

ITOCHU Europe Green Finance Framework

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Overview of Issuer

ITOCHU Europe Plc (“**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.

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, “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 (this “**Framework**”) which addresses and is aligned with the four core components of The ICMA Green Bond Principles 2018 (GBP)¹ and the LMA Green Loan Principles 2018 (GLP): use of proceeds, process of project evaluation and selection process, management of proceeds, and reporting, as further described below.

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

Use of Proceeds

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

A. Eligible Project Categories test

The Eligible Green Project shall be of the nature of at least one of the followings:

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; or

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.

B. Eligibility Criteria test

In addition to passing the Eligible Project Categories test by fulfilling at least one of its requirements, the Eligible Green Projects shall meet at least one of the following criteria:

1. The project shall be thoroughly assessed on its environmental and social impact during construction and/or operational phase; or
2. The projects that does not have any concerns about impact on environment and society based on the *ESG Checklist for Investments* in reference to the seven core subjects in ISO 26000, the international CSR guideline.

¹ Latest version please see: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

Process of Project Evaluation and Selection

Application of Eligibility Criteria in Project Selection

Projects to which the proceeds of Green Finance are intended to be allocated are evaluated and selected by ITOCHU Europe's Sustainability Committee, comprised of members of ITOCHU Europe's CSO, CFO and General Managers of related departments, subject to passing both Eligible Project Categories test and Eligibility Criteria test set out above.

Environmental Objectives

ITOCHU Europe developed a direction for the promotion of sustainability in a form of a *Basic Policy on Promotion of Sustainability* (the "**Basic Policy**") which respects and refers to various international guidelines and principles such as United Nations Sustainable Development Goals. In its Basic Policy, ITOCHU Europe identified to "address climate change (contribute to realization of low-carbon society)" and "ensure stable procurement and supply" as material issues regarding environment and deals with them in its business by participating in offshore wind power plant, to cite just one example. ITOCHU Europe believes that investments in and loans to projects on renewable energy and pollution prevention and control are appropriate actions to combat with these material issues and be compliant with its Basic Policy.

Process to Mitigate Environmental and Social Risks

ITOCHU Europe carries out a risk assessment based on *ESG Checklist for Investments* and ensures that all investments and projects comply with local laws and regulations, and official national and international environmental 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 the use of proceeds allocated for the Eligible Green Projects through reporting from the relevant subsidiaries or departments by using internal system on quarterly basis.

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

Payment of principal of and interest on the Green Finance will be made from general funds of ITOCHU Europe and/or ITE and will not be directly linked to the performance of any Eligible Green Projects.

Reporting

The Green Bond Principles and Green Loan Principles both require green financing issuers or borrowers to provide information on the allocation of proceeds. In addition to information related to the projects to which green financing proceeds have been allocated, the Green Bond Principles and Green Loan Principles both recommend communicating on the expected impact of the eligible portfolio of green projects.

ITOCHU Europe will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Projects after a year from the issuance of the applicable Green Financing, to be renewed annually until full allocation of the green financings, and wherever feasible, reporting on the impact of the

Eligible Green Project portfolio on the environment on at least in each category level. The detail is set forth below.

ITOCHU Europe will align, on its reasonable effort basis, the reporting with the portfolio approach described in "*Green Bonds - working towards a Harmonized Framework for Impact Reporting (December 2015)*".

Allocation Reporting

Annually until full allocation of the net proceeds, ITOCHU Europe will report on allocation of proceeds and, if applicable and to the extent of its reasonable effort, update the report in case where there is a material change, 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 Finance, ITOCHU Europe may, if applicable and to the extent of its reasonable effort, report the following impact metrics annually:

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.

External Review

ITOCHU 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*.

These Second Party Opinion and review documents will be made publicly available on ITOCHU Europe's website at the time of releasing this Framework to public.

DISCLAIMER

This document has been prepared by ITOCHU Europe and ITE (collectively, the “**ITOCHU Green Parties**”) exclusively for information and discussion purposes only. Certain statements in this document are based on the beliefs of the management of the ITOCHU Green Parties as well as assumptions made by and information currently available to the management of the ITOCHU Green Parties.

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The information in this document has not been independently verified.

Prospective investors should have regard to the information in the relevant documents relating to any particular Green Finance regarding the use of proceeds of such Green Finance and must determine for themselves the relevance of such information for the purpose of any investment in such Green Finance together with any other investigation such investor deems necessary. In particular no assurance is given by the ITOCHU Green Parties that the use of such proceeds for any Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own articles of association or other governing rules or investment mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Green Project). Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "Green", "sustainable", or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the ITOCHU Green Parties or any affiliate) which may be made available in connection with any particular Green Finance and in particular with any Eligible Green Projects fulfil any environmental, sustainability, social and/or other criteria. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the ITOCHU Green Parties or any other person to enter into any particular Green Finance. Any such opinion or certification is only current as of the date that such opinion or certification was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Green Finance. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

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