

Verifier Statement

Independent Verification Report

Prepared for MUFG Bank, Ltd: January 21, 2022

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, MUFG Bank, Ltd. (MUFG) engaged BlueMark to undertake an independent verification of the alignment of MUFG’s impact management (IM) system with the Impact Principles. MUFG’s assets under management covered by the Impact Principles (Covered Assets) totaled US\$2,461 million² at the time of verification, comprising renewable energy projects for MUFG Green Bonds (GBs).

Summary assessment conclusions

BlueMark has independently verified MUFG’s extent of alignment with the Impact Principles. Key takeaways from BlueMark’s assessment are as follows:

Principle 1: MUFG has articulated an environmental impact objective for the Covered Assets portfolio, aligned with the Sustainable Development Goals (SDGs) and tied to two key impact metrics. To further align with Principle 1, MUFG could consider documenting a credible basis for achieving its impact objectives through its investment strategy.

Principle 2: MUFG has two key portfolio-level impact metrics and reports annually on estimated performance against those metrics. To enhance alignment with Principle 2, MUFG could consider integrating positive impact considerations throughout the investment process and aligning staff incentive systems with the impact performance of the Covered Assets.

Principle 3: MUFG captures upfront engagement with borrowers as part of its due diligence process. To further align with this Principle, MUFG could consider developing and implementing a strategic approach to enhancing the impact of each investment, as well as compiling supporting evidence to demonstrate its contribution to the achievement of impact.

Principle 4: MUFG’s assessment of expected impact focuses on projections of renewable power generation and associated CO₂ emission reductions. To enhance alignment with Principle 4, MUFG could broaden the scope of its ex-ante assessment to include additional considerations, such as impact risks.

Principle 5: MUFG assesses Environmental, Social, and Governance (ESG) risks using the Equator Principles, which are employed to screen out prospective investments with potentially significant negative impacts. To further align with Principle 5, MUFG could consider developing a standardized process to monitor ESG risk across the portfolio on an ongoing basis.

Principle 6: For the Covered Assets, MUFG reports annually on estimated CO₂ emissions avoided, based on assets’ power generation capacity and coefficients from third parties (e.g., IRENA, IFC). To further align with this Principle, MUFG could collect impact performance data directly from investments and compare impact performance against expectations.

Principle 7: MUFG does not have a process in place to stipulate how the sustainability of impact is considered at the end of its investment period. To enhance alignment, MUFG could consider implementing such a process, which could include assessing steps taken earlier in the investment process to enhance the sustainability of impact, among other considerations.

Principle 8: MUFG does not have a process for reviewing and documenting the impact performance of each investment relative to expectations. To enhance alignment, MUFG could establish a process to review impact performance and, in turn, to use findings from that process to inform investment decision-making and management processes.

¹ Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.”

² Assets under management figure as provided by MUFG Bank, Ltd. BlueMark’s assessment did not include verification of the AUM figure.

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Assessment methodology and scope

MUFG Bank, Ltd. provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of January 21, 2022. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.³

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system’s design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with MUFG Bank, Ltd. staff responsible for defining and implementing the IM system;
3. Testing of selected MUFG Bank, Ltd. transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to MUFG Bank, Ltd., outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for MUFG Bank, Ltd. in accordance with the agreement between our firms, to assist MUFG Bank, Ltd. in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit MUFG Bank, Ltd. to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate MUFG Bank, Ltd.’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than MUFG Bank, Ltd. for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

³ The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by MUFG Bank, Ltd.. BlueMark has relied on the accuracy and completeness of any such information provided by MUFG Bank, Ltd.. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from MUFG Bank, Ltd.