

# Nidec Corporation (Green Bonds 2019 and 2021)

**Type of Engagement:** Annual Review

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## Introduction

Nidec Corporation (“Nidec”) issued three green bonds in November 2019 (JPY 50 billion 3-Year Green Bond, JPY 30 billion 5-Year Green Bond, and JPY 20 billion 7-Year Green Bond), and one green bond in March 2021 (EUR 500 million 5-Year Green Bond) (the “Green Bonds”) aimed at financing and/or refinancing capital expenditures and R&D expenses for manufacturing traction motors for Electric Vehicles (EVs). In November 2021, Nidec engaged Sustainalytics to review the projects funded through the Green Bonds as of September 30, 2021 and assess whether the projects met the Use of Proceeds criteria and the reporting commitments outlined in the Nidec Corporation Green Bond Framework (the “Framework”).<sup>1</sup> This is Sustainalytics’ second annual review of Nidec’s Green Bonds following the previous review in November 2020.<sup>2</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from November 2019 to September 2021 based on whether the projects:

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

Table 1 lists the Eligibility Criteria and associated KPIs for the Use of Proceeds category to which the proceeds were allocated.

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

Use of Proceeds	Eligibility Criteria	KPIs
<b>Clean Transportation</b>	Capital expenditure and R&D expense for the production of traction motors for EVs.	Nidec will annually disclose the following impact metrics throughout the term of the green bond on its website: <ul style="list-style-type: none"> <li>• Number of shipped traction motors per year</li> <li>• CO<sub>2</sub> emissions avoided by replacing conventional combustion engines with traction motors</li> </ul>

## 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.

<sup>1</sup> The Nidec Corporation Green Bond Framework is available at: [https://www.nidec.com/en/sustainability/environment/greenbond/-/media/www-nidec-com/sustainability/environment/greenbond/img/Nidec%20Corporation%20Green%20Bond%20Framework\\_en.pdf](https://www.nidec.com/en/sustainability/environment/greenbond/-/media/www-nidec-com/sustainability/environment/greenbond/img/Nidec%20Corporation%20Green%20Bond%20Framework_en.pdf)

<sup>2</sup> Sustainalytics’ previous annual review of Nidec’s Green Bond is available at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nidec-corporation-green-bond-annual-review.pdf?sfvrsn=be3cb36\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nidec-corporation-green-bond-annual-review.pdf?sfvrsn=be3cb36_3)

## 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 Bonds Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Nidec employees and review of documentation to confirm the conformance with the 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,<sup>3</sup> 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 Framework.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the Green Bonds from November 2019 to September 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the Green Bonds from November 2019 to September 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on KPIs per Use of Proceeds criteria.	None

<sup>3</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, 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: Allocation of Green Bond Proceeds

#### 1. Green Bonds issued in November 2019 (JPY 50 billion 3-Year Green Bond, JPY 30 billion 5-Year Green Bond, and JPY 20 billion 7-Year Green Bond)

Use of Proceeds Category	Description	Look-back period for refinanced projects	Net Bond Proceeds Allocation (JPY 100 million)
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 issuance date of the Green Bonds	558
<b>Allocated Proceeds:</b>			558
<b>Unallocated Proceeds:</b>			442
<b>Net Proceeds from Green Bond Issuance:</b>			1,000

#### 2. Green Bond issued in March 2021 (EUR 500 million 5-Year Green Bond)

Use of Proceeds Category	Description	Look-back period for refinanced projects	Net Bond Proceeds Allocation (EUR million)
Clean Transportation	Confirmed that all allocations were towards capital expenditure and R&D expense for the production of traction motors for EVs	Confirmed that refinancing of existing projects is not included	39
<b>Allocated Proceeds:</b>			39
<b>Unallocated Proceeds:</b>			461
<b>Net Proceeds from Green Bond Issuance:</b>			500

## Appendix 2: List of Project Impact<sup>4</sup>

**Green Bonds issued in November 2019 (JPY 50 billion 3-Year Green Bond, JPY 30 billion 5-Year Green Bond, and JPY 20 billion 7-Year Green Bond) and the Green Bond issued in March 2021 (EUR 500 million 5-Year Green Bond)**

Use of Proceeds Category	Number of shipped traction motor systems per year (unit) <sup>5</sup>	CO <sub>2</sub> emissions avoided by traction motor systems (t-CO <sub>2</sub> /y) <sup>6</sup>
Clean Transportation	FY2019: 48,700	157,148
	FY2020: 83,273	
	FY2021: 68,210	
	Total: 200,183	

<sup>4</sup> In terms of impact reporting for each green bond issued, Nidec disclosed the combined impact of the four Green Bonds (three green bonds issued in November 2019 and one green bond issued in March 2021) for each of the KPIs outlined in the Framework.

<sup>5</sup> Each fiscal year starts from April 1 and ends on March 31 of the following year. Figures for fiscal year 2021 are for the period April 1, 2021 to September 30, 2021.

<sup>6</sup> Calculated the differences in the amount of estimated CO<sub>2</sub> emissions from electric vehicles operations and combustion engine vehicle operations.

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