

Sustainable Finance Framework

January 2024

MOL 商船三井

Mitsui O.S.K. Lines



Contents

I. Introduction	4
1. Company Overview	4
2. MOL Group Corporate Mission	4
3. Overview of the Sustainable Finance Framework	5
II. Disclosure Elements Based on the Basic Guidelines on Climate Transition Finance, Etc.	6
1. Climate Transition Strategy and Governance.....	6
1-1. Transition strategy	6
1-2. Governance	11
2. Environmental materiality in business models.....	12
3. Scientifically Based Climate Transition Strategy	13
4. Transparency of Implementation.....	15
4-1. Investment plans	15
4-2. Negative external impacts and their mitigation.....	16
III. Use of Proceeds Instruments: Disclosure Components Based on the Green Bond Principles, Etc.	17
1. Use of Proceeds	17
2. Process for Project Evaluation and Selection.....	18
2-1. Process for selecting eligible projects	18
2-2. Negative Impacts of Eligible Projects on the Environment and Society, and how these are addressed	18
3. Management of Proceeds	19
3-1. Use of proceeds and method of bundling funds	19
3-2. Tracking of proceeds	19
3-3. Management of unallocated funds	19
4. Reporting	19
4-1. Reporting on funds allocation	19
4-2. Impact reporting.....	20

IV. General Corporate Purpose Instruments: Disclosure Components Based on the Sustainability-Linked Bond Principles, Etc.	21
1. Selection of KPI and Calibration of SPTs	21
2. Bond and Loan Characteristics	22
3. Reporting	22
4. Verification	22

I. Introduction

1. Company Overview

Mitsui O.S.K. Lines, Ltd. (“MOL”) is a Japanese maritime shipping company headquartered in Minato City, Tokyo. With a fleet of more than 800 vessels, among the most in the world, for approximately 140 years as a comprehensive ocean shipping enterprise we have been safely and reliably transporting goods and energy of various kinds throughout the world.

The MOL Group consists of MOL and 509 group companies (consolidated subsidiaries; as of March 31, 2023). The business base is made up of five areas: Dry Bulker Business, Energy Business, Product Transport Business, Wellbeing & Lifestyle Business, and Associated Business. Applying the know-how and network built up in marine transport to various social infrastructure businesses and expanding our business areas, we aim to become a company capable of addressing and solving a broader range of social challenges.

2. MOL Group Corporate Mission

Our Group Corporate Mission, Group Vision, and Group Values (MOL CHARTS) have been defined as given below. At a time when awareness of the need for decarbonization and other environmental solutions is rising, along with the expectations of society for our contributions to sustainability as an enterprise, these confirm the meaning of the Group existence, the vision we aim for, and our values, as we seek to expand our business beyond transport to other areas and to reflect the changing values that come with such expansion, and to achieve further growth.

MOL Group Corporate Mission

From the blue oceans, we sustain people's lives and ensure a prosperous future.

MOL Group Vision

We will develop a variety of social infrastructure businesses in addition to traditional shipping businesses, and will meet the evolving social needs including environmental conservation, with innovative technology and services. MOL group aims to be a strong and resilient corporate group that provides new value to all stakeholders and grows globally.

MOL Group Values: MOL CHARTS

Challenge	Innovate through insight <ul style="list-style-type: none">Proactively develop business opportunities by staying ahead of the curve.Make innovation for the further growth of the company.
Honesty	Do the right thing <ul style="list-style-type: none">Keep compliance as a Top Priority.Ensure that actions comply with social norms and the highest ethical standards.
Accountability	Commit to acting with a sense of ownership <ul style="list-style-type: none">Tackle tasks with a sense of ownership and in cooperation with stakeholders.
Reliability	Gain the trust of stakeholders <ul style="list-style-type: none">See things from the customers' perspective, and deliver service that exceeds their expectations.Seize the initiative in social issues and take responsibility for your behavior.
Teamwork	Build a strong team <ul style="list-style-type: none">Encourage open communication with mutual respect.Share knowledge, experience, expertise and skills, and foster the next generation.
Safety	Pursue the world's highest level of safety culture <ul style="list-style-type: none">Maintain a safety-first attitude and strive to reinforce safety awarenessReturn to basics by comprehending workplace safety.

3. Overview of the Sustainable Finance Framework

The MOL Group, in co-creation with our stakeholders, is striving to solve environmental challenges for the sake of all inhabitants of the Earth in coming generations. In addition to marine environment conservation, biodiversity protection, air pollution prevention and other such priority issues, in addressing the particularly urgent issue of climate change, the Group's collective strengths are being directed at achieving "net zero emissions by 2050," contributing to the sustainable development of people, society, and the Earth. The Sustainable Finance Framework ("the Framework") was drawn up based on the following principles and guidelines as a strategy for achieving the Group goal of "net zero emissions by 2050" and as a funds procurement framework supporting the initiatives to that end. MOL and the MOL Group will carry out the types of financing activities indicated below, based on the Framework. Through these sustainable financing activities, MOL and the MOL Group will aim to achieve net zero emissions.

Applied or Referenced Principles and Guidelines

- Climate Transition Finance Handbook 2023
International Capital Market Association (ICMA)
- Basic Guidelines on Climate Transition Finance (May 2021 edition)
(Financial Services Agency [FSA]; Ministry of Economy, Trade and Industry [METI];
Ministry of the Environment [MoE])
- Green Bond Principles 2021 (ICMA)
- Green Loan Principles 2023 (Loan Market Association [LMA], Asia Pacific Loan Market Association [APLMA], and Loan Syndications and Trading Association [LSTA]; hereinafter "LMA, etc.")
- Green Bond Guidelines 2022 Edition (MoE)
- Green Loan Guidelines 2022 Edition (MoE)
- Sustainability-Linked Bond Principles 2023 (ICMA)
- Sustainability-Linked Loan Principles 2023 (LMA, etc.)
- Sustainability-Linked Bond Guidelines 2022 edition (MoE)
- Sustainability-Linked Loan Guidelines 2022 edition (MoE)

Types of financing to be carried out based on the Framework

- Green finance (green bonds/loans)
- Transition finance (Use of Proceeds instruments (transition bonds/loans)
and General Corporate Purpose instruments (transition-linked bonds/loans))

II. Disclosure Elements Based on the Basic Guidelines on Climate Transition Finance, Etc.

1. Climate Transition Strategy and Governance

1-1. Transition strategy

MOL formulated BLUE ACTION 2035 as a Management Plan starting from fiscal 2023 with fiscal 2035 as the goal. In BLUE ACTION 2035, the Group Vision revised in April 2021 sets out “what we want to be in 2035” and provides a 13-year management plan toward realization of this vision. It merges the respective elements in the previous Management Plan, Rolling Plan 2022, and in the MOL Sustainability Plan, so as to express more powerfully the nature of MOL sustainability management.

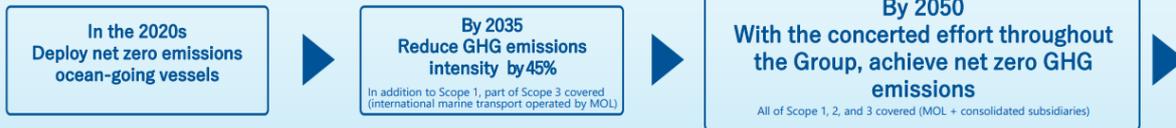
In the belief that carrying out our Management Plan will lead to solving sustainability issues, and that this in turn will raise our corporate value, we have incorporated initiatives addressing sustainability issues (materiality) in BLUE ACTION 2035. We have drawn up the “MOL Group Environmental Vision 2.2” (hereinafter, “Environmental Vision 2.2”) as a specific roadmap for achieving net zero emissions by 2050, consistent with the 1.5°C scenario targets of the Paris Agreement, indicating targets and actions for one of the sustainability issues, “conservation of the marine and global environment.” The MOL Group has set out in Environmental Vision 2.2 our transition plan, based on scientific evidence and consistent with the Paris Agreement. The goals in Environmental Vision 2.2 of net zero emissions by 2050 and a 23% reduction in GHG emissions (compared to 2019) are consistent with the IMO target levels. The MOL Group has clarified the “Pathway to Net Zero GHG Emissions” for achieving the GHG reductions that will be required in order to achieve these targets. The transition loan key performance indicator (KPI) and sustainability performance target (SPT) of reducing GHG emissions intensity by 45% by 2035 (compared to 2019) is on this Pathway. By defining five specific actions necessary for achieving these targets, and setting KPIs that measure progress on the way to the targets, MOL is making the promotion of reduction measures more effective.

MOL Group Environmental Vision 2.2



For the next generation on board this planet, the MOL Group will work collaboratively with our partners and stakeholders with creativity to resolve environmental issues. We will continue to provide solutions for issues of high importance such as the preservation of the marine environment, protection of biodiversity and prevention of air pollution, and in order to tackle climate change with utmost urgency, the MOL Group will make a concerted effort to achieve net zero GHG emissions by 2050. With these contributions for the sustainable development of our society and the preservation of nature, from the blue oceans, we sustain people's lives and ensure a prosperous future.

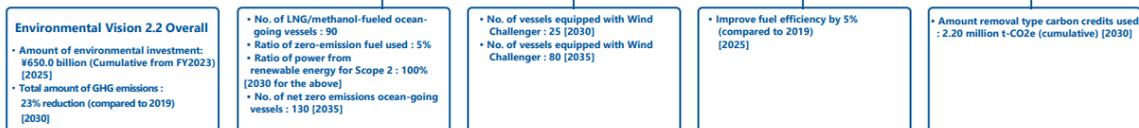
Medium- to long-term targets



Five actions to achieve medium- to long-term targets



KPI & milestones measuring action progress



Medium- to long-term targets

In the 2020s	<ul style="list-style-type: none"> Deploy net zero emissions ocean-going vessels
By 2035	<ul style="list-style-type: none"> Reduce GHG emissions intensity by 45% (versus 2019) In addition to Scope 1, part of Scope 3 covered (international marine transport operated by MOL)
By 2050	<ul style="list-style-type: none"> With the concerted effort throughout the Group, achieve net zero GHG emissions All of Scope 1, 2, and 3 covered (MOL + consolidated subsidiaries)

Five actions to achieve medium- to long-term targets

Strategy	Details																																																																	
<p>Action 1 Adopt clean energy</p>	<ul style="list-style-type: none"> We will phase out the usage of heavy oil, which is highly carbon-intensive, and shift to low-carbon and decarbonized fuels. Based on the premise that the optimal fuel differs depending on the type of vessel and shipping route, we have begun considering adopting a variety of fuels. In addition to preparing alternative fuel-powered vessels, we will take measures to procure clean-energy fuels. 																																																																	
<p>Action 2 Further adopt energy-saving technologies</p>	<ul style="list-style-type: none"> We will focus on wind, a clean and inexhaustible form of energy that we can begin utilizing immediately. Under the banner of Wind Challenger¹, we aim to be the leader in the use of wind power for vessels. 																																																																	
<p>Action 3 Efficient operations</p>	<ul style="list-style-type: none"> We will improve fuel efficiency by promoting operation efficiency (the DarWIN project²) and pursue measures that we can take immediately to reduce GHG emissions. 																																																																	
<p>Action 4 Build business models that enable net zero emissions</p>	<ul style="list-style-type: none"> In addition to making every effort to reduce the Group's emissions (Actions 1, 2, and 3), creating mechanisms that enable net zero is highly meaningful for the purpose of enhancing the effectiveness of those actions. For this reason, we are pursuing a variety of initiatives for Action 4 as described below. <ul style="list-style-type: none"> Carbon dioxide removal (CDR) initiatives³ Appropriate response to carbon pricing⁴ Engagement with policymakers and industry organizations Participation in international initiatives Collaboration with value chain partners 																																																																	
<p>Action 5 Expand low-carbon/ decarbonized business by leveraging the Group's collective strengths</p>	<p style="text-align: center;">Overview of Ocean Clean Energy Business</p> <table border="1" style="width: 100%; text-align: center; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="background-color: #e0f2f1;">Ammonia</th> <th style="background-color: #e0f2f1;">Hydrogen</th> <th style="background-color: #e0f2f1;">Wind power, Other</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="background-color: #e6e6e6; vertical-align: middle;"> <div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;"> Generating Clean Energy </div> <div style="margin-bottom: 10px;"> Delivering Clean Energy </div> <div> Utilizing Clean Energy </div> </div> </td> <td style="background-color: #00bcd4; color: white;">Production</td> <td colspan="2">Offshore wind power / Ocean thermal energy conversion projects</td> <td>Offshore wind power adjacent projects (SEP/SOV/CTV/Cable-laying vessels/temporary staffing)</td> </tr> <tr> <td style="background-color: #8bc34a; color: white;">Storage Supply</td> <td>Liquefied CO₂ carriers (CCUS business)</td> <td>Wind Hunter</td> <td>Hydrogen production and supply business</td> <td>Transportation of wind power equipment (Land transportation / Logistics)</td> </tr> <tr> <td style="background-color: #00bcd4; color: white;">Marine transport</td> <td>Involvement in ammonia production/supply projects (Blue/Green)</td> <td>Ammonia carriers (Ammonia fuel / LPG fuel / Ammonia & liquefied CO₂ carriers)</td> <td>Liquefied hydrogen carriers</td> <td>Clean methane production and supply business</td> </tr> <tr> <td style="background-color: #00bcd4; color: white;">Storage Supply</td> <td>Ammonia FSRUs (Floating storage and regasification units)</td> <td>Chemical tankers (MCH)</td> <td>Chemical tankers (MCH)</td> <td>Clean methanol production, supply, and transportation business</td> </tr> <tr> <td style="background-color: #00bcd4; color: white;">Use</td> <td>Ammonia FSRUs (Floating storage units)</td> <td>Liquefied hydrogen FSRUs (Floating storage and regasification units)</td> <td>Liquefied hydrogen FSRUs (Floating storage and regasification units)</td> <td>LNG/ethane transport</td> </tr> <tr> <td></td> <td>Ammonia bunkering vessels</td> <td>Hydrogen-fueled powerships</td> <td>Hydrogen-fueled powerships</td> <td>Biomass fuel transport</td> </tr> <tr> <td></td> <td>Ammonia power ships</td> <td>Use in ports</td> <td>Use in ports</td> <td>LNG FSRUs (Floating storage and regasification units)</td> </tr> <tr> <td></td> <td>Ammonia-fueled vessels</td> <td>Hydrogen-fueled vessels</td> <td>Hydrogen-fueled vessels</td> <td>LNG bunkering vessels</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>LNG-fueled powerships</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>e5 Project</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Introduction of alternative fueled-vessels</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Wind Challenger</td> </tr> </tbody> </table>			Ammonia	Hydrogen	Wind power, Other	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;"> Generating Clean Energy </div> <div style="margin-bottom: 10px;"> Delivering Clean Energy </div> <div> Utilizing Clean Energy </div> </div>	Production	Offshore wind power / Ocean thermal energy conversion projects		Offshore wind power adjacent projects (SEP/SOV/CTV/Cable-laying vessels/temporary staffing)	Storage Supply	Liquefied CO ₂ carriers (CCUS business)	Wind Hunter	Hydrogen production and supply business	Transportation of wind power equipment (Land transportation / Logistics)	Marine transport	Involvement in ammonia production/supply projects (Blue/Green)	Ammonia carriers (Ammonia fuel / LPG fuel / Ammonia & liquefied CO ₂ carriers)	Liquefied hydrogen carriers	Clean methane production and supply business	Storage Supply	Ammonia FSRUs (Floating storage and regasification units)	Chemical tankers (MCH)	Chemical tankers (MCH)	Clean methanol production, supply, and transportation business	Use	Ammonia FSRUs (Floating storage units)	Liquefied hydrogen FSRUs (Floating storage and regasification units)	Liquefied hydrogen FSRUs (Floating storage and regasification units)	LNG/ethane transport		Ammonia bunkering vessels	Hydrogen-fueled powerships	Hydrogen-fueled powerships	Biomass fuel transport		Ammonia power ships	Use in ports	Use in ports	LNG FSRUs (Floating storage and regasification units)		Ammonia-fueled vessels	Hydrogen-fueled vessels	Hydrogen-fueled vessels	LNG bunkering vessels					LNG-fueled powerships					e5 Project					Introduction of alternative fueled-vessels					Wind Challenger
		Ammonia	Hydrogen	Wind power, Other																																																														
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;"> Generating Clean Energy </div> <div style="margin-bottom: 10px;"> Delivering Clean Energy </div> <div> Utilizing Clean Energy </div> </div>	Production	Offshore wind power / Ocean thermal energy conversion projects		Offshore wind power adjacent projects (SEP/SOV/CTV/Cable-laying vessels/temporary staffing)																																																														
	Storage Supply	Liquefied CO ₂ carriers (CCUS business)	Wind Hunter	Hydrogen production and supply business	Transportation of wind power equipment (Land transportation / Logistics)																																																													
	Marine transport	Involvement in ammonia production/supply projects (Blue/Green)	Ammonia carriers (Ammonia fuel / LPG fuel / Ammonia & liquefied CO ₂ carriers)	Liquefied hydrogen carriers	Clean methane production and supply business																																																													
Storage Supply	Ammonia FSRUs (Floating storage and regasification units)	Chemical tankers (MCH)	Chemical tankers (MCH)	Clean methanol production, supply, and transportation business																																																														
Use	Ammonia FSRUs (Floating storage units)	Liquefied hydrogen FSRUs (Floating storage and regasification units)	Liquefied hydrogen FSRUs (Floating storage and regasification units)	LNG/ethane transport																																																														
	Ammonia bunkering vessels	Hydrogen-fueled powerships	Hydrogen-fueled powerships	Biomass fuel transport																																																														
	Ammonia power ships	Use in ports	Use in ports	LNG FSRUs (Floating storage and regasification units)																																																														
	Ammonia-fueled vessels	Hydrogen-fueled vessels	Hydrogen-fueled vessels	LNG bunkering vessels																																																														
				LNG-fueled powerships																																																														
				e5 Project																																																														
				Introduction of alternative fueled-vessels																																																														
				Wind Challenger																																																														

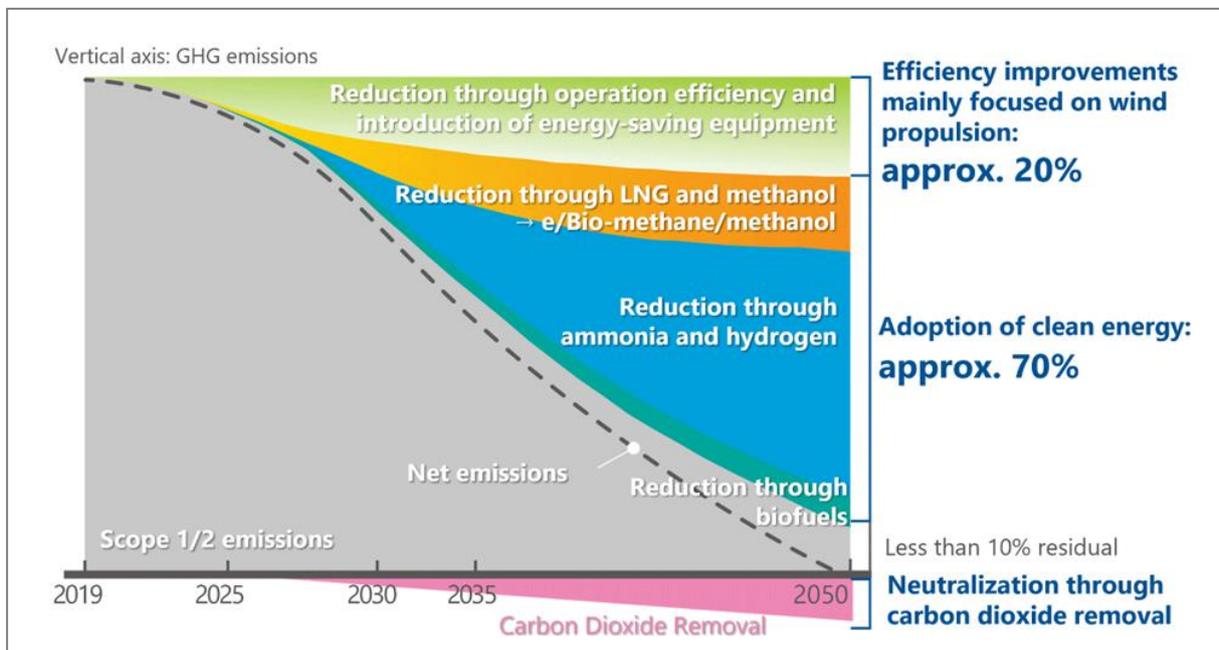
1. A wind propulsion system developed by MOL and Oshima Shipbuilding Co., Ltd. (President: Eiichi Hiraga; Head Office: Saikai City, Nagasaki Prefecture). The first ship using this system began operation in the fall of 2022. The first ship is expected to reduce its GHG emissions by 5% to 8%.
2. Deriving its name from “Digital Approach to Reduce GHG With Integrated Network,” the project is carrying out concrete initiatives in pursuit of optimal ship operations, active investment in and installation of energy-saving technologies and equipment, steady promotion in collaboration with other companies, and participation in the Blue Visby Consortium.
3. Carbon dioxide removal (CDR) refers to the removal and sequestration of CO₂ from the atmosphere. It can be divided into two broad categories: nature-based solutions, which increase CO₂ absorption by forests and other natural carbon sinks, and technology-based ones, which remove CO₂ from the atmosphere using chemical/engineering technologies. An example of nature-based solutions is our participation in a mangrove restoration and conservation project. Among technology-based solutions, we are actively engaged in scaling up and catalyzing the carbon market through joint purchases of CO₂ removals.
4. The introduction of carbon pricing is expected for international shipping in the 2020s. In order to realize the introduction of a truly effective mechanism for the decarbonization of ships, we are carrying on dialogue with industry organizations and regulatory authorities to fulfill our responsibilities as a leading company in the industry. We are also promoting an appropriate response to carbon pricing through such ways as the introduction of internal carbon pricing and EU-ETS compliance.

Photo of ship equipped with Wind Challenger



Pathway to Net Zero Emissions

Specific reduction pathways on the way to net zero by 2050 are as shown below. The degree of contribution of each initiative is shown quantitatively, and the transition plan is indicated more clearly than before.



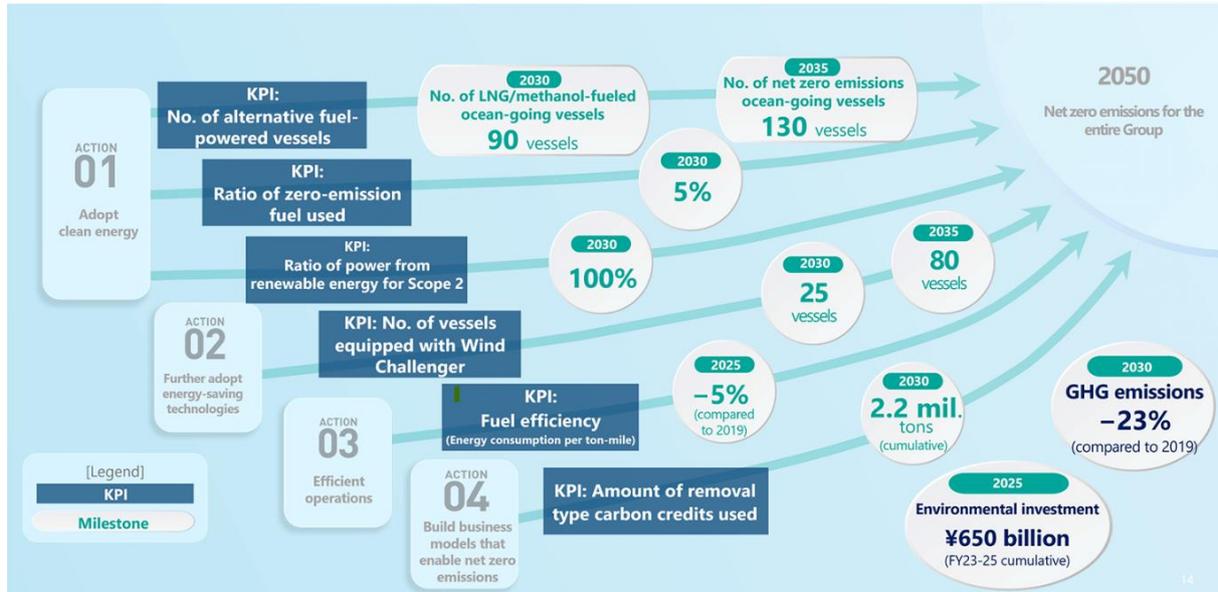
* Scope: Covers all of Scope 1, 2, and 3 for MOL and consolidated subsidiaries.

* In the net-zero target year (2050), net emissions will be calculated by offsetting the remaining gross emissions with carbon dioxide removal (CDR) amounts. However, in calculating annual emissions for terms prior to that, gross emissions will be used, and CDR will not be used to make offsets.

KPIs and milestones

To ensure the achievement of net-zero emissions by 2050, we have set quantitative KPIs and milestones as indicated below for measuring progress for each action. KPIs and milestones relating to Environmental Vision 2.2 as a whole have also been set as follows.

- Cumulative investments in environment:
650 billion yen over the three years from FY2023 to FY2025
- Total GHG emissions: 23% reduction by 2030 (compared to 2019)



The medium- to long-term targets on the way to net zero emissions set in Environmental Vision 2.2 are consistent with the International Maritime Organization (IMO) GHG reduction strategy, and with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) “Roadmap to Zero Emission from International Shipping” and the roadmap of the Committee for Carbon Neutrality Promotion in Coastal Shipping.

In drawing up our Management Plan, MOL carries out scenario analysis using the IEA’s World Energy Outlook 2021 (WEO2021) Net Zero Emission by 2050 Scenario (NZE), Sustainable Development Scenario (SDS), and Stated Policies Scenario (STEPS), among others. On this basis, we are implementing a transition plan consistent with the 1.5°C scenario targets of the Paris Agreement.

In the implementation of our transition strategy, at this time it is not assumed that there are fields where an additional countermeasures in regard to “just transition” is to be necessary. As for impacts other than climate change assumed from implementation of the transition strategy, appropriate mitigation measures will be taken, while aiming to contribute to realization of the SDGs through the overall strategy.

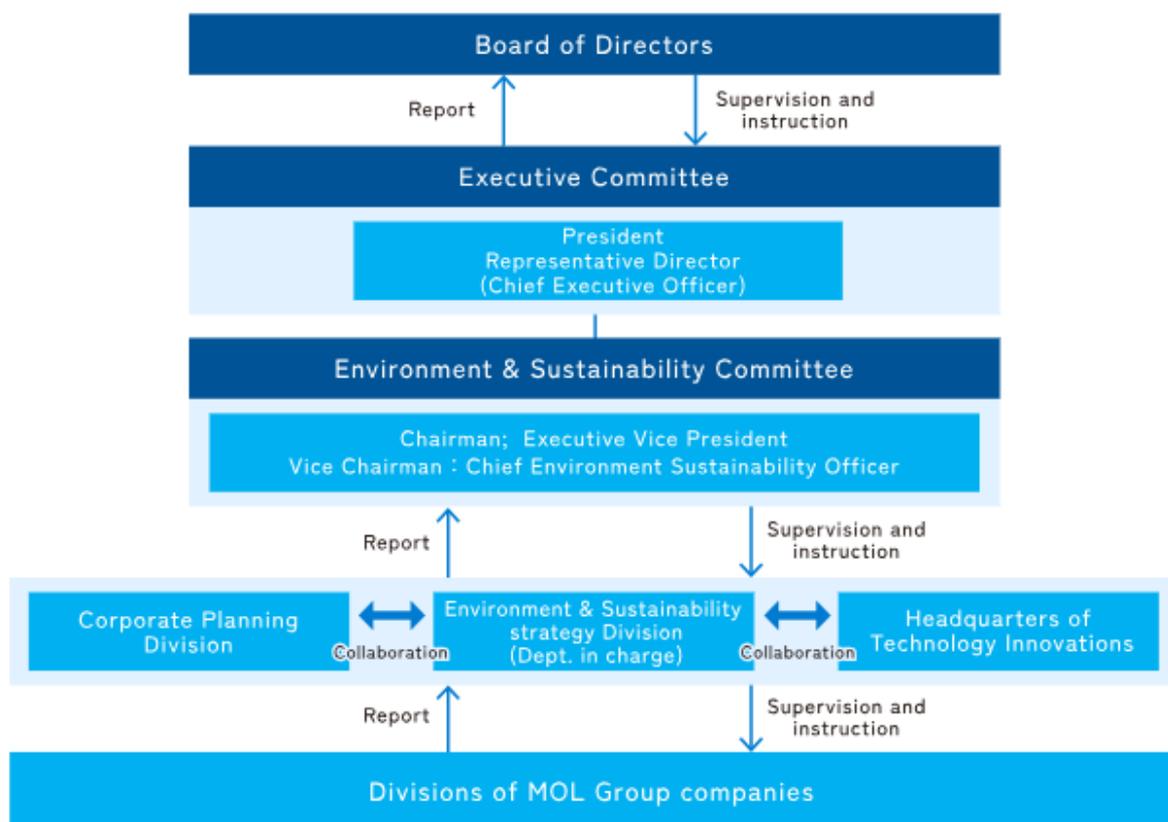
1-2. Governance

MOL has devised an environmental management structure in which the President and Representative Director has the ultimate responsibility, and an Environment & Sustainability Committee, under the Executive Committee, plays a central role in deliberations not only on climate policy measures but on all environment-related initiatives, including those for natural capital and biodiversity.

The Board of Directors is responsible for oversight of environmental initiatives, and matters of particular importance are decided by Board of Directors resolution.

In evaluating the portion of the remuneration (20% of total) of the CEO, CESO (Chief Environment Sustainability Officer), and other executive directors that is variable depending on contribution to long-term targets, the status of climate change measures and progress on other sustainability-related initiatives are partially reflected.

The Environment & Sustainability Committee, with the Environment & Sustainability Strategy Division as the department in charge, regularly monitors the status of the response to climate change risks and opportunities by means of TCFD scenario analysis, assesses impacts on MOL businesses from a long-term perspective, and formulates medium- to long-term environmental targets, while also promoting the achievement of the targets and driving environmental and emission-free businesses.



(as of April 30, 2023)

2. Environmental materiality in business models

The MOL Group positions environmental strategy as one of the core strategies in BLUE ACTION 2035. Moreover, “conservation of the marine and global environment” is included among sustainability issues (materiality). Initiatives addressing environmental issues are seen as core to raising our corporate value and achieving the Group Vision. The MOL Group will make concerted efforts to reduce various impacts on the global environment, including climate policy measures and measures to protect natural capital and biodiversity, while earning the trust of a broad range of stakeholders.

Overview of BLUE ACTION 2035

In addition to the three core strategies carried over from Rolling Plan 2022, five priority items, among the “initiatives addressing sustainability issues” that are regarded as the foundation for implementing the core strategies, have been made central to BLUE ACTION 2035.



Sustainability issues (materiality)

These five sustainability issues (materiality) have been identified in awareness of two aspects, not only the impact of the environment and society on the Group, but also the impact of the Group on the environment and society (double materiality). Of these issues, the aim of “conservation of the marine and global environment” is to minimize negative impacts (pollution of the marine environment, air pollution, hindrance of biodiversity, climate change, etc.) of our business on the marine and global environment, and to make the Earth on which the people of the world carry out their lives a sustainable place. To achieve this aim, Environmental Vision 2.2 includes specific targets and action policies that the Group needs to promote in a concerted effort to reduce various kinds of environmental burdens.

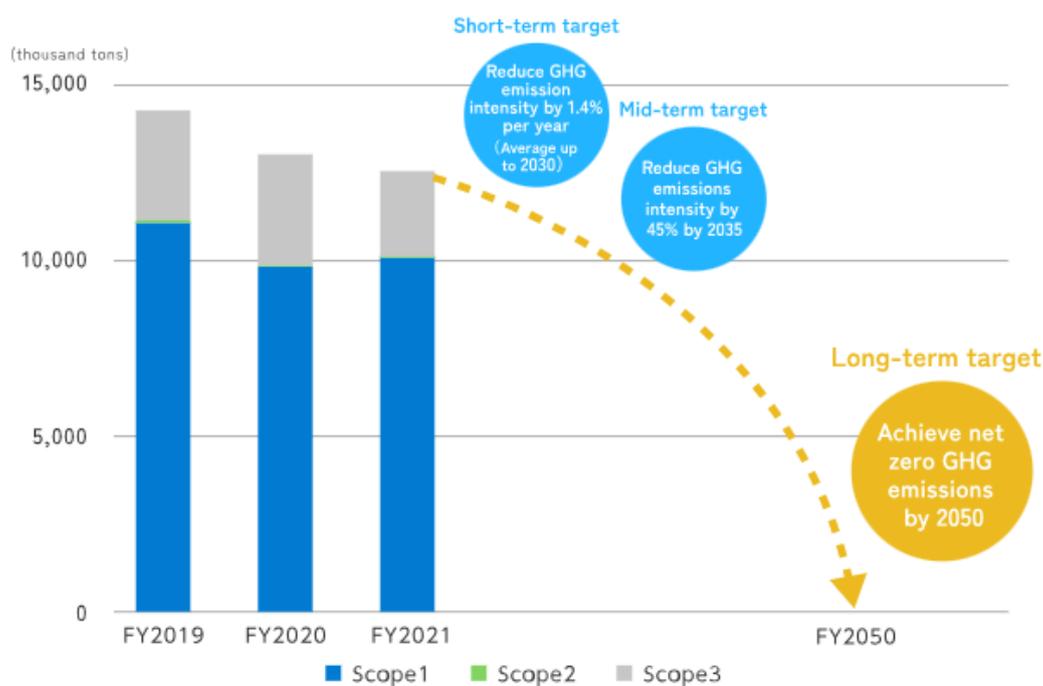
Sustainability Issues				
 <p>Safety & Value Provide added value through safe transportation and our social infrastructure business</p> <p>Initiative themes</p> <ul style="list-style-type: none"> Value through our core business Safety levels Creation of new added value 	 <p>Environment Conservation for marine and global environment</p> <p>Initiative themes</p> <ul style="list-style-type: none"> Climate change countermeasures Preservation of marine environment Protection of biodiversity Prevention of air pollution 	 <p>Human & Community Contributing to the growth and development of people and communities</p> <p>Initiative themes</p> <ul style="list-style-type: none"> Diversity, Equity & Inclusion Mutually empowered Highly engaged Growing together with local communities 	 <p>Innovation Innovation for development in marine technology</p> <p>Initiative themes</p> <ul style="list-style-type: none"> Groupwide adoption of clean energy Increasing the energy efficiency of vessels ICT utilization for safe, efficient operation Digital transformation (DX) 	 <p>Governance Governance and compliance to support businesses</p> <p>Initiative themes</p> <ul style="list-style-type: none"> Management transparency Information security Responsible procurement Respect for human rights Fair trade Bribery prevention

3. Scientifically Based Climate Transition Strategy

The Group has set the following targets for GHG emission reduction. The medium-term and short-term targets have been established as targets aiming for the achievement of net zero emissions by 2050 long-term target. Target values have been calculated and set based on the GHG emission reduction amounts that are necessary and feasible for achieving net zero emissions.

- Long-term target: Achieve net zero GHG emissions for the entire Group by 2050¹
- Medium-term target: Reduce GHG emissions intensity in transportation by 45% (compared to 2019) by 2035²
- Short-term target: Reduce GHG emissions intensity by 1.4% per year (each year starting from 2019)³

1. Covers all of Scope 1, 2, and 3 for MOL and consolidated subsidiaries.
2. Covers Scope 1 and part of Scope 3 in international marine transport operated by the MOL Group. As for Scope 2, a milestone has been set for 2030 in Environmental Vision 2.2.
3. Covers Scope 1 and part of Scope 3 in international marine transport operated by the MOL Group. Calculated from average values up to 2030.



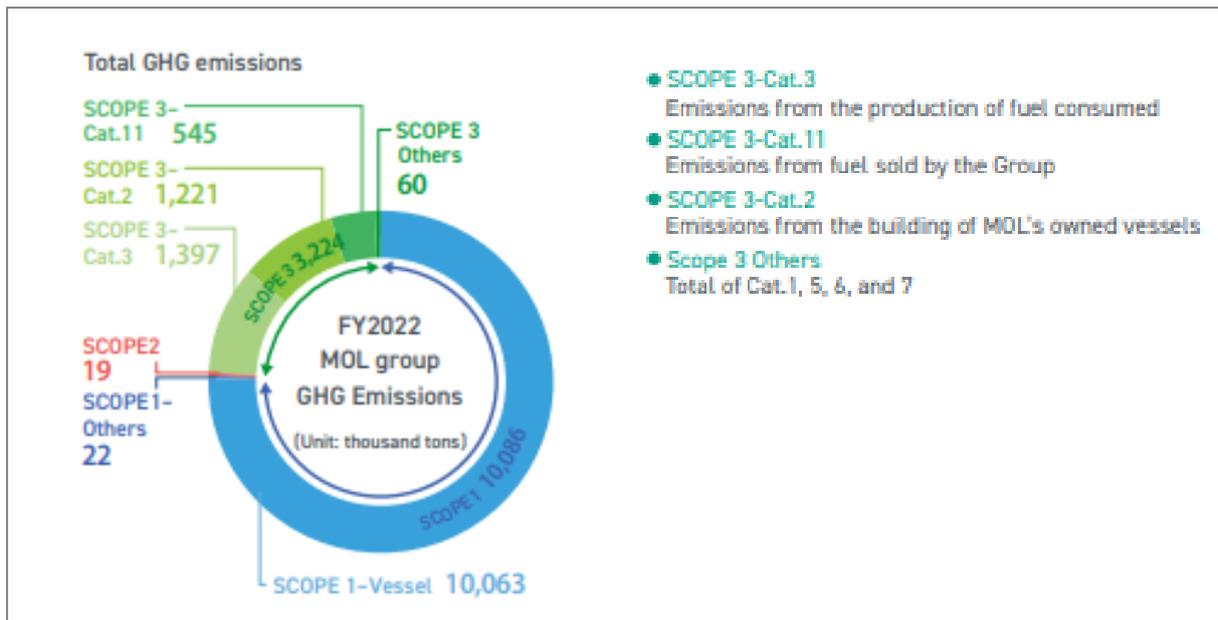
The Group GHG emissions in fiscal 2022 were 13,330,000 tons (of which 10,086,000 tons fall under Scope 1, 19,000 tons under Scope 2, and 3,224,000 tons under Scope 3).

* The range of data collection for all of Scope 1, 2, and 3 includes MOL and main Japanese and overseas consolidated subsidiaries (coverage rate of consolidated sales: 97%).

* Scope 1: Mainly CO₂ originating from vessel fuel combustion;

Scope 2: Mainly CO₂ originating from electric power;

Scope 3: Consists mainly of GHG emissions occurring at the time of refining the fuel used, and GHG and other emissions occurring at the time of manufacturing purchased capital goods, spare parts, etc.



Our basic policy is to implement a transition plan that is consistent with the 1.5°C scenario targets of the Paris Agreement, while the medium- to long-term targets in Environmental Vision 2.2 are consistent with the GHG reduction strategy of the International Maritime Organization (IMO) as revised in 2023.

The five actions for achieving the MOL medium- to long-term targets, and the KPIs and milestones that measure progress of the actions, are consistent with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) “Roadmap to Zero Emission from International Shipping,” and with the roadmap of the Committee for Carbon Neutrality Promotion in Coastal Shipping.

MOL carried out scenario analysis making use of the TCFD framework aimed at the long-term target of 2050, and assessed various risks and opportunities that can be anticipated due to climate change. On this basis, we drew up a Management Plan consistent with the analyzed scenarios and are reflecting the climate change impacts in our business strategy. The specific targets for fiscal 2050 have been set assuming the 2.6°C scenario, well-below 2°C scenario, and 1.5°C scenario. In analyzing physical risks, we use a scenario with a higher temperature rise (assuming a rise of 3.0°C or higher, equivalent to RCP7.0), conducting the risk analysis under severe conditions.

External scenarios referenced in scenario analysis

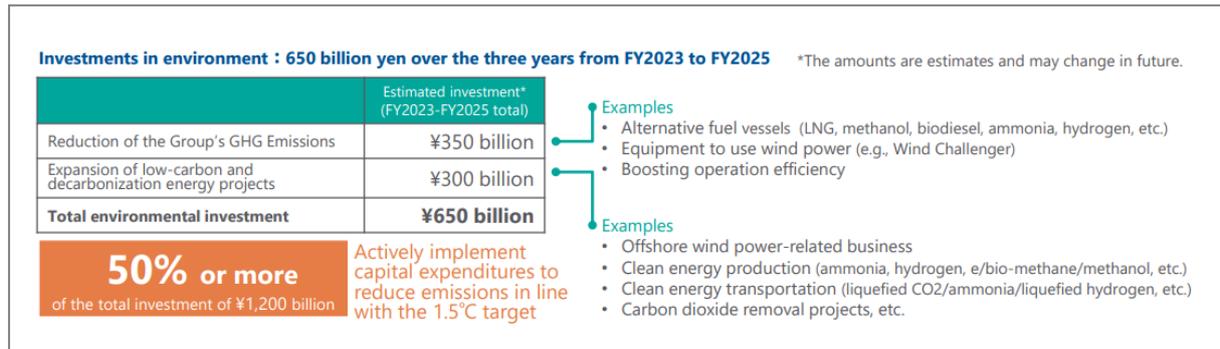
- 2.6°C scenario:
This is a scenario in which countries and organizations realize the policies they have already made public, and is consistent with the IEA “World Energy Outlook 2021 (WEO2021)” Stated Policies Scenario (STEPS).
- Well-below 2°C scenario:
In this scenario, the world cooperates toward realizing the values of the SDGs and major progress is made in implementing climate policy measures.
It is consistent with the IEA Sustainable Development Scenario (SDS).
- 1.5°C scenario:
In this scenario, the entire world achieves net zero emissions by 2050.
It is consistent with the IEA Net Zero Emission by 2050 Scenario (NZE).
- In addition to the above, RCP7.0 was referenced in assessing physical risks.

4. Transparency of Implementation

4-1. Investment plans

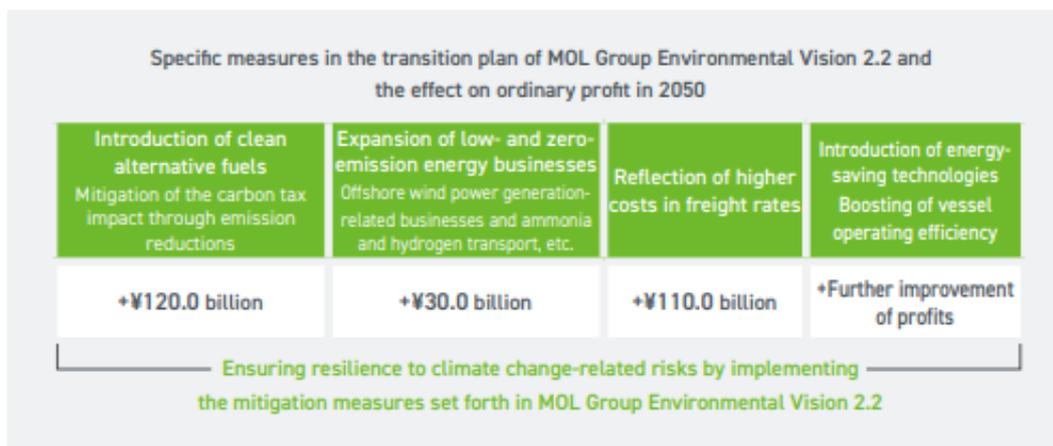
For the three years from fiscal 2023 to 2025, MOL plans to invest a total of around 650 billion yen toward solving environmental issues. Of this 650 billion yen, (1) 350 billion yen will be for reducing our own GHG emissions and (2) 300 billion will be spent on expanding low-carbon and decarbonized energy projects.

Investment plans for solving environmental issues



MOL also has been conducting scenario analysis using the TCFD framework and quantitatively assessing the impact of each scenario on our businesses in case they are realized. The assessment, focused especially on factors believed to impact our business, including changes in freight movement, fuel costs, carbon tax, introduction of alternative-fuel vessels, and new business opportunities, has verified that the transition plan in Environmental Vision 2.2 should function as appropriate mitigation measures and can provide adequate resilience.

Particularly Significant Risks and Opportunities Identified through Scenario Analysis

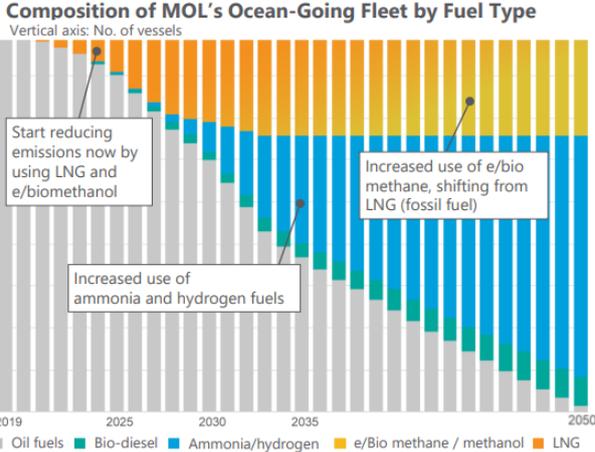


As clean alternative vessel fuels come into wider use, the number of new ships built that use heavy oil or other petroleum fuels will decline. At MOL, while pursuing emission reductions through such means as introducing energy-saving technology and making operations more efficient, we are taking steps that are currently available, actively switching to low-emissions vessel fuels including LNG and methanol fuels. Our plans now being implemented call for introducing 90 LNG-fueled or methanol-fueled ocean-going vessels by 2030, and in line with progress in establishing a stable supply structure for future zero emission fuels such as ammonia and hydrogen, introducing 130 net zero emissions ocean-going vessels by 2035.

Introduction of alternative fuels Milestones

- 2030 Ratio of zero-emission fuel used: 5%
- 2030 No. of LNG/methanol-fueled ocean-going vessels: 90
- 2035 No. of net zero emissions ocean-going vessels: 130

For details of the milestones, see the Appendix. (⇒P.45)



4-2. Negative external impacts and their mitigation

At the current point in time, we assume no additional negative impacts from our transition strategy.

As we go forward with our business activities, however, along with maintaining strict compliance with laws, ordinances, and regulations, we plan to engage in safe operation and reduction of environmental impacts of the ships we operate, making use of information and communication technologies, and to actively introduce Wind Challenger and the latest technologies, seeking to reduce our environmental burden not only with regard to climate change but addressing also such issues as reducing emissions of SOx and other air pollutants, protecting biodiversity, and ensuring safe vessel operation.

III. Use of Proceeds Instruments: Disclosure Components Based on the Green Bond Principles, Etc.

1. Use of Proceeds

The proceeds from sustainable finance will be allocated to finance new investment and refinance existing investment in the eligible projects listed below. Note that refinancing will be limited to projects implemented within 36 months prior to the execution of the sustainable finance.

Green/Transition Eligible Projects (* indicates green eligible projects)

Action	Main eligible projects assumed
1 Adopt clean energy	<ul style="list-style-type: none"> • Capital investment, R&D, funding, etc. relating to LNG/methanol-fueled vessels • Capital investment, R&D, funding, etc. relating to vessels with engines able to use fuels recognized as zero emission* • Capital investment, etc., relating to introduction of electric power from renewable energy*
2 Further adopt energy-saving technologies	<ul style="list-style-type: none"> • Capital investment, R&D, funding, etc. relating to vessels equipped with Wind Challenger • Capital investment, R&D, funding, etc. relating to introduction of rotor sails or other wind propulsion device or technology other than Wind Challenger
3 Efficient operations	<ul style="list-style-type: none"> • Capital investment, R&D, etc. relating to energy-saving/environmental protection technology or equipment for replacement use on existing vessels
4 Build business models that enable net zero emissions	<ul style="list-style-type: none"> • Investment, etc. for projects to remove and sequester CO₂ from the atmosphere, relating to initiatives for carbon dioxide removal (CDR)*
5 Expand low carbon/ decarbonized business by leveraging the Group's collective strengths	<ul style="list-style-type: none"> • Capital investment, R&D, funding, etc. relating to building of an ammonia/hydrogen supply chain • Capital investment, R&D, funding, etc. for businesses relating to offshore wind power generation* • Capital investment, R&D, funding, etc. relating to CCS/CCUS projects* • Capital investment, R&D, funding, etc. relating to Ocean Clean Energy Business*

2. Process for Project Evaluation and Selection

2-1. Process for selecting eligible projects

- The MOL organizations involved in the project selection process are the Corporate Planning Division, Environment & Sustainability Strategy Division, the division in charge of the project, and the Finance Division, receiving advice from the Headquarters of Technological & Digital Transformation as needed.
- The selection of projects eligible for funding is made by the MOL Finance Division, taking into account sustainability-related targets on the environmental front, including the latest Environmental Vision, while receiving advice from the Corporate Planning Division, Headquarters of Technological & Digital Transformation, and the division in charge of the project, and in accordance with the prescribed requirements for eligible projects.
- The MOL Environment & Sustainability Strategy Division verifies and confirms the suitability and eligibility of the selected projects in light of the latest Environmental Vision.
- The CFO gives final approval of selected projects.

2-2. Negative Impacts of Eligible Projects on the Environment and Society, and how these are addressed

2-2-1 Assumed risks

- Impact of offshore wind power development and Ocean Clean Energy Business on the marine ecosystem and marine life
- Greenhouse effect from CO₂ emitted by LNG and heavy oil combustion, and air pollution from NO_x
- Accident occurrence
- Human rights risk to crew members, employees, or subcontractors

2-2-2 Risk mitigation measures

- In offshore wind power generation projects and Ocean Clean Energy Business, ocean surveys and environmental assessments will be carried out aimed at mitigating adverse impacts.
- We have set a goal of net zero GHG emissions by 2050 in ship operation, have drawn up and made public the roadmap for achieving this goal, and are introducing clean alternative fuels and energy-saving technology, while further advancing efforts for more efficient ship operation.
- In addition, we are observing international environmental regulations aimed at combating climate change, air pollution prevention, marine environment conservation, and biodiversity protection, etc., as we seek to minimize negative impacts from our businesses on the marine and global environment.
- Along with setting targets, KPIs, and action plans for safe vessel operation and pursuing safety and quality, we conduct emergency response drills and ship inspection activities, as well as addressing security risks. We are further planning to formulate a Safety Vision detailing safety policies for the entire Group, and SAFETY ACTION 1.0 laying out specific action plans.
- We are also conducting document surveys and on-site interviews with a view to strengthening our initiatives in the human rights area, including human rights due diligence, and determining and improving the human rights situation in the Group value chain.

3. Management of Proceeds

3-1. Use of proceeds and method of bundling funds

- The proceeds from sustainable finance will all be bundled for allocation to the selected eligible projects.

3-2. Tracking of proceeds

- The Finance Division will manage the status of allocation of proceeds from sustainable finance to eligible projects, while sharing this status information with the relevant divisions. The Finance Division will further perform regular tracking to ensure that the same amount of funding goes to eligible projects as that procured from sustainable finance.

3-3. Management of unallocated funds

- If there are unallocated funds, they will be managed as cash or cash equivalents.

4. Reporting

Disclosure will be made of the contents prescribed below regarding the allocation status of proceeds from sustainable finance and environmental improvement benefits, to the extent possible within the constraints of confidentiality and what is reasonably feasible, until all the proceeds from sustainable finance have been allocated to eligible projects. The reporting will be made annually via the MOL website in the case of bonds, or directly to the lenders in the case of loans.

4-1. Reporting on funds allocation

- Amount allocated to each action
- If there are unallocated funds, the amounts and plans for allocation

4-2. Impact reporting

Action	Main eligible projects assumed	Impact reporting indicators
1 Adopt clean energy	<ul style="list-style-type: none"> • Capital investment, R&D, funding, etc. relating to LNG/methanol-fueled vessels • Capital investment, R&D, funding, etc. relating to vessels with engines able to use fuels recognized as zero emission • Capital investment, etc., relating to introduction of electric power from renewable energy 	<ul style="list-style-type: none"> • Number of LNG/methanol-fueled vessels • Number of net zero emissions ocean-going vessels • CO₂ emission reduction (%) compared to heavy oil fuel use • Share of electric power from renewable energy (%)
2 Further adopt energy-saving technologies	<ul style="list-style-type: none"> • Capital investment, R&D, funding, etc. relating to vessels equipped with Wind Challenger • Capital investment, R&D, funding, etc. relating to introduction of rotor sails or other wind propulsion device or technology other than Wind Challenger 	<ul style="list-style-type: none"> • Number of vessels equipped with Wind Challenger • Number of vessels equipped with rotor sails, etc. • Description of wind propulsion devices
3 Efficient operations	<ul style="list-style-type: none"> • Capital investment, R&D, etc. relating to energy-saving/ environmental protection technology or equipment for replacement use on existing vessels 	<ul style="list-style-type: none"> • Fuel efficiency (megajoules/ton-mile)
4 Build business models that enable net zero emissions	<ul style="list-style-type: none"> • Investment, etc. in projects for removal and storage of CO₂ from the atmosphere, relating to carbon dioxide removal (CDR) initiatives 	<ul style="list-style-type: none"> • Amount of adsorption/removal-type carbon credits used (tons CO₂)
5 Expand low-carbon/ decarbonized business by leveraging the Group's collective strengths	<ul style="list-style-type: none"> • Capital investment, R&D, funding, etc. relating to building of an ammonia/hydrogen supply chain • Capital investment, R&D, funding, etc. for businesses relating to offshore wind power generation • Capital investment, R&D, funding, etc. relating to CCS/CCUS projects • Capital investment, R&D, funding, etc. relating to Ocean Clean Energy Business 	<ul style="list-style-type: none"> • Overview of initiatives toward building of an ammonia/ hydrogen supply chain • Capacity of offshore wind power generation facilities (MW) • Overview of CCS/CCUS projects • Overview of Ocean Clean Energy Business • Capacity of ocean clean energy (MW)

Note: Efforts are made to adopt suitable indicators based on the nature of each of the eligible projects.

IV. General Corporate Purpose Instruments: Disclosure Components Based on the Sustainability-Linked Bond Principles, Etc.

1. Selection of KPI and Calibration of SPTs

To indicate our commitment to initiatives toward realizing net zero emissions in 2050, when carrying out transition-linked financing, we adopt the following key performance indicator (KPI) and sustainability performance target (SPT), which are the medium- to long-term targets in Environmental Vision 2.2, maintaining consistency with the IMO target levels.

KPI	GHG emissions intensity in transportation (Scope 1 and part of Scope 3 in international marine transport operated by the MOL Group) Unit: gram-CO ₂ e/ton-mile
SPT	45% reduction by 2035 (compared to 2019)

About the key performance indicator (KPI)

EEOI (Energy Efficiency Operational Indicator), indicating GHG emission amount per unit transportation (ton-mile), is adopted. The EEOI of individual vessels is calculated using the formula on the right.

$$\frac{\text{GHG emissions (gram-CO}_2\text{e)}}{\text{Cargo carried (tonne) } \times \text{ distance sailed (mile)}}$$

A standard method is adopted for calculating company-wide average values. This method is designed to correct the impact of differences in absolute value of the intensity derived from the business characteristics of each sector, as defined in Environmental Vision 2.2, on the calculation of the company-wide average values, and to properly reflect the efficiency performance of each sector in the company-wide average values. The total value is calculated by the following method.

- For the base year: Calculated by dividing the total GHG emissions of all sectors by the total ton-miles of all sectors.
- For applicable years after the base year: The EEOI reduction rate compared to the base year for each sector is calculated. Next, each sector's rate of contribution to the total is calculated according to the business scale calculated based on the energy consumption of each sector, and the Group total EEOI reduction rate is calculated by weighted average using the contribution rate of each sector.

GHG emissions includes emissions from the fuel combustion stage (Scope 1) and part of the emissions from the fuel manufacturing stage (Scope 3/Category 3) in international marine transport operated by the MOL Group.

About the sustainability performance target (SPT)

In implementing transition-linked finance, separate from the above-noted SPT, milestone SPTs or annual SPTs that take into account the financing term may be specified. For cases where the trigger determination is made in 2035 or after, SPTs are set making use of ranges, dynamic targets, or benchmark targets, within the range of targets given in the ICMA Guidance Handbook (2022), so that the targets continue to be ambitious ones. The adopted SPT values and SPT determination dates are disclosed along with the KPI and SPT definitions, etc., in the statutory disclosure documents (bond) or loan agreement, etc., each time transition-linked finance instruments are issued based on the Framework.

2. Bond and Loan Characteristics

Based on the status of SPT achievement, we plan to change the financial and structural characteristics of the bonds and loans issued as transition-linked finance based on the Framework. The kinds of financial or structural changes to characteristics include, but are not limited to, a) coupon step-up or step-down, and b) donations. The details will be specified each time transition-linked finance instruments are issued based on the Framework, in the statutory disclosure documents (bond) or loan agreement, etc.

a) Coupon step-up/step-down

Determinations on SPT achievement status will be made annually. If an SPT has not been achieved by the determination date, for the period stipulated at the time the transition-linked finance instrument was issued, the interest rate will be raised by the annualized percentage point stipulated at the time of issuance. If an SPT has been achieved by the determination date, for the period stipulated at the time the transition-linked finance instrument was issued, the interest rate will be lowered by the annualized percentage point stipulated at the time of issuance. Either coupon step-up or step-down, or both, will be set.

b) Donation

If an SPT has not been achieved by the determination date, donations will be made by the reimbursement/repayment date to public interest incorporated associations, public interest incorporated foundations, international organizations, NPOs certified by local governments, local government authorities, or similar organizations whose purpose is to engage in environmental conservation activities, in an amount corresponding to the percentage specified in the statutory disclosure documents (bond) or loan agreement of the amount procured by transition-linked finance based on the Framework.

In case a situation arises that could not be foreseen at the time the transition-linked finance instrument was issued (major M&A activity, major regulatory or other institutional changes, or occurrence of an abnormal event, etc.), making it necessary to change the KPI definition or SPT setting, we will properly disclose the reason for the change and the details, including the recalculation method. In case there is a reasonable explanation for a temporary SPT shortfall, changing of bond or loan characteristics may be deferred.

3. Reporting

MOL will disclose the contents below regarding performance of the KPI corresponding to the SPT that have been set. Reporting will be made annually via the MOL website in the case of bonds, or directly to the lenders in the case of loans.

- KPI performance
- Updating, etc., of material information (information that may impact SPT achievement)
- When a donation is made, the name of the recipient, reason for selection, donation amount, and planned date of donation

4. Verification

Verification reports will be obtained from an independent third party regarding the status of achievement of the SPT corresponding to the KPI set by MOL. The obtained verification reports will be disclosed annually via the MOL website in the case of bonds, or directly to the lenders in the case of loans.