

Nidec Corporation (Green Bonds 2019)

Type of Engagement: Annual Review

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Introduction

In November 2019, Nidec Corporation (“Nidec”) issued three green bonds (JPY 50 billion 3-Year Green Bond, JPY 30 billion 5-Year Green Bond, and JPY 20 billion 7-Year Green Bond) aimed at financing and/or refinancing capital expenditures and R&D expenses for manufacturing traction motors for Electric Vehicles (EVs) (the “Green Bonds”). In November 2020, Nidec engaged Sustainalytics to review the projects funded through the Green Bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the reporting commitments outlined in the Nidec Corporation Green Bond Framework (the “Green Bond Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of June 30, 2020 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds and Eligibility Criteria, and associated KPIs

| Use of Proceeds | Eligibility Criteria | KPIs |
|-----------------------------|--|---|
| Clean Transportation | Capital expenditure and R&D expense for the production of traction motors for EVs. | <p>Nidec will annually disclose the following impact metrics throughout the term of the green bond on its website:</p> <ul style="list-style-type: none"> • Number of traction motors shipped per year • CO₂ emissions avoided by replacing conventional combustion engines with traction motors |

Issuing Entity’s Responsibility

Nidec is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

¹ Overview of the Nidec Corporation Green Bond Framework available at: <https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2019/11/Nidec-Corporation-Green-Bond-Second-Party-Opinion-08112019-ENGLISH.pdf>.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Nidec’s Green Bond Use of Proceeds. The work undertaken as part of this engagement included the collection of documentation from Nidec employees and the review of documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by Nidec with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Nidec.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Nidec’s Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework.

Detailed Findings

Table 2: Detailed Findings

| Eligibility Criteria | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|---------------------------------|---|--|--------------------------------|
| Use of Proceeds Criteria | Verification of the projects funded by the Green Bonds as of June 30, 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1. | All projects reviewed complied with the Use of Proceeds criteria. | None |
| Reporting Criteria | Verification of the projects funded by the Green Bonds as of June 30, 2020 to determine if the impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2. | All projects reviewed reported on KPIs per Use of Proceeds criteria. | None |

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: List of Project Categories Reviewed

| Use of Proceeds Category | Description | Look-back period for refinanced projects |
|--------------------------|---|---|
| Clean Transportation | Confirmed that all allocations were towards capital expenditure and R&D expense for the production of traction motors for EVs | Confirmed that projects refinanced were restricted to ones within last 24 months prior to the green bond issuance |

Appendix 2: List of Project Impact³

| Use of Proceeds Category | Number of traction motor systems shipped per year (unit) ⁴ | CO ₂ emissions avoided by traction motor systems (t-CO ₂ /y) ⁵ |
|--------------------------|---|---|
| Clean Transportation | FY2019: 48,700 FY2020: 11,119 | 26,827 |

³ While the Framework defines the impact metrics as the number of traction motors shipped by the company per year as well as CO₂ emissions avoided by that, impact reporting listed in the table demonstrates impact for three Green Bonds respectively.

⁴ Fiscal Year 2019 is April 1, 2019 to March 31, 2020 and Fiscal Year 2020 is April 1, 2020 to June 30, 2020.

⁵ Calculated the differences in the amount of estimated CO₂ emissions from electric vehicles operations and combustion engine vehicle operations.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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5th Green Bond Pioneer Awards
Climate Bonds Initiative

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GlobalCapital
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Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
Principles