Green Deposit Framework

VERSION 2.0
INTRODUCTION

ABOUT MUFG
As one of the world’s leading financial groups with total assets of approximately $3.1 trillion (USD), MUFG (Mitsubishi UFJ Financial Group) offers services in corporate and investment, commercial, and consumer banking, as well as transaction banking, securities, wealth management, and more. We continue to evolve toward our goal of being the world’s most trusted financial group.

Our 13,000 colleagues in the Americas are committed to building lasting relationships that enable us to provide robust solutions to our customers. Our financial solutions are tailored to the needs of customers in the United States, Canada, and Latin America, from multinational corporations and institutional investors to individuals and small businesses. Our value comes from having a regional focus balanced by a global perspective. Addressing your needs and expectations while anticipating trends and global changes that affect your business is how we put you first.

The bank has survived economic recessions, wars, terrorism, and natural disasters. Despite these adversities, we thrive because of our sound business practices and conservative approach to risk management. For over 150 years MUFG Americas strives to be a foundation of strength, committed to meeting the needs of our customers, serving society, and fostering shared and sustainable growth for a better world while delivering shareholder value.

ABOUT TRANSACTION BANKING
MUFG’s Transaction Banking offices around the world provide integrated solutions to customers with evolving requirements. We support customers’ daily business growth by providing efficient solutions for needs such as working capital management and trade risk management through our cash management and trade solutions.

Understanding working capital management is fundamental to operating a business effectively and efficiently. The key is having solid processes and procedures in place for managing all elements of working capital, such as treasury management.

As a preferred provider of transaction banking solutions, MUFG helps streamline the working capital cycle, optimize liquidity, and minimize risk. Customers take advantage of our financial solutions and industry experience to support their goals in treasury and trade management.
MUFG’S APPROACH TO SUSTAINABILITY

The world is facing many challenges, including climate change due to increasing CO2 emissions, severe poverty, and discrimination. The Sustainable Development Goals (SDGs), adopted by the United Nations in 2015 as a common goal to be addressed by the international community as a whole, have been widely adopted. Many companies are thus accelerating their efforts to achieve a sustainable society. In the world of investment, “ESG investment” that takes into account nonfinancial factors continues to expand. At the same time, financial regulations in the United States, Europe, and other countries are being actively discussed in response to climate change.

As a global business enterprise, we have a keen eye on these global trends, and we do business with the conviction that environmental and social sustainability are essential to achieving sustainable growth for MUFG. In 2022, MUFG published its first progress report on its 2021 pledge to achieve carbon neutrality in its own operations by 2030 and in its clients’ financed emissions by 2050. MUFG joined the Net Zero Banking Alliance (NZBA) as a Steering Committee member and chairs the work group on transition finance. The NZBA is part of the Glasgow Financial Alliance for Net Zero and was launched in support of the 26th United Nations Framework Convention on Climate Change Conference of the Parties (COP 26). MUFG also began participating as a stakeholder in the Taskforce on Nature-related Financial Disclosures Forum in 2021. The Forum supports TNFD, which aims to shift global financial flows toward nature-positive outcomes through disclosure of nature-related information by companies. In 2019, we also endorsed the Principles for Responsible Banking (PRB) at launch - a set of principles aiming to encourage banks to align their business activities with international goals such as the SDGs and the Paris Agreement. Through participation in international initiatives and other activities like this, we will promote sustainability management with the aim of becoming the global financial group that is trusted and chosen around the world.

At MUFG Americas, sustainability means conducting business in a way that seeks to meet the needs of the present in ways that do not compromise the ability of future generations to meet later needs. Key to this approach is managing risks to our natural environment, our business, and other risks relevant to our broad set of stakeholders.

Details on MUFG’s environmental, social, and governance (ESG) policies and guidelines, and our 2021 Sustainability Report, are available on our website.

MUFG’S APPROACH TO GREEN FINANCE

To help guide environmentally responsible financing in our lines of business, we are a member of the Taskforce on Climate-related Financial Disclosures and a signatory of the Equator Principles. Equator Principles recognized MUFG for going “above and beyond” as a result of the bank’s work on the most recent revision of the Principles, the environmental and social risk management framework for project finance that is based on World Bank standards and has been adopted by more than 125 financial institutions in 38 countries. MUFG has been a member of the Equator Principles since 2005 and served on the Steering Committee. We ensure compliance with internal experts and as required through third-party experts. Relevant data and implementation reporting can be found on our website.
https://www.mufg.jp/english/csr/environment/equator/

In 2019, MUFG committed to achieving a global cumulative total of approximately $180 billion in sustainable finance between FY2019 and FY2030 and we raised the goal to $300 billion in 2020. With this money, we aim to help build a sustainable society and meet the United Nations’ Sustainable Development Goals through the provision of financial services to our customers. MUFG is making steady progress in this area, as evidenced by maintaining a stable position in the top tier of global renewable energy finance.

MUFG has identified four environmental issues to be prioritized in its business and worked to resolve them through specific strategies and measures, with the aim of achieving a balance between solving environmental problems and achieving sustainable growth. We will contribute to overcome the issue of global warming and climate change not only through our financial functions, but also through our own activities. Our approach brings together the following contributions to resolve environmental issues:

• Setting and Promotion of Goals in Sustainable Finance. In 2019, MUFG became the first Japanese financial institution to set long-term goals for sustainable finance. In the environmental area, we are a world leader in financing for renewable energy projects and the underwriting and distribution of green bonds. In the social area, we are actively involved in fostering startup companies, creating jobs, and financing projects that help alleviate poverty. Our cumulative result as of FY2020 was ¥7.9 trillion (approximately $65 billion) against a cumulative target of 35 trillion yen (approximately $300 billion) from FY2019 to FY2030.

• Shift to 100% Renewable Energy for Self-procured Energy. We are aiming to switch the electricity we procure to 100% renewable energies by FY2030. In 2021, we established a 200 million yen Renewable Energy Fund together with eight partner companies to spur the development of independent renewable energy capacity in Japan. In 2020, we became the first Japanese bank to introduce a menu of electricity powered exclusively by hydropower generation, which emits no CO2, and we replaced all the electricity used in the main bank building in Marunouchi, Tokyo, with renewable energy.
• **Revision of the MUFG Environmental and Social Policy Framework.** We have announced establishment of the MUFG Environmental and Social Policy Framework as a framework for realizing environmental and social considerations. In 2022, new thermal coal mining for power generation has been added to the list of projects that MUFG will not finance, and the policy added shale oil and gas and oil and gas pipelines to the list of sectors requiring high caution. The restriction on palm oil was also tightened to only recognize certification by the Roundtable on Sustainable Palm Oil. In the 2021 revision, we tightened our restriction on coal fired power to exclude all financing for new plants other than those equipped with carbon capture utilization and storage or mixed combustion technologies. We also added a requirement that forestry sector clients confirm no illegal logging in high conservation value areas, and with respect to palm oil, that clients commit to implement NDPE (No Deforestation, No Peat, and No Exploitation). We will continue to review this policy regularly.

• **Further Strengthening of Social Contribution Activities and the Establishment of New Frameworks.** The COVID-19 pandemic has provided a strong reminder of the importance of social stability. Yet, there are certain limits to the areas in which we can approach solving problems through financial services. Therefore, we have established a new framework that allocates a percentage of the group’s profits to donations and support on an ongoing basis so that we can be more agile and flexible in providing support to areas of true need. Through this framework, we have donated 3.4 billion yen during FY2020 in support of medical care, students, and the arts.
INTENT OF THE GREEN DEPOSIT FRAMEWORK

The aim of this document is to provide information on MUFG America’s Green Deposit Framework (the “Framework”) and set out underlying eligible qualifying environmental themes and activities.

HOW GREEN DEPOSITS WORK

MUFG’s Green Deposits are offered to eligible corporate customers seeking to invest surplus liquidity in an interest-bearing product designated to fund MUFG’s ESG financing commitments. MUFG Americas will earmark net proceeds from these fixed or perpetual deposits to effectively finance or refinance eligible assets that fall under the Eligible Activities listed in the Framework and continually monitor the allocated funds thereafter. For existing loans, the Framework deems only loans eligible where the original transaction or underlying asset can be evidenced as meeting the criteria defined for Eligible Activities. MUFG will ensure no double accounting for the eligible loan portfolio financed through different instruments.

We will use the aggregate committed amounts of eligible loans provided on our MUFG Americas entities to determine the size of the overall Green Deposits capacity, with the objective of ensuring Green Deposits do not exceed eligible assets for a sustained period of time (over a quarter).

REVIEW PROCESS

The Framework was developed in January 2021 and updated in April 2022 by MUFG Americas in collaboration with Sustainalytics, a Morningstar company, and a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies.

For over 25 years, Sustainalytics has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in their policies, practices, and capital projects.

MUFG is responsible for developing and maintaining the overall MUFG Green Deposit Framework and underlying qualifying themes and activities. MUFG’s eligible assets and Green Deposit portfolios are reviewed by Sustainalytics on an annual basis to ensure alignment with the Framework.

Information and understanding on environmental matters continue to evolve and MUFG commits to reviewing this framework on an annual basis with the support from Sustainalytics to evaluate if any changes need to be made to add additional qualifying activities or if any qualifying activities need to be removed.
**ELIGIBLE GREEN AND SUSTAINABLE THEMES AND ACTIVITIES**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Eligible Activities</th>
<th>Exclusions</th>
<th>SDG Alignment</th>
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<tbody>
<tr>
<td>Renewable Energy</td>
<td>Acquisition, development, operation, maintenance of projects/assets generating electricity from: • Solar, wind (on and offshore), ocean and tidal power • Geothermal • Waste biomass from forestry and agriculture residues • Non-waste biomass from crop-based feedstock from credible certification schemes, in particular, Roundtable for Sustainable Biomaterials (RSB), International Sustainability and Carbon Certification (ISCC) Plus, BONSUCRO for sugarcane, and The Roundtable on Responsible Soy (RTS) for soy. Production of technologies/equipment that support the above. Battery storage. Transmission and distribution of renewable energy • Development, construction and operation of Electrical Grid that is either (i) dedicated to connect renewables to the power grid, or (ii) supports/integrates at least 90% renewable electricity, including: - Overground transmission and distribution lines, e.g., overhead transmission lines, conductors, insulators, towers and infrastructure assets such as buildings, fences, earth mats and busbars. - Transmission lines on high-voltage and/or extra-high voltage interconnected system. • Distributed assets (grid components) that are intended to reduce the curtailment of renewable energy into the grid, including fuses, circuit breakers, reactors, capacitors, transformers, voltage regulators, and switchgears.</td>
<td>• Geothermal projects with life cycle emissions intensity greater than 100 gCO2/kWh • Waste biomass projects where waste feedstock is from non-RSPO certified palm oil operations • Non-waste biomass projects with life cycle emissions intensity greater than 100 gCO2e/kWh • Non-waste biomass projects where feedstock includes peat, palm oil, or non-certified oil/energy crops, including corn, soy, and/or sugarcane. • For production of technologies/equipment, financing of facilities that are not wholly dedicated to the manufacture of components for renewable energy.</td>
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<td>Energy Efficiency</td>
<td>End-user energy efficiency • Purchasing and installation/retrofitting of energy efficient technologies/products or equipment that are non-motorized or powered by electricity (not by fossil fuels) that have received third-party certification for environmental or energy performance, in particular, ENERGY STAR. Buildings • Refurbishment/retrofit of building to achieve a 20% improvement in energy efficiency and/or 20% reduction in GHG emissions.</td>
<td>• Technologies that improve the energy efficiency of fossil fuel production and/or distribution and production processes within heavy industries.</td>
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<td>Resource Efficiency &amp; Pollution Prevention and Control</td>
<td>Recycling • Development, expansion, upgrade or maintenance of facilities and/or programs relating to processing of recyclable waste fractions into secondary raw materials • Management of Municipal Waste - Development, expansion, upgrade or maintenance of landfill gas capture projects for energy generation from decommissioned landfill with high gas capture efficiency of 75% or more.</td>
<td>• Landfill gas capture for flaring • Chemical recycling of plastics • E-waste without robust waste management processes in place to ensure the mitigation of environmental and social risks.</td>
<td>11, 12</td>
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<td>Environmentally Sustainable Management of Living Natural Resources and Land Use</td>
<td>Terrestrial and Aquatic Biodiversity</td>
<td>Clean Transportation</td>
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| Forest Products – Growing and/or purchase of:  
• Products/operations certified by Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC)  
Agriculture – Growing and/or purchase of:  
• Products/operations certified by Rainforest Alliance, USDA Organic, Global Good Agricultural Practices, Better Cotton Initiatives (BCI), BONSUCRO, UTZ, and RTRS  
Land Conservation  
• Preservation and/or restoration of native and high-conservation value forests  
• Preservation and/or restoration of biodiversity and valuable natural habitats  
• Preservation and/or restoration of biodiversity in urban areas  
• Soil remediation | Fisheries and aquaculture  
• Products/operations certified by the Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC)  
Aquatic Conservation  
• Preservation and/or restoration of aquatic biodiversity and valuable aquatic natural habitats | Passenger vehicles – Development, manufacture, purchase, financing of:  
• Electric vehicles  
• Hybrid vehicles  
Mass transit – Development, manufacture, purchase, financing of:  
• Low-to-zero carbon buses  
• Bus rapid transit (BRT) infrastructure that is built exclusively for the BRT system and the buses do not exceed the 50 gCO₂e/p-km threshold.  
• Train/rail stock  
• Train/rail infrastructure including tracks and stations  
Infrastructure – Investments in infrastructure for:  
• Electric vehicles  
• Low-carbon fueling stations for hydrogen and ammonia  
• Transportation control centers and sorting facilities for eligible mode of transportation  
Shipping  
• Manufacture of new zero-to-low carbon passenger or cargo ships including electric, biofuel- or hydrogen-powered  
• Retrofit of existing passenger or cargo ships involving fuel switching (to low-carbon fuels listed above).  
• Shipping infrastructure including bunkering facilities for biofuels, hydrogen, ammonia, and methanol; infrastructure for alternative maritime power including outlets, electrical distribution and control systems | Projects or activities that have a negative Impact on Indigenous Peoples Communities  
Land expropriation leading to involuntary resettlement  
Impact on High Conservation Value areas  
Transactions that negatively impact wetlands designated under the Ramsar Convention  
Transactions that negatively impact UNESCO designated World Heritage Sites | Projects or activities that have a negative Impact on Indigenous Peoples Communities  
Land expropriation leading to involuntary resettlement  
Impact on High Conservation Value areas  
Transactions that negatively impact wetlands designated under the Ramsar Convention  
Transactions that negatively impact UNESCO designated World Heritage Sites  
Fossil fuel-based equipment | Vehicles with direct emissions in excess of 75 g CO₂e/passenger-km (for passenger vehicles) and 25 g CO₂e/tonne-km (for freight vehicles)  
Public buses (including those included in the BRT infrastructure) with emissions in excess of 50 g CO₂e/p-km (based on WLTP)  
Individual rail with direct emissions in excess of threshold of 50 g CO₂e/p-km (passenger) or 25 g CO₂/t-km (freight)  
Construction of roads or road bridges and parking lots (except for dedicated lanes for eligible BRT infrastructure)  
Systems and infrastructure used primarily for the transportation of fossil fuels  
Parking facilities (even if charging and alternative fuel infrastructure are included)  
Fossil fuel filling stations and other assets which prolong the life and/or facilitate the use of fossil-fuel powered transport  
New and/or retrofit of fossil-fuel powered ships, which are not in line with International Maritime Organization trajectory or that run on conventional Heavy Fuel Oil (HFO), Low-Sulfur Heavy Fuel Oil (L5HFO), Marine Diesel Oil (MDO), for cargo ships, oil tankers or vessels solely or in majority ("by mass") transporting coal, oil, and petrochemicals  
Bunkering facilities for LNG/LPG |
| Sustainable Water and Wastewater Management | Water efficiency/conservation – Development, manufacture, purchase of products and technologies that reduce and/or monitor water use  
Flood mitigation – Investment in infrastructure where the projects have a vulnerability assessment and adaptation plan in place to support the argument for such investments.  
Wastewater treatment – Development, expansion, upgrade or maintenance of infrastructure | • Treatment of wastewater from fossil fuel operations |
| Climate Change Adaptation | Monitoring technologies including climate observation and information support systems  
Infrastructure – Development, expansion, upgrade or maintenance of infrastructure related to adaptation or mitigation of climate change such as flood mitigation barriers and other rising water level management systems | • Projects without a vulnerability assessment and adaptation plan in place |
| Eco-efficient and/or circular economy adapted products, production technologies and processes | Development and/or manufacture of:  
• Products/packaging that are certified by Roundtable on Sustainable Biomaterials (RSB) |
MUFG’S ESG COMMITMENTS AND ACHIEVEMENTS

2021 COMMITMENTS AND ACHIEVEMENTS

Commitments
MUFG made a Carbon Neutrality Declaration in May 2021, pledging to reduce emissions to net zero in its own operations by 2030, and in its clients’ emissions that are financed by MUFG by 2050. MUFG joined the Net Zero Banking Alliance as a Steering Committee member. The NZBA is a constituent of the Glasgow Financial Alliance for Net Zero.

In 2022, MUFG published its first Carbon Neutrality progress report and announced it would no longer finance new thermal coal mining projects and strengthened restrictions on shale oil and gas, oil and gas pipelines, and palm oil.

Achievements
Bloomberg New Energy Finance ranked us third in its global ranking of lead arrangers for finance related to renewable energy projects, marking 12 years in the top tier of clean energy lenders. Devoting a portion of our capital to innovative technologies each year positions MUFG to remain in the vanguard of the industry.

59.9% – The 2021 portion of MUFG Americas’ overall power financing portfolio that is for clean power.

MUFG joined the Forum on the Taskforce on Nature-related Financial Disclosures.

MUFG further strengthened its restrictions on lending for coal-fired power generation, palm oil, and forestry.

2020 COMMITMENTS & ACHIEVEMENTS

Commitments
MUFG has participated in CDP (formerly the Carbon Disclosure Project) since 2004. CDP is a project through which institutional investors from around the world work together and urge corporations to disclose their strategies on climate change as well as detailed data on their greenhouse gas emissions.

In 2020, MUFG committed to gradually decreasing the balance of MUFG’s exposure to coal-fired power generation projects with a target reduction of 50 percent from FY2019 to FY2030 and down to zero by FY2040.

In the Americas, MUFG met its five-year, $41 billion Community Service Action Plan sustainable finance goals announced in 2016, including more than $20 billion for environmental finance, for projects including green affordable housing, solar and wind-energy projects, agricultural operations that conserve natural resources, green and social bonds and sustainability-linked bonds and loans, mass-transit systems, and public water infrastructure.

Of our global $300 billion pledge, we intend to commit approximately 50 percent in the environmental field, including initiatives to counter climate change. We promote renewable energy through project finance, issue MUFG Green Bonds, which ensure that the net proceeds are allocated to Eligible Green Projects, provide commodities and services aimed at mitigating environmental loads, encourage the climate change countermeasure consulting business, and so on. By doing so, we support the transition to a decarbonized society.

Achievements
On July 1, 2020, MUFG Bank began applying the Equator Principles 4th Edition, which includes due diligence on the impact of physical and transition risks posed by climate change on projects and enhanced engagement with indigenous peoples.

In 2020, we were ranked second in the global ranking of lead arrangers for finance related to renewable energy projects, marking more than a decade in the top tier of clean energy lenders, a milestone we hit in 2019.

59% – The 2020 portion of MUFG Americas’ overall power financing that is for clean power.
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If grid is less than 90% renewable electricity but the percentage of renewables is expected to increase, pro-rata approach will be used to determine green allocation to grid development/maintenance.