

Mitsubishi UFJ Financial Group

Type of Engagement: Annual Review

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Introduction

In October 2018, Mitsubishi UFJ Financial Group (MUFG) issued a green bond (EUR 5-Year Fixed Rate Notes Due 2023) aimed at financing and refinancing expenditures related to green buildings and renewable energy generation. In May 2019, MUFG engaged Sustainalytics to review the projects funded through the issued green 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 Bond Framework (2018).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded through MUFG's 2018 green bond based on whether the projects and programmes:

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

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs as per the framework.

Table 1: Use of Proceeds, Eligibility Criteria and Key Performance Indicators

| Use of Proceeds | Eligibility Criteria | Key performance indicators |
|------------------------|--|---|
| 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) | <p>MUFG has committed to publishing an impact report annually, throughout the term of the bond, containing the following impact metrics:</p> <ul style="list-style-type: none"> • CO2 emission reduction |

¹ The Mitsubishi UFJ Financial Group Green Bond Framework (2018):

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. | <p>MUFG has committed to publishing an impact report annually, throughout the term of the bond, containing the following impact metrics:</p> <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 Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from MUFG employees and review of documentation to confirm the conformance with the Green Bond 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 bond projects, funded through proceeds of MUFG's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. MUFG has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of 29 March 2019.

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 2: Detailed Findings

| Eligibility Criteria | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|---------------------------------|--|---|--------------------------------|
| Use of Proceeds Criteria | Verification of the projects funded by the green bond in 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1. For a list of project categories funded, please refer to Appendix 1. | All projects reviewed complied with the Use of Proceeds criteria. | None |
| Reporting Criteria | Verification of the projects funded by the green bond in 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2. | All projects reviewed reported on relevant KPIs per Use of Proceeds criteria. | None |

Appendix 1: Project Categories Reviewed

| Project Category | Type and percentage of certification ⁴ | | Certification Date | All projects in category meet Use of Proceeds Criteria |
|------------------|--|--|---|--|
| | CASBEE | DBJ Green Building Certification | | |
| Green Buildings | S Rank: 24% of all buildings allocated A Rank: 24% of all buildings allocated | 5 Star: 16% of all buildings allocated 4 Star: 35% of all buildings allocated | Confirmed that all certifications were received either within last 24 months ⁵ of the bond issuance or post-issuance | Yes |

Appendix 2: Project Impact Reviewed

| Project Category | Annual CO2 emissions reduced by the green bond (t-CO2) | KPIs for all projects in category meet Reporting Criteria |
|------------------|--|---|
| Green Buildings | 3,538.78 | Yes |

⁴ 4% of all buildings are double counted due to acquisition of both CASBEE and DBJ Green Building Certification.

⁵ Buildings with DBJ Green Building Certification may date longer than 24 months but no longer than three years.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider." The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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