

Towards Carbon Neutrality by 2050

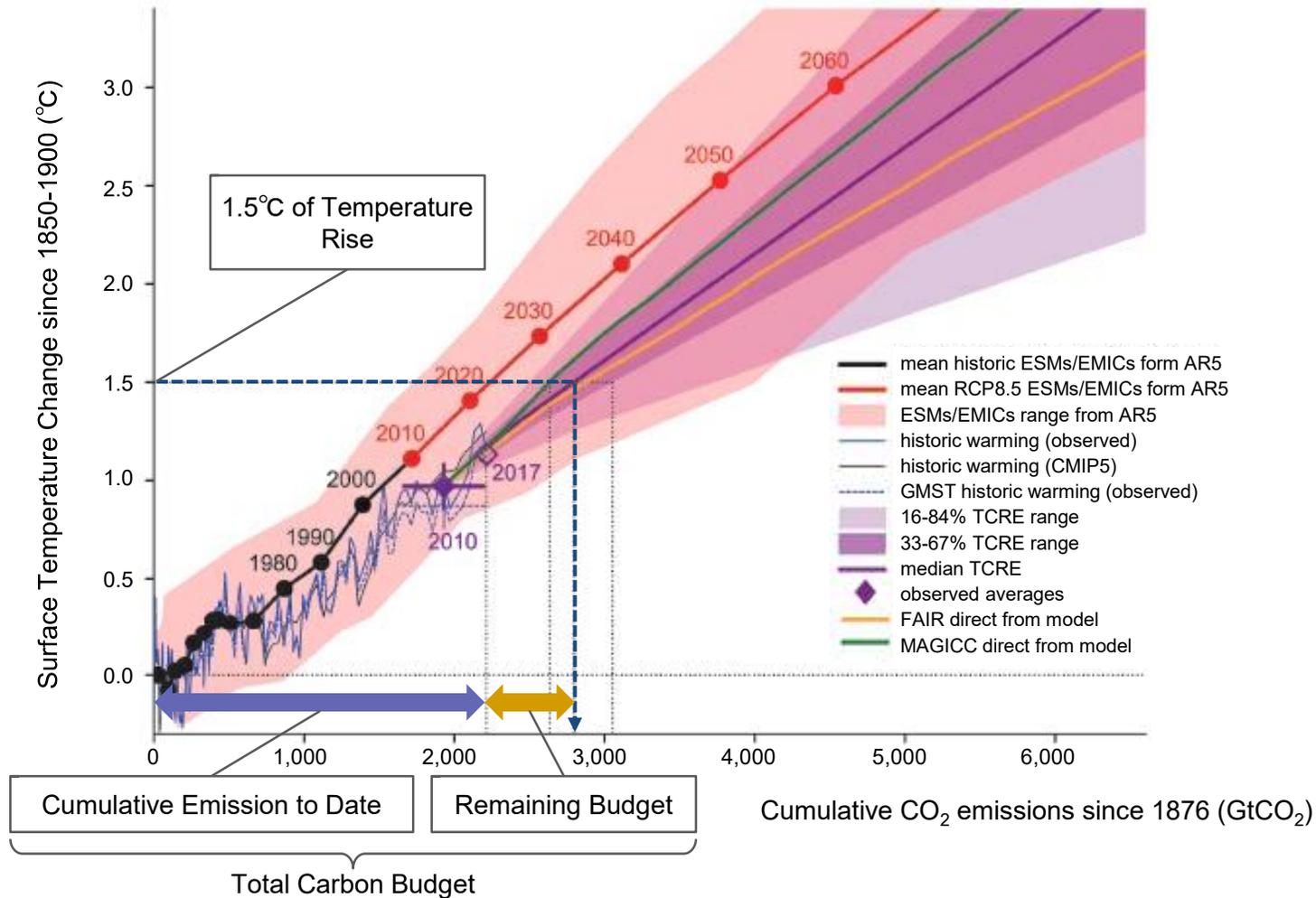
Opportunities and Key Challenges for Banking Sector

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Scientific Approach towards Decarbonisation

Carbon Budget under 1.5°C Scenario

Cumulative CO₂ Emissions and Temperature Rise



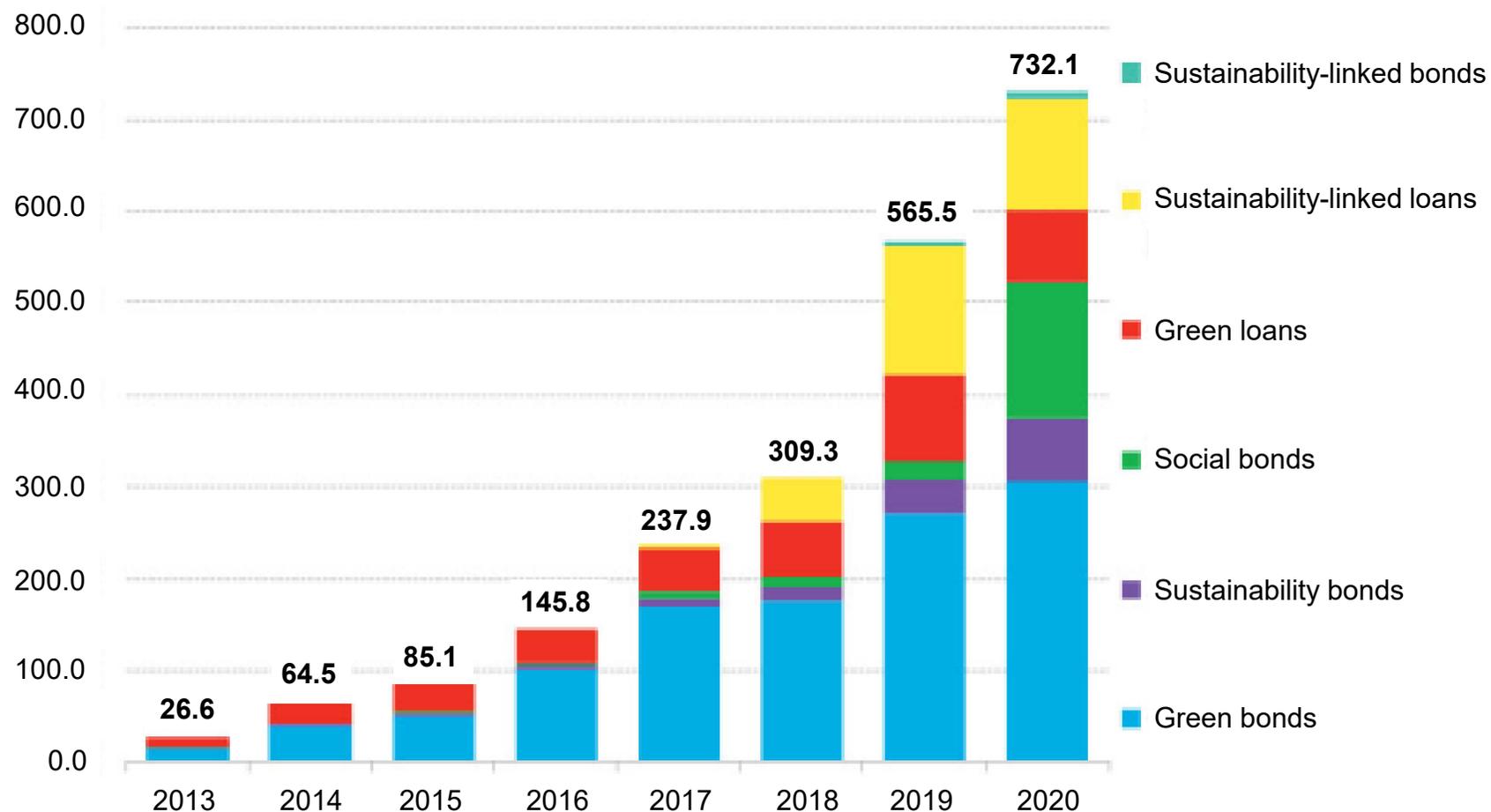
(Source: Prepared from IPCC Special Report "Global Warming of 1.5°C" Figure 2.3)

Sustainable Finance Market

Brief Overview

Global Sustainable Debt Annual Issuance, 2013-2020

Issuance (\$ billion)



(Source: Prepared from BloombergNEF, Bloomberg L.P.)

Report by the Expert Panel on Sustainable Finance

Building a Financial System that Supports a Sustainable Society

Report by the Expert Panel on Sustainable Finance

Basic Concept

- Sustainable finance is an infrastructure that supports sustainable social and economic systems. It should be driven not only by private initiatives but by policy initiatives

Overarching Issues

- Consideration of ESG factors is favorable to fulfill fiduciary duties
- A wide range of approaches needs to be sought to raise awareness and accumulate business practices regarding impact finance
- It is important to participate in international discussions on taxonomies for sustainable activities and promote transition finance (including the formulation of roadmaps for high emission industries)

Enhance Corporate Disclosure

Broad discussion needs to be held on appropriate disclosure regarding sustainability for constructive dialogue with investors and financial institutions.

Sustainability

Climate Change

Demonstrate Capital Market Functions

Developing a “green international financial center” can contribute to more loans and investment towards sustainable societies in Asia and rest of the world. Market Participants need to play their roles to demonstrate capital market functions.

Institutional Investors

Opportunities for Retail Investors

ESG Rating and Data Providers

ESG Platform

FI's Support for Borrowers and Risk Management

Financial Institutions need to support the transition of the real economy, integrating sustainability opportunities and risks into their business strategies and risk management.

Support for Borrowers

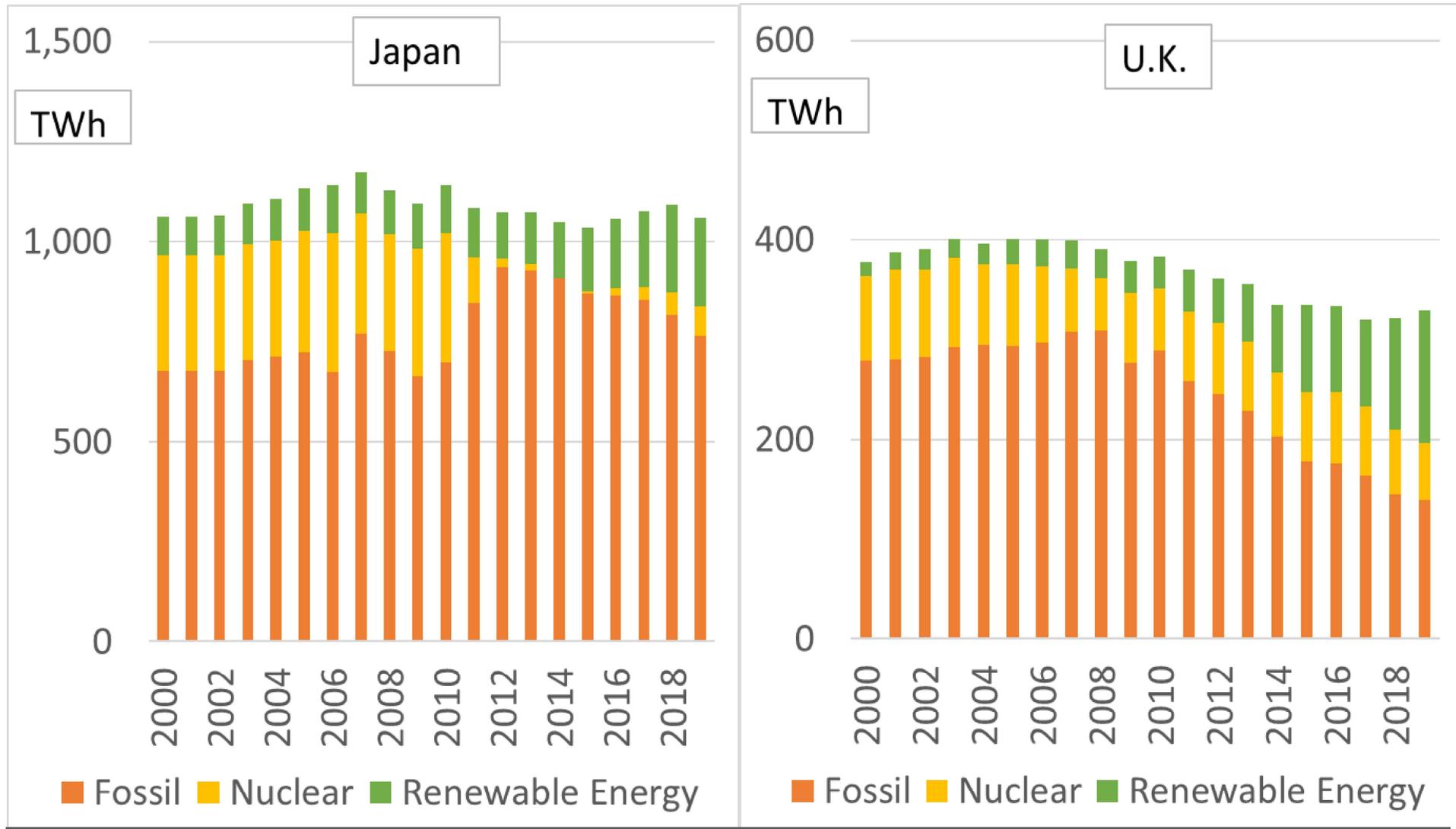
Risk Management

(Source: Prepared from JFSA materials)

Comparison between Japan & UK (1)

Energy Mix

Electricity Generation Volume since 2000

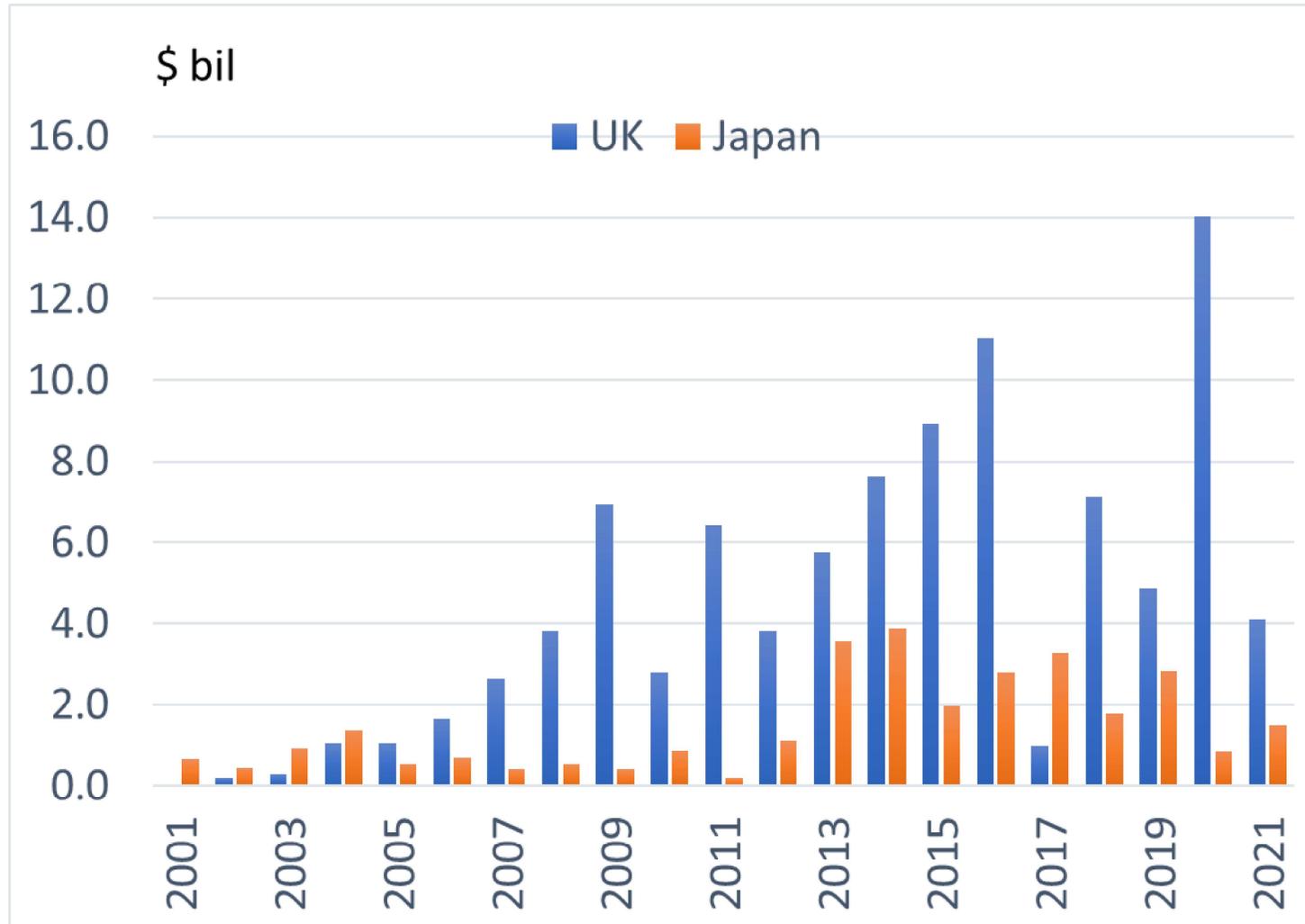


(Source: Prepared from BNEF data)

Comparison Between Japan & UK (2)

Finance to New Energy

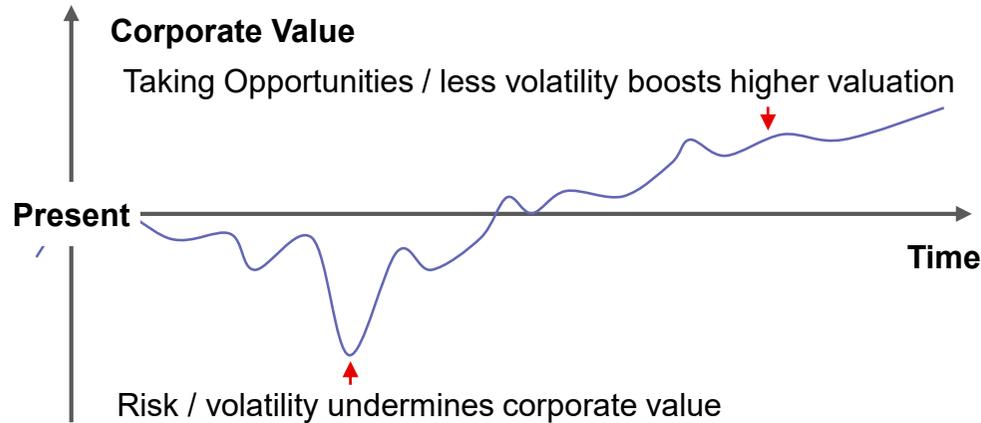
Annual Finance Commitment to New Energy since 2000



(Source: Prepared from BNEF data)

Sustainability and Corporate Value

Sustainability and Corporate Value

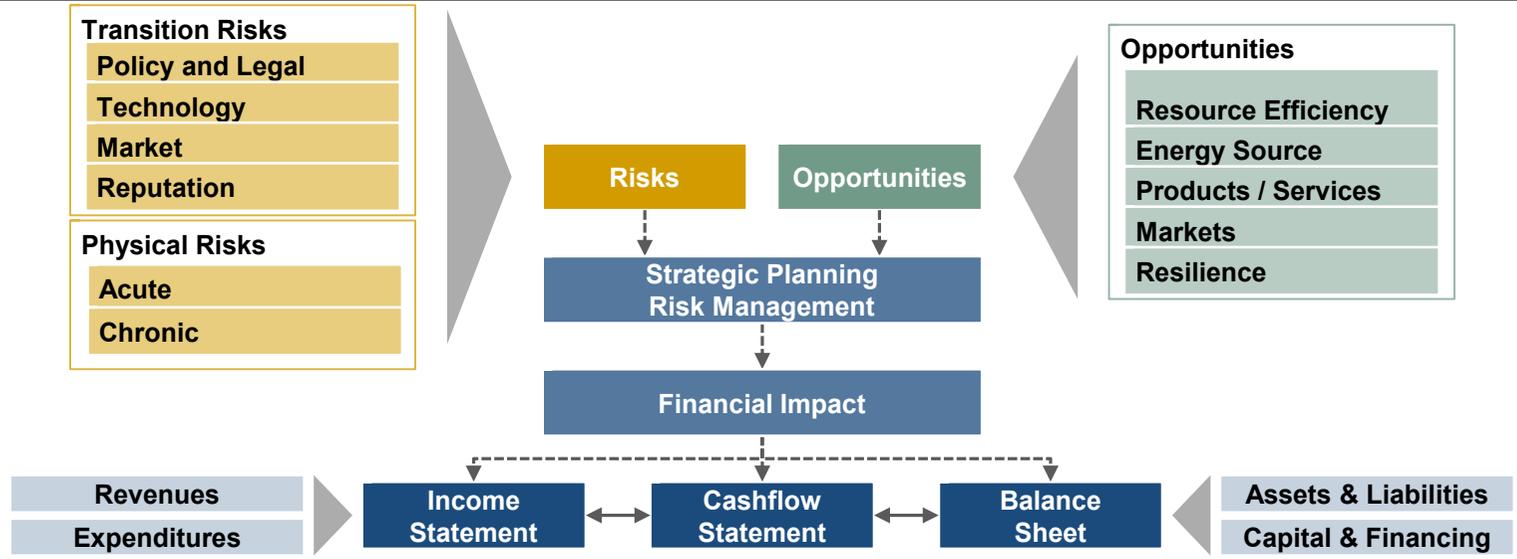


Dividend Discount Model

$$P_i = \frac{D_{i1}}{(1+r_i)} + \frac{D_{i2}}{(1+r_i)^2} + \frac{D_{i3}}{(1+r_i)^3} + \dots + \frac{D_{it}}{(1+r_i)^t} + \dots$$

P_i ; Share Price of Corporate i , r_i ; Capital Cost, D_{it} ; Dividend at year t

TCFD Framework (Climate-Related Risks, Opportunities, and Financial Impact)

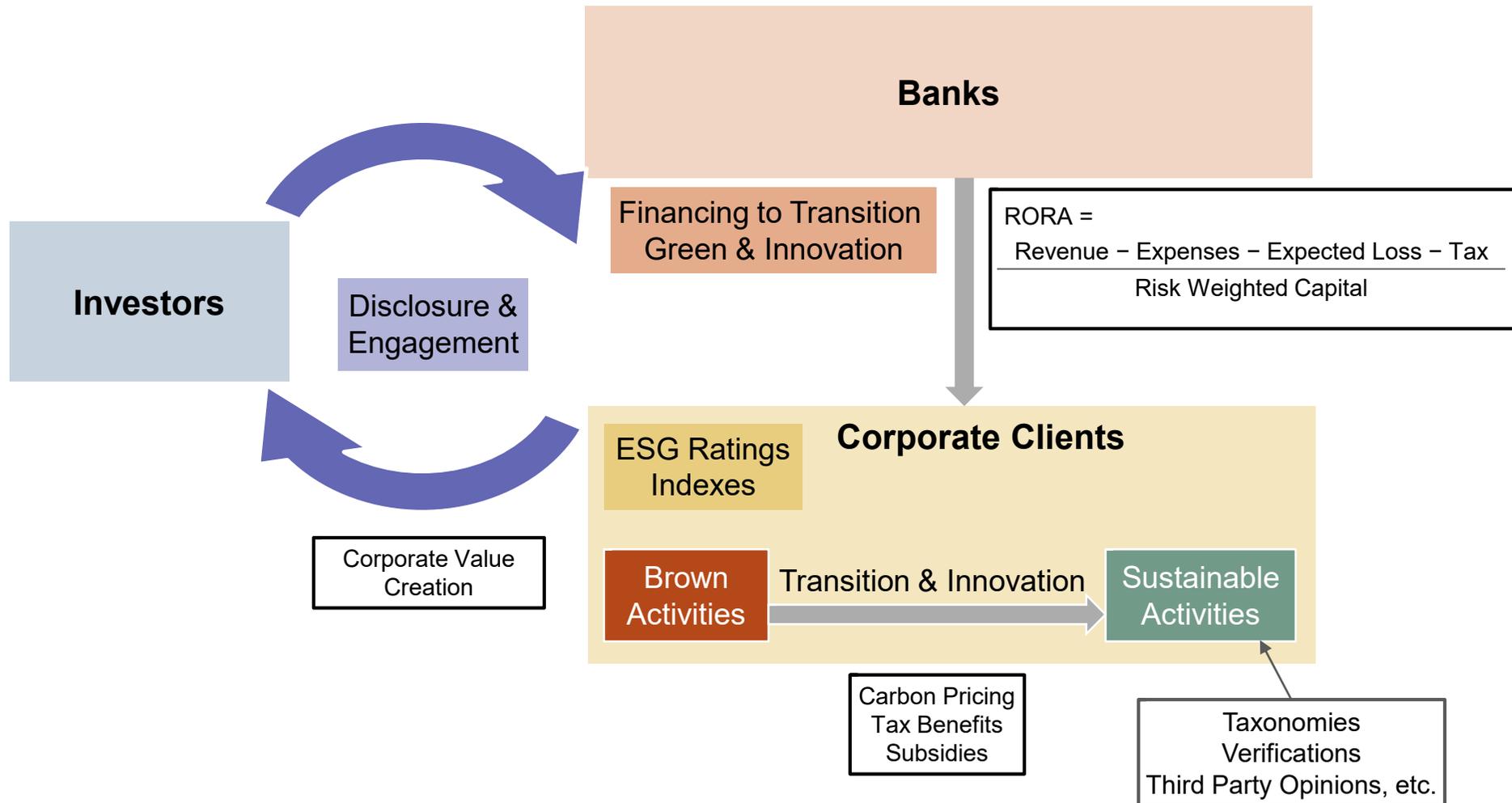


(Source: <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>)

Mobilising Finance, Risk Management, Disclosure & Engagement

Self-Sustaining Growth

Self-Sustaining Growth for Mobilising Finance, Risk Management, Disclosure & Engagement



MUFG Carbon Neutrality Declaration

- The management takes it seriously to contribute to creating a sustainable society by fostering a virtuous cycle between the environment and economy, and thus MUFG is the first Japanese bank to commit to achieve net-zero GHG^{*1} emissions for the finance portfolio

MUFG Carbon Neutrality Declaration

MUFG

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

**First Bank
In Japan**

**Join Net-Zero
Banking Alliance^{*4}**

Set and disclose interim target for 2030 in FY2022

Report the progress on annual basis

Main Approach

1 Commit to achieve decarbonization through financial services

- Set target for sustainable finance: ¥35tn (of which ¥18tn is for environment)
- Enhance financing policies
- Disclose future credit portfolio reduction targets for corporate finance related to coal-fired power generation^{*5}
- Support renewable energy, hydrogen, next-generation energy, etc.

2 Promote decarbonization via MUFG's own efforts

- Shift to 100% renewable energy for electricity procured by domestic offices and branches^{*6}
- Work on carbon offsetting (afforestation, etc.)

3 Set targets to align with the goals of the Paris Agreement, and expand and improve transparency of information disclosure

- Set targets to align with the goals of the Paris Agreement based on scientific approaches such as SBT^{*7}
- Develop TCFD disclosure such as expanding the scope of sectors subject to scenario analysis

4 Enhance our organization to achieve carbon neutrality

- Change governance to approve "MUFG Environmental Policy Statement" at the Board of Directors
- Reflect ESG elements in MUFG's executive compensation

(Note) *1 Greenhouse Gas *2 Scope3 under the GHG Protocol *3 Scope1 and Scope2 under the GHG Protocol *4 An initiative, which was established by UNEP FI in April 2021, undertaken by banks that are committed to achieve net zero GHG emissions in their lending and investment portfolio at latest by 2050 *5 We aim to disclose the portfolio reduction target for our corporate customers whose business largely involves coal-fired power generation. Progressing toward the project finance portfolio reduction target for coal-fired power generation (to halve the FY2019 balance by FY2030, and reduce to zero by FY2040) *6 The Bank, the Trust Bank and the Securities HD *7 Science Based Target

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