

Approach to Climate Change and Related Initiatives

ITOCHU discloses the GHG emissions of all fossil fuel businesses and interests associated with the Company, and it will fully withdraw from thermal coal interests during the period of the current medium-term management plan. By reducing GHG emissions and proactively advancing business that help reduce emissions, we are contributing to the realization of the Japanese Government’s “2050 Carbon Neutral” goal.

Our Company also recognizes the importance of disclosing climate-related financial information and has worked to disclose information based on TCFD* recommendations since expressing support for them in May 2019.

* The Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB)

Governance for Climate Change

At ITOCHU, the Sustainability Management Division plans and proposes measures and initiatives to address risks and opportunities related to climate change, and the Sustainability Committee deliberates and decides these measures and initiatives. The CAO, the Representative Director responsible for climate change-related issues, chairs the Sustainability Committee, and is responsible for presenting and reporting to the Board of Directors the matters duly deliberated and decided at the Sustainability Committee. This allows the Board of Directors to properly supervise the appropriate promotion of business strategies that respond to environmental and social risks and opportunities based on the deliberations and decisions of the Sustainability Committee. The Board of Directors deliberates and decides important matters, such as management plans based on GHG emissions reduction goals and initiatives.

Additionally, we periodically engage in dialogue with external stakeholders, such as the Sustainability Advisory Board, to understand society’s expectations and demands, etc., regarding our policies, initiatives, and systems related to climate change and incorporate them into measures addressing climate change.

Climate Change Strategy

ITOCHU sets GHG emissions reduction and offset targets (▶ Page 80), analyzes scenarios based on TCFD recommendations and continuously considers business strategies and asset replacement. As a result of conducting scenario analysis in accordance with TCFD recommendations, we can maintain a strong business foundation by transitioning to environmentally friendly products and services that customers demand and also by reviewing our business portfolio.

Since FYE 2020, we have analyzed and disclosed transition risks such as policy and regulatory risks under scenarios of less than 2°C as well as physical risks such as natural disasters under a 4°C scenario for the “Power Generation Business,” “Energy Business,” “Coal Business,” “Dole Business,” and “Pulp Business.”

Additionally, for FYE 2023, we newly analyzed and disclosed the “Iron Ore Business,” “Automobile Business,” “Chemicals Business,” and “Feed and Grain Trade Business” under a 1.5°C scenario.

The results of scenario analysis of the “Iron Ore Business,” which faces transition risks as the main challenge, and the “Feed and Grain Trade Business,” which faces physical risks as the main challenge, are shown on the following page.

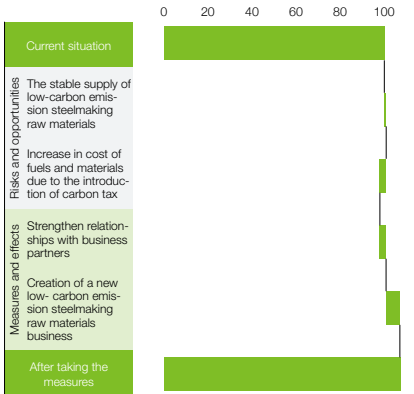
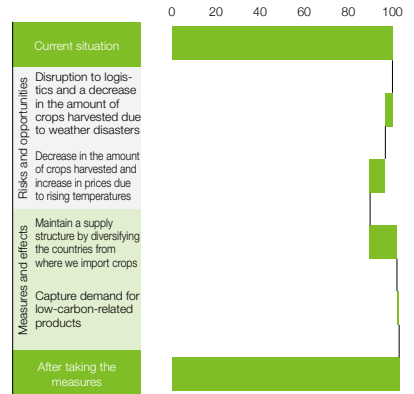
Please refer to ITOCHU’s website for detailed information about its scenario analysis for the “Iron Ore Business” and the “Feed and Grain Trade Business.”

https://www.itochu.co.jp/en/csr/environment/climate_change/



Photo courtesy of BHP

Scenario Analysis

Businesses for Which Transition Risks Are the Main Issues		Businesses for Which Physical Risks Are the Main Issues
Business	Iron ore business	Feed and grain trade business
Time frame	By 2050	By 2030
Temperature band scenario	1.5°C scenario	4°C scenario
Main risks and opportunities	Transition	Opportunity <ul style="list-style-type: none">• We may capture demand with feed products and other low-carbon-related products which contribute to reducing GHG
	Physical	Opportunity <ul style="list-style-type: none">• We may maintain a supply structure by diversifying the countries from where we import crops and capture demand for grain Risks <ul style="list-style-type: none">• Decrease in the amount of crops harvested and logistics disruption due to large hurricanes, droughts and other abnormal weather in countries from where we import crops• The amount of crops harvested may decrease and transaction prices may increase in countries from where we import crops due to rising temperatures
Business environment under the scenario Business impact assessment		The introduction of a carbon tax is expected to increase the cost of fuel, materials, and other items. Nevertheless, the impact on earnings will be limited due to strengthened relationships with blue-chip business partners and improvement of operational efficiencies. Further growth is expected by focusing on the production of high-grade ore, for which demand is expected to increase due to the acceleration of the shift to decarbonization, and steadily seizing business opportunities in iron ore and related fields, such as creation of businesses related to low-carbon emission steelmaking raw materials.
		The decrease in the amount of crops harvested due to weather disasters and rising temperatures may lead to supply instability and increases in prices. However, we can maintain a supply structure by diversifying the countries from where we import crops and then provide further opportunities for low-carbon-related products.
		Analysis According to Consolidated Net Profit (%) 
		Analysis According to Gross Trading Profit (%) 
Adaptation / mitigation measures, policies Business opportunities		<ul style="list-style-type: none">• We will closely monitor trends in low-carbon emission steelmaking technologies and promote initiatives to ensure a stable supply of low-carbon emission steel-making raw materials• Promote initiatives to reduce GHG emissions by strengthening relationships with business partners <ul style="list-style-type: none">• We will diversify the countries from where we import crops to prepare for the acute and chronic impacts from climate change• We will engage in new environment-related business such as feed which leads to a curb on methane emissions

Climate Change Risk Management

Engaged in global business operations, ITOCHU constantly monitors climate change policies in each country, abnormal weather conditions around the world, or changes in average temperatures. Climate change risks identified from information regarding climate change related regulations and abnormal weather, etc., are managed as one of the major risks, “environmental and social risks,” in risk analyses conducted across the entire Group. Additionally, the identified climate change risks are evaluated and examined during the investment decision-making process, and each department in charge of risk management is responsible for constructing a consolidated basis to identify, evaluate, manage, and monitor risks.