally certified coffee beans for the purpose of improving the status of producers and growing sustainable coffee</li> </ul> <p><b>Procurement of externally certified bonito and tuna</b></p> <ul style="list-style-type: none"> <li>Procurement of certified bonito and tuna from MSC (Marine Stewardship Council<sup>3</sup>) for the purpose of protecting marine resources</li> </ul> | <ul style="list-style-type: none"> <li>Coffee beans : Socioeconomic advancement and empowerment for living below the poverty line (Responsible Procurement of coffee)</li> <li>Bonito and tuna : Safe food distribution to fishermen engaged in bonito and tuna fishing (Responsible Procurement of bonito and tuna)</li> </ul> | <p>1. No poverty</p> <p>8. Decent work and economic growth</p> <p>10. Reduced inequalities</p> <p>12. Responsible consumption and production</p> <p>14. Life Below Water</p> |
| <b>Sustainable Management of Food Waste</b> | <p><b>Procurement of grape seed oil<sup>4</sup></b></p> <ul style="list-style-type: none"> <li>Procurement of French grape seed oil using grape seeds after winemaking for disposal</li> </ul>  | <ul style="list-style-type: none"> <li>Grape seed oil : Pollution prevention and control (Promote sustainable use of waste)</li> </ul>  | <p>15. Life on land</p>  |

<sup>2</sup> [https://www.itochu.co.jp/en/csr/society/value\\_chain/actionplan/index.html](https://www.itochu.co.jp/en/csr/society/value_chain/actionplan/index.html)

<sup>3</sup> <https://www.msc.org/>

<sup>4</sup> <https://www.itochu.co.jp/en/news/press/2015/150709.html>



#### 4. Providing access to essential services - medical and infrastructure (Eligible Social Project Categories)

| SBP Eligible Category                  | Eligibility Criteria   | Target Population   | SDGs Alignment   |
|--|--|---|--|
| <b>Healthcare</b>                      | <b>Providing medical services</b> <ul style="list-style-type: none"> <li>Planning, designing, maintenance of medical institutions intended to provide medical services, education and training support for doctors and nurses, education support for patients</li> </ul> | Healthy life for potential patients in need of treatment    | 3. Good health and well-being                                      |
| <b>Affordable Basic Infrastructure</b> | <b>Mini Grid<sup>5</sup></b> <ul style="list-style-type: none"> <li>Sales and operation of small-scale power generation and distribution systems intended to supply electricity to people living in non-electrified areas of Africa</li> </ul>                           | Comfortable life for people living in non-electrified areas | 10. Reduced inequalities<br>11. Sustainable cities and communities |

#### Exclusionary Criteria

ITOCHU has developed a list of exclusionary criteria to be applied to the allocation of the proceeds from SDGs Bonds issuances. In this regard, ITOCHU commits to not knowingly allocating the net proceeds for projects included in the following:

- Thermal power generation (including coal)
- Mining activities (including all forms of coal mining)
- Soy/palm oil value chain

### 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 SDGs Bonds will be allocated.

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

- Finance Division
- Sustainability Management Division

<sup>5</sup> <https://www.itochu.co.jp/en/news/press/2020/200210.html>

## Decision items

- Evaluating the compliance of proposed assets with the eligibility criteria (with the policy of making only projects with positive long-term effects on the environment/society eligible)
- 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, we report to the Board of Directors at least once a year.

In the business investment process, we have introduced ESG risk evaluation<sup>6</sup> as one of the items to consider when making investment decisions. Specifically, we evaluate 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 Corporation'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, improve them through dialogue with suppliers. In order to understand the actual situation of suppliers, each company and applicable group companies selects 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, we have been conducting a sustainability survey<sup>7</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 SDGs Bonds are redeemed.

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<sup>6</sup> ESG Report FYE2020 (for the year ended March 31, 2020) P.201

<sup>7</sup> ESG Report FYE2020 (for the year ended March 31, 2020) P.148

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

ITOCHU's 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. 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 SDGs Bonds issued 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/Social Projects in the following business categories (including the ratio of refinancing and new financing)
  1. Efforts to reduce greenhouse gas emissions
  2. Efforts to reduce greenhouse gas emissions in FamilyMart
  3. Sustainable Food System
  4. Providing access to medical and infrastructure services
- 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 and social impact of Eligible Projects financed by the issuance of SDGs Bonds based on the Framework when feasible and subject to data availability:

|  |   |
|--|---|
| <b>1. Efforts to reduce greenhouse gas emissions</b>               |   |
| <b>Renewable Energy (Power generation)</b>                         | <ul style="list-style-type: none"> <li>• Power generation amount / Estimated power generation amount (MWh)</li> <li>• Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)</li> </ul> |
| <b>Renewable Energy (Power storage)</b>                            | <ul style="list-style-type: none"> <li>• Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)</li> </ul>  |
| <b>2. Efforts to reduce greenhouse gas emissions in FamilyMart</b> |   |
| <b>Renewable Energy</b>  | <ul style="list-style-type: none"> <li>• Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)</li> </ul>  |
| <b>Energy Efficiency</b>   | <ul style="list-style-type: none"> <li>• Environmental impact such as the achieved reduction in CO2 emissions (t-CO2)</li> </ul>  |
| <b>3. Sustainable Food System</b>                                  |   |
| <b>Procurement of externally certified coffee beans</b>            | <ul style="list-style-type: none"> <li>• Ratio of supplied/sourced products with eligible certifications</li> </ul>   |
| <b>Procurement of externally certified bonito and tuna</b>         | <ul style="list-style-type: none"> <li>• Ratio of supplied/sourced products with eligible certifications</li> </ul>   |
| <b>Procurement of grape seed oil</b>                               | <ul style="list-style-type: none"> <li>• Grape seed weight</li> </ul>   |
| <b>4. Providing access to medical and infrastructure services</b>  |   |
| <b>Healthcare</b>  | <ul style="list-style-type: none"> <li>• Number of medical institutions</li> </ul>  |
| <b>Affordable Basic Infrastructure</b>                             | <ul style="list-style-type: none"> <li>• Number of households supplied with mini-grid system</li> </ul>   |

## **4. External Review**

### **4.1 Second Party Opinion**

ITOCHU has retained Vigeo Eiris to provide a Second Party Opinion (SPO) on the environmental and social benefits of ITOCHU's SDGs Bonds Framework as well as alignment to the GBP, SBP and SBG. The SPO is available on our website.

### **4.2 Compliance Review**

Until the amount equal to the net proceeds of the issuance of SDGs Bonds has been fully allocated, ITOCHU will have Vigeo Eiris conduct a compliance review on an annual basis to provide assurance as to the amount of net proceeds that has been allocated in compliance with all material respects of the eligibility criteria set forth in this SDGs Bonds Framework.

## Disclaimer

The information and opinions contained in this ITOCHU Corporation SDGs Bonds 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 SDGs Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in the Framework or the relevant bond documentation for such SDGs Bonds regarding the use of proceeds and its purchase of SDGs Bonds 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 SDGs Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such SDGs Bonds 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.