



**Supplemental Environmental, Social and Governance
information prepared for
The Santa Clara Valley Water District**

June 12, 2020





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Re: Supplemental ESG Information for Santa Clara Valley Water District

Charlene and Ed,

MUFG Union Bank is pleased to supply the enclosed supplementary information requested by the District. We are proud of our ESG achievements, and senior management has deliberately focused this entire global financial institution on environmentally and socially responsible action.

Attached are several documents that make clear MUFG Union Bank's firm policies to address climate change, increase Diversity and Inclusivity, and act for social good around the world.

First is a short presentation documenting the concrete steps taken to realize these global goals. Please note slide 3 of Section 1 details the "MSCI ESG Index" rankings, which include large financial institutions that participate in Public Finance Revolving Lines of Credit (RLC), such as solicited by the Water District.

Section 2 is a profile of MUFG Union Bank's presence in the Nine-County Bay Area community. I attended the Board Meeting by phone on Tuesday and understand the District's desire to work with local entities to support the area workforce. I would respectfully submit that MUFG Union Bank is both the most economic provider of the RLC and a local bank heavily invested in the community.

Section 3 contains our most recent annual Corporate Social Responsibility ("CSR") Report, which is a detailed profile of our investments in local communities and the ways we "give back" everywhere we work. Note that the CSR report is dated March 31, 2019, so its statistics are somewhat dated. The 2020 annual update's publication has been delayed by the global pandemic.

Last, included as Section 4, is a press release from 2019 that lays out the specifics of our worldwide Sustainable Finance framework for the ongoing re-balancing away from fossil fuels and towards renewable energy sources (in addition to prohibiting Palm Oil Plantation and cluster-munition financings). This was a great vote of confidence from our senior leaders to all of our global governmental and corporate partners, but also to the MUFG Union Bank employees in California and around the world.

On the following page are direct answers to your inquiries earlier this week. Please let me know if you have any questions or would like additional information.

Nicholas Boyle
Managing Director – Public Finance
MUFG Union Bank, N.A.
Supplemental Attachment 3
Page 2 of 29

1. What is the Bank's response to Banktrak's rankings (attached)? Have you or do you plan on implementing any changes to address the issues raised by Banktrak?

MUFG is in the midst of an ongoing transformation to become a top-ranked ESG provider of financial services. For a number of reasons, we'd like to refer the District to the "MSCI ESG Ratings" for financial institutions (See Section 1, page 3). There MUFG is in the middle of the pack because we are on a journey to re-shape our lending portfolio to match all the ethics and values summarized by ESG. MUFG has been in business for 350 years; MUFG Union Bank has been a San Francisco-headquartered bank for 150 years. We take the long view, and addressing climate change, Inclusion and Diversity, and local community re-investment is the long view.

The BankTrack Human Rights ranking seems to rely heavily on information voluntarily provided to the Netherlands-based organization, and its criteria necessarily favor those banks with limited business lines. For example, Rabobank limits its lending to agriculture and food production outside of the Netherlands. Thus a Human Rights Due Diligence process for food production corporations in the United States (the only domestic business to which Rabobank lends) is applied to a sector already geographically and intrinsically free of such violations. MUFG, on the other hand, conducts Enhanced Due Diligence whenever necessary to spot ethical violations across approximately 50 business lines supporting nearly every major business sector in the United States.

There is one glaring example that points to this potentially tilted playing field: The Royal Bank of Canada. BankTrack ranks it among the lowest performing Human Rights institutions in the world. Having competed against and known reputable bank officials with RBC for years, it boggles the mind that this could be an accurate reflection of the largest Canadian Bank's Human Rights record. We suspect that BankTrack simply doesn't have RBC's information, while they may have a surfeit of information from the top two banks – both headquartered in the Netherlands.

MSCI, on the other hand, is a statistically rigorous provider of Indexes to an array of businesses and industry sectors. Based in New York City, MSCI transparently discloses their criteria and bases their entire existence on the validity and reliability of their data. We have provided a link to their website in Section 1.

2. What is the Bank's response to Bloomberg's rankings (attached)? Have you or do you plan on implementing any changes to address the issues raised by Bloomberg?

The Bloomberg ranking appears to be a translation of an in-Country Japanese financial institution assessment. Some of the banks listed are smaller entities focused on sub-regions within Japan. We have no insight into the inputs, but would only note that the # of employees listed for MUFG -- +/- 2400 – is extremely off the mark for the Bank, which is the largest bank in Japan.

3. Are there any other ESG information the bank wishes to provide? For example, how many branches/employees does the bank have in Santa Clara County and the 9 Bay area counties? Does the Bank have any social responsibility (corporate policies) policies that can be shared with the Board?

Please see the aforementioned MSCI Index in Section 1 (page 3). For the retail branch and employee count information in the Nine-County Bay Area, please see Section 2. And please see Section 3 for our most recent CSR Report.

4. Will the bank consider offering Valley Water credit up to \$180million, and, act as a lead bank to offer an additional \$20 million syndicated loan to small and local banks/credit unions? The syndication agreement would be between the lead bank and the local banks. The pricing for the local banks is subject to discussion, and may be higher than pricing for the lead bank given the District board's desire to incentivize small local banks participation. If not, does the bank have other ideas/mechanisms to involve small local banks participation in the line of credit business?

MUFG Union Bank is agreeable to providing the face amount of \$200,000,000, and then partnering with another Bank as a \$20,000,000 "participant" designated by the District. Participations are an efficient way for the District to manage a two-bank solution because MUFG Union Bank is the only touchpoint for District staff. In this structure, the participant would risk participate in \$20MM of the exposure held by MUFG and be paid a pro rata fee through a bilateral agreement between the participant and MUFG Union Bank. It is not market practice, however, to have a higher price paid to the participant bank than paid to the "fronting" bank (and could raise regulatory issues).

If the District wished to set up a separate facility directly with the second Bank, it could achieve the goal of paying that Bank more, but that would also incur an additional Bank Counsel Fee, as well as the internal administrative costs of managing the two facilities on an ongoing basis.

We'd also like to take this opportunity to suggest why the District has had difficulty finding a small local bank to provide an RLC. It comes down to cost: Offering RLCs and liquidity has become the most minutely regulated product set in the banking sphere. The capital requirements imposed by the Bank of International Settlements (Basel III) have made all the largest banks better capitalized, but a perhaps-unintended effect is the required provision of expensive "buffer assets" and "liquidity premiums" to each and every RLC. We'd suggest, therefore, that very small local banks may be willing but financially unable to sell an RLC to the District.

5. Will the bank consider revising the fee proposal after reviewing the 6/9 Staff Report summarizing the results of the RFP? If so, please submit your revised fee proposals along with the information requested here by 10 am on June 15, 2020.

We're very pleased to be an ongoing partner with the District's as full-banking and CP credit/liquidity provider. We will decline the opportunity to revise our fee proposal, since we believe we are the most compelling economic and socially responsible proposer to the District.

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Section 1

ESG Overview

ESG Overview

June 2020

Sustainable Finance

MUFG is aligning core businesses to key external standards such as Green Loan Principles, Green Bond Principles, and Social Bond Principles.

Environment



MUFG serves businesses contributing to the mitigation of and adaptation to climate change – including renewable energy, improving energy efficiency, green buildings, and sustainable agriculture – through arranging sustainability-linked loans, project finance for renewable energy, and underwriting and distribution of green bonds..

Society



We partner with clients contributing to the development of startups, job creation, and poverty alleviation, including those that:

- Contribute to revitalizing local communities
- Provide fundamental services (e.g. public transport, water infrastructure, and airports) and essential services such as hospitals, schools, and local law enforcement

MUFG serves these clients through our Emerging Industrial Technology Support Program and the MUFG Regional Revitalization Fund.

Sustainable finance goals



MUFG aims to provide a cumulative **20 trillion yen** in Sustainable Finance by 2030.

- Of this, 8 trillion yen is for environment projects between FY2019 and FY2030 to help build a sustainable society and attain the Sustainable Development Goals (SDGs) through our client services.
- This goal builds on a decade of MUFG being ranked in the top tier of global lending for clean energy.
- In 2019 MUFG Americas achieved its USD 25 billion, five-year Environmental Finance goal, one year ahead of schedule.

MSCI ESG Ratings, June 2020⁽¹⁾

Financial Institutions	MSCI Grades
UBS Bank	AA
Mizuho	A
PNC	A
SMFG	A
Citigroup	BBB
MUFG Union Bank	BBB
Bank of America	BB
Fifth Third	BB
JPMC	BB
US Bank	BB
Wells Fargo	CCC

1) MSCI ESG Ratings, June 2020. See: <https://www.msci.com/esg-ratings>

Environmental and Social Policy Framework

MUFG's Environmental and Social Policy Framework outlines specific risk management measures that the bank is taking as a steward of environmentally sustainable products and services.

MUFG has committed to:

Not providing financing for new coal-fired power generation projects, and gradually reducing the balance of MUFG's exposure to coal-fired power generation projects

Confirming as Restricted Sectors subject to enhanced due diligence: Forestry, palm oil, coal-fired power, thermal coal mining, oil sands, Arctic oil and gas development, and large hydropower generation

Commitment to clean energy and the environment

MUFG has led and participated in a number of key initiatives to support a greener world.

The Equator Principles

Supporting environmental and social risk management of customers developing large-scale projects through promoting and providing leadership for an international framework based on World Bank standards – the Equator Principles

Environmentally-conscientious products and services

Working behind the scenes to reduce environmental impacts by providing products and services to customers who aim to be environmentally conscious

Leverage our financing function

Contributing to the development of projects that do not use fossil resources and the dissemination of renewable energy, while also committing to disclose and manage climate change risks in our overall loan portfolio through the Taskforce on Climate-related Financial Disclosures

Reduce the environmental impacts of our business activities

Actively seeking to reduce environmental burdens related to our own business activities – including reducing greenhouse gas emissions and purchasing electricity produced by renewable energy for our own use

Promote consulting services related to climate change

Bringing our knowledge as a top global advisor on the Kyoto Protocol Clean Development Mechanism and its financial functions, to actively promote initiatives under the Joint Crediting Mechanism, and leveraging our accreditation by the UN Green Climate Fund on behalf of clients

Support environmental education and preservation

Helping to preserve UNESCO World Heritage Sites and provide opportunities to learn about sustainability



Section 2

Bay-Area Presence

MUFG Union Bank Bay-Area Presence

Branches and Employees in the Nine-County Bay Area

County	Number of Branches	Number of Employees ⁽¹⁾
Alameda	7	171
Contra Costa	7	193
Marin	5	22
Napa	0	0
San Francisco	5	551
San Mateo	7	31
Santa Clara	16	117
Solano	1	7
Sonoma	1	7
Total	49	1,099

1) In addition to the full-time employees listed above, MUFG Union Bank employs approximately 31 part-time and contracted consultants in the Bay Area.

Note: MUFG has ~180,000 employees globally and a total of ~13,700 employees in the United States. The Bank employs ~7,400 Californians.



Section 3

Corporate Social Responsibility Annual Report, 2019

MUFG IN THE AMERICAS
2018 CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

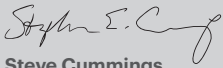
April 1, 2018–March 31, 2019

Building a
vibrant future



A message from our leadership

Throughout 2018, MUFG continued to strengthen communities across the Americas with strategic investments in the key areas of affordable housing, economic development, youth development, environmental sustainability, and inclusion and diversity. Our initiatives, programs, and partnerships aim to drive lasting change and improve economic, social, and environmental well-being. Amid a rapidly changing world, our commitment to our communities remains steadfast and is at the heart of who we are, working as a responsible corporate citizen to help uplift the communities and the people we serve.



Steve Cummings

Regional Executive for the Americas
Mitsubishi UFJ Financial Group, Inc.



Julius Robinson

Head of CSR for the Americas
MUFG Union Bank, N.A.



MUFG Americas Regional Executive Steve Cummings speaks to a group of students at Baruch College, of the City University of New York, where MUFG funded scholarships for entrepreneurship students. The Chronicle of Higher Education has ranked Baruch #1 in the United States for four years in a row in helping students move out of poverty.

Steve volunteered as part of MUFG Gives Back, an annual month-long global campaign that provides opportunities for MUFG employees to serve their communities.

Our business

Total assets in the Americas: **\$339.7 billion**

351 retail and commercial branches

24 wholesale locations in 8 countries

22 PurePoint Financial centers

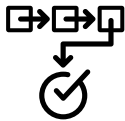
19,622 staff members in the Americas

On the cover: MUFG Marketing Officer Mario Martinez (left) congratulates Ja'Doni Lewis (middle) and Christian Tolbert (right) on their participation in the inaugural Youth Entrepreneurial Challenge in Los Angeles. The Challenge offered local high school students an opportunity to pitch their business ideas before a panel of judges, which included successful entrepreneurs.

2018 CSR highlights (calendar year 2018 except as noted)

\$41 billion

in total commitments under our 5-year Community Service Action Plan



\$19 million

in donations supporting nonprofit organizations in targeted sectors



48,213
volunteer hours
for 1,387 local organizations



\$1.07 billion

in loans to small businesses and farms



\$234 million

of discretionary spending to minority-, women-, and veteran-owned business enterprises



\$1.95 billion

in loans and investments to support affordable housing, both single- and multi-family



\$380 million

in economic development equity investments



Ranked #1

Global Clean Energy Lead Arranger, Bloomberg New Energy Finance

2018 Global Green Loans Bookrunner, Bloomberg



\$11.1 billion

in environmentally sustainable finance



325 internship program graduates

from our five student-run high school branches since 2011



34% reduction

in absolute greenhouse gas emissions (fiscal year 2018)



Commitment to Inclusion & Diversity

Listed in 2019 Bloomberg Gender-Equality Index for 3rd consecutive year

Perfect score on HRC Corporate Equality Index for 6th consecutive year



SMALL BUSINESS

Supporting the engines of prosperous communities

Making up 99 percent of the private sector, small businesses are the economic engines of our communities. MUFG has a longstanding commitment to ensuring that local businesses have access to the resources they need to start, grow, and thrive.

To advance this priority, MUFG provided a three-year grant totaling \$300,000 to PeopleFund, a community development financial institution, to open and operate the MUFG Union Bank Women's Business Assistance Center in Dallas in 2016. The funds covered operational set-up of the center and development of training

courses and workshops, as well as other technical assistance to women-owned businesses in the Dallas-Fort Worth area. The center provides a comfortable and collaborative co-working space as well as business advisory services. In 2018, MUFG provided a \$1-million CSR loan to the center to enable more women to access capital.

Since the center opened, it has helped hundreds of women shape their ideas into businesses, scale and grow their start-ups, secure capital, and improve their financial position.



MUFG executives Bobbie Salgado (second from the right) and Sylvia Castillo (second from the left) and community leaders from PeopleFund celebrated the grand opening of the MUFG Union Bank Women's Business Assistance Center in Dallas, Texas. By investing in PeopleFund, MUFG is helping local women entrepreneurs reach their goals. In the Dallas-Fort Worth area, one-fourth of the half a million small businesses are owned by women.



MUFG executives, San Diego elected officials, business leaders, and aspiring entrepreneurs celebrate the announcement of a three-year MUFG grant totaling \$300,000 to the new CONNECT ALL @ the Jacobs Center business accelerator, which will boost early stage companies in the city's most underserved communities.

At the ribbon-cutting ceremony of the new center, MUFG executives led by Head of CSR for the Americas Julius Robinson (third from left) and MUB Foundation COO Kathy Patoff (third from right), joined San Diego Mayor Kevin Faulconer (fourth from right) and other special guests, as well as the first group of 13 local start-ups being supported by the incubator.

ENVIRONMENTAL SUSTAINABILITY

Protecting our environment for the future

In 2018, MUFG once again took the top spot as Global Lead Arranger for financing clean-energy and energy-smart technologies. The ranking, released as part of Bloomberg's annual New Energy Finance league table, places MUFG as No. 1 for the third consecutive year among private-sector banks. MUFG provided \$3.9 billion in financing for 59 clean energy projects. MUFG also was the top arranger of global green loans in 2018, up from its previously ranked spot of No. 5, according to Bloomberg.

These commitments are part of our parent company's global mission to advance goals that protect the environment. In May 2019, MUFG made a commitment to achieve a

cumulative total of JP¥20 trillion (approximately \$180 billion) in sustainable finance between FY2019 and FY2030 to help build a sustainable society and meet the United Nations' Sustainable Development Goals through the provision of financial services to its clients. Forty percent of this amount is specifically for the environment.

We also revised our global Environmental and Social Policy Framework to tighten our policy on certain projects, including no longer financing new coal-fired power plants, limiting certain coal-mining projects, and requiring international certifications for selected forestry and agribusiness clients.



MUFG helped finance the 115-MW Parque Eólico El Arrayán project, the largest wind energy farm in Chile. The wind farm produces power to meet the electricity needs of approximately 200,000 homes a year.

LONG-TERM VIEW

Integrating financial education into the fabric of communities

MUFG has long invested in empowering young people with financial education.

In 2018, the student-run branches at Crenshaw and Lincoln high schools in Los Angeles celebrated their five-year anniversaries. The branches are part of an innovative and multifaceted MUFG program to teach students about finance, teamwork, and leadership. Today, there are branches across five California high schools, with 325 students completing internships and 36 interns starting their careers at MUFG since the program's inception. MUFG also is extending the successful program with the first college student-run branch at Laney College in Oakland, California.

Student bankers also give back to their communities by organizing financial education workshops for students and parents at their respective schools and coordinating food drives during the Thanksgiving season.



Branch manager Matthew Martin (seated) offers real-life bank training and instruction at the McLane High School branch in Fresno, California. Martin is a former McLane student and former intern of the branch, which opened in 2011 as MUFG's first student-run branch.

MUFG GIVES BACK

100+ events honoring the seventh annual global month of service



MUFG Brasil team members and their families volunteered at a local nursing home to help bring some joy by spending time with those who live there and to revitalize the space with painting and gardening. MUFG Brasil also earned the company's global CSR Award of the Year for the seventh consecutive year, honoring the team's incredible contributions to local communities in the country. The recognition was especially significant as MUFG celebrated 100 years since the opening of its doors in Brazil in 1919.



In Toronto, a group of MUFG volunteers packed 1,200 pounds of frozen chicken for Second Harvest, the largest food rescue charity in Canada. The nonprofit organization distributes donated food to more than 370 social service agencies in Ontario, Canada. It helps nourish people, providing 34,000 meals a day through food banks, school meal programs, and homeless shelters.



For more information visit our websites at www.mufgamericas.com, www.unionbank.com, and www.mufg.jp/english.

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Section 4

Press Release: Sustainable Finance

MUFG Sets Sustainable Finance Goals and Revises Environmental and Social Policy Framework

Tokyo, 15 May 2019 --- MUFG pursues its management vision as part of our mission as a financial institution to develop lasting relationships from a long-term perspective with both our clients and society to achieve shared sustainable growth. As part of this mission, we are advancing initiatives with goals including protecting the global environment and promoting human rights.

With a view to further strengthening our undertakings with relation to the environment, society, and governance, commonly known as ESG, we recently established Sustainable Finance Goals and revised the MUFG Environmental and Social Policy Framework. This change will take effect on July 1, 2019.

1. Summary

(1) Setting of Sustainable Finance Goals

MUFG aims to provide a cumulative total of 20 trillion yen in Sustainable Finance (of this, 8 trillion yen is for the area of environment) between FY2019 and FY2030 to help build a sustainable society and attain the Sustainable Development Goals (SDGs) through the provision of financial services to its clients.

(2) Revision of the MUFG Environmental and Social Policy Framework

MUFG has revised the MUFG Environmental and Social Policy Framework in response to the international community's plea for climate change actions and reflecting various stakeholders' opinions and ideas on environmental and social issues. The details of the revisions are explained below.

- (i) MUFG will not provide financing for new coal-fired power generation projects once the revised Framework takes effect. This is anticipated to gradually reduce the balance of MUFG's exposure to coal-fired power generation projects in the medium- and long-term. MUFG will take a cautious approach to projects regarding which financial assessment has been ongoing since before the revision to the Framework.
- (ii) Forestry, palm oil, and mining (coal) will be newly added to "Restricted Transactions." Recognizing their potential negative impact on the environment and society, MUFG will include in its consideration of financing for these sectors confirmation of the relevant client's implementation status concerning environmental and social measures. For instance, such measures may include internationally recognized certification or an action plan to obtain such certification.

- (iii) In its asset management business, MUFG has established a separate policy* concerning environmental and social initiatives, and it will handle transactions pursuant to this policy.

* “MUFG AM Responsible Investment Policy” (<https://www.mufg.jp/english/csr/policy/>)

We will periodically review the content of the MUFG Environmental and Social Policy Framework in accordance with changes in business activities and the business environment, and will work to improve and refine them.

2. Definition of Sustainable Finance

The term “Sustainable Finance” refers to the provision of finance for the following businesses (including loans, equity investment in funds, arrangement of project finance and syndicated loans, underwriting of equities and bonds, and financial advisory services) with reference to the relevant external standards (e.g. the Green Loan Principles, Green Bond Principles, and Social Bond Principles).

(i) Environmental area

- Businesses contributing to the adaptation to and moderation of climate change, including renewable energy, energy efficiency improvement, and green buildings
(e.g. arrangement of loans and project finance for renewable energy projects, underwriting and distribution of green bonds)

(ii) Social area

- Businesses contributing to the development of startups, job creation, and poverty alleviation
- Businesses contributing to the energizing of local communities and regional revitalization
- Fundamental service businesses, including those involved in basic infrastructure such as public transport, waterworks, and airports, and essential services such as hospitals, schools and police
(e.g. Emerging Industrial Technology Support Program, loans for regional revitalization projects such as MUFG Regional Revitalization Fund, arrangement of loans and project finance for public infrastructure, underwriting and distribution of social bonds).

3. MUFG Environmental and Social Policy Framework

1. Introduction

The international community, aiming at achieving the Sustainable Development Goals (SDGs) and Paris Agreement on climate change, is working towards the protection of the global environment, which is fundamental to the existence of humanity and all living creatures, and the realization of a sustainable society.

As a global provider of financial services, Mitsubishi UFJ Financial Group (hereinafter, MUFG) defines its mission as being committed on a long-term basis to developing lasting relationships with both our clients and society, and promoting shared and sustainable growth for a better world.

In addition, through the financial services we provide we are actively working towards finding solutions to environmental and social issues which also contribute to our sustainable business growth and enhancement of our corporate value.

MUFG recognizes that the environmental and social risks arising from the business activities of each group company are important to our business and require managing appropriately. This Environmental and Social Policy Framework (hereinafter, Framework) has been developed based on the “MUFG Environmental Policy Statement” and “MUFG Human Rights Policy Statement” which establish the basis for our policies for management of environmental and human rights issues respectively. The opinions and perspectives of various stakeholders were taken into consideration in the development of the Framework.

The Framework outlines the approach that MUFG takes in responding appropriately to environmental and social issues in our business activities and contributing to sustainable environmental and social development. Through the adoption of this approach, we expect to contribute to the realization of a sustainable environment and society.

To promote understanding and cooperation regarding our approach, the contents of this Framework is communicated to clients in all of our group companies.

2. Governance

The MUFG Corporate Vision guides the way in which we carry out our business activities. To realize our Corporate Vision, the MUFG Principles of Ethics and Conduct standards have been established which apply to executives and employees of all group companies and guide their everyday decisions and actions. The Framework is based on our Corporate Vision and Principles of Ethics and Conduct.

(1) Positioning of the Environmental and Social Policy Framework

The Framework is based on the “MUFG Environmental Policy Statement” and “MUFG Human Rights Policy Statement” and is structured to enable the appropriate identification and management of environmental and social risks associated with our business operations. The Framework is aligned with the MUFG reputational risk management framework to avoid negative impacts to MUFG corporate value.

(2) Governance and Management System

The CSR committee, which reports to the Executive Committee, is responsible for developing appropriate responses to the environmental and social issues relevant to our business.

Individual transactions with significant environmental and social risks or impacts that have the potential to negative impact on the corporate value of MUFG are assessed for reputational risk, as necessary. Transactions are evaluated with the involvement of executive management, taking into consideration the potential transaction related reputational risks.

(3) Role of Business Group

Business Groups are responsible for performing environmental and social due diligence to assess the potential environmental and social issues associated with the products and services to be provided. The assessment includes information collected from approaches such as interviews with clients. In implementing environmental and social due diligence, Business Groups consult with the relevant department responsible for management of environmental and social risks.

(4) Management of the Environmental and Social Policy Framework

The Framework was discussed by the CSR Committee and approved by the Executive Committee. The CSR Committee regularly reviews the need to update the Framework and makes amendments as necessary to reflect changes in our business activities and the business environment.

3. Applicable Products and Services

Products and services provided to clients by each group company include the extension of credit and the underwriting of bonds and stocks (hereinafter, financing). We recognize that the provision of financing may potentially contribute to environmental and social impacts as well as an increase in associated risks.

The Framework applies to new finance in all countries / regions for corporate clients of MUFG's core subsidiaries; MUFG Bank, Mitsubishi UFJ Trust and Banking, and Mitsubishi UFJ Securities Holdings (hereinafter referred to as "Core Subsidiaries"). The Framework is integrated into the internal procedures and standards of each Core Subsidiary.

MUFG Bank also conducts environmental and social due diligence of large-scale projects based on the Equator Principles adopted in 2005.

We also acknowledge the importance of considering environmental and social impacts in our asset management business. At the same time, we recognize the importance of preserving and fulfilling our independent fiduciary duties in line with interests of our clients. For this reason, we have established a separate responsible investment policy for this business.

4. Applicable Transactions

The Framework provides a guideline allowing us to confirm whether corporate clients receiving financing from each Core Subsidiary are fulfilling their social responsibility by demonstrating appropriate consideration of environmental and

social issues based on applicable legislation and international best practice.

Taking into consideration the nature and severity of associated environmental and social risks or impacts, MUFG has identified transactions which are "Prohibited from Financing" and where "Financing is Restricted".

(1) Prohibited Transactions

The transactions listed below are considered as having significant environmental and social risks or impacts. In cases where each Core Subsidiary is aware of the environmental and social risks or impacts, financing is not provided.

- A) Illegal transactions and transactions for illegal purposes
- B) Transactions which violate public order and good morals
- C) Transactions that negatively impact wetlands designated under the Ramsar Convention
- D) Transactions that negatively impact UNESCO designated World Heritage Sites
- E) Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)¹
[1 Taking into consideration country specific considerations]
- F) Transactions involving the use of child labor or forced labor

(2) Restricted Transactions

Restricted transactions consist of cross-sector items and sector specific items.

For transactions where the conditions listed below may exist, the potential that environmental and social risks or impacts may exist is considered to be high and clients are expected to implement the appropriate environmental and social measures. When each Core Subsidiary is considering providing financing for these transactions, the identification and assessment process for environmental and social risks or impacts will be used to confirm the client's approach to managing environmental and social issues.

If the environmental and social management approach of client's is not considered sufficient relative to the level of the potential risks or impacts, financing will not be provided.

(i) Cross-sectoral items

- A) Impact on Indigenous Peoples Communities
- B) Land expropriation leading to involuntary resettlement
- C) Impact on High Conservation Value areas

(ii) Sector specific items

A) Coal Fired Power Generation Sector

Protection of the environment, in particular actions which contribute towards combatting climate change and supporting development of more sustainable sources of power, is one of the most important issues for MUFG in fulfilling its social mission.

We support international initiatives that are aiming to reach the objectives set by the Paris Agreement and actively provide financing to renewable energy businesses, such as solar and wind power generation, to promote sustainable

growth and support the transition to a low-carbon future through our business activities.

MUFG will not provide financing to new coal fired power generation projects. Exceptions may be considered where we will take into consideration the energy policies and circumstances of the host countries, international standards such as the OECD Arrangement on Officially Supported Export Credits, and the use of other available technologies when deciding whether to provide financing.

We also support the adoption of advanced technologies for high efficiency power generation and Carbon Dioxide Capture and Storage (CCS) technologies which contribute to a reduction in the emission of greenhouse gases.

B) Cluster Munitions Manufacturing Sector

Civilian populations have been greatly affected by cluster munitions as they release many bomblets over a wide area and because of their indiscriminate effect. As a result, their use has generated significant humanitarian concerns internationally.

In light of the inhumane nature of cluster munitions, Core Subsidiaries prohibit the provision of financing to any company that manufactures cluster munitions.

C) Forestry Sector

Forests provide habitats for various wildlife species. Therefore, they have significant value for biodiversity conservation and protection, as well as serving as important sources of timber for paper, pulp, and other products that support regional economies. Forests additionally play a significant role in mitigating climate change by absorbing and storing carbon dioxide. MUFG recognizes that uncontrolled, large-scale deforestation has severe and negative impacts on the global environment.

When we consider implementing financing for logging businesses, including the development and management of forest plantations, we assess the status of such client's consideration for environmental and social impacts.

We request our clients to certify the relevant operations according to internationally recognized certification organizations such as Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification Schemes ("PEFC"), when providing finance to the subject business activities mentioned above, in countries other than High Income OECD countries. We will request our clients to submit action plans to achieve certification when relevant operations are not certified.

D) Palm Oil Sector

Palm oil is used to make products which are essential for everyday life, such as cooking oils, detergents, paints, etc. Increases in palm oil consumption have facilitated economic growth in many countries. On the other hand, development of palm oil plantations may entail deforestation of natural forests and slash-and-burn agriculture, which could lead to habitat degradation and conflicts with local communities. As a result, MUFG recognizes that the palm oil plantation business can have severe and negative impacts on the global environment if not managed

responsibly.

When considering transactions which fund business activities developing and managing palm oil plantations we assess the status of such client's consideration for environmental and social impacts.

We encourage clients to become members of the Roundtable on Sustainable Palm Oil ("RSPO"), and request them to certify relevant operations according to recognized certification organizations such as RSPO, when providing finance to the subject business activities mentioned above. We will request clients to submit action plans to achieve certification when relevant operations are not certified.

E) Mining Sector (Coal)

MUFG recognizes that coal mining operations, if not managed responsibly, can have negative social and environmental impacts, including death and injuries from mine collapse, human rights abuse, and impacts on local biodiversity from toxic mine waste. Moreover, coal burning in power generation emits relatively large amounts of greenhouse gases compared to other energy sources. We recognize that the development of new coal mines to supply thermal coal for power generation projects could result in an increase in greenhouse gas emissions in the future.

When considering whether to provide finance to the development of new coal mines we assess the status of such client's consideration for environmental and social impacts. The assessment includes how the client addresses the impacts of the development on local ecosystems, relationships with local residents, and occupational safety and health issues.

We will not provide any financing to coal mining projects using the mountaintop removal (MTR) method which has severe and negative impacts on the natural environment.

5. Identification and assessment process for environmental and social risks or impacts

A due diligence process to identify and assess the environmental and social risks or impacts associated with transactions has been introduced.

(1) Standard Due Diligence

Standard due diligence is implemented by the department in the relevant business division of each Core Subsidiary responsible for communications with the client. The decision regarding categorization of the transaction as a "Prohibited Transaction" or "Restricted Transaction" is made based on available public information and information provided by the client.

(2) Enhanced Due Diligence

Transactions categorized as "Restricted Transactions" are subject to enhanced due diligence in addition to standard due diligence, if necessary. This is implemented by the department responsible for management of environmental and social risks in each Core Subsidiary. Decisions on financing are made following assessment of

the findings of the enhanced due diligence.

(3) Financing Reputational Risk Management Approach

Transactions assessed as having the potential to have significant negative impacts on the corporate value of MUFG are evaluated with the involvement of executive management.

6. Training

(1) Corporate Training and Education

Training on environmental and social issues is provided to relevant employees of each Core Subsidiary. The objective of the training is to enhance the understanding of global initiatives to environmental and social issues, as well as the process of confirming the client's approach towards management of environment and social issues. The training also aims at the spread of ideas supporting the Framework, and the environmental and social due diligence process.

Specialized training, with the objective of advancing the implementation of the Framework, is provided in divisions responsible for management of environmental and social risks.

(2) Stakeholder Engagement

Implementation of the Framework includes constructive dialogue with various stakeholders. This dialogue is intended to help identify appropriately environmental and social risks or impacts to which MUFG is to respond and provides information relevant to discussions on revisions to the Framework to increase its effectiveness.

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