

## Sustainability Bond / Sustainability Bond Programme

### External Review Form

#### Section 1. Basic Information

Issuer name:

Mitsui O.S.K. Lines, Ltd.

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:

22nd, 23rd, 24th unsecured bonds

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

June 28, 2019

Publication date of review publication:

June 28, 2019

#### Section 2. Review overview

##### SCOPE OF REVIEW

*The following may be used or adapted, where appropriate, to summarise the scope of the review.*

The review assessed the following elements and confirmed their alignment with the GBPs and the SBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |  |
|--|--|
| <input type="checkbox"/> Second Party Opinion    | <input type="checkbox"/> Certification             |
| <input type="checkbox"/> Verification            | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): |  |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Mitsui O.S.K. Lines, Ltd. is a general maritime transport company founded in 1884. In 1999, former MOL and Navix Line merged to form the current business. The company has built the world's largest fleet of tankers, LNG carriers, and other diverse vessels, centered on the transportation of natural resources and energy. The company has numerous high-quality customers in Japan and overseas. In 2018, it issued Green Bonds and is

working on green projects such as installing ballast water treatment equipment, scrubbers and acquiring LNG ships using the proceeds.

The proceeds will be used for the following eight projects: (1) Establishment of the Philippine University of Merchant Marine; (2) Workplace Reform; (3) Ballast Water Treatment System; (4) SOX Scrubber; (5) LNG fuel ship; (6) LNG fuel supply ship; (7) Energy-saving Propeller Boss Cap Fins (Upgraded PBCF); and (8) Wind Challenger. Through a series of social projects, it is expected that (1) the creation of employment by vocational training of young people in developing countries and (2) the socioeconomic improvement of persons with disabilities and employees caring for children and family members. With regard to (3), it is expected that marine biodiversity will be protected. In addition, with regard to (4), it is expected that air pollution will be prevented by reducing SOX emissions. The projects from (5) to (8) are also considered to contribute to the prevention of air pollution and the mitigation of climate change, and are evaluated as projects with clear potential for environmental improvement effects. Based on the above, JCR evaluates the use of proceeds for projects with environmental improvement effects and social benefits.

MOL identifies "provision of added value through transportation," "conservation of the marine and global environment," "innovation to advance marine technologies," "development of local communities and human resources development," and "governance and compliance to support business" as sustainability issues (materiality). Through a series of initiatives, MOL aims to maximize the economic and social value of the MOL Group. Among MOL's materiality, social projects contribute to "development of local communities and human resources", and green projects contribute to "innovation to advance marine technologies".

Regarding the management of the proceeds, internal controls are ensured by confirming the appropriation status and reporting to the CFO on a quarterly basis. The status of the appropriation will be disclosed on the Integrated Report or Company's website once a year until it is fully appropriated.

Based on JCR Sustainability Finance Assessment Methodology, JCR assigns "gs1" for the preliminary evaluation of "Green/Social Evaluation (Uses of Proceeds)". It assigns "m1" for "Management, Operation and Transparency Evaluation". Consequently, it assigns "SU1" for the preliminary overall evaluation of JCR sustainability bond. Detailed evaluation results are discussed in the next chapter. The Bonds are considered to meet the standards for the items required by the Green Bond Principles, the Social Bond Principles, the Sustainability Guidelines, and the Ministry of the Environment's Green Bond Guidelines.

<https://www.jcr.co.jp/en/greenfinance/>

## Section 3. Detailed review

*Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.*

### 1. USE OF PROCEEDS

#### Overall comment on section (if applicable):

- 100% of the use of proceeds is expected to have environmental or social benefits.
- it is unlikely that negative effects will occur that greatly exceed the effects of environmental improvements. In addition, there are no other social risks that could have a significant impact.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy                            | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation       |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |  |   |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure   | <input checked="" type="checkbox"/> Access to essential services                        |
| <input type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security   | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment           |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other <i>(please specify)</i> :                                |

If applicable please specify the social taxonomy, if other than SBPs:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Overall comment on section *(if applicable)*:

JCR evaluates that the selection criteria are conducted with appropriateness because the roles of each organization are clearly divided and the selection criteria are conducted through departments with expertise in the decision-making process.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other <i>(please specify)</i> :  |

### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):  |   |

### 3. MANAGEMENT OF PROCEEDS

**Overall comment on section (if applicable):**

JCR evaluates the management to be appropriate given that the proceeds procured are reliably allocated to the target projects, that the proceeds procured are managed internally by an appropriate method, that the internal control system is in place, and that there are no particular concerns about the management of the proceeds that have not been appropriated.

**Tracking of proceeds:**

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

**Additional disclosure:**

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

### 4. REPORTING

**Overall comment on section (if applicable):**

Since quantitative figures are disclosed, the content of environmental improvement effects is clearly easy to understand. The above-mentioned environmental improvement effects will be calculated by MOL's New & Clean Energy Business Division, which has expertise in environmental aspects, and JCR confirmed that the calculation method is appropriate.

Social benefits may not be ascertained solely in quantitative terms. The number of beneficiaries, such as school students and graduates, of the Philippine University is shown quantitatively. However, with regard to workplace reform, since the objective is to achieve results that make it difficult to set quantitative impact indicators, such as employee awareness reform and job comfort, the policy is to quantify qualitative matters as much as possible through questionnaire tabulation and other means.

JCR evaluates that the reporting to be conducted by MOL is highly transparent, as it plans to disclose various quantitative and qualitative indicators.

**Use of proceeds reporting:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):      |

**Information reported:**

- ☒ Allocated amounts ☐ Sustainability Bond financed share of total investment
- ☐ Other (please specify):

**Frequency:**

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

**Impact reporting:**

- ☒ Project-by-project ☐ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (please specify):

**Frequency:**

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

**Information reported (expected or ex-post):**

- ☒ GHG Emissions / Savings ☒ Energy Savings
- ☐ Decrease in water use ☒ Number of beneficiaries
- ☐ Target populations ☐ Other ESG indicators (please specify):

**Means of Disclosure**

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other (please specify): On the website
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

MOL's website about CSR: <https://www.mol.co.jp/en/csr/index.html>

JCR's evaluation methodology: <https://www.jcr.co.jp/en/greenfinance/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- ☐ Second Party Opinion ☐ Certification
- ☐ Verification ☒ Scoring/Rating
- ☐ Other (please specify):

**Review provider(s):**

**Japan Credit Rating Agency, Ltd.**

**Date of publication:**

**June 28, 2019**

## **ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

**1. Second Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion.

It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

**2. Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

**3. Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

**4. Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.