

## Activities in FY2019 : **Governance**

---

P.98 Corporate Governance

P.99 Responsibility and Authority

P.103 Risk Management

P.105 Compliance

P.108 Use of Whistle-Blowing Systems

P.109 Cyber Security

## Corporate Governance

For more information on MUFG's corporate governance, please refer to the below.

### ■ Corporate Governance System

- ▶ Our corporate governance report are available on our website. <https://www.mufg.jp/english/profile/governance/>
- ▶ Our Annual Securities Report are available only in Japanese. [https://www.mufg.jp/ir/report/security\\_report/](https://www.mufg.jp/ir/report/security_report/)

Board of directors	
Responsibility and Authority	Responsibility and Authority (P.99)
Structure	Corporate Governance Report
Independence of the Chair	
Committees	
Nominating and Governance Committee	Corporate Governance Report
Compensation Committee	
Audit Committee	
Risk Committee	
U.S. Risk Committee	
Board of Directors' effectiveness and performance evaluation	Corporate Governance Report
Executive Compensation	
Assessing executive compensation based on the performance.	Corporate Governance Report
Shareholding restriction	Annual Securities Report
Disclosure of Executive Compensation	Corporate Governance Report
Clawback / Malus	Annual Securities Report
Stock	
Shareholding Ratio (Shareholding Status)	Annual Securities Report
Shareholder Rights	Corporate Governance Report
Separation of shareholding and voting rights	Annual Securities Report

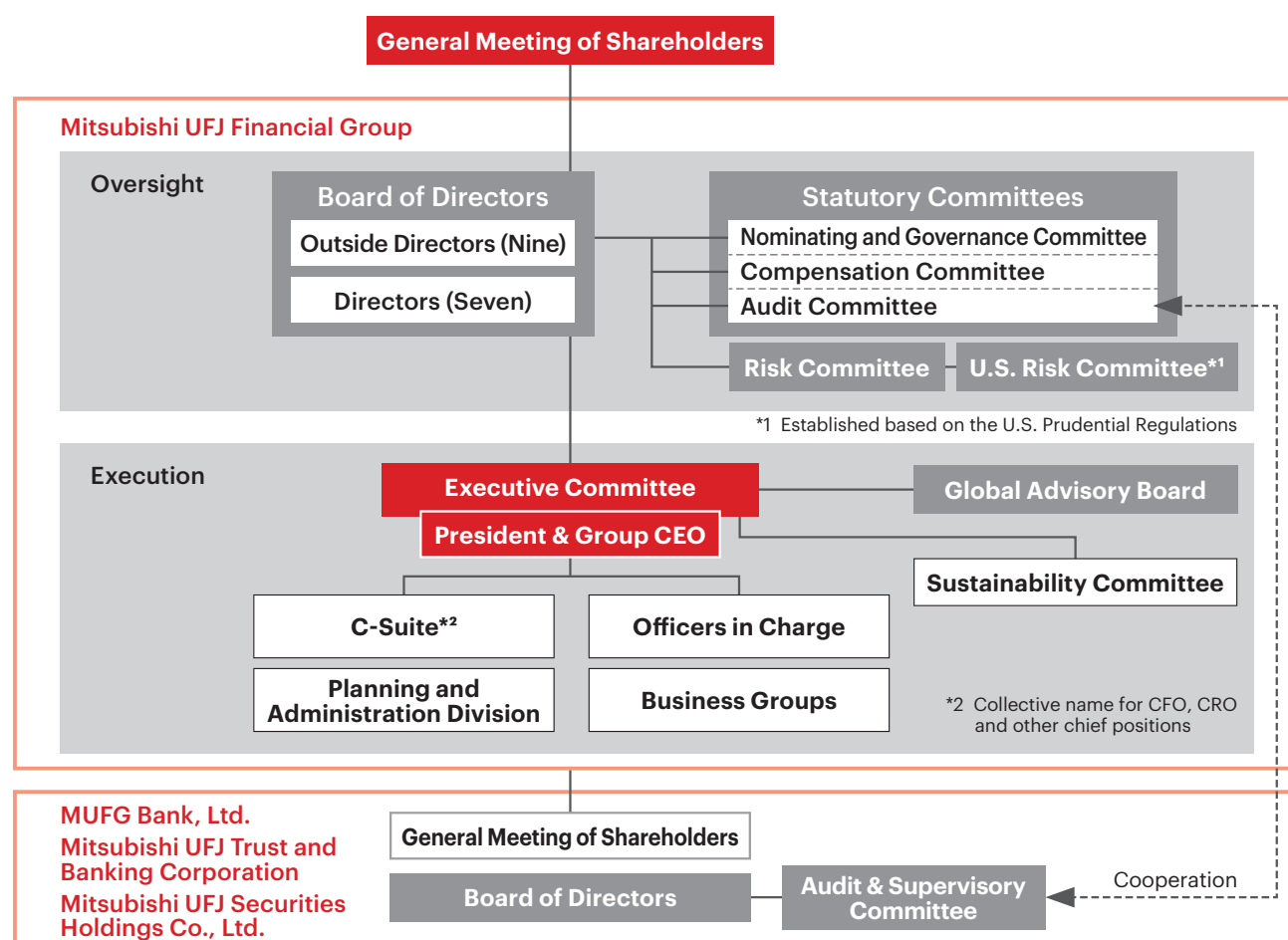
## Responsibility and Authority

### 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.

### Management 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 2019, at the 25th CSR Committee meeting, the Committee was reorganized and

renamed Sustainability Committee. Two meetings were held in total that year, including the first Sustainability Committee meeting. The following is a summary of the discussion in the Committee.

#### ■ The 25th CSR Committee Meeting

Topics	Details
Renaming CSR Committee and changing purpose, members and agenda of the Committee	<ul style="list-style-type: none"> <li>- CSR Committee was renamed Sustainability Committee.</li> <li>- Purpose : To discuss efforts to solve environmental and social issues for the realization of a sustainable environment and society and of the sustainable growth of MUFG</li> </ul>

#### ■ The 1st Sustainability Committee Meeting

Topics	Details
MUFG's Commitment to Sustainability	We reaffirmed how the conviction that environmental and social sustainability are essential to achieving sustainable growth for MUFG and that we engage 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 should be.
Capturing environmental changes related to ESG issues and SDGs	Identifying particularly important environmental changes in terms of climate change
Strengthening the integration with the MUFG Business Plan	
Addressing seven priority environmental and social issues	Integrating seven issues with business strategies and expanding/enhancing the measures to address them
Sophisticating planning processes and having the process shared within the Group companies	Sophisticating the planning processes and strengthening the measures to have them shared within the Group companies in order to strengthen the integration of the solution to environmental and social issues with the MUFG Business Plan.
Promoting sustainable finance	MUFG grows together with client companies by understanding their external environment and encouraging their sustainable growth.
Sophisticating environmental and social risk management	Considering the addition of policies regarding such sectors as Oil & Gas (Oil sand and Arctic development), Large Hydropower and Inhumane Weapons to the MUFG Environmental and Social Policy Framework
MUFG's unique approach	Shift to 100% renewable energy for self-produced energy
Strengthening governance to further promote sustainability	Appointment of Chief Sustainability Officer (CSuO)
Investor's viewpoint on ESG Evaluation	Developing a plan that integrates the solutions to environmental and social issues with business strategy, enhancing disclosure, etc.
Enhancing information disclosure	<ul style="list-style-type: none"> <li>- Progress in sustainable finance, sophistication of the MUFG Environmental and Social Policy Framework and continuing efforts to TCFD recommendations</li> <li>- Issuing a sustainability report</li> </ul>

## External Advisors in the Environment and Social Fields

In 2019, we 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

An opinion exchange meeting was held with advisors in December 2019. There was an active exchange of opinions on global trends in the environmental and social fields, such as each country's movement towards decarbonization and the plastic

issue, as well as on the mission as a financial institution in this context.

Based on the fruits of this meeting, MUFG will further integrate its sustainability initiatives with its core business.

### ■ Opinions from Advisors (extracted)

<b>Junko Edahiro</b>
<ul style="list-style-type: none"> <li>- A major issue that has come to be discussed recently is Japan's position as a victim of global warming.</li> <li>- Not only mitigation of climate change but also the adaptation or disaster management will be important as a viewpoint.</li> <li>- The ideal state is that the connection between the SDGs and individuals becomes a personal concern and, as a result, a natural behavior. A natural behavior can change people's behavior and values.</li> </ul>

<b>Rintaro Tamaki</b>
<ul style="list-style-type: none"> <li>- In terms of technology and climate change, there will be a transformation of the system.</li> <li>- It is the role of financial institutions to provide sound advice to Southeast Asian nations, which is a "blank area" of climate change.</li> <li>- As EU's financial regulations and other movement are accelerated recently, careful collection and provision of information are required.</li> </ul>



## Global Advisory Board

MUFG has established the Global Advisory Board to function as advisory bodies to the Executive Committee, and the Board holds regular meetings.

The Global Advisory Board is made up of members from Japan, Europe, Asia, and the Americas who are external experts in

areas such as corporate management, financial regulation, and government policy. They provide advice and recommendations on group-wide management, global governance, business strategy, and other management issues from an independent standpoint.

## Holding the Seventh Annual Meeting of the Global Advisory Board

In November 2019, the seventh annual meeting of the Global Advisory Board was held in Tokyo.

The meeting was attended by the members of the Global Advisory Board, MUFG executives, outside directors, and representatives from overseas partner banks including MUFG Union Bank, Krungsri (Bank of Ayudhya), Security Bank, Vietin

Bank and Bank Danamon.

There was a lively discussion on topics that could influence MUFG's business strategy, such as the U.S.-China struggle for hegemony, ESG and the opportunities and challenges brought from digital platformers.

## Risk Management

Details on MUFG's Integrated Risk Management are available on MUFG Report 2020.  
[https://www.mufg.jp/english/ir/report/annual\\_report/](https://www.mufg.jp/english/ir/report/annual_report/)

### Managing Environmental and Social Risks in Financing

#### Principles of Risk Management

MUFG has identified the risks associated with various environmental and social issues, such as global warming and climate change, as a priority issue, and recognizes that they exert significant influence on the Group's corporate management for sustainable growth. As a financial institution that aims to be a trusted global financial group chosen by the world, the Group also grasps the risks caused by its business activities and endeavors to control and reduce them. MUFG manages

these sustainability-related risks within the MUFG Environmental and Social Policy Framework, which is based on the MUFG Environmental Policy Statement and the MUFG Human Rights Policy Statement. The Framework is managed by the Sustainability Committee under the Executive Committee, and it is formed to be consistent with the framework for controlling reputational risks that could damage the Group's corporate value.

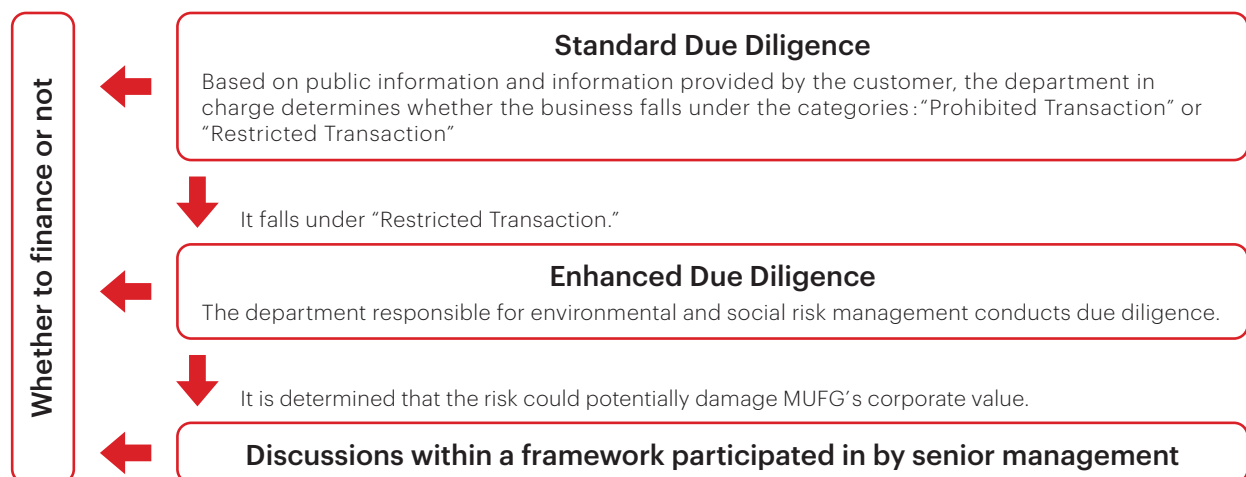
#### Risk Assessment Process

Standard due diligence is conducted by departments that have direct contact with customers to identify and assess the environmental and social risks of business that is to be financed by MUFG. If it is determined that the business needs to be examined more carefully, MUFG conducts enhanced due diligence and decides whether or not to finance the business.

As for business that would have significant environmental and

social risks and could potentially damage MUFG's corporate value or develop into a reputational risk, MUFG holds discussions on how to handle it within a framework participated by senior management. In addition, MUFG Bank adopted the Equator Principles, a framework for identifying, assessing and controlling the environmental and social risks of large-scale projects, and conducts risk assessments in accordance with its Guidelines.

##### ■ The process of identifying and assessing the environmental and social risks or impacts of a business to be financed



\*Prohibited Transaction: Includes illegal business or business with illegal purposes, and business violating public order and morals.

\*Restricted Transaction: Business classified as cross-sectoral, including ones that exert a negative impact on indigenous communities, and in specific sectors, including coal-fired power generation

## Major Risks and Responses

MUFG designated business with significant environmental and social risks as “Prohibited Transaction” if they are illegal businesses or businesses with illegal purposes and the like, and as “Restricted Transaction” if they have a negative impact on indigenous communities and the like. Since the last fiscal year, it has been tightening its policy on business that has a significant

impact on climate change including coal-fired power generation. By periodically reviewing and sophisticating the MUFG Environmental and Social Policy Framework, the Sustainability Committee will continue to address risks that may emerge as a result of changes in business activities and the business environment.

Prohibited Transactions	Restricted Transactions
<ul style="list-style-type: none"> <li>● Illegal transactions and transactions for illegal purposes</li> <li>● Transactions which violate public order and good morals</li> <li>● Transactions that negatively impact wetlands designated under the Ramsar Convention</li> <li>● Transactions that negatively impact UNESCO designated World Heritage Sites</li> <li>● Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)</li> <li>● Transactions involving the use of child labor or forced labor</li> </ul>	<p><b>[Cross-sectoral items]</b></p> <ul style="list-style-type: none"> <li>● Impact on Indigenous Peoples Communities</li> <li>● Land expropriation leading to involuntary resettlement</li> <li>● Impact on High Conservation Value areas</li> </ul> <p><b>[Sector specific items]</b></p> <ul style="list-style-type: none"> <li>● 8 sectors including coal fired power generation, mining (coal), oil and gas, forest, palm oil and inhumane weapons sector</li> </ul>



## Compliance

### Basic Policy

MUFG clearly communicates Our Mission, Vision and Values as a group and declares that we work together to meet the expectations of customers and society in the Corporate Vision. Furthermore, we have established the MUFG Group Code of Conduct to guide how the Group's directors and employees should behave to realize the Corporate Vision. The code expresses our commitment to complying with laws and regulations globally, to acting with honesty and integrity, and to

behaving in a manner that supports and strengthens the trust and confidence of society.

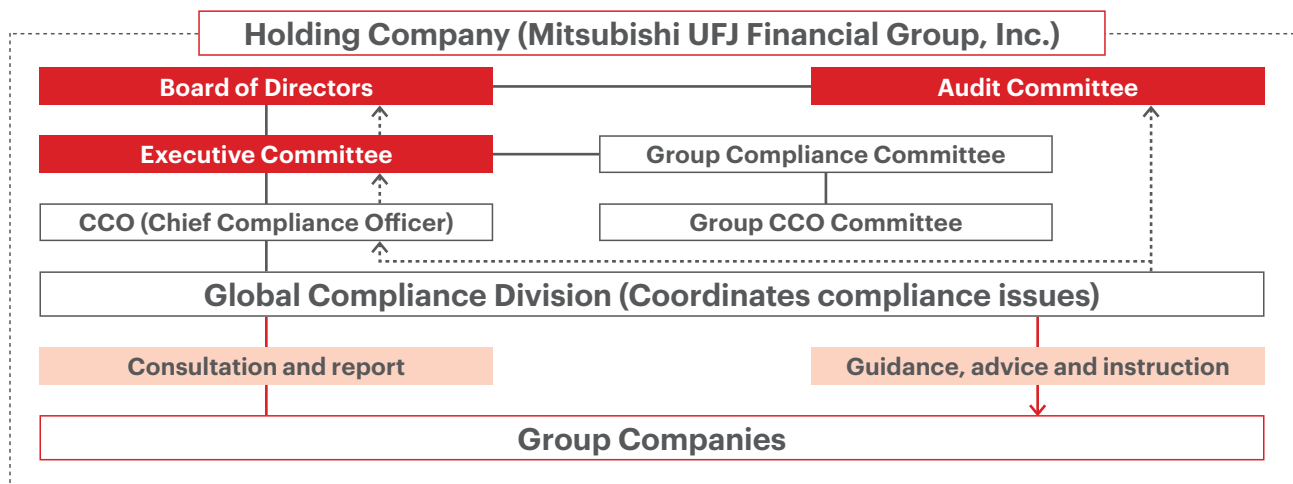
In addition, as we expand our business globally, we are committed to keeping abreast with developments in the laws and regulations of the jurisdictions in which we operate, including those targeting money laundering and bribery, as well as competition laws, while paying attention to trends in financial crimes.

### Compliance Framework

Compliance management divisions have been established at the holding company and the three major subsidiaries, namely, MUFG Bank, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Securities Holdings (hereinafter, the "three subsidiaries"). Each compliance management division formulates compliance programs and organizes training courses to promote compliance, and regularly reports to each company's Board of Directors and Executive Committee on the status of compliance activities. The holding company has the Group Compliance Committee while

the three subsidiaries have Compliance Committees operating under their executive committees with the aim of deliberating important compliance matters. Additionally, the holding company has the Group Chief Compliance Officer ("CCO") Committee composed of the CCO of the holding company and the CCOs of the three subsidiaries. This committee deliberates important matters related to compliance and compliance related issues for which the Group should share a common understanding.

#### ■ Compliance System



## Ensuring Thorough Compliance

We engage in ongoing efforts to ensure that each employee embraces proper action principles in accordance with the Code of Conduct by, for example, providing various compliance training and distributing messages from top management. Every year, we also update the content of the Code of Conduct with reference to the results of the annual Group Awareness and Engagement Survey as well as changes in the business environment at home and abroad. The updated Code of Conduct released in fiscal 2020 includes enhanced descriptions about conduct risk and the importance of being aware of

▶ Please refer to page 108 for details on our whistle-blowing systems.

risk ownership at the sales frontline as well as an additional message encouraging whistle blowing. Thanks to these efforts, the latest results of the Group Awareness and Engagement Survey included significantly improved ratings on compliance-related questionnaire items, such as those asking whether the respondents experienced a “double-bind” situation between the call for adherence to the Code of Conduct and the need to efficiently process tasks in the course of daily operations. As such, MUFG is constantly striving to ensure thorough compliance.

## Basic Policy Regarding Anti-Social Elements

MUFG has adopted the following Basic Policy regarding Anti-Social Elements, and our executives and employees are striving to ensure the propriety and safety of all business operations by observing this Basic Policy.

### 1 Response as an Organization

In relation to anti-social elements, the Company has established the foundation of express provisions in the MUFG Group Code of Conduct and Internal Rules, etc., and will respond as an entire organization, from the top management downward. In addition, the Company will guarantee the safety of employees who would respond to anti-social elements.

### 2 Cooperation with External Specialist Organizations

Under normal circumstances, the Company endeavors to establish a close cooperative relationship with external specialist organizations such as the police, the Centers for the Elimination of Boryokudan, and lawyers.

### 3 Blocking of Relationships, including Business Transactions

The Company shall block all relationships with anti-social elements, including business relationships.

### 4 Civil and Criminal Legal Responses in Times of Emergency

The Company shall reject improper demands from anti-social elements, and take legal actions on both a civil and criminal basis, as the need arises.

### 5 Prohibition of Secret Deals and Provision of Funds

The Company shall absolutely not engage in secret deals with anti-social elements.  
The Company shall absolutely not provide funds to anti-social elements.

## Initiatives to Enhance Global Financial Crimes Compliance Framework

MUFG formed the Global Financial Crimes Division ("GFCD"), which is in charge of Anti-Money Laundering ("AML"), Sanctions, and Anti-Bribery and Corruption Compliance (collectively, "Global Financial Crimes Compliance"), against the backdrop of heightened regulatory expectations in that area. MUFG established GFCD's headquarter in New York, where the expertise for financial crimes risk management is centralized, and is implementing a number of initiatives to prevent, detect, and deter financial crimes.

MUFG established policies that define the governance and oversight structure for financial crimes risk management across MUFG and provide the foundation for the implementation of the financial crimes compliance program in a manner that is commensurate with the strategies, business activities, and risk profiles of each Group Company. Through these policies, MUFG promotes a consistent and integrated approach across all of MUFG globally.

MUFG Bank, one of the group companies in MUFG, is establishing shared organizations (Centers of Excellence) in the Americas, EMEA, Asia and Japan. Through those Centers of Excellence, MUFG Bank is centralizing certain AML and sanctions compliance processes and expertise to assist in the fight against

money laundering, terrorist financing and sanctions violations. As processes move from local branches and offices and become integrated into the Centers of Excellence, MUFG Bank will be better positioned to achieve globally consistent and effective operations.

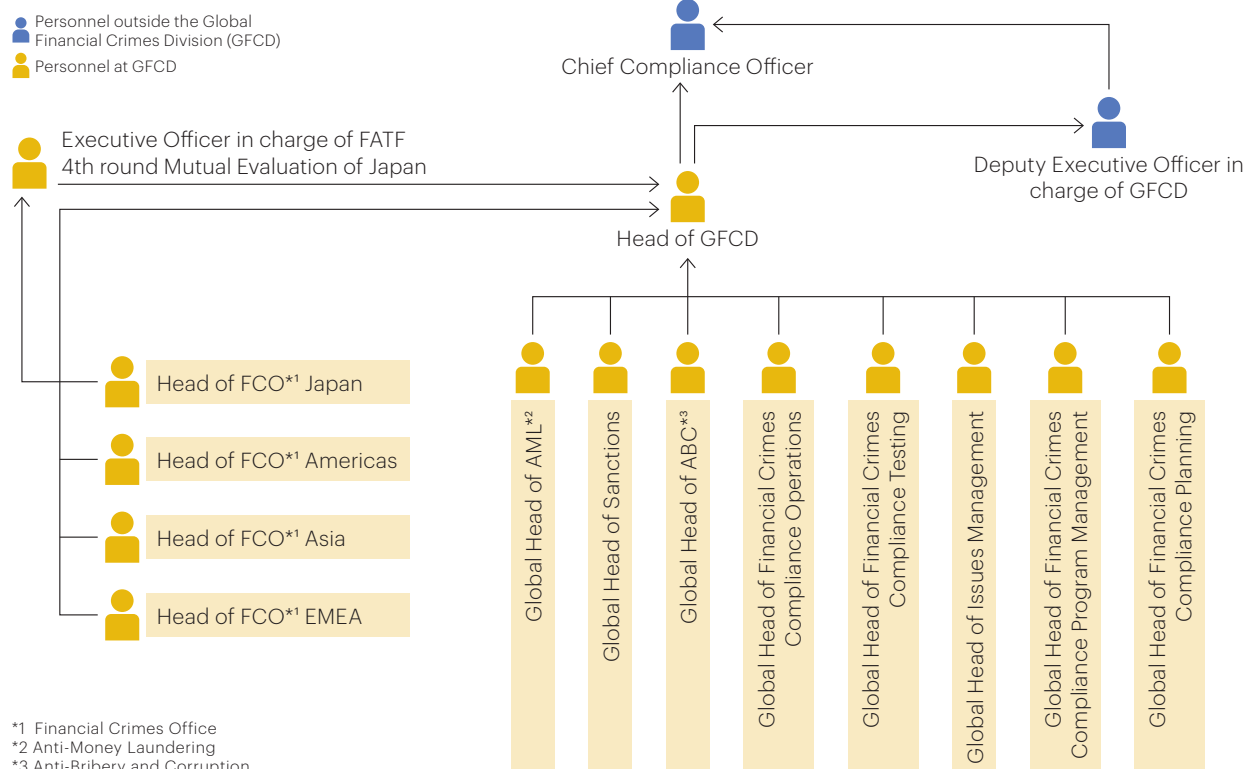
In addition, MUFG Bank is enhancing its financial crimes compliance systems and establishing a data warehouse. These enhancements will support a globally consistent, effective, and efficient financial crimes compliance program and will help MUFG Bank detect more complex and sophisticated types of financial crimes in a sustainable and flexible manner.

Furthermore, MUFG Bank is investing in its people, with continued hiring of financial crimes compliance specialists, training, updated information-sharing, and accumulation and exchange of knowledge and skills through a global staff rotation program.

We continue to work on the enhancement of global financial crimes compliance in line with requirements and expectations of international organizations, including regulators in each country, FATF,\* etc. to support and strengthen the trust and confidence of society.

\*FATF: Financial Action Task Force on money laundering. Inter-governmental body that advocates for taking a coordinated international response in AML and counter-terrorist financing.

### ■ Organization Chart (GFCD of MUFG Bank)



## Use of Whistle-Blowing Systems

### External Certification of the Whistle-Blowing Systems

Having positioned its whistle-blowing systems as an important governance tool, MUFG has helped each Group company develop such a system to ensure their ability to promptly address and resolve any issues associated with compliance. Moreover, the MUFG Compliance Helpline operates year-round and is capable of handling a report from any Group member no matter what their location on an around-the-clock basis.

In each system, whistleblowing is handled appropriately: the Code of Conduct and company rules stipulate that the information of a whistleblower must be handled in a strict manner and whistleblowing must not result in any disadvantage.

We aim to ensure that each employee is able to quickly access this helpline whenever he/she has even the slightest suspicion regarding compliance. To this end, we let all employees know about this helpline by providing e-learning programs and by distributing carrying cards designed to communicate how to use it. At the same time, we are striving to enhance the reliability of our whistleblowing systems.

All whistle-blowing systems of MUFG and its subsidiaries -- MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Securities Holdings, Mitsubishi UFJ NICOS and ACOM -- are registered in the

Japan's Consumer Affairs Agency's Whistleblowing Compliance Management System (WCMS) certification standards\* based on self-declaration.

In the course of registration, we upgraded such aspects of these systems as whistleblower protection measures. We also let all employees know about the content of upgrades to assure them of the reliability of the system. Looking ahead, we will promote the utilization of our whistle-blowing systems to secure sustainable growth for the Group.

#### ■ WCMS (Whistleblowing Compliance Management System) symbol



\*If a company self-evaluates its whistle-blowing system and it is proved that it conforms to the certification standards, a registration agency designated by the Consumer Affairs Agency checks and registers the results of the evaluation based on an application from the company.

## Cyber Security

To provide, as a financial institution, customers with safe and sound financial services, the management of MUFG plays a leading role in the field of cyber security, taking countermeasures against increasingly sophisticated and diversified cyber-attacks and information leaks. Information assets are important resources

and information leaks can lead to serious risks, including loss of trust from customers, society and other stakeholders and the resulting loss of profits. Therefore, the Group ensures appropriate management and takes measures for risk management.

### Cyber Security Management

MUFG has published the Cyber Security Management Declaration, positioning cyber-attacks as one of the top risk sources and promoting management-level countermeasures against risk in the framework of integrated risk management. As for the cyber security management, the Group appointed a Chief Information Security Officer (CISO) who has specialized knowledge and is the executive responsible for information security. Under the CISO's leadership, it also promotes cyber security strategies effectively and efficiently. MUFG has also built a structure that helps make appropriate management decisions based on changes in the threat environment and the status of cyber security management, through reporting to the Board of Directors and Executive Committee.

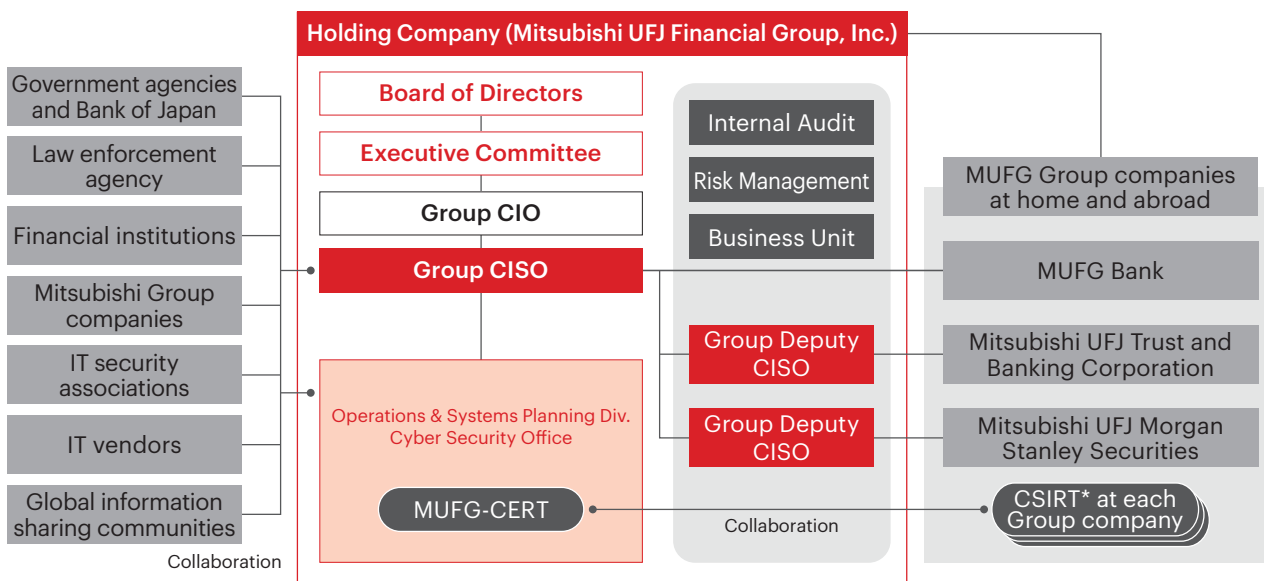
In April 2019, MUFG launched the MUFG Cyber Security Fusion

Center (MUFG-CSFC) as part of the Cyber Security Office. The new center is tasked with intelligence analyses and other cyber security-related operations. In addition, MUFG has developed a groupwide, cross-regional cyber security management structure in which the MUFG-CSFC plays a core role. Thus, MUFG monitors the status of cyber security 24/7 while ensuring that no incident is left unaddressed.

To respond immediately to cyber security incidents, MUFG is enhancing incident response teams and established MUFG-CERT to supervise the entire group. It allows the Group to be prepared for emergencies, in coordination with the Computer Security Incident Response Team (CSIRT) of each Group company.

► Details on our Cyber Security Management Declaration are available on our website. <https://www.mufg.jp/english/csr/policy/>

#### ■ Cyber Security Management Structure



\*Computer Security Incident Response Team

## Providing Cyber Security Education to Foster a Proper Culture

MUFG believes that, in addition to cultivating cyber security specialists, all the layers of organization, ranging from top management members to frontline employees, must develop accurate knowledge with regard to the varied risks they face in businesses and how to properly respond to such risks in the wake of increasingly sophisticated and complex cyber security threats.

With this in mind, all employees participate in educational programs focused on the importance of cyber security as well as drills that teach the handling of suspicious e-mails. Meanwhile, top management members attend training sessions designed to enhance their understanding of cyber security issues. When the COVID-19 pandemic prompted an increase in the number of employees choosing to work remotely, MUFG acted quickly to

call their attention to cyber security by, for example, distributing in-house newsletters.

MUFG not only strengthens its own systems for self-help, but also establishes mutual aid within the industry by participating in Financials ISAC Japan and FS-ISAC\* to improve the stability of the financial infrastructure, and places importance on public aid through information sharing and collaboration with public institutions and financial authorities. In addition to conducting cross-sectional training within the MUFG Group, MUFG participates in various exercises with external organizations on a continuous basis to strengthen the Group's crisis management system. Through these activities, the Group is contributing to the improvement of cyber security of society on a global basis.

\*They are membership organizations for financial institutions to share security-related information and analysis results. Financials ISAC is for financial institutions operating in Japan and FS-ISAC is for the United States. Mitsubishi UFJ Financial Group is a member of both organizations.