2nd Explanatory Briefing for MUFG Investors:

Shareholder Proposal for 16th Annual General Meeting of Shareholders of Mitsubishi UFJ Financial Group

June 1 2021

KEY TAKEAWAYS

- ➢ Current financing policies of MUFG, the 6th largest fossil financier globally, are not aligned with the Paris Agreement goals as they allow for continued financing of coal, oil and gas expansion as well as deforestation. Financing of new fossil fuel development conflicts with a net zero pathway, according to the IEA's recent *Net Zero by 2050* report.
- ➢ Despite MUFG's recent net zero announcement, the group has provided no interim targets or clear metrics that would guarantee a net zero pathway.
- ➢ This shareholder resolution will ensure MUFG discloses a clear plan, with metrics and short- and medium-term targets, that demonstrates effective management of climate-related financial risks.

This document is the second explanatory briefing[1] for investors of Mitsubishi UFJ Financial Group ("MUFG") on the content of the shareholder proposal that was co-filed on March 26th 2021 by Kiko Network, a Japanese environmental non-profit organization, and three individual shareholders ("co-filers").[2] The proposal will be put to a vote at the 16th Annual General Meeting of MUFG on June 29th. This briefing explains the rationale for supporting the resolution in light of the recent policy reforms and net zero announcement by MUFG.

The proposed resolution requires MUFG to adopt and disclose a plan "including metrics and short-, medium- and long-term targets" to align its financing and investments with the goals of the Paris Climate Agreement. The proposal aims to ensure that investors are able to properly evaluate the climate risk of MUFG's financing and investments and make investment decisions accordingly. The ultimate aim is to maintain and improve MUFG's corporate value by reducing the bank's exposure to climate risk.

Despite some recent improvements in MUFG's approach to climate risk, which includes steps towards the Paris goals, **the co-filers have resolved to continue with the shareholder**

[1] The first explanatory briefing for investors was published on March 29 2021. See Kiko Network, Rainforest Action Network, Market Forces, 350.org Japan, Explanatory material for investors.
[2] The 3 individual shareholders are the following individuals affiliated with NGOs: Megu Fukuzawa (Market Forces), Toyoyuki Kawakami (Rainforest Action Network), Takayoshi Yokoyama (350.org Japan).

proposal due to the absence of a credible and concrete plan by MUFG to align its financing and investments with the goals of the Paris Climate Agreement.

In particular, in light of MUFG's present ranking as the sixth largest global banker of all fossil fuels and a prominent financier of rainforest-destroying commodities, MUFG's current policies and commitments fail to address its ongoing and significant financing of carbon-intensive sectors and remain highly deficient in its lack of metrics and short- and medium-term targets, as detailed below. With the lack of clarity on the plan and pathway to shift MUFG's finance portfolio to decarbonization, adoption of this proposal would ensure MUFG discloses metrics and targets to demonstrate effective management of climate-related financial risks in the shorter term, in line with TCFD recommendations and stated investor expectations.

Table: Paris-Alignment Assessment of MUFG's Policies & Commitments as of May 2021

Indicator	**Paris Alignment expectation**[3]	**MUFG Commitment**	**Comments**
Short-term target	No financing of fossil fuel expansion	NONE	MUFG's pledge to not finance new coal plants or existing plant expansions still allows for continued financing of coal plants with CCUS, Mixed Combustion and other technologies. No restrictions on financing oil, gas or coal mining except for exclusion of MountainTop Removal.
	From 2021, year on year reduction and ultimate phase out of fossil fuel financing on a 1.5ºC timeline.	NONE	MUFG's only relevant target is to phase out coal power project finance by 2040, but this excludes financing towards plants with CCUS and other technologies. There are no phase out targets for oil and gas or other forms of financing.
	No financing for any project that involves degradation or loss of natural ecosystems, or any company that fails to comply with a No Deforestation, No Peatland, No Exploitation (NDPE) policy at a corporate group level.	PARTIAL	MUFG adopted a NDPE standard for palm oil producers only, which fails to cover the entire palm oil value chain, or other forest-risk commodities such as pulp & paper, soy and cattle.

[3] MUFG's activities and policies have been assessed through the lens of the "Principles for Paris-Aligned Financial Institutions," a statement endorsed by 60 NGOs. September 2020.

Mid-term target	Financed emissions at least halved from FY2010 by FY2030.	NONE	FY2030 portfolio-wide target (Scope 3) to be set in FY2022, possibly as late as March 2023 MUFG has pledged a sustainable finance target increase to ¥35 trillion by FY2030 (of which ¥18 trillion to environmental activities), and an intention to set targets for CO2 reductions from renewable energy project finance. If this is used to offset total financed emissions, it risks delaying necessary climate action.
	All financing to the entire coal industry zeroed out by 2030 at the latest in OECD and 2040 in the rest of the world.	PARTIAL	Coal power phase out target of FY2040 is limited to project finance, with no distinction between OECD and rest of the world. Coal plants with CCUS, mix combustion or other technologies will be excluded from this target. MUFG has pledged to set a portfolio reduction target for corporate finance to coal power companies, but its compatibility with Paris goals is unknown.
Long-term target	Net Zero financed emissions by 2050 at the latest, without reliance on discredited schemes[4], carbon intensity metrics comparing emissions to revenue, or offsetting with financing for renewables.	YES (with reservations)	No clear plan on how MUFG will achieve carbon neutrality by 2050
Metric	Disclosure of overall carbon footprint, encompassing all direct and indirect emissions caused by lending, underwriting, investment, insurance and other financial services, and inclusive of land use emissions. Methodologies for measuring must be transparent and verifiable.	NONE	No commitment to disclose portfolio-wide financed emissions Current metrics for carbon-intensive sectors are limited to loans to the energy and utilities sectors; no metrics for underwriting or investment, or financing of other carbon-intensive sectors such as land-use.

[4] Discredited schemes include offsets, bio-energy with carbon capture and storage (BECCS), tree plantations, or other untested “negative emissions” or geoengineering technologies with the potential for causing large-scale social and environmental harm.

	Explicit requirements of fossil fuel or deforestation-risk clients, including a clear compliance timeline and what consequences follow from failing to meet those requirements.	PARTIAL	Some policy requirements exist for coal, palm oil and forestry, but they remain weak and lack explicit protocols for non-compliance. ESG financing policy does not apply to some MUFG subsidiaries, i.e. Bank Danamon in Indonesia.

Given these deficiencies, the co-filers believe that the shareholder proposal is imperative to ensuring that MUFG shifts its financing and investment portfolio to be aligned with the Paris goals without delay. Thus, the co-filers request investors to continue to support this shareholder proposal by:

- Voting in favor of this shareholder proposal at the MUFG Annual General Meeting;
- Communicating to MUFG your intention to vote for the proposal, and publicly expressing your support for this proposal;
- Engaging with MUFG on the need to strengthen its investment and financing policies related to fossil fuels, deforestation and other business activities that increase climate risk, and encouraging further information disclosure on these matters.

The content of the shareholder proposal and reasons for voting in its favor are explained further below.

1. Content of the Shareholder Proposal

This shareholder proposal grants MUFG the flexibility to realize the proposal's aims while taking into account client relationships and corporate interests. It is not intended to be unduly prescriptive, disclose confidential commercial information, or limit the authority of the company to formulate or change its business strategy. See Annex (I) for an explanation on the format of the proposal.

The Proposal

Partial amendment to the Articles of Incorporation (disclosure of a plan outlining the company's business strategy to align its financing and investments with the goals of the Paris Agreement)

Proposal details

The following clause shall be added to the Articles of Incorporation:
"The company shall adopt and disclose in its annual reporting a plan outlining its business strategy, including metrics and short-, medium- and long-term targets, to align its financing and investments with the goals of the Paris Agreement."

Reasons for proposal

The aim of the proposal is to manage the company's exposure to climate change risks, and maintain and increase its corporate value.

The Paris Agreement aims to strengthen the global response to the threat of climate change by limiting global temperature rise to well below 2 degrees Celsius above pre-industrial levels and *preferably to 1.5 degrees Celsius, and making finance flows consistent with a pathway towards that goal.*

Although the company has enacted environmental, social and governance policies, it continues to provide significant finance to fossil fuel expansion and deforestation, which falls far short of aligning with the Paris Agreement goals. Under the Japanese government's carbon neutrality goal by 2050, this presents a significant financial and reputational risk to the company. Therefore, it is proposed to add the clause to the Articles of Incorporation.

2. Policy improvements and 2050 net zero declaration by MUFG do not justify a withdrawal of the shareholder resolution

Since the filing of the shareholder proposal on March 26 2021, MUFG has made a total of three announcements which further lay out its approach to climate risk. These are:
1. "Establishment of the MUFG Way and new Medium-term Business Plan" on April 1 2021[5]
2. "Revision of the MUFG Environmental and Social Policy Framework" on April 26 2021[6]
3. "Carbon Neutrality Declaration" on May 17 2021[7]

While welcoming these improvements, the co-filers have determined that MUFG has not adequately outlined or committed to outline a business strategy, with the necessary metrics and short- and medium-term targets, that would align its financing and investments with the goals of the Paris Agreement. This is because

(1) MUFG's updated coal policy allows for the prolonged operation of coal;
(2) Weak oil & gas policies place no restrictions on oil & gas financing;
(3) Updated forest sector policy does not sufficiently prohibit financing of deforestation, peatland degradation, and rights abuses;
(4) There are no clear metrics or short and medium-term targets to assure Paris alignment; and
(5) Traditional engagement with MUFG has failed to provide assurance of Paris alignment.

*****

(1) Updated Coal Policy Allows Prolonged Operation of Coal

MUFG's updated policy stipulates that MUFG will not provide financing for the expansion of existing coal-fired power generation facilities, adding to its previous pledge to not finance the construction of new coal-fired power plants. However, the policy leaves several exceptions, stating that "coal-fired power generation equipped with carbon capture, utilisation and storage (CCUS), mixed combustion, and other technologies necessary to achieve the Paris Agreement

[5] https://www.mufg.jp/dam/pressrelease/2021/pdf/news-20210401-001_en.pdf
[6] https://www.mufg.jp/dam/pressrelease/2021/pdf/news-20210426-001_en.pdf
[7] https://www.mufg.jp/dam/pressrelease/2021/pdf/news-20210517-003_en.pdf

target may be considered on an individual basis." MUFG's policy also continues to allow financing of thermal coal mining, except where it involves Mountaintop Removal. Moreover, MUFG's coal policy does not even apply to its subsidiary in Indonesia, Bank Danamon, which is a financier of the Indonesian coal industry.[8]

MUFG's assumption that certain technologies make coal power compatible with Paris Agreement goals is misguided. Neither CCUS nor mixed combustion with ammonia or hydrogen are believed to contribute to the emissions reduction needed by 2030. CCUS is an unproven technology that may be available for use in the 2030s at the earliest. Furthermore, the Japanese government and power companies aim to mix ammonia and hydrogen to thermal power generation in the amount of 10~20% at most by 2030; however, ammonia and hydrogen produced from fossil fuels are not carbon free. MUFG's support for these technologies will only prolong the life of coal-fired power and is therefore inherently inconsistent with the Paris Agreement.[9]

MUFG's weak coal policy is particularly concerning given its ranking as the 3rd largest lender and 13th largest underwriter in the world to the global coal industry, as defined by the Global Coal Exit List,[10] with 17.9 billion USD and 18.1 billion USD provided respectively between October 2018 and October 2020. (See Annex-II for further explanation on the methodology behind this analysis.)

In a recent statement by the COP26 Presidency, in its "Call For Climate Action Announcements From Private Finance Institutions", the Presidency called on banks to "urgently phas[e] out of coal."[11] To align with Paris, MUFG must commit to rapid year-on-year reductions in its finance for all coal companies without exceptions so that its exposure to and finance for these companies are reduced to zero by 2030 at the very latest in the OECD and by 2040 in the rest of the world. However, MUFG's current commitment is limited to a phase out of coal power *project finance* by FY2040, with no distinction between OECD and other countries and no coverage of corporate finance. MUFG also intends to exclude from this 2040 coal phase out target its financing of coal power with CCUS and other technologies, despite the problems named above.[12] MUFG has pledged to set a portfolio reduction target for corporate finance to coal power companies, but there is no clarity as to what that target will be or when it will take effect.

MUFG's coal sector policy is also in sharp contrast with many of its international peer banks, many of whom have already committed to stop financing coal power or coal mining projects and have further restricted corporate financing of companies engaged in the coal sector. French banks and Italy's UniCredit currently possess the best-in-class policies.[13]

---

[8] The exclusion of Bank Danamon is based on an explanation by MUFG during a meeting with the co-filers. For Bank Danamon's coal exposure, see for example, Market Forces, *Adaro, Indonesia's coal giant, is seeking to refinance its debt*

[9] Kiko Network, *Japan's Path to Net Zero by 2050*, March 2021, see p.17 and p.19 column

[10] Loans issued between October 2018 to the end of October 2020. Urgewald, *Groundbreaking Research Reveals the Financiers of the Coal Industry*, Feb 25 2021.

[11] See Regulation Asia, *COP Presidency Calls for Ambitious Climate Commitments*, May 17 2021

[12] This is based on the explanation by MUFG at a meeting held with co-filers.

[13] See BankTrack, *Banks and Coal* (accessed May 31 2021)

(2) Weak Oil & Gas Policies Place No Restrictions On Oil & Gas Financing

MUFG's recent announcements have failed to address its substantial financing of oil and gas sectors, including its financing of extremely carbon-intensive oil and gas expansion.

According to a recent report entitled *Banking on Climate Chaos: Fossil Fuel Finance Report 2021,*[14] MUFG ranked sixth globally in the amount of loans and underwriting provided to all fossil fuels among 60 of some of the largest private banks around the world that were evaluated for the study. In the five years between 2016 to 2020, MUFG provided a total of approximately $148 billion to all fossil fuels, exceeding all other major Asian banks. 41% of this financing went to 100 key oil, gas, and coal companies with the worst fossil fuel expansion plans. Among oil and gas sub-sectors, MUFG ranked the 6th largest global banker of fracked oil and gas, 8th largest banker of LNG export and import terminals, 12th largest banker of tar sands, 12th largest banker of Arctic oil and gas, and 13th largest banker of offshore oil and gas.

MUFG's lack of restrictions on oil and gas financing pose significant reputational risks as well as financial risks from stranded assets, as exemplified by its financing of tar sands infrastructure development in North America. Since the Paris Agreement, MUFG has been the largest Asian banker of the tar sands industry. MUFG was the largest Asian backer of the Keystone XL tar sands pipeline, which was cancelled by the Biden Administration in January 2021 due to its climate impacts. MUFG is currently the largest Asian banker of Enbridge's Line 3 tar sands pipeline now under construction, and has been funding Enbridge every year since the Paris Agreement amidst intense and prolonged public criticism over the pipeline's impact on the climate, Indigenous rights, and the local ecosystem. It is said that the construction of the Line 3 pipeline is critical for expansion of the tar sands industry and will unleash an additional GHG emissions equivalent to 50 coal power plants.[15]

Potential emissions from coal, oil, and gas already in production would push the world far beyond 1.5°C, and likely even 2°C, so any expansion of fossil fuel exploration or extraction, or expansion of infrastructure that drives continued and expanded extraction, is incompatible with the Paris Agreement. This was recently confirmed by the International Energy Agency, whose report concluded that there can be no new fossil fuels in a net-zero by 2050 pathway.[16] Limiting global warming to 1.5°C requires that a rapid, managed phaseout of all existing fossil fuel production and use begin now. Instead, MUFG ranks as the largest Asian banker of fossil fuel expansion[17] and has failed to make any commitment to restrict or phase out oil and gas financing.

---

[14] Rainforest Action Network, BankTrack, Indigenous Environmental Network, Oil Change International, Reclaim Finance and the Sierra Club, *Banking on Climate Chaos: Fossil Fuel Finance Report 2021*, March 2021

[15] RAN, *Who's Banking Line 3 and Keystone XL*, December 2020

[16] IEA, *Net Zero by 2050: A roadmap for global energy sector*, May 2021

[17] *Banking on Climate Chaos: Fossil Fuel Finance Report 2021*

(3) Updated forest sector policy does not sufficiently prohibit financing of deforestation, peatland degradation, and rights abuses

MUFG is a significant global financier of commodities driving tropical deforestation, and ranks as the world's seventh-largest banker of palm oil, with over $ 1.2 billion in loans and underwriting to the palm oil sector between 2016 and 2019 alone.[18] While MUFG deserves some credit for strengthening its policies on palm oil and forestry, the limited scope of application allows MUFG to continue financing deforestation, peat destruction and rights abuses. Given that protecting and restoring forests, grasslands, wetlands, seas and other natural ecosystems is essential for climate mitigation, MUFG's policies remain insufficient.

In April 2021, MUFG newly adopted a requirement that palm oil clients commit to No Deforestation, No Peatland, and No Exploitation (NDPE). However, this requirement is currently limited to clients involved in "developing and managing palm oil plantations," at the exclusion of third party suppliers as well as palm oil processors, traders and buyers. Furthermore, the new policy does not apply to MUFG's Indonesian banking subsidiary, Bank Danamon, despite Bank Danamon being a major conduit for MUFG's palm oil financing in Indonesia.

MUFG's lack of a commitment to NDPE for other forest-risk commodities such as pulp and paper is also concerning from a climate perspective. For example, MUFG is a significant financier of the second largest pulp producer in Indonesia, Royal Golden Eagle group (RGE),[19] whose supply chain is highly dependent on woodfibre grown on carbon rich peatland, with 55% (242,465 ha) of its current plantation base located on peat.[20] Degraded peatlands are a major source of GHG emissions, and plantation development on flammable peat is the major driver of Indonesia's recurring fire and haze crisis, which has made Indonesia one of the world's biggest GHG emitters.[21] RGE and affiliate concessions are major contributors to this crisis, with over 65,000 ha having burned inside their concessions (2015-2019).[22] None of these risks are currently addressed by MUFG's policies or targets.

(4) There Are No Clear Metrics or Short- and Medium-Term Targets to Assure Paris Alignment

MUFG has yet to present clear metrics for measuring its progress towards achieving net zero by 2050, and has punted the setting of medium-term targets to FY2022. This allows MUFG to wait as late as March 2023 to set medium term targets for Paris alignment.

---

[18] RAN, TuK Indonesia, Jikalahari, *Mitsubishi UFJ Financial Group falls behind banking peers on ESG policies for forest-risk commodities, exempts Indonesian banking arm from its group standards*, March 29 2021

[19] *Id.*

[20] Koalisi Anti Mafia Hutan, *Perpetual Haze: Pulp Production, Peatlands, And The Future Of Fire Risk In Indonesia, November 2019*

[21] See The Conversation, *Peatlands keep a lot of carbon out of Earth's atmosphere, but that could end with warming and development*, December 7 2020

[22] Greenpeace, *Burning Issues: Five Years of Fires*, October 2020

Given the science of climate change and MUFG's enormous climate footprint, MUFG should at least be cutting its financed emissions by half by 2030 at the latest. According to "pathway 1" in the 2018 IPCC "Special Report on Global Warming of 1.5°C" (SR1.5), global carbon dioxide emissions must be more than halved from 2010 levels by 2030 and then reduced to effectively zero by 2050 to have even a 50% chance of limiting global warming to 1.5°C. In contrast to MUFG, banks like NatWest and Lloyds have committed to cutting climate impact in half by 2030.

It is concerning that MUFG has provided no clear metrics to measure its reduction of financed emissions. This compares with 120 financial institutions who have joined the Partnership for Carbon Accounting Financials (PCAF), the leading finance industry–led methodology for measuring and disclosing absolute financed emissions.[23] While the methodology is currently limited to loans and investments, underwriting is expected to soon be added, and the coverage of carbon-intensive sectors is also expected to expand.

MUFG's lack of transparency on its plans to achieve net zero leaves room for the use of problematic metrics and approaches. Measurement methodologies that are limited to emissions intensity are insufficient because they can still allow for increases in absolute emissions and extraction of new fossil fuel reserves. MUFG has also failed to explain whether they intend to rely on discredited schemes such as offsets, bio-energy with carbon capture and storage (BECCS), or other untested "negative emissions" technologies to meet its net zero goal. MUFG's stance contrasts with HSBC, which has proposed to use scenarios "which are not overly reliant on negative emissions technologies,"[24] and Barclays, which has declared that it aims to not rely on negative-emissions technologies that do not already exist.[25]

(5) Traditional Engagement With MUFG Has Failed to Provide Assurance Of Paris Alignment

The co-filers have respectively engaged with MUFG over several years on its financing of fossil fuels and deforestation and its governance of climate-related risks. The co-filers have also raised these issues through the publication of reports and writing letters to the bank on its environmental policy and specific carbon-intensive projects and sectors it has financed. The co-filers have further engaged with MUFG on its disclosure of climate-related risks and other TCFD reporting. Since the filing of the resolution, the co-filers have engaged with MUFG a total of four times to explain the resolution and its expectations of MUFG.

While the company has shown a willingness to engage on these issues, the engagement has not sufficiently raised hopes that the company is committed to strengthening its climate-related sector policies necessary for Paris alignment as discussed above or to formulating a strategy for aligning its financing and investments with the goals of the Paris Agreement.

---

[23] Partnership for Carbon Accounting Financials, *Financial Institutions Taking Action* (accessed May 31 2021)
[24] HSBC Group, *HSBC announces resolution on climate change*, March 11 2021
[25] Barclays, *Barclays Position on Climate Change*, April 2020

****

While the co-filers of this proposal acknowledge and welcome the recent steps taken by MUFG, given the lack of sufficient progress by MUFG to present a clear plan on Paris alignment, we have resolved to continue with this resolution, and ask investors to vote for this proposal at the 2021 General Meeting of Shareholders of MUFG and advise MUFG and the broader public of this intention. At this time, we urge investors to engage with MUFG on its policies and request the publication of concrete measures to reduce the risks from financing and investments that are not aligned with the Paris Agreement.

Contacts:

Kiko Network www.kikonet.org
Contact: Kimiko Hirata, E-mail: khirata[@]kikonet.org
Contact: Yasuko Suzuki, E-mail: suzuki[@]kikonet.org

Market Forces www.marketforces.org.au
Contact: Meg Fukuzawa, E-mail: megu.fukuzawa[@]marketforces.org.au
Contact: Sachiko Suzuki, E-mail: sachiko.suzuki[@]marketforces.org.au

Rainforest Action Network (RAN) www.ran.org
Contact: Hana Heineken, E-mail: hheineken[@]ran.org
Contact: Toyoyuki Kawakami, Email: toyo[@]ran.org

350.org Japan https://world.350.org/ja/**,** https://350.org/
Contact: Takayoshi Yokoyama, E-mail: taka.yokoyama[@]350.org
Contact: Eri Watanabe, E-mail: eri.watanabe[@]350.org

ANNEX: Supplementary Explanation

I. Format of the Shareholder Proposal

The format of this shareholder proposal (amendment to the Articles of Incorporation) reflects the sole legal pathway for a shareholder proposal on climate change in Japan. Shareholder proposals in the form of amendments to articles of incorporation of Japanese companies are relatively common in Japan and include the proposal filed at Mizuho Financial Group in 2020, which garnered 34.5% of shareholder support.[26] Their effect is the same as the "special resolutions" on climate change filed and passed at UK companies including Barclays in 2020 and the same as the recent company-proposed resolution at HSBC.[27]

In Japan, unlike in some countries in Europe and most states in the US, if the target company has a board of directors, a shareholder proposal can be made only with respect to the matters regarding which shareholders are entitled to vote and make a resolution at a shareholders' meeting under the Companies Act of Japan (the "Act") e.g. disposition of retained earnings; appointment or removal of directors; approval of mergers and divisive mergers; amendments to the Articles of Incorporation; or other shareholder resolution matters under the Articles of Incorporation of the target company (Article 295, Paragraph 2 of the Act). If a shareholder proposal does not fall into any shareholder resolution matter under the Act or the Articles of Incorporation regarding which shareholders have no voting rights at a shareholders' meeting under the Act or the Articles of Incorporation, such shareholder proposal would simply be rejected by the company as unlawful (Article 303, Paragraph 1, limitation proviso in the parenthesis, of the Act).

Therefore, in Japan, the formality of a shareholder proposal for a resolution in which a shareholder can specify the contents of its requirement is normally limited to a proposal to amend its Articles of Incorporation in part. It is clearly a shareholder resolution matter under Article 466 of the Act. Any shareholder proposal that simply states its requirement without using the form of an amendment to the Articles of Incorporation and calls for a shareholder resolution would not be placed on the ballot as an agenda item at the shareholder meeting due to its illegality, unless it falls into a different shareholder resolution matter under the Act or the Articles of Incorporation of the target company. For the reasons mentioned above, this proposal is made legally in the form of an amendment in part to the Articles of Incorporation in accordance with the Companies Act of Japan.

II. Methodology behind Analysis of MUFG Financing

1. Loans & Underwriting for All Fossil Fuels and Certain Sub-sectors since Paris Agreement

[26] Kiko Network, *Voting results of shareholder resolution for Mizuho Financial Group (2nd tally)*, January 21 2021

[27] HSBC Holdings, *Notice of the 2021 Annual General Meeting*, 24 March 2021

Analysis of MUFG's financing of all fossil fuels and certain sub-sectors such as tar sands is based on **Banking on Climate Chaos: Fossil Fuel Finance Report 2021**, published on March 24 2021.[28] This analysis covered the world's 60 biggest relevant banks by assets, according to the S&P Global Market Intelligence ranking from April 2020.

The report assessed each bank's involvement in relevant corporate lending and underwriting transactions — including project finance where data were available — from 2016 through 2020 (in U.S. dollars). Each transaction was weighted based on the proportion of the borrower or issuer's operations devoted to the sector in question. For the league tables measuring financing for all fossil fuels (approximately 2,300 fossil fuel companies), and the top fossil fuel expanders (100 companies, as a subset of the above), transactions were adjusted based on each company's fossil fuel-based assets or revenue. For sector financing (30-40 top companies in each subsector), each transaction was weighted based on the proportion of the borrower or issuer's operations devoted to the subsector in question. These adjusters were provided by Profundo. Transaction data were sourced from Bloomberg Finance L.P. (where the value of a transaction is split between leading banks), and IJGlobal.

2. Loans & Underwriting to the Coal Industry At Large

Analysis of MUFG's financing to the coal industry at large is based on the **Global Coal Exit List (GCEL)** financing research, published on February 25 2021.[29] The GCEL aims to identify all companies that play a significant role in the thermal coal value chain. In contrast to many other databases, the GCEL therefore includes not only coal miners and coal power producers, but also companies involved in coal exploration, coal processing, coal trading, coal transport & logistics, coal equipment manufacturing, coal-related O&M and EPC services and Coal-to-Liquids as well as Coal-to-Gas production. The GCEL currently provides thermal coal-related data for 935 parent companies and over 1,800 subsidiaries and joint ventures. It, however, does not cover coal used for cement or steel production.

Research into corporate loans, credit and underwriting facilities provided to the selected companies utilized financial databases Bloomberg, Refinitiv and IJGlobal. In contrast to other rankings, this research does not use any adjusters, meaning the full sum a bank is providing to a coal company is taken into account. (However, clear green financing has been excluded.) In the case of large, diversified companies, it is likely that not all financing will be used for the coal part of the business.

3. Loans & Underwriting to Deforestation-Risk Commodities in Tropical Forest Regions

Analysis of MUFG's financing of forest-risk commodities is based on the **Forests & Finance** database, which assesses the financial services received by over 300 companies directly involved in the beef, soy, palm oil, pulp and paper, rubber and tropical timber ("forest-risk sector") supply chains, whose operations may impact natural tropical forests in Southeast Asia,

[28] *Banking on Climate Chaos: Fossil Fuel Finance Report 20201, Methodology FAQ*, March 2021
[29] Urgewald, *Financial Backers of Global Coal* (accessed May 31 2021)

Central and West Africa, and Brazil.[30] Financial databases (Bloomberg, Refinitiv, TradeFinanceAnalytics, and IJGlobal), company reports (annual, interim, quarterly) and other company publications, company register filings, as well as media and analyst reports were used to identify corporate loans and underwriting facilities provided to the selected companies for the designated period.

This research provides a deal-level dataset of specific relationships between selected companies and any linked financial institution. Of the more than 300 companies researched, only 230 companies had identifiable financing where the financier, financing amount, and start date were known within the period of study. Companies with business activities outside of the forest-risk sector had recorded amounts reduced to more accurately present the proportion of financing that can be reasonably attributed to the forest-risk sector operations of the selected company. Further adjusters were calculated for companies operating in multiple geographies within the scope of this research.

Disclaimer

No joint-exercise of voting rights – Nothing in this written communication, nor in any related oral discussion, is intended to be, nor should it be construed as, an offer, an acceptance or a consent, to enter into an agreement for the joint exercise of voting rights or any other shareholder' rights for the purposes of the Financial Instrument Exchange Act and Foreign Exchange and Foreign Trade Act of Japan. If need be, it is hereby emphasized that each shareholder exercises its shareholder's rights independently based upon its own decision and shall not be held liable for its exercise of its shareholder's rights in any event or in any result, as a breach of any discussion between the shareholders.

No proxy solicitation – Nothing in this written communication, nor in any related oral discussion, is intended to be, nor should it be construed as, a "solicitation for proxies" for the purposes of the Financial Instrument Exchange Act of Japan. The shareholder is not soliciting or seeking any authorization by any other shareholders to exercise their voting rights or any other shareholders' rights on their behalf or as their agent at the annual shareholders' meeting.

Informational purposes only – This communication is provided solely for informational purposes only and is not, and should not be construed as, investment advice or investment recommendations for the purposes of the Financial Instrument Exchange Act of Japan."

[30] Forests & Finance, *Methodology* (accessed May 31 2021)