

## Third Party Opinions on Sustainability Linked Loan to Nippon Yusen Kabushiki Kaisha Conducted by Syndicated Loan Group (Arranger: MUFG Bank, Ltd.)

Japan Credit Rating Agency, Ltd. (JCR) provided a third party opinions to Sustainability Linked Loan ("SLL" or the "Loan") conducted by MUFG Bank, Ltd. (MUFG Bank) to Nippon Yusen Kabushiki Kaisha (NYK Line or the "Company").

### <Executive Summary>

This third-party opinion confirmed the conformity of the Sustainability Linked Loan Principles (SLLPs<sup>1</sup>) and the Green Loan and Sustainability Linked Loan Guidelines ("Ministry of the Environment Guidelines") (SLLPs and Ministry of the Environment guidelines are collectively defined as "SLLPs, etc.") for the SLL conducted by the syndicated loan group arranged by MUFG Bank to NYK Line. In order to ensure the transparency and objectivity of evaluations recommended by SLLPs, JCR, as an independent third-party organization, implemented a third-party opinion in terms of the following points:

- (1) NYK Line's Sustainability Strategy and establishment of the Sustainability Performance Target (SPT)
- (2) The terms of Loan and the monitoring system during the loan period

#### (1) NYK Line's Sustainability Strategy and establishment of the Sustainability Performance Target (SPT)

NYK Line has agreed with MUFG Bank to establish the following SPT in this loan:

SPT: Maintain high rating (A or A-) in CDP<sup>2</sup> Climate Change Score

The NYK Group (the "Group") is a comprehensive shipping company with one of the largest fleets in the world, with consolidated sales of 1,668.3 billion yen in the fiscal year ending March 2020 (FY2019), making it one of the largest groups in the domestic shipping industry. The Group has 34,857 employees and operates globally in 61 countries. Its businesses consists of follows: Line Trade 11.6%, Air Cargo Transportation 4.3%, Logistics 27.3%, Bulk Shipping 46.9%, Real Estate 0.4%, and Other 9.5%.

The NYK Group set "Bringing value to life." as its basic philosophy, and it defines "delivering valuable things for people's affluent lives through the development of a wide range of logistics businesses that span the sea, land, and air" and "supporting the development of society and protecting the global environment" as their roles in the society. In addition, in the NYK Group ESG Story released in February 2021, the Group defined ESG management as adding the perspective of "sustainable society and the environment, to the existing one of "profit maximization," and supporting the both through governance that forms the foundation of business activities. Based on this definition, in order to realize the basic philosophy, it is necessary to continue to be a corporate group needed by society and industry, aiming

<sup>1</sup> Established by Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndication and Trading Association (LSTA).

<sup>2</sup> CDP is a not-for-profit charity in the U.K., which runs the global disclosure system for investors, companies, states, cities and regions to manage their environmental impacts. Since establishment in 2000, it has been working for engagement related to global environmental challenges. It started operation in Japan in 2005. (Source: CDP website <https://japan.cdp.net/>)

to be a "Sustainable Solution Provider" that creates new value from a long-term perspective.

Based on reporting guidelines and evaluation items from external evaluation organizations, the Group identifies risks and issues, and then identifies "safety," "environment" and "human resources" as materiality (material issues) from the viewpoint of the degree of impact on stakeholders. In addition, the Group set the integration of ESG and management strategies in its medium-term management plan, positioning the environment as one of the key issues for the entire group, and set environmental targets (targets for CO<sub>2</sub> reduction) by 2050 in line with the Paris Agreement.

In the Loan, NYK Line agreed with MUFG Bank to establish an SPT for the CDP Climate Change Score, which is an indicator for measuring the degree of progress of "environment" among the above themes, and to link the lending conditions to the achievement status of the CDP Climate Change Score. The CDP implements scoring as an independent third party with the purpose of motivating companies to disclose their impacts on the environment and natural resources and to take actions to reduce negative impacts. According to the CDP Climate Change Report 2020, for a survey on Japanese companies, CDP sent questionnaires mainly to 500 companies (Japan 500) selection based on companies that fall under FTSE Japan Index. The total number of companies responded was 327 among Japan 500 selected companies and 375 including companies that do not fall under Japan 500. As for the distribution of scores among respondent companies in Japan 500, A is 16%, A- 21% and B 30%. Maintaining A- or higher, therefore, is to aim to be the top 37%, a relatively ambitious target setting. In addition, NYK Line will continue to make further progress in its efforts to mitigate climate change and thereby maintaining A- or higher. As it will also contribute to the achievement of its medium and long-term goals, it is a meaningful target setting.

#### (2) The terms of loans and the monitoring system during the loan period

JCR confirmed that both NYK Line and MUFG Bank set the incentives in the terms of the Loan in a satisfactory manner, that the monitoring of the impact indicator is to confirm once a year, that the score results are scheduled to be reported to the lender as soon as they are received by NYK Line, and that the final degree of achievement of sustainability is to be confirmed in the year of repayment due. In the same year, the three parties of NYK Line, MUFG Bank and JCR are scheduled to review the Loan, evaluate the degree of SPT achievement as well as the effects of the impact on NYK Line and the society.

Based on the above considerations, JCR has confirmed that the Loan to NYK Line, which is the subject of the third-party opinions, is in conformity with the SLLPs, etc.