



MUFG

New Zealand

Climate Report

For the year ended 31 March 2024

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Important Information

MUFG Bank, Ltd. (Auckland Branch) is a climate reporting entity under the Financial Markets Conduct Act 2013.

Reference to 'MUFG New Zealand', 'we', 'us' and 'our' mean MUFG Bank, Ltd. (Auckland Branch), and 'MUFG Oceania' and 'Branch' mean MUFG Oceania branches (MUFG Oceania branches consist of Auckland, Sydney, Melbourne and Perth Branch).

Any reference to 'MUFG', 'MUFG Group' and 'Group' mean Mitsubishi UFJ Financial Group, Inc. and its subsidiaries.

Disclaimer

This Climate Report includes forward-looking statements, strategy and metrics, which are not and should not be considered guarantees, predictions or forecasts of future climate-related outcomes or financial performance, and are not intended to be advice to existing or potential investors, lenders or other creditors. These forward-looking statements are based on information currently available to MUFG New Zealand and MUFG Group and are stated in this document on the basis of the outlook at the time that this document was produced. In producing these forward-looking statements, certain assumptions (premises) have been utilised that are subjective and may prove to be incorrect. Should any underlying assumption prove to be incorrect, actual results in the future may vary materially from some of the forward-looking statements in this document. MUFG New Zealand and MUFG Group have no obligation or intent to update any forward-looking statements contained in this document. In addition, information on companies and other entities outside MUFG Group that is included in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by MUFG New Zealand and MUFG Group and cannot be guaranteed.

Statements in this Climate Report are subject to known and unknown risks, challenges, significant uncertainty and other factors. Readers are cautioned not to place reliance on such statements as these are subject to significant risks, uncertainties, and/or assumptions many of which are outside of our control.

Other Information

Please refer to our global website, along with MUFG New Zealand latest disclosure statements and MUFG Report 2023 (JGAAP) for more information on our sustainable value creation mechanism and financial data.

- MUFG Bank, Ltd. (Auckland Branch) Disclosure Statement:
 - [MUFG; MUFG Bank, Ltd.](#)
- Mitsubishi UFJ Financial Group, Inc. site
 - Annual Reports - [MUFG; Annual Reports | Mitsubishi UFJ Financial Group](#)
 - Sustainability initiatives - <https://www.mufg.jp/english/csr/index.html>

About This Report

Our Approach

MUFG Group recognises climate change as one of the most serious issues facing the world, and as one of the most important risks facing the organisation. MUFG Group has defined its Purpose as “Committed to Empowering a Brighter Future”. In recognition of this, MUFG Group has declared its support of the recommendations formulated by the Task Force on Climate-related Financial Disclosures (TCFD) and is developing specific initiatives and action plans in support of its Purpose, corporate and social responsibility and the TCFD recommendations.

This Climate Report therefore includes references to MUFG Group commitments, strategies, processes and targets to manage the impact of climate change.

MUFG New Zealand, a branch of MUFG Bank, Ltd. under MUFG Group, is committed to supporting Group sustainability and risk management initiatives in tackling the impact of climate change and is developing its strategy, governance structures and risk management processes accordingly, as articulated in this Climate Report.

This Climate Report is compiled to provide stakeholders with a better understanding of MUFG Group and MUFG New Zealand sustainability initiatives, aimed at realising a sustainable environment, and society.

For more details, please visit MUFG Group's website. <https://www.mufg.jp/english/profile/index.html>

Statement of Compliance

This Climate Report complies with the Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board.

In preparing this Climate Report, MUFG New Zealand has selected to use the following adoption provisions:

- Adoption provision 1: Current financial impacts, paragraph 10 and 11;
- Adoption provision 2: Anticipated financial impacts, paragraph 12, 13 and 14;
- Adoption provision 3: Transition planning, paragraph 15 and 16;
- Adoption provision 4: Scope 3 GHG emissions, paragraph 17;
- Adoption provision 5: Comparatives for Scope 3 GHG emissions, paragraph 18 and 19;
- Adoption provision 6: Comparatives for metrics, paragraph 20 and 21 ; and
- Adoption provision 7: Analysis of trends, paragraph 23.

MUFG New Zealand has not developed a transition plan to an extent that would meet the requirements of NZ CS 1 and therefore has applied Adoption Provision 3 (Paragraph 15), which provides exemption in the first reporting period from the requirements to disclose transition plan aspects of MUFG New Zealand. We will align with the Group's Transition plan and incorporate it into our local business and investment strategy.

Period Subject to Reporting

FY2023 (April 1, 2023 to March 31, 2024)

1. About MUFG



Mitsubishi UFJ Financial Group, Inc. (MUFG Group) is one of the world's leading financial groups. Headquartered in Tokyo and with over 360 years of history, MUFG Group has a global network with over 2,000 offices in more than 40 markets. The Group offers services including commercial banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing.

Purpose

Committed to empowering a brighter future

Values

We act on these values to nourish our growth, and to support our longstanding commitment to serve customer and society at large.

- 1. Integrity and Responsibility
- 2. Professionalism and Teamwork
- 3. Challenge and Agility

Vision

Be the world's most trusted financial group



MUFG Way

MUFG Way serves as the basic policy in conducting our business activities, and provides guidelines for all group activities.

MUFG Way also is the foundation for management decisions, including the formulation of management strategies and management plans, and serves as the core value for all employees.

History



+360 years
of history

+30 years
in New Zealand

Global Reach



40+
Markets

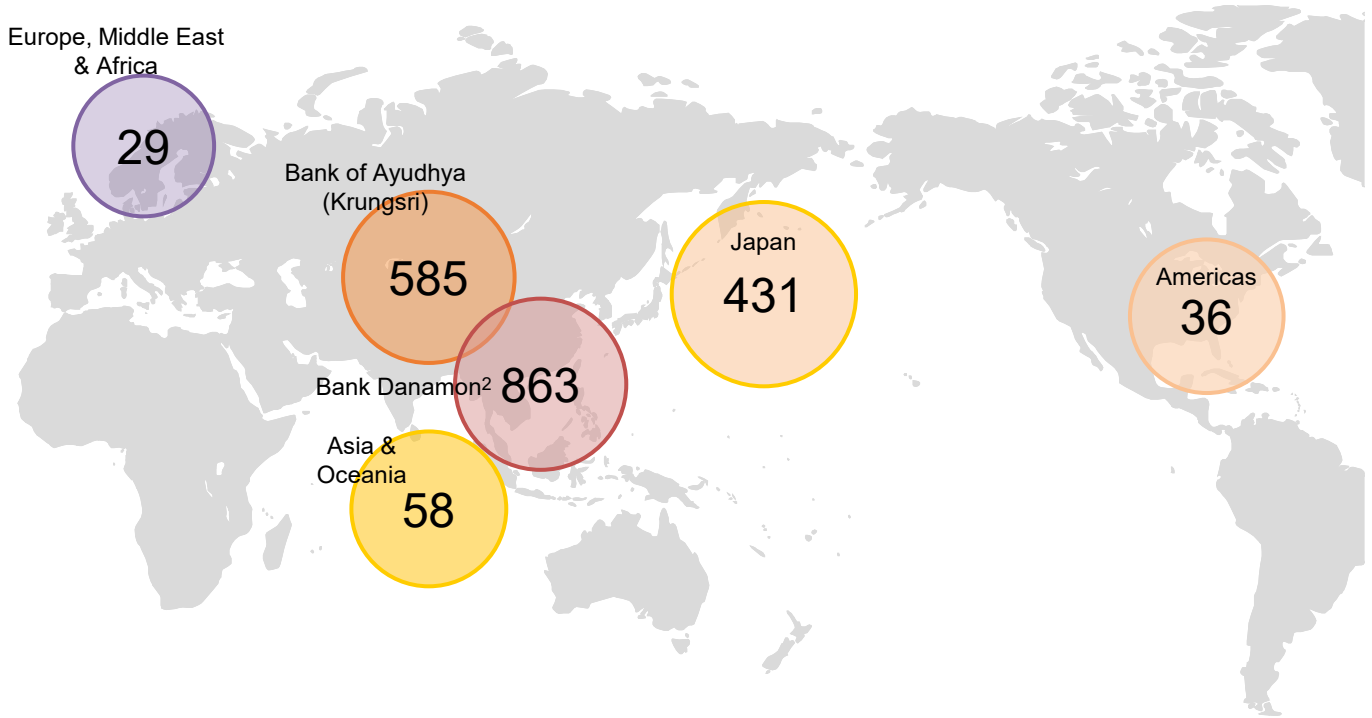
2,000+
Location globally

300
Group company globally

120,000
Professionals globally

MUFG's Group Network

Global locations - Most extensive overseas network among Japanese financial groups



Number of locations as of end-Mar 2024¹

MUFG Oceania



MUFG Oceania is ranked as a top tier international bank based on the relationship strength index, overall customer satisfaction survey and domestic banking penetration in Australia and New Zealand³.

MUFG Oceania forms part of the broader Asia Pacific (APAC) region, with APAC being one of three key regions (outside of Japan) of the MUFG Group along with the Americas and EMEA.

MUFG New Zealand forms part of MUFG Oceania along with the Sydney, Melbourne and Perth Branches.

All back-office operations, including risk and compliance functions, are based in Sydney Branch which support the spoke branches across Oceania.

1) Bank Danamon Indonesia including Adira Finance is as of end Dec 2023

2) Including 466 locations of Adira Finance

3) Peter Lee and Associates 2023 Survey

Committed to empowering a brighter future



MUFG New Zealand

We have had a banking presence in New Zealand for over 30 years and became a registered branch in 1996.

As the only Japanese bank in New Zealand, we place a particular focus on expanding our business with major domestic companies as well as providing support to Japanese companies operating in New Zealand.

In New Zealand, we are a key provider of banking services to a wide variety of domestic and Japanese Corporate and Institutional clients across a range of sectors, and has invested heavily in building out our coverage capability and capacity over the past 10 years.

MUFG New Zealand focusses on providing finance to key industry sectors, including utilities, infrastructure, diversified industrials, financial institutions, and also supports MUFG Group's Japanese Corporate and Global Subsidiary Banking businesses.

MUFG New Zealand is aligned to MUFG Group's global climate change and sustainability strategy and commitment to net zero GHG emissions from its financed portfolio by 2050.

Message from New Zealand Management



Takahiro Iino – Managing Director, Head of Oceania

MUFG is Japan's largest financial institution with a balance sheet of circa \$3 trillion and a comprehensive footprint that spans Asia-Pacific, Americas, and EMEA. Our presence in Oceania is substantial and is marked by over 100+ years of dedication and commitment. With great bilateral relations, strong trade ties and a shared appreciation for the natural environment, MUFG is devoted to understanding the energy transition needs of its New Zealand clients and facilitating finance for strategies that support these. We look forward to continued mutual success as we build a sustainable future together.

Managing Director, Head of Oceania
Co-Head of Sydney Branch
Dated (Sydney): 30 July 2024



Nick Congdon - Managing Director, Head of New Zealand

MUFG New Zealand has been a material capital provider to a wide range of Corporate and Institutional clients for over 30 years in New Zealand. As part of MUFG's global commitment to contributing to building a sustainable environment and society we look forward to working with our New Zealand client base and supporting their decarbonisation goals in driving a brighter future for New Zealand.

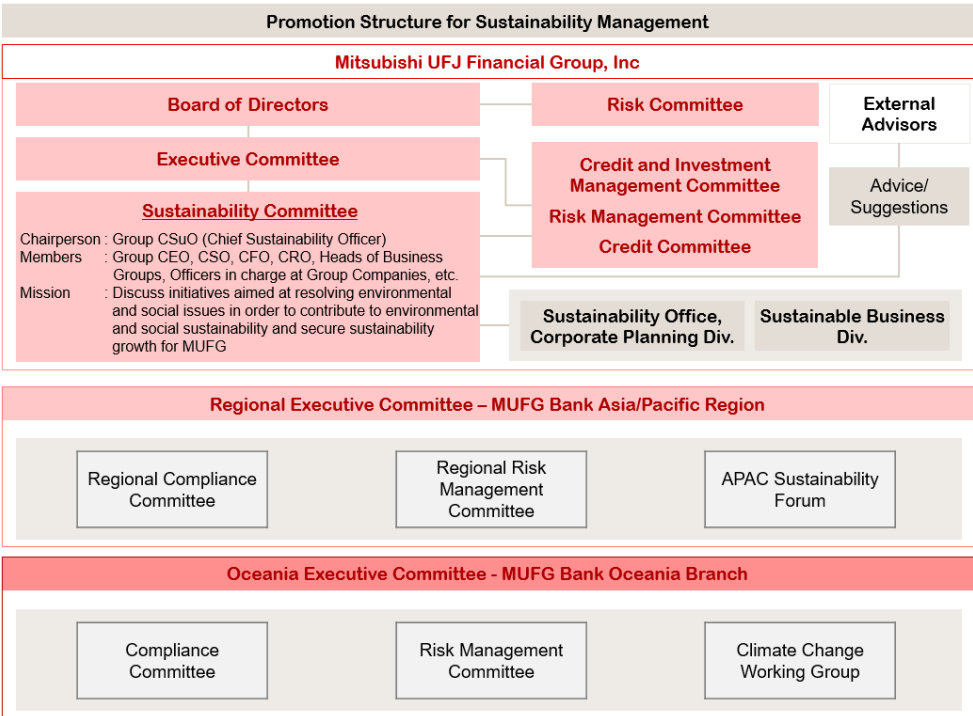
Managing Director, Head of Auckland Branch
(New Zealand Chief Executive Officer)
Dated (Auckland): 30 July 2024

2. Governance

2.1 MUFG Group Governance for Countering Climate Change

At MUFG Group, the Sustainability Committee under the Executive Committee regularly discuss policies and initiatives to address opportunities and risks related to environmental and social issues, including climate change. Group-wide project teams have also been established to support these initiatives.

MUFG Group has positioned climate change-related risk as one of the Top Risks⁴ that it must pay close attention to. Accordingly, these risks are discussed by the Credit & Investment Management Committee, the Credit Committee and the Risk Management Committee, all under the direct supervision of the Executive Committee.



The Regional Offices in Singapore (the Region) act as the Hub for APAC region. At the APAC Sustainability Forum, various climate-related opportunities along with ESG related initiatives are reported and discussed. For the climate-related risk management side, the Regular Call for Climate Change Management is held on a monthly basis with APAC branches to provide latest information and guidance from the Group and the Region and to assist meeting local regulatory requirements in a standardised way.

MUFG Group regularly holds meetings for exchanges of ideas between external advisors and members of the Board of Directors to leverage expert knowledge from outside the Group in our sustainability initiatives. The Board of Directors and other relevant members actively exchange ideas spanning wide-ranging areas, including the latest trends in the most important issue of climate change response, and other important topics of ESG.

At MUFG Group level, the executive compensation system has been revised to support the Group’s sustainability targets and to achieve the Medium-term Business Plan. ESG-related external rating metrics have been installed as a medium- to long-term performance-linked evaluation indicator for Executives’ stock-based compensation.

Additionally, Executives’ contribution to the Group initiatives to address environmental and social issues, including climate change, forms part of the Executive performance evaluation and remuneration scheme.

4) MUFG Top Risks MUFG: [Risk Management](#) | [Mitsubishi UFJ Financial Group](#)

2.2 MUFG Oceania Governance for Countering Climate Change

Local governance is operated at Oceania level to have an oversight of all branches in Oceania, including MUFG New Zealand. The top governing body in Oceania is the Oceania Executive Committee (OEXCO) which consists of senior management and is chaired by the Head of Oceania.

OEXCO, which is held twice a month, is responsible for the running of the Branch in respect of safety and soundness as well as local business strategies. This includes developing the Branch's response to climate change and ensuring the Branch's alignment with MUFG Group policies and initiatives on climate change and sustainability.

MUFG Oceania has established a climate change working group to support OEXCO through the identification and assessment of climate-related risks and opportunities, the establishment of appropriate governance structures, and supporting the development of the Branch's strategies to deal with climate-related risks and opportunities.

The working group has a cross departmental membership with a primary responsibility for climate-related risk and opportunity management, and reports directly to OEXCO. The working group is also responsible for ensuring MUFG New Zealand complies with local regulatory and legal requirements (e.g., NZ CS requirements). More broadly, the working group contributes and assists OEXCO in its efforts to promote decarbonised society. Key decisions, issues and action items taken or raised at the working group are reported to OEXCO on at least a monthly basis.

At MUFG Oceania, to enhance its understanding of climate-related risks and opportunities, the OEXCO and MUFG Oceania Senior Leadership Team participated in workshops and training delivered by both internal and external subject matter experts in these fields.

To enable each employee to further contribute to empowering a brighter future, MUFG Oceania is currently planning climate-related and ESG training for all MUFG Oceania employees, and scheduled to take place in FY2024.

MUFG Oceania has specific ESG-related business KPIs. Wider employee KPIs are currently under discussion at the regional level to be integrated into the employee performance management process.

As the importance of climate-related risks and opportunities increases, MUFG Oceania's governance structure for climate change continues to evolve.



3. Strategy

3.1 MUFG Group Climate Strategy

Committed to empowering a brighter future

In April 2021, MUFG Group defined the Group's purpose as being "Committed to empowering a brighter future" and declared its support of relevant recommendations formulated by the Task Force on Climate-related Financial Disclosures (TCFD)⁵, a special taskforce established by the Financial Stability Board (FSB).

The following describes MUFG Group's position on climate change that guide the Group's underlying actions to address climate change:

- Carbon neutrality cannot be achieved by financial institutions alone; it is enabled through the carbon neutrality of clients, which means decarbonising the real economy. To this end, it is crucial to achieve steady progress in decarbonising carbon intensive industries and regions through client engagement and support, including transition finance.
- Decarbonisation pathways depend on regional characteristics, such as geographic conditions and industrial structure. Asia, in particular, is in the midst of economic development, and its increasing energy demand is expected to continue. It is therefore important to strike a balance between decarbonisation and economic development.
- To both support clients and achieve MUFG Group's interim target for 2030, management for transition support and target achievement are necessary, and it is important to establish an effective framework to support these activities.

MUFG Group has also set interim targets by sector, of which further details are made available in Section 5.2.

We have included a high-level timeline of MUFG Group targets and initiatives contributing towards our Climate Strategy.



The MUFG Carbon Neutrality Declaration and the NZBA

In line with the MUFG Group target to achieve carbon neutrality by 2050, the Group is pursuing various initiatives based on three commitments:

- Helping achieve the 1.5°C target by achieving carbon neutrality by 2050,
- Supporting a smooth transition to a decarbonised society, and
- Creating a sustainable society by fostering a virtuous cycle between the environment and the economy.

In support of these commitments, MUFG Group's Medium-term Business Plan includes a heightened commitment to helping resolve environmental and social issues.

MUFG Group's four main strategies in meeting these commitments and achieving carbon neutrality are:

- (1) Reducing emissions from own operations
- (2) Engagement with and support of clients in transitioning to net zero
- (3) Reducing emissions from our finance portfolio
- (4) Risk management and governance

5) [tcf2023_en \(mufg.jp\)](#)

Engagement and support

Client Engagement

In line with MUFG Group's overall strategy to promote engagement and support decarbonisation, the Group will continue to identify new needs and issues faced by MUFG Group clients and provide solutions to meet these needs, while offering suggestions to policymakers in collaboration with industries and government agencies.

As the Group deepens its relationships with clients, local governments, and various industries through management-level executive forums and through efforts of a newly established specialised engagement team, MUFG Group provides valuable insights to clients, industries and government agencies on emerging needs and issues related to decarbonisation.

Engagement approach

- 1 Policy suggestions in collaboration with industries and government agencies**
Contribute to GX policy formulation by collaborating with government agencies and industries through policy engagement

Building frameworks for transition finance

Transition Whitepaper

Asia Transition White Paper

Promoting blended financing

Participating in initiatives in Japan and overseas

Activities for COP28

- 2 Enhancing our capability to provide solutions that support clients' decarbonisation in line with government policies and strategies**

Strengthen our capability to provide solutions tailored to each market stage by leveraging the collective strengths of the MUFG Group and collaborating with external partners

GX value chain support

Sustainable finance promotion

Investment and Innovation projects

- 3 Leveraging relationships with clients, local governments, and industry associations to identify new needs and issues**

Provide feedback to industries and government agencies on new needs and issues identified through decarbonisation support, and link to policy suggestions

Executive Forum for dialogue with clients from a management standpoint

Specialised engagement team

Specific engagement activities

- Phase 1**
Confirm our position
Explore how MUFG can support clients' current activities to achieve net zero
- Phase 2**
Analyse client strategies
Organise client strategies and operational issues, along with financing opportunities
- Phase 3**
Support in developing financing plans
Identify financing requirements in line with clients' decarbonisation plans
- Phase 4**
Provide financing
Agree pricing and solution designs with clients and execute financing contracts
- Phase 5**
Measure effectiveness and check progress
Measure effectiveness through progress checks. Support the transition to a decarbonised business model

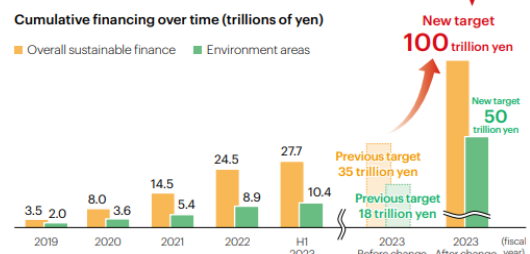
Financing Support

MUFG Group has raised its sustainable finance target from 35 trillion yen (circa NZ\$ 387 billion⁶) to 100 trillion yen (circa NZ\$ 1.1 trillion⁶) by 2030, given strong progress that MUFG Group has made to date along with the growing demand for funds. Through the expansion of sustainable financing (e.g., renewable energy project financing), the Group will not only generate positive environmental impacts, such as CO₂ reduction, but also create broader environmental and social impacts.

Background for raising target level

- Strong progress against the existing target of 35 trillion yen, reaching 27.7 trillion yen (79.2% achievement) as of H1 FY2023
- Raised the target level in anticipation of even broader support for green bonds and renewable energy project financing in response to growing demand for funds for carbon neutral initiatives⁷

New target
100 trillion yen
(including 50 trillion yen for environment areas)



6) Exchange rate applied is JPY90.5/NZD 7) Estimated required capital investment of 150 trillion yen over the 10 years starting in 2023 in Japan (per the Basic Policy for Realization of GX by the Japanese government), and 5 trillion U.S. dollars per year globally (per net zero scenarios by the Network for Greening the Financial System (NGFS))

3.2 MUFG New Zealand's Climate Strategy

MUFG New Zealand's core business is the provision of wholesale banking services to Corporate and Institutional clients in New Zealand focused on core industry sectors including utilities, infrastructure, diversified industrials, financial institutions, and support of MUFG Group's Japanese Corporate and Global Subsidiary Banking businesses.

MUFG New Zealand's strategy is to be a leading global bank in the New Zealand market providing banking solutions to its client base. MUFG New Zealand is committed to promoting real economy decarbonisation and a sustainable environment.

This Strategy section outlines the process MUFG New Zealand has undertaken to identify and understand our current and anticipated climate-related risks and opportunities, how we will adapt our strategy based on these risks and opportunities using scenario analysis.

The Group will facilitate its clients' transition to net zero emissions and implement environmental measures globally in line with its Carbon Neutrality Declaration, announced in May 2021.

Aligning with the Group climate strategy and announced sectoral targets (detailed in Section 5.2), MUFG New Zealand is working with clients to deliver a smooth and orderly transition and a decarbonisation of our financed portfolio by 2050. MUFG New Zealand's roadmap to achieving carbon neutrality for the New Zealand branch will follow the four main MUFG Group level strategies (detailed in Section 3.1).

Growth targets have been established for MUFG New Zealand's sustainable financing portfolio in support of the MUFG Group publicly stated targets (detailed in Section 5.2).

3.3 Climate-related Opportunities

MUFG New Zealand has reviewed key climate-related opportunities in the following sectors – Energy, Transport and Shipping, and Agriculture, which comprise 47% of our total exposure in the New Zealand business. We have identified the driver of these opportunities and are actively looking towards investments, partnerships and projects to contribute towards the decarbonisation of our portfolio.

	Climate Opportunity Driver	Description and Potential Impact
Energy	<ul style="list-style-type: none"> Increase in New Zealand's renewable and low-carbon energy sources Resilience & reliability of energy distribution 	Banking and financing related opportunities <ul style="list-style-type: none"> expanding renewable and low-carbon energy transmission and distribution networks
Transport and Shipping	<ul style="list-style-type: none"> Decarbonation of New Zealand's transport fleet 	Banking and financing related opportunities <ul style="list-style-type: none"> low / zero emission fuels and associated infrastructure (such as hydrogen, ammonia, methanol and biofuels) EV Infrastructure
Agriculture	<ul style="list-style-type: none"> Reduction in biogenic methane 	Banking and financing related opportunities <ul style="list-style-type: none"> Agriculture and clean technology to drive biogenic methane reduction Investments into decarbonising the farming ecosystem

In light of the increase in the Group's sustainable finance target, from 35 trillion yen (circa NZ\$ 387 billion) to 100 trillion yen (circa NZ\$ 1.1 trillion) by 2030 to support the decarbonisation of its financed portfolio, we note specific funding decisions and capital deployment will be undertaken in conjunction with the MUFG Group policies and procedures including climate-related targets (refer section 5.2).

4. Risk Management

As noted in section 2.1 above, climate-related risk has been identified as one of the Top Risks facing MUFG Group and is managed at Executive level via various delegated Group Risk Committees. MUFG New Zealand, a branch of MUFG Bank, Ltd. under MUFG Group, is subject to Group Risk Policies and Procedures, including those on climate-related risk. These Policies and Procedures are implemented and overseen locally via OEXCO through local governance structures.

Additionally, MUFG New Zealand has undertaken a qualitative assessment of physical (acute and chronic) and transition impacts from climate change across our New Zealand investment portfolio in compliance with the requirements of the NZ CS. This assessment was based on a scenario analysis, with scenarios developed in compliance with NZ CS1 (see section 4.1 below).

Under this assessment, the impact of climate change on two key business risks has been considered as outlined below:

Climate Impact	Description	Current Impacts
Credit impacts	Physical and transition impacts from climate change that affect our customers' businesses and impact on MUFG New Zealand.	We have not currently observed any significant short-term impacts from climate change on the credit risk profile of our clients.
Operational impacts	Physical and transition impacts from climate change directly affect MUFG New Zealand's capital and operational costs (e.g., increased operational costs to meet climate policies, ensure operational resilience to the impact of climate events, or insure buildings from extreme weather events) and therefore also impact our financial returns.	We have assessed the operational impacts on our business and have concluded that these do not impact our ability to operate in the short-term.

4.1 Scenario analysis undertaken

We engaged with a third-party service provider to assist in developing relevant scenarios covering both physical and transition risks impacting MUFG New Zealand's business, in compliance with NZ CS1. Against those scenarios, a comprehensive qualitative review of our business was conducted to identify and understand the climate-related risks that affect our New Zealand investment portfolio. This process was conducted by the working group and the external service provider and overseen by OEXCO. Refer to the appendix for the scenario analysis process.

We have identified the potentially significant climate-related risks from our scenario analysis. These risks have been assessed using an impact assessment that takes into consideration the likelihood of the risk occurring, and the consequences for MUFG New Zealand's business.

Based on these Scenarios, climate-related risks were assessed against the three-time horizons⁸. For the short-term assessment, both inherent and residual risks were assessed. For the medium- and long-term horizons, risks were assessed using a "low", "moderate" and "high" risk matrix approach (see Credit Risk Heatmap).

The risks and opportunities arising from climate change, based on these scenarios, will be re-assessed on an annual basis.

MUFG New Zealand does not intend to exclude any parts of its value chain when conducting risk assessment. However, climate change risk assessment is in the process of development, therefore, risk assessment and management of climate-related risk will also evolve.

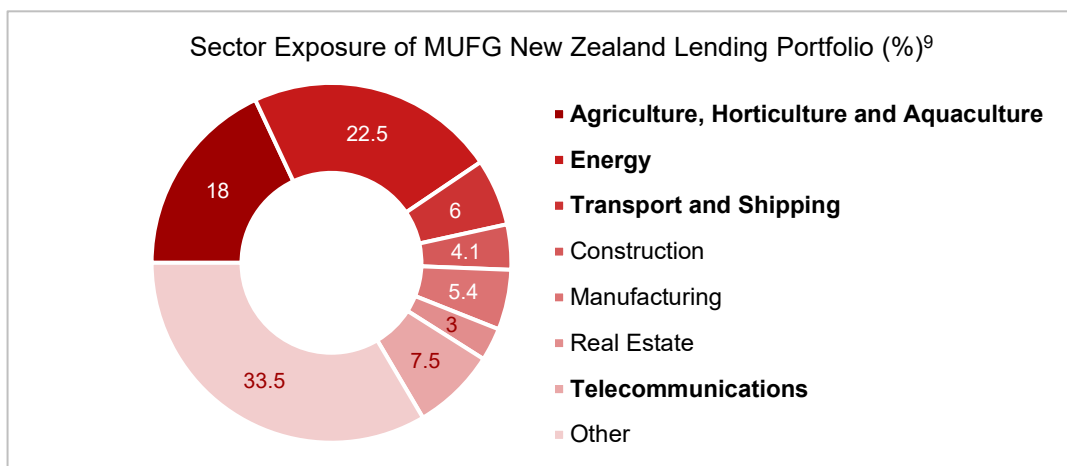
⁸ The time horizons MUFG New Zealand considered in the scenario development and climate-related risks and opportunity identification are short-term (~3 years), medium-term (~10 years), and long-term (~30 years)

4.2 Credit Risk - Sector level climate scenario narrative

Physical and transition impacts from climate change can affect our customers' businesses and their ability to meet their obligations, and increase the likelihood of default.

Approach

To assess climate-related risks and opportunities against MUFG New Zealand's lending portfolio, we analysed our lending book to understand the sectors most susceptible to climate risk. MUFG New Zealand considered the size of lending to the sectors (materiality from a lending perspective) and the level of sectoral exposure to either physical or transition risks. The sectors MUFG New Zealand analysed for sector level risks included the following:



A qualitative Risk Assessment was then conducted on four key sectors in MUFG New Zealand's portfolio, based on exposure and potential impact of climate-related physical and transition risks on the portfolio. These sectors are Agriculture, Horticulture and Aquaculture, Energy, Transport and Shipping, and Telecommunications. These risks were assessed against short-, medium- and long-term time horizons against the 3 selected scenarios based on the Heatmap below.

In the short-term, climate-related risks on the identified sectors were assessed as low on a residual basis, based on the business models of MUFG New Zealand's customers and existing customer driven climate risk mitigations. In the medium- to long-term, climate-related risks (both physical and transition) were assessed to increase for the identified sectors, particularly under the "Too Little too Late" and "Hot House" scenarios as per the Heatmap below.

Based on our scenario based qualitative risk assessment, physical and transition risk in our identified higher risk sectors is considered low in the short-term. In the medium- to long-term, 54% of our total portfolio is considered vulnerable to physical risk and 47% to transition risk, with these risks increasing over time. This assessment will be refined as data availability and quality improves.

This qualitative assessment process will be conducted annually and identified customers in these sectors will be subject to heightened monitoring by the Branch and Credit Risk Management for changes in short- to medium-term climate-related risks.

In line with MUFG Group's climate change / sustainability strategies (see 3.1 above), including sustainability lending targets, MUFG New Zealand will, along with heightened monitoring for exposures in the identified sectors, increase client engagement to support their transition requirements and physical risk mitigation strategies.

As MUFG Group develops quantitative capabilities and modelling to assess climate-related risk, these will be adopted by MUFG New Zealand as part of our overall climate risk management process.

9) As of end of March 2024

Credit Risk Heatmap

Key:

High

Moderate

Low

						Orderly 1.5°C		Too Little Too Late >2°C		Hot House >3°C	
Sector	Risk	Sub-Category	Climate Risk Driver	Short-Term (Inherent)	Short-Term (Residual)	Medium-Term	Long-Term	Medium-Term	Long-Term	Medium-Term	Long-Term
Agriculture, Horticulture and Aquaculture	Physical	Acute and chronic	Drought, flooding, extreme weather, extreme heat, fire								
	Transition	Market	Customer behaviour change								
Energy	Physical	Acute	Drought								
			Heatwaves								
			Flood								
		Chronic	Temperature increase								
			Sea level rise								
	Transition	Technology	Unsuccessful Investment								
		Policy & Legal	Litigation risk								
Transport and Shipping	Physical	Acute	Extreme Weather								
		Chronic	Precipitation change								
	Transition	Market	Customer behaviour change								
Telecommunications	Physical	Acute	Extreme weather								
		Chronic	Increased temperatures								
			Sea level rise								

4.3 Operational Risk – Climate-related scenario narrative

Approach

Beyond the credit implications of climate change to our customers, MUFG New Zealand is also directly exposed to operational impacts from climate change due to our physical footprint and the increased expectations of society and Government to manage our climate-related impacts. Similar to Credit Risk, a qualitative Risk Assessment was conducted for all the potential transition and physical risks. These risks were assessed against short-, medium- and long-term time horizons against the 3 selected scenarios. We have concluded that in the short-term the risks identified via the scenario analysis do not impede our ability to operate.

This qualitative assessment process will be conducted annually for movements in short- to medium-term climate-related risks.

Mitigating actions include but are not limited to ensuring that we have targets in place for addressing emissions, maintaining adequate business continuity arrangements in place, including staff having the ability to operate from home or at alternative dedicated recovery premises, and ensuring that our New Zealand corporate premises are sufficiently structurally sound.

4.4 Other Risks

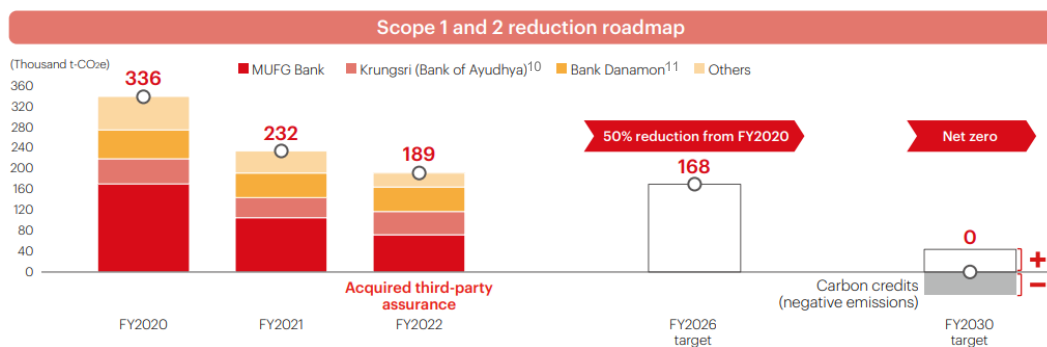
Climate change impacts other risks facing MUFG New Zealand. These include reputational risk, legal and compliance risk and liquidity/funding risk. The potential impacts of climate change on these risks are recognised and assessed and managed through the existing Risk Management Committee and processes.

5. Metrics and Targets

5.1 Reducing emissions from own operations

MUFG Group

Based on the MUFG Group Carbon Neutral Declaration released in May 2021, the Group has a target to reduce GHG emissions from our own operations to net zero by 2030, including through emissions reduction activities such as energy efficiency & conservation and adoption of renewable energy sources wherever possible (see Roadmap below).



MUFG New Zealand

In support of the MUFG Group target, MUFG New Zealand is also aiming to achieve net zero emissions from our own operations by 2030.

Current progress towards our 2030 Target is detailed below.

Metric	Target	Base year of reduction target			
		FY2020 (tCO ₂)	FY2021 ¹² (tCO ₂)	FY2022 (tCO ₂)	FY2023 (tCO ₂)
Scope 1 emissions	Net zero by 2030	0.276	0.041	0.208	0.253
Scope 2 emissions	Net zero by 2030 ¹³	3.410	0.918	0.439	0.452
Total		3.686	0.959	0.646	0.705
GHG emission intensity GHG tonnes CO _{2e} per FTE		0.205	0.056	0.040	0.039

See Appendix for CO₂ Emissions Calculation Method and definitions.

10) Additionality refers to the effect of encouraging an increase in new renewable energy facilities

11) Asian partner banks Krungsri (Bank of Ayudhya) and Bank Danamon are MUFG consolidated subsidiaries in Thailand and Indonesia, respectively

12) Potential impact from external factors such as COVID 13) 100% switch to renewable energy

5.2 Reducing emissions from our financed portfolio

MUFG Group

To achieve carbon neutrality by 2050, it is essential to reduce emissions from the financed portfolio (Scope 3 Emissions), which is the main overall source of emissions for MUFG Group. In an effort to reduce such emissions, MUFG Group is setting:

(1) interim targets by sector (see Table below), (2) controls to achieve interim targets, and (3) sector-specific approaches to achieve interim targets.

MUFG Group has set interim targets in the below sectors in accordance with NZBA guidelines where detailed approach in setting the targets can be found in MUFG Group's Climate Report¹⁴.

More broadly, to support our Net Zero 2050 Target, MUFG Group is also working on, a wide range of initiatives contributing to resource conservation and recycling through partnerships with MUFG Group clients, including sustainable investment strategies (recently increased target of 100 trillion yen in sustainable finance – see 3.1) and investing in start-up companies in the sustainable sector.

MUFG New Zealand

A decarbonisation target has been set at the Group level for all sites including MUFG New Zealand, and we aim to achieve our Net Zero 2050 Target collectively as illustrated in the Table below.

MUFG Interim targets by sector

MUFG has set interim targets in the following sectors in accordance with NZBA guidelines.

Sector	Targets	Emissions Scope	Target financing	Indicators	Baseline		FY2022 results			Targets ¹⁷ (FY2030)
					Baseline year	Baseline emissions	Emissions	Coverage of emissions in scope ¹⁵	PCAF score ¹⁶	
Power	Power generation companies	Scope 1	Corporate loans ¹⁸ and Project finance	Emission intensity	2019	328g CO ₂ e/kWh	313g CO ₂ e/kWh	87%	1.8	156g-192g CO ₂ e/kWh
Oil & gas	Upstream producers	Scope 1, 2 and 3	Corporate loans and Project finance	Absolute emission	2019	84MtCO ₂ e	81MtCO ₂ e (-5%)	86%	1.7	-15% - -28%
Commercial real estate	Developers/REITs /SPVs ¹⁹	Scope 1, 2 and 3 (Category 13)	Corporate loans and non-recourse loans	Emission intensity	2020	65kg CO ₂ e/m ²	56kg CO ₂ e/m ²	73%	2.3	44kg – 47kg CO ₂ e/m ²
Residential real estate	Mortgage debtors	Scope 1 and 2	Mortgages	Emission intensity	2020	27kg CO ₂ e/m ²	25kg CO ₂ e/m ²		5.0	23kg CO ₂ e/m ²
Steel	Steel manufacturers	Scope 1 and 2	Corporate loans	Absolute emission	2019	22MtCO ₂ e	16MtCO ₂ e (-25%)	86%	1.3	-22%
Shipping	Maritime operators	Scope 1	Ship finance	Portfolio climate alignment (PCA) score ²⁰	2021	Former standard: PCA 0.6%	New standard: PCA 26.2% (Minimum) New standard: PCA 30.9% (Striving)	85%	-	PCA≤0
New Automotive	Automotive manufactures	Scope 3 (Category 11)	Corporate loans	Emission intensity	2021	169g CO ₂ /vkm	-	-	-	-23% - -46%
New Aviation	Airline companies	Scope 1	Corporate loans and aviation finance	Emission intensity	2021	130g CO ₂ /RPK	-	-	-	71g CO ₂ /RPK
	Aircraft lessors	Scope 3 (Category 13)								
New Coal	Mining operators ²¹	Scope 1, 2 and 3	Corporate loans	Credit balance	2022	Approx. 3 billion yen (Approx. 12 billion yen for non-OECD countries)	-	-	-	Zero (2040 for non-OECD countries)

14) Climate Report 2024 15) Ratio of financing amounts for which actual results are measured to total financing amounts subject to measurement 16) PCAF's own five-point scale scoring system that indicates the quality of the disclosed data. Scores are determined according to the degree of estimation, with Score 1 as the highest rank 17) Referenced scenarios: each sector's respective page of Climate Report 2024 18) Including undrawn-committed amounts 19) Special purpose vehicles for real estate securitization 20) PCA score based on the emissions intensity of vessels in scope of ship finance 21) Business operators primarily engaged in mining thermal coal for power generation

6. Future Action Plan

In line with its publicly disclosed climate targets and policies, MUFG Group will continue its efforts to achieve net zero GHG emissions from its investment and financing portfolio by 2050, as committed in the MUFG Carbon Neutrality Declaration.

Furthermore, based on the TCFD recommendations, MUFG Group will continue to address risks and opportunities related to climate change under the supervision of the Board of Directors and disclose the status of such efforts in a timely, appropriate, and proactive manner.

Action plan for initiatives to address climate change

Item	MUFG Group Action Plan	MUFG New Zealand Action Plan
Governance	<ul style="list-style-type: none"> The Sustainability Committee will continue to discuss policies and initiatives to address opportunities and risks related to environmental and social issues Strengthen training for front office representatives 	<ul style="list-style-type: none"> The climate change working group will continue to identify and assess climate-related risks and opportunities, governance, strategies and metrics, including ensuring MUFG New Zealand complies with regulatory and legal requirements (e.g., NZ CS requirements) Oceania senior management will receive regular training on NZ climate standards and climate-related risk assessments and opportunities
Strategy	<ul style="list-style-type: none"> Implement energy efficiency and conservation initiatives and convert electricity contracted by other companies to renewable energy to achieve the Group FY2026 interim targets Implement findings of Asia Transition White Paper Implement integrated initiatives for natural capital, circular economy, and human rights 	<ul style="list-style-type: none"> MUFG New Zealand will explore opportunities for decarbonisation in our own operations in line with overarching MUFG Group initiatives Incorporate research and strategies found in Transition White Paper 2.0 and look to implement these strategies where relevant
Risk Management	<ul style="list-style-type: none"> Promote various measures in line with the Carbon Neutrality Declaration. Study quantification of climate change risks through-enhancing scenario analysis. 	<ul style="list-style-type: none"> Continue to identify and assess climate change-related risks and information disclosure in line with MUFG Group strategy
Metrics and Targets	<ul style="list-style-type: none"> Promote sustainable finance as set forth in the new medium-term business plan as MUFG progress towards the Group sustainable financing target of 100 trillion yen 	<ul style="list-style-type: none"> Reduction of our Scope 1, 2 and 3 emissions in line with overall MUFG Group targets

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Disclosure	Disclosure objectives	Disclosure location	
Governance	To enable primary users to understand both the role an entity's governance body plays in overseeing climate-related risks and climate-related opportunities, and the role management plays in assessing and managing those climate-related risks and opportunities.	Page 8 Page 8 Page 9	2. Governance 2.1 MUFG Group Governance 2.2. MUFG Oceania Governance Structure for Countering Climate Change
Strategy	To enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the scenario analysis an entity has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated impacts and financial impacts of these, and how an entity will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future.	Page 10 Page 12 Page 12 Page 13 Page 15 Page 16 Page 21	3.1 MUFG Group Climate Strategy 3.2 MUFG NZ Climate Strategy 3.3 Climate-related Opportunities 4.1 Scenario analysis undertaken Credit heatmap 4.3 Operational Risk – Climate-related scenario narrative Appendix
Risk Management	To enable primary users to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management processes.	Page 13 Page 13 Page 14 Page 16 Page 21	4. Risk Management 4.1 Scenario analysis undertaken 4.2 Credit Risk - Sector level climate scenario narrative 4.3 Operational Risk – Climate-related scenario narrative Appendix
Metrics and Targets	To enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. Metrics and targets also provide a basis upon which primary users can compare entities within a sector or industry.	Page 9 Page 10 Page 12 Page 14 Page 17 Page 18 Page 22	2.2 MUFG Oceania Governance for Countering Climate Change 3.1 MUFG Group Climate Strategy 3.3 Climate-related Opportunities 4.2 Credit Risk - Sector level climate scenario narrative 5. Metrics and Targets Appendix

The Group, including MUFG New Zealand, does not currently fully disclose the proportion of assets, capital deployment or other business activities aligned with climate-related opportunities. MUFG New Zealand is disclosing certain elements in relation to sustainable finance.

Appendix

Scenario Analysis

MUFG New Zealand identified its climate-related risks and opportunities and evaluated its business model and lending strategy with a climate focus, utilising qualitative analysis. No quantitative climate modelling or analysis has been undertaken by MUFG New Zealand, however this work has been done at the Group level.

Our scenario analysis was conducted as a standalone process this reporting year, but MUFG New Zealand will look to integrate this into our core strategy function and processes in future years, as we progress our understanding of our climate-related risks and opportunities.

Scenario parameters

Scenario	Orderly	Too Little, Too Late	Hot House
Overarching narrative	Collective action against climate change will see a steady and transformative response to limit average temperature to 1.5 degrees Celsius and achieving net-zero.	Domestic efforts to achieve emissions reductions efforts will be swift, but a delayed global response will lead to New Zealand suffering widespread physical impacts.	Limited progress in policies and technologies, will lead to high physical risks from extreme weather and sea level rise as global warming exceeds 2.5 degrees Celsius by 2050, which will disrupt social, political, and economic systems.
Global average temperature by 2100	1.5 degrees Celsius	2.7 degrees Celsius	4.4 degrees Celsius
Physical climate risk	Low	Moderate	High
Transition risk	Moderate	High	Low
Technology change response	Immediate and advanced	Delayed and costly	Limited and insignificant
Domestic policy response	Fast and coordinated	Delayed	None
Climate scenarios and data sources used to underpin each scenario			
Intergovernmental Panel on Climate Change Shared Socioeconomic Pathways	SSP1-1.9	SSP2-4.5	SSP5-8.5
NIWA Representative Concentration Pathways	RCP2.6	RCP4.5	RCP8.5
Climate Change Commissions' Transition Pathway Parameters	Tailwinds	Headwinds	Current Policy Reference
Network for Greening the Financial System (NGFS)	Net Zero 2050	Nationally Determined Contributions (NDC's)	Current Policies
IEA Global Energy Pathways	IEA Net Zero Emissions by 2050 (NZE)	IEA Announced Pledges Scenario (APS)	IEA Stated Policies Scenario (STEPS)

Time horizons

The time horizons MUFG New Zealand considered in the scenario development and climate-related risks and opportunity identification are:

Time horizon	Short-term	Medium-term	Long-term
Year end point	2026	2030	2050
Period (relative to 2024)	~3 years	~10 years	~30 years
Reasoning	MUFG New Zealand defines its immediate term for its investment portfolio as 3 years, this time horizon allows MUFG New Zealand to stress test active investments and provide a current state assessment.	Aligned with MUFG Group's interim GHG emissions reductions targets. Broadly aligned with average maturity profile of business loans.	Aligned with MUFG Group's long-term GHG emissions reduction targets.

CO₂ emissions calculation method

Promoting Carbon neutrality and setting target based on SBTi Corporate Net Zero Standard

Calculation Method:

- Scope 1: GHG emissions have been calculated in accordance with the Greenhouse Gas Protocol.
- Scope 2: Electricity is calculated according to emissions factors based on the Act on the Promotion of Global Warming Countermeasures and laws and regulations of each country.
- Market-based: Adjusted emission factor of emission factors by electric power utility.
- Location-based: Alternative value of emission factors by electric power utility. (Emission factors by country specified by the International Energy Agency)

Emission factor:

- Scope 1 : EPA, "Emission Factors for Greenhouse Gas Inventories," Table 1 Stationary Combustion Emission Factors, March 9, 2018
- Scope 2 : Emission factors by country specified by the International Energy Agency factors

Global warming Potential (GWP) is applied to HFCs to calculate CO₂ equivalent emission quantities, using GWP from the 4th Assessment of the Intergovernmental Panel on Climate Change ('IPCC')²².

The operational control approach was used to account for GHG emissions.

FY2021/FY2022 : MUFG Group and MUFG Bank have obtained third-party assurance for Scope1, 2 and Scope3 (partial) greenhouse gas emissions²³

MUFG New Zealand adopts hybrid workplace model, mixes in-office and working-from-home to offer flexibility and remote work to employees. This disclosure does not include GHG emissions resulting from employee home working due to data limitations.

Methane (CH₄) and Nitrous Oxide (N₂O) are excluded in this disclosure as there are no activities that emit the relevant gas and have a material impact due to the nature of MUFG New Zealand business operations.

In line with the Group target to achieve carbon neutrality by 2050, MUFG Group is pursuing various initiatives (refer to 3.1 MUFG Group Climate Strategy). The Group aims to be net zero from our own operations by FY2030.

Offsetting the residual emissions that cannot be reduced after maximum reduction efforts may be considered once international discussions on carbon credits have been progressed and credible standards have been established, however, this has yet been decided at this stage.

Internal Emission Price

Under MUFG Group's Sustainable Business Investment Strategy, MUFG Group invests in funds that contribute to solving environmental and social issues. Through the Investment Strategy, the Group seeks to acquire knowledge and explore new business opportunities. In addition, MUFG Group aims to solve issues through our fund investment activities by creating positive impacts and innovation, and nurturing of new industries.

The internal carbon pricing²⁴ used in MUFG Group investment decisions was US\$40/tCO₂ (as of FY2022). Going forward, the Group will assess investment opportunities based on the international impact measurement methods while considering their updates in a timely manner.

22) GHG emissions that the Group reports are CO₂ and HFCs. HFCs is not reportable in MUFG New Zealand. 23) Please see the Group site for details MUFG; Third Party Assurance/Third Party Verification | Mitsubishi UFJ Financial Group. 24) This concept is used by organisations to independently price their own CO₂ emissions and to reduce the carbon footprint of their corporate activities. It is used mainly by business corporations for investment decisions.

Glossary, Abbreviations, Links

Glossary

APAC	MUFG Bank Asia-Pacific region, Asia-Pacific branches (excluding Japan)
Baseline	Clear definition of baseline time period against which progress will be tracked, with a consistent base year across GHG emissions targets
Branch	MUFG Oceania branches (Auckland, Sydney, Melbourne, and Perth Branch)
Carbon Neutrality Declaration	MUFG Carbon Neutrality Declaration
Executive	Mitsubishi UFJ Financial Group, Inc. Board of Directors
FY2023	Financial year ended 31 March 2024
GHG emission intensity	The amount of CO ₂ emitted per unit of economic output or activity
Interim Target	Refers to a short-term milestone between the organisation's medium- or long-term target and current period
Internal Carbon Price	Refers to a monetary value on GHG emissions an organisation uses internally to guide its decision-making process in relation to climate change impacts, risks, and opportunities
MUFG Bank	MUFG Bank, Ltd
MUFG Bank New Zealand	MUFG Bank, Ltd. (Auckland Branch)
MUFG Group	Mitsubishi UFJ Financial Group, Inc.
MUFG Oceania	MUFG Bank, Ltd. Oceania Region (Consist of Sydney Branch, Auckland Branch, Melbourne Branch, Perth Branch)
Net Zero	A state in which GHG emissions are reduced to a net value of zero when combining captured and removed emissions
NZ CS requirements / NZ CS	Aotearoa New Zealand Climate Standards
OEXCO	Oceania Executive Committee, overarching governance committee in MUFG Oceania
Region	Regional Offices in Singapore
Scope 1	GHG Emissions (direct GHG emissions by business operators)
Scope 2	GHG emissions (indirect emissions associated with the use of electricity, heat, and steam supplied by other companies) in the GHG protocol
Scope 3	Indirect GHG emissions other than Scope 1 and Scope 2 (emissions by other companies related to the own business activities)
Working group	Climate change working group

Abbreviations

CO ₂ e	CO ₂ equivalent	NIWA	National Institute of Water and Atmospheric Research
COP	Conference of the Parties	NZAM	Net Zero Asset Managers initiative
EMEA	Europe Middle East & Africa	NZBA	Net-Zero Banking Alliance
ESG	Environmental, Social, and Governance	PCA	Portfolio Climate Alignment
FTE	Full Time Equivalent	PCAF	Partnership for Carbon Accounting Financials
FSB	Financial Stability Board	PCAF score	PCAF Data Quality Score
GHG	Greenhouse Gas	RCP	Representative Concentration Pathway
GWP	Global Warming Potential	SBTi	Science Based Targets initiative
GX	Green Transformation		
IEA	International Energy Agency		
IPCC	Intergovernmental Panel on Climate Change		
JGAAP	Generally accepted accounting principles as used in Japan		
KPI	Key Performance Indicator		
NDC	Nationally Determined Contribution		
NGFS	Network for Greening the Financial System		

Abbreviations for MUFG Title

CEO	Chief Executive Officer
CSO	Chief Strategy Officer
CFO	Chief Financial Officer
CSuO	Chief Sustainability Officer
CRO	Chief Risk Officer

Link to MUFG Sustainability Initiatives / Report

Carbon Neutrality Declaration	MUFG; MUFG Carbon Neutrality Declaration Mitsubishi UFJ Financial Group
MUFG Sustainability	MUFG; Sustainability Mitsubishi UFJ Financial Group
TCFD Report	https://www.mufg.jp/english/csr/report/tcfd/index.html
MUFG Climate Report / MUFG Progress Report	https://www.mufg.jp/english/csr/report/progress/index.html
MUFG Transition White Paper 2023 (Whitepaper 2.0)	MUFG; Transition Whitepaper Mitsubishi UFJ Financial Group
MUFG Annual Report	MUFG; Annual Reports Mitsubishi UFJ Financial Group
MUFG Group Risk Management	MUFG; Risk Management Mitsubishi UFJ Financial Group
MUFG Various Reports/Data/Index	MUFG; Various Reports/Data/Index Mitsubishi UFJ Financial Group

MUFG Group site

MUFG Financial Group	Mitsubishi UFJ Financial Group (mufig.jp)
MUFG Bank	MUFG; MUFG Bank; Japan's largest bank.
MUFG Bank, Ltd. (Auckland Branch) Disclosure Statement	MUFG; MUFG Bank, Ltd.

