

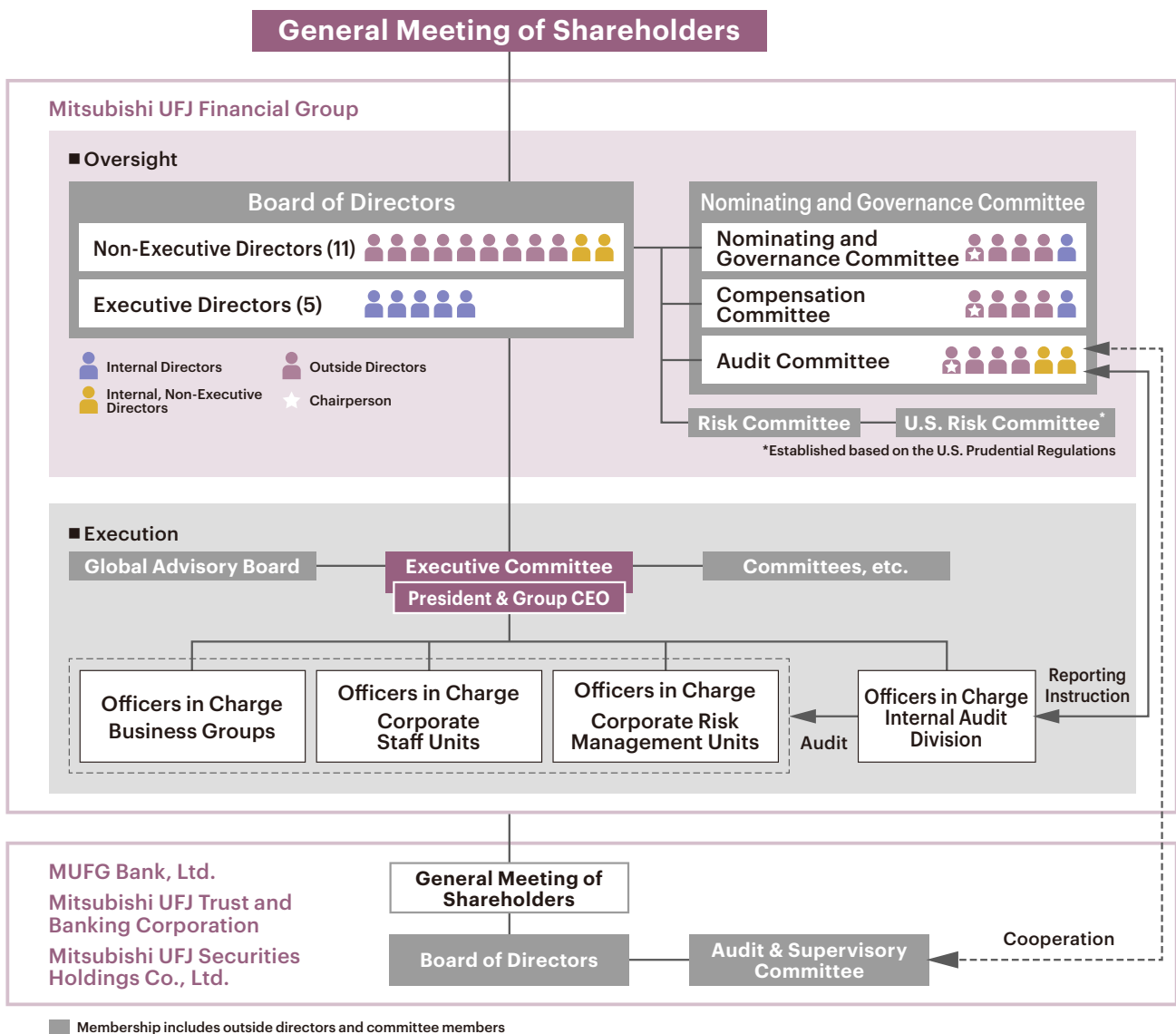
# Responsibility and Authority

## Fundamental Concept

MUFG aims at its sustainable growth and increase in medium to long-term corporate value, based on the requests from stakeholders including shareholders, customers, employees and local communities.

MUFG is committed to fair, just and transparent corporate management and to the realization of effective corporate governance guided by the MUFG Corporate Governance Policies.

## MUFG's Management Structure



# Executive Compensations

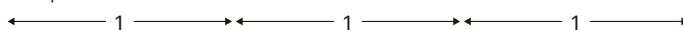
## Introduction of a Heightened Metric for ESG-Related External Ratings as a New Key Performance Indicator for the Executive Compensation System

MUFG revised its executive compensation system to achieve the medium-term business plan and implement sustainability management, and has newly installed a heightened metric for ESG-related external ratings as a medium- to long-term performance-linked indicator for stock-based compensation.

The system is designed to reflect the degree of improvement in external ratings granted by major five ESG rating agencies\* in executive compensation with the intention of aligning MUFG's corporate behavior with the interests of diverse stakeholders.

\* MSCI, FTSE Russell, Sustainalytics, S&P Dow Jones, CDP

Compensation Ratio\*<sup>1</sup>



<b>Annual base salary</b>	<b>Stock compensation</b>	<b>Cash bonuses</b>
	Non-performance-based      Medium-to* <sup>2</sup> long-term performance-based	Short-term * <sup>2</sup> performance-based

<p><b>Medium- to long-term achievement evaluation</b>...<sup>①</sup></p> <ul style="list-style-type: none"> <li>● Consolidated ROE · Consolidated expenses reduction amount · Improvement of external ESG rating</li> </ul> <p style="text-align: right; font-size: x-small; color: red; border: 1px solid red; display: inline-block;">Newly established</p> <p><b>Competitor comparison evaluation</b>...<sup>②</sup></p> <ul style="list-style-type: none"> <li>● Consolidated net operating profits · Profits attributable to owners of parent</li> </ul>	<p><b>Single fiscal year</b>*<sup>1</sup>*<sup>3</sup>*<sup>4</sup></p> <ul style="list-style-type: none"> <li>● Consolidated net operating profits · Profits attributable to owners of parent · Consolidated ROE · Consolidated expense</li> <li>● Status of individual execution of duties (example)</li> <li>● Improvement in customer-segment profitability</li> <li>● Risks handling</li> <li>● Advances in ESG-related initiatives to promote sustainability management*<sup>5</sup></li> <li>● TSR, etc.</li> </ul> <p style="text-align: right; font-size: x-small; color: red; border: 1px solid red; display: inline-block;">Newly established</p>
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**① Medium- to long-term achievement evaluation part (Weight: 50%)**

Target attainment rate of indices below in MTBP

- Consolidated ROE (Weight: 30%)
- Consolidated expenses reduction amount (excluding those linked to revenues) (Weight: 15%)
- Ratings granted by ESG rating agencies\* (Weight: 5%)

\*In addition to incentivizing recipients to advance sustainability management, this indicator is determined on an absolute evaluation basis in light of the degree of improvement in external ratings granted by major five ESG rating agencies (CDP, FTSE Russell, MSCI, S&P Dow Jones and Sustainalytics), with the aim of objectively assessing the recipient's contribution to MUFG's initiatives to address ESG issues in a variety of fields.

**② Competitor comparison evaluation part (Weight: 50%)**

Comparison of year-on-year growth rate of indices below with competitors

- Consolidated net operating profits (Weight: 25%)
- Profits attributable to owners of parent (Weight: 25%)

- Stock compensation
- Applicable to compensation systems for directors, executive officers, and corporate officers of MUFG and its major subsidiaries.
- Malus clawback provision are applicable.
- In principle, the acquired shares are held until the time of retirement.

\*<sup>1</sup> For the president of the holding company

\*<sup>2</sup> Variation range: 0 to 150%

\*<sup>3</sup> For executive officers, the Compensation Committee decides only by independent outside directors.

\*<sup>4</sup> Percentage of increase/decrease in indicators compared to the previous year and percentage of achievement compared to target

\*<sup>5</sup> Includes contribution to the resolution of environmental and social concerns, improvement in employee engagement and the strengthening and upgrading of MUFG's governance structure.

## Approach to ESG Issues

### Sustainability Committee Meetings

MUFG holds regular committee meetings to identify ESG issues affecting corporate management, and report and discuss how the Group is responding to them. In fiscal 2020, the Committee meeting in December and

deliberated on the framework for MUFG's sustainability management and a review of priority issues. Details of the deliberations are as follows.

#### ● The 2nd Sustainability Committee Meeting

Topics	Details
Operating environment	The Covid-19 pandemic let us reaffirm the importance of the social area. Climate change will remain to be a prominent theme. Climate change responses have already gone beyond the scope of "environmental initiatives" and have become a prerequisite for conducting business and the source of risks and opportunities. We must respond to it thoughtfully.
MUFG's Sustainability Management	With the conviction that environmental and social sustainability are essential to achieving sustainable growth for MUFG, we are engaged in value creation employing an integrated approach in which the execution of management strategies goes in tandem with the pursuit of solutions for social issues. This approach is defined as MUFG's Sustainability Management, and we want to make it evolve further.
Priority Environmental and Social Issues	Organize social issues in Japan and overseas, and deliberate on new 10 priority issues based on employee' opinions, etc.
Initiatives for realization of a carbon-neutral society	Deliberations on the achievement of the Paris Agreement such as Japan's 2050 realization of a carbon-neutral society, support for a smooth transition and areas to be actively promoted ("renewable energy", "hydrogen and next-generation energy", and "carbon recycling").
Promotion of sustainable business	On sustainable business, we will implement further promotion in Japan and overseas, work on new fields, and visualize impacts, considering mid-to-long-term business changes.
Sustainable Finance	Discussion on adding transition finance to the definition of sustainable finance and adjusting the target upward.
MUFG Environmental and Social Policy Framework	Considering strengthen the policies on the coal fired power generation and the palm oil and forestry sectors.
Efforts to achieve 100% renewable energy for in-house electricity	Reviewing the roadmap for 100% renewable energy for in-house electricity.
External evaluation of our ESG initiatives and disclosure	Based on the external evaluation, reaffirmed the need to further enhancement of our information disclosure and to accelerate our initiatives to tackle climate change.
Response to Principles for Responsible Banking (PRB)	Review of MUFG's efforts and future initiatives related to the Principles for Responsible Banking (PRB).
Trends and initiatives in non-financial information disclosure (TCFD and IFRS)	Consideration of expanding the scope of sectors for scenario analysis in the FY2021 disclosure based on TCFD recommendations.
Operation of MUFG's Social Contribution Budget	Establishing corporate rules of MUFG' Social Contribution Budget.

## External Advisors in the Environment and Social Fields

Since 2019, we have engaged external experts in the environmental and social fields as permanent external advisors. Opinions were exchanged between the experts and the members of the Board of Directors, allowing us to use their broad knowledge of ESG in our sustainability initiatives.

<b>Rintaro Tamaki</b>	President, Japan Center for International Finance
<b>Junko Edahiro</b>	Professor, Graduate School of Leadership and Innovation, Shizenkan University / President, Institute for Studies in Happiness, Economy and Society / Founder and President, e's Inc.

### Opinion Exchange Meeting with Advisors

At the opinion exchange meeting held in November 2020, there was a lively exchange of opinions on global trends, such as the changing social awareness of "capitalism", the changing role required of corporations, the remarkable rise in awareness of sustainability brought about by the COVID-19 pandemic, and the

mission of financial institutions in this context.

Following the exchange of opinions, MUFG recognized that the issues it needs to address include further acceleration of its climate change response and expansion of its response to ESG in general, including the creation of the social impact.

#### ● Opinions from Advisors (extracted)

##### Junko Edahiro

- While the shift to online work under the COVID-19 pandemic will lead to increased efficiency, it may also inhibit the creation of innovation born through real-life experiences.
- The digitalization and greening of society are expected to progress in a complementary and synergistic manner.
- The position of hydrogen utilization in combination with carbon capture and utilization (CCU) as one of the keys to emission reduction is becoming more important in home and abroad.

##### Rintaro Tamaki

- The perception and meaning of capitalism in society are changing, and companies are required to be aware of more stakeholders than ever before.
- Responding to climate change is an essential item for companies to address. In addition, further efforts will be needed to address social aspects, and to strengthen governance.
- The role of financial institutions is also becoming more important and changing, for example, using a company's overall efforts to reduce emissions as the basis for investment and financing decisions, rather than investing in individual business or project.



Online opinion exchange meeting was held given the COVID-19 pandemic.