

Marubeni benchmark issuance: Engagement opportunity

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Marubeni (ticker MARUB), is a Japanese integrated trading and investment business conglomerate, which includes importing and exporting deforestation-exposed commodities and forest products.[1] The company conducted investor meetings on 10 March 2025 and is expected to follow with imminent pricing of 10-year USD benchmark notes. The company is in the AFII Deforestation Debt Universe, a list of fixed-income issuers with substantial deforestation exposure.[2]

Companies trading in deforestation-exposed commodities and forest products are vulnerable to the impacts of ecosystem degradation. Marubeni relies on palm oil, soy, beef, timber and pulp & paper, which are all deforestation-linked commodities.

The company has one existing green bond, issued in 2021 with use of proceeds going towards renewable energy, certified afforestation, and water management. Though the requirement that afforestation be certified lends credibility to the green bond's use of proceeds, there are areas where investors can engage to clarify the potential deforestation risk linked to the company:

- Marubeni is in the market with a USD bond. This follows a pattern of increasing reliance on USD debt financing from the company's first USD denominated bond in 2019 to around 50% of current issuance.
- Marubeni's only green bond includes proceeds allocated to accredited land afforestation. It does not disclose the hectares of land it owns, controls or manages that have been affected by deforestation and conversion, which prevents calculation of net forest impact.
- Marubeni has stronger commitments on deforestation linked to palm oil, timber, and pulp & paper than on deforestation linked to beef and soy- two of the commodities linked most closely to global deforestation. There is an opportunity for investors to drive progress in commitments relating to beef and soy, and to progress forest targets.

Marubeni's imminent USD bond issuance is a chance for international investors to engage with the company for improved deforestation information and commitments.

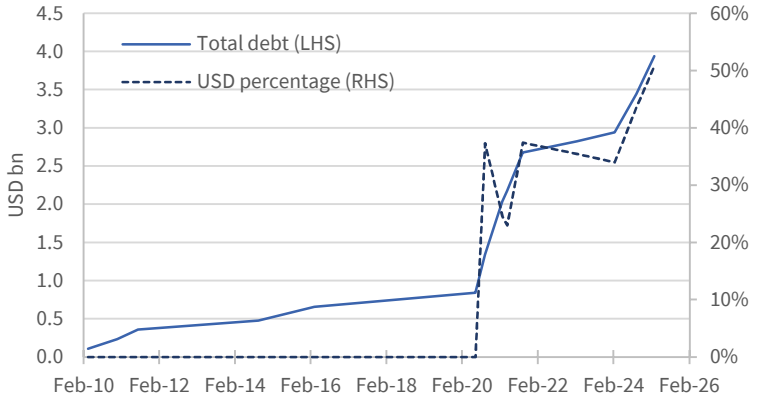
[1] "Company Profile", Marubeni, accessed 12 Mar 2025.
[2] For more details please see "Deforestation Debt Universe", AFII, 7 Jan 2024.

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Current bonds outstanding

The USD bond market is becoming increasingly important to Marubeni. As shown in Figure 1, USD bonds will comprise around 50% of total bond funding (assuming imminent issuance of $0.5bn), from 0% prior to 2019. As Marubeni's USD bond funding increases, international bond investors will have more opportunities to engage Marubeni going forward. See the Appendix for a list of Marubeni's bonds.

Figure 1. Marubeni's total debt and USD debt as a proportion of total debt. Includes historical numbers and estimated new issuance is of size $0.5bn. Source: Bloomberg as at 12 Mar 2025.



As part of Marubeni's funding strategy under their medium-term management strategy "GC2027", the company aims to focus on diversifying funding channels. Specifically, it aims to increase its direct financing ratio.[3] The direct financing ratio is defined as the total of bonds and commercial paper divided by total interest-bearing debt. The goal is to become less reliant on bank borrowings, and fund in multiple currencies. As of FY2019, the direct financing ratio was 13% and stands at 26% in FY2024.[4] As of Mar 31, 2024, Marubeni's funding mix comprised of 74% bank borrowings 21% bonds, with the remainder in commercial paper.

The green bond

Marubeni has one green bond outstanding, (ISIN XS2387660280), maturing in 2026.[5] Its Green Bond Reporting[6] allocates the $500 million proceeds as follows:

- $228.8m to 'Renewable Energy', leading to power generation capacity of 721.4 MW and reductions in CO2 emissions of 724,180 tCO_2.
- $186.8m to 'Externally certified afforestation', with a planting area of 93.2 thousand hectares, so 18.6 thousand hectares per year over the life of the bond.
- $84.7m to 'Water supply and sewage', leading to 100,487,576 m^3 of water management capacity.

Per Forest IQ, the company does not report how many hectares of deforestation/conversion have occurred on land owned, controlled, or managed by the company. Without specific disclosure, investors cannot compare the total land area impacted by deforestation linked to Marubeni with the area of certified reforestation reported by the company. This data is needed to allow investors to

[3] Marubeni Preliminary Offering Circular, dated 10 Mar 2025.
[4] Marubeni Offering Circular, dated 10 Mar 2025.
[5] Marubeni Offering Circular, dated 14 Sep 2021.
[6] "Marubeni Corporation Green Bond Framework 2021", Marubeni, Sep 2021.

contextualise the company's afforestation impact and thereby understand the company's net impact.

Deforestation exposure

Deforestation Debt Universe

AFII has created the Deforestation Debt Universe, a comprehensive universe of issuers with substantial deforestation exposure that are significant for fixed income investors.[7] The primary data is sourced from Forest IQ, a consolidated dataset that enables cross-commodity comparison of deforestation exposure.[8] This allows us to assess Marubeni's potential deforestation exposure.

Marubeni scores from Forest IQ

As an integrated trading and investment business, Marubeni has deforestation exposure ranging from 'High' to 'Very High' across a range of commodities, see Table 1, and the financial materiality assessments of 'High' to 'Moderate' indicate that the company's profitability relies on the integrity of the ecosystems from which these commodities are sourced.

Table 1. Deforestation exposure and financial materiality details for Marubeni. Source: Forest IQ.

	Palm oil	Soy	Beef	Timber	Pulp & Paper
Deforestation Exposure: Category	High	Very High	High	Very High	High
Deforestation Exposure: Score/5	3	4	3	4	3
Financial Materiality: Assessment	High	High	High	Moderate	Moderate

Note that under Forest IQ's methodology[9], companies can score up to 5 for deforestation exposure, where a higher score indicates more exposure. If we look further at Marubeni's deforestation commitment scores from Forest IQ, shown in Table 2, we can see that the company has strong no-deforestation commitments for Palm Oil, Timber and Pulp & Paper, but not for Soy or Beef.

Table 2. Deforestation and conversion commitment strength and details for Marubeni. Source: Forest IQ.

	Palm oil	Soy	Beef	Timber	Pulp & Paper
No deforestation and conversion commitment strength: Assessment	Moderate	Laggard	Laggard	Moderate	Moderate
No deforestation and conversion commitment strength: Score/2	1	0	0	1	1
Does the company have a strong no-deforestation commitment?	Yes	No	No	Yes	Yes

Note that under Forest IQ's methodology[9] companies can score up to 2 for their Metric 3.1a 'No deforestation and conversion commitment strength', where a higher score is more positive.

Deforestation in Marubeni's procurement policies

This highlights the opportunity for investor engagement to progress Marubeni's commitments to deforestation and conversion free soy and beef.[10] Marubeni's sourcing policies are disclosed on their website, and while the policies for palm oil[11], forest-derived products (forest plantation and

[7] "Deforestation Debt Universe", AFII, 7 Jan 2024.
[8] This data is at 2 Oct 2024 and was obtained under license from Global Canopy as part of its proprietary Forest IQ project https://forestiq.com. More up-to-date data may be available from Forest IQ.
[9] P24, "Forest IQ Methodology", Forest IQ, 22 Jan 2025. We note that this is updated from the data itself above.
[10] "Agricultural and forestry trade drives large share of tropical deforestation emissions", Global Environmental Change, May 2019.
[11] "Procurement Policy (Palm Oil)", Marubeni, accessed 13 Mar 2025.

woodchip production businesses),[12] and soy[13] do comment on deforestation, the procurement policy for beef[14] makes no such mention.

Further, whereas the policies for palm oil and forest-derived products include sustainable procurement targets, the policy for soy includes initiatives but no targets.

Conversely, the procurement policy for palm oil[15] includes the target:

- By 2030, Marubeni Corporation will handle 100% of palm oil 'in consideration of sustainability', defined as palm oil procured from a supplier that complies with the NDPE (No Deforestation, No Peat and No Exploitation) policy, including RSPO (Roundtable on Sustainable Palm Oil) or equivalent certified oil.

The procurement policy for forest-derived products[16] includes the commitments:

- No handling of procured products from illegally logged timber.
- No handling of products procured from suppliers involved in serious environmental and social controversies, such as the destruction of forests with high conservation value.
- Promoting the handling of procured products that have been certified under a reliable international forest certification system.

This highlights an opportunity for investor engagement to encourage the setting of commitments or targets across deforestation-linked commodities beef and soy, and to progress forest targets, for example the target of ensuring that 100% of procured products handled have been certified under a reliable international forest certification system.

Conclusion

Marubeni conducted investor meetings on 10 March 2025 and is expected to issue 10 yr USD-denominated benchmark bonds (REGS/144a). Marubeni has deforestation exposure risk ranging from 'High' to 'Very High' across a range of commodities, and lower Forest IQ scores for deforestation commitments in beef and soy compared with palm oil, timber and pulp & paper.

The company has one existing green bond with use of proceeds going towards renewable energy, certified afforestation, and water management. Investors can engage to clarify the hectares of deforestation and/or conversion that have occurred on land owned, controlled, or managed by Marubeni to compare with the hectares of afforestation certified, thereby providing the context to understand Marubeni's net deforestation impact.

We note that investors can drive progress towards setting commitments or targets across deforestation-linked commodities beef and soy, and to progress forest targets, e.g. via a target to ensure that 100% of procured products handled are certified under a reliable international forest certification system.

[12] "Procurement Policy for Forest-derived Products", accessed 13 Mar 2025.
[13] "Marubeni Group Soybean Procurement Policy", Marubeni, accessed 13 Mar 2025.
[14] "Procurement Policy (Beef)", Marubeni, accessed 13 Mar 2025.
[15] "Procurement Policy (Palm Oil)", Marubeni, accessed 24 Apr 2025.
[16] "Procurement Policy for Forest-derived Products", accessed 12 Mar 2025.

Appendix

Table 3. Marubeni's issued bonds. Source: Bloomberg, as at 12 Mar 2025.

Description	ISIN	Issue Date	Maturity	Currency	Amt Outstanding	ESG Label
MARUB 2.55 03/14/25	JP387760BA30	2/3/2010	14/3/2025	JPY	10,000,000,000	
MARUB 0.22 06/17/25	JP387760AL61	11/6/2020	17/6/2025	JPY	20,000,000,000	
MARUB 1.319 09/18/25	XS2226703655	15/9/2020	18/9/2025	USD	500,000,000	
MARUB 2.1 12/24/25	JP387760BAC0	7/12/2010	24/12/2025	JPY	10,000,000,000	
MARUB 0.725 02/02/26	JP387760BG26	26/1/2016	2/2/2026	JPY	10,000,000,000	
MARUB 0.421 03/13/26	JP387760AGF2	15/3/2016	13/3/2026	JPY	20,000,000,000	
MARUB 1.577 09/17/26	XS2387660280	14/9/2021	17/9/2026	USD	500,000,000	Green
MARUB 1.034 09/18/26	JP387760AE94	12/9/2014	18/9/2026	JPY	13,000,000,000	
MARUB 0.38 07/12/27	JP387760AH75	5/7/2017	12/7/2027	JPY	10,000,000,000	
MARUB 0.614 02/24/28	JP387760AP26	17/2/2023	24/2/2028	JPY	20,000,000,000	
MARUB 0.37 02/28/28	JP387760AJ24	21/2/2018	28/2/2028	JPY	10,000,000,000	
MARUB 0.543 09/26/28	JP387760AP91	20/9/2023	26/9/2028	JPY	10,000,000,000	
MARUB 2.2 07/13/29	JP387760AB71	1/7/2011	13/7/2029	JPY	10,000,000,000	
MARUB 4.458 09/19/29	XS2900964565	9/9/2024	19/9/2029	USD	500,000,000	
MARUB 0.28 11/29/29	JP387760AKB3	22/11/2019	29/11/2029	JPY	10,000,000,000	
MARUB 0.93 07/19/30	JP387760AQ74	12/7/2024	19/7/2030	JPY	15,000,000,000	
MARUB 0.36 04/18/31	JP387760AM45	13/4/2021	18/4/2031	JPY	15,000,000,000	
MARUB 0.839 07/13/33	JP387760AP75	7/7/2023	13/7/2033	JPY	10,000,000,000	
MARUB 1.025 02/22/34	JP387760AQ25	16/2/2024	22/2/2034	JPY	18,000,000,000	
MARUB 1.127 04/25/34	JP387760AQ41	19/4/2024	25/4/2034	JPY	14,000,000,000	
MARUB 0.88 11/24/37	JP387760AHB9	16/11/2017	24/11/2037	JPY	10,000,000,000	
MARUB 0.82 03/04/2081	JP387760AM37	25/2/2021	4/3/2081	JPY	75,000,000,000	

This research is funded in part by the Gordon and Betty Moore Foundation through The Finance Hub, which was created to advance sustainable finance.

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