



Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") will announce the results of Sustainability Finance Framework Evaluation, Climate Transition Finance Framework Evaluation and Transition Linked Finance Framework Evaluation as follows:

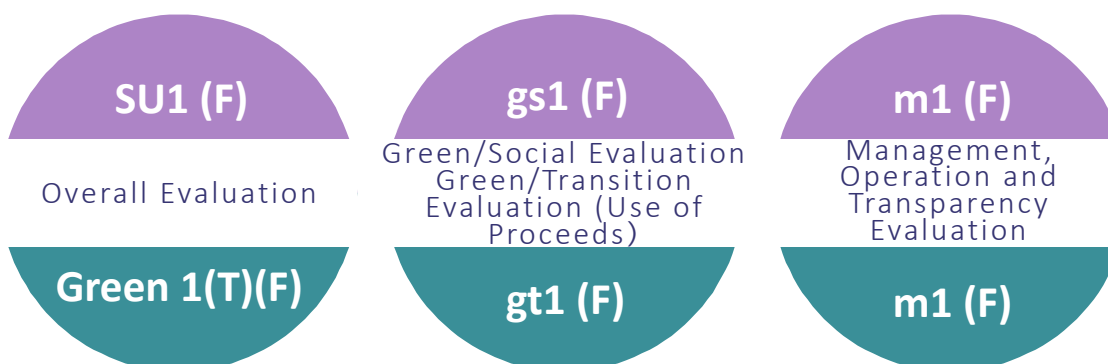
## Mazda Motor Corporation

### Sustainable Finance Framework

### Assignment

<Confirmation Results of Alignment with Sustainability Linked Bond Principles and Sustainability Linked Loan Principles>

The Framework is aligned with Sustainability Linked Bond Principles and Sustainability Linked Loan Principles.



|                   |  |
|-------------------|--|
| Issuer/Borrower   | Mazda Motor Corporation (Security Code: 7261)            |
| Evaluation Target | Mazda Motor Corporation<br>Sustainable Finance Framework |

## Evaluation Overview

### ▶▶▶ 1. Overview of Mazda Motor Corporation

Mazda Motor Corporation (hereinafter referred to as "Mazda" or "the Company") is a medium-sized automobile manufacturer in Japan, headquartered in Fuchu-cho, Hiroshima Prefecture. Mazda has 71 major consolidated subsidiaries and 20 major equity-method group companies, and in the fiscal year ended March 2023, global sales volume was 1.11 million vehicles, down 11 percent from the previous fiscal year (including 165,000 vehicles in Japan, 407,000 in North America and 160,000 in Europe,) consolidated shipments increased by 7 percent year on year to 1,059,000 units, sales increased by 23 percent year on year to 3.8268 trillion yen and net income increased by 75 percent to 142.8 billion yen from the previous year.

Mazda was founded in 1920 as Toyo Cork Kogyo Co., Ltd., and changed its name to Toyo Kogyo Co., Ltd. in 1927. The Company began manufacturing three-wheeled trucks before the World War II. When the atomic bomb was dropped on Hiroshima City on August 6, 1945, Mazda's Head Office was located approximately 5 kilometers away from the hypocenter, and it took in the functions or others from the Hiroshima prefectural government and other buildings that were destroyed by the atomic bomb and served as one of the bases for recovery from the atomic bomb. Since then, the Company has supported the local economy as a leader in the industrial development in the Chugoku region, centered on Hiroshima Prefecture. After the war, in addition to three-wheeled trucks, Mazda began manufacturing light passenger cars in 1960 and released the world's first car powered by a two-rotor rotary engine in 1967, establishing a unique position as a domestic automaker. In 1984, the Company name was changed from Toyo Kogyo to "Mazda," which is as same as the brand name, and after adopting a "5-channel system" during the Japanese asset bubble economy period in 1980s, Ford Motor Company acquired 33.4 percent of the outstanding shares in Mazda in 1996 and the Company became a subordinate company of Ford Motor Company (it currently has no capital tie.) In 2002, Mazda presented "Zoom-Zoom," which is an onomatopoeic word in English when children play with toy cars to express a perspective of the world of the Mazda brand when it provided fun and exhilarating driving experiences to customers who remember the emotion of motion first felt as a child and in 2007, the Company announced "Sustainable Zoom-Zoom 2030" to engage in technology development with the goal of providing both "driving pleasure" and "outstanding environmental and safety performance" at a high level. In 2010, the Company announced "SKYACTIV TECHNOLOGY," an initiative to review and innovate the previous car manufacturing from scratch and has continued to review engines, transmissions and platforms. In 2017, Mazda also announced "Sustainable Zoom-Zoom Declaration 2030," its long-term vision for technological development that looks ahead to the year 2030. In 2017, Mazda formed a business and capital alliance with TOYOTA MOTOR CORPORATION and the two companies have been planning to build a joint venture plant in the United States and jointly developing EV technology.

Mazda has a lineup of hybrid electric vehicle (hereinafter referred to as "HEV"), plug-in hybrid electric vehicle (hereinafter referred to as "PHEV") and battery electric vehicles (hereinafter referred to as "BEV") for some vehicle models in addition to the conventional internal combustion

engine (hereinafter referred to as "ICE") vehicles. In preparation for the full-scale spread of BEV in the future, Mazda updated its Medium-term management plan in November 2022 and announced that it would divide the period up to 2030 into three phases to implement R&D for HEV, PHEV and BEV and make capital investments.

## ▶▶▶ 2. Mazda's ESG Management and Sustainability initiatives

Mazda has three corporate philosophies: "PURPOSE," "PROMISE" and "VALUES." Based on these corporate philosophies, the Company has set forth its ideal Mazda as of 2030 as the "2030 VISION." Mazda has been working on promoting energy conservation or developing fuel-efficient vehicles for a long period. On the manufacturing side, the Company announced the medium-term environmental plan, "Mazda Green Plan 2010" in 2006, it replaced the "Mazda Green Plan 2010" with "Mazda Green Plan 2020" in 2011 and it announced the "2030 Target/2050 Challenge" in 2019. On the product side, Mazda announced the aforementioned long-term vision for technology development, "Sustainable Zoom-Zoom Declaration" in 2007 and "Sustainable Zoom-Zoom 2030" in 2017.

Based on these efforts, Mazda set forth the response to climate change as one of the most important issues in its materiality. Specifically, the Company established a goal of achieving carbon neutrality throughout the entire supply chain by 2050, recognizing that the entire supply chain needs to address the issues in light of the characteristics of the automobile manufacturing and sales business with broad-based features driven by the target setting of the 2050 carbon neutrality by the Japanese government in October 2020. Mazda set goals such as reducing its CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013 and achieving carbon neutrality at its global plants in 2035 as a milestone for the long-term target.

The Company set forth to "realize a safe and secure automobile society" as a materiality on the "society" and in terms of what Mazda can achieve between now and 2040 through automotive technologies, it aims for zero deaths resulting from its new vehicles.

All projects eligible for the use of proceeds in this framework are subject to the initiatives that contribute to achieving the aforementioned materiality.

## ▶▶▶ 3. Validity on Transition Strategy

### (Outline of Conformity Assessment with CTFH and so forth)

Mazda's transition strategy and specific policies satisfy the four components in the Climate Transition Finance Handbook<sup>1</sup> and Basic Guidelines on Climate Transition Finance<sup>2</sup> (collectively referred to as CTFH and so forth.)

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<sup>1</sup> "Climate Transition Finance Handbook 2023" by International Capital Market Association (ICMA) at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/>

<sup>2</sup> "Basic Guidelines on Climate Transition Finance 2021" by Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment at <https://www.meti.go.jp/press/2021/05/20210507001/20210507001-1.pdf>

Mazda, based on those efforts, set a long-term goal of achieving carbon neutrality including its supply chain by 2050, and its intermediate goals include reducing its CO<sub>2</sub> emissions (non-consolidated) by 69 percent in FY 2030 from FY 2013 and achieving carbon neutrality at its global plants. The Company has been working to figure out the CO<sub>2</sub> emitted by manufacturers in Tier 1 suppliers and making concrete efforts such as jointly formulating a roadmap for suppliers' decarbonization. Simultaneously, the Company has been rapidly advancing initiatives on electrification or BEV, such as assuming a BEV sales ratio from 25 to 40 percent in 2030 or announcing an electrification roadmap toward 2030.

#### ▶▶▶ 4. Conformity Assessment with SLBP Principles

Mazda established the following KPI and SPT for respective Transition Linked Bonds and Transition Linked Loans (collectively referred to as "Transition Linked Finance") executed based on the Sustainable Finance Framework (hereinafter referred to as "this Framework".)

- |  |
|--|
| KPI1: A Global BEV sales ratio             |
| KPI2: GHG emissions from its global plants |
| SPT1: 25 percent or more in FY 2030        |
| SPT2: Achieve carbon neutrality in 2035    |

Mazda has set forth the goal of "Endeavor for carbon neutrality throughout its entire supply chain by 2050" and its interim goals include "Reducing Mazda's CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013" and "Achieving carbon neutrality at its global plants by 2035." KPI2 is Mazda's medium- to long-term decarbonization target on its business activities and a core metrics of its carbon neutral strategy. The automotive sector is an industrial segment with broad-based supply chains, and a strategy of Mazda that is a core company affects many suppliers; therefore, it is significant for the Company to achieve carbon neutrality at its global plants in 2035, an early stage and to declare to achieve carbon neutrality throughout its entire isa

by 2050. JCR has evaluated that Mazda has concrete initiatives toward carbon neutrality as follows although it is not included in the SPT of this KPI: the Company formulated a roadmap for decarbonization by working cooperatively with suppliers to calculate their CO<sub>2</sub> emissions from the perspective of Category 1 in Scope 3 (CO<sub>2</sub> emissions from products purchased) toward carbon neutrality throughout the entire supply chain by 2050 or strives to promote electrification for the future while discussing with local suppliers.

KPI1 is target setting on emissions in the products use-phase among CO<sub>2</sub> reduction initiative in Mazda's Scope 3. Multi-level technology development is presented for reducing CO<sub>2</sub> emissions in the vehicles use-phase in the transition roadmap in Japan, such as shifting to BEV or decarbonizing internal combustion engines with synthetic fuels or biofuels. On the other hand, the IEA report also indicates that the electrification centered on BEV is becoming mainstream domestically and internationally although there have been some rebounds. Mazda is accelerating the development

of PHEV and BEV in its Building Block Concept based on that BEV sales volume is rapidly increasing under the administration of Biden in the United States, which accounts for approximately 30 percent of Mazda's sales. In November 2022, the expected BEV sales ratio for 2030 was set at 25 to 40 percent. Accordingly, JCR has evaluated that any of KPI set in this framework is based on Mazda's strategy and of significance.

The sales ratio of BEV on SPT1 was less than 1 percent of the total sales as of FY 2022. In order for Mazda to increase its global BEV sales ratio to 25 percent or more in 2030, the Company needs to drastically review its business plan and to take additional significant measures to achieve this goal, including R&D and capital investment expenses. Then, in cases where the Company uses the government's target as a benchmark, the numerical target for EV and PHEV in 2030 is from 20 to 30 percent, which is aligned with the target<sup>3</sup>. The government set a goal of increasing the electric vehicle (BEV, PHV, FCV or HV) ratio to 100 percent in 2035. On the other hand, Mazda established a goal of increasing the electric vehicle ratio to 100 percent in 2030, which is ambitious in that respect. JCR has evaluated that the benchmark established by the Company is comparable to domestic peers when it regards the ambitious level related to Category 11 in Scope 3 (CO<sub>2</sub> emissions from use of sold products) as the target for shifting to BEV and electrification.

SPT2: Mazda set the target for carbon neutrality at its global plants by FY 2035 as an annual reduction of 4.2 percent, which falls under the SBT 1.5 degrees Celsius level, and one of the measures to replace coal-biomass co-firing power plants with zero emission thermal power plants such as mono-firing of ammonia is currently under research and development (hereinafter referred to as "R&D") and the development may be postponed depending upon the progress of the plan hereafter; therefore, JCR has evaluated that achieving carbon neutrality in its global plants in 2035 is a high target but ambitious. JCR has evaluated that the Company has been ambitious based on the year in which it aims to achieve the target in comparison with those of the government or peers.

JCR has confirmed that the incentives in the financing terms and conditions will include increasing or decreasing interest rates, donations and purchasing emissions rights depending upon the achievement and that Mazda will disclose annual reporting for the performance of the two KPIs on its website. JCR has also confirmed that the framework states that reporting may only be made to the lender in case of loans (in case of syndicated loans, reporting will be made via agents;) however, this is a response only for an unexpected situation; and the Company will make efforts to publicly disclose general information through its website as much as possible.

Of the two SPTs mentioned above, the GHG emissions data are annually verified by a third party organization, and JCR has confirmed that the Company is considering that the BEV sales ratio be verified as well.

Based on the aforementioned considerations, JCR has confirmed that this framework for Mazda, the subject of this third-party opinion, is aligned with "CTFH and so forth," "Sustainability Linked

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<sup>3</sup> Technology Roadmap for Transition Finance in Automobile Sector by the Ministry of Economy, Trade and Industry

Bond Principles<sup>4</sup>," "Sustainability Linked Loan Principles<sup>5</sup>," "Sustainability Linked Bond Guidelines<sup>6</sup>" and "Sustainability Linked Bond Guidelines<sup>7</sup>" (collectively referred to as SLBP and so on.)

## ▶▶▶ 5. Overview of Sustainable Finance Framework Evaluation

In cases where Mazda executes green bonds or green loans (hereinafter green bonds and green loans are collectively referred to as "green finance,") transition loans or transition bonds (transition loans and transition bonds are collectively referred to as "transition finance,") social bonds or social loans (social bonds and social loans are collectively referred to as "social finance") and sustainability bonds or sustainability loans (sustainability bonds and sustainability loans are collectively referred to as "sustainability finance") based on this framework, the proceeds financed will be exclusively applied to the use with environmental or social benefits. JCR will evaluate whether this framework is aligned with the "Green Bond Principles 2021<sup>8</sup>," "Green Loan Principles 2023<sup>9</sup>," "Social Bond Principles 2023<sup>10</sup>," "Social Loan Principles 2023<sup>11</sup>," "Sustainability Bond Principles Guidelines<sup>12</sup>," "Sustainability Linked Bond Principles 2023," "Sustainability Linked Loan Principles 2023," "Green Bond Guidelines 2022<sup>13</sup>," "Green Loan Guidelines 2022<sup>14</sup>," "Social Bond Guidelines 2021<sup>15</sup>," "Sustainability Linked Bond Guidelines 2022," "Sustainability Linked Loan Guidelines 2022" and CTFH and so forth. These principles or others are principles or guidelines, voluntarily published by the International Capital Markets Association (hereinafter referred to as "ICMA,") Loan Market Association (hereinafter referred to as "LMA,") Asia Pacific Loan Market Association (hereinafter referred to as "APLMA,") Loan Syndication and Trading Association (hereinafter referred to as "LSTA,") Ministry of the Environment, Ministry of Economy, Trade and Industry and Financial Services Agency, respectively and are not regulations; therefore, they are not binding; however, JCR is currently making evaluations by referring to the principles and guidelines as standards unified domestically and internationally.

Mazda has set eligibility criteria on "Endeavor for carbon neutrality by 2050" and "Realizing an automotive society that offers safety and peace of mind," its key issues (materiality) as the use of proceeds in this framework. The eligible criteria for the "Endeavor for carbon neutrality by 2050"

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<sup>4</sup> "Sustainability Linked Bond Principle (on June 2023)" by ICMA at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Sustainability-Linked-Bond-Principles-June-2023-220623.pdf>

<sup>5</sup> "Sustainability Linked Loan Principle 2023" by LMA, APLMA and LSTA at <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>6</sup> "Sustainability Link Bond Guidelines 2022" by Ministry of the Environment at <https://www.env.go.jp/content/000062495.pdf>

<sup>7</sup> "Sustainability Link Loan Guidelines 2022" by Ministry of the Environment at <https://www.env.go.jp/content/000062495.pdf>

<sup>8</sup> "Green Bonds Principles 2021" by ICMA at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

<sup>9</sup> "Green Loan Principles 2023" by LMA, APLMA and LSTA at

[https://www.lma.eu.com/application/files/8916/9755/2443/Green\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/8916/9755/2443/Green_Loan_Principles_23_February_2023.pdf)

<sup>10</sup> "Social Bonds Principles 2023" by ICMA at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

<sup>11</sup> "Social Loan Principles 2023" by LMA, APLMA and LSTA at

[https://www.lma.eu.com/application/files/9416/9755/3230/Social\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/9416/9755/3230/Social_Loan_Principles_23_February_2023.pdf)

<sup>12</sup> "Sustainability Bonds Guidelines 2021" by ICMA at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

<sup>13</sup> "Green Bond Guidelines 2022" by Ministry of the Environment at <https://www.env.go.jp/content/000062495.pdf>

<sup>14</sup> "Green Loan Guidelines 2022" by Ministry of the Environment at <https://www.env.go.jp/content/000062495.pdf>

<sup>15</sup> "Social Bond Guidelines" by Financial Services Agency at <https://www.fsa.go.jp/news/r3/singi/20211026-2/01.pdf>

include "Development and production of BEV," "Reducing CO<sub>2</sub> emissions through multi-solutions," "Decarbonization in plants," "Procurement of renewable energy" and "Improvement of energy efficiency in automotive manufacturing processes" and the eligible criteria for the "Realizing an automotive society that offers safety and peace of mind" include "Advanced safety technologies/Advanced driving support technologies." It is regulated that appropriate measures must be taken in consideration of negative impacts on the environment and society for the use of proceeds in the eligible criteria. Accordingly, JCR has evaluated that the use of proceeds in this framework is expected to have environmental benefits or social benefits.

The process of selecting eligible projects will be carried out with the involvement of a department with specialized knowledge in Mazda. A management system is in place to ensure that proceeds will be allocated to green, green/transition, social and sustainability projects. Items to be disclosed as reporting will indicate environmental and social benefits. Consequently, JCR has evaluated that Mazda's management and operation system is appropriate.

Consequently, JCR assigned "gs1(F)" to "Green/Social Evaluation (Use of Proceeds)" and "m1(F)" to "Management, Operation and Transparency Evaluation" for this framework based on JCR Sustainability Finance Evaluation Methodology. As a result, JCR assigned "SU 1(F)" to "JCR Sustainability Bond Framework Evaluation."

JCR also assigned "gt1(F)" to "Green Transition Evaluation (Use of Proceeds)," "m1(F)" to "Management, Operation and Transparency Evaluation" and "Green 1(T)(F)" to "JCR Climate Transition Finance Framework Evaluation" based on JCR Green Finance Evaluation Methodology.

JCR has evaluated that this framework meets the criteria for items required in "Green Bond Principles," "Green Loan Principles," "Social Bond Principles," "Social Loan Principles," "Sustainability Bond Guidelines," "Sustainability Linked Bond Principles," "Sustainability Linked Loan Principles," "Green Bond Guidelines," "Green Loan Guidelines," "Social Bond Guidelines," "Sustainability Linked Bond Guidelines," "Sustainability Linked Loan Guidelines" and CTFH and so forth.

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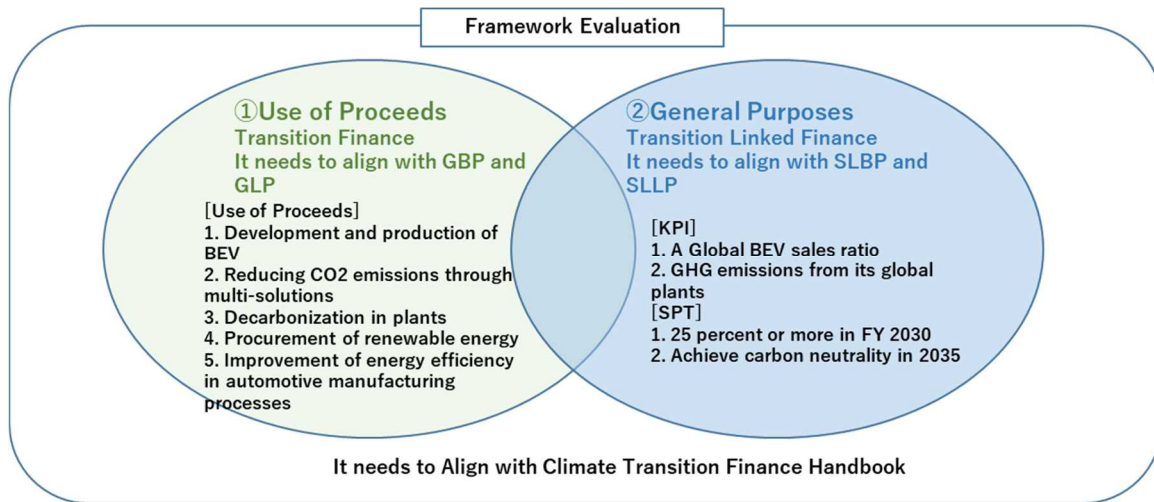
## Chapter 1: Overview of Evaluation Target

This evaluation target is Sustainable Finance Framework (hereinafter referred to as "this framework") prepared by Mazda. This framework is subject to financing through green/green transition/social/sustainability finance. The definition of each finance is as follows:

- Green finance: In cases where proceeds are allocated only to eligible projects that fall under green projects only in the business categories, such as Green Bond Principles or Green Loan Principles.
- Green transition finance: In cases where proceeds are allocated only to eligible projects that fall under green projects and transition projects only, such as Green Bond Principles or Green Loan Principles.
- Social finance: In cases where proceeds are allocated only to eligible projects that fall under social projects only in the business categories, such as social bond principles or social loan principles.
- Sustainability finance: In cases where the allocation is made to eligible projects that fall under both of (a) green projects or green/transition projects and (b) social projects, or in cases where more than one eligible project to be allocated belong to the business categories in (a) and (b).

Transition finance is finance based on climate transition finance (hereinafter referred to as "CTF.") CTF refers to a financial methodology, aiming to support companies' initiatives only when they are considering taking measures to combat climate change and are working to reduce GHG in accordance with a long-term strategy so as to realize a decarbonized society. JCR will confirm the alignment of this framework with Climate Transition Finance Handbook (hereinafter referred to as "CTFH") and so forth developed by ICMA.

Then, JCR will evaluate whether each use of proceeds is aligned with Green Bond Principles, Green Loan Principles, Social Bond Principles, Social Loan Principles, Sustainability Bond Guidelines, Green Bond Guidelines, Green Loan Guidelines, Social Bond Guidelines and CTFH and so forth based on JCR Sustainability Finance Evaluation Methodology, JCR Green Finance Evaluation Methodology and JCR Social Finance Evaluation Methodology.



**Figure 1 Scope of Transition Finance**

## Chapter 2: Alignment with Climate Transition Finance Handbook and so forth

### 2-1. Mazda's Medium- to Long-term Management Plan and Transition Strategy

#### <Business Overview>

Mazda is a medium-sized automobile manufacturer in Japan, headquartered in Fuchu-cho, Hiroshima Prefecture. Mazda has 71 major consolidated subsidiaries and 20 major equity-method group companies, and in the fiscal year ended March 2023, global sales volume was 1.11 million vehicles, down 11 percent from the previous fiscal year (including 165,000 vehicles in Japan, 407,000 in North America and 160,000 in Europe,) consolidated shipments increased by 7 percent year on year to 1,059,000 units, sales increased by 23 percent year on year to 3.8268 trillion yen and net income increased by 75 percent to 142.8 billion yen from the previous year.

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Mazda has a lineup of HEV, PHEV and BEV for some vehicle models in addition to the conventional internal combustion engine (hereinafter referred to as "ICE") vehicles. In preparation for the full-scale spread of BEV in the future, Mazda updated its Medium-term management plan in November 2022 and announced that it would divide the period up to 2030 into three phases to implement R&D for HEV, PHEV and BEV and to make capital investments.

### <Corporate Philosophy/VISION2030>

Mazda has three corporate philosophies: "PURPOSE," "PROMISE" and "VALUES."

"PURPOSE" of "enriching life-in-motion for those Mazda serves" represents Mazda's raison d'être and the Company has believed that it can enrich people's lives by extending the customers' experiences through the "joy of driving" to the "joy of living."

"PURPOSE" of "uplifting experiences emotionally and physically" is what the Company offers to all stakeholders including its customers. "Uplifting experiences emotionally and physically" not only invigorate people's minds, bodies and souls but also foster a sense of community as people connect with the likeminded, contributing to the joy of living for all.

"VALUES" expresses Mazda's value of "radically human," "challenger spirit" and "*omotenashi* (serving from the heart)" as it acts and makes decisions on a daily basis.

Based on the aforementioned corporate philosophies, the Company defined ideal Mazda as of 2030 as the "2030 VISION."

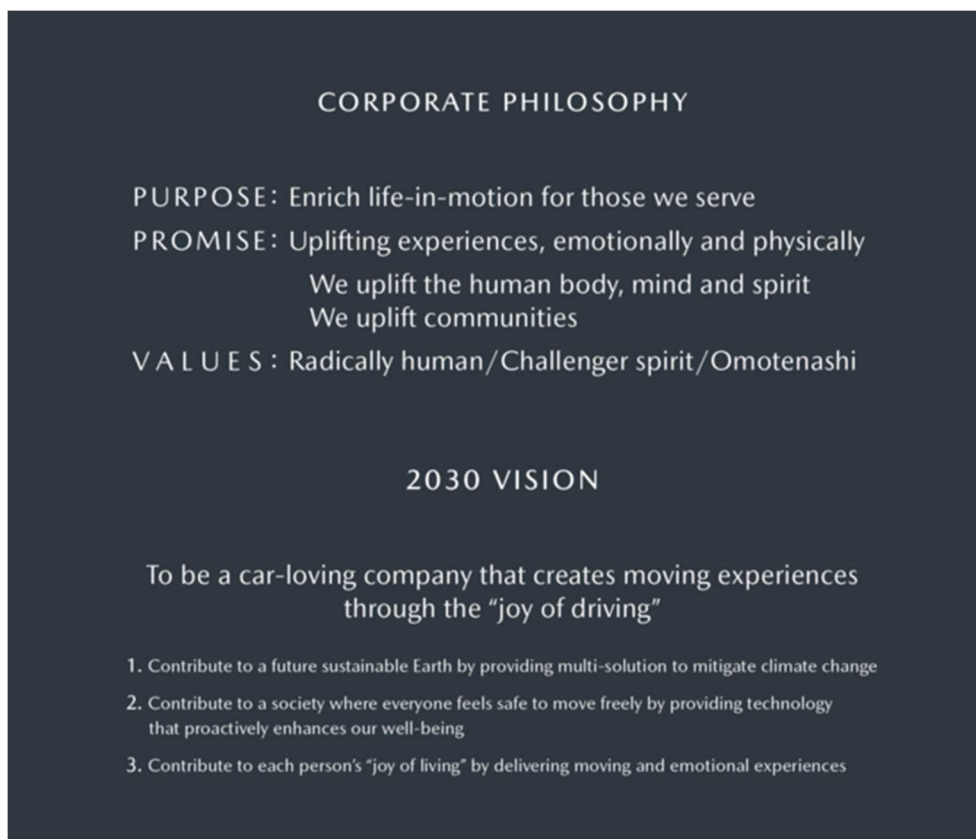


Figure 2 Mazda's Corporate Philosophy, 2030 VISION<sup>16</sup>

<sup>16</sup>Mazda's Integrated Report 2023 at

<Mazda's Building Block Concept>

Mazda has adopted the "Building Block Concept" in its automotive technology development since 2010. The Building Block Concept is an initiative to develop the base technology as a large framework based on which technologies will build up by category. The Company will improve the "base technology (SKYACTIV technology)," such as engines, transmissions, bodies or chassis and will also combine "electrical devices (an idling stop system, brake energy recovery system or hybrid system)" as the base technology.

The Building Block Concept is a system that enables efficient development by building technology up for small vehicle models (SMALL Product Group,) large vehicle models (LARGE Product Group) or EV vehicle models (EV Product Group) in light of the base technology. Mazda has adopted a similar concept not only in technologies on automobile manufacturing but also in safety and security technologies as a strategy for efficiently using limited management resources.



Building Blocks toward the Realization of an Automotive Society that Offers Safety and Peace of Mind



Figure 3 Mazda's Building Block Concept

<Mazda's Updated Mid-term Management Plan and Basic Management policy toward 2030>

In November 2022, Mazda updated its Medium-term management plan, which was formulated in 2019 and revised in 2020 in which it announced Mazda's Management policy toward 2030 and

[https://www.mazda.com/globalassets/en/assets/investors/library/annual/files/ir2023e\\_all.pdf](https://www.mazda.com/globalassets/en/assets/investors/library/annual/files/ir2023e_all.pdf)

set forth three basic policies as follows: (1) It will promote its electrification strategy suited to the needs in respective regions, taking into account the characteristics or environment by region and will contribute to curbing global warming, (2) It will advance R&D and contribute to the realization of a safe and secure automobile society and (3) It will continue to provide brand value unique to Mazda.

|                |   |
|----------------|---|
| Basic Policy 1 | Contribute to resolving the social challenge to curb global warming through Mazda's electrification strategy suited to regional characteristics and environmental needs.                      |
| Basic Policy 2 | Conduct research on people, know their every detail, and shed light on their relationship with vehicles, with a view to realizing an automotive society that offers safety and peace of mind. |
| Basic Policy 3 | Maintain Mazda's brand value management, provide our unique values and continue to be a brand preferred by customers.   |

**Table 1 Mazda Basic Management policy toward 2030<sup>17</sup>**

Mazda has considered that the era of electrification will arrive in or after 2030; therefore, it divided the period from 2022 to 2030 into three phases and clarified and announced the contents to be addressed in respective phases.

The first phase is set from 2022 to 2024 with "Strengthening Technology Development Toward the Era of Electrification." Mazda aims to make full use of its current technology assets in the form of "multiple electrification technologies" and to produce and sell attractive products in this phase. In this phase, Mazda will improve profitability with the introduction of the large products, offering PHEV or diesel engines with a mild hybrid system (hereinafter referred to as "MHEV") that achieve both environmental and driving performance. It is commendable that the profits earned with the existing technologies will be utilized for the development of BEV.

The second phase is established from 2025 to 2027 with "Transition to Electrification." Mazda will continue to generate profits from ICE vehicles while securing and strengthening its financial foundation to be well-prepared for the full-scale electrification era. Mazda will procure automotive batteries required for electrification from partner companies as at evaluation while a focus on the direction of market demand, regulations and government policies or technological advances. The Company will continuously improve R&D/production technology development for batteries and will establish technologies and remain competitive. Furthermore, Mazda will begin an advanced introduction of BEV, which is currently sharing the vehicle models with ICE or PHEV in the second half of the second phase.

The third phase is set from 2028 to 2030, a final phase in which Mazda will move forward in its efforts for the full-fledged launch of EV models while a focus on the direction of market demand,

<sup>17</sup>Mazda's website at <https://www.mazda.com/en/about/mid-term/>

regulations and government policies or technological advances toward the full-scale electrification era from 2030 onward and will consider investing in battery production.

| Phase   | Theme  | Specific Initiatives  |
|---------|--|---|
| Phase 1 | Strengthening Technology Development Toward the Era of Electrification | <p>Making full use of its current technology assets in the form of multiple electrification technologies</p> <p>Improving profitability with the introduction of large products, offering PHEV or diesel engines with MHEV that achieve both environmental and driving performance while developing technologies for BEV in a full-fledged manner</p> |
| Phase 2 | Transition to Electrification  | <p>Introducing "new hybrid systems" to reduce CO<sub>2</sub> by improving fuel economy</p> <p>Launching BEV around the world</p> <p>Collaborating in the field of the core electric drive units and creating competitive electric drive units toward the next generation</p>  |
| Phase 3 | Full-Fledged Launch of Pure Battery EVs                                | <p>Moving to the full-scale introduction of BEV</p> <p>Shifting of focus to full-scale electrification, with an eye of investments in battery production while considering changes to the external environment and progress toward enhancing the financial foundation</p>   |

**Table 2 Mazda's Three Phases toward Electrification and their Details<sup>18</sup>**

In June 2021, Mazda set 25 percent or more as the metrics for the BEV ratio in its global sales in FY 2030; then, in November 2022, Mazda revised the target metrics to 25 percent to 40 percent based on the rapid spread of BEV sales volume as at update of the Medium-term management plan. In order to accelerate the response for the rapidly advancing electrification, Mazda staffed an executive officer in charge of electrification promotion and launched Electrification Business Division (e-MAZDA) in November 2023 and is making progress on initiatives toward electrification in the organization.

### <Mazda's Key Issues (Materiality)>

In 2016, Mazda identified the key issues (materiality) based on social issues that its Group should address. As the social environment has significantly changed even after the key issues were identified, the Company has started to review the materiality since 2017, clarified the relationship between these issues and the SDGs and targets adopted by the United Nations and disclosed the details reviewed in 2021. Then, given the update to the medium-term management plan and

<sup>18</sup> Updated Medium-Term Management Plan and Management Policy 2030 at <https://www.mazda.com/ja/about/mid-term/>

management policy up to 2030 published in November 2022, Mazda once again reviewed its materiality.

To review the materiality, Mazda analyzed and clarified what investors and the global society expect of the Company from the details of surveys conducted by global ESG rating organizations. Then, the Company extracted the issues, positioned the opinions from external consulting firms as the opinions by spokesperson for several external stakeholders, prioritized internal and external issues along with the priority in its Group, discussed the materiality with the management and disclosed them.

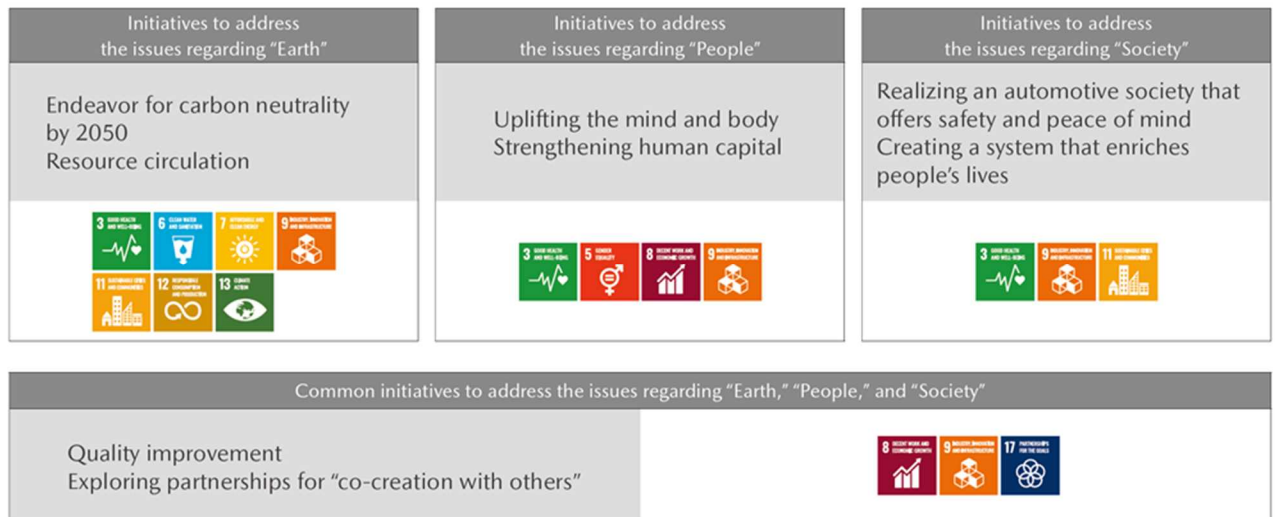


Figure 4: Mazda's Key Issues (Materiality)<sup>19</sup>

<Response to Climate Change>

The domestic CO<sub>2</sub> emission in FY 2021 amounted to 1.064 billion tons, of which emissions from the transportation sector accounted for 185 million tons or 17.4 percent. 86.8 percent of CO<sub>2</sub> emissions in the transportation sector were emitted by automobiles, and reducing CO<sub>2</sub> emissions from vehicles has played an important role in achieving the 2050 Carbon Neutrality set by the Japanese government in 2020.

<sup>19</sup> Mazda's Sustainability Report 2023 at [https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e\\_all.pdf](https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e_all.pdf)



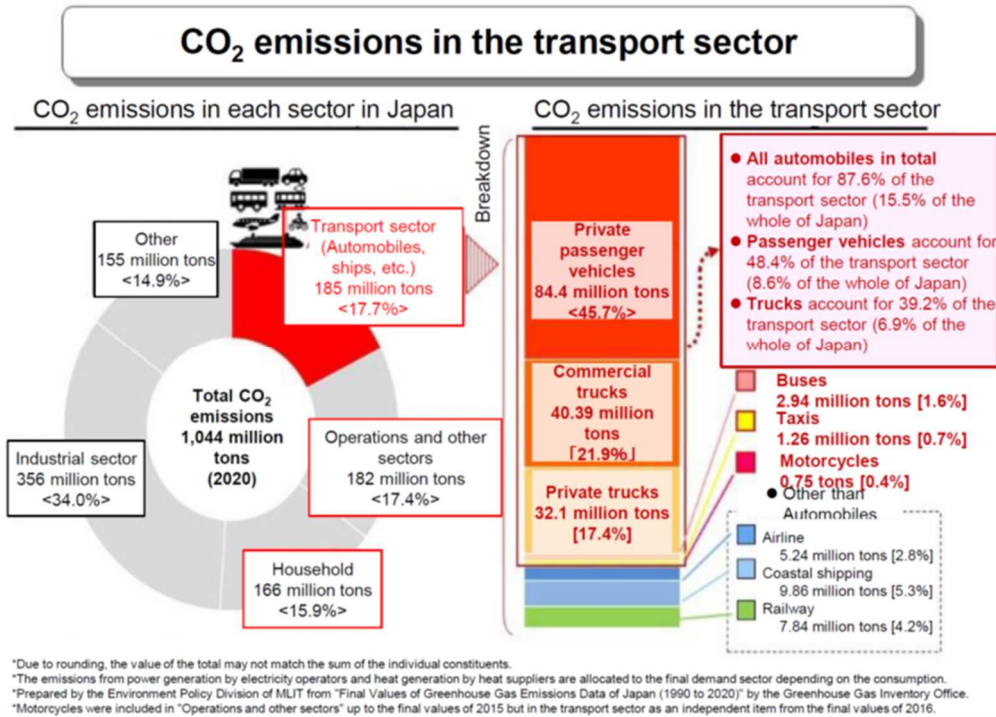


Figure 5 CO<sub>2</sub> emissions in the transportation sector (FY2021)<sup>20</sup>

Mazda, an automobile manufacturer, has been making efforts to reduce CO<sub>2</sub> emissions from automobiles and set the long-term goal of "endeavor for carbon neutrality throughout the entire supply chain by 2050." The Company has been also promoting the initiatives to "reduce CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013" in its domestic plants and offices, which account for approximately 75 percent of the global CO<sub>2</sub> emissions and to "achieve carbon neutrality at all global plants by 2035."

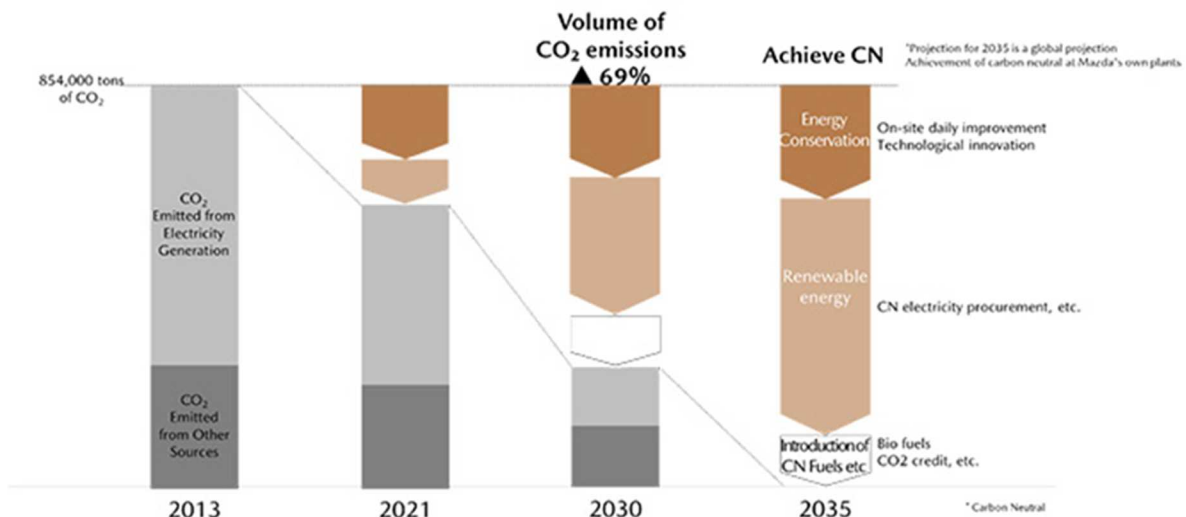


Figure 6: Roadmap for Achieving Carbon Neutrality at Mazda (non-consolidated)<sup>21</sup>

<sup>20</sup>Technology Roadmap for "Transition Finance" in Automobile Sector by Ministry of Economy, Trade and Industry at [https://www.meti.go.jp/english/press/2023/pdf/0330\\_003\\_tf\\_roadmap.pdf](https://www.meti.go.jp/english/press/2023/pdf/0330_003_tf_roadmap.pdf)

<sup>21</sup>Mazda's News Release at <https://newsroom.mazda.com/en/publicity/release/2023/202312/231214a.html>

Mazda will promote initiatives, such as "energy efficiency," "introducing renewable energy" and "introducing carbon neutral fuels" so as to promote carbon neutrality as described above.

The Company has introduced internal carbon pricing to criteria for making decisions on capital investments for "energy efficiency." Investments in measures that are highly effective in reducing CO<sub>2</sub> emissions are expected to rapidly increase by considering future carbon prices when making decisions on capital expenditures.

Mazda's efforts to date in the production and infrastructure areas and in all its business areas, higher efficiency of facilities and technological innovations will continue to be carried out as efforts to contribute to energy conservation.

Mazda will take the following measures for the "introduction of renewable energy," (1) the fuels (coal-biomass co-firing) of the power plant in Hiroshima Plant in Ujina District in Hiroshima City will be changed to mono-firing of ammonia of the power plant when the plant is replaced among two power plants (Hiroshima Plant in Ujina District and Hofu Plant) owned by MCM Energy Service Co., Ltd., in which Mazda, Mitsubishi Corporation Clean Energy Ltd. and Energia Solution & Service Co. (a subsidiary of THE CHUGOKU ELECTRIC POWER CO., INC.) invested and (2) It will promote to utilize an off-site corporate PPA to purchase renewable energy from power generation companies in cooperation with solar power generation in its plant's premises and the regions in which Mazda's bases are located and to promote electricity derived from non-fossil sources such as renewable energy from electric power companies. Mazda joined the "Council for utilizing Namikata Terminal as a hub for introducing fuel ammonia" to develop the infrastructure in the port for transportation at the Namikata Terminal in Imabari City, Ehime Prefecture, that is next to Hiroshima Prefecture where its Hiroshima Plant is located in terms of the construction of the supply chain on ammonia fuels used for mono-firing of ammonia.

Mazda plans to promote to shift fuels for vehicles used for internal transportation from light oil to next-generation biofuels in the "Introduction of Carbon Neutral Fuels." The Company also plans to offset energy sources that are difficult to shift fuels, even with the aforementioned efforts, with J-credits, such as forest conservation or reforestation, which promotes CO<sub>2</sub> absorption in regions including the Chugoku region in which Mazda's Hiroshima Plant and main plants are located.

Mazda has been moving forward with the aforementioned three initiatives and working toward achieving its goals in 2030 and 2035, respectively.

**Greenhouse gas (GHG) emissions (market-based): Global<sup>1, 2, 8</sup>**

|  | Unit                | FY March 2019 | FY March 2020 | FY March 2021 | FY March 2022 | FY March 2023 |
|--|---------------------|---------------|---------------|---------------|---------------|---------------|
| Scope 1 (direct emissions) <sup>3</sup>            |                     | 137           | 122           | 97            | 97            | 113           |
| Scope 2 (indirect emissions) <sup>4</sup>          | 1,000               | 913           | 862           | 736           | 739           | 754           |
| Scope 3 (other indirect emissions) <sup>5, 6</sup> | t-CO <sub>2</sub> e | 37,027        | 36,336        | 31,603        | 29,797        | 30,522        |
| <b>Total</b>                                       |                     | <b>38,077</b> | <b>37,320</b> | <b>32,436</b> | <b>30,633</b> | <b>31,389</b> |

Scope of coverage: Mazda Motor Corporation, 22 domestic consolidated Group companies and 8 domestic equity-method Group companies, and 14 overseas consolidated Group companies<sup>7</sup> and 3 overseas equity-method Group companies.

<sup>1</sup> Market-based: For within Japan, emissions factors given in the Ministry of the Environment's GHG accounting and reporting system are used. For purchased electricity by overseas companies, country-specific emissions factors given in the International Energy Agency's IEA Emission Factors 2019 are used.

<sup>2</sup> Figures for consolidated Group companies and equity-method Group companies are prorated based on the percentage equity stake held by Mazda.

<sup>3</sup> Scope 1: Direct emissions from consumption of fuels and industrial processes.

<sup>4</sup> Scope 2: Emissions associated with consumption of purchased heat/electricity (indirect emissions from energy consumption.)

<sup>5</sup> Scope 3: Other indirect emissions excluding Scope 1 and 2.

<sup>6</sup> Calculated using Mazda's own calculation method, based on the Ministry of the Environment's Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain.

<sup>7</sup> FY March 2019: 15 companies; FY March 2020: 14 companies; FY March 2021: 15 companies; FY March 2022: 16 companies; FY March 2023: 14 companies.

<sup>8</sup> Since FY March 2023, Mazda has moved its calculation method from emissions factors based on standards in the Japan Automobile Manufacturers Association's Carbon Neutrality Action Plan to emissions factors based on the Ministry of the Environment's GHG accounting and reporting system and has recalculated these figures. For the results under the previous calculation method, please refer to the Mazda Sustainability Report 2023 (P111).

<https://www.mazda.com/en/sustainability/report/>

**Figure 7: GHG emissions in the Mazda Group<sup>22</sup>**

Mazda explained to its main suppliers to gain their understanding of the endeavor for carbon neutrality throughout the entire supply chain and requested them to provide the Company with data on the actual emissions in Scope 1 and Scope 2, which have been emitted by Tier 1 suppliers, as its first initiative. This initiative enables Mazda to figure out Category 1 in Scope 3 (products and services purchased.) The manufacturers who were requested to provide the Company with data on the actual emissions account for approximately 75 percent of the Tier 1 manufacturers with which continuously have dealt. Mazda has been promoting to figure out CO<sub>2</sub> emissions throughout the entire supply chain such as giving lectures on how to calculate CO<sub>2</sub> emissions to suppliers who are unclear about their CO<sub>2</sub> emissions calculation methods. Mazda have been collaborating with roughly 70 major components companies and compiling each company's roadmap toward the 2050 carbon neutrality in promoting the initiatives to reduce CO<sub>2</sub> emissions along with its suppliers.

### <Mazda's Multi-Solution Approach>

Mazda is working to reduce CO<sub>2</sub> emissions throughout a vehicle's life cycle, aiming to achieve carbon neutrality throughout the entire supply chain by 2050. For example, the Company has considered providing its multi-solution, which enables it to offer various power unit choices that adapt to each region's energy sources and power generation methods, from both the perspective of well-to-wheel and the perspective of life cycle assessment (hereinafter referred to as "LCA.")

This idea is to provide customers with a wide range of choices and to sell vehicles suitable in each region since vehicle models that incorporated electrification technologies into the conventional internal combustion engine vehicles are sometimes selected in the life cycle CO<sub>2</sub>, taking into consideration CO<sub>2</sub> emitted from fossil fuels in areas with much power production with fossil fuels while BEV contributes to reducing CO<sub>2</sub> emissions from a well-to-wheel perspective in regions with much electricity production with renewable energy even when driving the same BEV.

Mazda has considered that electrification including BEV will continue to progress hereafter as shown in the strategies in Phase 1, Phase 2 and Phase 3 by 2030. On the other hand, the Company

<sup>22</sup> Mazda's Integrated Report 2023 at [https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e\\_all.pdf](https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e_all.pdf)

is preparing to be able to respond to all kinds of power sources in automobiles in or after 2030 since various factors will affect the speed of electrification.

<Mazda's Sustainability Promotion System>

Mazda has established CSR Management Strategy Committee, which the President chairs and comprised of members of the Executive Committee. CSR Management Strategy Committee is usually held twice a year in the first half and second half of a year and is attended by executive officers who are members of the Executive Committee and whose title is Managing Executive Officer or higher. Those members have discussed sustainability initiatives that are expected of Mazda from a global perspective in light of changes in the social environment and decided on the initiatives and guidelines in Executive Committee. Mazda has "CSR Strategy Core Team" under CSR Management Strategy Committee, and members selected from the relevant departments have been working on sustainability-related issues, such as formulating human rights policies or enhancing the detailed disclosure in the physical risk areas in the TCFD.

Each department in the Company has formulated business goals or plans after understanding the decisions made in the aforementioned CSR Management Strategy Committee and has conducted business while coordinating with the Group companies. The Board of Directors has been discussing issues on sustainability since FY 2015.

Sustainability Promotion Organization

(as of March 31, 2023)

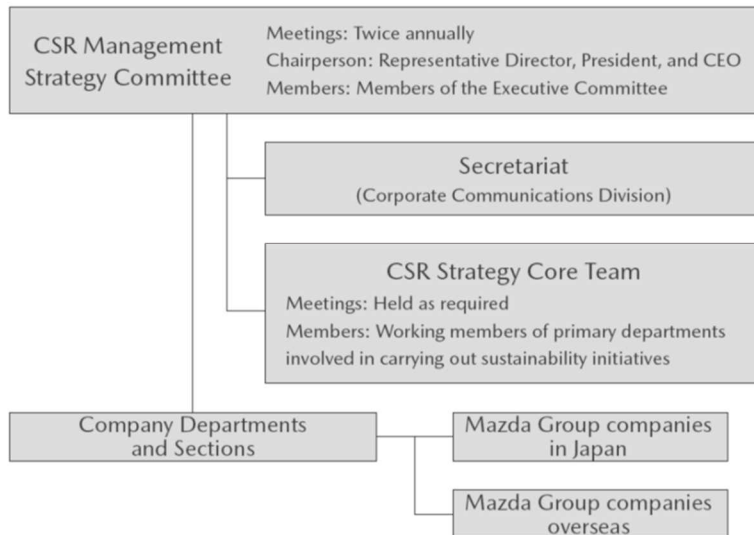


Figure 8: Mazda's sustainability promotion system<sup>23</sup>

<Mazda's Carbon Neutral Promotion System>

Mazda has assigned Director to oversee its carbon neutral strategy and Executive Officer in charge of Carbon Neutrality in taking on the challenge of achieving carbon neutrality throughout the

<sup>23</sup> Mazda's Integrated Report 2023 at [https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e\\_all.pdf](https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e_all.pdf)

entire supply chain by 2050. In 2021, a team specializing in response to carbon neutrality (a specialized CN team) was formed with Corporate Strategy Division as the lead department, consisting of departments involved in products, manufacturing, purchasing, and logistics, sales or recycling. Under the Director in charge of carbon neutrality, Corporate Strategy Division led the team to plan and promote as follows: (1) response strategies from a perspective of LCA to the risks and opportunities selected based on scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) or the International Energy Agency (IEA,) policies, regulatory trends or industry trends, (2) investments or expenses necessary for initiatives or (3) response schedules.

In April 2023, the functions performed by Corporate Strategy Division and Product Strategy Division were partially consolidated and integrated into newly established Corporate Strategy Division in which a division to promote carbon neutral strategies was established. Under the leadership of Corporate Strategy Division, the aforementioned specialized CN teams have implemented plans based on the strategies that have been formulated so far along with strategical plans in respective specialized areas. In order to promote to execute plans throughout the Company, it has started a management approach that will integrate carbon neutral initiatives into the existing ISO 14001 Environmental Management System (EMS.) The newly established department in Corporate Strategy Division has been promoting planning that is consistent with the company-wide strategies in the area of products and technology.

These strategies will be reported to the management meeting or the Board of Directors with President and representative directors attended for deliberation. Responses to sustainability issues including climate change will be reported to the Board of Directors in a timely and appropriate manner.

Management System to Promote Carbon Neutrality

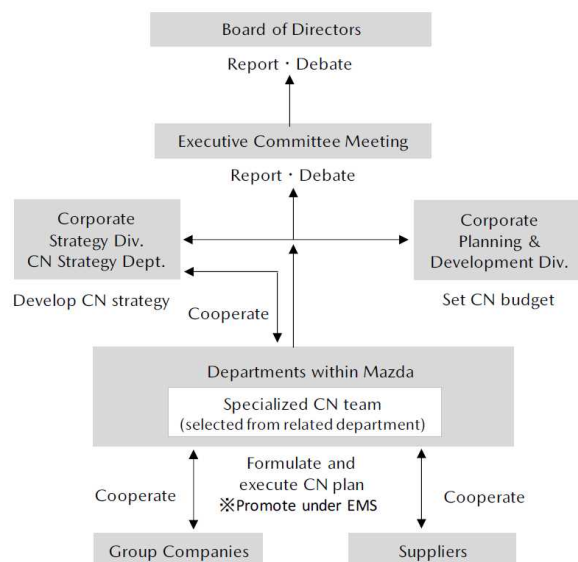


Figure 9: Mazda's Carbon Neutral Promotion System<sup>24</sup>

<sup>24</sup> Mazda's News Release at <https://www.mazda.com/globalassets/en/assets/sustainability/download/disclosure/tcfd.pdf>

## 2-2. Alignment with Items Required in Climate Transition Finance Handbook

### Component 1: Issuer's Climate Transition Strategy and Governance

#### **(1) Whether the issuer that raises funds has a strategy for the transition for climate change mitigation or not.**

The Company announced the goal of taking on the challenge of achieving carbon neutrality throughout the entire supply chain by 2050 and reducing CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013 at Mazda (non-consolidated) and achieving carbon neutrality at its global plants by 2035 as its intermediate goal.

These goals are Mazda's medium- to long-term decarbonization targets on its business activities and a core metrics of its carbon neutral strategy. The automotive sector is an industrial segment with broad-based supply chains, and a strategy of Mazda that is a core company affects many suppliers; therefore, it is significant for the Company to achieve carbon neutrality at its global plants in 2035, an early stage and to declare to achieve carbon neutrality throughout its entire supply chain by 2050. It is commendable that Mazda has concrete initiatives toward carbon neutrality as follows: the Company formulated a roadmap for decarbonization by working cooperatively with suppliers to calculate their CO<sub>2</sub> emissions from the perspective of Category 1 in Scope 3 (CO<sub>2</sub> emissions from purchased goods and services) toward carbon neutrality throughout the entire supply chain by 2050 or strives to promote electrification for the future while discussing with local suppliers.

As mentioned above, Mazda has been addressing "energy efficiency," "introducing renewable energy" and "introducing carbon neutral fuels" as specific initiatives to achieve its goals. Mazda has been working to figure out the CO<sub>2</sub> emitted by suppliers in the upstream supply chain or to jointly formulate a roadmap toward the carbon neutrality with suppliers as concrete initiatives to achieve the goal of carbon neutrality throughout the entire supply chain by 2050. The Company set a metrics for the BEV sales ratio in 2030 for CO<sub>2</sub> emissions reduction in Category 11 in Scope 3 (use of sold products.)

Multi-level technology development is presented for reducing CO<sub>2</sub> emissions in the vehicles use-phase in the transition roadmap in Japan, such as shifting to BEV or decarbonizing internal combustion engines with synthetic fuels or biofuels. On the other hand, the IEA report also indicates that the electrification centered on BEV is becoming mainstream domestically and internationally although there have been some rebounds. Mazda is accelerating the development of PHEV and BEV in its Building Block Concept based on that BEV sales volume is rapidly increasing under the administration of Biden in the United States, which accounts for approximately 30 percent of Mazda's sales. In November 2022, the expected BEV sales ratio for 2030 was set at 25 to 40 percent.

<Alignment with Technology Roadmaps for Power and Automobile Sectors concerning "Transition Finance">

As aforementioned, Mazda's specific efforts in its transition strategy are important measures for each sector to achieve carbon neutrality in the technology roadmap set by the Ministry of Economy, Trade and Industry.

JCR therefore has evaluated that Mazda's transition strategy and its initiatives will cover Scope 1, Scope 2 and Scope 3, including Mazda (non-consolidated,) the Group and its supply chain, and it is a strategy on transition to climate change mitigation.

**(2) Using “Transition” label in procuring funds leads to contribute to realization of issuer’s corporate strategies to move to a business model that can effectively address climate change-related risks and contribute to the achievement of the goals of the Paris Agreement.**

Under the Paris Agreement, it is called for formulating strategies on a long-term GHG emissions reductions to keep the global average temperature rise below 2 degrees Celsius above pre-industrial level, to continue efforts to limit it to 1.5 degrees Celsius, to pass the peak of the global GHG emissions as soon as possible and to balance GHG emissions and absorption in the latter half of the 21<sup>st</sup> century. In the "Long-term Strategy as a Growth Strategy based on the Paris Agreement<sup>25</sup>," which was approved by the Cabinet in October 2021 in response to the Paris Agreement, the automobile and storage battery industries were stated to focus on cross-sectional measures such as the "2050 Carbon Neutral." JCR has determined that the initiatives in this strategy as follows: "to take comprehensive measures to achieve 100 percent of new vehicles sold to be electric in new passenger car sales by 2035" or "to powerfully advance to introduce EV and to build a world-leading industrial supply chain and mobility society including batteries for the next 10 years in Japan," which are aligned with Mazda's initiatives to respond to climate change.

In May 2019, Mazda endorsed the gist of the TCFD (Task Force on Climate-related Financial Disclosures) and identified risks and opportunities on climate change for a medium to long term. The Company also formulated scenarios with its assumptions based on policies, regulatory trends or industry trends and appropriately reflected them in the formulation of its Group's electrification strategy or strategies toward transition.<sup>26</sup>

Accordingly, JCR has evaluated that the Mazda's transition strategy is aligned with the realization of the goals of the Paris Agreement.

**(3) The Governance system that ensure the effectiveness of the transition strategies.**

As mentioned above, Mazda has established a sustainability promotion system and a promotion system for carbon neutrality and has developed the organization toward electrification. The Company has helped suppliers visualize their CO<sub>2</sub> emissions or set their reduction targets so as to realize the long-term target such as endeavor for carbon neutrality throughout the entire supply chain by 2050. Mazda has a structure in place to promote the efforts toward the achievement of the metrics and targets, such as the BEV sales ratio from 25 to 40 percent in 2030, a 69 percent

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<sup>25</sup> Cabinet decision on October 22, 2021 "Long-term strategy as a growth strategy based on the Paris Agreement" at <https://www.env.go.jp/content/900440767.pdf>

<sup>26</sup> IEA: International Energy Agency

reduction in CO<sub>2</sub> emissions at Mazda (non-consolidated) in FY 2030 from FY 2013 or carbon neutrality at global factories in 2035.

Accordingly, JCR has evaluated that Mazda has established a governance system to ensure the effectiveness of its transition strategy.

## Component 2: Business Model Environmental Materiality

Mazda has recognized that reducing CO<sub>2</sub> emissions in the automobile industry including the Company plays an important role to achieve the 2050 carbon neutrality goal set by the Japanese government in 2020 in consideration of transportation ratios of the domestic GHG emissions or the amount of CO<sub>2</sub> emitted by automobiles. Mazda therefore set the goal of achieving carbon neutrality not only in the Company but also in the Group or throughout the entire supply chain by 2050 and set intermediate goals such as reducing CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013 in Mazda (non-consolidated) and achieving carbon neutrality at its global factories by 2035.

Mazda assumes that BEV accounts for 25 to 40 percent of the new vehicle sales in 2030 while adopting a multi-solution approach in anticipation of increasing trends toward electrification by 2030. This is aligned with the view in 2030 in the active promotion scenario for electrification in the scenario analysis<sup>27</sup> by the Japan Automobile Manufacturers Association, Inc. and it is commendable that the transition to electrification such as BEV is playing an important role in the enterprise's business model from which Mazda also benefits.

Mazda set the "endeavor for carbon neutrality by 2050" as one of its key issues (materiality) in which its goal is to "achieve carbon neutrality throughout the entire supply chain by 2050" and to "realize carbon neutrality at its global factories in 2035."

Accordingly, it is determinable that the transition strategy toward carbon neutrality is an important environmental issue in Mazda's business model.

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<sup>27</sup> Scenario analysis toward carbon neutrality by 2050 by Japan Automobile Manufacturers Association at [https://www.jama.or.jp/operation/ecology/carbon\\_neutral\\_scenario/PDF/Transitioning\\_to\\_CN\\_by\\_2050A\\_Scenario\\_Based\\_Analysis\\_JP.pdf](https://www.jama.or.jp/operation/ecology/carbon_neutral_scenario/PDF/Transitioning_to_CN_by_2050A_Scenario_Based_Analysis_JP.pdf) (Japanese)



| Eight themes of materiality               | Social issues (Relevant keywords)                                    | Mazda's initiatives / targets   | SASB code <sup>†1</sup>                                 | SDGs goals | SDGs targets  |
|---|--|---|---|------------|---|
| "Earth"                                   | Endeavor for carbon neutrality by 2050                               | Climate change issues (Carbon neutrality)   |   | 13         | <ul style="list-style-type: none"> <li>13.1 Reduce emissions and shift from hazardous chemicals and pollution.</li> <li>13.2 Increase global percentage of renewable energy.</li> <li>13.3 Double the improvement in energy efficiency.</li> <li>7.a Enhance international cooperation to facilitate access to clean energy research and technology, and promote investment in clean energy technology.</li> <li>9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.</li> <li>11.6 Reduce environmental impact of cities, including by paying special attention to air quality and managing and reducing waste generation.</li> <li>12.3 Substantially reduce waste generation.</li> <li>13.2 Integrate climate change measures into national policies, strategies, and planning.</li> </ul> |
|   | Resource circulation   | Increase in demand for resources and rising amount of waste<br>Water resources issues (Circular economy)  | Fuel efficiency and low-phase emissions<br>TR-AU-400a.3 | 12         | <ul style="list-style-type: none"> <li>12.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.</li> <li>12.4 Achieve the environmentally sound management of chemicals and all wastes, and significantly reduce their release to the air, water, and soil.</li> <li>12.5 Substantially reduce waste generation.</li> </ul>  |
| "People"                                  | Uplifting the mind and body  | Changes in values regarding mental and social health  |   | 3          | <ul style="list-style-type: none"> <li>3.1 Ensure healthy lives and promote well-being for all at all ages.</li> <li>9.1 Develop sustainable and resilient infrastructure to support economic development and human well-being.</li> </ul>  |
|   | Strengthening human capital  | Decline in the labor force<br>Globalization of the market and diversification of customer needs (Diversity and inclusion)   |   | 8          | <ul style="list-style-type: none"> <li>8.1 End all forms of discrimination against women and girls everywhere.</li> <li>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.</li> <li>8.4 Promote economic growth, full and sustainable employment, and decent work for all in accordance with the 10 Year Framework of Programmes on Sustainable Consumption and Production.</li> <li>8.5 Achieve full and productive employment and decent work for all women and men, and advance equal pay for work of equal value.</li> </ul>  |
| "Society"                                 | Realizing an automotive society that offers safety and peace of mind | Fatal road traffic accidents  |   | 3          | <ul style="list-style-type: none"> <li>3.6 Reduce the number of global deaths and injuries from road traffic accidents.</li> </ul>  |
|   | Creating a system that enriches people's lives                       | Declining population, falling birthrate and aging society, and concentration of population in urban centers<br>Traffic jams and congestion in urban areas and expansion of rural areas where no public transportation is available (MaaS) |   | 9          | <ul style="list-style-type: none"> <li>9.1 Develop sustainable and resilient infrastructure to support economic development and human well-being. Provide access to sustainable transport systems for all, improving road safety.</li> <li>11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and managing and reducing waste generation.</li> <li>11.a Support positive economic, social, and environmental links between urban, peri-urban and rural areas.</li> </ul>   |
| Common to "Earth," "People" and "Society" | Quality improvement  | Quality issues  |   | 9          | <ul style="list-style-type: none"> <li>9.1 Develop sustainable and resilient infrastructure to support economic development and human well-being.</li> </ul>  |
|   | Exploring partnerships for "co-creation with others"                 | Once-in-a-century transformation (CASE)   |   | 8          | <ul style="list-style-type: none"> <li>8.2 Achieve higher levels of economic productivity, stronger and expanded access to banking, insurance, and financial services.</li> <li>17.16 Enhance the global partnership for sustainable development.</li> <li>17.17 Encourage and promote effective public, public-private, and civil society partnerships.</li> </ul>   |

Figure 10: Mazda's Key Issues (Materiality)<sup>28</sup>

### Component 3: Climate transition strategy to be science-based including targets and pathways

#### Does the transition roadmap meet the following requirements?

**(1) SCOPE1 and 2 that are quantitatively measurable. (It is desirable that SCOPE 3 should be set as a target to the extent feasible)**

Mazda published figures of GHG emissions for Scope 1, Scope 2 and Scope 3, respectively as mentioned above. Of these, the Company disclosed the figures verified by an independent third party for Scope 1 and Scope 2 at its global factories and for some of Scope 3. The targets for FY 2030 and FY 2035 include Scope 1 and Scope 2, and the target of achieving carbon neutrality throughout the entire supply chain by 2050 also includes Scope 3.

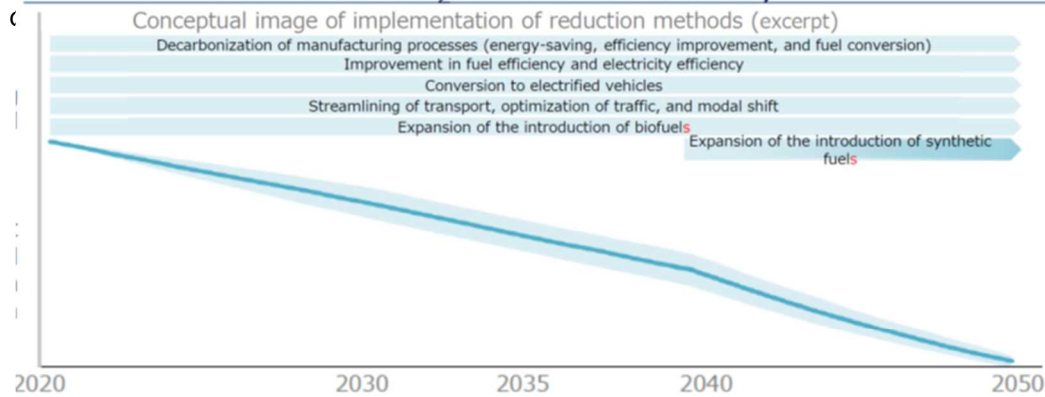
**(2) Alignment with the goal setting based on generally recognized scientific evidence**

Mazda's CO<sub>2</sub> emissions reduction target for FY 2030, "to reduce CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013 by Mazda (non-consolidated)" exceeds the Japanese government's goal,

<sup>28</sup> Mazda's Integrated Report 2023 at [https://www.mazda.com/globalassets/en/assets/investors/library/annual/files/ir2023e\\_all.pdf](https://www.mazda.com/globalassets/en/assets/investors/library/annual/files/ir2023e_all.pdf)

"to reduce GHG emissions by 46 percent by FY 2030 from FY 2013" and is equivalent to the level of Science Based Target's 1.5 degrees Celsius. The ratio of BEV from 25 to 40 percent of new car sales in 2030 and its measures are aligned with the targets and measures in the "Technology Roadmap for Transition Finance in Automobile Sector" formulated and published by the Ministry of Economy, Trade and Industry in March 2023 in which the measure to replace the coal-biomass co-firing with mono-firing of ammonia is aligned with the "Transition Roadmap for Power Sector" formulated and announced by the Ministry of Economy, Trade and Industry in February 2022. As

### Assumed CO<sub>2</sub> Reduction Pathway\*1, 2, 3



#### Main reduction methods

#### Overview

- (1) Improvement in fuel efficiency and electricity efficiency
  - Reduce consumption of fuel, electricity, etc. as a whole by continuously improving fuel efficiency and electricity efficiency and introducing vehicles with high energy efficiency such as HEV and PHEV.
- (2) Introduction of electrification and decarbonized fuel
  - Reduce the emissions from driving by proceeding with the introduction of BEV and FCV as well as expanding the use of synthetic fuel to HEV and PHEV.
- (3) Decarbonization of manufacturing processes
  - Reduce emissions from automobile manufacturing by expanding the use of renewable energy, converting to low-carbon and decarbonized fuel, etc.

|            | Target year | Goal  | FCV      | EV               | PHEV | HEV       | ICE       |
|------------|-------------|---|----------|------------------|------|-----------|-----------|
| Japan      | 2030        | HV: 30 to 40%<br>EV/PHV: 20 to 30%<br>FCV: Up to 3%   | Up to 3% | 20-30%           |      | 30 to 40% | 30 to 50% |
|            | 2035        | Electrified vehicles (EV/PHV/FCV/HV)100%  | 100%     |                  |      |           | N/A       |
| EU         | 2035        | EV/FCV: 100%<br><small>(Note) However, there are regulations of intermediate review, etc.</small> | 100%     |                  | N/A  |           |           |
| U.S.       | 2030        | EV/PHV/FCV: 50%   |          | 50%              |      | 50%       |           |
| California | 2035        | EV/PHV/FCV: 100%  | 100%     |                  |      |           |           |
| China      | 2025        | EV/PHV/FCV: 20%   |          | 20%              |      |           |           |
|            | 2035        | HEV50%<br>EV/PHV/FCV: 50%<br><small>(Note) Announced in China-SAE</small>                         |          | 50%              |      | 50%       | N/A       |
| UK         | 2030        | Gasoline-powered vehicles:<br>Sales prohibited<br>EV: 50 to 70%                                   |          | 50-70%           |      |           | N/A       |
|            | 2035        | EV/FCV: 100%  | 100%     |                  | N/A  |           |           |
| France     | 2040        | Internal combustion vehicles:<br>Sales prohibited   | 100%     |                  | N/A  |           |           |
| Germany    | 2030        | EV:<br>Stock 15 million   |          | Stock 15 million |      |           |           |

Figure 11: Transition Roadmap for Automotive Sector<sup>29</sup>

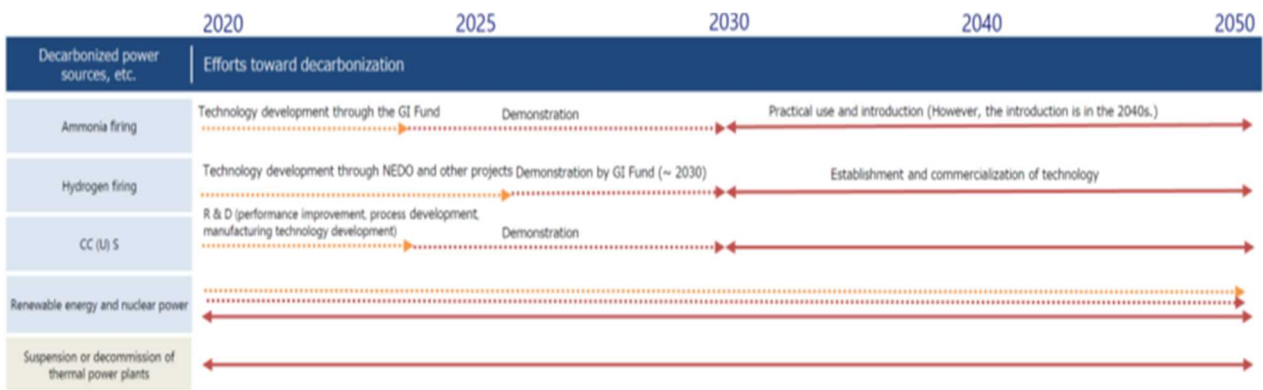


Figure 12: Transition Roadmap for Power Sector<sup>30</sup>

**(3) It shall be published (including milestones at the midpoint)**

Mazda's CO<sub>2</sub> emissions, CO<sub>2</sub> emission reduction targets and efforts to achieve them have been published on its website where CO<sub>2</sub> emission reduction targets for 2030 and 2035, assumptions on BEV and targets for carbon neutrality throughout the entire supply chain by 2050 are presented.

**(4) It shall be certified and verified by an independent third party**

The Company's GHG emissions have been verified by an independent third-party for Scope 1, Scope 2 at its global factories and some Scope 3, which have been published in its sustainability report.<sup>31</sup>

Accordingly, JCR has evaluated that Mazda's efforts to address climate change are based on scientific evidence and satisfy the requirements in the Component 3.

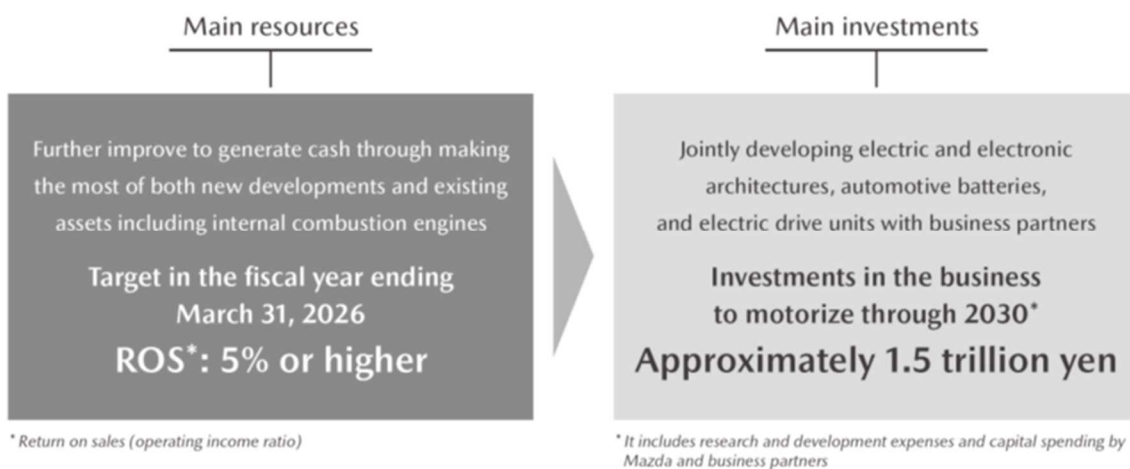
**Component 4: Implementation Transparency**

Mazda expects to invest a total of 1.5 trillion yen in R&D or capital investments on electrification including business partners by 2030. JCR has confirmed that in cases where there are any major change in the investment forecasts, the Company will appropriately strive to disclose it to the extent possible.

<sup>29</sup> Technology Roadmap for "Transition Finance" in Automobile Sector by Ministry of Economy, Trade and Industry at [https://www.meti.go.jp/english/press/2023/pdf/0330\\_003\\_tf\\_roadmap.pdf](https://www.meti.go.jp/english/press/2023/pdf/0330_003_tf_roadmap.pdf)

<sup>30</sup> "Transition Roadmap for the Electricity Sector" by Ministry of Economy, Trade and Industry at [https://www.meti.go.jp/policy/energy\\_environment/global\\_warming/transition/transition\\_finance\\_roadmap\\_automotive\\_jpn.pdf](https://www.meti.go.jp/policy/energy_environment/global_warming/transition/transition_finance_roadmap_automotive_jpn.pdf)

<sup>31</sup> Mazda's Sustainability Report 2023 at [https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e\\_all.pdf](https://www.mazda.com/globalassets/en/assets/sustainability/download/2023/2023e_all.pdf)



**Figure 13: Mazda's Investment Plan for Electrification<sup>32</sup>**

It is undeniable that the supply chain may be reorganized depending upon the response to climate change including electrification. The Japan Automobile Manufacturers Association, Inc. to which Mazda belongs explained to "choose a carbon-neutral path that leaves no one behind including small and medium-sized enterprises and that will lead to the future<sup>33</sup>" in its Taskforce Formulating Roadmaps for Climate Transition Finance in economic and industrial sector. JCR has confirmed that Mazda will promote to prevent negative impacts on the environment and society, such as the impact on employment caused by electrification or shifting to BEV, so that the local economy, including Mazda and its suppliers can be sustainably developed as electrification progresses. In other words, the Company strives to maintain the industry and employment in respective regions including the Chugoku area and contribute to the development of the local economy by building and developing a system that can produce electric drive units with business partners in the Chugoku area. The Company, as one of these efforts, established a joint venture company with Ondo Corporation, Ltd., Hiroshima Aluminum Industry Co., Ltd. and Hirotec Corporation to develop highly efficient production technology for electric drive units or establish a production and supply network for the development of these units with the belief that it needs to develop electrification technologies such as electrification-related parts in the Chugoku area and evolve the entire supply chain including Mazda in the collaboration toward the development and production of electric drive units announced in November 2022.

Mazda makes continuous efforts to identify and reduce various internal and external risks in accordance with Basic Policy on Risk Management, Risk Management Regulations and other

<sup>32</sup>Mazda Integrated Report [https://www.mazda.com/globalassets/en/assets/investors/library/annual/files/ir2023e\\_all.pdf](https://www.mazda.com/globalassets/en/assets/investors/library/annual/files/ir2023e_all.pdf)

<sup>33</sup>Ministry of Economy, Trade and Industry Materials from the Study Group for the Development of a Roadmap to Promote Transition Finance in the Economic and Industrial Fields

[https://www.meti.go.jp/shingikai/energy\\_environment/transition\\_finance\\_suishin/pdf/009\\_05\\_00.pdf](https://www.meti.go.jp/shingikai/energy_environment/transition_finance_suishin/pdf/009_05_00.pdf) (Japanese)

related internal regulations so as to ensure continuous and stable progress of business activities for other environmental and social risks. Among the risks identified, considering the level of importance, individual business risks are managed by the department in charge of that business area while companywide risks are handled by departments that carry out business on a company-wide basis. These departments manage the risks appropriately, following the PDCA cycle. In the event of an emergency, such as a natural disaster or situation that creates serious managerial consequences, where necessary, Mazda takes appropriate measures in reference to its internal regulations including establishing an emergency response taskforce to respond to the situation. The Company regularly monitors the environment, such as drills to respond to environmental pollution or accidents at respective factories and business sites, air pollution or water pollution as part of its environmental risk management with which business operations are conducted in accordance with the Mazda Corporate Ethics Code of Conduct to ensure fair and honest practice as well as complying with the laws and regulations in respective countries and regions in running businesses as a process to reduce the negative impact on the environment and society resulting from the implementation of the transition strategy. In cases where the Company recognizes an ESG-related controversy as for any allocated project, it will reallocate the proceeds financed to another eligible project and report that effect to appropriate departments or others.

Mazda set forth a goal of achieving carbon neutrality throughout its entire supply chain by 2050 as for a possibility for lock-in to fossil fuels. The Company has been promoting electrification including BEV as mentioned above and developing the next generation biofuels, carbon neutral fuels for HEV or PHEV with internal combustion engines, some of which will be continuously sold even when BEV will spread at full scale in or after the 2030s in the automotive sector; therefore, the concern for the lock-in to fossil fuels is small.

On the other hand, the aforementioned thermal power stations at Hiroshima Plant and Hofu Plant have supplied 80 percent or more of the electricity and steam used by Mazda regarding the power sector; however, Mazda is planned and considered that their supply will be changed to mono-firing of ammonia in thermal power station at Hiroshima Plant.

Fuel ammonia is highly corrosive or toxic and requires to handle with care; however, JCR has confirmed that Mazda has decided to introduce it after repeated examination on how to handle ammonia at power plants. An ammonia gas turbine power generation is currently under demonstration research and its technologies are to be introduced hereafter; therefore, it is necessary to continue to pay close attention to whether or not its handling at power plants will have a negative impact on the environment and society.

Accordingly, JCR has evaluated that Mazda's efforts in its transition strategy are unlikely to lock-in to fossil fuels.

JCR has confirmed that Mazda's efforts in the transition strategy cannot significantly affect other green projects at this time when evaluating from the perspective of Do No Significant Harm Assessment (DNSH) and it strives to maintain the industry and employment in respective regions in the Chugoku area including suppliers and intends to contribute to the development of the local

economy although it is undeniable that implementing the transition strategy may have a negative impact on employment relations as for fair transition.

Accordingly, JCR has evaluated that this framework satisfies the four components required in the Climate Transition Finance Handbook.

## Chapter 3: Alignment with Green Bond Principles or Social Bond Principles

### Evaluation Phase 1: Green/Social Evaluation and Green/Transition Evaluation

gs1(F)/gt1(F)

#### I. Use of Proceeds

##### JCR's Key Consideration in this Factor

In this section JCR will firstly confirm that the proceeds financed have been allocated to projects with clear environmental benefits or social benefits. Then, in cases where the use of proceeds is expected to have a negative impact on the environment or society, JCR will confirm that the impact has been thoroughly examined by an in-house specialized department or an external third-party organization and necessary workarounds and mitigation measures have been taken. Finally, JCR will confirm alignment with the Sustainable Development Goals (hereinafter referred to as "SDGs.")

#### ▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

The projects for which Mazda uses proceeds in this framework are measures that contribute to achieving Mazda's key issues (materiality) and are expected to have environmental benefits or social benefits.

### This Framework for the Use of Proceeds

#### 3.2. Alignment with Four Components in Green Bond Principles (Use-of-Proceeds bonds)

##### (1) Use of Proceeds

Mazda will allocate proceeds financed through sustainable finance (use-of-proceeds bonds) to new or existing projects that satisfy any of the eligibility criteria. The Company will provide the following four types of financing depending upon the project to which the proceeds will be allocated.

| Type                   | Contents  |
|------------------------|---|
| Transition Finance     | Financing whose proceeds are used only for green/transition eligible projects                                       |
| Green Finance          | Financing whose proceeds are used only for 1) and 4) of the eligible criteria in green/transition eligible projects |
| Social Finance         | Financing whose proceeds are used only for social eligible projects   |
| Sustainability Finance | Financing whose proceeds are used only for 1) and 4) of the   |

|  |  |
|--|--|
|  | eligible criteria in green/transition eligible projects and social eligible projects |
|--|--|

The proceeds financed will be allocated to only existing projects within the past 36 months when the proceeds are financed. Mazda strives to allocate the proceeds financed to eligible projects within the past 36 months from the date financed.

An amount equivalent to the total amount of bonds to be issued by the Company will be allocated to new or existing eligible projects as new financing or refinancing. In cases where appropriation will be made to existing projects, the proceeds shall be allocated within three years preceding to the issuance of the bond or the eligibility shall be confirmed (snip.)

<Eligible Projects>

**1.Reducing vehicles' CO<sub>2</sub> emissions from a well-to-wheel perspective (green/transition eligible projects)**

| Green Category       | Eligibility Criteria  | Overview of Project   |
|----------------------|---|---|
| Clean Transportation | 1) BEV's development and production                           | <ul style="list-style-type: none"> <li>● R&amp;D costs, capital investments and manufacturing costs on the development and manufacturing of BEV vehicles</li> <li>● R&amp;D costs, capital investments and purchasing costs on the development and manufacturing of BEV components such as batteries</li> </ul>   |
|                      | 2) Reducing CO <sub>2</sub> emissions through multi-solutions | <ul style="list-style-type: none"> <li>● R&amp;D costs, capital investments and manufacturing costs on the development and manufacturing of PHEV and HEV</li> <li>● R&amp;D costs, capital investments and purchasing costs on the development and manufacturing of PHEV and HEV component parts</li> <li>● R&amp;D costs on the development of carbon neutral fuels (next generation biofuels or synthetic fuels)</li> </ul> |

<Environmental Goals>

Climate change mitigation: Realizing the 2050 carbon neutrality, the electrification ratio of 100 percent in global sales as of 2030 and the BEV ratio from 25 percent to 40 percent as interim targets.

<Related Technology Roadmap>

Automotive sector

<Alignment with SDGs>





## 2. Shifting to Carbon Neutrality at its own Plants (Green/Transition Eligible Projects)

| Green Category    | Eligibility Criteria   | Overview of Projects   |
|-------------------|--|--|
| Renewable Energy  | 3) Achieve decarbonization of power generation in its plants           | <ul style="list-style-type: none"> <li>R&amp;D expenses and capital investments toward CO<sub>2</sub> zero emissions of power generation facilities including switching fuels from coal to mono-firing of ammonia at Hiroshima plant and toward shifting to carbon neutrality in manufacturing facilities and manufacturing processes</li> <li>Investments in renewable energy power generation such as solar power generation</li> </ul>  |
|                   | 4) Procurement of renewable energy                                     | <ul style="list-style-type: none"> <li>Purchase electricity derived from renewable energy from third parties including utilizing corporate PPA concluded with local parties in each region</li> </ul>  |
| Energy Efficiency | 5) Improving energy efficiency in the automobile manufacturing process | <p>The following investments that contribute to achieving carbon neutrality at Mazda's global plants in 2035 and reducing its CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013.</p> <ul style="list-style-type: none"> <li>Improve productivity and operational efficiency (greater productivity, improved quality, cost reduction or feasibility simulations)</li> <li>Improve efficiency of its facilities (switch lights to LED, introduce inverter control into motor-driven facilities or improve efficiency of air conditioning units)</li> <li>Technical innovation (improve efficiency of paint spraying process or reduce temperature of heat treatment furnace)</li> </ul> |

### <Environmental Goals>

Mitigation of climate change: Achieve carbon neutrality at its global factories in 2035 and reduce its CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013

### <Related Technology Roadmap>

Electric power sector and automobile sector

### <Alignment with SDGs>



### 3. Realizing a safe and secure automobile society (social eligible project)

| Social Category              | Eligibility Criteria  | Overview of Project   |
|------------------------------|---|---|
| Access to essential services | 6) Advanced safety technology/Advanced driving support technology | <ul style="list-style-type: none"> <li>Investments and other related expenditures (including R&amp;D expenses) on the development and manufacturing of advanced safety technology "i-ACTIVSENSE"</li> <li>Investments and other related expenditures (including R&amp;D expense) on the development and manufacturing of advanced driving support technologies based on the MAZDA CO-PILOT CONCEPT</li> </ul> |

#### <Social Goals>

In terms of what Mazda can achieve between now and 2040 through automotive technologies, it aims for zero deaths resulting from its new vehicles.

#### <Target Group>

Drivers, passengers or pedestrians (including vulnerable road users, such as the elderly, children or the physically disabled)

#### <Alignment with SDGs>



## Evaluation by JCR to the Framework

### 1. Environmental Benefits of Projects (Green/Transition Eligible Projects)

#### 1. Reducing vehicles' CO<sub>2</sub> emissions from a well-to-wheel perspective

##### Eligibility Criteria 1: BEV Development and Production

**Eligibility Criteria 1 refers to R&D expenditures, capital investments and manufacturing costs on the development and manufacturing of BEV developed and produced by Mazda and R&D expenses, capital investments and costs of purchasing on BEV component parts such as batteries. The use of proceeds for the eligibility criteria is categorized into "Clean Transportation" in the "Green Bond Principles" and "Green Loan Principles" and "Project for Clean Transportation" among the uses of proceeds exemplified in the "Green Bond Guidelines" and "Green Loan Guidelines."**

As mentioned above, Mazda is planning to proceed with R&D on BEV vehicles, assuming that BEV spreads at full scale in or the 2030s. These criteria are primarily subject to R&D funds on BEV, which Mazda will promote with its business partners, capital investment funds or production costs on BEV manufacturing, mainly in or after the second phase (from 2025 to 2027.) In addition, R&D

funds, capital investment funds and costs of purchasing on the development and manufacturing of component parts such as batteries equipped with BEV are also covered.

In the "Green Growth Strategy for Carbon Neutrality by 2050" in which a concrete strategy toward carbon neutrality by 2050 is presented, the government set a target to fully electrify passenger cars by 2035 in the "automobile and storage battery industry." The target of achieving an EV/PHEV ratio from 20 to 30 percent as of FY 2030 was established in the "Technology Roadmap for Transition Finance in Automobile Sector."

Mazda has introduced one BEV model (MX-30) with "e-SKYACTIV EV" for BEV. R&D has been domestically and internationally progressing to improve the performance of safer and larger-capacity all-solid-state batteries or liquid lithium-ion batteries for car batteries as for BEV. A system that efficiently converts the motors' kinetic energy into electricity has been progressing in respective countries, and motors also have been domestically developing, aiming at highly efficient, downsizing, weight reduction and resource-saving in the Green Innovation Fund Project.

Mazda also plans to develop technologies on these electrification or BEV, invest in equipment after the development and manufacture products on production lines. For instance, the Company established a joint venture company with Ondo Corporation Ltd., Hiroshima Aluminum Industry Co., Ltd. or Hirotec Corporation to develop highly efficient production technology for electric drive units or create a production and supply network for electric drive units announced in November, 2022. Mazda's "development of next-generation high-capacity and high-power lithium-ion batteries (LIB)" was adopted in the Green Innovation Fund Project publicly sought by the New Energy and Industrial Technology Development Organization (NEDO,) aiming to manufacture liquid lithium-ion batteries that have both higher input/output and larger capacity by developing higher-performance positive or negative electrodes and technologically developing manufacturing cell design.

It is expected that BEV with higher efficiency and lower power consumption will be developed, manufactured and commercialized in the future through R&D on these BEV and its component parts.

The manufacturing cost will be recovered when the product for which the proceeds were used is sold among the uses of proceeds, so that the amount will be unallocated proceeds. Mazda plans to quarterly manage the unallocated proceeds not to exceed the financing amount, taking into account the total number of days of inventory and of accounts receivable. JCR has determined that the management method is adequate.

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### **Eligibility Criteria 2: Reducing CO2 emissions through multi-solutions**

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**Eligibility Criteria 2 covers R&D expenditures, capital investments and manufacturing costs on the development and manufacturing of PHEV and HEV developed and produced by Mazda; R&D expenses, capital investments and costs of purchasing on the development and manufacturing of component parts for PHEV and HEV and R&D expenditures on the development of fuels, such as next-generation biofuels or synthetic fuels. The use of**

**proceeds for these eligibility criteria falls under the "Clean Transportation" in "Green Bond Principles" and "Green Loan Guidelines" and "Project for Clean Transportation" among the uses of proceeds illustrated in "Green Bond Guidelines" and "Green Loan Guidelines."**

In this eligibility criteria, the use of proceeds is subject to R&D expenditures, capital investments on PHEV and HEV among electrified vehicles or on the development of fuels used in these vehicles.

As mentioned above, Mazda has incorporated the idea of multi-solutions into manufacturing and sales strategies. This idea is to provide customers with a wide range of choices and to sell vehicles suitable in each region since vehicle models that incorporated electrification technologies into the conventional internal combustion engine vehicles are sometimes selected in the life cycle CO<sub>2</sub>, taking into consideration CO<sub>2</sub> emitted from fossil fuels in areas with much power production with fossil fuels while BEV contributes to reducing CO<sub>2</sub> emissions from the well-to-wheel perspective in regions with much electricity production with renewable energy even when driving the same BEV.

Mazda has also considered that the aforementioned multi-solution initiatives are essential and it will develop electric vehicles, such as PHEV or HEV while taking into account the possibility that BEV will be fully widespread in or after the 2030s.

HEV was provided by Toyota Motor Corporation, a peer with whom Mazda has concluded technical cooperation; however, Mazda currently has its own technology including mild hybrid technologies. In November 2023, Mazda added a PHEV model (MAZDA MX-30) with the rotary engine technology previously developed by it for the first time in 11 years to the lineup as well as the Company developed e-SKYACTIV PHEV and equipped the MAZDA CX-60 with it regarding PHEV-related technology. This takes advantage of the characteristics of the rotary engine, which improves fuel efficiency in a certain rotation range by using it as a generator rather than as a power source for an internal combustion engine with large fluctuations.

HEV or PHEV are vehicles equipped with internal combustion engines and use fossil fuels, which go against the carbon neutral movement. Mazda therefore includes the use of proceeds on carbon-neutral fuels, such as next-generation biofuels or synthetic fuels as a use of proceeds under this eligibility criteria. Mazda has participated in "Hiroshima 'Your Green Fuel' Project," which was jointly established by the Hiroshima Automobile Industry-Academia-Government Collaboration Promotion Council (so-called Hiro Jiren) and Euglena Co., Ltd as for next-generation biofuels in 2018. The Company is also supporting to establish a local production and local consumption model for next-generation biodiesel fuels, from raw materials' production and supply to utilization by expanding demonstration projects for next-generation biodiesel fuels with actual vehicles. It is however undeniable that the amount of next-generation biofuels is currently limited due to restriction on the supply of raw materials. The government has just begun R&D for synthetic fuels; however, Mazda will also conduct R&D based on this framework, which will lead

to the future development, commercialization and even practical application of synthetic fuels. As a result, it is expected to reduce the cost of the synthetic fuels.<sup>34</sup>

As same as Eligibility Criteria 1, the manufacturing cost will be recovered when the product for which the proceeds were used is sold among the uses of proceeds, so that the amount will be unallocated proceeds. Mazda plans to quarterly manage the unallocated proceeds not to exceed the financing amount, taking into account the total number of days of inventory and of accounts receivable. JCR has determined that the management method is adequate.

## 2. Shifting to Carbon Neutrality at its own Plants

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### Eligibility Criteria 3: Achieve decarbonization of power generation in its plants

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**Eligibility Criteria 3 covers R&D expenditures and capital investments toward CO<sub>2</sub> zero emissions at power generation facilities, including switching the fuels for Hiroshima plant's power source from coal to liquid ammonia and toward carbon neutrality in manufacturing facilities and processes and investments in renewable energy generation such as solar power generation. The use of proceeds listed in this eligibility criteria is categorized into the "Circular Economy Adapted Products, Production Technologies and Processes (such as the Design and Introduction of Reusable, Recyclable and Refurbished materials, Components and Products; Circular Tools and Services;) or Certified Eco-Efficient Products" and "Renewable Energy" in "Green Bond Principles" and "Green Loan Principles" and "Project for renewal energy" and "Project for Circular Economy Adapted Products and Production Technologies/Processes and Projects concerning Eco-Efficient Products" among the use of proceeds illustrated in "Green Bond Guidelines" and "Green Loan Guidelines."**

This eligibility criteria include the use of proceeds to switch the fuels for Hiroshima plant's power source from the coal-biomass co-firing to mono-firing of ammonia and investments in solar power generation.

Mazda announced plans to replace its the coal-biomass co-firing power plant with mono-firing ammonia gas turbine power generation from 2030 onward in order to achieve carbon neutrality at its global factories in 2035. It is necessary to establish a manual for how to handle ammonia and ensure its proper operation since ammonia is a substance that is toxic and is designated as a deleterious substance. The facilities must be equipped with denitrification to remove nitrogen. The domestic self-sufficiency rate for ammonia is currently around 80 percent; however, as demand increases in the future, it is necessary to import ammonia from overseas, which require infrastructure development at ports for imports.

Mazda signed an agreement with Mitsubishi Corporation and Shikoku Electric Power Co., Ltd., which are joint investors for MCM Energy Services that owns power plants, to build an ammonia terminal in Namikata, Imabari City, Ehime Prefecture in 2023. The Company has been promoting

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<sup>34</sup>Technical Review committee for the introduction of biofuels in Japan by Ministry of Economy, Trade and Industry at [https://www.meti.go.jp/shingikai/energy\\_environment/bio\\_nenryo/pdf/006\\_03\\_00.pdf](https://www.meti.go.jp/shingikai/energy_environment/bio_nenryo/pdf/006_03_00.pdf)

initiatives on fuel imports and also plans to work on developing human resources who can handle ammonia. Mazda is considering introducing low-carbon ammonia in accordance with the Basic Hydrogen Strategy and other standards set by the government as for the ammonia to be used.

The technological development for ammonia gas turbine power generation to be introduced by Mazda has been promoting, aiming for commercializing medium- to large-sized gas turbine engines in or after 2025 by domestic heavy electric machinery companies.

Mazda plans to install solar power generation facilities at its premise for the development of renewable energy such as solar power generation, which is another use of the proceeds.

Solar power generation is clean energy that replaces fossil fuels with another by making sunlight energy sources, has the effect of reducing GHG and does not depend upon finite resources such as fossil fuels. For this reason, it is expected to play an important role in the 6th Strategic Energy Plan, which was approved by the Cabinet in October 2021. According to the Plan, in order to achieve the "Carbon Neutral Declaration" by 2050, a 46 percent reduction in CO<sub>2</sub> emissions in 2030 and a new reduction target aiming for 50 percent, the government will promote to introduce solar power to the maximum extent possible while thoroughly making renewable energy as mainstream power sources, working on renewable energy as its top priority, reducing the burden on citizens and coexisting with the local community based on the premise of ensuring a stable supply and reducing energy costs (S+3E) in the renewable energy sector. In this Plan, renewable energy is positioned as the mainstream power sources in FY 2030 and solar power generation accounts for the largest proportion of power generation in the renewable energy.

|   |                         | (FY2019 ⇒ previous energy mix)   | Energy mix in FY2030<br>(ambitious outlook)  |
|---|-------------------------|--|--|
| <b>Energy efficiency improvement</b>                        |                         | (16.55 million kl ⇒ 50.30 million kl)  | <b>62 million kl</b>   |
| Final energy consumption (without energy conservation)      |                         | (350 million kl ⇒ 377 million kl)  | 350 million kl   |
| <b>Power generation mix</b>                                 | <b>Renewable energy</b> | (18% ⇒ 22-24%)   | <b>36-38%</b>  |
| Electricity generated:<br>1,065 TWh<br>⇒<br>Approx. 934 TWh | <b>Hydrogen/Ammonia</b> | (0% ⇒ 0%)  | <small>           ※If progress is made in utilization and implementation of R&amp;D of renewable energy currently underway, 38% or higher will be aimed at.         </small> |
|   | <b>Nuclear</b>          | (6% ⇒ 20-22%)  |  |
|   | <b>LNG</b>              | (37% ⇒ 27%)  |  |
|   | <b>Coal</b>             | (32% ⇒ 26%)  |  |
|   | <b>Oil, etc.</b>        | (7% ⇒ 3%)  |  |
|   |                         | solar 6.7% ⇒ 7.0%<br>wind 0.7% ⇒ 1.7%<br>geothermal 0.3% ⇒ 1.0~1.1%<br>hydropower 7.8% ⇒ 8.8~9.2%<br>biomass 2.6% ⇒ 3.7~4.6% | <b>1%</b><br><b>20-22%</b><br><b>20%</b><br><b>19%</b><br><b>2%</b>  |
|   |                         |  | <small>(details of renewable)</small><br>solar 14~16%<br>wind 5%<br>geothermal 1%<br>hydropower 11%<br>biomass 5%  |

Figure 14: Overview of the 6th Strategic Energy Plan

Renewable energy generation (hydro, solar, wind, geothermal and biomass energy) accounted for roughly 19.8 percent of the total electricity generation, of which 7.9 percent was provided by solar power generation facilities, which accounts for a large proportion, exceeding the amount of electricity generated by hydropower generation as of FY 2020. Japan ranks first in the world for the amount of introduction at solar power generation equipment per national land area and ranks third for its introduction amount. For these reasons, solar power generation has been already one of the mainstream power sources to achieve carbon neutrality by 2050 and build a decarbonized society for which the Paris Agreement is aiming.

Accordingly, JCR has evaluated that this use of proceeds will contribute to the decarbonization in Japan and the carbon neutrality in Mazda's global plants in 2035.

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#### **Eligibility Criteria 4: Procurement of Renewable Energy**

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**Eligibility Criterion 4 covers the procurement of renewable energy. The proceeds under this eligibility criteria will be used for procurement expenditures when purchasing electricity derived from renewable energy from third parties, including the use of corporate PPA in collaboration with local communities. This use of proceeds is categorized into the "Renewable Energy" in "Green Bond Principles" and "Green Loan Principles" and "Project for Renewable Energy" among the uses of proceeds exemplified in "Green Bond Guidelines" and "Green Loan Guidelines."**

The proceeds will be used to procure renewable energy such as procurement expenditures when purchasing renewable energy-derived electricity from third parties including the utilization of corporate PPA in collaboration with local communities. As mentioned in the previous section, renewable energy including solar power generation is expected to play an important role in Japan's future power supply mix.

Corporate PPA in renewable energy is a scheme in which a power generation company independently enters into a long-term contract for receiving renewable energy electricity with a private purchasing company. Corporate PPA is not supported by public systems, such as FIT or Feed-in Premium (FIP.) Corporate PPA is divided into on-site and off-site and the former provides power by installing power generation facilities in or adjacent to the demand facility while the latter provides power via power grid from a location away from the demand facility.

In November 2021, Mazda joined "Carbon Neutral Electricity Promotion Subcommittee," an expert subcommittee of "Chugoku Region Carbon Neutrality Promotion Council" as Secretariat and has worked to formulate a roadmap to help spread supply and demand for electricity that comes from renewable energy sources. In March 2023, Mazda concluded an off-site corporate agreement through solar power generation with local companies as an example of expanding renewable energy power and announced that it would continue to expand off-site corporate PPA in the Chugoku region hereinafter and that it would promote to purchase electricity derived from non-fossil power sources such as renewable energy from electric power companies.<sup>35</sup>

JCR has evaluated that this use of proceeds will not only contribute to Mazda's carbon neutrality as one of its efforts toward carbon neutrality but also to the spread of renewable energy in the region.

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#### **Eligibility Criterion 5: Improving Energy Efficiency in the Automobile Manufacturing Process**

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<sup>35</sup> Mazda's News Release at <https://newsroom.mazda.com/ja/publicity/release/2023/202303/230327a.pdf>

**Eligibility Criterion 5 covers investments that contribute to the goals of achieving carbon neutrality at the Company's global plants in 2035 and reducing CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013 at Mazda (non-consolidated.) The proceeds under this eligibility criteria will be used to improve productivity and operational efficiency (greater productivity, improved quality, cost reduction or feasibility simulations,) improve efficiency of its facilities (switch lights to LED, introduce inverter control to motor-driven facilities or improve efficiency of air conditioning units) and innovate technologies (improve efficiency of paint spraying process or reduce temperature of heat treatment furnace.) This use of proceeds falls under "Energy Efficiency" in "Green Bond Principles" and "Green Loan Principles" and "Project for Energy Efficiency" among the use of proceeds exemplified "Green Bond Guidelines" and "Green Loan Guidelines."**

The proceeds will be used for initiatives on energy conservation at Mazda's plants under this eligibility criteria. CO<sub>2</sub> emissions at Mazda's global plants are decreasing; however, in order to achieve the aforementioned numerical targets, it is necessary to improve the existing facilities to more energy-efficient facilities, streamline production methods and have technological innovation. Mazda's efforts on energy efficiency are carried out independently or in cooperation and all of efforts are aiming at achieving the goals for 2030 and 2035, respectively. Accordingly, JCR has determined that setting energy efficiency thresholds for individual initiatives could hinder the investments of proceeds in initiatives that contribute to achieving the above goals and would deviate from the purpose of this eligibility criteria. JCR has evaluated that investment decisions will be made based on internal carbon pricing, as mentioned above when investing proceeds such as capital investment in initiatives that contribute to energy efficiency and governance is in place to prevent from making investments in equipment or investments in capital that would not bring about any improvements in energy efficiency at Mazda. Consequently, JCR has evaluated that this use of proceeds can be expected to support Mazda's efforts toward carbon neutrality and have environmental benefits.



## 2. Social Benefits of Projects (Social Projects)

### 3. Realizing Safe and Secure Automobile Society

#### Eligibility Criteria 6: Advanced Safety Technology/Advanced Driving Support Technology

**Eligibility Criteria 6 covers investments on development and manufacturing of the advanced safety technology, "i-ACTIVESENSE", its other related expenditures (including R&D expenses,) investments on development and manufacturing of advanced driving support technologies based on "MAZDA CO-PILOT CONCEPT" · and its other related expenditures (including R&D expenses.) The use of proceeds falls under the "Access to Essential Services" by all drivers and passersby, mainly elderly drivers in "Social Bond Principles," "Social Loan Principles" and "Social Bond Guidelines."**

Mazda is working on vehicle safety in conformity to the concept of "MAZDA PROACTIVE SAFETY," which is to avoid hazard rather than to react to it after getting into danger. All models include advanced safety technology that falls under the "Safety Support Car S" rank specified by the Ministry of Land, Infrastructure, Transport and Tourism as standard equipment, rather than having specifications per car model. The Safety Support Car S is intended to prevent accidents that can cause accidents by elder drivers including a device that controls acceleration when the wrong pedal is pressed in addition to collision damage mitigation brakes.

|   |  |   |  |
|---|--|---|--|
|  | <p>セーフティ・サポートカー (サポカー)</p> <ul style="list-style-type: none"> <li>○被害軽減(自動)ブレーキを搭載した自動車</li> <li>○運転者全般に推奨</li> </ul>  |  | <p>サポカーS ワイド</p> <ul style="list-style-type: none"> <li>○被害軽減(自動)ブレーキ(対歩行者)</li> <li>○ペダル踏み間違い時加速抑制装置 ※1</li> <li>○車線逸脱警報 ※2</li> <li>○先進ライト ※3</li> </ul> |
|  | <p>セーフティ・サポートカーS (サポカーS)</p> <ul style="list-style-type: none"> <li>○被害軽減(自動)ブレーキに加え、ペダル踏み間違い時加速抑制装置等も搭載した自動車</li> <li>○特に高齢運転者に推奨 (高齢者専用を意味するものではない)</li> </ul> |  | <p>サポカーS ベーシック+</p> <ul style="list-style-type: none"> <li>○被害軽減(自動)ブレーキ(対車両)</li> <li>○ペダル踏み間違い時加速抑制装置 ※1</li> </ul>                                      |
|  | <p>セーフティ・サポートカーS (サポカーS)</p> <ul style="list-style-type: none"> <li>○被害軽減(自動)ブレーキ(対車両) ※4</li> <li>○ペダル踏み間違い時加速抑制装置 ※1</li> </ul>                                |  | <p>サポカーS ベーシック</p> <ul style="list-style-type: none"> <li>○低速被害軽減(自動)ブレーキ(対車両) ※4</li> <li>○ペダル踏み間違い時加速抑制装置 ※1</li> </ul>                                  |

\*From upper left to bottom of right, Safety Support Car, Safety Support Car S, Safety Support Car Wide, Safety Support Car Basic plus, Safety Support Car Basic

**Figure 15: Types of Safety Support Cars<sup>36</sup>(Japanese)**

Mazda has developed an advanced safety technology group, called "i-ACTIVESENSE" based on the concept of MAZDA PROACTIVE SAFETY. This system includes support functions for safe driving from the vehicle side, such as providing hazard alerts to help the driver avoid dangers and

<sup>36</sup> Support Car Site by Ministry of Economy, Trade and Industry at <https://www.safety-support-car.go.jp/> (Japanese)

reducing the burden on the driver when driving in addition to providing safety support when starting, driving and backing up a vehicle.

Mazda has also developed an advanced driving support technology, called the Driver Emergency Response System (DEA,) which is a safety technology that detects the driver's condition and supports to avoid hazards and mitigate damages based on the i-ACTIVESENSE system. This system is equipped with functions that can detect sudden changes in the driver's physical condition and stop the vehicle or detect fatigue and drowsiness from the driver's facial condition and encourage the driver to take a break.

In terms of what Mazda can achieve between now and 2040 through automotive technologies, it has advocated to aim for zero deaths resulting from its new vehicles by reducing accidents involving not only vehicle drivers and passengers but also pedestrians and other vulnerable road users, including the elderly, children and people with physical disabilities.

In Japan, the number of traffic accident fatalities by age group shows that people aged 65 or older account for 50 percent or more of the total traffic accident fatalities although the number of traffic accidents has been on the decrease.

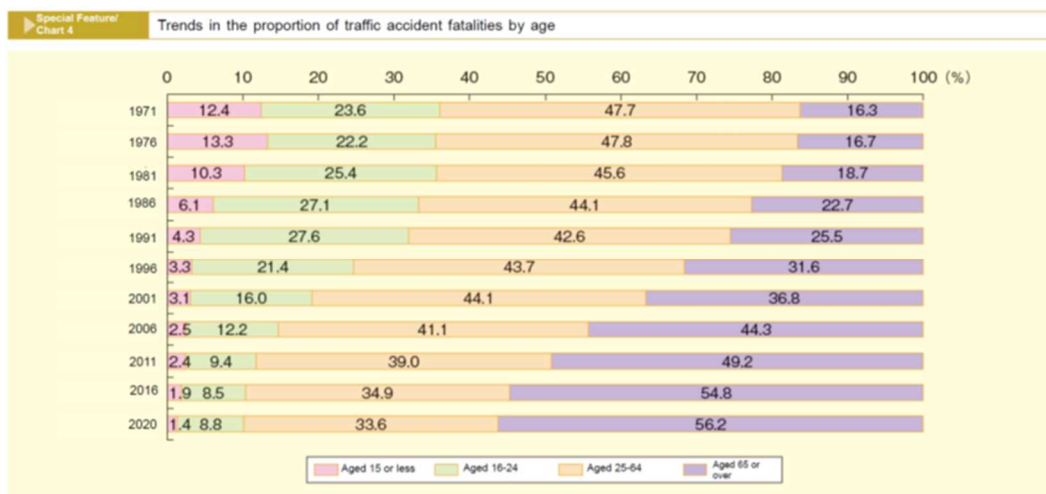
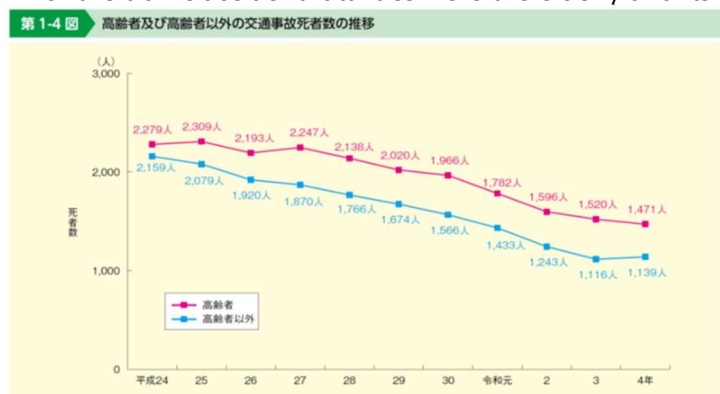


Figure 16: Trends in the Number of Traffic Accidents by Age Group<sup>37</sup>

The number of traffic accident fatalities per 100,000 people continues to decline; however, 1,471 of the traffic accident fatalities were the elderly and its proportion remains high at 56.4 percent.



(Number of fatal people of elderly and the others from traffic accidents)

<sup>37</sup> White Paper on Traffic Safety 2021 at [https://www8.cao.go.jp/koutu/taisaku/r03kou\\_haku/english/pdf/wp2021-1.pdf](https://www8.cao.go.jp/koutu/taisaku/r03kou_haku/english/pdf/wp2021-1.pdf)

Red: Elderly people, Blue: Other than Elderly people

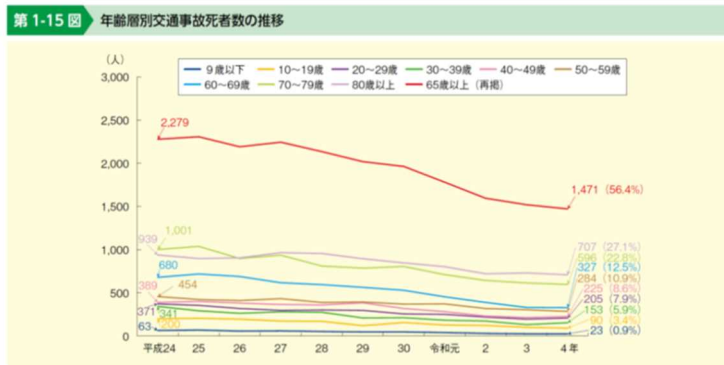
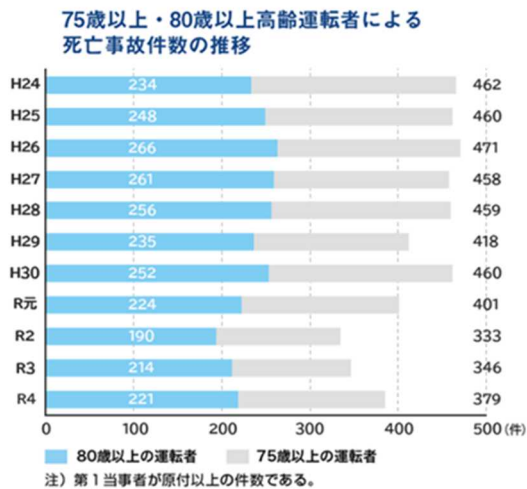


Figure 17: Trends in the number of traffic fatalities involving the elderly<sup>38</sup> (Japanese)

Improper operations accounted for 30 percent of the causes of fatal accidents among elderly drivers, and in particular many drivers tend to improperly operate steering wheel and mistakenly hit the gas pedal instead of the brake. For drivers under 75 years old, the accident rate due to improper operations was 13 percent, less than half of that for elderly drivers over 75 years old. Accordingly, JCR has evaluated that Mazda's advanced safety technology development is expected to benefit many people, including drivers, passengers or pedestrians, and it is a technology that will particularly help prevent accidents among elderly drivers.

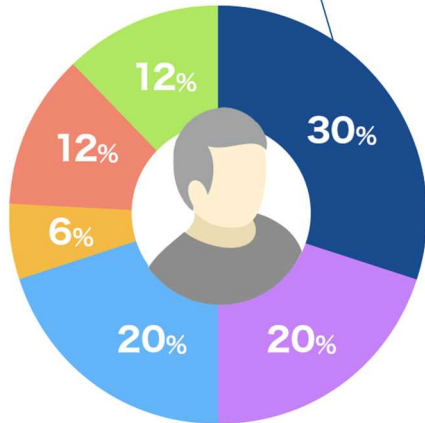


(Number of fatal car accidents caused by over 75 years old and over 80 years old drivers since 2012 (above) to 2022(bottom) )

\*Blue: over 80 years old, Grey: over 75 years old

<sup>38</sup> Traffic Safety White Paper on Traffic Safety 2023 at [https://www8.cao.go.jp/koutu/taisaku/r05kou\\_haku/pdf/zenbun/1-1-1-2.pdf](https://www8.cao.go.jp/koutu/taisaku/r05kou_haku/pdf/zenbun/1-1-1-2.pdf)

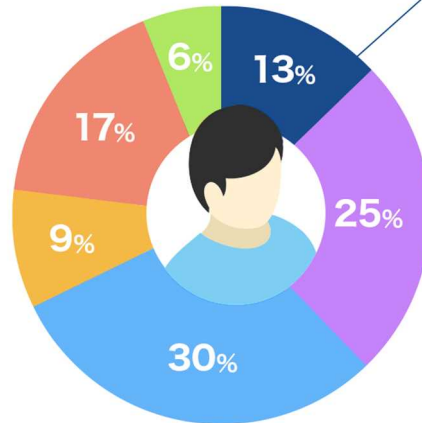
Of these,  
 Improper handling operation: 14.6%  
 Mistaking the brake and accelerator: 7.7%



75歳以上高齢運転者

(Over 75 years old driver)

Of these,  
 Improper handling operation: 8.1%  
 Mistaking the brake and accelerator: 1.1%



75歳未満の運転者

(Under 75 years old driver)

- Improper operation
- Internal distracted driving (careless driving)
- Unconfirmed safety ■ Errors in judgment
- External distracted driving (Inattentive driving)
- Uninvestigable

Created based on the White Paper on Police 2022

Figure 18: Causes of Fatal Accidents 2022<sup>39</sup>(Japanese)

<sup>39</sup> Support Car Site by Ministry of Economy, Trade and Industry at <https://www.safety-support-car.go.jp/> (Japanese)

### 3. Negative Impact on the Environment and Society

#### This Framework for Negative Impacts on the Environment and Society

##### Processes to reduce environmental and social risks

Mazda has been conducting business operations in accordance with the Mazda Corporate Ethics Code of Conduct to ensure fair and honest practice as well as complying with the laws and regulations in respective countries and regions. In cases where the Company recognizes an ESG-related controversy regarding an allocated project, it will reallocate the proceeds financed to another eligible project and report that effect to appropriate departments or others.

#### Evaluation by JCR to the Framework

Mazda has verified any negative impact on the environment and society and taken measures to address them as for the use of proceeds based on this framework, as mentioned above. JCR has confirmed that Mazda will comply with the laws and regulations in each country and region when implementing projects and that it will address the matter in accordance with the Mazda Corporate Ethics Code of Conduct as stated in the aforementioned framework.

Accordingly, JCR has confirmed that the Company gives appropriate consideration to the negative impact on the environment and society of the projects for which the proceeds will be used in the Mazda's framework.

### 4. Alignment with SDGs

The projects eligible for the use of proceeds were evaluated as contributing to the following SDGs goals and targets in light of ICMA's SDG mapping.



#### **Goal 3: Ensure healthy lives and promote well-being for all at all ages**

**Target 3.6:** By 2020, halve the number of global deaths and injuries from road traffic accidents



#### **Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all**

**Target 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix

**Target 7.3:** By 2030, double the global rate of improvement in energy efficiency



#### **Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

**Target 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human well-being with a focus on affordable and equitable access for all

**Target 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound

technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



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**Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable**

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**Target 11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



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**Goal 12: Ensure sustainable consumption and production patterns**

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**Target 12.2:** By 2030, achieve the sustainable management and efficient use of natural resources



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**Goal 13: Take urgent action to combat climate change and its impacts**

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**Target 13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

## Evaluation Phase 2: Management, Operations and Transparency Evaluation

m1(F)

### I. Selection Criteria and Processes of Use of Proceeds

#### JCR's Key Consideration in this Factor

In this section, JCR will confirm the goals to be achieved through this evaluation, the selection criteria for green/transition projects and social projects, the validity of the process and whether a series of processes have been appropriately disclosed to investors.

#### ▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has determined that departments with specialized knowledge and the management are appropriately involved in the goals, criteria for selecting eligible projects and processes in this framework, and that transparency is ensured.

#### 1. Goal

Mazda has been working on promoting energy conservation and developing fuel-efficient vehicles for a long period. On the manufacturing side, the Company announced the medium-term environmental plan, "Mazda Green Plan 2010" in 2006, it replaced the "Mazda Green Plan 2010" with "Mazda Green Plan 2020" in 2011 and it announced the "2030 Target/2050 Challenge" in 2019. On the product side, Mazda announced the aforementioned long-term vision for technology development, "Sustainable Zoom-Zoom Declaration" in 2007 and "Sustainable Zoom-Zoom 2030" in 2017. The Company set a goal of achieving carbon neutrality throughout the entire supply chain by 2050, based on that the Japanese government set the target of 2050 carbon neutrality in October 2020 or the characteristics of the automobile manufacturing and sales business with broad-based features in addition to these policies and plans. Mazda set goals such as reducing its CO<sub>2</sub> emissions by 69 percent in FY 2030 from FY 2013 and achieving carbon neutrality at its global factories in 2035.

Mazda assumes that BEV accounts for 25 percent to 40 percent of the new vehicle sales in 2030 while adopting the aforementioned multi-solution approach in anticipation of increasing trends toward electrification by 2030 as its sales strategy. This is aligned with the view in 2030 in the active promotion of electrification scenario in the scenario analysis<sup>40</sup> made by Japan Automobile Manufacturers Association, Inc. and it is commendable that the transition to BEV is playing an important role in the enterprise's business model from which also Mazda benefits.

Mazda set the "endeavor for carbon neutrality by 2050" as one of its key issues (materiality) in which its goal is to achieve carbon neutrality throughout the entire supply chain by 2050 and to

<sup>40</sup> Analysis for carbon neutrality by 2050 by Japan Automobile Manufacturers Association Scenario at [https://www.jama.or.jp/operation/ecology/carbon\\_neutral\\_scenario/PDF/Transitioning\\_to\\_CN\\_by\\_2050A\\_Scenario\\_Based\\_Analysis\\_EN.pdf](https://www.jama.or.jp/operation/ecology/carbon_neutral_scenario/PDF/Transitioning_to_CN_by_2050A_Scenario_Based_Analysis_EN.pdf)

realize carbon neutrality at its global factories in 2035. The Company also listed "Realizing an automotive society that offers safety and peace of mind" as its materiality on the "society" and it aims for zero deaths resulting from its new vehicles in terms of what Mazda can achieve between now and 2040 through automotive technologies.

Accordingly, JR has evaluated that formulating this framework and executing the sustainable finance is aligned with Mazda's long-term target or its materiality.

## 2. Selection Criteria

As confirmed in Evaluation Phase 1, JCR has evaluated that the eligibility criteria in this framework are subject to projects with environmental benefits or social benefits.

## 3. Process

### This framework for the process

#### 3.2. Alignment with Four Components in Green Bond Principles (Use of Proceeds Bonds)

##### (2) Evaluation of Project and Selection Process

The eligible projects to which proceeds financed will be allocated in this framework will determine the following matters in cooperation with the relevant departments below:

##### **Relevant Department**

- Communication Supervisory Department, Corporate Communications Division
- Business Structure Strategy Department, Corporate Strategy Division
- Budget Control Department, Corporate Planning & Development Division
- Accounting Department, Financial Services Division
- Treasury Department, Financial Services Division

##### **Decision**

- Verify whether the target project is complied with the eligibility criteria throughout the remaining term of the bond or loan ( based on the policy under which only projects that have a long-term positive impact on the environment and society are eligible.)
- Confirm whether the eligible project is consistent with the contents defined in "Use of Proceeds"
- Replace eligible projects that no longer meet eligibility criteria with others
- Confirm the details in this framework and appropriately reflect/update changes on its business strategy, technology or market in this framework.



## Evaluation by JCR to the Framework

Corporate Communications Division of Communication Supervisory Department that serves as Secretariat in CSR Management Strategy Committee and Financial Services Division of Treasury Department in charge of financing has selected the eligibility criteria in this framework and prepared the framework based on advice from Corporate Strategy Division, Production Engineering Division and respective internal departments.

Corporate Strategy Division of Business Structure Strategy Department will formulate medium-term management plans and Corporate Planning & Development Division of Budget Control Department will prepare the budget for projects for which proceeds will be used in this framework in compliance with the management system that promotes carbon neutrality.

Financial Services Division of Treasury Department will formulate a plan for financing proceeds (bonds and borrowings) based on the aforementioned, will determine the plan in Executive Committee, will report it to the Board of Directors and will finance the proceeds after approval is given based on the regulations on the administrative authority. In cases where an eligible project is located in subsidiaries or affiliates, the loan will be made after approval is given based on the regulations on the administrative authority in addition to the aforementioned. Financial Services Division of Treasury Department will manage proceeds after financing based on the allocation made by Financial Services Division of Accounting Department. JCR has evaluated the selection process as appropriate since relevant departments and the management in Mazda will be involved in the process.

The goals, selection criteria and processes on the execution of Mazda's sustainable finance were described in this framework. Details of the goals, selection criteria and process described above also have been disclosed in this evaluation report and this framework has been disclosed on Mazda's website.

Accordingly, JCR has evaluated the process in this framework as adequate.

## II Management of Proceeds

### JCR's Key Consideration in this Factor

It is generally assumed that how to manage proceeds varies widely depending upon issuers and borrowers. In this section, JCR will confirm whether the proceeds financed based on this evaluation target are surely appropriated to green/transitions projects or social projects and whether a mechanism and internal system are in place to enable easy tracking and managing allocation of proceeds.

JCR will also give importance to whether the proceeds financed based on this evaluation target are scheduled to be early allocated to respective eligible projects and to the evaluation of management and operation methods for unallocated proceeds.

#### ▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has evaluated that Mazda's proceeds management system has been appropriately established and how to manage proceeds financed has been disclosed in this framework and this evaluation report; therefore, it is highly transparent

### The Framework for Use of Proceeds

#### 3.2. Alignment with Four Components in Green Bond Principles (Use-of-Proceeds Bonds)

##### (3) Management of Proceeds Financed

Treasury Department at Mazda will manage proceeds financed under this framework in the general account and will annually track and manage to ensure that proceeds financed through sustainable finance will be allocated to eligible projects with the internal management process. Unallocated proceeds will be managed in cash or cash equivalents. In cases where a project is discontinued or postponed, the proceeds financed will be reallocated to a project that complies with this framework within 12 months from the time when the Company recognizes it.

#### Evaluation by JCR to the Framework

As stated in the framework above, Mazda has managed proceeds financed through four types of finance including transition finance, as indicated in the aforementioned (1) Use of Proceeds.

In cases where Mazda's project is subject to the use of proceeds, it will be managed with its in-house accounting management system, and in cases where a project of its subsidiary or affiliated company is subject to the use of proceeds, Mazda will provide loans based on which proceeds will be allocated. JCR has confirmed that this loan has managed with its in-house accounting management system.

JCR has confirmed that payments have been approved by each department, and the vouchers approved by Accounting Department have been approved by Treasury Department to confirm that the payment has been processed.

An external audit firm has audited Mazda's financial statements, systems and business flows and management of proceeds has been self-evaluated through internal controls led by its in-house Global Audit Department. JCR has confirmed that internal controls and external audits have been appropriately carried out, such as annually reconciling loan balances with financial institutions.

Vouchers on management of these proceeds will be appropriately managed during the period set forth in the regulations for document storage. JCR has confirmed that corporate bonds issued or borrowings will be appropriately managed until their redemption/repayment deadlines arrive, regardless of their storage period.

Unallocated proceeds will be managed in cash and cash equivalents, and in cases where a project to which proceeds will be allocated is discontinued or postponed, an alternative project will be selected for re-allocation.

Accordingly, JCR has evaluated that Mazda's proceeds management system has been appropriately established and that how to manage proceeds financed will be disclosed in this framework to be released on its website and this evaluation report; therefore, JCR found it transparent.

### III. Reporting

#### JCR's Key Consideration in this Factor

In this section, JCR has evaluated whether the disclosure system to investors before and after financing based on this evaluation target is planned in a detailed and effective manner.

#### ▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has evaluated that the allocation of proceeds, environmental benefits and social benefits will be appropriately disclosed to investors as for Mazda's reporting.

#### This Framework for Reporting

### 3.2. Alignment Four Components in Green Bond Principles (Use-of-Proceeds)

#### (4) Reporting

Mazda will disclose the allocation of proceeds, environmental benefits and social impacts on its website.

#### Reporting on Allocation of Proceeds

The Company will annually disclose the following details for the allocation of proceeds financed based on this framework to the extent possible in consideration of confidentiality until the proceeds are fully allocated.

- An amount allocated per eligible green/transition/social project
- Information on how to manage unallocated proceeds in accordance with the guidelines for "Management of Proceeds Financed" in cases where there are unallocated proceeds outstanding and unappropriated proceeds

A ratio of new financing to refinancing

#### Impact Reporting

Mazda will annually disclose all or part of the details depending upon the eligible projects to which proceeds are allocated regarding impacts on the environment and society in the eligible criteria to which proceeds financed are allocated based on this framework as long as the proceeds are outstanding to the extent reasonably practicable.

#### 1. Reducing vehicles' CO<sub>2</sub> emissions from the well-to-wheel perspective (green/transition eligible projects)

| Eligibility Criteria | Examples of Reporting Items  |
|----------------------|--|
| Common               | Average CO <sub>2</sub> emissions per vehicle (t-CO <sub>2</sub> /vehicle) |

|   |   |
|---|---|
| 1) Development and production of BEV                          | BEV's sales volume<br><br>Environmental benefits such as reduction in BEV's CO <sub>2</sub> emissions (t-CO <sub>2</sub> )<br><br>Progress of R&D for BEV |
| 2) Reducing CO <sub>2</sub> emissions through multi-solutions | Progress of R&D for PHEV and HEV<br><br>R&D on the development of carbon neutral fuels  |

## 2. Carbon Neutrality at Mazda's Plants (Green/Transition Eligible Projects)

| Eligibility Criteria   | Examples of Reporting Items   |
|--|---|
| Common   | Reduction of CO <sub>2</sub> emissions in Scope 1 and 2 at Mazda's global plants (t-CO <sub>2</sub> )   |
| 3) Decarbonization of power generation in its plants                   | Progress in R&D toward CO <sub>2</sub> zero emissions in power generation facilities and carbon neutrality at manufacturing facilities and in manufacturing processes |
| 4) Procurement of renewable energy                                     | Renewable energy utilization rate<br><br>Renewable energy consumption (MWh)   |
| 5) Improving energy efficiency in the automobile manufacturing process | Reduction in CO <sub>2</sub> emissions due to improved energy efficiency (t-CO <sub>2</sub> )   |

## 3. Realizing Safe and Secure Automobile Society (Social Eligible Projects)

| Eligibility Criteria   | Example of Output  | Example of Outcome  | Impact  |
|--|--|---|---|
| Advanced safety technology/Advanced driving support technology | Production volume of models equipped with advanced safety technology/advanced driving support technology | Progress in the development of advanced safety technology/advanced driving support technology | Realizing a safe and secure automobile society by selling cars equipped with advanced safety technology/advanced driving support technology |

## Evaluation by JCR to the Framework

### Reporting on the allocation of proceeds

Mazda will concretely specify the use of proceeds of individual financing conducted based on this framework in statutory disclosure documents or loan agreements. The contents defined in this framework for the allocation of proceeds financed based on this framework will be annually

disclosed on the Mazda's website and in its sustainability report. JCR has confirmed, in cases where there is any major change in situations, such as eligible projects are discontinued or sold, that an announcement will be appropriately made at an appropriate time, taking into account the scale and impact.

### Reporting on Environmental and Social Benefits

Mazda will annually disclose the details defined in this framework as reporting on the environmental benefits of green/transition eligible projects and reporting on the social benefits of social eligible projects on its website and in its sustainability report.

Reporting on green/transition eligible projects covers mainly qualitative progress as for R&D for vehicle models, such as BEV or PHEV or replacement with mono-firing of ammonia. On the other hand, JCR has evaluated that the detailed disclosure is appropriate since quantitative metrics will be reported for other items. JCR has also evaluated that reporting on social benefits is adequate as output examples and outcome examples, led by the use of proceeds or the impacts identified by Mazda in its key issues (materiality.)

Accordingly, JCR has evaluated that Mazda's reporting contents and systems are suitable.

## IV. Organizational Sustainability Initiatives

### JCR's Key Consideration in this Factor

In this section JCR will evaluate whether the management of the fund raisers has positioned sustainability issues as high-priority management issues, or whether the management of the fund raisers has clearly positioned the execution policies and processes such as sustainable finance or the selection of eligible projects by establishing a department that specializes in sustainability sectors or in collaboration with external organizations.

#### ▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has highly evaluated that Mazda has positioned sustainability issues as important management challenges, has held a meeting body on sustainability issues, has been working on them from the practical and management perspective and has actively promoted its initiatives in collaboration with various partners domestically and internationally.

Mazda has been working to address global environmental and social issues, such as improving the exhaust gas performance in compliance with the emission control regulations including the U.S. Muskie Act or to improve safety toward eliminating traffic accidents since the 1970s.

Mazda has begun considering the most rational and right approach to curb global warming since the mid-2000s and it announced its long-term vision for technology development, "Sustainable 'Zoom-Zoom' Declaration" in 2007 so as to achieve both "the joy of driving" and "excellent environmental and safety performance." In this "Sustainable 'Zoom-Zoom' Declaration," Mazda has been eliminating all waste by adopting the concept of assessment for a series of life cycle from mining and refining of resources to logistics, manufacturing and sales and by reconsidering how to manufacture vehicles from scratch, and it has been attempting to maximize the mobility value by improving the thermal efficiency of internal combustion engines.

Based on these trends, Mazda set forth the "endeavor for carbon neutrality by 2050" as a carbon neutral initiative toward realizing a decarbonized society. Mazda has been working on non-financial performance such as progress in reducing CO<sub>2</sub> emissions, which lead to corporate value as the social responsibility of the automobile company in addition to traditional financial performance, including car sales and profits in an age where the climate change is on the verge of a crisis.

The Company has been actively working to create a decarbonized and low-carbon society, a recycling-oriented society and a society that coexists with nature while collaborating with governments, industry organizations or non-profit organizations as its commitment to the earth and set forth the "endeavor for carbon neutrality by 2050" and "resource recycling" as major initiatives.

The Mazda Group continues to expand its global efforts for zero emissions and resource recycling, by such means as using resources without any losses and 3R activities (to reduce, reuse, and recycle resources) as for resource circulation. The Mazda Group promotes activities to eliminate

wasteful water use and circulate water resources by treating used water so that it is the same quality as it was taken from nature as for water resources. In order to implement its initiative of water resource reuse and recycling at a domestic model plant, the Company set a target of reducing water intake by the entire Mazda Group in Japan by 38 percent in 2030 compared with 2013 levels. In order to achieve this target, the Company is planning to reduce the annual water use by 2 percent and promotes the further use of rainwater and recycled water.

Additionally, Mazda has been working to resolve social issues on which Mazda, an automobile company should focus such as traffic accidents as its social initiatives and has been promoting activities that are contributable to the people's enriched lives with its technologies. With the goal of Realizing an automotive society that offers safety and peace of mind, Mazda has promoted safety initiatives from the three viewpoints of "vehicles," "people" and "roads and infrastructure" and aims to create a system that enriches people's lives by offering unrestricted mobility to people everywhere in its social initiatives. In terms of what Mazda can achieve between now and 2040 through automotive technologies, it aims for zero deaths resulting from its new vehicles.

Mazda, as mentioned above, has established CSR Management Strategy Committee, chaired by the President and comprised of members of the Executive Committee to deliberate the sustainability initiatives that are expected of Mazda from a global perspective in consideration of changes in social environment and then initiatives and guidelines have been decided in Executive Committee. The director has overseen the carbon neutral strategy and has swiftly enforced its efforts on carbon neutrality including appointing an executive officer in charge of carbon neutrality or newly establishing a specialized department with the function to formulate company-wide strategies.

Consequently, JCR has highly evaluated that the management in Mazda has positioned sustainability-related issues as high-priority management challenges, it has held meetings on sustainability-related issues to address them from a practical and management perspective and has promoted efforts in collaboration with its suppliers and various stakeholders in the region.



## Evaluation Phase 3: Evaluation Results (Conclusion)

**SU1(F)/  
Green  
(T)(F)**

JCR assigned "gs1(F)" to "Green/Social Evaluation (Use of Proceeds)," "m1(F)" to "Management, Operation and Transparency Evaluation" and "SU 1(F)" to "JCR Sustainability Finance Framework Evaluation" based on JCR Sustainability Finance Evaluation Methodology. JCR also assigned "gt1(F)" to "Green Transition Evaluation (Use of Proceeds)," "m1(F)" to "Management, Operation and Transparency Evaluation" and "Green 1(T)(F)" to "JCR Climate Transition Bond Framework Evaluation" based on JCR Green Finance Evaluation Methodology." JCR has evaluated that this framework satisfies the items required in "Green Bond Principles 2021," "Green Loan Principles 2023," "Social Bond Principles 2023," "Social Loan Principles 2023," "Sustainability Bond Guidelines," "Sustainability Linked Bond Principles 2023," "Sustainability Linked Loan Principles 2023," "Green Bond Guidelines 2022," "Green Loan Guidelines 2022," "Social Bond Guidelines 2021," Sustainability Linked Bond Guidelines 2022," "Sustainability Linked Loan Guidelines 2022" and CTFH and so forth.

### <JCR Sustainability Finance Framework Evaluation Matrix>

|                                       |        | Management, Operation and Transparency Evaluation |         |         |         |          |
|---------------------------------------|--------|---|---------|---------|---------|----------|
|                                       |        | m1(F)   | m2(F)   | m3(F)   | m4(F)   | m5(F)    |
| Greenness/<br>sociality<br>evaluation | gs1(F) | <b>SU 1(F)</b>                                    | SU 2(F) | SU 3(F) | SU 4(F) | SU 5 (F) |
|                                       | gs2(F) | SU 2(F)   | SU 2(F) | SU 3(F) | SU 4(F) | SU5(F)   |
|                                       | gs3(F) | SU 3(F)   | SU 3(F) | SU 4(F) | SU5(F)  | N/A      |
|                                       | gs4(F) | SU 4(F)   | SU 4(F) | SU5(F)  | N/A     | N/A      |
|                                       | gs5(F) | SU5(F)  | SU5(F)  | N/A     | N/A     | N/A      |

<JCR Climate Transition Finance Framework Evaluation Matrix>

|                             |        | Management, Operation and Transparency Evaluation |                  |                  |                  |                  |
|-----------------------------|--------|---|------------------|------------------|------------------|------------------|
|                             |        | m1(F)   | m2(F)            | m3(F)            | m4(F)            | m5(F)            |
| Green transition evaluation | gt1(F) | <b>Green<br/>1(T)(F)</b>                          | Green<br>2(T)(F) | Green<br>3(T)(F) | Green<br>4(T)(F) | Green<br>5(T)(F) |
|                             | gt2(F) | Green<br>2(T)(F)                                  | Green<br>2(T)(F) | Green<br>3(T)(F) | Green<br>4(T)(F) | Green<br>5(T)(F) |
|                             | gt3(F) | Green<br>3(T)(F)                                  | Green<br>3(T)(F) | Green<br>4(T)(F) | Green<br>5(T)(F) | N/A              |
|                             | gt4(F) | Green<br>4(T)(F)                                  | Green<br>4(T)(F) | Green<br>5(T)(F) | N/A              | N/A              |
|                             | gt5(F) | Green<br>5(T)(F)                                  | Green<br>5(T)(F) | N/A              | N/A              | N/A              |

## Chapter 4: Alignment with Sustainability Linked Bond Principles etc.

### 4-1. Principle 1: Selection of KPIs

#### 1. JCR's Key Consideration in this Factor

In this section, JCR will confirm whether KPI in this framework is relevant, core and significant in the entire projects of issuers/borrowers, whether operational strategy of issuers/borrowers is of importance in the present and future, whether it is measurable and quantifiable based on a consistent methodology, whether it can be benchmarked or whether the definition is clear including the scope of application.

#### 2. Current Status of Evaluation Targets and JCR Evaluation

(Evaluation results)

The KPI defined in this framework include all the elements required in SLBP and so on and is established based on the target, "Achieving carbon neutrality at its global plants by 2035" (the year 2035 is the midpoint) or based on Mazda's assumption that the BEV sales ratio is from 25 percent to 40 percent in 2030 in light of the goal, "Endeavor for carbon neutrality by 2050," and the Company selected the significant KPI that will help achieve Mazda's medium- to long-term goals.

The KPI selected in this framework includes a global BEV sales ratio of 25 percent or more in FY 2030 and carbon neutrality at Mazda's global plants in 2035.

The Company set forth the goal of "taking on the challenge of carbon neutrality throughout its entire supply chain by 2050" and its interim goals include "reducing its CO<sub>2</sub> emissions at Mazda (non-consolidated) by 69 percent in FY 2030 from FY 2013" and "achieving carbon neutrality at its global factories by 2035." KPI2 is Mazda's medium- to long-term decarbonization target on its business activities and is a core metrics of its carbon neutral strategy. The automotive sector is an industry with broad-based supply chains, and the strategy of Mazda that is the core company affects many suppliers; therefore, it is significant that the Company is aiming to achieve carbon neutrality at its global factories as early as 2035 and to declare to be carbon neutral in the entire supply chain by 2050. Although it is not defined as a SPT in this KPI, the followings are commendable as concrete initiatives toward Mazda's carbon neutrality: the Company has formulated a roadmap toward decarbonization in cooperation with suppliers' calculating their CO<sub>2</sub> emissions from the perspective of Category 1 in Scope 3 (CO<sub>2</sub> emissions from purchased products) in the entire supply chain by 2050 or has strived to promote future electrification while discussing with local suppliers.

KPI1 is a target set on emissions in the products use-phase among CO<sub>2</sub> reduction initiatives in Mazda's Scope 3. Multi-level technology development is presented for the reduction of CO<sub>2</sub> emissions in the automobiles use-phase in the domestic transition roadmap, such as shifting to BEV or decarbonization of internal combustion engines with synthetic fuels or biofuels. On the other hand, the IEA report indicates that electrification centered on BEV is becoming mainstream domestically and internationally although it has been slightly and partially rebounded. Mazda is

accelerating the development of PHEV and BEV in its Building Block Concept based on that BEV sales volume is rapidly increasing under the administration of Biden in the United States, which accounts for approximately 30 percent of Mazda's sales. In November 2022, the expected BEV sales ratio for 2030 was set at 25-40 percent.

Mazda established CSR Management Strategy Committee under Executive Committee to examine issues on sustainability. The Company has "CSR Strategy Core Team" under CSR Management Strategy Committee, which has reviewed each issue and complemented the deliberation and examination in the CSR Strategy Committee. In order to respond to carbon neutrality, Mazda newly established Corporate Strategy Division that integrated some functions of Corporate Strategy Office and Product Strategy Division in which it newly set up a department to promote carbon neutral strategy. Mazda has begun management that combines carbon neutrality with its existing ISO14001/Environmental Management System (EMS) so as to promote to implement plans company-wide. Additionally, a newly established department in Corporate Strategy Division is promoting drawing up plans that are consistent with company-wide strategy in the area of products and technology.

In November 2023, Mazda staffed Executive Officer in charge of electrification promotion for BEV and has launched Electrification Business Division (e-MAZDA.)

Mazda, as mentioned above, regards the carbon neutrality at its plants in 2035 as its important interim goal for achieving carbon neutrality by 2050 among the KPI set in this framework, and it has been promoting "energy efficiency," "introducing renewable electricity" and "introducing carbon-neutral fuels" in addition to the interim milestone in 2030. The Company has made an assumption to rapidly catch up with the trend of electrification in terms of the BEV sales ratio and has developed technologies including its suppliers and made capital investments, and the system has been streamlined based on the assumption.

JCR has confirmed that CO<sub>2</sub> emissions, one of the two KPIs, from Mazda has been annually verified by a third party and that it is considering having the BEV sales ratio verified as well.

Consequently, JCR has evaluated that the KPI set this time is of significance.

## 4-2. Principle 2: Calibration of SPT

### 1. JCR's Key Consideration in this Factor

In this section, JCR will confirm whether SPT in this framework has shown important improvements in the selected KPI and has been ambitious such as exceeding a business-as-usual trajectory, whether the SPT has been based on benchmarks, such as the issuer's/borrower's past performance, peers, industry standards or science or whether the schedule for achieving the goal has been disclosed.

### 2. Current Status of Evaluation Targets and JCR Evaluation

(Evaluation results)

The KPI and SPT set by Mazda are ambitious compared to its past performance, are aligned with the government's goals, are comparable to peers and are aligned with its climate change initiatives and goals.

The KPI and SPT set by Mazda are as follows:

- KPI1: A global BEV sales ratio
- KPI2: GHG emissions from Mazda's global plants
- SPT1: 25 percent or more in FY 2030
- SPT2: Achieve carbon neutrality in 2035

#### (1) Comparison with Mazda's past track record

- (i) SPT1: A global BEV sales ratio of 25 percent or more in FY 2030

The table below shows Mazda's BEV sales for the past three years.

**(Unit: 1,000 units)**

|                         | 2020 | 2021 | 2022 |
|-------------------------|------|------|------|
| <b>BEV sales volume</b> | 13   | 12   | 8    |

Mazda is still selling BEV; however, its sales volume has been sluggish due to the lack of BEV compatible models and the severe competition for BEV. In order to achieve Mazda's SPT of the global BEV sales ratio of 25 percent or more in FY 2030, it set three phases up to FY 2030. The Company will start to globally introduce BEV in the second phase and will move forward in its efforts for the full-fledged launch of battery EV models in the third phase.

The BEV sales volume accounted for less than 1 percent of Mazda's total vehicle sales in FY 2022. In order for Mazda to increase its global BEV sales ratio to 25 percent or more in 2030, it will need to drastically review its business plan and take significant additional measures so as to achieve this goal, including R&D and capital investment costs. Mazda announced to be cooperative with companies that are based in the Chugoku region to develop electric drive components for EV necessary for manufacturing BEV, aiming to achieve high goals considering the current figures.

The Company also plans to initially start with external procurement for automotive batteries and then begin developing technology to enable in-house mass production in the future. The Company will work toward achieving this goal by building a supply chain suitable for BEV production.

(ii) SPT2: Carbon neutrality at Mazda's global plants in FY 2035

The table below shows Mazda's GHG emissions (1,000 t-CO<sub>2</sub>e) for the past four years.

**(Unit: 1,000t-CO<sub>2</sub>e)**

|               | 2019 | 2020 | 2021 | 2022 |
|---------------|------|------|------|------|
| GHG emissions | 845  | 715  | 722  | 744  |

\*Target: Mazda's four domestic manufacturing bases and five overseas manufacturing companies (a total of six companies including Russia from FY 2019 to FY 2021)

\*CO<sub>2</sub>e refers to the amount of emissions, the CO<sub>2</sub> equivalent for GHG emissions of CO<sub>2</sub> and other than CO<sub>2</sub>.

Mazda set the carbon neutrality target 2035 for its global plants in SPT2 in line with an annual reduction rate of 4.2 percent, which falls under the SBT 1.5 degrees Celsius level.

The Company reduced approximately 100,000 t-CO<sub>2</sub> in FY 2022 from FY 2019 before the coronavirus pandemic. As mentioned above, Mazda plans to reduce CO<sub>2</sub> emissions by "energy efficiency," "introducing renewable electricity" and "introducing carbon-neutral fuels" in which it will be required for the Company to replace the coal-biomass co-firing power plant at Hiroshima Plant and the coal-fired power plant at Hofu Plant with zero-emission thermal power plants such as co-firing of ammonia. Ammonia gas turbine power generation is still at the demonstration stage and is not at the commercial stage; however, domestic heavy electrical companies are expecting to develop commercial-scale ammonia gas turbines by 2030. The development however may be postponed depending upon the progress of the plan hereafter and achieving carbon neutrality at Mazda's global plants in 2035 can be a high target.

Accordingly, JCR has evaluated that Mazda's numerical targets set forth in the two SPTs are both ambitious.

(2) Comparison with the industry, peers and the goal set by the national government

JCR has evaluated that the global BEV sales ratio of 25 percent or more in SPT1 in FY 2030 in the "Technology Roadmap for Transition Finance in Automobile Sector" formulated by the Ministry of Economy, Trade and Industry, one of the two KPI and SPT set by Mazda is aligned with the numerical target for EV/PHEV (20-30 percent) in FY 2030. A goal of increasing the ratio of electric vehicles (BEV, PHV, FCEV and HEV) to 100 percent in 2035 was set in the aforementioned Technology Roadmap; however, Mazda aims to achieve 100 percent electric vehicle ratio as of 2030, which is ambitious in that respect as well.

Mazda set the target that is comparable to domestic peers when the level of ambition related to Category 11 in Scope 3 (CO<sub>2</sub> emissions from use of sold products) in terms of BEV and electrification targets. The Company also formulated a roadmap for decarbonization in

corporation with suppliers to calculate CO<sub>2</sub> emissions from the perspective of Category 1 in Scope 3 (CO<sub>2</sub> emissions from purchased goods and services) or it is promoting electrification hereafter in cooperating with suppliers in the communities. JCR therefore has evaluated that Mazda's carbon neutrality goal has been relatively ambitious.

The goal of achieving carbon neutrality in global plants by 2035 in SPT2 is subject to Scope 1 and Scope 2; however, the setting for the target year is more ambitious than that of the Japanese government's goal of achieving carbon neutrality by 2050. JCR has evaluated that Mazda is ambitious in comparison with peers based on the target year that Mazda aims to achieve carbon neutrality.

(3) Announcement on SPT setting to investors or its agreement

JCR has confirmed that Mazda will announce the SPT setting to investors or lenders in advance or will preliminarily agree with them for finance to be executed in this framework.

(4) The timing to determine SPT

In this framework, the BEV sales ratio in 2030 and carbon neutrality at Mazda's global plants in 2035 are established as SPT.

The BEV sales ratio, as mentioned above, is expected to rapidly increase after entering the third phase, the phase toward electrification by 2030 when the Company will have a lineup of BEV.

The Company has been working on the development of paints that cure at lower temperature in the manufacturing process that emit large amounts of CO<sub>2</sub> or addressing to improve the efficiency of processing technology for carbon neutrality at its global plants by 2035; however, many of them are still under R&D. There are still many issues to be considered for the introduction of renewable energy, including the fact that the aforementioned mono-firing of ammonia will be put into practical use in or after 2030. Therefore, it is difficult to set an annual SPT as required by the SLL Principles, and JCR has considered that it is reasonable to set the SPT as Mazda's medium- to long-term BEV sales ratio or the numerical target on carbon neutrality at its global plants. JCR has confirmed that, in cases where bonds or borrowings are executed, which are due for redemption or repayment between the target years of SPT1 and SPT2, SPT may be established for only the BEV sales ratio through discussion with investors each time.

JCR has evaluated that the goal setting and decision timing in this framework are adequate based on the above circumstances.

Accordingly, JCR has evaluated that (1) the two SPTs set by Mazda require the efforts that go beyond the conventional initiatives comparing to its previous track record, (2) the SPT1 is aligned with the Technology Roadmap for Transition Finance in Automobile Sector, (3) the SPT2 is aligned with the government's 2030 carbon neutrality goal and the SBT 1.5 degree Celsius level, which are ambitious.

SPT1 accords with "Mazda's 2030 BEV sales ratio from 25 to 40 percent" and SPT2 accords with "carbon neutrality at its global plants in 2035," an intermediate goal of "Mazda's 2050 carbon

neutrality throughout the entire supply chain" of the two SPTs in this framework, which is aligned with Mazda's environmental and social initiatives.

### 3. Impact Evaluation by JCR

JCR examined the impact of SPT (impact level) in accordance with five elements (variety, magnitude, efficiency, leverage and additionality) of impact assessment criteria exemplified in the Principle Four of Positive Impact Finance (hereinafter referred to as "PIF") Principle formulated by the United Nations Environment Programme so as to confirm the followings: (1) SPT defined in this framework is ambitious and of significance and contribute to the sustainable growth and social value improvements for Mazda and (2) the level of maximization of the positive impact and levels of avoidance, management and reduction of the negative impact.

#### 1. Variety: Are a variety of positive impacts delivered? (Impacts defined by UNEP FI, business segments, countries/regions or value chains)

|                     |  |                  |                        |                    |                         |
|---------------------|--|------------------|------------------------|--------------------|-------------------------|
| Society             | Personality and human security   | Conflict         | Modern slavery         | Child labor        |                         |
|                     |  | Data privacy     | Natural disasters      |                    |                         |
|                     | Health and safety  |                  |                        |                    |                         |
|                     | Availability, accessibility, affordability and quality of resources and services | Water            | Food                   | Housing            | Healthcare /Sanitation  |
|                     |  | Education        | Energy                 | Mobility           | Information             |
|                     |  | Connectivity     | Culture/Heritage       | Finance            |                         |
|                     | Livelihood   | Employment       | Wages                  | Social protection  |                         |
|                     | Equality/justice   | Gender equality  | Ethnic/racial equality | Age discrimination | Other vulnerable groups |
| Socio-economic      | Strong institutions, peace and stability   | Civil liberties  |                        | Rule of law        |                         |
|                     | Healthy economies  | Sector diversity |                        | Flourishing MSMEs  |                         |
|                     | Infrastructure   |                  |                        |                    |                         |
|                     | Socio-economic convergence   |                  |                        |                    |                         |
| Natural Environment | <u>Climate stability</u>   |                  |                        |                    |                         |
|                     | Biodiversity and healthy ecosystems  | Waterbodies      | Air                    | Soil               |                         |
|                     |  | species          | habitat                |                    |                         |
| Circularity         | Resource intensity   |                  | Waste                  |                    |                         |

The KPI in this framework is the BEV sales ratio and GHG emissions at the Company's global plants. Climate stability is included in the impact area. The scope of business areas covered is as follows:



- SPT setting targets include Category 11 in Scope3 for SPT1 and Scope1 and Scope2 for SPT2
- SPT1 applies to the Mazda Group, SPT2 applies to Mazda's four domestic manufacturing bases and five overseas manufacturing companies.

## 2. Magnitude: Is a significant impact delivered? (Percentage of sales of the target project, domestic and overseas market share or level of ambition)

Mazda is a medium-sized automobile manufacturer in Japan, and global sales volume in the fiscal year ended March 2023 was 1.11 million units, a decrease of 11 percent from the previous fiscal year, with consolidated shipments increased by 7 percent from the previous fiscal year to 1.059 million units and sales volume was 3.8268 Trillion yen, an increase of 23 percent from the previous fiscal year.

Although Mazda is smaller than other major peers, it has the SKYACTIV technology as its "base technology" based on which, it has developed small vehicle models (SMALL group,) large vehicle models (LARGE group) and EV vehicle models (EV group.) The Company has the Building Block Concept that enables efficient development by accumulating the aforementioned technology and has established a unique position in technology development efforts.

For the two SPTs set, Mazda established the target that is comparable to those of domestic peers when the level of ambition related to Category 11 in Scope 3 (CO<sub>2</sub> emissions from use of products) deems as BEV and electrification targets. The Company also formulated a roadmap for decarbonization in corporation with suppliers to calculate CO<sub>2</sub> emissions from the perspective of Category 1 in Scope 3 (CO<sub>2</sub> emissions from products purchased) or it is promoting electrification hereafter in cooperation with suppliers in the communities based on which Mazda's targets and efforts toward carbon neutrality is expected to bring about major impacts mainly in the Chugoku region.

The target for the global carbon neutrality 2035 at Mazda's plants in SPT2 is one of the earliest targets to be achieved among peers and the pace of reduction is equivalent to the SBT 1.5 degree Celsius level; therefore, it is expected to bring about significant impacts.

Additionally, as mentioned above, Mazda's efforts for decarbonization include its supply chains and are expected to have major impacts since it will contribute to its decarbonization throughout the entire supply chain.

## 3. Efficiency: Is scale of impacts delivered relative to the amount of funds spent? (Importance in the entire project or strategic significance)

Finance based on this framework supports highly efficient investment plans for invested capital from the following perspectives:

Mazda set the metrics for the "BEV sales ratio from 25 percent to 40 percent in 2030" and has also a goal for GHG, "Endeavor for carbon neutrality throughout the entire supply chain by 2050." As its interim goals, the Company set the goals of "reducing CO<sub>2</sub> emissions at Mazda (unconsolidated) by 69 percent in FY 2030 from FY 2013" and "Carbon neutrality at its global plants by 2035." The two SPTs set in this framework are in line with the aforementioned metrics and goals.

In order to increase the sales volume of BEV, Mazda will promote to develop the electrification

technology or make capital investments in three phases toward electrification by 2030, and it will continue to develop BEV in the third phase for the full-scale introduction of battery EV starting in 2028 so as to increase sales volume.

Mazda plans to reduce CO<sub>2</sub> at its plants for the GHG goals through the aforementioned "energy efficiency," "introducing renewable energy" and "introducing carbon neutral fuels."

4. Leverage: Are private funds utilized more than public funds or donations?

Since public funds are not utilized in this project, this item is not subject to evaluation.

5. Additionality: Does it have additional impacts?

(Addressing insufficient response for sustainable development needs or progressing toward achieving SDGs)

The SPT in this framework is expected to have an additional impact on more than one goal and target out of the 17 goals and 169 targets of the SDG as listed below.



### **Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all**

**Target 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix

**Target 7.3:** By 2030, double the global rate of improvement in energy efficiency



### **Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

**Target 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human well-being with a focus on affordable and equitable access for all

**Target 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



### **Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable**

**Target 11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



### **Goal 12: Ensure sustainable consumption and production patterns**

**Target 12.2:** By 2030, achieve the sustainable management and efficient use of natural resources

### **Goal 13: Take urgent action to combat climate change and its impacts**



**Target 13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

### 4-3. Principle 3: Characteristics of Bonds and Loans (Economic Conditions)

#### 1. JCR's Key Consideration in this Factor

In this section, JCR will confirm whether the interest rates of corporate bonds and loans will change depending upon whether or not a predefined SPT is achieved as for the characteristics of corporate bonds and loans.

#### 2. Current Status of Evaluation Targets and JCR Evaluation

(Evaluation results)

The financial and structural characteristics of the finance provided in this framework will change depending upon whether a predefined SPT is achieved or not as for the KPI selected. This variability will be included in the bond disclosure documents or loan agreements, making it highly transparent. KPI measurement methods, the calibration of SPT and prerequisites will be stated in corporate bond disclosure documents or loan agreements.

JCR has confirmed that Mazda will agree on a deal to change its financial and structural characteristics, such as increasing or decreasing interest rates, donations, or purchasing emissions credits in case of achieving the SPT. The definitions of KPI, the calibration of SPT and prerequisites will also be included in the bond disclosure documents or individual loan agreements in this framework.

In cases where the definitions of KPI, the calibration of SPT or prerequisites are changed due to unforeseen circumstances at the time of this finance, Mazda will explain the details changed and the recalculation method to the corporate bond investors or lenders.

In cases where there are any significant change in the calibration of SPT, such as unexpected events at the time of this finance or in cases where reasonable years have passed since the SPT goal was achieved and the significance of SPT is likely to be lost, Mazda will discuss to set a SPT with an ambitious level that is equivalent to or higher than the conventional evaluation standards based on the change with interested parties and will be evaluated by an external review organization as necessary.

Accordingly, JCR has confirmed that Mazda will agree on a deal of or disclose the linking with the terms and conditions of finance and the matters stated in the agreements and the contents to be announced are proper.

## 4-4. Principles 4 and 5: Reporting and Verification

### 1. JCR's Key Consideration in this Factor

In this section, JCR will confirm whether the latest information on the performance of the selected KPI and data that can determine the ambitious level of the SPT will be disclosed at least annually for the reporting defined in this framework. JCR will also confirm whether the performance of the selected KPI will be independently and externally verified and whether the details of such verification will be disclosed as for the verification set forth in this framework.

### 2. Current Status of Evaluation Targets and JCR Evaluation

(Evaluation results)

Mazda has appropriately planned the contents, frequency and method of disclosure in post-financing reporting and its details required in the Principles, such as the progress of SPT will be verified by a third party institution.

Mazda will annually publish reporting on its progress of reducing GHG emissions on its website regarding the performance of the two KPIs. JCR has confirmed the framework stated that reporting may only be made to the lender in case of loans (in case of syndicated loans, reporting will be made via agents;) however, this is a response only in the event of an unexpected situation; and the Company will make efforts to publicly disclose general information through its website as much as possible.

Of the two SPTs mentioned above, the GHG emissions data are annually verified by a third-party organization, and JCR has confirmed that the Company is considering that the BEV sales ratio be verified as well.

In cases where there are any significant change to the SPT during the period, JCR will review it to confirm whether the change made will comply with CTFH and so forth and SLBP and so on and the ambitious level or significance initially assumed will be maintained. Mazda and JCR will review respective transition linked bonds or transition linked loans executed based on this framework and will evaluate the achievement of the SPT by the date to determine whether the SPT is achieved or not.

## 4-5. Conclusion on Alignment with CTFH and so forth and SLBP and so on

Based on the aforementioned considerations, JCR has confirmed that this framework, which is the subject of this third-party opinion, is aligned with CTFH and so forth and SLBP and so on.

(Responsible analysts for this evaluation) Atsuko Kajiwara, Kosuke Kajiwara

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## Important explanations of this Evaluation

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### 1. Assumptions, Significance and Limitations of JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation

JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation, which are determined and provided by Japan Credit Rating Agency, Ltd. (JCR), cover the policies set out in the Sustainability Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green/Transition Project and Social Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation are not intended to evaluate the effects of specific environmental improvements and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a green/transition/sustainability finance evaluation, a separate evaluation is needed. JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation do not prove the environmental improvement effects and social benefits of individual bonds or borrowings implemented under this Framework, and do not assume responsibility for their environmental improvement effects and social benefits. JCR confirms the environmental improvement effects and social benefits of funds procured under the Sustainability Finance Framework measured quantitatively and qualitatively by the issuer or by a third party nominated by the issuer, but in principle it does not directly measure such effects.

### 2. Method used to conduct this evaluation

The methodologies used in this assessment are described in "JCR Green Finance Evaluation" and "JCR Sustainable Finance Framework" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en>).

### 3. Relationship with Acts Concerning Credit Rating Business

JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation are determined and provided by JCR as a related business, which is different from its activities related to the credit rating business.

### 4. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not assure to provide or browse a predetermined credit rating.

### 5. Third-Party Evaluation of JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation

There are no capital and/or personnel relationships that may result in a conflict of interests between the subject of this evaluation and JCR.

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#### ■ Glossary

JCR Sustainability Finance Framework Evaluation: JCR Sustainability Finance Framework Evaluation evaluates the extent to which the funds procured from the Sustainability Finance Framework are allocated to the Sustainability Project as defined by JCR, and the extent to which the management, operation, and transparency of the Sustainability Loan are ensured. Evaluations are graded on a scale of 5(F), beginning with the top, using the SU1(F), SU2(F), SU3(F), SU4(F), and SU5(F) symbols.

JCR Climate Transition Finance Framework Evaluation: The evaluation assesses the extent to which funds raised through transition financing based on the framework will be allocated to green/transition projects as defined by JCR, as well as the degree of management, operations, and transparency initiatives related to the use of such transition financing, etc. The evaluation is on a five-point scale, from top to top, and is displayed using the rating symbols Green1 (T)(F), Green2 (T)(F), Green3 (T)(F), Green4 (T)(F), and Green5 (T)(F).

#### ■ Status of Registration as an External Evaluator of Green Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the Institute of International Capital Markets)

#### ■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations and (4) governments and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosures are attached to the news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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<Reference>

Check Sheet for Alignment with Basic Guidelines on Climate Transition Finance

January 26, 2024

Japan Credit Rating Agency Co., Ltd.

Evaluation Target: Mazda Motor Corporation

The followings are the check results of the alignment of the Finance with respect to the items recommended in the Basic Guidelines on Climate Transition Finance (the "Guidelines") published by the Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment.

The Guidelines use three expressions: "should," "recommended" and "be considered/possible." These expressions are used in the following context:

- Items described with the word "should" are basic elements that financial instruments labeled as transition finance are expected to have.
- Items described with the word "recommended" are elements that financial instruments labeled as transition finance are optimally recommended to have under the Guidelines although instruments which do not have these items can also be labeled as transition finance.
- Items described with the word "be considered" or "possible" are elements that they are not considered problematic even if financial instruments labeled as transition finance do not have them.

#### **Element 1: Fundraiser's Climate Transition Strategies and Governance**

a) Financing through transition finance **should** aim to implement or incentivize the achievement of transition strategies. Such strategies **should** incorporate a long-term target to align with the goals of the Paris Agreement, relevant interim targets on the trajectory toward the long-term goal, disclosure on the levers toward decarbonization and fundraiser's strategic planning.

Consistency: ✓

Mazda has set a goal of "achieving carbon neutrality throughout the entire supply chain by 2050," and has set intermediate goals of "reducing Mazda's CO2 emissions (non-consolidated) by 69 percent compared to 2013 in 2030" and "the Company has set a goal of achieving carbon neutrality at its global factories by 2035."

The automotive sector is an industrial segment with broad-based supply chains,



and a strategy of Mazda that is a core company affects many suppliers, therefore, it is significant for the Company to achieve carbon neutrality at its global plants in 2035, an early stage and to declare to achieve carbon neutrality throughout its entire supply chain by 2050.

It is commendable that Mazda has concrete initiatives toward carbon neutrality as follows: the Company formulated a roadmap for decarbonization by working cooperatively with suppliers to calculate their CO<sub>2</sub> emissions from the perspective of Category 1 in Scope 3 (CO<sub>2</sub> emissions from purchased goods and services) toward carbon neutrality throughout the entire supply chain by 2050 or strives to promote electrification for the future while discussing with local suppliers.

Additionally, Mazda has proposed multi-track technology development illustrated in Japan's Transition Roadmap to reduce CO<sub>2</sub> emissions during the vehicle use stage, such as BEV conversion and decarbonization of internal combustion engines using synthetic fuels or biofuels. On the other hand, the IEA report also points out that electrification, centered on BEVs, is becoming mainstream in Japan and overseas although there has been some reversal. In the United States, which accounts for approximately 30 percent of Mazda's sales, Mazda is accelerating the development of PHEVs and BEVs as part of its building block concept, given that BEV sales are rapidly accelerating under the Biden administration. In November 2022, Mazda set the expected BEV sales ratio for 2030 at 25-40 percent. In light of the above, the use of proceeds set in this framework is based on Mazda's above-mentioned strategy and targets businesses that contribute to the realization of Mazda's long-term strategy.

The interim target of Mazda's 69 percent reduction (non-consolidated) in CO<sub>2</sub> emissions in 2030 compared to 2013 surpasses the Japanese government's goal of reducing greenhouse gas emissions by 46 percent compared to 2013. This is also a reduction target that is consistent with the Science Based Target's 1.5°C level. In addition, the ratio of BEVs, 25-40 percent of new car sales in 2030 and measures to achieve the target are consistent with the targets and measures indicated in the "Technology Roadmap for 'Transition Finance' in Automobile Sector," which was formulated and published by the Ministry of Economy, Trade and Industry in March 2023. In addition, efforts to replace coal/biomass mixed combustion with mono-ammonia combustion are consistent with the goals and measures set forth in the "Transition Roadmap for Power Sector" formulated and published by the Ministry of Economy, Trade and Industry in February 2022.

b) A transition strategy **should** serve to explicitly communicate the implementation of an issuer's strategy to transform the business model in a way which effectively addresses climate-related risks and contributes to achieving the goals of the Paris Agreement. Transformation of a business model is not limited to initiatives as an extension of existing businesses but **can** also be transformation based on various other perspectives. It includes fuel conversion that achieves significant carbon and GHG reduction benefits, introduction of innovative technologies, improvement of / changes in manufacturing processes and products, and development and provision of products and services in new fields.

Consistency: ✓

In May 2019, Mazda endorsed the gist of the TCFD (Task Force on Climate-related Financial Disclosures) and identified risks and opportunities on climate change for a medium to long term. The Company also formulated scenarios with its assumptions based on scenarios formulated by IPCC or IEA, policies, regulatory trends or industry trends and appropriately reflected them in the formulation of its Group's electrification strategy including BEVs or strategies toward transition such as the challenge of achieving the goal of carbon neutrality throughout the entire supply chain in 2050 including the replacement of coal/biomass co-firing with mono-ammonia combustion.

c) The implementation of a transition strategy assumes cases where it affects society and environment other than climate change, such as employment or stable provision of products and services, through transformation of a business model. In such cases, it is **recommended** that the fundraiser also takes into consideration the impact of business innovations to society and environment other than climate change.

Consistency: ✓

It is undeniable that the supply chain may be reorganized along with implementation of Mazda's transition strategy. The Japan Automobile Manufacturers Association, Inc. to which Mazda belongs explained to "choose a carbon-neutral path that leaves no one behind including small and medium-sized enterprises and that will lead to the future" in its Taskforce Formulating Roadmaps for Climate Transition Finance in economic and industrial sector. JCR has confirmed that Mazda will promote to prevent negative impacts on the

environment and society, such as the impact on employment caused by electrification or shifting to BEV, so that the local economy, including Mazda and its suppliers can be sustainably developed as electrification progresses.

The Company strives to maintain the industry and employment in respective regions including the Chugoku area and contribute to the development of the local economy by building and developing a system that can produce electric drive units with business partners in the Chugoku area. The Company established a joint venture company with Ondo Corporation, Ltd., Hiroshima Aluminum Industry Co., Ltd. and Hirotec Corporation to develop highly efficient production technology for electric drive units or establish a production and supply network for the development of these units with the belief that it needs to develop electrification technologies such as electrification-related parts in the Chugoku area and evolve the entire supply chain including Mazda in the collaboration toward the development and production of electric drive units announced in November 2022.

Based on the above, JCR has evaluated that Mazda makes consideration on just transition.

d) Climate change-related scenarios **should** be referenced in developing transition strategies. The pathway to transition **should** be planned for respective sectors and regions of individual fundraiser, who may generally be placed in a different starting point and pathway to transition.

Consistency: ✓

In May 2019, Mazda endorsed the gist of the TCFD (Task Force on Climate-related Financial Disclosures) and identified risks and opportunities on climate change for a medium to long term. The Company also formulated scenarios with its assumptions based on scenarios composed by IPCC or IEA, policies, regulatory trends or industry trends for risks of climate change.

e) Transition strategies and plans must be highly credible in terms of their effectiveness. Therefore, it is recommended that a transition strategy and plan are linked to the management strategy and business plan, including Medium-term Business Plans.

Consistency: ✓

Mazda has set the goal of "achieving carbon neutrality throughout the entire supply chain by 2050" in the update to the medium-term management plan and

management policy up to 2030, and the target BEV ratio has also been formulated based on this long-term goal. Investment plans for electrification are planned based on the above.

f) However, because such strategies and plans run for a long period of time, it is **possible** that the content may be modified or adjusted in the event of a major change in the assumed external environment and so on.

Consistency: ✓

Mazda's policy is to respond flexibly to its transition strategy, taking into account the external environment. As an example, in June 2021 Mazda set the target for the BEV ratio in global unit sales in 2030 to be 25 percent or more. The target figure was however revised to 25 percent to 40 percent in November 2022 in light of the rapid spread of BEV sales when the mid-term management plan was updated. In this way, Mazda makes changes and modifications to the content in response to changes in the external environment.

g) In the initial phase of developing a transition strategy by the fundraiser, it is **considered** as an option for the fundraiser to indicate a plan for future implementation of items described with the words "recommended" and "be considered/possible" in the Guidelines.

Consistency: ✓

All matters that are considered "should" in the Basic Guidelines satisfy their requirements. In addition, almost all items identified as "recommended" and "considered/possible" have met their requirements or are expected to be implemented in the future.

h) In order to secure the effectiveness of the transition strategy, the fundraiser **should** establish an organizational structure for the board of directors and/or other such committee to oversee the activities addressing climate change and for management to play a role in assessing and managing such climate-related activities.

Consistency: ✓

Mazda has assigned Director to oversee its carbon neutral strategy and Executive Officer in charge of Carbon Neutrality in taking on the challenge of achieving carbon neutrality throughout the entire supply chain in 2050. In 2021, a team specializing in response to carbon neutrality (a specialized CN team) was formed

with Corporate Strategy Division as the lead department, consisting of departments involved in products, manufacturing, purchasing, logistics, sales or recycling. Under the Director in charge of carbon neutrality, Corporate Strategy Division led the team to plan and promote as follows: (1) response strategies from a perspective of LCA to the risks and opportunities selected based on scenarios developed by IPCC or IEA, policies, regulatory trends or industry trends, (2) investments or expenses necessary for initiatives or (3) response schedules. In April 2023, the functions performed by Corporate Strategy Division and Product Strategy Division were partially consolidated and integrated into newly established Corporate Strategy Division in which a division to promote carbon neutral strategies was established. Under the leadership of Corporate Strategy Division, the aforementioned specialized CN teams have implemented plans based on the strategies that have been formulated so far along with strategic plans in respective specialized areas. In order to promote to execute plans throughout the Company, it has started a management approach that will integrate carbon neutral initiatives into the existing ISO 14001 Environmental Management System (EMS.) The newly established department in Corporate Strategy Division has been promoting planning that is consistent with the company-wide strategies in the area of products and technology. These strategies will be reported to the management meeting or the Board of Directors with Representative Director and President attended for deliberation. Responses to sustainability issues including climate change will be reported to the Board of Directors in a timely and appropriate manner. Accordingly, JCR has evaluated that Mazda has established its governance system to secure the effective transition strategy.

i) While a transition strategy shall be basically developed by a company in need of finance, it is **possible** for entities to utilize the strategy of companies that are wholly or partially responsible for the initiatives to establish or explain their own strategy, given that the finance supports GHG emissions reduction initiatives of not just a single company but its supply chain.

Consistency: ✓

Mazda has set a goal of "challenge of achieving carbon neutrality throughout the entire supply chain in 2050," and this target includes Mazda and its entire supply chain.

j) Transition strategies **should** be disclosed in advance in a company's integrated report, sustainability report, statutory documents and other materials for investors (including such disclosures on the website). This also applies to the other three elements.

Consistency: ✓

Mazda's transition strategy is published on its website or in sustainability-related reports.

k) It is **possible** to disclose transition strategies and elements concerning the governance guaranteeing that the execution of transition strategies is in alignment with the reporting frameworks such as the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD; Final Report).

Consistency: ✓

Mazda has analyzed the effects of climate change and has disclosed the followings:

- Support for TCFD
- Information disclosure in line with TCFD recommendations (risk/opportunity recognition, scenario analysis, etc.)

l) If the implementation of a transition strategy assumes impacts on society and environment other than climate change, it is **recommended** that the fundraiser explain the view underlying its approaches, etc. to address such impacts and disclose how the strategy on the whole contributes to achieving the Sustainable Development Goals (SDGs) so that the effects can be appropriately evaluated by the financier.

Consistency: ✓

Mazda has set a goal of "challenge of achieving carbon neutrality throughout the entire supply chain in 2050" and set intermediate targets. It is undeniable that the supply chain may be reorganized depending upon the response to climate change. The Japan Automobile Manufacturers Association, Inc. to which Mazda belongs explained to "choose a carbon-neutral path that leaves no one behind including small and medium-sized enterprises and that will lead to the future" in its Taskforce Formulating Roadmaps for Climate Transition Finance in economic and industrial sector. JCR has confirmed that Mazda will promote to prevent negative impacts on the environment and society, such as the impact on employment caused by electrification or shifting to BEV, so that the local economy,

including Mazda and its suppliers can be sustainably developed as electrification progresses. In other words, the Company strives to maintain the industry and employment in respective regions including the Chugoku area and contribute to the development of the local economy by building and developing a system that can produce electric drive units with business partners in the Chugoku area. The Company, as one of these efforts, established a joint venture company with Ondo Corporation, Ltd., Hiroshima Aluminum Industry Co., Ltd. and Hirotec Corporation to develop highly efficient production technology for electric drive units or establish a production and supply network for the development of these units with the belief that it needs to develop electrification technologies such as electrification-related parts in the Chugoku area and evolve the entire supply chain including Mazda in the collaboration toward the development and production of electric drive units announced in November 2022. Based on the above, JCR evaluates that consideration is given to a just transition.

m) Considering the length of application and other factors, there may be instances when a transition strategy and plan will need to be modified due to major changes in the external environment and relevant conditions that were assumed at a planning phase. In this case, the contents of the modification **should** be disclosed together with the underlying reason in a timely manner.

Consistency: ✓

Mazda's policy is to respond flexibly to its transition strategy, taking into account the external environment. As an example, in June 2021, Mazda set the target for the BEV ratio in global unit sales in 2030 to be 25 percent or more. The target figure however was revised to 25 percent to 40 percent in November 2022 in light of the rapid spread of BEV sales when the mid-term management plan was updated.

n) In terms of governance, it is **recommended** that disclosures include an organizational structure for overseeing the implementation of a transition strategy and for assessing and managing related initiatives. It is also **recommended** that disclosures include the specific roles of the constituent organizations and the management and the process by which the content of deliberations is reflected in management.

Consistency: ✓

Mazda has assigned Director to oversee its carbon neutral strategy and Executive

Officer in charge of Carbon Neutrality in taking on the challenge of achieving carbon neutrality throughout the entire supply chain in 2050. In 2021, a team specializing in response to carbon neutrality (a specialized CN team) was formed with Corporate Strategy Division as the lead department, consisting of departments involved in products, manufacturing, purchasing, and logistics, sales or recycling. Under the Director in charge of carbon neutrality, Corporate Strategy Division led the team to plan and promote as follows: (1) response strategies from a perspective of LCA to the risks and opportunities selected based on scenarios developed by IPCC or IEA, policies, regulatory trends or industry trends, (2) investments or expenses necessary for initiatives or (3) response schedules. In April 2023, the functions performed by Corporate Strategy Division and Product Strategy Division were partially consolidated and integrated into newly established Corporate Strategy Division in which a division to promote carbon neutral strategies was established. Under the leadership of Corporate Strategy Division, the aforementioned specialized CN teams have implemented plans based on the strategies that have been formulated so far along with strategical plans in respective specialized areas. In order to promote to execute plans throughout the Company, it has started a management approach that will integrate carbon neutral initiatives into the existing ISO 14001 Environmental Management System (EMS.) The newly established department in Corporate Strategy Division has been promoting planning that is consistent with the company-wide strategies in the area of products and technology. These strategies will be reported to the management meeting or the Board of Directors with Representative Director and President attended for deliberation. Responses to sustainability issues including climate change will be reported to the Board of Directors in a timely and appropriate manner. Accordingly, JCR has evaluated that Mazda has established its governance system to secure the effective transition strategy.

o) In cases where the fundraiser determines the need for an objective assessment regarding the transition strategy, it is **recommended** that a review, assurance and verification by an external organization for its transition strategy.

Consistency: ✓

The Corporation is assumed to be reviewed by the Japan Credit Rating Agency ("JCR".)



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| <p>p) It is <b>recognized</b> useful to obtain a review particularly concerning the followings in connection with the transition strategy:</p> <ul style="list-style-type: none"> <li>- Alignment of short-term, mid-term and long-term targets (for targets, refer to Element 3) with the overall scenario</li> <li>- Credibility of the fundraiser's strategy to reach the targets</li> <li>- Appropriateness of the management process and governance for the transition strategy</li> </ul> |
| <p>Consistency: ✓<br/> JCR has confirmed the above three items and provided this evaluation report.</p>   |

**Element 2: Environmental Materiality (Priority) in Business Models**

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| <p>a) Initiatives for achieving the transition strategy <b>should</b> be such that contribute to transforming core business activities that are environmentally material parts today and in the future.</p>   |
| <p>Consistency: ✓<br/> Mazda has identified the "endeavor for carbon neutrality by 2050," as its key issue (materiality.) Regarding the "endeavor for carbon neutrality by 2050," Mazda aims to achieve carbon neutrality throughout the entire supply chain and set the intermediate goal of achieving carbon neutrality in its global factories by 2035 and reducing Mazda's own CO2 emissions by 69 percent compared to FY 2013 in FY 2030. The Company also set a global BEV sales target for 2030 at 25-40 percent.<br/> The scope of the above initiatives covers the entire business, and JCR has evaluated that Mazda's transition strategy is an initiative that contributes to transforming the core business activities in its businesses.</p> |

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| <p>b) When identifying business activities that are environmentally material parts, it is <b>recommended</b> that the fundraiser consider multiple climate change-related scenarios that may possibly impact its judgment on the identification.</p>  |
| <p>Consistency: accept<br/> Mazda also has monitored IPCC (assessment reports from AR1 to AR5, 1.5°C special report, etc.) and IEA (World Energy Outlook, Energy Technology Perspective, EV Outlook, etc.) scenarios, policy and regulatory trends and industry trends. Based on these considerations, Mazda has formulated scenarios</p> |

based on its own assumptions, identified risks and opportunities and defined transition strategies based on scientific evidence.

c) In terms of considering materiality, it is **possible** to apply existing guidance provided by an organization that creates standard criteria concerning sustainability reporting.

Consistency: Not applicable  
The existing guidance mentioned above is not used when formulating key issues (materiality.)

d) The fundraiser **should** indicate that climate change is an environmentally material part of business activities.

Consistency: ✓  
Mazda cites the "endeavor for carbon neutrality by 2050" as one of the material issues that it has identified.

e) It is **recommended** that disclosures include the contents of climate change-related scenarios used in identifying business activities that are environmentally material parts along with the underlying reasons (e.g., regional and industrial characteristics) for selecting such scenarios.

Consistency: ✓  
Mazda has monitored IPCC (assessment reports from AR1 to AR5, 1.5°C special report, etc.) and IEA (World Energy Outlook, Energy Technology Perspective, EV Outlook, etc.) scenarios, policy and regulatory trends and industry trends from. Based on these considerations, Mazda has formulated scenarios based on its own assumptions, identified risks and opportunities and established a transition strategy based on scientific evidence and its details have been examined based on the characteristics of the automobile sector.

### **Element 3: Scientifically Rationalized Climate Transition Strategies (Including Targets and Channels)**

a) The fundraiser **should** reference science-based targets in developing its transition strategies.

Consistency: ✓  
Mazda's CO2 emissions reduction target for 2030, "A reduction of its CO2 emissions by 69 percent in comparison to FY 2013 by FY 2030(non-

consolidated,)" surpassed the Japanese government's goal of "reducing greenhouse gas emissions by 46 percent compared to FY2013 by 2030," which is aligned with the Science Based Target's 1.5°C level. In addition, the ratio of BEVs, 25-40 percent of global new car sales in 2030 and its measures are aligned with targets and measures in the "Technology Roadmap for 'Transition Finance' in Automobile Sector" formulated and published by the Ministry of Economy, Trade and Industry in March 2023. Mazda's initiative to replace coal/biomass mixed combustion with mono-ammonia combustion, which is one of the measures, is consistent with the goals and measures in "Transition Roadmap for Power Sector" formulated and announced by the Ministry of Economy, Trade and Industry in February 2022.

JCR has evaluated that the projects are consistent with the goals and measures shown in the transition roadmap. These targets have been set based on scenarios assumed by Mazda based on IPCC and IEA scenarios.

b) This **should** include mid-term targets (short- to mid-term targets) in addition to long-term targets for 2050 and be quantitatively measurable based on a measurement methodology which is consistent over a long period of time.

Consistency: ✓

Mazda has set a long-term goal of "challenging carbon neutrality across the entire supply chain in 2050," and its mid-term goals include "to achieve carbon neutrality in its global factories by 2035, and reduce its own CO2 emissions by 69 percent compared to FY 2013 in FY 2030." The Company has also set a target for BEV global sales ratio of 25-40 percent in 2030. This number is quantitative and measurable.

c) In addition, it is **recommended** that GHG reduction targets, which could be formulated either in intensity and absolute terms, should consider environmental materiality and cover Scopes 1 through 3 of GHG Protocol, the international standard on supply-chain emissions.

It is **recommended** that targets covering Scope 3 be set using a practical calculation method when it could be subject to significant reduction in the fundraiser's business model.

It is also **possible** to disclose the avoided emissions as necessary.

Consistency: ✓

Mazda announced the goal of "taking on the challenge of achieving carbon

neutrality throughout the entire supply chain by 2050" and set forth "reducing CO2 emissions by 69 percent in FY 2030 from FY 2013 at Mazda (non-consolidated)" and "achieving carbon neutrality at its global plants by 2035" as its intermediate goal. These targets cover Scope1, Scope2 and Scope3 as it include the entire supply chain. These goals are Mazda's medium- to long-term decarbonization targets on its business activities and a core metrics of its carbon neutral strategy. The automotive sector is an industrial segment with broad-based supply chains, and a strategy of Mazda that is a core company affects many suppliers; therefore, it is significant for the Company to achieve carbon neutrality at its global plants in 2035, an early stage and to declare to achieve carbon neutrality throughout its entire supply chain by 2050. It is commendable that Mazda has concrete initiatives toward carbon neutrality as follows: the Company formulated a roadmap for decarbonization by working cooperatively with suppliers to calculate their CO2 emissions from the perspective of Category 1 in Scope 3 (CO2 emissions from purchased goods and services) toward carbon neutrality throughout the entire supply chain by 2050 or strives to promote electrification for the future while discussing with local suppliers. In addition, the global sales ratio of BEVs is the part of Mazda's efforts to reduce CO2 emissions in Scope 3 include setting targets related to use-phase emissions and have a quantitative target of 25-40 percent for 2030.

d) Science-based targets are GHG reduction targets required for achieving the goals of the Paris Agreement and **should** be set while taking into account differences in regional characteristics and industries. In so doing, it is **possible** to refer to the following trajectories.

- Scenarios widely recognized in the international community (Examples include the Sustainable Development Scenario (SDS) outlined by the International Energy Agency (IEA))
- Objectives verified under the Science Based Targets Initiative (SBTi) and such like
- Nationally Determined Contributions (NDC) of countries aligned with the goals of the Paris Agreement, roadmaps by industry sector, industries set out plans that are science-based achieving the Paris Agreement and so on.

Consistency: ✓

Mazda has monitored IPCC (assessment reports from AR1 to AR5, 1.5°C special

report, etc.) and IEA (World Energy Outlook, Energy Technology Perspective, EV Outlook, etc.) scenarios, policy and regulatory trends and industry trends. Based on these considerations, Mazda has formulated scenarios based on its own assumptions, identify risks and opportunities and defined transition strategies based on scientific evidence and its details have been examined based on the characteristics of the automobile sector.

JCR has evaluated that the global BEV sales ratio of 25 percent or more in FY 2030 is consistent with the FY 2030 figure (20-30 percent) for EV/PHEV listed in the " Technology Roadmap for 'Transition Finance' in Automobile Sector" formulated by the Ministry of Economy, Trade and Industry.

Furthermore, the long-term strategy of challenging to achieve carbon neutrality across the entire supply chain in 2050, as well as intermediate targets for 2030 and 2035, are consistent with the Japanese government's goal of achieving carbon neutrality by 2050.

e) Short- to mid-term targets (with a term of three to fifteen years) **should** be set by referencing the aforesaid trajectories or on the pathway toward the long-term targets planned as benchmarks.

Consistency: ✓

Mazda's mid-term goals of "reducing its own CO2 emissions by 69 percent by FY 2030 compared to FY 2013 " and "achieving carbon neutrality at its global factories by 2035" have been established based on the long-term goals of "achieving carbon neutrality in the entire supply chain by 2050." The global BEV sales ratio of 25-40 percent in 2030 has been set based on the above long-term goals.

f) In doing so, since short- to mid-term targets will likely be set in consideration of various factors (including the starting point and track records of the issuer, timing of capital investments, economic rationality, cost-benefit analysis, and availability of technology necessary to achieve the targets,) it is **possible** that the pathway may not necessarily be linear with the same slope at all times but may be nonlinear.

Consistency: ✓

Mazda's goal of "achieving carbon neutrality in the entire supply chain by 2050" is based on the assumption that BEVs begin to spread in earnest in and after the 2030s and that mono-ammonia gas turbines are commercialized in and after

2030. Mazda set a scenario of the assumption that the path is nonlinear.

g) The fundraiser **should** disclose the short- to mid-term and long-term targets they have set, including the base years, etc.

Consistency: ✓

The base year for the short- and medium-term CO2 emission reduction target for FY 2030 is set as FY 2013.

h) In order to show that long-term targets are science-based, disclosures **should** explain the methodology or trajectory used to define target, including the underlying reasons (e.g., characteristics specific to a region or industry.) In particular, when reference is made to plans and industry roadmaps established by an industry, etc., the explanation **should** include that they are grounded in scientific basis.

Consistency: ✓

Mazda's long-term goals are consistent with the Japanese government policies, IPCC (assessment reports from AR1 to AR5, 1.5°C special report, etc.) and IEA (World Energy Outlook, Energy Technology Perspective, EV Outlook, etc.) scenarios, "Technology Roadmap for 'Transition Finance' in Automobile Sector" and the "Transition Roadmap for Power Sector" formulated and published by the Ministry of Economy, Trade and Industry.

i) It is **possible** that disclosures explain the pathway toward a long-term target and the alignment between the short- to mid-term targets on the pathway and the transition strategy, based on the investment plan (refer to Element 4) and other plans.

Consistency: ✓

Mazda's mid-term goals of "achieving carbon neutrality in its global factories by 2035 " and "reducing its own CO2 emissions by 69 percent compared to FY 2013 in FY 2030" have been established based on the long-term goal of "achieving carbon neutrality in the entire supply chain by 2050." Additionally, the global BEV sales ratio target of 25-40 percent in 2030 has been set based on the above long-term goals.

Mazda expects to invest a total of 1.5 trillion yen by 2030 in research and development related to electrification, capital investment, etc., including business partners. Furthermore, capital investment is expected to replace coal/biomass

mixed combustion with mono-ammonia combustion.

j) Concerning targets and trajectories, obtaining expert reviews on the followings is **considered** to be particularly useful:

- Whether the long-term target is aligned with science-based targets
- > Whether the disclosed information explains the alignment with the Paris Agreement
- Whether the short- to mid-term targets are determined using a GHG emissions forecast calculated based on a climate change scenario analysis
- > Whether scenarios, etc. widely recognized in the international community are used or referenced
- Whether the actual values of the indicators used for the targets are quantitatively measured using consistent measurement methods
- > Whether a specific GHG emissions reduction measure has been developed to achieve short- to mid-term targets aligned with long-term goals

Consistency: ✓

JCR has confirmed that all of the above items are met in this evaluation report.

#### Element 4: Transparency of Implementation

a) In implementing transition strategies, the fundraiser **should** provide transparency of the basic investment plan to the extent practicable.

Consistency: ✓

Mazda expects to invest a total of 1.5 trillion yen by 2030 in research and development related to electrification, capital investment, etc., including business partners. Regarding investment forecasts, JCR have confirmed that if there is a major change in the outlook, Mazda will endeavor to disclose it as appropriate to the extent possible.

b) The investment plan includes not only capital expenditure (Capex) but also capital and operational expenditure (Opex). Therefore, costs related to research and development, M&A, and dismantling and removal of facilities are also subject to the investment plan. In other words, it is **recommended** that the investment plan incorporate, to the extent possible, expenditure and investment necessary for implementing the transition strategy.

Consistency: ✓

In the investment plan, electrification investment is described as part of the

transition strategy. The amount has also been announced by Mazda.

c) It is **recommended** that the investment plan outline the assumed climate-related outcomes and impacts in a quantitative fashion where possible, along with the calculation methods and prerequisites. If quantification is difficult, the use of external certification systems can be considered as a substitute for qualitative assessment.

Consistency: ✓

Mazda has set a goal of achieving a global BEV sales ratio of 25-40 percent and a global electrification ratio of 100 percent in 2030 based on its investment plan for electrification. Regarding the global BEV sales ratio, JCR have confirmed that Mazda is considering to having it verified by a third-party organization.

d) In particular, when outlining the assumed climate-related outcomes and impacts, it is **recommended** that the disclosure include not only GHG emission reduction and other initiatives to ease climate change but also report how consideration of a "just transition" is incorporated into the transition strategy.

Consistency: ✓

It is undeniable that the supply chain may be reorganized depending along with the implementation of Mazda's transition strategy. The Japan Automobile Manufacturers Association, Inc. to which Mazda belongs explained to "choose a carbon-neutral path that leaves no one behind including small and medium-sized enterprises and that will lead to the future" in its Taskforce Formulating Roadmaps for Climate Transition Finance in economic and industrial sector. JCR has confirmed that Mazda will promote to prevent negative impacts on the environment and society, such as the impact on employment caused by electrification or shifting to BEV, so that the local economy, including Mazda and its suppliers can be sustainably developed as electrification progresses.

The Company strives to maintain the industry and employment in respective regions including the Chugoku area and contribute to the development of the local economy by building and developing a system that can produce electric drive units with business partners in the Chugoku area. The Company established a joint venture company with Ondo Corporation, Ltd., Hiroshima Aluminum Industry Co., Ltd. and Hirotec Corporation to develop highly efficient production technology for electric drive units or establish a production and supply network



for the development of these units with the belief that it needs to develop electrification technologies such as electrification-related parts in the Chugoku area and evolve the entire supply chain including Mazda in the collaboration toward the development and production of electric drive units announced in November 2022.

Based on the above, JCR has evaluated that Mazda makes consideration on just transition.

e) If implementing the transition strategy has the potential of having a negative impact on employment or the environment and communities other than climate change, it is **recommended** that any expenditures to mitigate such negative impacts be added to the plan.

Consistency: ✓

The implementation of Mazda's transition strategy may have an impact on employment and negative impacts on the environment and society other than climate change. Mazda however will promote to prevent negative impacts on the environment and society, such as the impact on employment caused by electrification or shifting to BEV, so that the local economy, including Mazda and its suppliers can be sustainably developed as electrification progresses. The Company strives to maintain the industry and employment in respective regions including the Chugoku area and contribute to the development of the local economy by building and developing a system that can produce electric drive units with business partners in the Chugoku area. The Company established a joint venture company with Ondo Corporation, Ltd., Hiroshima Aluminum Industry Co., Ltd. and Hirotec Corporation to develop highly efficient production technology for electric drive units or establish a production and supply network for the development of these units with the belief that it needs to develop electrification technologies such as electrification-related parts in the Chugoku area and evolve the entire supply chain including Mazda in the collaboration toward the development and production of electric drive units announced in November 2022. These initiative include the investment plan for electrification.

f) Moreover, the outcomes arising from investments included in the investment plan **should** align with the targets.

Consistency: ✓

Mazda plans to invest 1.5 trillion yen in electrification by 2030. This also includes

research and development conducted jointly with suppliers, and JCR has confirmed that Mazda will invest in them with about half of the total. JCR has evaluated that this investment as part of Mazda's transition strategy efforts to take on a challenge for carbon neutrality throughout the supply chain by 2050.

g) Transition finance is a means to financially support the implementation of a transition strategy, and it is **recommended** that financing be provided for new initiatives. However, in the case of transition finance in the format of Use of Proceeds instruments, refinancing for a reasonably set lookback period (the period during which refinancing is to be applied for projects that have already started) is **considered** to be eligible.

Consistency: ✓

For use-of-proceeds financing, new investments or investments made within three years of implementation are eligible. The use of proceeds included in the use of proceeds category is for research and development and capital investment for electrification, and JCR has evaluated that the lookback period is appropriately set.

h) It is **recommended** that investment plans be disclosed by linking the outcomes and impacts with the expenditures to the extent practicable.

Consistency: ✓

Mazda plans to invest 1.5 trillion yen in electrification by 2030. This investment also includes research and development conducted jointly with suppliers, and although details cannot be disclosed due to confidentiality concerns, JCR have confirmed that Mazda alone will be investing approximately half of the total. Mazda also plan to appropriately disclose the impact of each use of proceeds.

i) It is **recommended** that the fundraiser, after securing financing, reports any deviations between the initial plan and the actual expenditure, outcomes and impacts. For any deviations, it is **recommended** that the underlying reasons be explained.

Consistency: ✓

Mazda plans to disclose annual reporting on its website or in its sustainability-related reports regarding the performance of KPIs financed through general corporate purpose finance.

In addition, for use of proceeds finance, impact reporting on the use of proceeds is scheduled to be made annually.

j) In cases where the Use of Proceeds loans include refinancing, the fundraiser **should** provide an explanation on the lookback period set under the framework or other relevant methods along with the underlying reasons and factors.

Consistency: ✓

For use-of-proceeds finance, new investments or investments made within three years of implementation are eligible. The use of proceeds included in the use of proceeds category is for research and development and capital investment for electrification, and JCR has evaluated that the lookback period is appropriately set.

k) While there are differences in business practices, such as the fact that loans are traditionally made based on the bilateral relationship between a borrower and a lender, it is **recommended** that disclosure on the above be made to the extent possible in order to ensure transparency and credibility of transition finance. However, if it is difficult to disclose such information to the public from the standpoint of confidentiality and competition, it is **possible** to report such information only to lenders or external evaluation organizations without disclosing it to the public.

Consistency: ✓

Regarding general corporate purpose finance, the status of SPT achievement, etc. will be disclosed on the Mazda's website. In addition, in the case of loans, the framework states that reporting may only be made to the lender (in the case of syndicated loans, through the agent), but this is a response in the event of an unexpected situation and JCR has confirmed that Mazda will make efforts to publicly disclose information through its website and other means as much as possible.

In the case of use of proceeds finance, the allocation status after financing will be posted annually on the Mazda website for Green/Transition Bonds per bond issue and for Green/Transition Loans per financing.

l) Similarly, in cases where the fundraiser is a small-to-medium-sized enterprise and it is difficult to disclose to the public the same content as that reported to the financier or an external evaluation institution, it is **possible** for the fundraiser to simplify the content of disclosure, for example, by limiting disclosure to a summary of h) to j) of this section.

Consistency: Not applicable

Mazda is not a small- to-medium-sized enterprise.