

Framework Overview and Second-Party Opinion

ITOCHU Europe Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the ITOCHU Europe Green Finance Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds (i) Renewable energy and (ii) Pollution prevention and control are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2018. Sustainalytics considers that the 'Eligible Green Projects' will lead to positive environmental impacts and advance the UN Sustainable Development Goals 7 and 12.



PROJECT EVALUATION / SELECTION ITOCHU Europe's Sustainability Committee will select eligible projects based on Eligibility Criteria set out through the cross-departmental collaboration of ITOCHU Europe's CSO, CFO and General Managers of related departments.



MANAGEMENT OF PROCEEDS The process for the management of proceeds is aligned with current market practices. ITOCHU Europe commits to monitor and segregate green finance proceeds through its internal tracking systems on a quarterly basis along with ITOCHU Treasury Centre Europe plc ("ITE"). Pending full allocation, the unallocated proceeds will be invested in short term financial instruments.



REPORTING ITOCHU Europe commits to provide allocation reporting annually through its website¹ until full allocation of the proceeds and update the report in case of any material change. Regarding impact reporting ITOCHU Europe commits to report annually for the term of the green finance instrument on a best effort basis on annual GHG emission savings (in Ktonnes), MW of renewable energy production, and volumes of waste treatment or avoidance (in m³). Sustainalytics views the scope of ITOCHU Europe's reporting to be aligned with market practices.

Evaluation date	26 March, 2019
Issuer Location	London, United Kingdom

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¹ <https://www.itochu.com/uk/en/>

Introduction

ITOCHU Europe plc (“ITOCHU Europe” or “the company”) has developed the ITOCHU Europe Green Finance Framework (the “framework”) under which it is considering to issue green finance instruments and use the proceeds to finance/refinance Green Bonds, Green SSD, Green Private Placements and or Green Loans related to

- 1) Renewable energy, and
- 2) Pollution and control.

ITOCHU Europe engaged Sustainalytics to review the ITOCHU Europe Green Finance Framework and provide a second-party opinion on the alignment of the green bond with the Green Bond Principles 2018 (the “GBP”), as administered by the International Capital Market Association (the “ICMA”),² and the Green Loan Principles 2018 (“GLP”), as administered by the Loan Market Association,³ and the framework’s environmental credentials.

As part of this engagement, Sustainalytics held conversations with various members of ITOCHU Europe to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of ITOCHU Europe’s green finance. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains two sections: Framework Overview – summary of the ITOCHU Europe Green Finance Framework and Sustainalytics’ Opinion – an opinion on the framework.

Overview of Issuer

ITOCHU Europe, incorporated in February 1987, is a wholly-owned subsidiary of ITOCHU Corporation (“ITOCHU”), which previously maintained a branch in London for more than 30 years. ITOCHU Europe operates as an international trading company mainly in the UK, elsewhere in continental Europe and in Africa. Its business activities are controlled by individual divisions in accordance with the business segments in ITOCHU such as textiles, machinery, non-ferrous metals, foodstuffs, chemicals, general merchandise and some financial transactions.

ITOCHU is one of the leading general trading companies in Japan, incorporated in 1949. The history of ITOCHU dates back to 1858 when the Company’s founder Chubei Itoh commenced linen trading operations. With approximately 110 bases in 63 countries (as of April 1st, 2018), ITOCHU 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, information and communications technology, and finance, as well as business investment in Japan and overseas.

ITOCHU Treasury Centre Europe Plc (“ITE”), which is indirectly wholly-owned and controlled by ITOCHU, is incorporated and domiciled in England. The principal activity of ITE is to provide group financing services to ITOCHU Group in Europe and Middle East. ITE will not be a party under the ITOCHU Europe Green Finance Framework, but it will constitute itself as funding vehicle under the Framework.

ITOCHU Europe strongly believes that responding to the expectation of society through business activities keeps our sustainability and further growth, and believes that our mission is to understand diverse values as a global enterprise, meet the expectations of the society, and continue to be a corporation that is needed by the society.

ITOCHU Europe considers that addressing global environmental and social issues is one of the top priority issues in its management policy. ITOCHU Europe achieves the goals of the group’s corporate philosophy,

² ICMA’s Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

³ The Green Loan Principles 2018 available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

“Committed to the Global Good” and contributes to the realization of a sustainable society based on the ITOCHU Europe code of conduct.

In promoting sustainability, ITOCHU Europe refers to international guidelines and principles such as the United Nations Global Compact, United Nations Sustainable Development Goals etc., and sets out the following activity guidelines:

- (1) Identification of material issues and promotion of businesses that address the social issues.
- (2) Establishment of mutual trust with society.
- (3) Strengthening of supply chains and business investment management that lead to sustainable use of natural resources, with consideration for the environment and respect for human rights.
- (4) Education and awareness of employees to promote sustainability.

Framework Overview

For the purpose of issuing Green Bonds, Green SSD, Green Private Placement and/or obtaining Green Loans (the “Green Finance”) by ITE, as a funding vehicle of ITOCHU’s group companies in Europe and Middle East, ITOCHU Europe has developed the ITOCHU Europe Green Finance Framework (the “Framework”) which addresses and is aligned with the four core components of The ICMA Green Bond Principles (GBP), and the Green Loan Principles : use of proceeds, process of project evaluation and selection process, management of proceeds, and reporting. The framework belongs to ITOCHU Europe, and a summary overview has been provided below.

In alignment with the ITOCHU Europe’s sustainability vision, ITE wishes to issue or borrow Green Finance under this Framework to finance its green projects.

Use of Proceeds

The proceeds of Green Finance will be allocated towards the financing and/or refinancing projects that meet one or both of the Eligible Project Categories and one of the Eligibility Criteria as defined below (“Eligible Green Projects”).

Eligible Project Categories

1. Renewable energy

The development, construction, acquisition and operation of facilities that generate or transmit renewable energy, including: solar energy, wind energy, and biomass energy (restricted to sustainable feedstock and/or waste materials).

2. Pollution prevention and control

The development, construction, acquisition and operation of facilities for waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy projects.

Eligibility Criteria

In addition to fitting in one or both of the Eligible Project Categories, each project should meet in addition one of the following criteria:

- 1) Thoroughly assessed on its environmental and social impact during construction and/or operational phase.
- 2) The projects that do not have any concerns related to environmental and society impact based on the ESG Checklist for Investments in reference to the seven core subjects in ISO 26000, the international CSR guideline.

Project Evaluation and Selection Process

Application of Eligibility in Project Selection

Projects to which the proceeds of Green Finance are intended to be allocated are evaluated and selected based on compliance with the Eligibility Criteria set out above by ITOCHU Europe's Sustainability Committee, which is comprised of ITOCHU Europe's Chief Strategic Officer (CSO), CFO and General Managers of related departments.

Environmental Objectives

ITOCHU Europe developed a direction for the promotion of sustainability in the form of a Basic Policy on Promotion of Sustainability, ITOCHU Europe refers to international guidelines and principles, such as United Nations Sustainable Development Goals, etc. ITOCHU Europe identified "address climate change (contribute to realization of low-carbon society)" and "ensure stable procurement and supply" as material issues related to the environment, and addresses these through its business activities. ITOCHU Europe thinks that investments and/or loans to "Renewable energy", and "Pollution prevention and control" are appropriate actions to address the material issues identified, and that these align with the Basic Policy on Promotion of Sustainability.

Process to Mitigate Environmental and Social Risks

ITOCHU Europe ensures that all investments/projects comply with local laws, regulations and official national and international environmental and social standards on a best effort basis.

Management of Proceeds

The Green Finance will be issued or borrowed by ITE. ITOCHU Europe will monitor and track allocation of proceeds to Eligible Green Projects by using internal system and the reporting from subsidiaries or departments which are allocated as proceeds on quarterly basis.

Pending the allocation to Eligible Green Projects, the net proceeds will be held as cash and equivalents and/or invested in short term financial instruments.

Reporting

Allocation Reporting

Annually until full allocation of the net proceeds, ITOCHU Europe will report on allocation of proceeds and also update the report in case where material changes on a best effort basis in its corporate website.

Allocation reporting will include the following information on

- Amount allocated for each Eligible Project Category as applicable;
- Amount of unallocated proceeds, expected timing to disburse, and intended types of temporary placement.

Impact Reporting

Throughout the term of the green instruments, ITOCHU Europe may issue a report on a best effort basis annually containing the following impact metrics:

Eligible Project Category	Potential Impact Indicators
Renewable energy	<ul style="list-style-type: none"> ▪ Annual GHG emission avoidance in kilo-tons ▪ Capacity of total generation in MW
Pollution prevention and control	<ul style="list-style-type: none"> ▪ Annual GHG emission avoidance in kilo-tons ▪ Capacity of waste processed

Impact reporting will be reported in ITOCHU's Sustainability Report and/or made publicly available on the ITOCHU Europe's corporate website.

Compliance Review

ITOCHU Europe has asked Sustainalytics to provide Second Party Opinion on the alignment of the ITOCHU Europe Green Finance Framework to the Green Bond Principles 2018 and Green Loan Principles 2018.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the ITOCHU Europe Green Finance Framework

Summary

Sustainalytics is of the opinion that the ITOCHU Europe Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2018. Sustainalytics highlights the following elements of ITOCHU Europe's Green Finance Framework.

Use of Proceeds:

- The use of proceeds categories of the ITOCHU Europe Green Finance Framework (i) Renewable energy and (ii) Pollution prevention and control are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2018. Sustainalytics believes that investments in the Eligible Projects can contribute to reduce GHG emissions from waste and energy production in the EU.
- ITOCHU Europe will finance a bioproduct (pulp) mill in Finland (Äänekoski Bio-Product Mill). The pulp mill includes a combined heat and power (CHP) facility fed by woodchips and production side streams (black liquor). The mill project was subjected to a full Environmental Impact Assessment, including public consultation, with a required permit that met specified environmental performance conditions (including emission limit values) under the EU's Industrial Emissions Directive (IED). 90% of raw material used at the plant is derived from sustainable forests that are managed to conform and/or certified with internationally accredited certification systems (FSC/PEFC).⁴ The raw material is used to produce pulp. The waste of this process is used to create electricity. Sustainalytics believes that ITOCHU Europe will create direct and indirect environmental benefits by replacing use of fossil fuels (fuel oil or natural gas) with renewable energy feedstock and recognizes that the project has additional benefits, including from the remediation of contaminated site (brownfield redevelopment).⁵
- ITOCHU Europe confirmed that a segment of the proceeds will be allocated to finance waste to energy projects in the United Kingdom and Serbia to significantly reduce waste from being landfilled. In addition, ITOCHU Europe plans to finance a waste to energy project near Belgrade, Serbia which will involve the establishment of a new EU-compliant solid waste site following the conversion from an unmanaged waste dump. Although landfilling is the last option in the waste hierarchy, Sustainalytics views this project as impactful taking into account that the waste site is currently unmanaged as well as Environmental and Social action plan to address related risks and soil remediation along with the collection of leachate and landfill gas.
- While ITOCHU Europe does not indicate a lookback period in its Green Finance Framework, it has committed to disclose the lookback period for refinancing to investors per issuance. Although Sustainalytics acknowledges that the market may view the refinancing of older projects to reduce the additionality of the green finance, Sustainalytics notes that ITOCHU Europe has confirmed to Sustainalytics that it intends to transparently report on the look back period to investors. ITOCHU Europe is encouraged to include this commitment in the Framework and report on the share of new financing vs. refinancing where feasible.

Project Selection Process:

- According to ITOCHU Europe's selection process, a Sustainability Committee comprising ITOCHU Europe's CSO, CFO and General Managers or related departments will select eligible projects based on Eligibility Criteria set out in the use of proceeds section. In addition, all eligible projects must:
 - be thoroughly assessed on their environmental and social impact during construction and/or operational phase or,
 - be assessed and benchmarked against the ESG Checklist for Investments in reference to the seven core subjects in ISO 26000, the international CSR guideline.

Management of Proceeds:

- Aligned with market practice, the allocation of proceeds will be monitored and tracked by ITOCHU Europe by using its internal treasury management system on a quarterly basis Pending full allocation,

⁴ <https://www.metsafibre.com/en/about-us/Bioproduct-mill/Pages/Environment.aspx>

⁵ <https://www.eib.org/attachments/registers/59536458.pdf>

the unallocated proceeds will be held as cash or cash equivalents and/or invested in short term financial instruments.

Reporting:

- ITOCHU Europe commits to provide an annual allocation and impact report on its website or its sustainability report⁶ on a best effort basis. The (i) allocation report will comprise data on the allocated amount for each eligible project category, examples and the amount of unallocated proceeds. With regards to the (ii) impact reporting, ITOCHU will disclose relevant indicators under the Eligible Project Categories, such as annual GHG emission savings (in Ktonnes), MW of renewable energy production, and volumes of waste treatment or avoidance (in m³). Sustainalytics views the scope and granularity of ITOCHU Europe's reporting to be aligned with market practices.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the ITOCHU Europe Green Finance Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer's sustainability performance and targets

ITOCHU Group has a Sustainability Committee, whose chairman participates in board meetings and reports periodically on sustainability activities to the Board of Directors. ITOCHU Europe's CSR strategy as part of the wider ITOCHU Group is built on a 'Sampo Yoshi',⁷ i.e. the good for the buyer, good for the seller, and good for society. In addition, ITOCHU Europe applies ITOCHU Group's Basic Policy on Promotion of Sustainability through integrating and consolidating its CSR and Environmental Policy. In 2018, ITOCHU Group conducted a materiality assessment and identified seven material issues, including addressing climate change, cultivating a motivated workplace, and human rights. Based on the identified issues the Group set performance indicators for each division.⁸ ITOCHU Group set the target to achieve a renewable energy ratio more than 20% (gross capacity basis)⁹ and committed to support the protection of the global environment through the appropriate treatment and effective use of the waste along with reduced generation of waste volume, the promotion of recycling, and reduced paper consumption by 2021.¹⁰

Based on ITOCHU Group's sustainability strategy, sustainability governance structure, targets and reporting on progress, Sustainalytics considers ITOCHU Europe to be well positioned to issue green financing, and that it will facilitate the advancement of the Group's sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

While the eligible categories are recognized as impactful by relevant market standards, the eligible categories have potential social and environmental risks such as workers' health and safety and environmental impacts (loss of biodiversity and land use change) related to largescale renewable energy infrastructure. Potential risks also include hazardous air emissions from waste to energy incineration. Sustainalytics highlights the following measures that ITOCHU Europe and ITOCHU Group have taken to mitigate related risks:

- ITOCHU Group and ITOCHU Europe conduct environmental risk assessments for all investment projects. The Group has a CSR and Environmental Checklist for Investments consisting of 33 items, including the seven core subjects in ISO 26000 (Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, Community Involvement and Development).

⁶ The allocation and impact report will be disclosed on ITOCHU Corporation's website: <https://www.itochu.co.jp/en/index.html>

⁷ Sustainability Promotion at ITOCHU Corporation: <https://www.itochu.co.jp/en/csr/itochu/policy/index.html>

⁸ ITOCHU Sustainability Report 2018: <https://www.itochu.co.jp/en/files/18fulle-all.pdf>

⁹ ITOCHU Sustainability Report 2018: <https://www.itochu.co.jp/en/files/18fulle-all.pdf>

¹⁰ Sustainability Action Plans, Narrow down by Sections: <https://www.itochu.co.jp/en/csr/activities/actionplan/index.html>

- The waste to energy plants located in the UK fall under the EU Directive for Industrial Emissions. In order to obtain a permit under the Directive, the whole environmental performance of the plant, covering e.g. emissions to air, water and land, generation of waste, use of raw materials, energy efficiency, noise, prevention of accidents, and restoration of the site upon closure need to be taken into account.¹¹ Sustainalytics considers that the EU Industrial Emissions Directive provides a strong regulatory framework and assurance over ITOCHU Europe's operational conditions, technical requirements and emission limit values for its UK waste to energy facilities. For the waste to energy and waste management project in Serbia, an environmental impact assessment and action plan was conducted addressing social as well as environmental risk related to the creation of a new landfill site and waste to energy.¹²
- ITOCHU Group has developed a Health and Productivity Management System applicable to ITOCHU Europe, with responsibility at the company's President level. In addition, the company committed to improve the health of the employees' through targeting to keep the percentage of employees who receive regular medical checkups at 100%¹³ In addition, ITOCHU Group reports that 96% of employees received occupational health and safety training in 2018,¹⁴ indicating the company's efforts to mitigate risks related to health and safety.

Given ITOCHU Group's internal processes for environmental and social risk identification, the regulatory framework in the EU as well as environmental action plans being developed for the project in Serbia, Sustainalytics is of the opinion that ITOCHU Europe is well positioned to mitigate environmental and social risks related to the eligible projects.

Section 3: Impact of Use of Proceeds

The use of proceeds for Renewable Energy and Pollution Prevention and Control are recognized as impactful by the GBP. The section below highlights the positive impact of the eligible categories in the local context.

Contribution to EU renewable energy targets

According to the latest report of International Energy Agency, the overall share of fossil fuels in global energy demand is 81%, a level that has remained stable for more than three decades despite growth of the renewables.¹⁵ In addition to global energy demand, fossil fuels continued to dominate primary energy demand in the EU, but their share declined from 78 % to 72 % between 2005-2016.¹⁶ In 2009, the EU adopted the Renewables Directive including targets for all EU Members to reach a 20% share of energy from renewable sources by 2020.¹⁷ In 2011, nine members of EU achieved 16% share of energy from renewable sources. By 2016, this portion had risen to 17% with eleven members meeting their 2020 targets already. In 2014, the European Council adopted a new '2030 Framework for Climate and Energy' including EU-wide policies for the period between 2020 and 2030 through targeting a 40% cut in greenhouse gas emissions compared to 1990 levels, at least a 27% share of renewable energy consumption.¹⁸ While some member states have already made progress on achieving their 2020 targets, Sustainalytics is of the opinion that the projects financed by ITOCHU Europe will contribute to increase renewable energy capacity in the EU and contribute to the EU GHG emission targets.

Contribution to EU waste management targets

ITOCHU Europe will allocate part of the green proceeds to four waste to energy projects in the United Kingdom and one in Serbia which will materially reduce municipal waste to be landfilled. Given that 45.5% of waste in the EU was landfilled in 2016¹⁹ and the EU target to reduce landfill to a maximum of 10% of municipal waste

¹¹ European Commission, The Industrial Emissions Directive: <http://ec.europa.eu/environment/industry/stationary/ied/legislation.htm>

¹² European Bank for Reconstruction and Development, Belgrade Solid Waste PPP, accessed February 2019: <https://www.ebrd.com/work-with-us/projects/esia/belgrade-solid-waste-ppp.html>

¹³ Sustainability Action Plans: <https://www.itochu.co.jp/en/csr/activities/actionplan/index.html>

¹⁴ ITOCHU Group corporate website: <https://www.itochu.co.jp/en/csr/employee/data/index.html>

¹⁵ Global Energy&CO2 Status Report 2017, published by IAE, pg. 2

¹⁶ <https://www.eea.europa.eu/data-and-maps/indicators/primary-energy-consumption-by-fuel-6/assessment-2>

¹⁷ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009: <https://eur-lex.europa.eu/eli/dir/2009/28/oj>

¹⁸ 2030 Energy Strategy: <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/2030-energy-strategy>

¹⁹ EuroStat, 2016: https://ec.europa.eu/eurostat/statistics-explained/index.php/Waste_statistics

by 2030,²⁰ Sustainalytics considers ITOCHU Europe’s project to contribute to the EU waste management goals.

In 2005, the EU adopted the Thematic Strategy on the Prevention and Recycling of Waste (“Strategy”), which focusses on preventing waste, promoting re-use, recycling, and recovery.²¹ Building on this strategy, the EU Waste Framework Directive defines basic waste management principles and requires that waste be managed without endangering human health and harming the environment, and without risk to water, air, soil, plants or animals.²² In addition, in 2015, the European Commission adopted a Circular Economy Package, to stimulate Europe’s transition towards a circular economy for its Member States including targets such as recycling 65% of municipal waste.²³

Sustainalytics highlights the inclusion of the Belgrade Solid Waste Facility into ITOCHU Europe’s Eligible Green Projects, which is expected to generate around 29MW of electricity and another 56MW of heat. The facility will be deployed following the environmental remediation and conversion of the unmanaged Vinca waste dump into a new EU-compliant solid waste site with landfill gas collection capabilities and leachate protection. Although landfilling projects are the last option into the waste hierarchy, the current landfill allows non-sanitary landfilling procedures, without lining (prevention of fluids seepage into the Danube and surrounding area and ground water contamination) and the release of landfill gases (methane, carbon dioxide and other volatile organic compounds). Thus, Sustainalytics believes that the new project will improve the current situation and lessen the environmental impact of waste management on the environment.

Sustainalytics is of the opinion that ITOCHU Europe’s waste prevention and recycling projects along with its waste to energy projects are aligned with the EU’s waste management strategies and policies and will contribute to the overall reduction of waste landfill related GHG emissions.²⁴

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. These green finance transactions will advance the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control	11. Responsible Consumption and Production	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

ITOCHU Europe has developed the ITOCHU Europe Green Finance Framework under which the company intends to issue Green Bonds, Green SSD, Green Private Placements and or Green Loans related to i) renewable energy and ii) pollution prevention and control. Both use of proceeds categories are recognized by the Green Bond Principles 2018 and Green Loan Principles 2018 and are relevant for the advancement of SDG 7 and 11. The selection of ITOCHU Europe’s Eligible Green Projects will be executed through the joint-collaboration of ITOCHU Europe’s processes for project selection and evaluation, management of proceeds and reporting are aligned with market practice.

Based on the above considerations, Sustainalytics is of the opinion that ITOCHU Europe is well positioned to issue green finance and that the ITOCHU Europe Green Finance Framework is robust, credible, transparent and in alignment with the Green Bond Principles 2018 and Green Loan Principles 2018.

²⁰ http://europa.eu/rapid/press-release_IP-15-6203_en.htm

²¹ Supporting the Thematic Strategy on Waste Prevention and Recycling, published in 2010, pg. 2

²² <http://ec.europa.eu/environment/waste/framework/>

²³ http://europa.eu/rapid/press-release_IP-15-6203_en.htm

²⁴ The estimated quantification of GHG emissions avoidance was provided to Sustainalytics by ITOCHU.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	ITOCHU Europe plc
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Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	ITOCHU Europe Green Finance Framework
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Review provider's name:	Sustainalytics
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Completion date of this form:	March 2019
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Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	
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Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The use of proceeds categories of the ITOCHU Europe Green Finance Framework (i) Renewable energy and (ii) Pollution prevention and control are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2018. Sustainalytics believes that investments in the Eligible Projects can contribute to reduce GHG emissions from waste and energy production in the EU.

ITOCHU Europe confirmed that a segment of the proceeds will be allocated to finance waste to energy projects in the United Kingdom and Serbia to significantly reduce waste from being landfilled. In addition, ITOCHU Europe plans to finance a waste to energy project near Belgrade, Serbia which will involve the establishment of a new EU-compliant solid waste site following the conversion from an unmanaged waste dump. Although landfilling is the last option in the waste hierarchy, Sustainalytics views this project as impactful taken into account that the waste site is currently unmanaged as well as Environmental and Social action plan to address related risks and soil remediation along with the collection of leachate and landfill gas.

While ITOCHU Europe does not indicate a lookback period in its Green Finance Framework, it has committed to disclose the lookback period for refinancing to investors per issuance. Although Sustainalytics acknowledges that the market may view the refinancing of older projects to reduce the additionality of the green finance, Sustainalytics positively views ITOCHU Europe's efforts to transparently report on the look back period to investors and further encourages ITOCHU Europe to indicate in the framework.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

According to ITOCHU Europe's selection process, a Sustainability Committee comprising ITOCHU Europe's CSO, CFO and General Managers or related departments will select eligible projects based on Eligibility

Criteria set out in the use of proceeds section. In addition, all eligible projects must respect a process to mitigate environmental and social risks as it follows:
 The projects must be thoroughly assessed on their environmental and social impact during construction and/or operational phase, or
 The projects must be assessed and benchmarked against the ESG Checklist for Investments in reference to the seven core subjects in ISO 26000, the international CSR guideline.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|--|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Aligned with market practice, the allocation of proceeds will be monitored and tracked by ITOCHU Europe by using its internal system on a quarterly basis. Pending full allocation, the unallocated proceeds will be held as cash or cash equivalents and/or invested in short term financial instruments.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

ITOCHU Europe commits to provide an annual allocation and impact report on its website or its sustainability report on a best effort basis. The (i) allocation report will comprise data on the allocated amount for each eligible project category and the amount of unallocated proceeds. With regards to the (ii) impact reporting, ITOCHU will disclose relevant indicators under the Eligible Project Categories, such as annual GHG emission savings (in Ktonnes), MW of renewable energy production, and volumes of waste treatment or avoidance (in m3). Sustainalytics views the scope and granularity of ITOCHU Europe's reporting to be aligned with market practices.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>): unallocated proceeds | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): renewable energy amount generated in MW, volumes of waste processed. |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): ITOCHU Europe's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.itochu.com/uk/en/>
<https://www.itochu.co.jp/en/index.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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