

# MUFG's Sustainability Management Climate Change Initiatives

June 3, 2021

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## Definitions

MUFG:	Mitsubishi UFJ Financial Group	NICOS:	Mitsubishi UFJ NICOS
the Bank (BK):	MUFG Bank	MUAH:	MUFG Americas Holdings Corporation
the Trust Bank (TB):	Mitsubishi UFJ Trust & Banking Corporation	KS:	Bank of Ayudhya (Krungsri, KS)
the Securities HD (SCHD):	Mitsubishi UFJ Securities Holdings	Bank Danamon (BDI):	Bank Danamon Indonesia
MUMSS:	Mitsubishi UFJ Morgan Stanley Securities	FSI:	First Sentier Investors
MSMS:	Morgan Stanley MUFG Securities		

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# MUFG's Sustainability Management

# MUFG's Sustainability Management

- “Response to climate change & environmental protection” is one of the most important issues for MUFG's Sustainability Management. Via tackling this issue, MUFG will contribute to creating a sustainable society by fostering a virtuous cycle between the environment and economy

## Committed to empowering a brighter future.

### MUFG's Sustainability Management

- With the conviction that environmental and social sustainability are essential to MUFG's sustainable growth, we will create our corporate values by integrating the solutions for environmental and social issues with our management strategies

i. Digital transformation (DX)

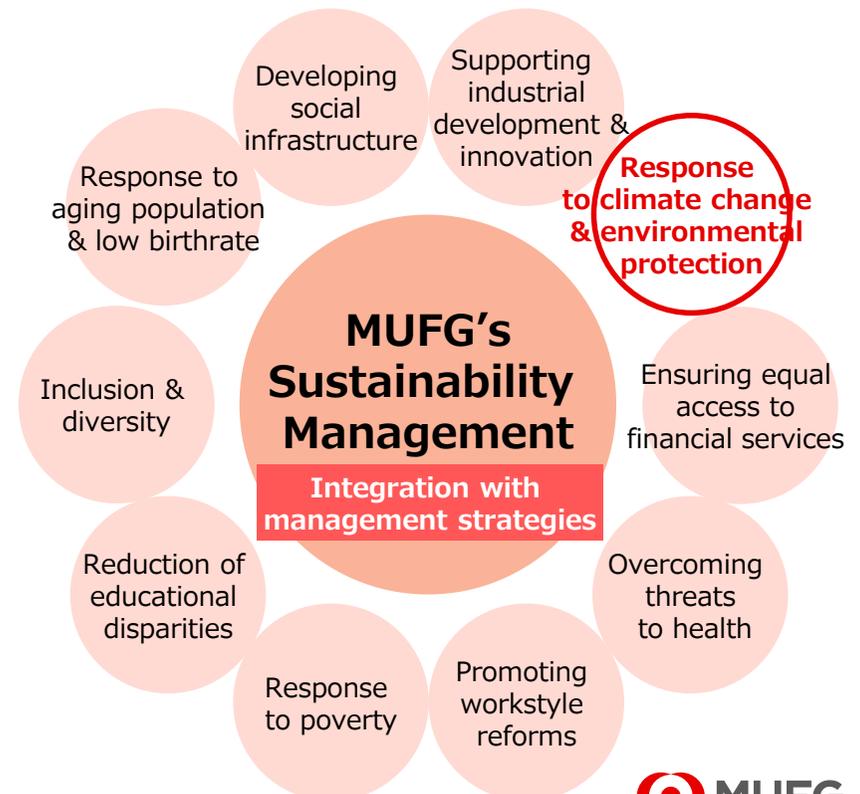
ii. **Contribution to addressing environmental and social issues**

iii. Transformation of corporate culture (a culture that values speed & new challenges)

### Basic policy of new medium-term business plan (MTBP)

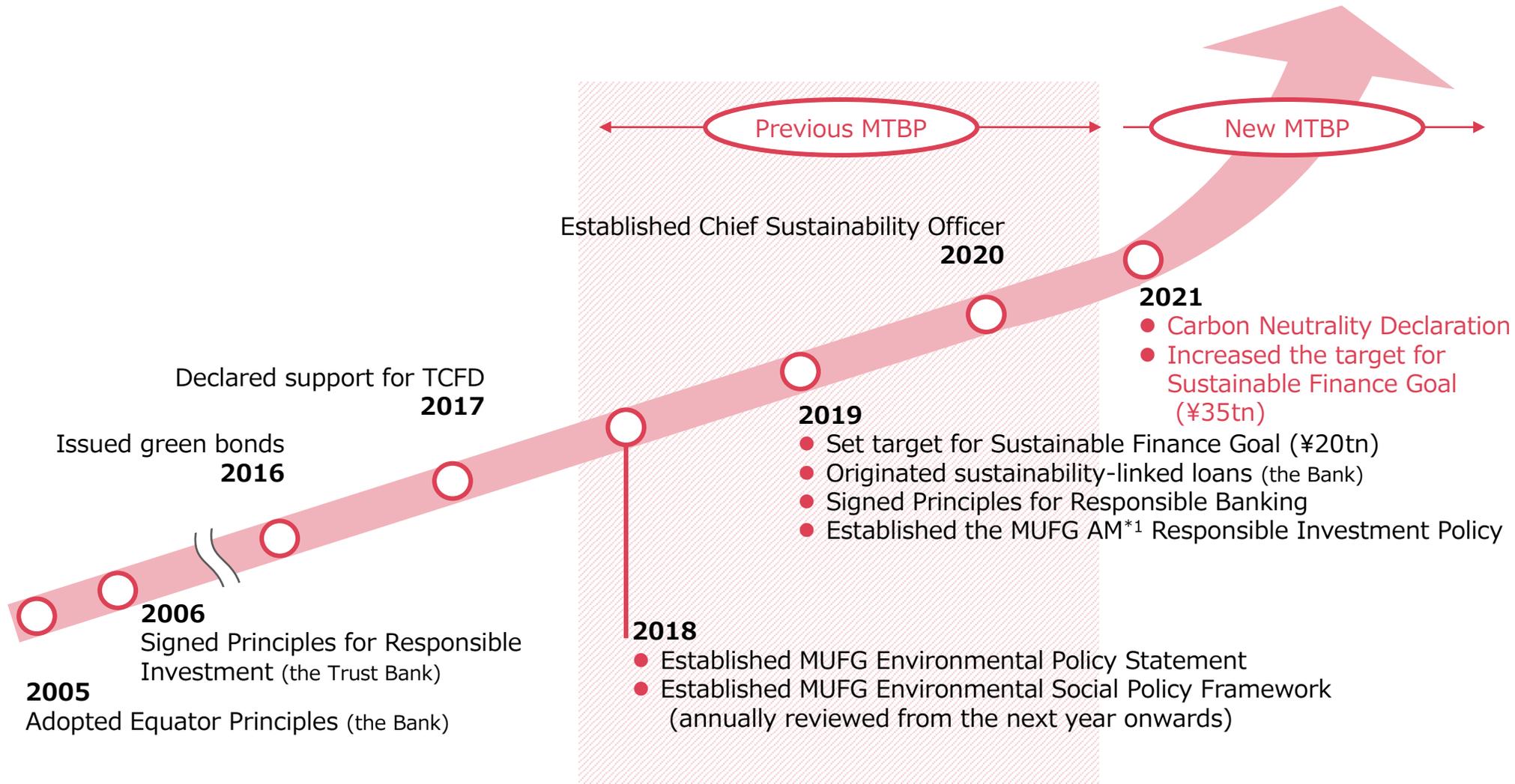
Our vision after 3 years	<p><b>Be the premier business partner that pioneers the future through the power of finance and digital services</b></p> <p>To cope with the drastically changing society, we commit to empower all stakeholders to move to the next step forward</p>
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Financial Target	<p><b>ROE 7.5%</b></p> <p>A company which constantly earns ¥1tn of profits attributable to owners of parent</p>
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# What we have done so far

– Accelerate climate change-related initiatives based on the “MUFG Carbon Neutrality Declaration”



\*1 Asset Management

# Contribute to creating a sustainable society by fostering a virtuous cycle between the environment and economy

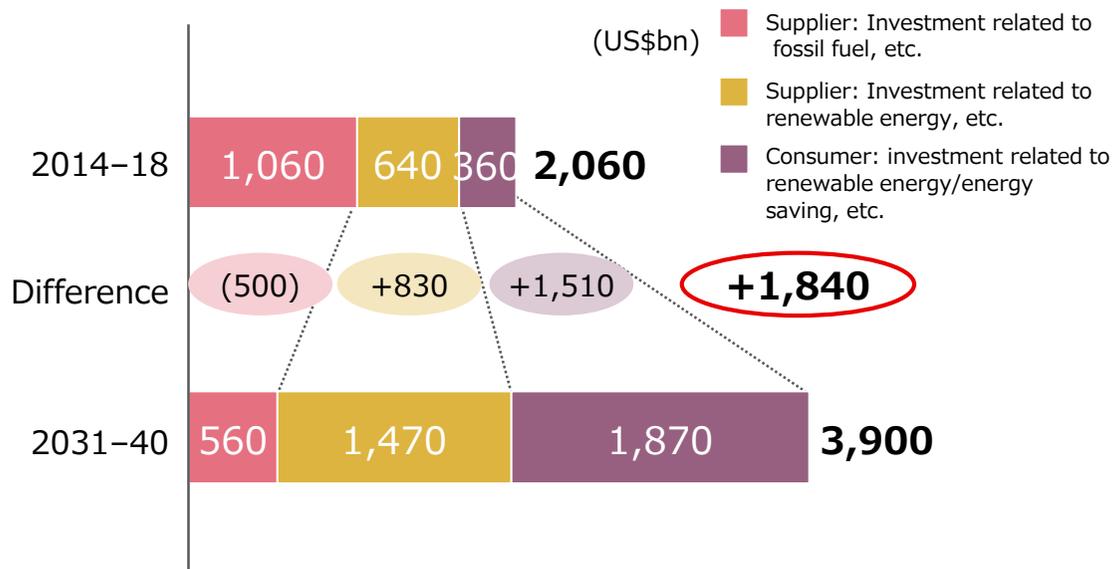
- Proactively support our customers' transition for decarbonization through our business. There are business opportunities for MUFG to grow

## Expected increase of climate change-related capex

- Due to the increasing efforts made to reach net-zero GHG\*1 emissions in various industries, **demand for capex is expected to increase**

Annual net increase: US\$1.84tn (2031-2040)

## Projected worldwide capital expenditures(annual average)\*2



▶ Financing will be key for advancing the industrial structure changes required to achieve decarbonization

## Opportunities for green finance

- Major oil & gas sector players have already announced plans to expand sustainable-energy-related capex to work toward realizing a decarbonized society
- According to CDP\*3 research, more than half of the 500 major Japanese companies have already set validated decarbonization targets similar to SBTi\*4 validation, or plan to set targets within the next 2 years
- Financial solutions such as green bonds and green loans will underpin the capex plans and therefore **there is a huge business opportunity for financial institutions**

\*1 Greenhouse Gas \*2 Made by MUFG based on the IEA Report, "Making Mission Possible" in Sep 2020

\*3 CDP (former Carbon Disclosure Project) is a project where institutional investors cooperate to ask companies to announce things like a climate change strategy and specific greenhouse gas emissions. MUFG has participated since 2004

\*4 Science Based Targets initiatives

# MUFG Carbon Neutrality Declaration

# MUFG Carbon Neutrality Declaration

- The management takes it seriously to contribute to creating a sustainable society by fostering a virtuous cycle between the environment and economy, and thus MUFG is the first Japanese bank to commit to achieve net-zero GHG<sup>\*1</sup> emissions for the finance portfolio

## MUFG Carbon Neutrality Declaration

**Net zero GHG emissions in our finance portfolio<sup>\*2</sup> by 2050,  
net zero GHG emissions in our own operations<sup>\*3</sup> by 2030**

First bank  
in Japan

Join Net-Zero Banking Alliance<sup>\*4</sup>

Set and disclose interim target  
for 2030 in FY2022

Report the progress  
on annual basis

### Main Approach

#### ① Commit to achieve decarbonization through financial services

- Set target for sustainable finance: ¥35tn (of which ¥18tn is for environment)
- Enhance financing policies
- Disclose future credit portfolio reduction targets for corporate-finance related to coal-fired power generation<sup>\*5</sup>
- Support renewable energy, hydrogen, next-generation energy, etc.

#### ② Promote decarbonization via MUFG's own efforts

- Shift to 100% renewable energy for electricity procured by domestic offices and branches<sup>\*6</sup>
- Work on carbon offsetting (afforestation, etc.)

#### ③ Set targets to align with the goals of the Paris Agreement, and expand and improve transparency of information disclosure

- Set targets to align with the goals of the Paris Agreement based on scientific approaches such as SBT<sup>\*7</sup>
- Develop TCFD disclosure such as expanding the scope of sectors subject to scenario analysis

#### ④ Enhance our organization to achieve carbon neutrality

- Change governance to approve "MUFG Environmental Policy Statement" at the Board of Directors
- Reflect ESG elements in MUFG's executive compensation

\*1 Greenhouse Gas \*2 Scope3 under the GHG Protocol \*3 Scope1 and Scope2 under the GHG Protocol \*4 An initiative, which was established by UNEP FI in April 2021, undertaken by banks that are committed to achieve net zero GHG emissions in their lending and investment portfolio at latest by 2050

\*5 We aim to disclose the portfolio reduction target for our corporate customers whose business largely involves coal-fired power generation. Progressing toward the project finance portfolio reduction target for coal-fired power generation (to halve the FY2019 balance by FY2030, and reduce to zero by FY2040)

\*6 The Bank, the Trust Bank and the Securities HD \*7 Science Based Targets

# Approach 1: Commit to achieve decarbonization through financial services (1)

– Strengthen sustainable business through engagement; support customers' transitions

## Promotion of environment-related finance

- Increased the target for sustainable finance

Cumulative total for FY2019-FY2030  
 ¥20tn (of which ¥8tn for environment)  
 → **¥35tn (of which ¥18tn for environment)**



Disclose the environmental impact caused by financing

- Set CO<sub>2</sub> reduction target via renewable energy project finance

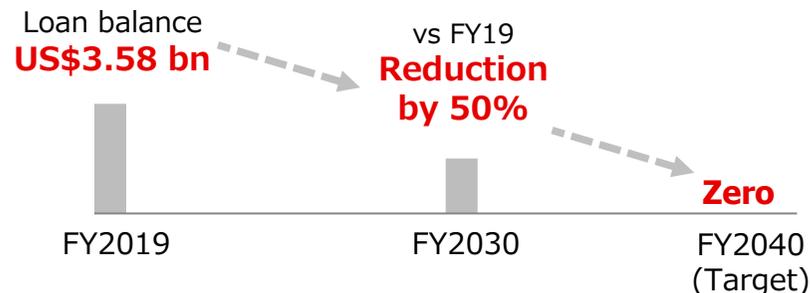
Cumulative total from FY19 to FY30  
 Reduce **70million t-CO<sub>2</sub>**<sup>\*1</sup>

= Equivalent to annual CO<sub>2</sub> emissions from about 50% of Japanese households<sup>\*2</sup>

## Efforts to reduce coal-fired power-related credit portfolio

### Project finance

- Loan balance and reduction target<sup>\*3</sup> have been announced in Oct. 2020



### Corporate finance

- Consider/disclose as part of the process to set the targets to achieve net zero GHG emissions in our finance portfolio

**STEP 1** Review the definition/criteria for the target scope

**STEP 2** Set balance reduction target

#### Reference

The credit balance for corporate finance was approx. ¥400 bn as of Sep 2020 (criteria: coal-fired power generation capacity >50%)

\*1 Cumulative annual CO<sub>2</sub> reduction effect from renewable projects MUFG has provided finance in the fiscal year, calculated based on the amount of electricity generated, facility utilization rate, and emission factors. The value is after taking into account the share of MUFG's loan arrangement or underwriting amount

\*2 Made by MUFG based on Ministry of the Environment "Survey Results on Household Carbon Emission"

\*3 Projects that contribute to transition to a decarbonized society are exceptional according to the MUFG Environmental and Social Policy Framework

# Approach 1: Commit to achieve decarbonization through financial services (2)

– Further restricted climate change related policies (Coal-Fired Power Generation, Forestry, Palm Oil) in Apr. 2021

## Environment-related policies in the MUFG Environmental and Social Policy Framework\*1

Revised in Apr. 2021	2018	2019	2020	2021	
Coal-Fired Power Generation	adopted	revised		revised	<ul style="list-style-type: none"> <li>Further restricted the policy to prohibit financing to expansion of existing facilities; stipulation made that any consideration will be made on individual basis from a more restrictive perspective                             <ul style="list-style-type: none"> <li>- MUFG will not provide financing to new coal fired power generation projects or expansion of existing facilities. However, coal-fired power generations equipped with CCUS*2, mixed combustion, and other technologies necessary to achieve the Paris Agreement target may be considered on an individual basis.</li> </ul> </li> </ul>
Forestry		adopted		revised	<ul style="list-style-type: none"> <li>Confirm no illegal logging or deforestation in areas of high conservation value are taking place</li> </ul>
Palm Oil		adopted		revised	<ul style="list-style-type: none"> <li>Request our clients to publicly commit to NDPE (No Deforestation, No Peat and No Exploitation), or provide with action plans to accomplish this if such commitment has not yet been made</li> </ul>
Mining (coal)		adopted			<ul style="list-style-type: none"> <li>Not provide any financing to coal mining projects using the mountaintop removal (MTR) method</li> <li>Assess the impacts that the development will have on local ecosystems, relationships with local residents, and occupational safety and health issues</li> </ul>
Oil and Gas (Oil sand, Development of the Arctic)			adopted		<ul style="list-style-type: none"> <li>Assess the impacts on ecosystems and indigenous communities affected by the developments</li> </ul>
Large Hydropower			adopted		<ul style="list-style-type: none"> <li>Assess the impact that the dam construction will have on the ecosystem, local communities, and the living environment and livelihoods of residents</li> </ul>

\*1 MUFG Environmental and Social Policy Framework ( <https://www.mufg.jp/english/csr/policy/index.html> )

\*2 CCUS: Carbon dioxide Capture, Utilization and Storage

# Approach 1: Commit to achieve decarbonization through financial services (3)

– CCUS, mixed combustion, etc. are considered to be necessary technologies in the course of achieving carbon neutrality

## Japan's transition

### Achieving decarbonization in a single leap is not easy

- Japan's climate/terrain is not ideal to promote renewable energy
- Being an island country, it is not easy to procure electricity from neighboring countries
- The prospects for restarting/building nuclear power plants are unclear

Making use of CO<sub>2</sub> restrictive technologies such as ammonia-fueled power generation while promoting renewable energy is necessary for Japan to transit to net zero as a whole

## Ammonia-fueled power generation (a technology evolving to mono-fuel combustion)

- Ammonia, which does not emit CO<sub>2</sub> when burned, will be the main decarbonized fuel used in the transition to the hydrogen economy, being used for co-firing of thermal power (coalfired etc.) and so on
- CO<sub>2</sub> emission is reduced by 20% by co-firing of 20% ammonia (calorie-based) at one thermal power plant, therefore, if 20% co-firing is implemented at all coal-fired thermal power plants in Japanese major power companies, about 10% of CO<sub>2</sub> emission by domestic electric power sector will be reduced
- JERA announced a plan to implement fuel ammonia for thermal power generation from the second half of 2020s

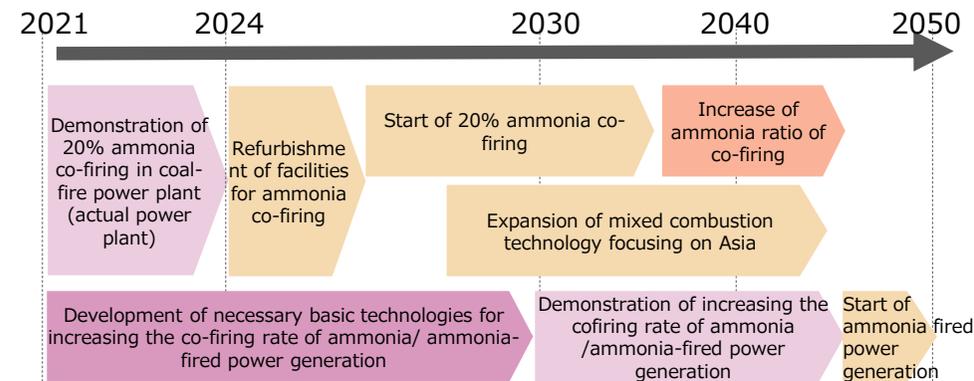
Source: Green Growth Strategy Through Achieving Carbon Neutrality in 2050, Study on the realization of carbon neutrality by 2050 (Agency of Natural Resources and Energy)

## MUFG's stance

- CCUS and ammonia-fueled power generation are yet in the development/validation phase
- MUFG is currently **not** considering any coal-fired power transactions, including those accompanied with technologies such as CCUS or mixed combustion

We will continue to pay close attention to governmental and industrial roadmaps, and only consider transactions individually from a more restrictive perspective where the transactions accompanied with abovementioned technologies is considered necessary to achieve the goals of Paris Agreement

### "Roadmap" of Growth Strategies for fuel ammonia industries



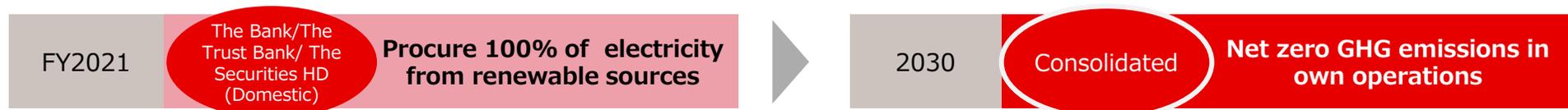
Source: Green Growth Strategy Through Achieving Carbon Neutrality in 2050

## Approach 2: Promote decarbonization via MUFG's own efforts (1)

– Achieve net-zero by 2030 for Scope1 and Scope2

100% renewable energy for domestic offices and branches of the Bank, the Trust bank and the Securities HD by FY2021

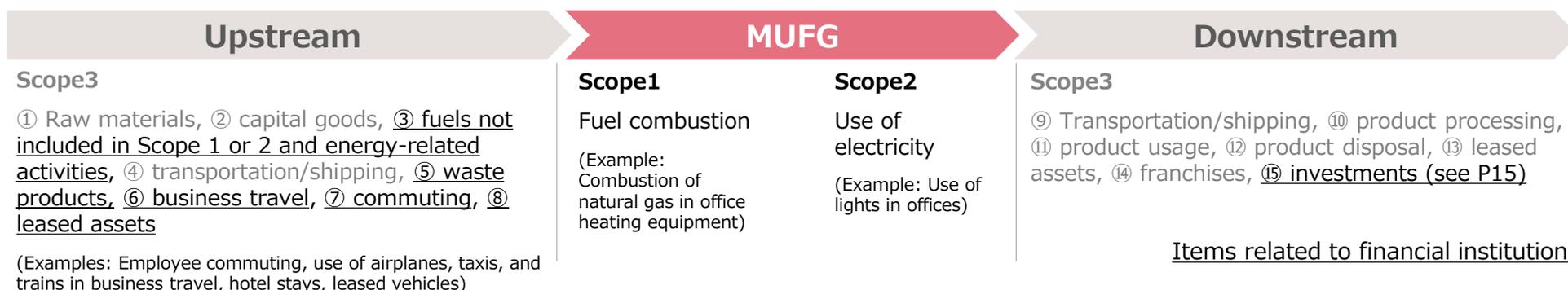
- Working toward the realization of net-zero GHG emissions for MUFG's finance portfolio, MUFG is taking the lead by realizing carbon neutrality for its procured electricity
- Purchase non-fossil certificates\*1 to activate the non-fossil value market and promote the spread of renewable energy



CO<sub>2</sub> emissions for the primary 5 domestic companies (MUFG, the Bank, the Trust Bank, The Securities HD, NICOS)

- At present, domestic Scope1 and 2 are being measured/disclosed for the primary 5 domestic companies

(t-CO <sub>2</sub> )		FY2017	FY2018	FY2019
1	Scope1 Direct CO <sub>2</sub> emission (Fuel combustion)	11,836	10,795	9,963
2	Scope2 Indirect CO <sub>2</sub> emission (Use of electricity)	202,004	186,870	184,287
3	<b>Total</b>	213,840	197,665	19204,250



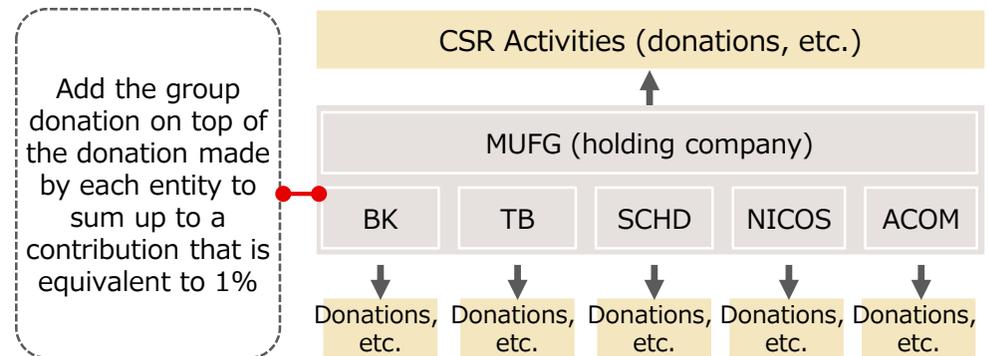
\*1 Proof that electricity originates from renewable energy sources. Market participants are able to trade environmental value in the form of the certificate

## Approach 2: Promote decarbonization via MUFG's own efforts (2)

– Positively leverage the MUFG donation program for response to climate change & environmental protection

### MUFG donation program

- Use the donation program which contributes the equivalent of 1% of the group operating profit to CSR activities in order to support innovative technologies related to climate change and carbon offsetting efforts such as afforestation.



### Key areas for the donation program

[Response to climate change & environmental protection]  
Start supporting afforestation

[COVID-19 countermeasures]  
Healthcare/student support

[Next-generation support]  
Supporting organizations that are tackling poverty

[Disaster support]  
Support those who suffer from torrential rains/earthquakes

#### ● **New initiative** (starting Jan. 2021)

- A program to plant up to approx. 100,000 trees in accordance with the number of applications for new or replacement Eco Passbooks (paper bank books commonly used in Japan to keep track of transactions and account balance) and donate a total of ¥500 million over 10 years to foster these trees.

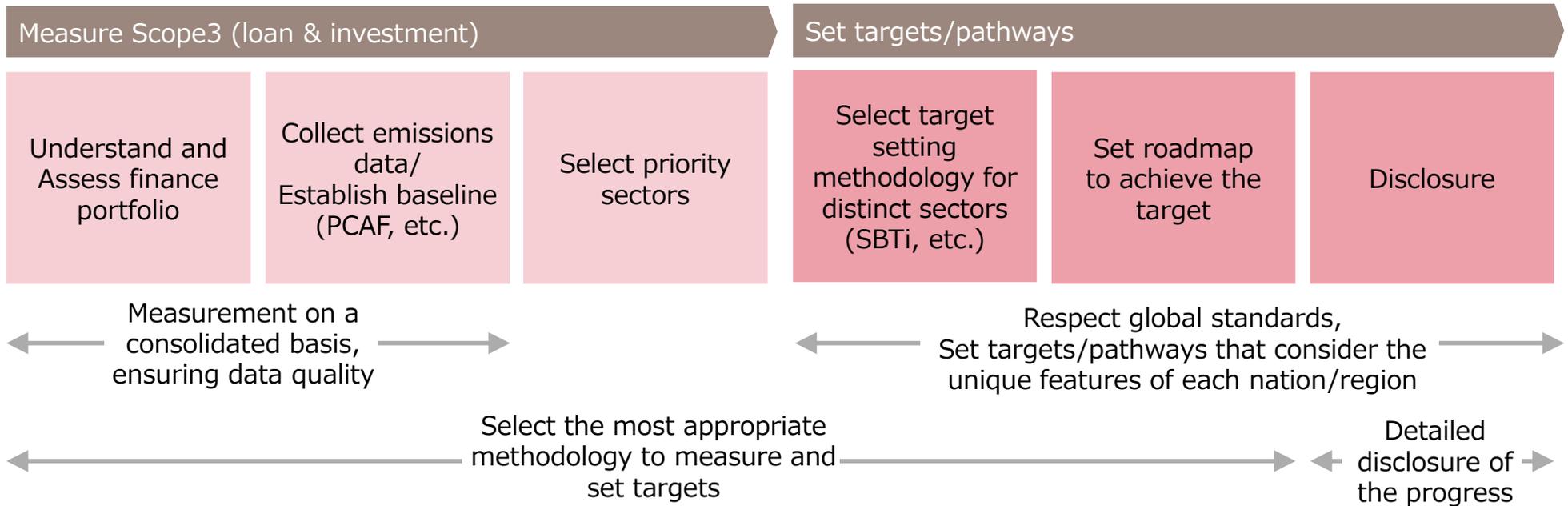
**Contribute to a reduction in annual CO<sub>2</sub> emissions that is equivalent to what is generated by air conditioning 10,000 households**



\*1 Business profit after deducting credit-related costs, etc.

# Approach 3: Set targets to align with the goals of the Paris Agreement and expand and improve transparency of disclosure (1)

- Measure current GHG emissions and set targets/pathways to align with the goals of the Paris Agreement
- Investigate various options, including global initiatives (PCAF, SBTi, etc.)



## PCAF (Partnership for Carbon Accounting Financials)

- Announced standards for assessing/disclosing the GHG emissions (Scope3) of financial institutions' finance portfolios (November 2020)
- Presented a workflow that covers from calculating GHG emissions to setting SBTs

## SBTi (Science Based Targets initiative)

- Paris Agreement-compliant GHG emissions targets that each company sets for 5-15 years timeline (Target level that is well below 2°C, and aims for 1.5°C)
- Financial sector guidance was released in October 2020 (The number of validated companies in the banking sector is zero)

# Approach 3: Set targets to align with the goals of the Paris Agreement and expand and improve transparency of disclosure (2)

- Expand the scope of sectors subject to scenario analysis in line with TCFD Recommendations and enhance information disclosure

## Climate change risk measurement

Scenario analysis based on TCFD recommendations (performed in FY2020)

Climate change risk      Impact on the credit portfolio

Transition risks\*1  
Risks associated with transition to decarbonized society

- Increase in energy demand
- Decrease in coal ratio
- Increase in carbon prices, etc.

Credit costs expected for energy and utility sectors  
Approx. ¥1bn to ¥9bn / year

Physical risks\*2  
Risks associated with physical damage arising from flooding

- Operational suspension periods
- Damage to possessed assets, etc

Credit costs until by FY2050  
Cumulative total of approx. ¥38bn

Ratio of carbon-related assets in the loan portfolio, and the loan amount\*3\*4

	End of Mar 2019		End of Mar 2020	
	Ratio	Amount	Ratio	Amount
Energy	3.0%	Approx. ¥2.9tn	2.8%	Approx. ¥2.8tn
Utilities	3.6%	Approx. ¥3.5tn	3.4%	Approx. ¥3.4tn
Total	6.6%	Approx. ¥6.4tn	6.2%	Approx. ¥6.2tn

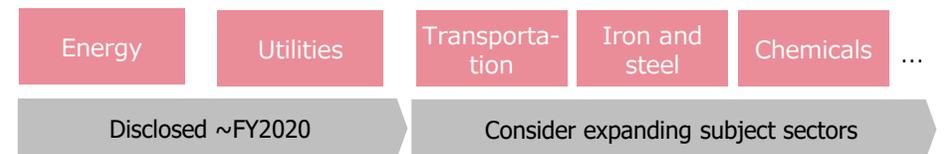
### ■ What we have done so far

- For the energy and utilities sector, we are conducting an analysis to assess the impacts using an integrated approach that combines a bottom-up method at the individual company level, and a top-down method at the sector level

### ■ What we will do onwards (plans)

- In FY2021, we will consider expanding the scope to sectors that are thought to have high emissions as well as large exposure

[Sectors that are recognized to have high emissions on the UNEP FI heatmap]



- As for other sectors, we plan to conduct a scenario analysis using a simplified top-down method (by end of 2021)

\*1 Based on the IEA's "sustainable development scenario" (under 2°C scenario)"

\*2 Based on RCP2.6 (2°C scenario)/8.5 (4°C scenario) from the 5th Coupled Model Intercomparison Project (CMIP5), released at the Intergovernmental Panel on Climate Change (IPCC)

\*3 The total loan amounts are JPY 96.5 trillion (as of end of Mar 2019) and JPY 99.1 trillion (as of end of Mar 2020)

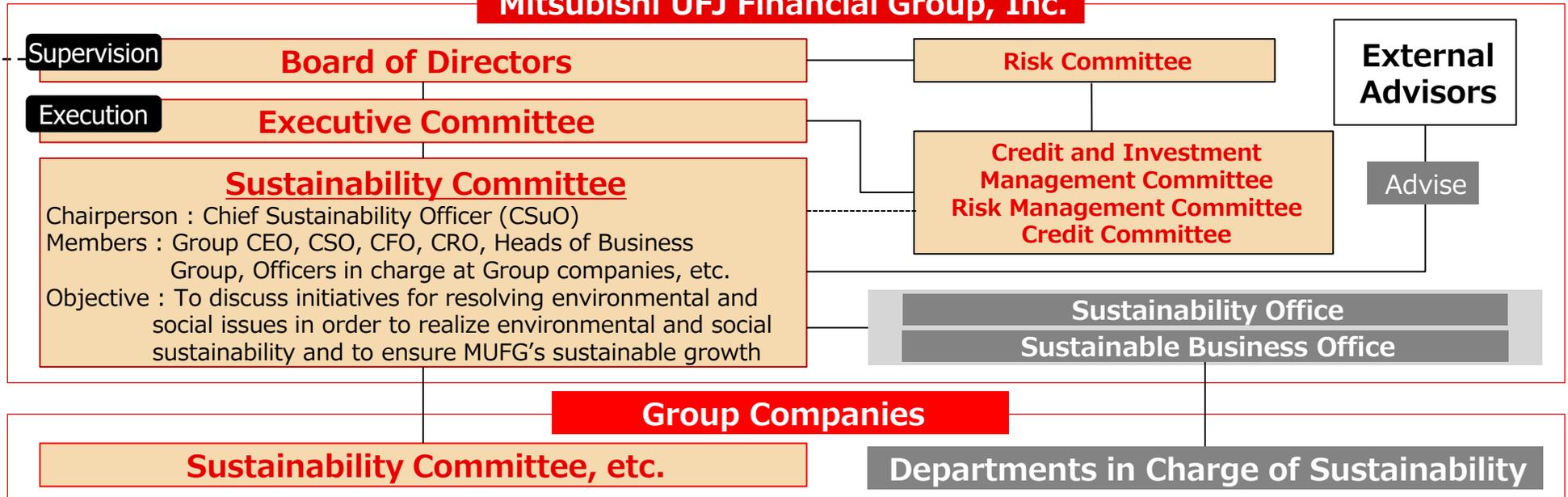
\*4 Based on TCFD recommendations, carbon-related assets are defined as loans, excluding loans for renewable energy generation, etc.

# Approach 4: Enhance our organization to achieve carbon neutrality (1)

–Climate change is a theme that has been organizationally dealt with, all the way up to the Board of Directors

## Sustainability Promotion Structure

### Mitsubishi UFJ Financial Group, Inc.



### MUFG Environmental Policy Statement

~Approved by the board of directors since May 2021

- Describes the underlying environmental awareness and specific conduct guidelines that forms the foundation for our activities to implement the “Commitment to the Environment” stipulated under the MUFG Way.
- The FY2021 revision specified that there would be proactive disclosure of information related to environment, including climate change

### MUFG Way

**MUFG Environmental Policy Statement**

**MUFG Human Rights Policy Statement**

**MUFG Carbon Neutrality Declaration**

**MUFG Environmental and Social Policy Framework**

## Approach 4: Enhance our organization to achieve carbon neutrality (2)

- The board of directors positions “sustainable management” as an important theme for deliberation, and manages this in the annual PDCA. 5 meetings and discussions have been held in 2021 so far (3 at Board Meetings and 2 at individual sessions)

### Annual PDCA operated by the board of directors

- Overview the group-level issues and identify key themes that require deliberation
- Perform well-planned deliberation based on the annual schedule

#### **Key issue mapping**

Overview of Group-level issues

#### **Key deliberation items**

Identify themes requiring deliberation

#### **Annual schedule**

Managed in line with the annual deliberation plan

**OIM Management\*<sup>1</sup>**  
(Open Issue Management)

### Key climate change-related opinions from directors



Why don't we aim to become a financial group that takes the lead in environmental conservation?



We want to show MUFG's seriousness to the public



Climate change measures require essential solution in line with the holistic picture



We need to be more transparent with our coal-fire related portfolio



We should consider reflecting sustainability elements in our credit process

- Carbon Neutrality Declaration
- Support customers' transitions
- Consider disclosure of the exposure targets of corporate finance
- On-going revision of finance policy

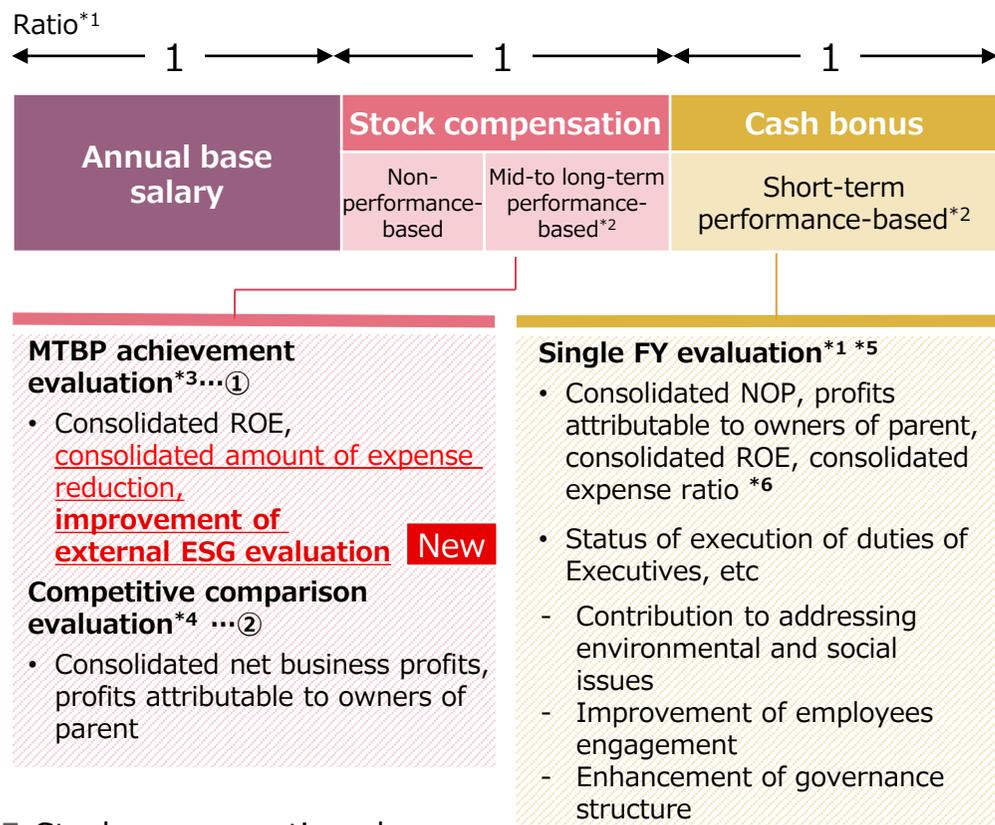
...etc.

\*1 Framework to monitor the items pointed out by the Board of Directors

# Approach 4: Strengthening the structure to support carbon neutrality (3)

– Revised executive compensation plan for greater incentives to conduct sustainability management

## Revised KPI of executive compensation



### ■ Stock compensation plan

- Group-wide incentive plan for directors, corporate executive officers, executive officers of MUFG and its major subsidiaries
- Subject to malus and claw-back clause, etc.
- Shares acquired shall be held continuously until retirement in principle

## Performance indicators of stock compensation

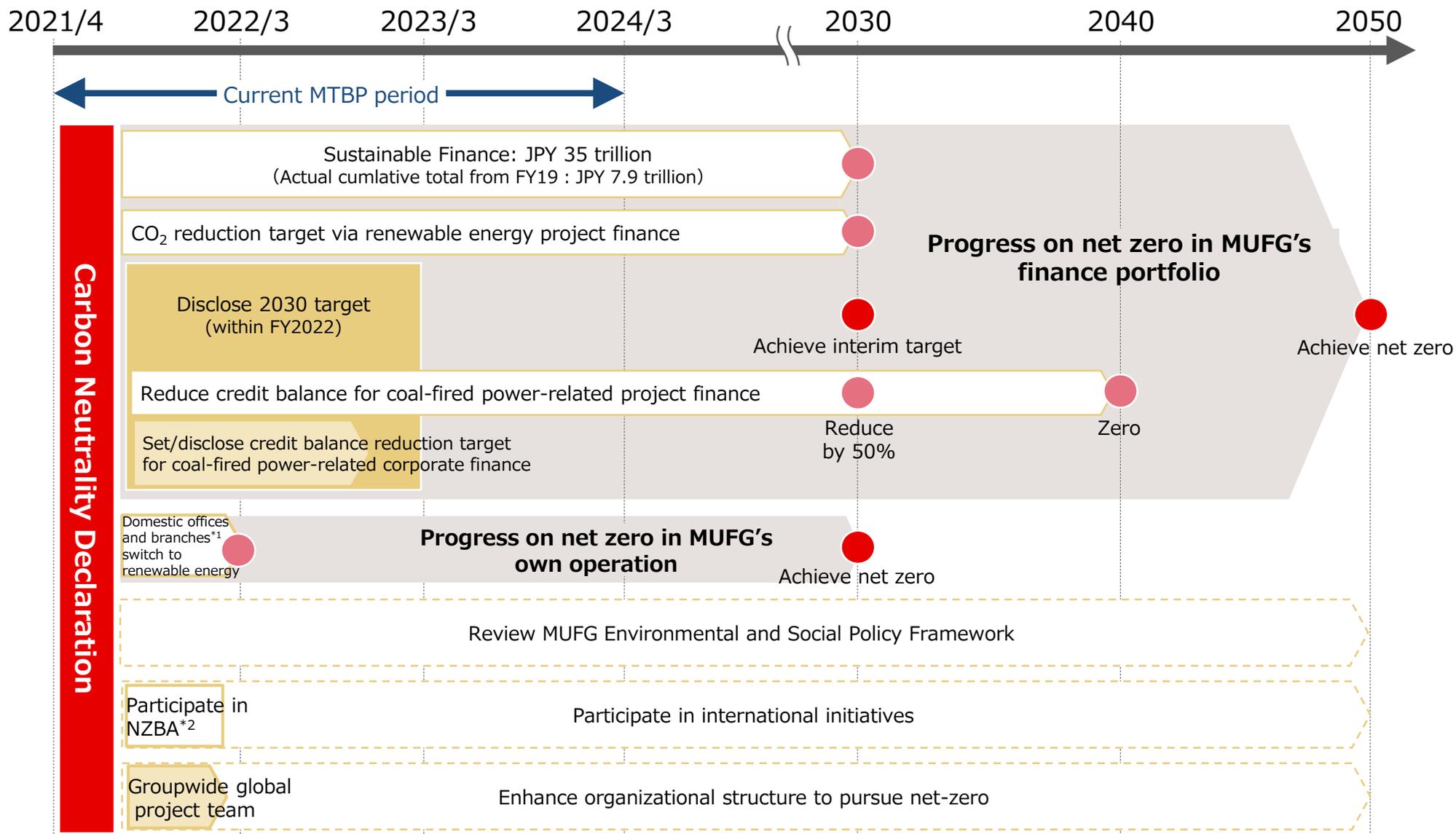
1. MTBP achievement evaluation <50%>
  - Level of achievement of the target percentage specified in MTBP for the following indicators
  - Consolidated ROE <30%>
  - Consolidated amount of expense reduction (excl. performance-linked expenses) <15%>
  - Assessment by ESG assessment agency <5%> ESG assessment indicators by third-party agencies (MSCI, FTSE Russell, Sustainalytics, S&P Dow Jones, CDP)
2. Competitive comparison evaluation <50%>
  - Comparison of YoY growth rate of the following indicators with that of competitors
  - Consolidated net business profits <25%>
  - Profits attributable to owners of parent <25%>

\*1 As for the case of Group CEO of MUFG \*2 Range: 0-150% \*3 Rate of attainment of targets of the indicators in the MTBP \*4 Comparison of the rate of increase in the indicators from the previous fiscal year with that of competitors \*5 Determined exclusively by independent outside directors at the Compensation Committee for executives

\*6 Rate of increase/decrease of the indicators from the previous fiscal year and the rate of attainment of targets of these indicators

# Roadmap for achieving carbon neutrality

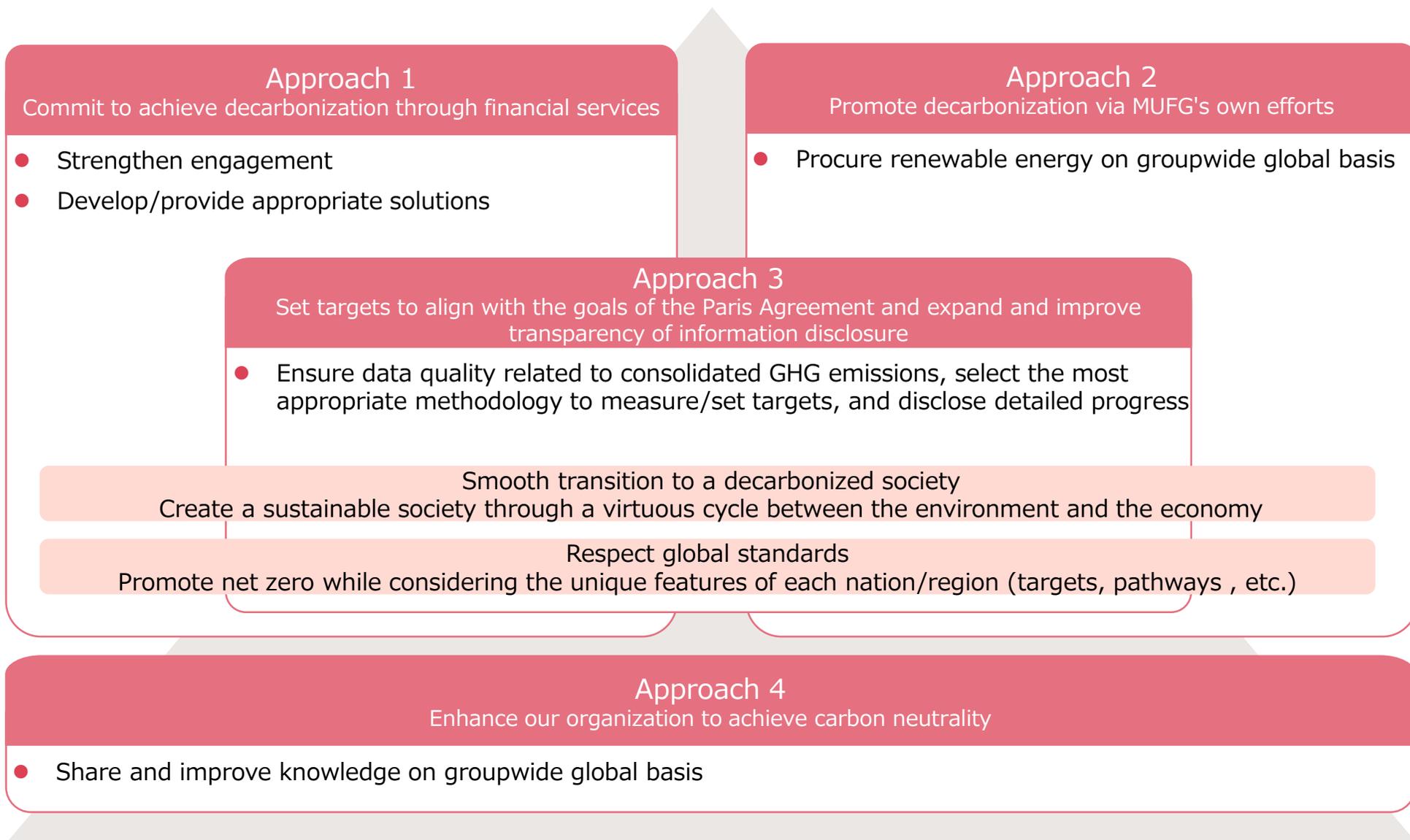
– Moving forward, we will set targets and accelerate various initiatives



\*1 The Bank, the Trust bank and the Securities HD \*2 Net-Zero Banking Alliance

# Challenges to achieve carbon neutrality

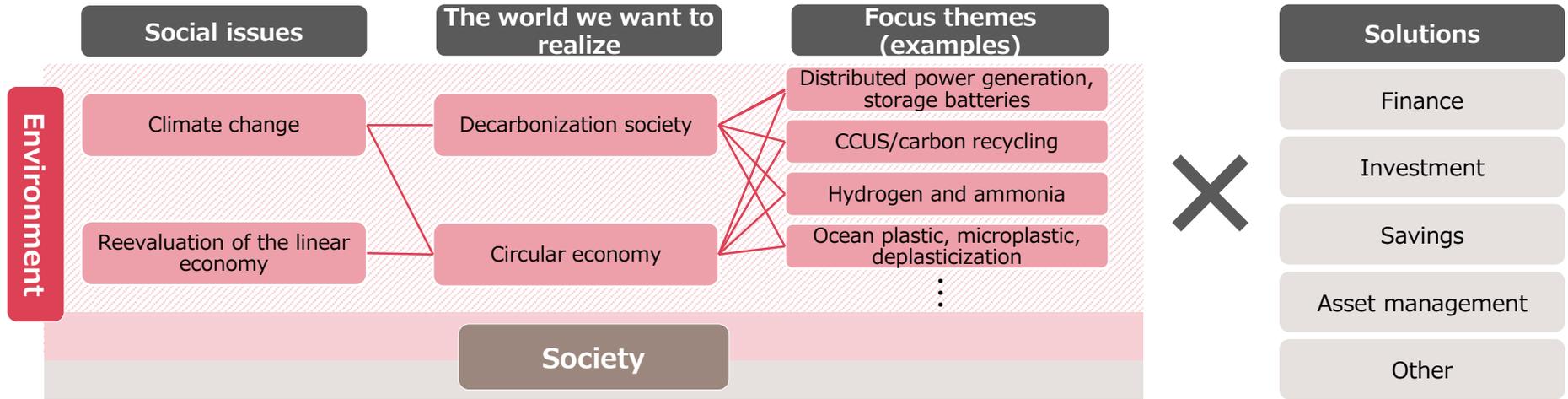
- MUFG aims to become a leading entity in climate change by conquering the challenges and pursuing carbon neutrality



# Sustainable Business Initiatives

# Action policy of sustainable business

– Provide customers with solutions for business structure change and innovation based on solving environmental/social problems

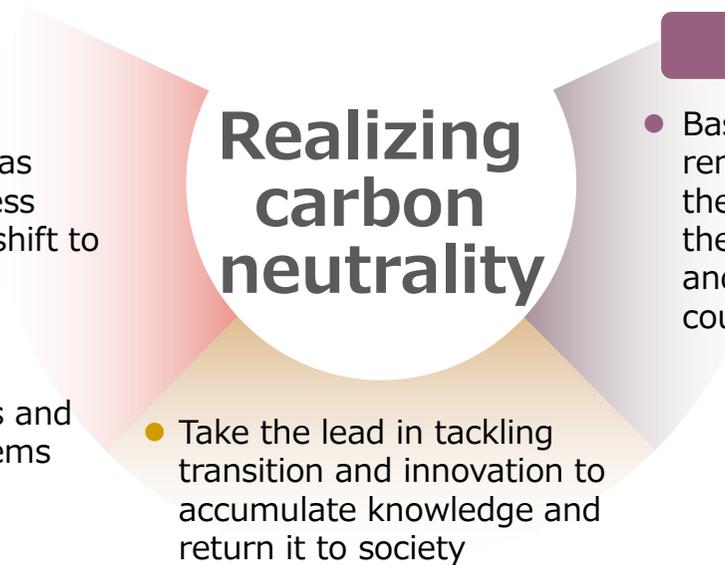


## Domestic

- MUFG's disruptive business transformation will be vital as domestic customers' business structures change and the shift to growth areas continues to accelerate
- Advance efforts to handle industrial structure changes and environmental/social problems

## Global

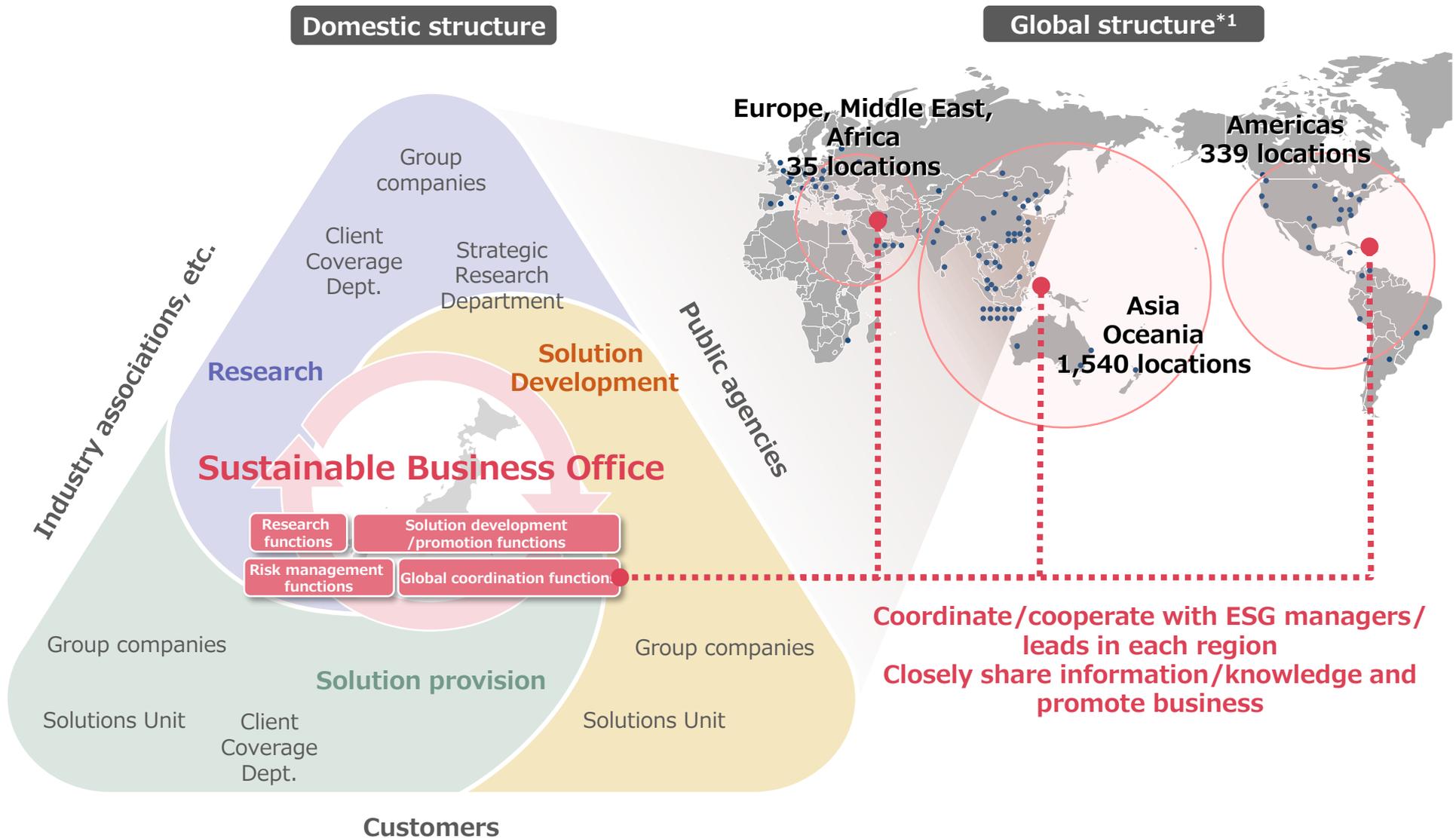
- Based on MUFG's global track record in renewable energy, use finance to support the construction of social infrastructure, the transition to new kinds of energy, and economic development in emerging countries



- Take the lead in tackling transition and innovation to accumulate knowledge and return it to society

# Sustainable business promotion structure

– Enhance business promotion domestically and globally, centered on the Sustainable Business Office



\*1 Number of locations as of the end of March 2021; multiple branches or a branch and branch office in the same location are counted as a single location (Including partner banks and Adira Finance locations)

# Efforts related to sustainable finance (loans)

– Sustainable finance efforts (loans) are being proactively provided around the globe

## Loans related to the renewable energy business

### Global renewable energy business finance league table 2020

Rank	Financial Institution Name (Country)	#of deals	Amount (USD mm)	Share (%)
1	SMBC (Japan)	68	3,757	6.1
2	<b>MUFG (Japan)</b>	<b>62</b>	<b>3,105</b>	<b>5.1</b>
3	Banco Santander (Spain)	61	3,038	4.9
4	BNP Paribas (France)	49	2,836	4.6
5	Societe Generale (France)	57	2,446	4.0
6	Rabobank (Netherlands)	61	2,300	3.7
7	Mizuho Bank (Japan)	40	2,042	3.3
8	Credit Agricole (France)	37	1,769	2.9
9	Caixa Bank (Spain)	23	1,282	2.1
10	ING (Netherlands)	30	1,262	2.0

Source: Bloomberg New Energy Finance League Table

## Sustainable finance (loans)

### Global sustainable finance (loans\*1) league table 2020

Rank	Financial Institution Name (Country)	#of deals	Amount (USD mm)	Share (%)
1	BNP Paribas (France)	97	11,667	5.9
2	<b>MUFG (Japan)</b>	<b>84</b>	<b>9,642</b>	<b>4.8</b>
3	SMBC (Japan)	90	9,016	4.5
4	Mizuho Bank (Japan)	60	8,277	4.2
5	Societe Generale (France)	73	7,292	3.7
6	Credit Agricole (France)	68	7,222	3.6
7	HSBC (HSBC)	56	6,774	3.4
8	Santander (Spain)	61	6,496	3.3
9	ING (Netherlands)	53	5,865	2.9
10	Citi (USA)	33	5,522	2.8

Source: Refinitiv Sustainable Finance Review

### Examples of global renewable energy projects



- (UK)  
**Dogger Bank Wind Farm Project**
- Supplies **approx. 5% of the UK's electricity demand**



- (United Arab Emirates)  
**Al Dhafra Solar Project**
- Construction of a solar power plant **with the largest capacity in the world**

### Examples of global sustainable finance projects (loans)



- (Japan)  
**Tokyo Portcity Takeshiba Development Project**
- Real estate non-recourse loan in a sustainable loan format



- (Thailand)  
**SLL for Thai Union\*2**
- On/offshore syndicated loan in cooperation with the Bank of Ayudhya

\*1 Only targets syndicated loans \*2. Abbreviation for "sustainability-linked loans"

# Efforts related to sustainable finance (bonds)

– Sustainable finance (bonds) is also being proactively promoted globally

## Domestic sustainability-related bonds

### Domestic ESG bond league table 2020\*1

Rank	Financial Institution Name (Country)	#of deals	Amount (USD mm)	Share (%)
1	Mizuho Securities	113	5,858	25.4
2	<b>MUMSS</b>	<b>85</b>	<b>5,571</b>	<b>24.1</b>
3	Nomura Securities	72	4,065	17.6
4	SMBC Nikko Securities	104	3,912	16.9
5	Daiwa Securities	64	3,328	14.4
6	Tokai Tokyo Securities	3	134	0.6
7	Okasan Securities	3	69	0.3
8	Goldman Sachs	3	65	0.3
9	BNP Paribas	1	32	0.1
10	SBI Securities	2	24	0.1

Source: Deal Watch

### Examples of domestic ESG bond projects



#### Underwriting of Toyota Motor Corporation's Woven Planet Bond

- MUMSS is a joint lead underwriter (total amount of JPY 230bn)



#### Underwriting of Mori Building Company's green hybrid bond\*2

- MUMSS is the lead managing underwriter

## Global sustainability-related bonds

### Global ESG bond league table 2020

Rank	Financial Institution Name (Country)	#of deals	Amount (USD mm)	Share (%)
1	BNP Paribas (France)	38	5,719	7.1
2	BofA Securities (USA)	30	4,531	5.6
3	Morgan Stanley (USA)	23	4,239	5.2
4	Citi (USA)	33	4,131	5.1
5	HSBC (UK)	30	4,097	5.1
6	JP Morgan (USA)	30	3,744	4.6
7	Barclays (UK)	25	3,664	4.5
8	ING (Netherlands)	22	3,147	3.9
9	Deutsche Bank (Germany)	22	3,030	3.7
10	Goldman Sachs (USA)	16	2,782	3.4
14	<b>MUFG (Japan)</b>	<b>20</b>	<b>2,053</b>	<b>2.5</b>

Source: Dealogic

### Examples of global ESG bond projects



#### Underwriting of Thai government's sustainability bond

- First bond issuance in an **ASEAN member country**



#### Underwriting of Saudi Electricity Company's green sukuk (Islamic bonds)

- **The first** issuance of a green Islamic bond in Saudi Arabia

\*1 Based on the fiscal year (April 1, 2020 to March 31, 2021)

\*2 Hybrid bond with the characteristics of green bonds

# Efforts to support transition and innovation

- Support innovation starting from the R&D and feasibility study phases, and contribute to the realization of carbon neutrality

A track record of supporting renewable energy-related businesses

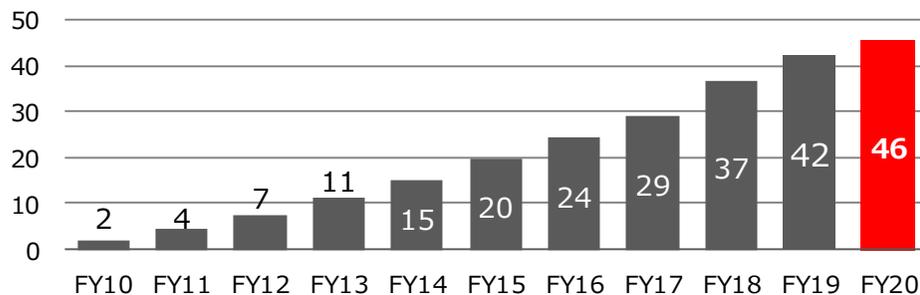
## Offshore wind power generation business

- In 2005, MUFG participated in the world's first project finance for offshore wind power generation business, and as a leading bank has financed a total of 41 projects in Japan and abroad

## Geothermal power generation business

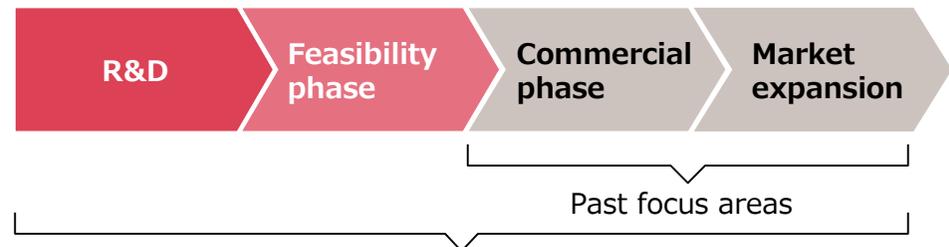
- Starting in 2012, MUFG has financed projects in Japan and abroad targeting the geothermal power generation business, which is expected to be an inexpensive, stable base load power source

Cumulative total amount of renewable energy project finance by MUFG (USD billion)



Source: Thomson One

## Efforts related to realizing future innovation



### Future focus areas

Take advantage of the knowledge and experience gained through past business support...

**Investigate/implement financial services that support new businesses from early stages such as R&D and feasibility stud**

Efforts to new technologies/themes that will contribute to carbon neutrality (examples)

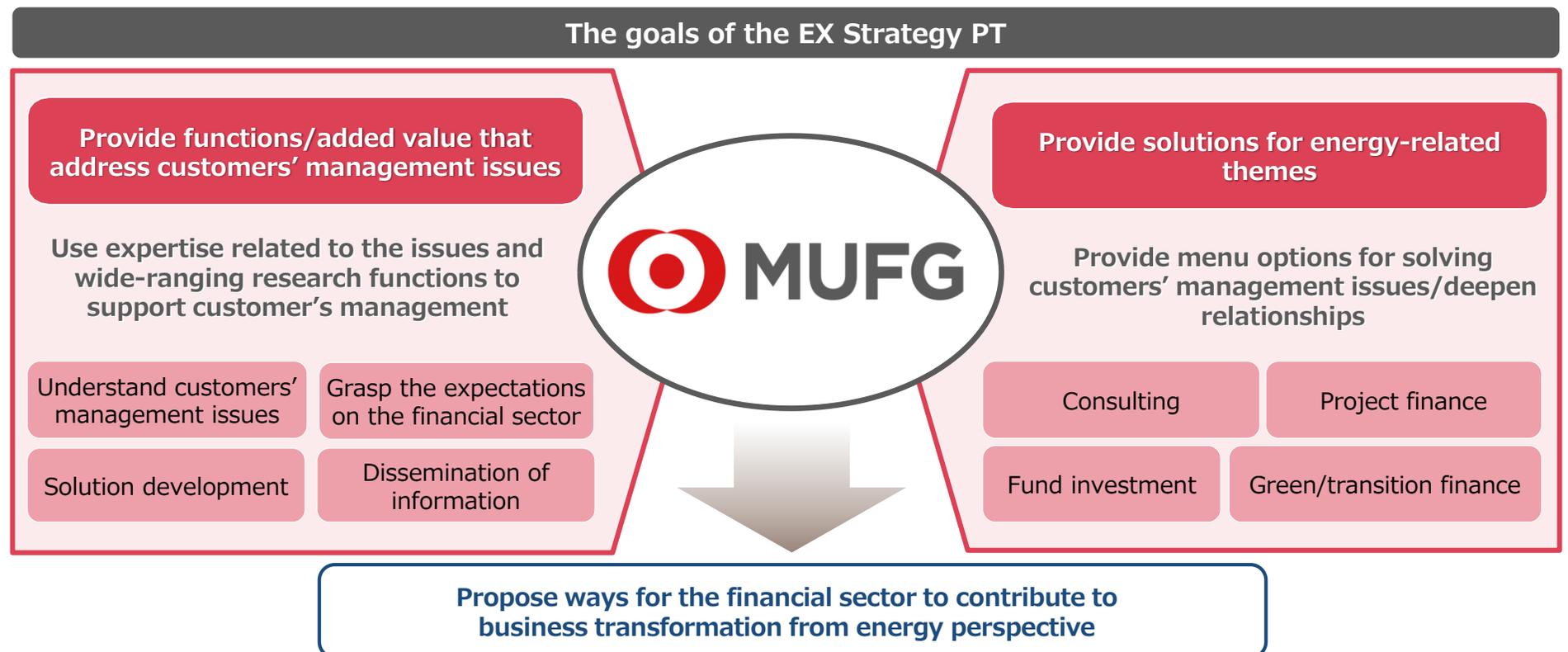
Increasing the efficiency of renewable energy	Hydrogen supply chain
Distributed power sources, next-generation storage batteries	CCUS/carbon recycling
Development of energy control systems using digital technology	

# Efforts to support transition and innovation

– Deploy proactive activities in support of energy transformation

## Activities of the Energy Transformation Strategy Project Team (EX Strategy PT)

- Hold dialogs with customers, industry associations, and government agencies while supporting carbon neutrality for Japan as a whole
- Provide added value across the entire value chain, from research functions to solution provision
- Investigate what and how transition support should be for realistic solutions in Japan and Asia
- Leverage group companies' and global expertise, and cooperate with related departments such as the client coverage dept., the Solutions Unit (including the Sustainable Business Office), the Sustainability Office, etc. to support customers' business transitions

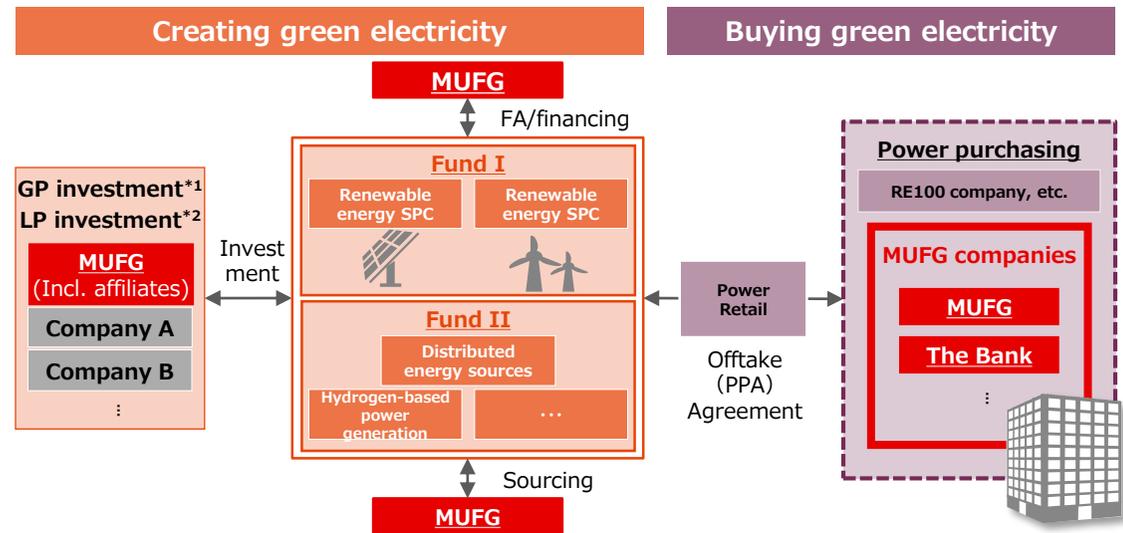


# Cases 1: Establishment of the MUFG renewable energy fund

- Realize 100% renewable energy for the company’s own power usage, and aim to both activate the Japanese renewable energy market and create business opportunities

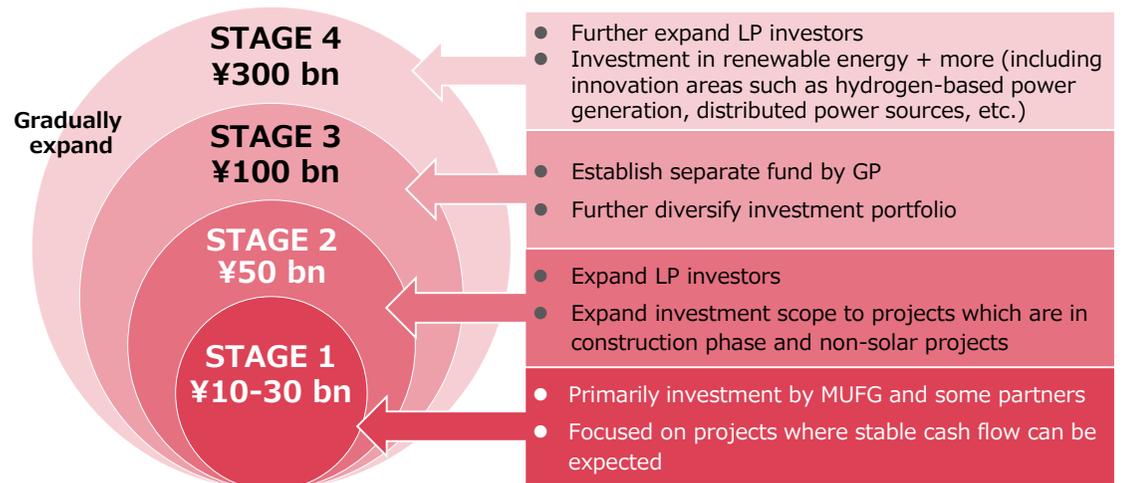
## Launch of the MUFG renewable energy fund

- Use this fund to provide an end-to-end solution from “buying” green electricity to “making” it.
- Use project finance expertise such as asset sourcing and finance arrangement, and also leverage the expertise of partner companies such as power retailers



## Illustration of fund growth strategy

- The scale and investment targets will be gradually expanded
- Deployment to companies other than MUFG that have renewable power procurement needs
- Expansion will also target innovation areas such as hydrogen-based power generation



\*1 General partner \*2 Limited partner

## Cases 2: Hydrogen technology & bio venture support

### Support California's largest hydrogen fuel stations business with debt financing

- Support FirstElement Fuel, Inc., an operator of hydrogen fuel stations in California, for the funding for construction of hydrogen-fuel stations
- California is the largest market for fuel cell vehicles that use hydrogen as fuel, and is promoting new entrants into the hydrogen business by adopting a Low Carbon Fuel Standard and a mechanism where credits can be obtained
- This project is the first MUFG's financing for a project that specializes in a hydrogen-related business, and MUFG aims to obtain expertise in the hydrogen business through this kind of pioneering effort



### Supporting a domestic bio-venture that aims to escape from dependence on petroleum and animals

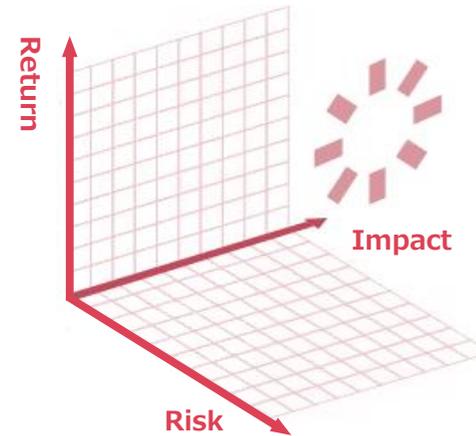
- Provided business funds for Spiber Inc., a unicorn company manufacturing "Brewed Protein™", a next-generation sustainable fiber material
- The primary ingredient in Brewed Protein™ is plant-derived sugars. It is a basic material that answers the need to escape from dependence on petroleum and animals, which many industries have, including the apparel and transportation industries
- In addition to tangible assets such as R&D facilities, they are securing funds through a "value securitization" scheme that takes advantage of intangible value such as intellectual property
- This realizes a method that allows a wide range of credit investors to participate, without being limited to traditional stock-based fundraising methods



## Cases 3: Impact investment & FSI

### Expand impact investment based on the sustainable business investment strategy

- There is an accelerating trend of “impact investment,” which secures an appropriate financial return while keeping expecting environmental and social impact
- 2019: Created the Sustainable Business Investment Strategy
- 2020: Incorporated the impact investment mechanism into the investment process, and invested in two advanced funds performing impact assessment
- 2021: Became the first Japanese commercial bank to sign the operating principles for impact management created by the World Bank Group’s International Finance Corporation (IFC)



Source: GSG Japan National Advisory Board (Proposal for the Expansion of Impact Investing 2019)

### Collaboration between the Trust Bank and First Sentier Investors (FSI)

- November 2020: The Trust Bank and FSI launched a joint engagement targeting global investors with the goal of preventing the incursion of plastic microfibers into marine ecosystems
- February 2021: The Trust Bank also participated in the “Investors Against Slavery and Trafficking APAC” led by FSI
- May 2021: Established the “First Sentier MUFG Sustainable Investment Institute” -- a joint effort between the Trust Bank and FSI to provide neutral and practical sustainable investment research information



## Further expansion of sustainability-related solutions

- Sustainable business will continue to expand in all directions, and MUFG aims to provide even more diverse solutions

\* The solutions in these materials are just examples



# Appendix

# Net-Zero Banking Alliance (NZBA)

– NZBA is a UN-convened organization working toward decarbonization by 2050; joining requires setting targets for 2030 and 2050, and disclosing annual progress

## What is the NZBA?

### Summary

- The UN-convened “Net-Zero Banking Alliance (NZBA)” launched on 2021, is an industry-led initiative which major banks around the world participate in. Total assets of participating banks amount to USD 28.5 trillion
- Participating banks aim to achieve net-zero GHG emissions for its lending and investment portfolio by 2050, and set an intermediary target for 2030 or sooner, using robust, science-based guidelines

### Participating banks

- **Barclays**
  - **BNP Paribas**
  - **Citi**
  - **Deutsche Bank**
  - **HSBC**
  - **Morgan Stanley**
  - **Standard Chartered**
  - **UBS**
- ...**43 banks from 23 countries**  
(Founding Members)

## How to join the Alliance

- **Have the CEO sign the Commitment Statement**
- Join the Alliance’s working groups

## Commitment Statement

- Transition the operational and attributable GHG emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.
- **Within 18 months of joining, set 2030 targets (or sooner) and a 2050 target, with intermediary targets to be set every 5 years** from 2030 onwards.
- Banks’ first 2030 targets will focus **on priority sectors where the bank can have the most significant impact**, i.e. the most GHG-intensive sectors within their portfolios, with further sector targets to be set **within 36 months**.
- **Annually publish** absolute emissions and emissions intensity in line with best practice and **within a year of setting targets, disclose progress** against a **board-level reviewed transition strategy** setting out proposed actions and climate-related sectoral policies.
- Take a robust approach to the role of offsets in transition plans.