

Mitsubishi UFJ Financial Group Social Bond 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

In December 2019, Mitsubishi UFJ Financial Group (MUFG) issued a social bond (USD 90 million 10-Year Fixed Rate Notes Due 2029) aimed at financing and refinancing projects with social benefits (the “Social Bond”). In May 2020, MUFG engaged Sustainalytics to review the projects funded through the issued Social Bond 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, Social, and Sustainability Bond Framework (2019) (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 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)
Employment generation	<p>Projects/loans of MUFG Bank that contributes reconstruction after disasters including earthquakes and typhoons</p> <ul style="list-style-type: none"> • Priority to be allocated to loans to operators using the Scheme for Compensation for Interest Rates on Special Zones for Reconstruction² or Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation³ 	<ul style="list-style-type: none"> • Number of employments created • Number of loans provided to businesses including ones using the ‘System for Provision of Compensation for Interest Rates on Special Zones for Reconstruction’ or ‘Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation’
Healthcare	<p>Projects/loans of MUFG Bank for medical facilities</p> <ul style="list-style-type: none"> • Medical institutions to which MUFG Bank may make loans must be those providing medical services accessible to low-income people, 	<ul style="list-style-type: none"> • Number of patients receiving the medical services, or • Number of hospital beds

¹ Mitsubishi UFJ Financial Group, green, social, and sustainability bond framework overview available at <https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2019/10/Mitsubishi-UFJ-Financial-Group-Green-Social-and-Sustainability-Bond-Second-Party-Opinion-08102019-ENGLISH.pdf>

² Special Zones for Reconstruction is defined as the regions affected by the Great East Japan Earthquake, occurred off the Pacific coast of the Tohoku region on March 11, 2011. More information on compensation available at the Reconstruction Agency’s website at: <https://www.reconstruction.go.jp/topics/main-cat1/sub-cat1-13/20190412152225.html> (Japanese only)

³ More information available on the Ministry of Economy, Trade and Industry website at: <https://www.meti.go.jp/information/publicoffer/kobo/2019/k190218002.html> (Japanese only)

	specifically, the loans in this category are meant for following facilities: <ul style="list-style-type: none"> ○ Overseas institutions: Public hospitals ○ Domestic institutions: Public hospitals, and hospitals run by a social medical care corporation or a social welfare corporation 	
Education	Projects/loans of MUFG Bank for schools <ul style="list-style-type: none"> • Schools to which MUFG Bank may make loans must be those accessible to low-income people. Loans in this criterion are for public schools 	<ul style="list-style-type: none"> • Number of students receiving the educational services
Affordable Housing	Projects/loans of MUFG Bank to public housing suppliers that are registered in England ⁴	<ul style="list-style-type: none"> • Number of residences provided

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 Social Bond 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,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of MUFG's Social Bond, 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 Social Bond were fully allocated as of March, 31, 2020.

⁴ UK government lists the current registered providers of social housing (applies to England) at: <https://www.gov.uk/government/publications/currentregistered-providers-of-social-housing>

⁵ 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 Social Bond 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 Social Bond in 2019 to determine if impact of projects were 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

Project Category	Number of Projects	Description	Signed Date	All projects in category meet Use of Proceeds Criteria
Employment Generation	27	Loans of MUFG Bank for businesses that contributes to reconstruction after the Great East Japan Earthquake, which have used the 'Scheme for Provision of Compensation for Interest Rates on Special Zones for Reconstruction'	Within last 36 months: 23 projects After Issuance: 4 projects	Yes
Healthcare	1	Loans of MUFG Bank for overseas public hospital	Within last 36 months: 1 project	Yes

Appendix 2: Project Impact Reviewed

Use of Proceeds Category	Impact Reported by Eligibility Criteria		KPIs for all projects in category meet Reporting Criteria
Employment Generation	Total number of employments created	130 employments	Yes
	Total number of loans provided to businesses using the 'System for Provision of Compensation for Interest Rates on Special Zones for Reconstruction'	27 loans	
Healthcare	Total number of patients receiving the medical services per day	40,000 patients	Yes
	Total number of hospital beds	2,682 beds	

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.

