

Mitsubishi UFJ Financial Group Green Bonds in 2019

Type of Engagement: Annual Review

Date: June 5, 2020

Engagement Team:

Wakako Mizuta, wakako.mizuta@sustainalytics.com, (+81) 3 4571 2343

Marie Toyama, marie.toyama@sustainalytics.com, (+81) 3 4571 2343

Introduction

Mitsubishi UFJ Financial Group (MUFG) issued three green bonds respectively in July (EUR 500 million 10-Year Fixed Rate Notes Due 2029) and Oct 2019 (AUD 400 million 5-Year Floating Rate Notes Due 2024, and AUD 100 million 5-Year Fixed Rate Notes Due 2024) aimed at financing and refinancing projects with environmental benefits (the “Green Bonds”). In May 2020, MUFG engaged Sustainalytics to review the projects funded through the issued Green Bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Mitsubishi UFJ Financial Group Green Bond Framework (2018)(the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded through the Green Bonds in 2019 respectively based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Green Buildings	<ul style="list-style-type: none"> • Proceeds of the green bonds may be allocated towards new and existing loans from MUFG Bank to eligible green buildings owned by J-REITs (Japanese Real Estate Investment Trusts) • The eligible green buildings are buildings which have received or will receive at least one of the following classifications within 24 months preceding the green bond issuance or reporting dates:² <ul style="list-style-type: none"> ○ LEED: Platinum or Gold (confined to buildings of which the CO₂ emissions are trackable) ○ BREEAM: Outstanding or Excellent (confined to buildings of which CO₂ emissions are trackable) ○ CASBEE: S Rank or A Rank (confined to buildings of which the CO₂ emissions are trackable) 	<ul style="list-style-type: none"> • CO₂ emission reduction

¹ Mitsubishi UFJ Financial Group's green bond framework overview available at: https://www.sustainalytics.com/wp-content/uploads/2018/09/MUFG-Framework-Overview-and-Second-Party-Opinion_Final.pdf

² The DBJ Green Building Certification Scheme only specifies the certification date by year without indicating the day/ month of the certification received. MUFG clarified that the green bond allocation may therefore target assets with DBJ Green Building Certification dates longer than 24 months, but no longer than three years.

	<ul style="list-style-type: none"> ○ DBJ Green Building Certification: 5 Stars or 4 Stars (confined to buildings of which the CO₂ emissions are trackable) 	
Renewable Energy	<ul style="list-style-type: none"> • Proceeds of the green bonds may be allocated towards new and existing eligible renewable energy projects, such as solar thermal power generation, solar photovoltaic power generation and onshore and offshore wind farm projects • All projects must meet the following eligibility criterion: <ul style="list-style-type: none"> ○ Expenditures related to the development construction, operation, or expansion of facilities for new and existing solar thermal power generation, solar photovoltaic power generation and onshore and offshore wind farm projects that are (i) determined as Category B or Category C in accordance with the Equator Principles, and (ii) signed within 24 months preceding the date of the green bond issuance or after the issuance. 	<ul style="list-style-type: none"> • CO₂ emission reduction • kWh of power generated

Issuing Entity’s Responsibility

MUFG is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of MUFG’s Green Bonds Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from MUFG’s employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by MUFG with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by MUFG.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects, funded through proceeds of MUFG’s Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. MUFG has disclosed to Sustainalytics that the proceeds of the Green Bonds were fully allocated as of March, 31, 2020.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Green Bonds in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the Green Bonds in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on relevant KPI per Use of Proceeds criteria.	None

Appendices

Appendix 1: Project Categories Reviewed

1. Green Bond issued in July 2019 (EUR 500 million 10-Year Fixed Rate Notes Due 2029)

Project Category	Project Subcategory	Number of Projects	Equator Principles Category	Signed Date	All projects in category meet Use of Proceeds Criteria
Renewable Energy	Solar Photovoltaic Energy	4	Category B: 3 projects Category C: 1 project	Within last 24 months: 4 projects	Yes
	Wind Energy (Onshore)	3	Category B: 2 projects Category C: 1 project	Within last 24 months: 3 projects	Yes
	Wind Energy (Offshore)	5	Category B: 5 projects	Within last 24 months: 5 projects	Yes

2. Green Bond issued in Oct 2019 (AUD 400 million 5-Year Floating Rate Notes Due 2024)

Project Category	Project Subcategory	Number of Projects	Equator Principles Category	Signed Date	All projects in category meet Use of Proceeds Criteria
Renewable Energy	Solar Photovoltaic Energy	4	Category B: 3 projects Category C: 1 project	Within last 24 months: 4 projects	Yes
	Wind Energy (Onshore)	3	Category B: 3 projects	Within last 24 months: 3 projects	Yes
	Wind Energy (Offshore)	1	Category B: 1 project	Within last 24 months: 1 project	Yes

3. Green Bond issued in Oct 2019 (AUD 100 million 5-Year Fixed Rate Notes Due 2024)

Project Category	Project Subcategory	Number of Projects	Equator Principles Category	Signed Date	All projects in category meet Use of Proceeds Criteria
Renewable Energy	Solar Photovoltaic Energy	2	Category B: 2 projects	Within last 24 months: 2 projects	Yes
	Wind Energy (Onshore)	1	Category B: 1 project	Within last 24 months: 1 project	Yes

Appendix 2: Project Impact Reviewed

1. Green Bond issued in July 2019 (EUR 500 million 10-Year Fixed Rate Notes Due 2029)

Project Category	Project Subcategory	Number of Projects	Annual GHG emissions reduced (t-CO ₂ e)	Annual electricity generated (kWh)	KPIs for all projects in category meet Reporting Criteria
Renewable Energy	Solar Photovoltaic Energy	4	229,743	455,840,266	Yes
	Wind Energy (Onshore)	3	919,537	1,824,478,488	Yes
	Wind Energy (Offshore)	5	7,233,160	14,351,508,000	Yes

2. Green Bond issued in Oct 2019 (AUD 400 million 5-Year Floating Rate Notes Due 2024)

Project Category	Project Subcategory	Number of Projects	Annual GHG emissions reduced (t-CO ₂ e)	Annual electricity generated (kWh)	KPIs for all projects in category meet Reporting Criteria
Renewable Energy	Solar Photovoltaic Energy	4	379,190	752,360,659	Yes

	Wind Energy (Onshore)	3	1,298,613	2,576,613,840	Yes
	Wind Energy (Offshore)	1	924,933	1,835,184,960	Yes

3. Green Bond issued in Oct 2019 (AUD 100 million 5-Year Fixed Rate Notes Due 2024)

Project Category	Project Subcategory	Number of Projects	Annual GHG emissions reduced (t-CO ₂ e)	Annual electricity generated (kWh)	KPIs for all projects in category meet Reporting Criteria
Renewable Energy	Solar Photovoltaic Energy	2	92,981	184,485,600	Yes
	Wind Energy (Onshore)	1	270,200	536,112,000	Yes

Disclaimer

Copyright ©2020 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For over 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in the policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 600 staff members, including over 200 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

