

Verification Statement

Prepared for MUFG Bank, Ltd: **March 7, 2025**

Background

MUFG Bank, Ltd. ('MUFG Bank') is a signatory to the Operating Principles for Impact Management ('the Impact Principles'). As per the ninth Impact Principle, each signatory undertakes a regular independent verification of the Impact Principles' implementation.

MUFG Bank has requested Steward Redqueen to verify the alignment of its Green Bond assets, specifically its renewable energy projects, under management (US\$ 1.704 billion as of December 31st, 2024) with the Impact Principles.

MUFG Bank has also requested Steward Redqueen to assess the alignment of the GAIA Climate Loan Fund ('GAIA') with the Impact Principles. GAIA has a target size of US\$ 1.485 billion. As the fund has not made any transactions at the time of this assessment (hereafter 'baseline assessment'), Steward Redqueen could not conduct a full verification of alignment with the Impact Principles. Hence, a baseline assessment was conducted, evaluating policies, procedures, tools and staff experience around impact management.

Findings

MUFG Bank's Green Bond impact practices meet some OPIM alignment requirements. Its disclosure statement provides a fair reflection of the impact framework's operational functioning.

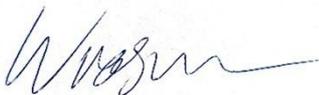
GAIA's policies and procedures meet most OPIM alignment requirements. The full alignment can only be verified once GAIA begins loan disbursement to check for actual implementation of its impact approach. Its disclosure statement provides a fair reflection of the impact framework's policies and procedures.

This verification statement is delivered to MUFG Bank on **March 7, 2025** and refers to **MUFG Banks' Disclosure Statement 2025**.

Singapore, **March 7, 2025**

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Green Bonds verification

Verification process

For the verification of the renewable energy projects for Green Bonds, Steward Redqueen undertook the following activities:

- Review of documentation on MUFG Bank's policies, procedures and tools around impact management to assess alignment with the Impact Principles;
- Verification of how these are implemented in practice based on a selection of four transactions (selected by considering (i) diversity in investment sector, (ii) geographical location, (iii) transaction size, and (iv) currencies);
- Interviews with staff and senior management to evaluate how impact management is incorporated into team research, discussions, and decision-making.

Verification outcomes

MUFG Bank has demonstrated improved efforts to monitor and manage the impact of its Green Bond portfolio. Since its last verification, it has adopted clear procedures to establish impact contribution and executed extensive ESG risk management activities.

Given the limitations facing loan providers, MUFG Bank engages in ad-hoc exit practices to lessen commercial risks for its Green Bond portfolio. This verification assessment considers MUFG Bank's limited leverage when analyzing its exit practices. MUFG Bank has indicated its preference to continue assessing Green Bond alignment to Principle 7.

The Green Bond impact and investing strategy largely draws from organization-level objectives and commercial risk management activities. Hence, impact-related policies and procedures are often implicit and not Green Bond-specific.

MUFG Bank's Green Bond impact practices meet some OPIM alignment requirements. Its disclosure statement provides a fair reflection of the impact framework's operational functioning. To help MUFG Bank further align with the Impact Principles, Steward Redqueen identifies five opportunities for improvement:

1. **Leverage latent knowledge on impact management:** implementing the Sustainability Business Department's guidelines on impact investing practices will allow MUFG to develop a comprehensive and cohesive impact management system for Green Bonds;
2. **Create a Theory of Change:** defining impact pathways will allow MUFG to establish a clear link between the Green Bond investment strategy and impact objectives, and ultimately supports its contribution and additionality narrative;
3. **Update emissions calculation methodology:** applying updated electricity generation estimates (from investee data or credit risk models), emission factors (from investee reports or UNFCCC), and PCAF-aligned attribution calculations will allow MUFG to accurately assess impact performance;
4. **Improve portfolio management activities:** adopting procedures to manage unexpected risk and impact-focused remedial action will allow MUFG to respond timely to ESG risk or impact deviation;
5. **Review impact learnings:** reflecting on and integrating impact management learnings will allow MUFG to continuously improve processes over time especially as it tries to implement impact activities for other financial products.

GAIA baseline assessment

Baseline assessment process

For the baseline assessment of GAIA, Steward Redqueen undertook the following activities:

- Review of documentation on MUFG's and GAIA's policies, procedures and tools around impact management to assess alignment with the Impact Principles;
- Interviews with staff and senior management to evaluate how impact management is incorporated into team research, discussions, and decision-making.

Baseline assessment outcomes

GAIA has established a strong foundation of policies and procedures to guide its future impact monitoring and management activities. The fund's impact management approach benefits from the expertise of established financial institutions such as its investment manager (Climate Fund Managers) and investors (e.g., Green Climate Fund, MUFG, FinDev Canada).

GAIA has set realistic exit commitments for itself but faces limited post-disbursement leverage as a loan provider. MUFG has elected to not assess GAIA on Principle 7.

The fund has done well in (i) establishing clear strategic alignment between its investment and impact approach, (ii) stating its contribution and additionality to investee impact and (iii) instituting comprehensive E&S risk management activities. GAIA's aim to facilitate knowledge transfer on climate project management to local institutions through the Technical Assistance facility is also commendable.

GAIA's policies and procedures meet most OPIM alignment requirements. The full alignment can only be verified once GAIA begins loan disbursement to check for actual implementation of its impact approach. Its disclosure statement provides a fair reflection of the impact framework's policies and procedures. To help GAIA further align with the Impact Principles, Steward Redqueen identifies three opportunities for improvement:

1. **Track impact indicators that substantiate Outcome 3:** using more relevant indicators to track investee capacity to manage E&S risks will allow GAIA to better demonstrate the results of its intervention;
2. **Improve portfolio management activities:** adopting procedures to manage unexpected risk and remedial action will allow GAIA to respond timely to impact deviation;
3. **Turn impact learnings to action:** integrating learnings from investee experience into a strategic fund-level review will allow GAIA to develop concrete action points.

About Steward Redqueen

Steward Redqueen is a specialized ESG and impact advisory firm with offices in Amsterdam, Washington DC, and Singapore. Since 2000, we have operated in 80+ countries, focusing on integrating sustainability, quantifying impact, and facilitating change. Our mission is to make business work for society, serving leading commercial banks, development finance institutions, investors, multinationals and government bodies globally.

Impact management is our core business. Since the establishment of the OPIM Principles in 2018, we have supported many different clients with their OPIM verifications.

To learn more, connect with us at info@stewardredqueen.com