

Nidec Corporation Green Bond Framework

1. Introduction

1.1. Overview of the Company

Nidec Corporation, founded in 1973, is a leading global manufacturer of motor drive products for extensive applications ranging from computing/communications devices and in-vehicle systems to home appliances, commercial and industrial equipment. Energy-efficient, environment-conscious motor drive technology is at the core of our commitment to achieving sustainable business growth by making a positive impact on some of the world's greatest challenges. Given today's heightened public awareness of climate change and tighter carbon emission standards, we are seeing strong efforts and renewed investments by global manufacturers to provide solutions to the CO₂ reduction challenge. With particular reference to the automotive industry, at the forefront of such initiatives is the development of fully electric automobiles. We are proud to be a mission-critical part of the supply-side initiatives and proactively realigning our technological resources and production capacity to the evolving requirements of the automotive market.

1.2. Nidec's Environmental Policy

1.2.1. CEO's Commitment, Shigenobu Nagamori

Electric motors power just about every present-day spinning/moving key mechanism to make our lives easier, more convenient and comfortable. In the meantime, however, they could have a significant impact on the global environment due to their large power consumption, which, some estimate, comprises approximately half of all the power generated in the world.

Over the years, Nidec has contributed to reducing global power consumption and CO₂ emissions through the energy efficiency of its motors and related products as the world's leading comprehensive motor manufacturer. Going forward, we will continue to make a difference by opening up a whole new level of efficiency, enabled through tighter integration of our industry-leading motor-drive expertise with advanced controllability and connectivity. Slowly yet constantly, we are poised to bring solutions to various global issues a step closer with a century-scale sustainability perspective on social needs.

1.2.2. Nidec Group CSR Declaration

The Nidec Group CSR Declaration provides a set of practical CSR guidelines, which aim to drive our sustainable competitiveness by fostering our core values and, ultimately, enhancing trust with our stakeholders into the future. The guidelines encompass five areas of focus: regulatory compliance, human rights, labor ethics, occupational health and safety, and environmental conservation. Given today's increasingly globalized business environment, businesses across the




world are addressing the need to align their conduct with reasonable expectations of a broad range of stakeholders based on internationally recognized ethical standards. We aspire to embrace these evolving stakeholder expectations in ways that strike the right balance between cultural diversity and universal business norms.

Please refer to the following URLs for the details:

<https://www.nidec.com/en/sustainability/principle/declaration/>

1.2.3. CSR Vision 2020

Under the CSR Vision 2020 developed in 2016, we currently work on eight key areas falling into three principal domains: the environment, society, and governance. The details are as follows:

Priority Issues	Target	KPI	
 Environment	Environmental load reduction	Consistent reduction in energy consumptions and environmental emissions attributable to operations	5% reduction (intensity) from FY2015 benchmark
	Environmental contribution through products	Quantitative assessment of product-specific environmental performance	Overall framework in place for measuring total CO ₂ emissions reduced per year
	Environmental conservation	Active participation in local environmental conservation efforts	Specific action program in place at each business unit
 Society	Diversity	A diverse workforce and leadership	Specific action program in place at each business unit
	Globally competent talents	Training programs in place on a group-wide basis	Number of program participants or workshops held
 Governance	Corporate ethics	Code of Conduct aligned with internationally accepted standards	EICC [®] -based CSR management system covering 80% of operations worldwide
	Internal control	Consistent management soundness and transparency	Strict compliance with internationally accepted corporate governance guidelines
	Risk management	Highly viable risk management procedures implemented on a global basis	Global risk management system adopted by all operations

1.2.4. Our Contribution to a Sustainable World

Facing the threat of climate change, the international community has steered toward a decarbonized society based on the Paris Agreement. The Nidec group’s core initiatives for extra-low carbon activities are two-fold:

- (1) Reduction in greenhouse gas emissions from business activities
- (2) Development of low-carbon products

As the principal guideline of above (1), The Nidec group launched “SMART2030: Sustainable Manufacturing and Resilient Tomorrow) in April 2019, by setting 2 targets below,

a) Qualitative Target:



Identify key risks and opportunities associated with climate change, and report updates on measures taken and progress achieved

b) Quantitative Target:

Accomplish a 30% cut in operational Greenhouse gas emissions by 2030 (compared to FY2017)

In the meantime, as the principal guideline of above (2), Nidec is poised to help the automotive industry to delethalize and decarbonize vehicle drive systems with its advanced motion control modules.

SMART2030 (Sustainable **M**anufacturing **A**nd **R**esilient **T**omorrow)

Quantitative Target	30% cut in operational CO₂ emissions by FY2030 (Benchmark year: FY2017)	<p>SMART2030</p> <div style="display: flex; justify-content: space-around;"> <div style="background-color: #E0F0E0; padding: 5px; border: 1px solid #808080;"> <p>Qualitative Target</p>  <p>Identify and publicize: - climate change-related risks and opportunities - mitigation/adaptation measures</p> </div> <div style="background-color: #E0F0E0; padding: 5px; border: 1px solid #808080;"> <p>Quantitative Target</p>  <p>30% cut in operational CO₂ emissions by FY2030</p> </div> </div> <p style="font-size: small; margin-top: 5px;">The targets cover Nidec's global operations accounting for the vast majority of company-wide CO₂ emissions.</p>
Key Approaches	<ul style="list-style-type: none"> ➤ Energy-efficient operations <ul style="list-style-type: none"> - LED lighting for new facilities - Energy-saving air conditioning - AI-backed manufacturing processes ➤ Renewable electricity <ul style="list-style-type: none"> - Purchase renewable electricity directly from power suppliers - Purchase certified renewable electricity using a Green Power Certification System - Generate renewable electricity using solar panels, etc. 	

1.3. Nidec Green Bond

In order to promote the Nidec Group's CSR policy stated above, we issue Green Bond for the projects (expenditure) which possess environmental improvement effect.

We have developed this framework for the Green Bond in line with the International Capital Market Association ("ICMA")'s 2018 Green Bond Principles ("GBP"), and Japan's Green Bond Guidelines 2017.

2. Green Bond Framework

2.1. Use of Proceeds

All the net proceeds from the issuance of the Green Bond will be allocated to finance and/or refinance of expense which meet the following eligibility criteria. The Nidec group has specified a 24- month look back period for the refinancing of existing projects.

Eligibility Criteria

Capital expenditure and R&D expense for the production of traction motors for EVs.

(“Clean Transportation” category in Green Bond Principles 2018)

Investments for the manufacture of traction motors for electric vehicles (EVs) financed by the green bonds will lead to positive environmental impacts and advance the UN Sustainable Development Goal 11.

SDG	SDG target
11. Make cities and human settlements inclusive, safe, resilient and sustainable	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

2.2. Efforts to reduce environmental risk and social risk

When executing projects, Nidec ensures compliance with relevant environmental laws and regulations and promotes the Nidec Group Supply Chain CSR to mitigate negative environmental and social effects.

2.2.1. Compliance with environmental laws and regulations

In order to reduce environmental risks, Nidec conducts environmental surveys, predictions and assessments, and implements measures to prevent significance environmental impacts in accordance with the assessment procedures stipulated in the Environmental Impact Assessment Law pursuant with local regulations where the business is conducted.

2.2.2. Supply Chain CSR

We have a set of CSR guidelines for our valued supply chain partners (namely Nidec Group Supply Chain CSR Guidebook) and measure supplier performance on a regular basis, with an expectation of fostering shared values and, ultimately, enhancing trust with our stakeholders into the future. In FY2018, we conducted a self-assessment survey for 687 supply chain partners and held specialized in-house workshops for Nidec's 759 purchase managers and associated staffers.

In today's increasingly globalized business environment, we are keenly aware of the need to align our business conduct with reasonable expectations of a broad range of stakeholders based on internationally recognized ethical standards. We will continue to explore how collaborative approaches would help both the Nidec Group and its suppliers to strike the right balance between cultural diversity and universal business norms for sustainable business growth going forward.

For more information, see our website.

[http://az369030.vo.msecnd.net/pdf/csr/Supply%20Chain%20CSR%20Guidebook%20\(EN\).pdf](http://az369030.vo.msecnd.net/pdf/csr/Supply%20Chain%20CSR%20Guidebook%20(EN).pdf)

2.3. Process for Project Evaluation and Selection

Selection of the projects that meet the eligibility criteria will be executed by Nidec's Finance Department upon discussion with IR-CSR Promotion Department and relevant Business Units. Final approval will be made by the Vice President in charge of the Finance Department.

2.4. Management of Proceeds

The Finance Department will biannually track and monitor the funds raised by Green Bond such as the allocation of the proceeds, using electronic files and through the designated process. The net proceeds are scheduled to be allocated within about 5 years. The Nidec Group will manage cash or cash equivalents equal to the amount of its unallocated proceeds until the proceeds will be fully allocated to the eligible project.

2.5. Reporting

The Nidec Group will annually provide information about the allocation of eligible projects and environment improvement impact.

2.5.1. Allocation Reporting

The Nidec group will annually disclose the allocated and unallocated balance on its website until full allocation. The first allocation report will be made public within 1 year from the date of the Green Bond issuance. In case of material developments, we will renew the information on the use of proceeds on a timely basis even after the full allocation of the proceeds.

2.5.2. Impact Reporting

The Nidec Group will annually disclose the following impact index throughout the term of the Green Bond on its website;

- Number of shipped traction motors per year
- CO₂ emissions avoided by replacing conventional combustion engines with traction motors

2.6. External Review

2.6.1. Second Party Opinion

The Nidec Group engaged Sustainalytics to review the Framework and provide a second-party opinion on the Framework's alignment with the Green Bond Principles 2018 (GBP) and Japan's Green Bond Guidelines 2017.

2.6.2. Compliance Review

The Nidec Group will receive a compliance review from Sustainalytics as an external provider who assesses the projects' eligibility for Green Bond Framework, a year after the Green Bond issuance. The review will be conducted annually until the full allocation of the net proceeds from the Green Bond.