

MUFG's Sustainability Management Climate Change Initiatives

June 3, 2021

Mitsubishi UFJ Financial Group, Inc.



- ✓ Good morning. I am Miyashita.
- ✓ Today, I would like to explain our sustainability management, in particular our climate change initiatives, and would like to have interactive discussions with all of you later.
- ✓ Please turn to page 5.

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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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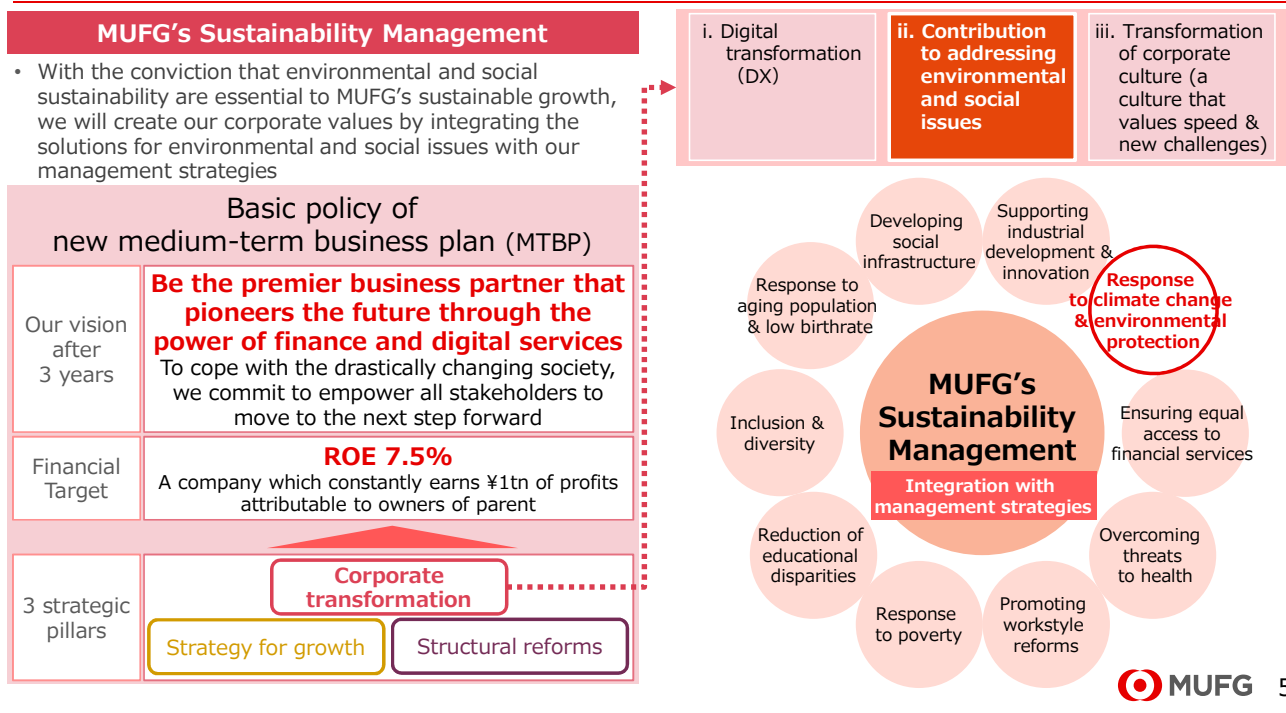
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MUFG's Sustainability Management

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

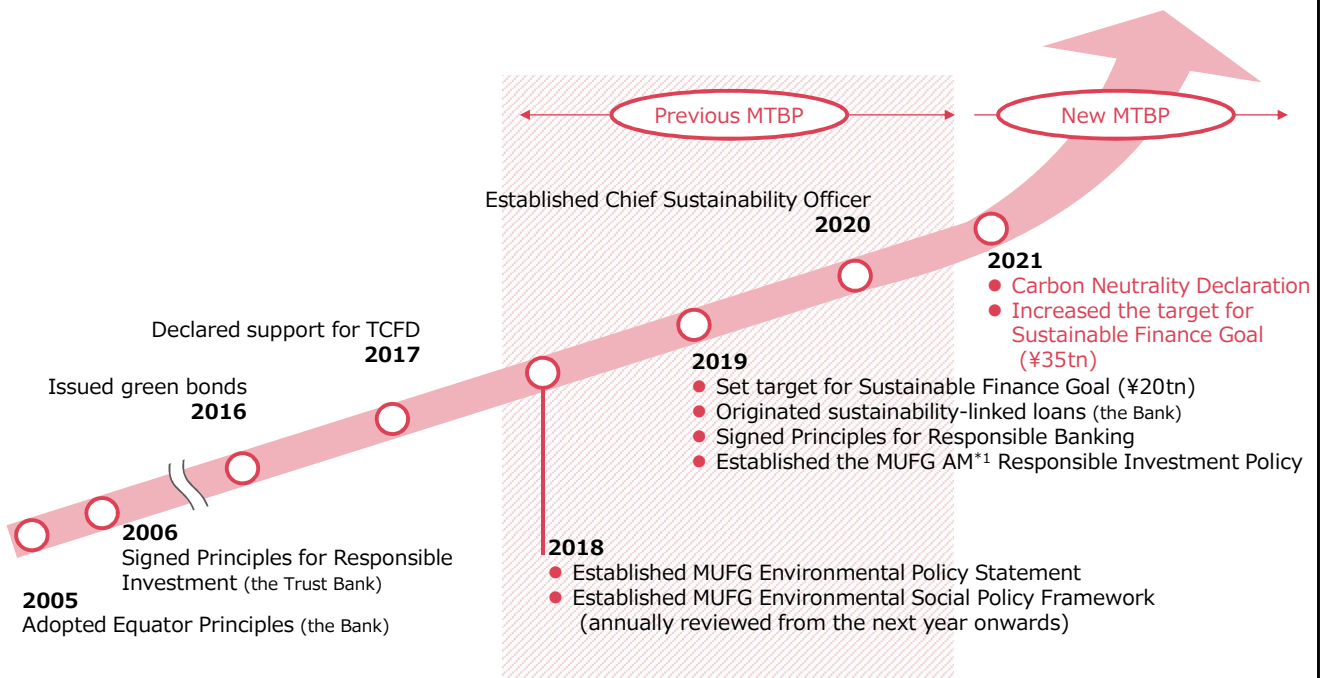
Committed to empowering a brighter future.



- ✓ First, I would like to start by talking about our raison d'être, or purpose, that we have newly established.
- ✓ Our purpose is “Committed to empowering a brighter future.” for the world.
- ✓ When we say “world”, we mean not only the world or the globe, but also communities, societies, and each and every stakeholder. MUFG's purpose is to support and empower these subjects to advance and progress forward.
- ✓ Therefore, in the context of today's presentation, the question is how we are going to provide solutions for climate change by integrating this with our management strategy and create value for stakeholders such as the environment and future generations.
- ✓ A new medium-term business plan (MTBP) has been launched from this fiscal year, as shown on the left side of the page. To achieve the MTBP, we have identified 3 strategic pillars, one of which is corporate transformation which includes “contribution to addressing environmental and social issues” along with “digital transformation” and “transformation of corporate culture”. We believe that our efforts towards sustainability will in fact enable us to evolve.
- ✓ We have listed issues that we believe need to be prioritized on the right side of the page. We particularly think that one of the most important issues is “Response to climate change & environmental protection”. By engaging in this issue, MUFG will proactively contribute to the smooth transition to a decarbonized society and the creation of a sustainable society by fostering a virtuous cycle between the environment and economy.
- ✓ I have given a slightly long introduction, but I hope we now share the significance of today's theme for MUFG.
- ✓ Please turn to page 6.

What we have done so far

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



*1 Asset Management

- ✓ Now, climate change is not a new managerial theme. At MUFG, we have promoted various initiatives while participating in global initiatives since the adoption of the Equator Principles in 2005.
- ✓ In 2018 during the previous MTBP for example, we have established the MUFG Environmental Policy Statement, as well as the MUFG Environmental and Social Policy Framework which serves as the backbone of our credit management. Ever since, we have taken actions as shown on this page.
- ✓ On the other hand, the momentum towards decarbonization has accelerated dramatically since the Japanese government announced its green growth strategy in aim to achieve carbon neutrality by 2050. MUFG also envisaged to raise the level and speed of our efforts to address climate change, and under the strong leadership of the Group CEO, we have put together the MUFG Carbon Neutrality Declaration after focused discussions at the Board of Directors Meeting.
- ✓ Please turn to page 7.

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

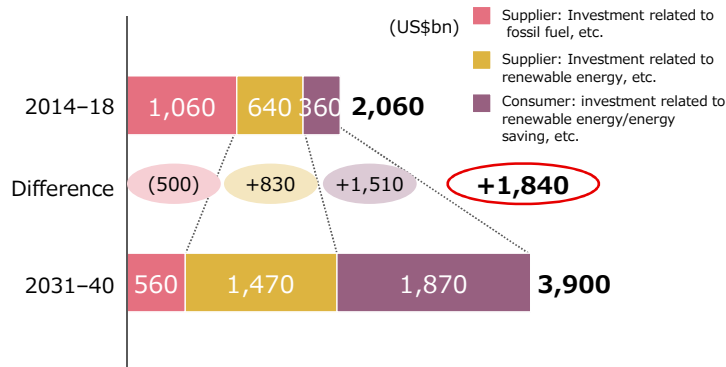
- Proactively support our customers' transition for decarbonization through our business. There are business opportunities for MUFG to grow

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

- ✓ To explain the premise of the MUFG Carbon Neutrality Declaration, I will talk about how MUFG perceives the virtuous cycle of the environment and economy.
- ✓ Addressing climate change exemplifies MUFG's purpose because it leads to empowering future generations. But at the same time, it is also a great opportunity for our sustainable growth.
- ✓ For example, increasing capex. According to IEA, annual capex will increase by US\$1.84 trillion, or 200 trillion yen, when comparing the terms shown at the bottom left of the slide. This means that financing will be key for advancing the industrial structure changes required to achieve carbon neutrality by 2050.
- ✓ In this context, the solutions that financing can provide which include supporting innovation and transition and M&A will become important than ever, and we envisage many business opportunities.
- ✓ Mr. Kato will explain our sustainable business in further detail in the second half of the presentation.
- ✓ Please turn to page 9. I will explain the details of the MUFG Carbon Neutrality Declaration.

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*1 emissions for the finance portfolio

MUFG Carbon Neutrality Declaration

**Net zero GHG emissions in our finance portfolio*2 by 2050,
net zero GHG emissions in our own operations*3 by 2030**



Join Net-Zero Banking Alliance*4

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*5
- 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*6
- 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*7
- 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



- ✓ The MUFG Carbon Neutrality Declaration is the first declaration as a Japanese bank to commit to net-zero GHG emissions for the finance portfolio.
- ✓ More specifically, we aim to achieve net-zero GHG emissions in our finance portfolio by 2050, and in our own operations by 2030.
- ✓ We are also the first Japanese bank to take this opportunity to declare our participation in the Net-Zero Banking Alliance which was convened by UNEP FI. In order to achieve carbon neutrality, we take 4 main approaches as described at the bottom half of the page. I will explain each approach in detail.
- ✓ Please turn to page 10.

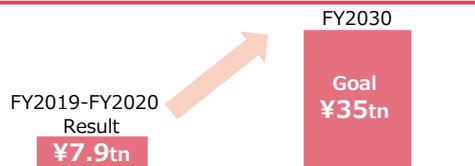
Approach 1: Commit to achieve decarbonization through financial services (1)

– 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 CO₂ reduction target via renewable energy project finance

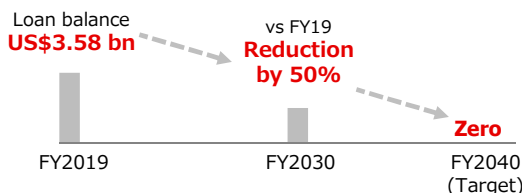
Cumulative total from FY19 to FY30
Reduce **70million t-CO₂**^{*1}

= Equivalent to annual CO₂ emissions from about 50% of Japanese households^{*2}

Efforts to reduce coal-fired power-related credit portfolio

Project finance

- Loan balance and reduction target^{*3} 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 CO₂ 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

- ✓ First, we commit to achieve decarbonization through financial services.
- ✓ MUFG is strong in the sustainable finance area, in which we have executed a cumulative total of 7.9 trillion yen so far; given the steady progress, we significantly raised our FY2030 target to 35 trillion yen. On the upper right, you can see our CO₂ reduction target through project finance for renewable energy business, which we announced last month in light of impact disclosure. By FY2030, we aim to reduce 70 million tons of CO₂ emissions which is equivalent to about half of the annual CO₂ emissions from the entire Japanese households.
- ✓ On the bottom half, as shown we have already disclosed the loan balance of coal-fired power-related project finance which we aim to reduce to zero by FY2040.
- ✓ For corporate finance on the other hand, the credit balance is around 400 billion yen following the definition described in the lower right. We will further investigate to determine what the appropriate criteria will be to disclose balance and set reduction targets.
- ✓ Please turn to page 11.

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"> 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 - 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. |
| Forestry | | adopted | | revised | <ul style="list-style-type: none"> Confirm no illegal logging or deforestation in areas of high conservation value are taking place |
| Palm Oil | | adopted | | revised | <ul style="list-style-type: none"> 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 |
| Mining (coal) | | adopted | | | <ul style="list-style-type: none"> Not provide any financing to coal mining projects using the mountaintop removal (MTR) method Assess the impacts that the development will have on local ecosystems, relationships with local residents, and occupational safety and health issues |
| Oil and Gas (Oil sand, Development of the Arctic) | | | adopted | | <ul style="list-style-type: none"> Assess the impacts on ecosystems and indigenous communities affected by the developments |
| Large Hydropower | | | adopted | | <ul style="list-style-type: none"> Assess the impact that the dam construction will have on the ecosystem, local communities, and the living environment and livelihoods of residents |

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

*2 CCUS: Carbon dioxide Capture, Utilization and Storage

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- ✓ From the perspective of credit management, we have established the MUFG Environmental and Social Policy Framework and have been expanding our environment-related policies and enforcing stricter standards every year as described in the material. Recent revisions made in April reflect stricter policies in coal-fired power generation, forestry, and palm oil.
- ✓ As described in red, we will not provide financing to coal-fired power generation including expansions of existing power generation facilities, with the exception that we may consider financing on an individual basis for coal-fired power generations equipped with CCUS, mixed combustion, and other technologies necessary to achieve the Paris Agreement target.
- ✓ Please turn to page 12.

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 CO₂ restrictive technologies such as ammonia-fueled power generation while promoting renewable energy is necessary for Japan to transit to net zero as a whole

MUFG's stance

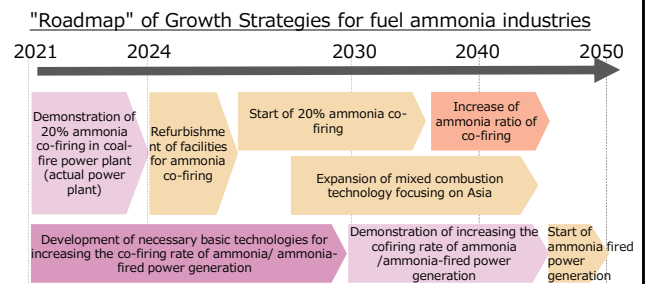
- CCUS and ammonia-fueled power generation are yet in the development/validation phase
- MUFG is currently **not** considering any coal-fired power transactions, including those accompanied with technologies such as CCUS or mixed combustion

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

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

- Ammonia, which does not emit CO₂ when burned, will be the main decarbonized fuel used in the transition to the hydrogen economy, being used for co-firing of thermal power (coal-fired etc.) and so on
- CO₂ 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 CO₂ 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)



Source: Green Growth Strategy Through Achieving Carbon Neutrality in 2050



- ✓ Japan faces challenges in its power situation, such as promoting renewable energy and restarting nuclear power generation. As such, we believe there is a hurdle to be cleared for decarbonization to be achieved in one leap.
- ✓ Ammonia-fueled power generation, which is a technology that is evolving from mixed combustion to mono-fuel combustion, has been known of its CO₂ reduction effects at the stage of mixed combustion. If fuel ammonia were to be used for 20% of the entire coal-fired power generations in the country, CO₂ emission from the electric power sector is said to be reduced by roughly 10%.
- ✓ Therefore, in order for Japan to achieve a smooth decarbonization, it is considered necessary to utilize these technologies which are in the development and demonstration stages. Our policy explicitly states the exception so as not to deny the possibility of such utilization.
- ✓ As shown in the figure on the bottom right, the usage of fuel ammonia is still in demonstration stage which is deemed to proceed toward development and implementation, and there are no financing transactions under consideration in MUFG. We will continue to closely monitor the government and industry roadmaps, while operating our policy with a restrictive perspective and applying revisions as necessary.
- ✓ Please turn to page 13.

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

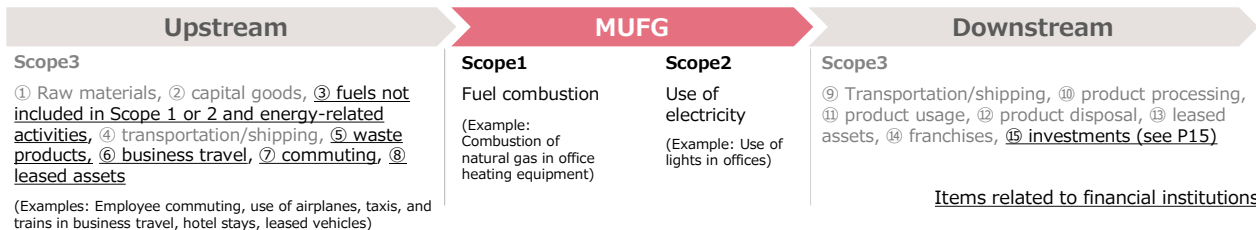
- Working toward the realization of net-zero GHG emissions for MUFG's finance portfolio, MUFG is taking the lead by realizing carbon neutrality for its procured electricity
- Purchase non-fossil certificates*1 to activate the non-fossil value market and promote the spread of renewable energy



CO₂ 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 ₂) | | FY2017 | FY2018 | FY2019 |
|----------------------|---|---------|---------|-----------|
| 1 | Scope1 Direct CO ₂ emission (Fuel combustion) | 11,836 | 10,795 | 9,963 |
| 2 | Scope2 Indirect CO ₂ emission (Use of electricity) | 202,004 | 186,870 | 184,287 |
| 3 | Total | 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

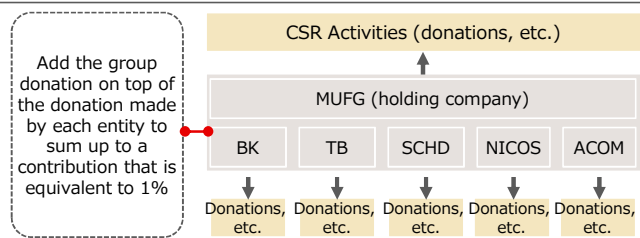
- ✓ The next approach is to promote decarbonization via MUFG's own efforts.
- ✓ To achieve net-zero in Scope 1 and 2, as the first step we will shift to 100% renewable power via certificates in the Bank, the Trust Bank, and the Securities HD in Japan by end of this fiscal year.
- ✓ Through achieving carbon neutrality in our procured electricity, we want to stimulate the spread of renewable energy.
- ✓ The CO₂ emissions from our business activities at the primary 5 domestic companies are currently disclosed in our Sustainability Report, as shown in the table in the middle. We aim to expand this coverage going forward.
- ✓ Please turn to page 14.

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 CO₂ emissions that is equivalent to what is generated by air conditioning 10,000 households



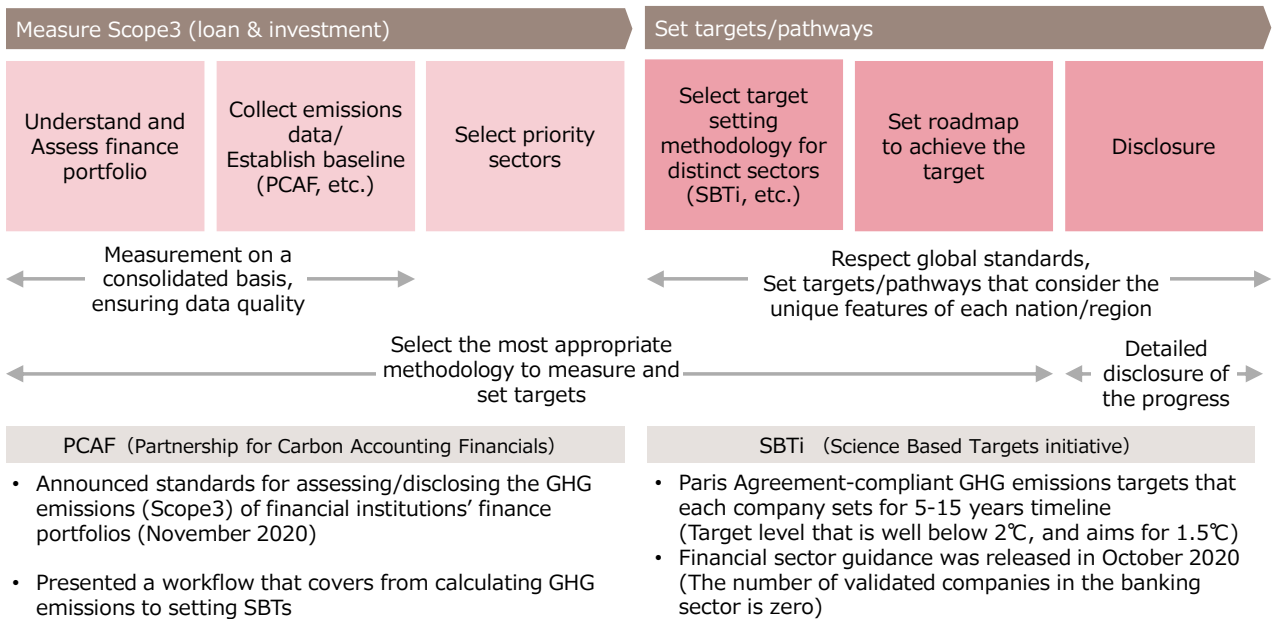
*1 Business profit after deducting credit-related costs, etc.

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- ✓ Here, I would like to touch on the utilization of the donation program.
- ✓ We intend to create greater breadth and depth to our climate change activities by utilizing this donation program for domains that are difficult to be covered by decarbonization through our main business.
- ✓ At MUFG, we have a donation program in which we contribute an equivalent of 1% of the Group's net operating profits to CSR activities, as shown on the upper right of the slide. "Response to climate change & environmental protection" is one of the priority areas of this program. As an example, we started an initiative called "the Forest of MUFG" since the previous fiscal year.
- ✓ This is an activity to contribute to CO₂ reduction with our customers by planting trees in accordance with the number of new and replacement applications for online passbooks.
- ✓ Please turn to page 15.

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.)

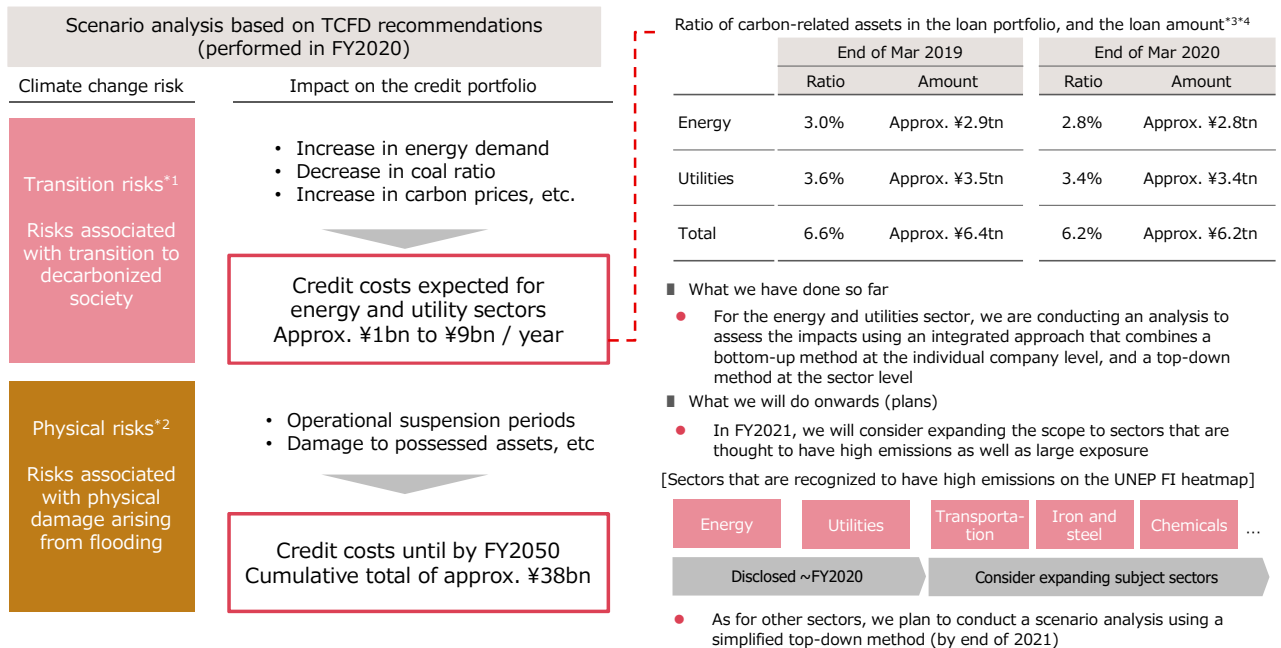


- ✓ The third approach is to set targets to align with the goals of the Paris Agreement and expand and improve transparency of disclosure.
- ✓ Please let me explain the direction of our approach to measure and set the target for GHG emissions in our finance portfolio.
- ✓ First, in terms of measuring emissions, we will start from understanding and assessing finance portfolio, gathering the emissions data of our clients, and selecting priority sectors. Next, in setting goals and pathways, we will select the target-setting method for each sector, set roadmaps, and commence related disclosures.
- ✓ The middle of this page shows some of the issues we recognize as challenges during this process, such as measuring consolidated data, ensuring data quality, and selecting the most appropriate method. As of today, we have not established a clear methodology yet. However, we appreciate that methods such as PCAF and SBTi described here are proposed for objective evidence consistent with the Paris Agreement.
- ✓ Based on the fact that both methods are relatively new, here onwards we would like to proactively participate in global initiatives, select appropriate methods, and take actual measures.
- ✓ Please turn to page 16.

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



*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)

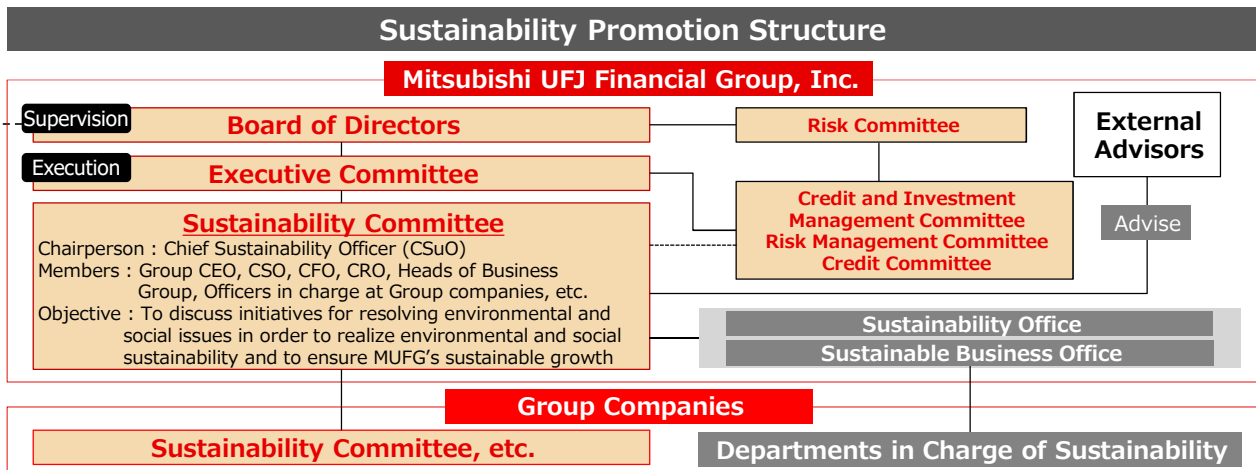
*4 Based on TCFD recommendations, carbon-related assets are defined as loans, excluding loans for renewable energy generation, etc.

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- ✓ Scenario analysis based on the TCFD Recommendations has been conducted on a global basis in 2 sectors: energy and utilities. The quantitative impact has been disclosed as shown on the left side of the slide.
- ✓ This fiscal year, we plan to expand our analysis to sectors which are generally considered to have high CO2 emissions and have large exposure. In addition, using a simplified top-down method we plan to conduct scenario analysis for other sectors by the end of this year in order to proceed with a wider coverage.
- ✓ Please turn to page 17.

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

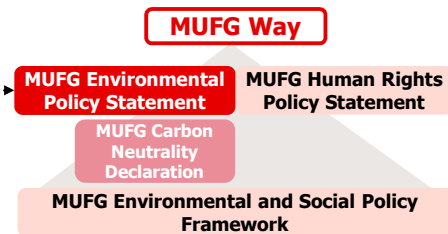
– Climate change is a theme that has been organizationally dealt with, all the way up to the Board of Directors



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



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- ✓ The fourth approach is to enhance our organization to achieve carbon neutrality.
- ✓ Under the supervision of the Board of Directors, MUFG has established a structural framework to promote sustainability. Under the Executive Committee, we have the Sustainability Committee chaired by the Chief Sustainability Officer and sustainability issues, not limited to climate change, are being deliberated comprehensively together with the advice from the external advisors as appropriate.
- ✓ As shown in the lower left, under the MUFG Way, the MUFG Environmental Policy Statement was established as a governing rule for practicing our environmental considerations, which has been now approved by the Board of Directors for further enhanced governance. We will continue to actively engage in initiatives and disclose information following the MUFG Environmental Policy Statement.
- ✓ I will explain the involvement of the Board of Directors a little more. Please turn to page 18.

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*¹
(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

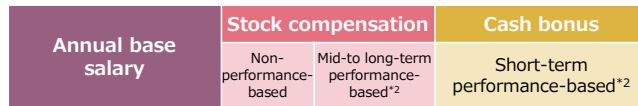
- ✓ At MUFG, measures and solutions to implement sustainability management are identified as an important deliberation agenda among the Board of Directors, and there is a robust PDCA framework to control such agenda. Very active discussions have taken place between the board members during the process to announce the MUFG Carbon Neutrality Declaration.
- ✓ Corporate activities are implemented such to reflect the opinions of the Board of Directors, as shown on the right of the slide.
- ✓ Please turn to page 19.

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

Ratio*1
← 1 → ← 1 → ← 1 →



MTBP achievement evaluation*3...①

- Consolidated ROE, consolidated amount of expense reduction, improvement of external ESG evaluation **New**

Competitive comparison evaluation*4 ...②

- Consolidated net business profits, profits attributable to owners of parent

Single FY evaluation*1 *5

- Consolidated NOP, profits attributable to owners of parent, consolidated ROE, consolidated expense ratio *6
- Status of execution of duties of Executives, etc
 - Contribution to addressing environmental and social issues
 - Improvement of employees engagement
 - Enhancement of governance structure

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%>

■ Stock compensation plan

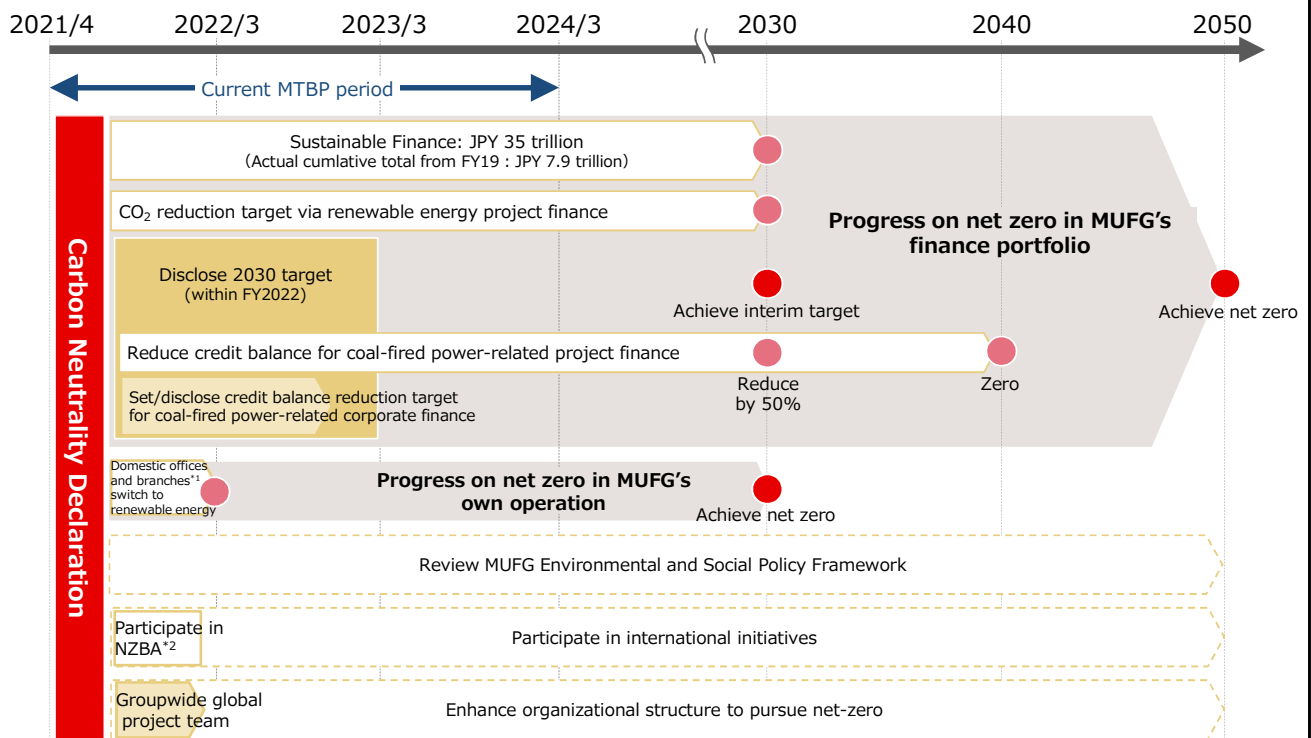
- Group-wide incentive plan for directors, corporate executive officers, executive officers of MUFG and its major subsidiaries
- Subject to malus and claw-back clause, etc.
- Shares acquired shall be held continuously until retirement in principle

*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

- ✓ This is the revision of the executive compensation plan.
- ✓ From this fiscal year, we have revised our executive compensation plan to demonstrate our managerial commitment to achieving sustainability.
- ✓ Under this scheme, improvements in external ESG evaluations by five global assessment agencies are reflected in executive compensation. The intention is to align MUFG's corporate behavior with the interests of diverse stakeholders.
- ✓ Please turn to page 20.

Roadmap for achieving carbon neutrality

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



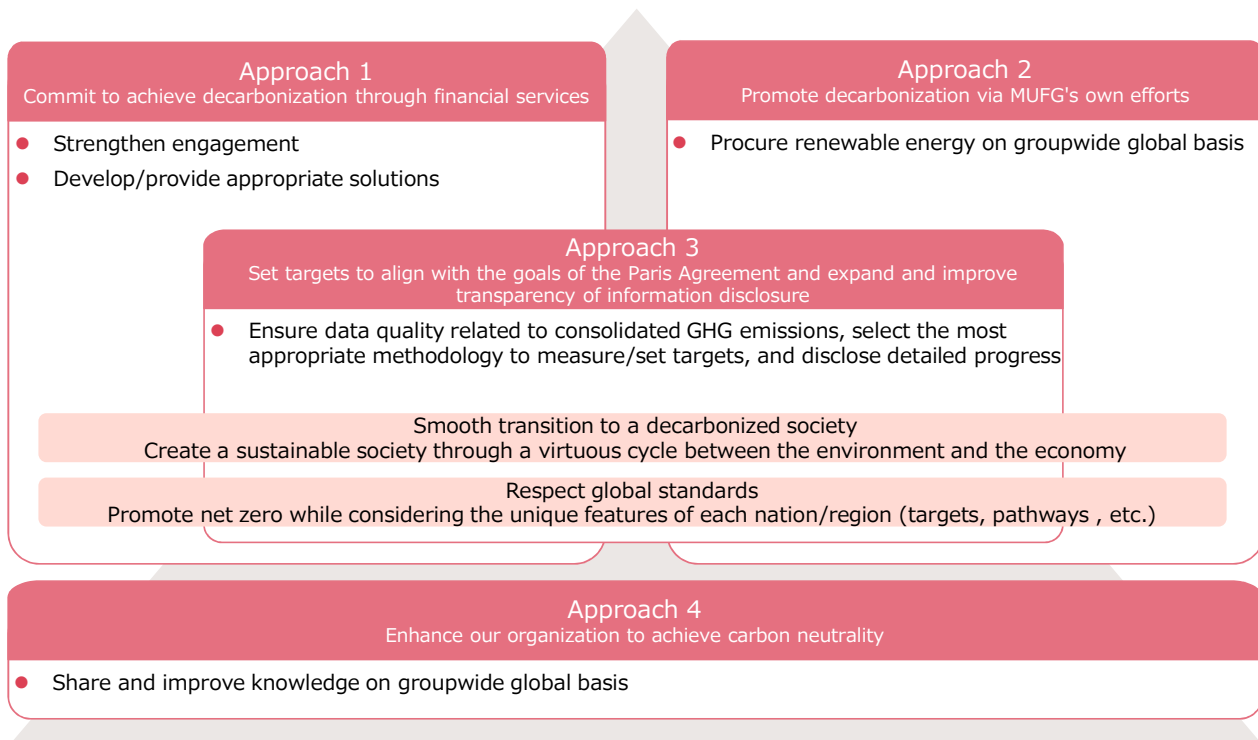
*1 The Bank, the Trust bank and the Securities HD *2 Net-Zero Banking Alliance

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- ✓ A summary of the main initiatives that I have explained so far is illustrated here as a roadmap.
- ✓ Some initiatives are already in progress such as sustainable finance where we have set high targets, renewable energy project finance where we have set a CO₂ reduction target, and coal-fired power generation where we are starting to reduce the credit balance. However, there are also initiatives which are yet to be materialized and we will focus on speed to determine the details at an early stage.
- ✓ Finally, I would like to share the issues that MUFG considers as challenges. Please turn to page 21.

Challenges to achieve carbon neutrality

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

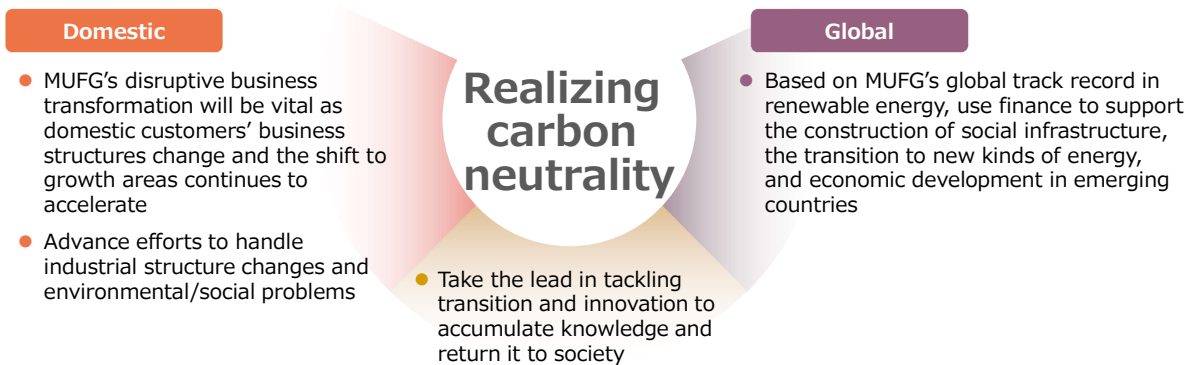
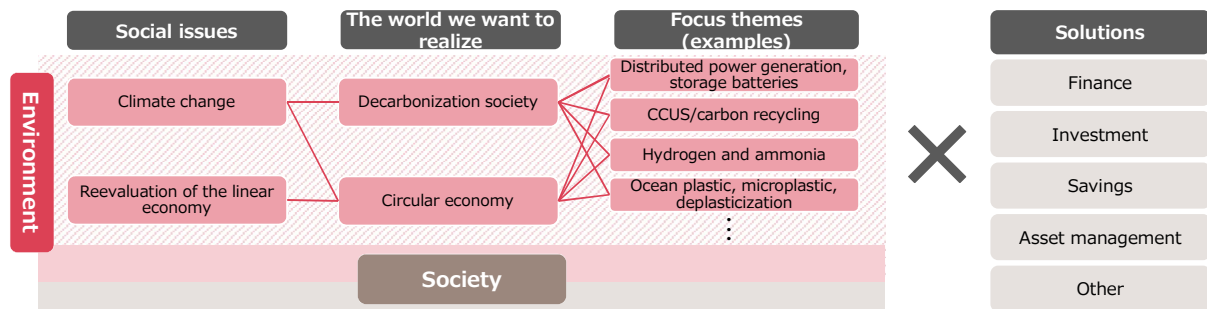


- ✓ We believe there are several challenges in order to achieve carbon neutrality. In the first approach, the key will be to further strengthen engagement and develop and provide appropriate solutions in order to share and solve issues together with our clients.
- ✓ In the second approach, there is a need to investigate further to consider how we can procure renewable energy on a groupwide global basis.
- ✓ In the third approach, as already touched on earlier, we will take up challenges to solve the issues described such as ensuring data quality related to emissions on a consolidated basis.
- ✓ Furthermore, as a cross-sectional issue, there is the challenge of a smooth transition to a decarbonization society and creating a sustainable society through a virtuous cycle of environment and economy. Toward this end, while respecting global standards, we must steadily promote our initiatives considering the unique features of each nation and region which have different paces towards decarbonization.
- ✓ Overseas partner banks such as Krungsri and Bank Danamon have their unique local issues as well, but we are mindful of these situations and we envisage to contribute to the virtuous cycle of the environment and economy on a global basis.
- ✓ Finally, in the fourth approach, we will further share knowledge across the group.
- ✓ All issues and discussion points mentioned are highly meaningful challenges in which we must engage as we aim to become a leading financial institution in tackling climate change. By leveraging on participation in global initiatives, we will boldly take on challenges by forming teams that operate globally across MUFG.
- ✓ The implementation of sustainability management centered on climate change has now become a key driver for MUFG's transformation in parallel with digital transformation. The entire management team will continue to carry out corporate activities to win the trust of investors and contribute to achieve a sustainable environment and society.
- ✓ This concludes my explanation of the overall strategy for carbon neutrality.
- ✓ Next, Mr. Kato will explain our sustainable business initiatives.

Sustainable Business Initiatives

Action policy of sustainable business

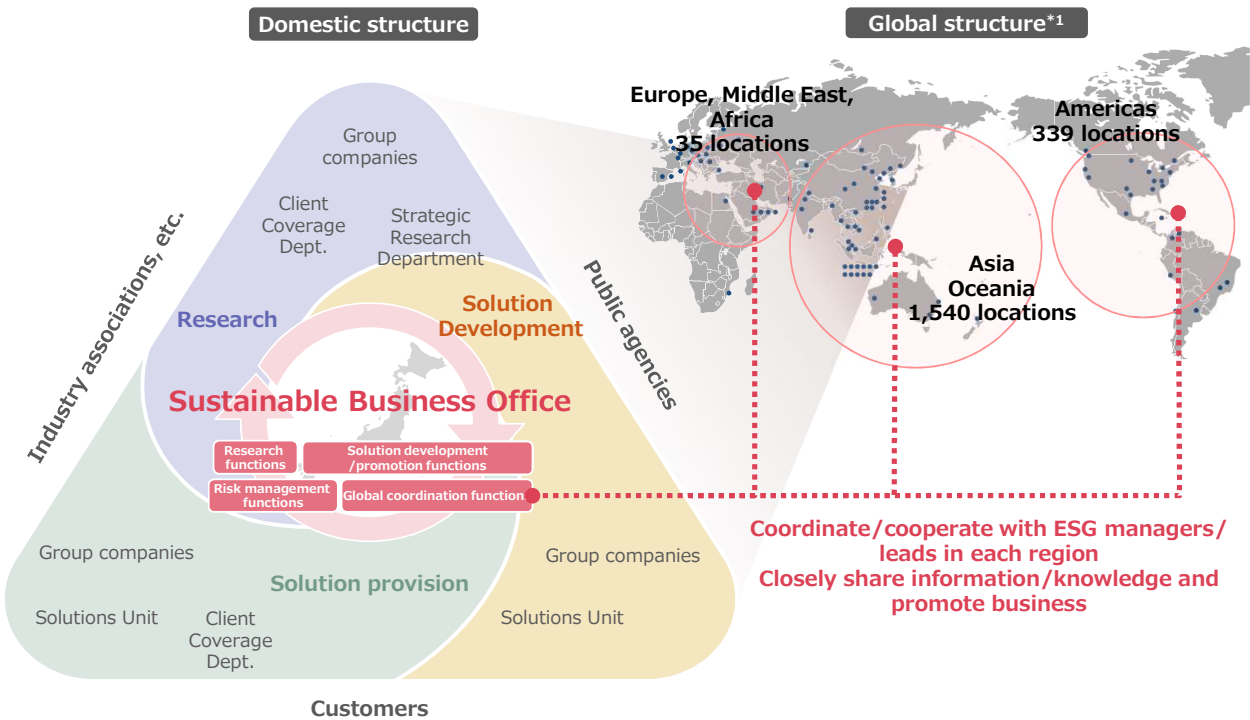
– Provide customers with solutions for business structure change and innovation based on solving environmental/social problems



- ✓ This is Kato of the Sustainable Business Office. I would like to explain our sustainable business initiatives.
- ✓ First of all, the slide you are seeing shows the action policy of sustainable business. There are various environmental and social issues, including climate change. However, the question is how MUFG can provide optimal solutions to solve these problems by bringing together the entirety of the Group's capabilities. In other words, we set business promotion that is based on these problems as an important concept.
- ✓ Many customers are carrying out business transformation toward realizing a carbon-neutral society in Japan and abroad. Against this backdrop, we hope to firmly support the transition and innovation necessary for achieving carbon neutrality, while also advancing our own transformation.
- ✓ Please turn to page 24.

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)

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- ✓ The following slide shows the promotion structure for the activities.
- ✓ We have adopted a structure to promote sustainable business through integrated efforts in Japan and overseas by MUFG Group as a whole. Under this structure, we will collaborate with the ESG representatives and managers in each group company or overseas region, with the Sustainable Business Office as a hub organization.
- ✓ Please turn to page 25.

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 | MUFG (Japan) | 62 | 3,105 | 5.1 |
| 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 | MUFG (Japan) | 84 | 9,642 | 4.8 |
| 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**

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

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

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- ✓ Next, I would like to explain sustainable finance efforts, which are one of the key areas of sustainable business.
- ✓ The slide you are seeing is about our sustainable financing effort in the form of loans. The global league table for project finance of renewable energy is shown on the left, while the table for sustainable finance such as sustainability-linked loans is shown on the right.
- ✓ In 2020, we were ranked second in both categories. We have a track record of having executed loans for large-scale offshore wind and solar power generation and also sustainability-linked loans jointly with Bank of Ayudhya. Many good examples are taken up here.
- ✓ Please turn to page 26.

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 | MUMSS | 85 | 5,571 | 24.1 |
| 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

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

*2 Hybrid bond with the characteristics of green bonds

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 | MUFG (Japan) | 20 | 2,053 | 2.5 |

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

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- ✓ The next slide explains our bond-type sustainable finance effort. The domestic league table for ESG bonds is shown on the left, while the global league table for ESG bonds is shown on the right.
- ✓ We have taken up many examples of ESG bonds in Japan and abroad. We intend to continue to actively promote these activities.
- ✓ Please turn to page 27.

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

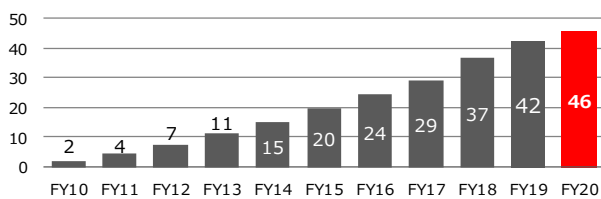
Offshore wind power generation business

- 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

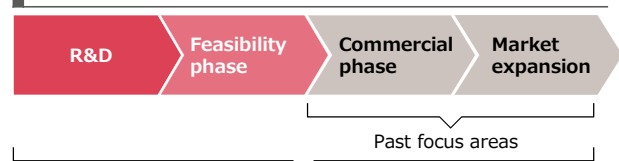
- Starting in 2012, MUFG has financed projects in Japan and abroad targeting the geothermal power generation business, which is expected to be an inexpensive, stable base load power source

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 study

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 | |

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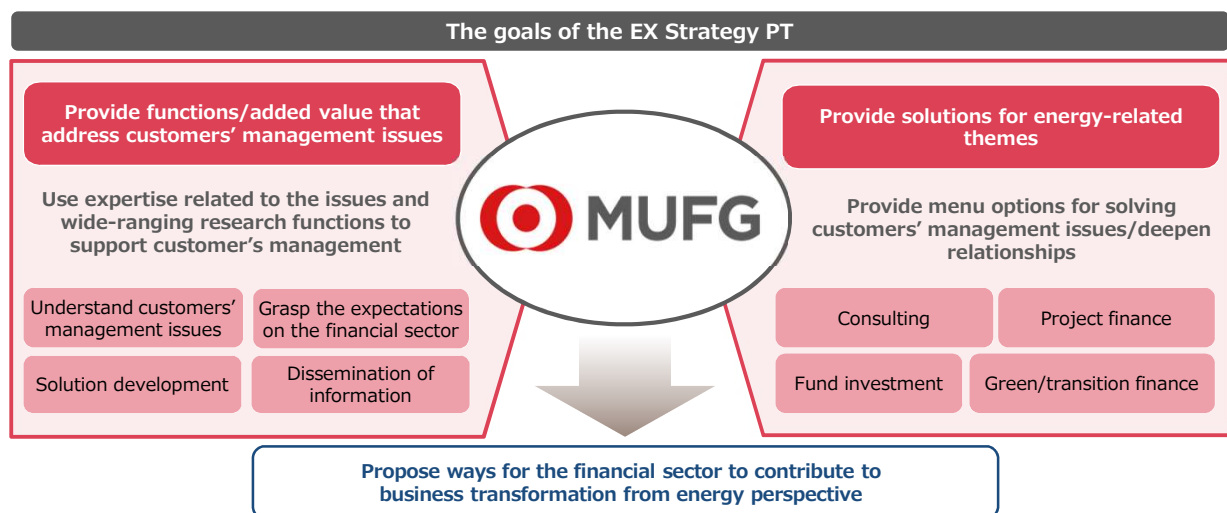
- ✓ The following slide shows how we think about supporting transition and innovation.
- ✓ As shown in the graph at the bottom left, the cumulative total amount of renewable energy project finance has reached US\$46 billion. The amount of CO₂ emissions reduced as a result amount to roughly 130 million tons, which is equivalent to the annual CO₂ emissions of 15 million Japanese people.
- ✓ In this process, we have also challenged ourselves in various innovative technologies. For example, MUFG was working on the world's first offshore wind power generation in the UK in 2005. Since then, we have accumulated many achievements globally, and we have participated in Japan's first project finance for offshore wind power generation last year, making use of such knowledge.
- ✓ There are various innovative technologies for achieving carbon neutrality, such as hydrogen and CCUS. We would like to provide various solutions to these various projects and technologies from the R&D and demonstration stages, while actively being involved in the project and accumulating knowledge.
- ✓ Please turn to page 28.

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



MUFG 28

- ✓ This is a framework to support energy transformation, which is critical to achieving such carbon neutrality.
- ✓ Since Prime Minister Suga's carbon neutrality declaration in October last year, we have launched the Energy Transformation Strategy Project Team in view of this trend that has accelerated significantly.
- ✓ In dialogue with customers, industry associations, and government agencies, we are actively discussing how to promote carbon neutrality for customers and support transitions by utilizing the knowledge of the global Group.
- ✓ For many customers, business transformation is necessary, and it can be painful in the short term. Still, even if it grates on the ears of customers, we hope to carry out sincere discussions and strengthen our engagement with customers.
- ✓ Please turn to page 29.

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

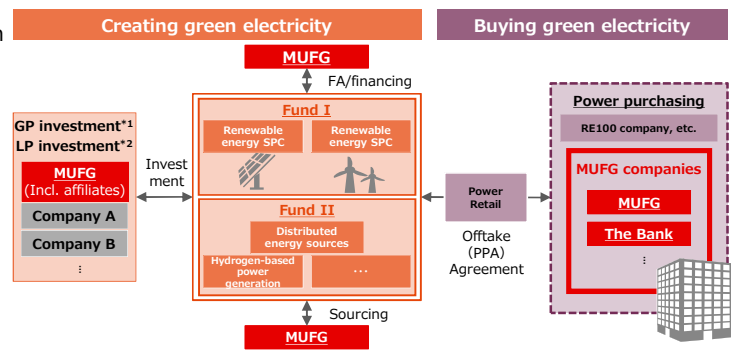
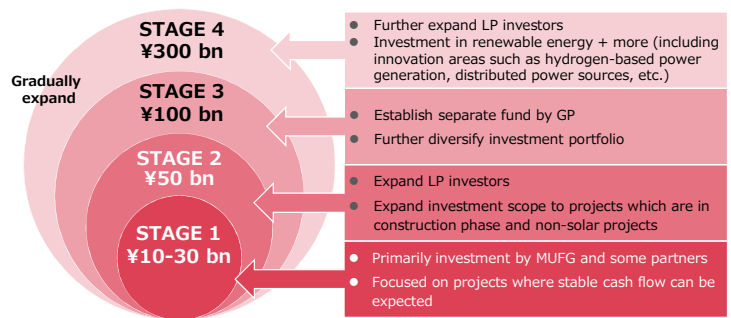


Illustration of fund growth strategy

- 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

MUFG 29

- ✓ Here are some specific examples.
- ✓ The slide you are seeing is about the launch of the MUFG renewable energy fund.
- ✓ In Japan, the spread of renewable energy is a major social issue. At MUFG, we hope to address this problem by leveraging the experience we have cultivated thus far, such as creating funds using our knowledge in project finance. We intend to purchase or develop new renewable energy facilities through these funds, and also purchase electricity from the funds ourselves.
- ✓ Please turn to page 30.

Cases 2: Hydrogen technology & bio venture support

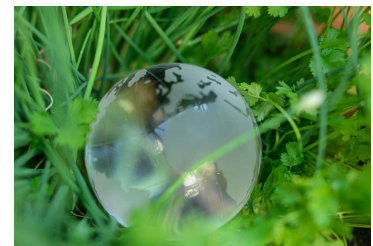
Support California's largest hydrogen fuel stations business with debt financing

- 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



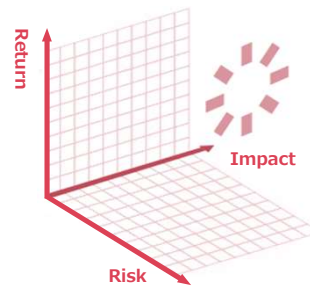
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- ✓ The next slide is an example of how we are working on innovative technology.
- ✓ The upper part of the project is an example of financing the construction of a hydrogen fuel station in California, an environmentally advanced region, utilizing a local emissions trading system for hydrogen, which is one of the next generation's most important fuels.
- ✓ In addition, the project shown on the lower part utilizes value such as the intellectual property rights of next-generation materials that lead to carbon neutrality. It is an example of providing business funds through a business value securitization scheme for bio-venture companies.
- ✓ We hope to respond to innovation through such creative schemes.
- ✓ Please turn to page 31.

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



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- ✓ As described in the upper part of this slide, in March of this year, for the first time as a private financial institution in Japan, we signed the operating principles for impact management formulated by the International Finance Corporation and others. We are accumulating knowledge on impact investments while working on several pilot cases.
- ✓ As shown in the lower part, in May of this year, we established a sustainable investment institute that provides neutral and practical research information on sustainable investments through the collaboration of Mitsubishi UFJ Trust and Banking Corporation and First Sentier Investors.
- ✓ We would like to utilize the knowledge accumulated through these initiatives in future sustainable business.
- ✓ Please turn to page 32.

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



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- ✓ In addition, various solutions are expanding globally in the sustainable business field, such as green deposits and ESG debt funds. Going forward it is expected that sustainable business will spread to all kinds of fields and solutions provided by MUFG, with a focus on climate change.
- ✓ While accumulating knowledge through advanced examples such as the ones introduced this time and strengthening our engagement with customers, we would like to further evolve and expand the business through integrated global efforts as MUFG Group.
- ✓ This concludes my presentation.

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.

Source: Net-Zero Banking Alliance <https://www.unepfi.org/net-zero-banking/>