

Nidec Corporation (2019 and 2021 Green Bonds)

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, hereinafter the “2019 Green Bonds”), and one green bond in March 2021 (EUR 500 million 5-Year Green Bond, hereinafter the “2021 Green Bond”) aimed at financing and/or refinancing capital expenditures and R&D expenses for manufacturing traction motors for Electric Vehicles (EVs). As of 31st March 2022, the proceeds have been allocated to projects that meet the Eligibility Criteria. In June 2022, Nidec engaged Sustainalytics to review the projects funded through the 2019 and 2021 Green Bonds as of March 31, 2022 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”).¹ This is Sustainalytics’ third annual review of Nidec’s 2019 Green Bonds², and second annual review of 2021 Green Bond following the previous review in November 2021.³

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from November 2019 to March 2022 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on impact indicators for each Use of Proceeds criteria outlined in the Framework.

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

Table 1: Use of Proceeds, Eligibility Criteria, and associated impact indicators

Use of Proceeds	Eligibility Criteria	Impact indicators
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 shipped traction motors per year • CO₂ emissions avoided by replacing conventional combustion engines with traction motors

¹ 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

² Previous annual reviews of the 2019 Green Bonds by Sustainalytics are available at:

Annual Review (November 2020) https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nidec-corporation-green-bond-annual-review.pdf?sfvrsn=be3cb36_3

Annual Review (November 2021) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nidec-corporation-green-bonds-2019-and-2021-annual-review-\(2021\).pdf?sfvrsn=4a6c5ddb_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nidec-corporation-green-bonds-2019-and-2021-annual-review-(2021).pdf?sfvrsn=4a6c5ddb_1)

³ Previous annual review of the 2021 Green Bond by Sustainalytics is available at:

Annual Review (November 2021) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nidec-corporation-green-bonds-2019-and-2021-annual-review-\(2021\).pdf?sfvrsn=4a6c5ddb_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nidec-corporation-green-bonds-2019-and-2021-annual-review-(2021).pdf?sfvrsn=4a6c5ddb_1)

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.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Nidec’s 2019 and 2021 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 projects in the eligible categories. 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,⁴ 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 2019 and 2021 Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework.

Detailed Findings

Table 2: Detailed Findings

Evaluation Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2019 and 2021 Green Bonds from November 2019 to March 2022 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
Reporting Criteria	Verification of the projects funded by the 2019 and 2021 Green Bonds from November 2019 to March 2022 to determine if impact of projects was reported in line with the impact indicators outlined in the Framework and above in Table 1. For a list of impact indicators reported please refer to Appendix 2.	All projects reviewed reported on impact indicator per Use of Proceeds criteria.	None

⁴ 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. 2019 Green Bonds (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	Net Bond Proceeds Allocation (JPY 100 million)
Clean Transportation	Capital expenditure and R&D expense for the production of traction motors for EVs	606
Allocated Proceeds:		606
Unallocated Proceeds:		394
Net Proceeds from Green Bond Issuance:		1,000

2. 2021 Green Bond (EUR 500 million 5-Year Green Bond)

Use of Proceeds Category	Description	Net Bond Proceeds Allocation (EUR million)
Clean Transportation	Capital expenditure and R&D expense for the production of traction motors for EVs	89
Allocated Proceeds:		89
Unallocated Proceeds:		411
Net Proceeds from Green Bond Issuance:		500

Appendix 2: List of Project Impact⁵

2019 Green Bonds and 2021 Green Bond

Use of Proceeds Category	Impact Indicators ⁶	
	Number of shipped traction motor systems per year (unit) ⁷	CO ₂ emissions avoided by traction motor systems (t-CO ₂ /y) ⁸
Clean Transportation	FY2019: 48,700	259,062
	FY2020: 83,273	
	FY2021: 226,248	
	Total: 358,221	

⁵ 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 impact indicators outlined in the Framework.

⁶ Impact Reporting by Nidec is available at:

2019 Green Bonds https://www.nidec.com/en/sustainability/environment/greenbond/-/media/www-nidec-com/sustainability/environment/greenbond/img/202206_JPY-GreenBondReporting_en.pdf

2021 Green Bond https://www.nidec.com/en/sustainability/environment/greenbond/-/media/www-nidec-com/sustainability/environment/greenbond/img/202206_EURO-GreenBondReporting_en.pdf

⁷ Each fiscal year starts from April 1 and ends on March 31 of the following year.

⁸ Calculated the differences in the amount of estimated CO₂ emissions from electric vehicles operations and combustion engine vehicle operations.

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