

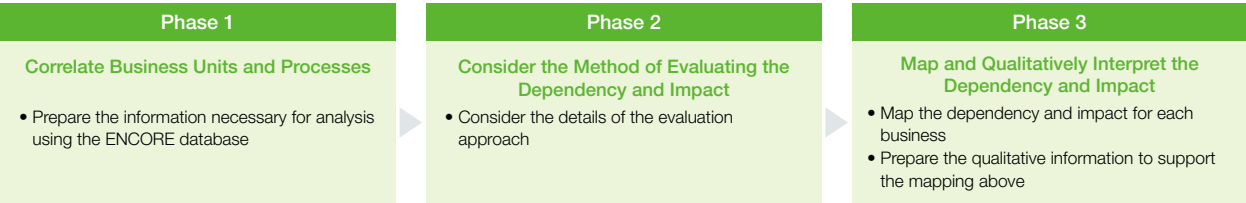
Our Approach and Initiatives on Natural Capital and Biodiversity

ITOCHU invests in businesses and trades globally from upstream to downstream business fields. We depend heavily on renewable and non-renewable natural capital which benefits people, such as plants, animals, the air, water, land, and minerals. Our businesses may also have a negative impact on that natural capital. We see addressing global environmental issues, including natural capital and biodiversity, as a top management priority. In the same manner that we established systems for climate change, we are building appropriate governance and risk management systems for global environmental issues.

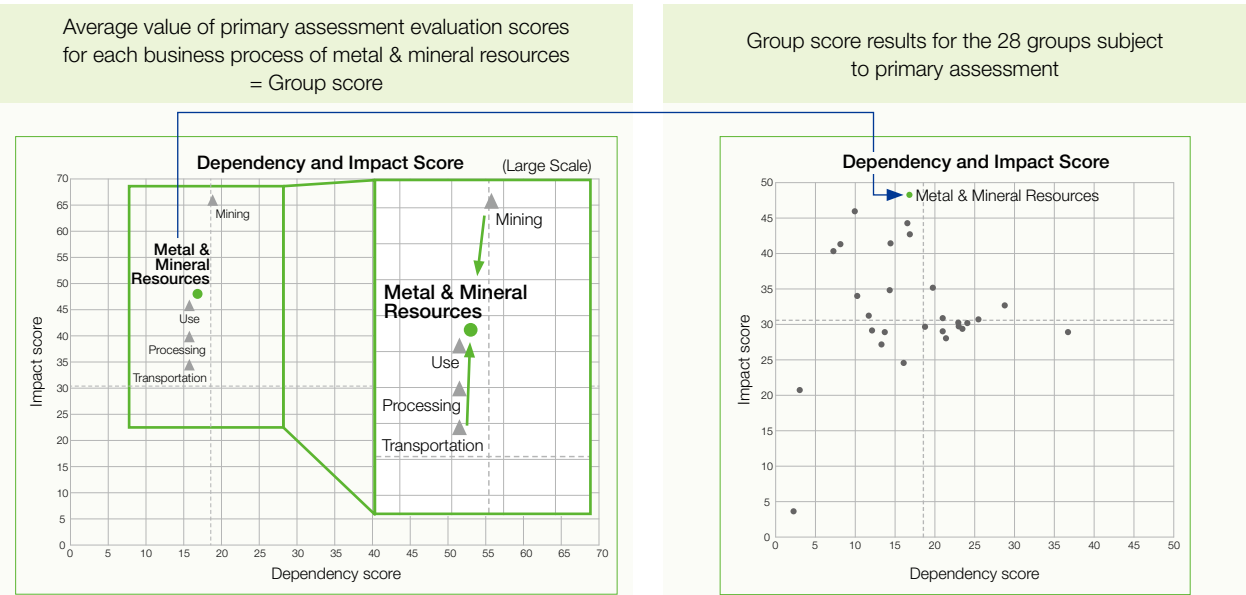
In addition, we participate in the Taskforce on Nature-related Financial Disclosures (TNFD) Forum. We will endeavor to realize disclosure in line with the final TNFD recommendations.

Companywide Portfolio Analysis on Natural Capital and Biodiversity

In conducting business analysis based on the final TNFD recommendations, the Company identified in-house business activities of our Group that have a significant dependence and impact on natural capital and biodiversity by conducting its own primary assessment on trial basis.



Specifically, while taking into account our degree of involvement in the stages (processes) of the value chains of our businesses, we calculated scores for each dependency and impact and then calculated the average of these scores. For example, our metal & mineral resources business can be broken down into the processes of mining, transportation, processing, and use. The average score for these processes is presented as the result of the aforementioned business analysis.



* The dashed lines show the average dependency and impact scores of all ENCORE processes.

Initiatives in Businesses with a High Impact on Natural Capital

In the recent primary assessment, metal & mineral resources business was identified as having a high impact on natural capital. Utilizing the LEAP Approach*1 recommended by the TNFD, we conducted a trial secondary evaluation of this business. First, we identified ecologically sensitive locations in the Locate analysis. Taking into consideration the importance of this business, we also identified relevant biome and ecosystem information for some of our business sites and conducted the Evaluate analysis for the dependency and impact on natural capital. The results confirmed that the mining process of the business has a high impact on natural capital, as was suggested in the initial assessment of the trial.

Since the validity of the survey using ENCORE has been confirmed by utilizing the LEAP approach, we will further consider evaluating the projects and taking actions related to natural capital based on the knowledge gained through this trial analysis.


*1 This is a method for clarifying the nature-related issues of a target business through four steps: Locate, Evaluate, Assess, and Prepare.

Initiatives for Businesses with a High Dependency on Natural Capital

Our businesses with a high dependency on natural capital are the procurement, manufacturing, processing, and distribution of forest commodities (food, timber, natural rubber, palm oil, etc.). We have established procurement policies for each product to improve the sustainability of these businesses. We strive to procure products certified by international third parties, which allow us to identify the procurement area through traceability.

Procurement Policies for Individual Product Type

Sustainable Procurement Policy on Natural Forests and Forest Resources	Natural Rubber Procurement Policy	Sustainable Palm Oil Procurement Policy	Cocoa Bean Procurement Policy
Coffee Bean Procurement Policy	Raw Material Tuna Procurement Policy	Commitment of Protecting Forests through Material Sourcing of MMCF	



Please visit ITOCHU's website for details on the management of nature-related risks and initiatives in business-related areas.

<https://www.itochu.co.jp/en/csr/environment/biodiversity/>



Please visit ITOCHU's website for more information about procurement policies for each product.

https://www.itochu.co.jp/en/csr/society/value_chain/activity/

The position of the TNFD is “in responding to risks and opportunities, business actions that avoid or minimize negative impacts on nature should be prioritized over pursuit of restoration efforts or mitigation of existing damage through reconstructive or compensatory measures.” An example of this analytical approach is the AR3T Action Framework.*2 Using this framework, we analyzed various businesses and initiatives that are significantly dependent on natural capital and confirmed that we are advancing nature-related risk reduction initiatives in various businesses as shown below. By promoting businesses that help to Avoid, Reduce, and Restore & Regenerate and by creating social change through Transformative Action, we will continue contributing to nature positive outcomes that halt and reverse biodiversity loss.

*2 This is a method that aims to curb the negative impacts on natural capital by classifying and organizing business initiatives into four categories: Avoid, Reduce, Restore & Regenerate, and Transformative Action.

Examples of ITOCHU Initiatives in Line with the AR3T Action Framework

AR3T Action Framework classification: Avoid Reduce Restore & Regenerate Transform

Major Categories	Commodities	AR3T Classification	Specific Initiatives
Forest resources	Timber	Avoid	Achieving a handling ratio of certified or highly controlled materials of 100%
	Natural rubber	Reduce	Engaging with NGOs
	Palm oil	Restore & Regenerate	Participating in the Global Platform for Sustainable Natural Rubber (GPSNR) as a founding member and cooperating in formulating and operating platform standards
	Biomass fuel	Restore & Regenerate	Achieving 100% traceability at the mill level
	Biomass fuel	Transform	Joined the Roundtable on Sustainable Palm Oil (RSPO) and promoting initiatives
Food	Cocoa beans and coffee beans	Reduce	Procuring legally accepted woody biomass fuel according to the Programme for the Endorsement of Forest Certification (PEFC), the Forest Stewardship Council (FSC), and other third-party certification
	Cocoa beans and coffee beans	Reduce	Enhancing traceability of cocoa beans (FYE 2031 Target: 100% / FYE 2024 Result: 64%)
	Cocoa beans and coffee beans	Reduce	Enhance the handling of sustainable certified coffee beans (FYE 2031 Target: 50% / FYE 2024 Result: 37%)
	Cocoa beans and coffee beans	Reduce	Providing technical support to small farmers such as by giving them agricultural technology to improve productivity
	Dairy products	Reduce	Reducing ecological degradation by raising dairy cows while changing their grazing land regularly in New Zealand
	Meat	Reduce	Built a system to enable 100% trace back to the production stage for all meat suppliers
Textile raw materials	Marine products	Reduce	Acquired certification for distribution and processing management (CoC) from the Marine Stewardship Council (MSC)
	Marine products	Reduce	Encouraging fishermen about skipjack and yellowfin for which MSC certification is limited
	Fruits and vegetables	Reduce	Using clean energy in our Dole business
Apparel	Cotton	Reduce	Acquired Global Organic Textile Standard (GOTS) certification and achieving 100% traceability for our procurement of organic cotton in India
	Eco-friendly materials	Reduce	Rollout of recycled polyester under the RENU project with the aim of realizing a circular economy
Apparel	Outdoor apparel	Transform	Planning and selling charity goods, with a portion of the proceeds used for tropical rainforest restoration and the protection of Borneo elephants