Natural Resources

Value for Stakeholders (Main Stakeholders)

Provide value to clients (customers / suppliers)

- Stable supply of natural resources and materials
- Develop, supply, and sell environmentally friendly products and services
- Expand recycling businesses

Provide value to society

- Usefully leverage limited natural resources
- Consider and reduce of the impact on the environment

Sampo Yoshi

Value for ITOCHU

- Maintain and enhance business through reduction of environmental risks
- Enhance sociality and creditworthiness through execution of responsibility for appropriate supply

Risks

- Decrease in stability of procurement
- Existing energy market shrinkage (coal and crude oil)
- Decrease in fossil fuel demand

Natural capital

 Human capital Intellectual capital

Social and relationship capital

- Business damage due to increasingly abnormal weather
- Occurrence of environmental issues and protest campaigns
- Claims for damages from environmental degradation resulting from development and deteriorating relations with local

Opportunities

- Increase in demand for environmentally friendly products and
- Expansion of new energy market (wind power, solar power, etc.)
- Customer retention and acquisition due to strengthened supply systems
- Increase in demand due to population growth and rising standards of living in emerging countries

Specific Initiatives

- Implementation of ITOCHU's coal-related business policy
- Prevention of environmental pollution and strict adherence to laws and regulations
- Promotion of environmental conservation activities
- Strengthening of supply chain and business investment management from a sustainability perspective
- Education and awareness raising of employees to help

Influential Capital (IIRC Framework)

KPIs

- Ratio of renewable energy
- Level of energy consumption
- Level of waste emissions
- Amount of paper consumption
- Amount of water usage and emissions
- Groupwide, including supply chain, CO2 reduction target (to be established in FYE 2020)

















SDGs to which ITOCHU Will Contribute









METSA FIBRE and CENIBRA's Use of Sustainable Forest Resources



METSA FIBRE

The two pulp manufacturers in which ITOCHU invests produce pulp using environmentally certified plantation trees. These companies use plantation resources efficiently, such as by burning a black liquor alternative energy that occurs during the pulp production process and using it for power generation. Moreover, in order to maintain sustainable forest resources, they conduct various initiatives, including plantation management.

ITOCHU has a 25.0% stake in METSA FIBRE OY (METSA FIBRE) of Finland, the world's largest producer of softwood pulp. Approximately 80% of the pulp produced by METSA FIBRE has acquired forest certification by the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification Schemes (PEFC), while the pulp is 100% traceable. In Finland, the number of logs grown exceeds the number consumed, making possible the long-term stable supply of logs. METSA FIBRE produces pulp by procuring raw materials from Mestäliitto, a company comprising about 100,000 forest owners and the majority shareholder of METSA FIBRE, covering an

area of approximately 5 million ha (equivalent to approximately 17% of Finland's total land area). Moreover, of the power generated at its own plants, METSA FIBRE supplies the surplus amount not required in-house to surrounding areas, thereby contributing to a reduction in fossil fuel consumption in its region.

ITOCHU also has a 33.3% stake, in tandem with Japan's major paper manufacturers, in Celulose Nipo-Brasileira S.A. (CENIBRA) of Brazil, the world's 8th largest manufacturer of commercial hardwood pulp. Of the approximately 250,000 ha of land held by CENIBRA, the company plants trees on approximately 130,000 ha while striving to maintain the ecosystem by treating most of the remaining land as a protected forest. Furthermore, CENIBRA has received the FSC's forest certification and Chain of Custody (CoC) certification (certification on management of the processing and distribution of forest products). CENIBRA enables sustainable forest management by using 100% plantation trees and comprehensively conducts all stages from tree planting to pulp production. Additionally, with the goal of regenerating forests in areas where there have been soil disruptions, landslides, or withering of vegetation, CENIBRA plants tens of thousands of seedlings of the same variety as natural forests over several hundred ha annually. CENIBRA also entrusts the planting and cultivation of eucalyptus trees, which are the raw material, to local farmers, and purchases grown logs. In addition to the environmental effect of greening barren areas, these efforts lead to the stable supply of raw material and the creation of regional employment, thereby helping to establish a win-win relationship with local residents and local entities.

Going forward, the ITOCHU Group will enhance the sustainability of business while promoting the use of sustainable forest resources.





Recommendations by the Taskforce on Climate-related Financial Disclosures (TCFD) encourage companies to effectively disclose climate-related financial information with consistency, comparability, reliability, and clarity to promote appropriate investment decisions by investors and financial institutions. These recommendations come from the observation that climate change-related risks and opportunities will increase in the future. In response to these recommendations, the Ministry of the Environment (MOEJ) is promoting a support program for analyzing climate risks and opportunities in line with the TCFD recommendations in order to facilitate analysis by companies in line with TCFD recommendations. In FYE 2019, ITOCHU was selected as one of six model companies for this program, and conducted scenario analysis and business impacts evaluation on our power generation-related business*.

We also conducted similar scenario analysis and business impacts evaluation on our coal-related business, which has a particularly significant impact on our business and stakeholders, and is recognized as an issue requiring prompt attention.

Based on those analyses and evaluations, we committed ourselves to a policy of neither developing any new coal-fired power generation business nor acquiring any new thermal coal mining interest. In February 2019, we sold our interest in the Rolleston thermal coal mine held through our wholly-owned subsidiary in Australia, ITOCHU Minerals & Energy Australia Pty Ltd. We will continue to

conduct reviews of our existing thermal coal mining business, while responding to the social demand from customers in Japan and overseas for a stable supply of energy, as well as continuing to participate in technological research that contributes to reducing greenhouse gas emissions. Moreover, we will aim for a renewable energy ratio of over 20% (equity interest basis) in our power generation business by FYE 2031.

ITOCHU has identified "addressing climate change (contributing to the realization of a low-carbon society)" as material sustainability issues (materiality) from an ESG perspective. In addition to adapting to the business impacts of climate change, we are promoting business activities that help toward a low-carbon society and striving to reduce greenhouse gas emissions. Moreover, in addition to our endorsement of the TCFD recommendations, we are also participating in the TCFD Consortium of Japan, a discussion platform for companies who support the TCFD, established by the Ministry of Economy, Trade, and Industry, the MOEJ, and the Financial Services Agency. Going forward, we will analyze the impact of climate change on our entire business in line with the TCFD recommendations and seek to disclose related information in a timely and appropriate manner.

* Please see the website below for details on scenario analysis and business impact evaluation.

MOEJ "Practical guide for Scenario Analysis in line with TCFD recommendations": $\label{tcFD} http://www.env.go.jp/en/headline/2396.html$



Sarulla Geothermal Power Plant, Indonesia



Butendiek Offshore Wind Power Plant, Germany



Saga-Ouchi Solar Power Station, Japan