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## Identifying Companies that Contribute to Regional Revitalization through SDGs

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# Contents

1. Introduction to Sustainalytics
2. Sustainalytics' Sustainable Products Research
3. Sustainalytics Second-Party Opinion on Green, Social and Sustainability Bonds



# Sustainalytics

## Who We Are

- » Sustainalytics is the largest pure-play investment research and ratings provider dedicated to RI and ESG research.
- » Recently Sustainalytics acquired GES International and now starts to offer engagement services.
- » 25+ years of experience in the fields of ESG & corporate governance research & analysis
- » Over 600 professional staff with 250 people engaged in research and 20 engagement managers.
- » Offices around the globe, providing local market knowledge
- » Over 600 clients globally

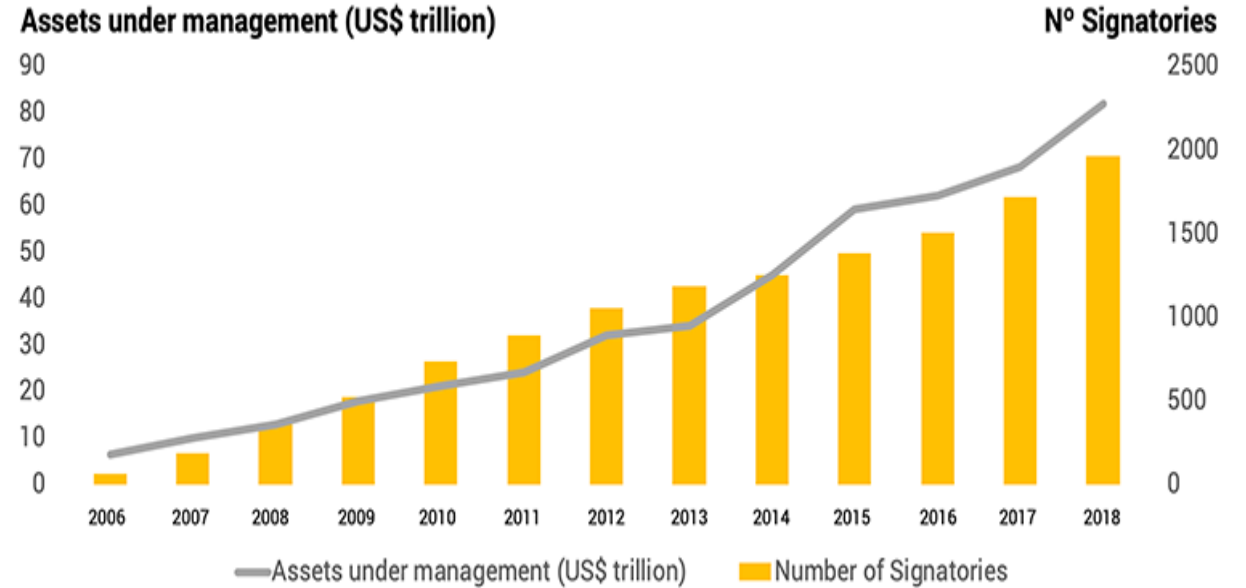


# Sustainable Finance – Key Drivers

## Global Perspective

### Sustainability and ESG are megatrends

- » Climate change, Health & Safety
- » Disclosure requirements
- » Transparency demand
- » Changes in consumer preferences
- » Materiality of ESG
- » Demand for Green and Sustainable Assets



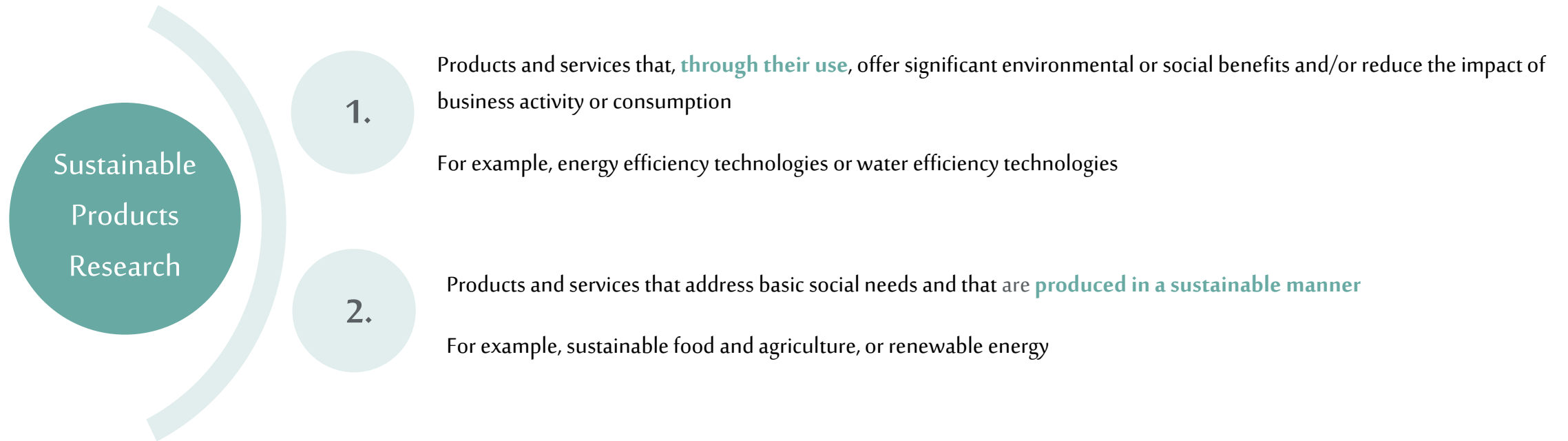
*The Principles for Responsible Investment, launched in 2005, introduced a core set of actions that investors could take to incorporate ESG factors into their investment process*



Sustainalytics' Sustainable Products Research

## Introducing Sustainalytics' Sustainable Products Research.

- » Sustainable Products Research enables investors to **identify companies that earn revenues from a range of products and services that are aligned with achieving a more just and sustainable world and with the Sustainable Development Goals.**
- » The following products are considered to be “sustainable”:



# What themes are covered?

12 social and environmental themes covering 35 product categories

## Environment



Energy Efficiency



Green Buildings



Green Transportation



Pollution Prevention &  
Reduction



Renewable Energy



Resource Efficiency

## Social



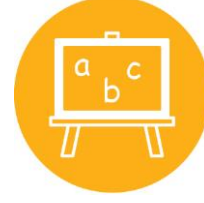
Sustainable Agriculture, Food &  
forestry



Water



Affordable Housing



Education



Financial Inclusion



Health

# How do the themes align with the SDGs?

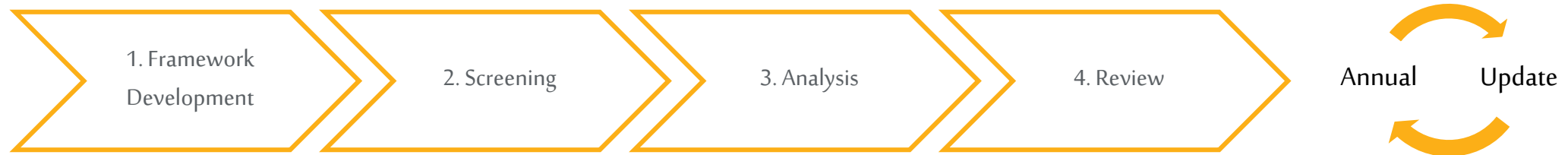
<b>1 NO POVERTY</b>  	<b>2 ZERO HUNGER</b>  	<b>3 GOOD HEALTH AND WELL-BEING</b>  	<b>4 QUALITY EDUCATION</b>  	<b>5 GENDER EQUALITY</b>  	<b>6 CLEAN WATER AND SANITATION</b>  	<b>7 AFFORDABLE AND CLEAN ENERGY</b>  	<b>8 DECENT WORK AND ECONOMIC GROWTH</b>  	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>  
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<b>10 REDUCED INEQUALITIES</b>  	<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b>  	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>  	<b>13 CLIMATE ACTION</b>  	<b>14 LIFE BELOW WATER</b>  	<b>15 LIFE ON LAND</b>  	<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b>  	<b>17 PARTNERSHIPS FOR THE GOALS</b>  
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## How does Sustainalytics conduct this research?

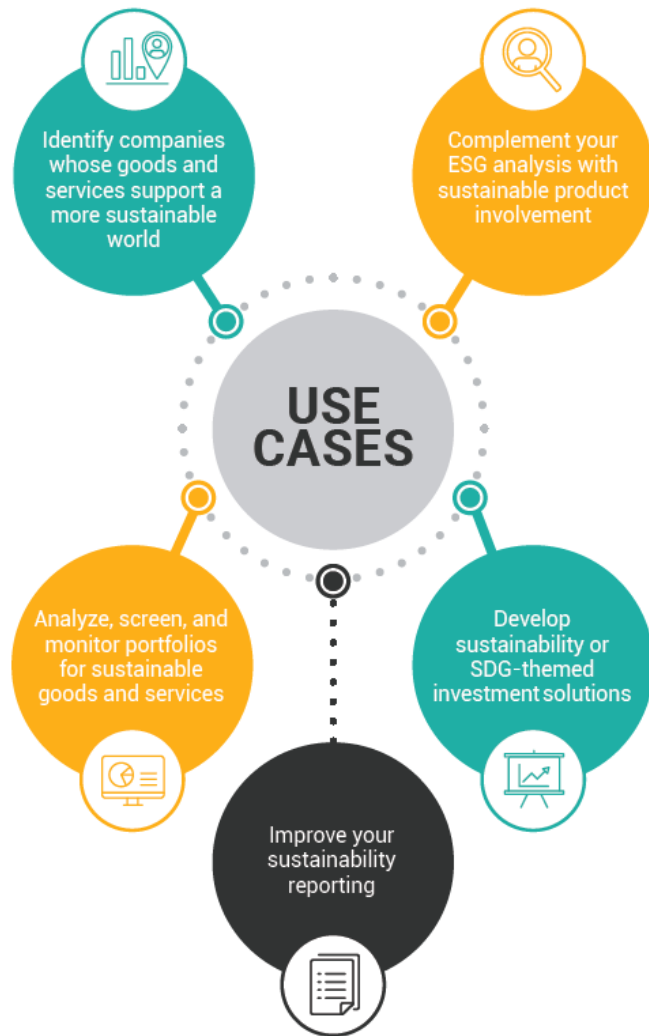
» We follow a four step process to generate the research, with an annual review and update cycle and a quarterly universe rebalancing cycle.



» The following principles were applied throughout the research process:

1. **Exclusions:** we exclude products that belong to or support industries that have a significant negative impact. For example, energy efficiency technology for tobacco production is excluded from the data set.
2. **Align with global norms and market expectations:** In selecting sustainable product areas and defining criteria for involvement we have aimed to align with international standards and market expectations.
3. **Product specific analysis:** Our analysis focuses on whether a company derives revenues from a specific sustainable product. Involvement in controversial events are not considered in the assessment, nor are supply chain activities.
4. **Company disclosure:** we rely on a company's own reporting for all research.

## How can Investors use the Sustainable Products Research?




- » Value-based investment
- » Positive Screening
- » SDG Integration
- » Thematic Investment
- » SDG reporting

# Example: Research framework for the Affordable Housing



- » **Description:** The Affordable Housing theme assesses companies’ involvement in the development and/or management of housing that is affordable to low and lower-middle income people.
- » **Relevant Sectors:** Real Estate, Construction & Engineering.
- » There is currently no international or regional harmonized standard or certification for affordable housing. Typically investments in affordable housing are associated with government policies to provide and/or expand affordable housing to lower-income groups in urban areas.

Category of Involvement	Description	Examples
Affordable Housing Development	This category captures companies that design, construct, redevelop, and/or retrofit new properties used for affordable housing.	» Housing projects for low-income individuals and/or families, students or the elderly.
Affordable Housing Management	This category captures companies involved in the management and operation of buildings used for affordable housing.	» Housing projects for low-income individuals and/or families, students or the elderly.



Sustainalytics Second-Party Opinion on  
Green, Social and Sustainability Bonds

# Providing a Second-Party Opinion on Green, Social and Sustainability Bonds

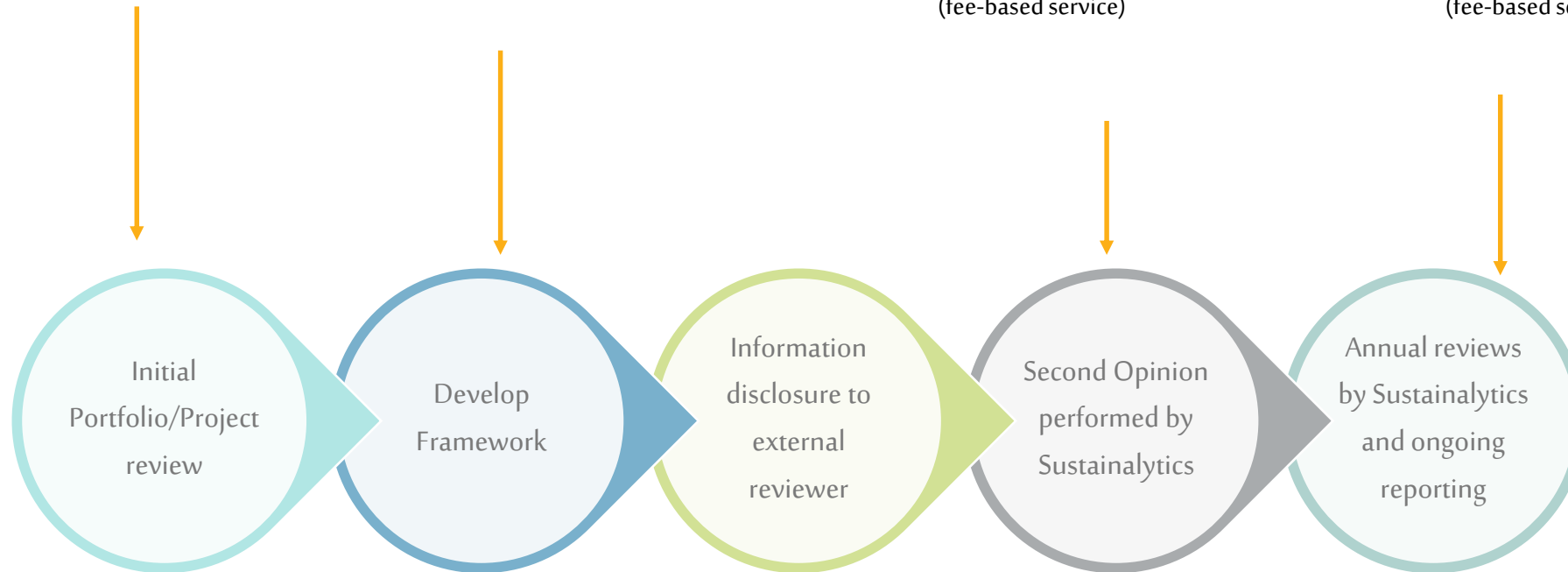
## What we do

Sustainalytics gives examples and feedback on what types of projects qualify

We provide corporates examples and support on how to develop their framework

We perform our research and complete our report, a "Second Opinion" that is published with corporate issue (fee-based service)

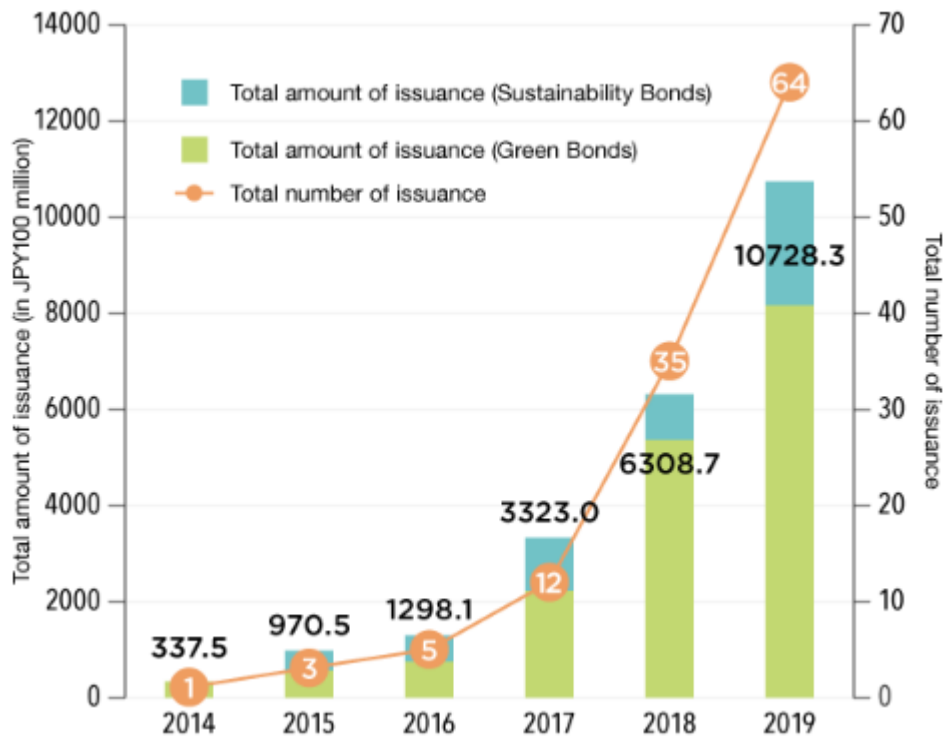
We collect relevant data and do an update called an Annual Review used by investors in corporate bond (fee-based service)



# Providing a Second-Party Opinion on Green, Social and Sustainability Bonds

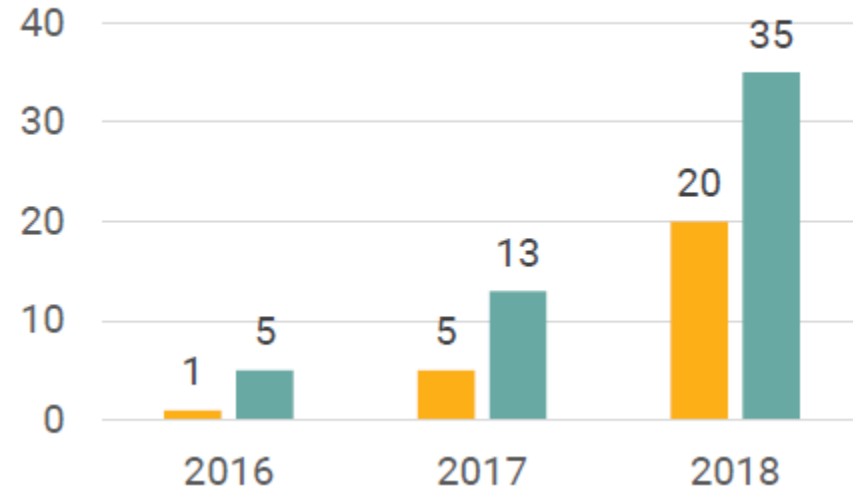
Leading SPO Provider in Japan and Globally

Issuance of Green/Sustainability Bonds by Japanese Companies and Other Entities



Source: The Green Bond Issuance Promotion Platform

Sustainalytics 2018 Market Share



Source: Sustainalytics

# Providing a Second-Party Opinion on Green, Social and Sustainability Bonds

Example: Mitsubishi UFJ Financial Group

Second-Party Opinion

## Mitsubishi UFJ Financial Group Green, Social, and Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Mitsubishi UFJ Financial Group (MUFG) Green, Social, and Sustainability Bond Framework is credible and impactful, and aligns with the Green Bond Principles 2018 (GBP), the Social Bond Principles 2018 (SBP), and the Sustainability Bond Guidelines 2018 (SBG). This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds - (i) Green Buildings, (ii) Renewable Energy, (iii) Healthcare, (iv) Education, (v) Employment Generation, and (vi) Affordable housing are aligned with those recognized by the GBP, SBP and SBG. Sustainalytics considers that MUFG's eligible green and social projects/loans will lead to positive environmental and social impacts and to advance the UN Sustainable Development Goals 3, 4, 7, 8, and 11.



**PROJECT EVALUATION / SELECTION** MUFG's eligible projects/loans will be respectively evaluated and selected by MUFG Bank's Solution Products Division, Corporate Finance & Strategic Advisory Division, and MUFG's Office of the CFO. The final decision will be given to MUFG's Office of the CFO. Sustainalytics views this process as aligned with market practice.



**MANAGEMENT OF PROCEEDS** Proceeds of green, social, and sustainability bonds will be tracked using by MUFG Bank's internal loan management system, which will be monitored by MUFG. Pending full allocation, MUFG will invest an equal amount of its unallocated proceeds in cash, cash equivalents or marketable securities. This process is in line with market practice.



**REPORTING** MUFG intends to publish allocation and impact reporting annually on its website. The allocation reporting will include the amount allocated and unallocated. MUFG intends to report impact reporting using quantitative metrics for all eligible green and social categories. Moreover, MUFG is committed to receiving a compliance review from Sustainalytics as an external review provider after the bond issuance. Sustainalytics considers MUFG's reporting commitments along with compliance review to be in line with market best practice.

<b>Evaluation date</b>	October 7, 2019
<b>Issuer Location</b>	Tokyo, Japan

### Report Sections

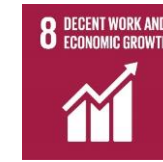
Introduction.....	2
Sustainalytics' Opinion.....	3
Appendices.....	12

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» Sustainalytics considers that the eligible projects described in the framework will lead to decrease GHG emissions and provide social benefits while contributing to MUFG's sustainability commitments as well as the advancement of the SDGs, specially 3, 4, 7, 8, and 11.





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