

Green Deposit Framework

VERSION 1.0



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 clients. Our financial solutions are tailored to the needs of clients in the U.S., 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.

In the Americas, we serve our corporate and investment banking clients under the MUFG brand. Our Union Bank® brand serves our consumer, wealth, and commercial banking clients. We also serve committed savers under our PurePoint® Financial brand, a digital bank and division of MUFG Union Bank, N.A.

MUFG 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 360 years, MUFG has been a foundation of strength, committed to meeting the needs of our clients, serving society, and fostering shared and sustainable growth for a better world while delivering shareholder value.

ABOUT TRANSACTION BANKING

MUFG is a preferred provider of transaction banking services and helps streamline processes and minimize risk by offering effective treasury, trust, and trade finance solutions while delivering a best-in-class client experience. Our bankers bring specialized industry and product experience to develop the best possible solutions to support your goals.

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. Clients 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 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 2020, 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 and Social Policy Framework are available on our website.

<https://www.mufg.jp/english/csr/policy/>

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 recently recognized MUFG for going “above and beyond” as a result of the bank’s work on the 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 100 financial institutions in 38 countries. MUFG has been a member of the Equator Principles since 2005 and is 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 May 2019, MUFG committed to achieving a global cumulative total of approximately \$180 billion in sustainable finance between FY2019 and FY2030; forty percent of this amount is specifically earmarked for the environment. 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 involved 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. The first year’s results were on track to be 3.7 trillion yen, against a cumulative target of 20 trillion yen (approximately \$180 billion) from FY2019 to FY2030.

- **Revision of the MUFG Environmental and Social Policy Framework**

We have set the MUFG Environmental and Social Policy Framework as a framework for realizing environmental and social considerations. In the 2019 revision, we announced that, in principle, we would not finance new coal-fired power plants. In 2020, we added oil and gas (oil sands and Arctic development) to the list of “Restricted Transactions”. 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 a total of 2.9 billion yen in support of medical care, students, and the arts during the six months from April 2020.

INTENT OF THE GREEN DEPOSIT FRAMEWORK

The aim of this document is to provide information on MUFG Americas' Green Deposit Framework ("Green Deposit Framework") and set out underlying eligible environmental themes and activities.

HOW GREEN DEPOSITS WORK

MUFG Americas' Green Deposits are offered to eligible clients seeking to invest surplus liquidity in an interest-bearing product designated to fund our Environmental, Social, and Governance (ESG) financing commitments. MUFG Americas will earmark net proceeds from these deposits to fund eligible loans that fall under the qualifications listed in this Green Deposit Framework and continuously monitor the allocated funds thereafter.

We will use the aggregate committed amounts of eligible loans recorded by MUFG Americas entities to determine the size of the overall Green Deposits capacity, with the objective of ensuring Green Deposits do not exceed eligible loans for a sustained period of time.

MUFG Americas Green Deposits Eligible Capacity

	Current Eligible Loan Portfolio	Current Green Deposit Portfolio
MUFG Bank, Ltd., U.S. Branches ¹	\$4.83 Bn.	—
MUFG Union Bank, N.A.	\$1.80 Bn.	—

As of December 31, 2020

REVIEW PROCESS

Version 1.0 of this Green Deposit Framework was developed in January 2021 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 eligible themes and activities. MUFG's eligible loan and Green Deposit portfolios are reviewed by Sustainalytics on an annual basis to ensure alignment with this guide.

Information and understanding on environmental matters continue to evolve and MUFG commits to reviewing this Green Deposit Framework on an annual basis with the support from Sustainalytics to evaluate if there are eligible activities that need to be added or removed to the Eligible Green and Sustainable Themes and Activities found on the following pages.



ELIGIBLE GREEN AND SUSTAINABLE THEMES AND ACTIVITIES

Categories	Eligible Activities	Exclusions	SDG Alignment
Renewable Energy	<p>Acquisition, development, operation, maintenance of projects/assets generating electricity from:</p> <ul style="list-style-type: none"> • Solar, wind (on and offshore), ocean and tidal power • Geothermal • Waste biomass • Non-waste biomass from crop-based feedstock from credible certification schemes such as Roundtable for Sustainable Biomaterials (RSB), International Sustainability and Carbon Certification (ISCC) Plus, BONSUCRO for sugarcane, and The Roundtable on Responsible Soy (RTRS) for soy. <p>Production of technologies/equipment that support the above</p> <p>Energy storage technologies</p> <p>Transmission and distribution – development/improvement; maintenance; resilience and expansion</p>	<ul style="list-style-type: none"> • 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 gCO₂/kWh • Non-waste biomass projects where feedstock includes peat, palm oil, or non-certified oil/energy crops, including corn, soy, and/ or sugarcane. 	<p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 
Energy Efficiency	<p>End-user energy efficiency</p> <ul style="list-style-type: none"> • 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 such as ENERGY STAR • Related technologies/products or hardware systems <p>Buildings</p> <ul style="list-style-type: none"> • Refurbishment/retrofit of building to achieve a 20% improvement in energy efficiency and/or 20% reduction in GHG emissions 	<ul style="list-style-type: none"> • Technologies that improve the energy efficiency of fossil fuel production and/or distribution 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 
Resource Efficiency & Pollution Prevention and Control	<p>Recycling</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Landfill gas capture for flaring 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Forest Products – Growing and/or purchase of:</p> <ul style="list-style-type: none"> • Products/operations certified by Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC) <p>Agriculture – Growing and/or purchase of:</p> <ul style="list-style-type: none"> • Products/operations certified by Rainforest Alliance, USDA Organic, Global Good Agricultural Practices, Better Cotton Initiatives (BCI) or other equivalent internationally recognized certification schemes • Programs supporting certification, education, etc. <p>Land Conservation</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<p>15 LIFE ON LAND</p> 

Terrestrial and Aquatic Biodiversity	<p>Fisheries and aquaculture</p> <ul style="list-style-type: none"> • Products/operations certified by the Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC) or other equivalent internationally recognized certification schemes <p>Aquatic Conservation</p> <ul style="list-style-type: none"> • Preservation and/or restoration of aquatic biodiversity and valuable aquatic natural habitats 	<ul style="list-style-type: none"> • 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 	
Clean Transportation	<p>Passenger vehicles – Development, manufacture, purchase, financing of:</p> <ul style="list-style-type: none"> • Electric vehicles • Alternative fuel vehicles • Hybrid vehicles <p>Mass transit – Development, manufacture, purchase, financing of:</p> <ul style="list-style-type: none"> • Low-to-zero carbon busses • Bus rapid transit infrastructure certified Bronze or higher by the ITDB's BRT standard, and other public rapid transit systems • Train/rail stock • Train/rail infrastructure including track, stations and other supporting infrastructure <p>Infrastructure – Investments in infrastructure for:</p> <ul style="list-style-type: none"> • electric vehicles • alternative fuel vehicles • transportation demand management <p>Shipping</p> <ul style="list-style-type: none"> • Manufacture of new zero-to-low carbon ships (subject to emissions threshold in line with market practice) • Retrofit of existing ships involving fuel switching • Shipping infrastructure including bunkering facilities, infrastructure for alternative maritime power including outlets, electrical distribution and control systems <p>Production of technologies/equipment that support the above</p>	<ul style="list-style-type: none"> • Vehicles with direct emissions in excess of 75g CO₂e/ passenger-km (for passenger vehicles) and 25g CO₂e/ tonne-km (for freight vehicles) • 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 (LSHFO), Marine Diesel Oil (MDO) 	 
Sustainable Water and Wastewater Management	<p>Water efficiency/conservation – Development, manufacture, purchase of products and technologies that reduce and/or monitor water use</p> <p>Flood mitigation – Investment in infrastructure</p> <p>Wastewater treatment – Development, expansion, upgrade or maintenance of infrastructure</p>		 
Climate Change Adaptation	<p>Monitoring technologies including climate observation and information support systems</p> <p>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</p>		 
Eco-efficient and/or circular economy adapted products, production technologies and processes	<p>Development and/or manufacture of:</p> <ul style="list-style-type: none"> • Products/packaging using recycled materials • Production of technologies/equipment that support the above 		

MUFG'S ESG COMMITMENTS AND ACHIEVEMENTS

2020 COMMITMENTS AND ACHIEVEMENTS

Commitments

MUFG has committed to participating in CDP (formerly the Carbon Disclosure Project). 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. MUFG has participated in the project since 2004.

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

In the Americas, MUFG is on track to exceed its five-year, \$41 billion Community Service Action Plan sustainable finance goals announced in 2016, surpassing a cumulative \$50 billion during 2020, including more than \$40 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.

We intend to commit ¥8 trillion (approximately \$72 billion) of finance 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 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.

In 2020, the clean power portion of MUFG Americas' overall power financing was 59%.

2019 COMMITMENTS & ACHIEVEMENTS

Commitments

In May 2019, MUFG announced it is aiming to achieve 100% utilization of renewable energy sources for its in-house electricity needs by 2030. Aligned with this goal, MUFG Americas has reduced our greenhouse gas emissions from our own operations by 28% from our 2013 baseline. Looking ahead, we are working to do our part to transition 100% to clean energy and contribute net zero emissions across our operations, which includes carbon tracking for all MUFG Americas offices by 2030.

Since April 2019, MUFG has completed installation of LED lighting in 17 of its locations, including its New York Headquarters for the Americas and several retail branches in California, which is reducing our electricity use at the annual rate of approximately 1.8 million kWh, resulting in the avoidance of about 3.7 million pounds of carbon dioxide per year.

Achievements

MUFG was the first Japanese bank accredited by the UN Green Climate Fund and advised its first customer in 2019, a wind energy project in Chile.

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