Climate Change Measures & Environmental Protection – TCFD Report –

Highlights

In order to contribute to the achievement of a sustainable society, MUFG has identified climate change measures & environmental protection as one of its priority environmental and social issues.
Acutely aware of the importance of climate-related financial disclosure, MUFG has declared its support of relevant recommendations formulated by the Task Force on Climate-related Financial Disclosures (TCFD), a special taskforce established by the Financial Stability Board (FSB). In line with these recommendations for disclosure of climate change-related risks and opportunities in its Governance, Strategy, Risk Management, and Metrics and Targets, TCFD is pursuing the following.

Status of Recent Initiatives

Recommended disclosure items	Status of progress
Governance	● Revised the MUFG Environmental Policy (May 2021) 《P.54》 – Decided at the meeting of the Board of Directors to clearly state the proactive disclosure of environment-related information in the policy ● Reflected ESG factors in the executive compensation system (effective from fiscal 2021) 《P.55》 – Reviewed the performance-linked indicators for executive compensation and reflected the degree of improvement recognized in external evaluations by ESG rating organizations in executive compensation
Strategy	● Released the MUFG Carbon Neutrality Declaration 《P.50-52》 – Committed to achieve net-zero greenhouse gas (GHG*1) emissions from the investment and loan portfolio by 2050 and net-zero GHG emissions from MUFG itself by 2030 ● Raised the target of sustainable financing 《P.72》 – Upwardly revised the target from 20 trillion yen (including 8 trillion yen for the environment) to 35 trillion yen (including 18 trillion yen for the environment) as the cumulative amount during the period from FY 2019 to FY 2030 ● Expanded the identification and disclosure of examples of risks related to climate change 《P.62-63》 ● Expanded the target sectors for scenario analysis and scenario assumptions 《P.64-66》 – Added the automotive sector to the analysis of transition risk, expanded to three sectors that included the energy and utilities sector, and added the NGFS*2 scenario to scenario assumptions
Risk management	● Added risks related to climate change to the Risk Appetite Statement 《P.67》 ● Established a management framework to address risks related to climate change on a Group and global basis 《P.68》 ● MUFG revised the environmental and social policy framework 《P.69-70》 – Tightened the policy on climate change-related sectors (coal-fired power generation, forests, and palm oil)
Metrics and targets	● [New establishment] Target to reduce CO_2 emissions through the renewable energy project finance 《P.73》 ● [Newly disclosed] Status of carbon related assets (credit balance) 《P.74》 ● [Committed to disclose by the end of FY 2022] Balance reduction target for credits related to coal-fired power generation (corporate finance) 《P.75》

*1 Greenhouse Gas
*2 Network for Greening the Financial System

Status of Response to TCFD Recommendations

Governance

Disclose the organization's governance around climate-related risks and opportunities.

a. Describe the board's oversight of climate-related risks and opportunities.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

- Governance to deal with climate change – the Board of Directors supervises climate change-related initiatives – 《P.53》
  - – Opportunities and risks related to the environment and society, including climate change, are regularly discussed by the Sustainability Committee under the Management Committee. Depending on the theme, matters are also reviewed by the Investment and Loan Committee, Credit Committee, and Risk Management Committee also under the Management Committee. The contents of the review by the committees are reported to the Management Committee and then to the Board of Directors to be reviewed.
  - – The contents of the review by the Investment and Loan Committee and the Risk Management Committee are reported to the Board of Directors after being reviewed by the Risk Committee, which is composed mainly of outside directors.
- Established the MUFG Environmental Policy, the action guideline for environmental considerations (May 2018) 《P.54》
  - – To be determined by the Board of Directors from May 2021: Clearly stated the commitment to proactively disclose information concerning the environment, including climate change
- Installed the Chief Sustainability Officer (CSuO) of the Group to strengthen our efforts to address environmental and social issues, including climate change, and to clarify our responsibilities (May 2020) 《P.54》
- Invited and utilized two external advisors for the environmental and social fields (2019) 《P.54》
- Reflected ESG factors in the executive compensation system (after FY 2021) 《P.55》
  - – Started to review the performance-linked indicators for executive compensation from FY 2021 and reflected the degree of improvement found through the external ratings granted by five major ESG rating agencies to further advance sustainability management

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.

- Released the MUFG Carbon Neutrality Declaration 《P.50-52》
  - – Declared the achievement of net-zero GHG emissions from the investment and loan portfolio by 2050 and net-zero GHG emissions from MUFG itself by 2030 (May 2021)

[Main initiatives to achieve carbon neutrality]

1. A commitment to realize decarbonization through finance
   • Setting sustainable finance targets and continuously revising the MUFG environmental and social policy framework etc.
2. Decarbonization promoted as MUFG's own initiatives
   • Switching 100% of the electricity consumed in FY 2021 at offices of the Bank, the Trust Bank, and the Securities to renewable energy sources
3. Setting targets consistent with the Paris Agreement, expanding information disclosure, and improving transparency
   • Setting targets consistent with the Paris Agreement using scientific methods, such as SBT
4. Reinforcement of systems to support the realization of carbon neutrality
   • Reaching a decision on the MUFG Environmental Policy at a meeting of the Board of Directors, and reflecting ESG factors in the executive compensation system etc.

* Science Based Targets

- Reinforcement of sustainable businesses 《P.57》
  – Established the Sustainable Business Department to further promote the provision of solutions for customers' decarbonization efforts (transitions) and innovations (July 2021)
- Promotion of support for transitions and innovations 《P.58》
  – Promoting renewable energies, hydrogen and next-generation energy sources, and carbon recycling as a priority in order to support economic development through a virtuous cycle between the environment and the economy
- Promotion of support for transitions and innovations 《P.59》
  – Promoting renewable energies, hydrogen and next-generation energy sources, and carbon recycling as a priority in order to support economic development through a virtuous cycle between the environment and the economy
- Initiatives to identify risks related to climate change and to expand the range of disclosure 《P.62-63》
  – Expanding the classification of risks related to climate change (transition risks and physical risks), identifying examples of risks, and working to expand the range of disclosure
- Reinforcement of scenario analysis 《P.64-66》

[Transition risk]

– The automotive sector was added to the two sectors, energy and utilities, and the NGFS scenario was included in the analysis, in addition to the International Energy Agency (IEA) scenario, which has been the premise of the previous analyses.

Scenario	● Various scenarios, including the sustainable development scenario (the [less than] 2˚C scenario) of the IEA and the 1.5˚C scenario that the NGFS has released
Analytical method	● An integrated approach is adopted to assess the impact by combining the bottom-up approach at the individual company level and the top-down approach at the sector level. Using this approach, the impact on credit ratings in each scenario is analyzed along with the effect on the overall financial impact of the sector's credit portfolio.
Target sector	● Energy, utilities, and automotive sectors
Target period	● Until 2050 using the end of March 2021 as the standard
Result of analysis	● Single-year basis: 1.5 billion yen to 23 billion yen

[Physical risk]

– Analyses are conducted for floods that are notable for their frequency of occurrence and damage.

Scenario	● RCP 2.6 (the 2˚C scenario) and 8.5 (4˚C scenario) published by the Intergovernmental Panel on Climate Change (IPCC)
Analytical method	● Estimated damage in the event of a flood is analyzed, and an approach to measure its impact on the overall credit portfolio using the change in default probability that the occurrence of floods would have on the credit portfolio is adopted. ● In the calculation of financial impact, the period of the suspension of the business of the borrower and the loss of assets, among other aspects, are reflected.
Target of analysis	● Flood
Target period	● Until 2050 using the end of March 2021 as the standard
Result of analysis	● Cumulative total: Approximately 38 billion yen

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

a. Describe the organization's processes for identifying and assessing climate-related risks.
b. Describe the organization's processes for managing climate-related risks.
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

- Reflection in the Risk Appetite Statement 《P.67》
  – From FY 2021, risks related to climate change have been newly added to the Risk Appetite Statement.
- Reflection in the top risk management 《P.67》
  – Risks from climate change are positioned as one of the top risks.
- A management framework concerning risks related to climate change is constructed on a Group and global basis 《P.68》
  – A project team has been established on a Group and global basis to strengthen the response to the risks related to climate change. A framework for identifying and sharing information, such as regulatory trends, and for management risks is constructed on a Group and global basis.
- Environmental and social considerations concerning finance have been practiced based on the MUFG Environmental and Social Policy 《P.69-70》
  – The policy became stricter for coal-fired power generation, forest, and palm oil sectors, which are the sectors related to climate change (June 2021).

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

- Sustainable finance 《P.72》
  – The target amount of sustainable finance that was set to be 20 trillion yen in total (including 8 trillion yen in the environmental sector) from FY 2019 to FY 2030 is revised upward to a cumulative total of 35 trillion yen (including 18 trillion yen in the environmental sector).
- The CO_2 reduction target to be achieved through the renewable energy project finance is set 《P.73》
  – A target to reduce CO_2 emissions to 70 million tons in total from FY 2019 to FY 2030 is newly set and disclosed (May 2021).
- Carbon-related assets (credit balance) 《P.74》
  – The total amount of credits in the energy and utilities sector, excluding credits for renewable power generation etc., and the breakdown by sector are newly disclosed.
- Credits related to coal-fired thermal power generation (project finance) 《P.75》
  – The loan balance reduction target to achieve a 50% reduction from FY 2019 in FY 2030 and zero by around FY 2040 is set and disclosed (October 2020).

- Credits related to coal-fired thermal power generation (corporate finance) 《P.75》
  - The corporate credits to companies whose coal-fired thermal power generation business accounts for more than 30% of their business or EBITDA are approximately 880 billion yen (as of March 31, 2021).
  - Commitment to setting and disclosing targets by the end of FY 2022 (May 2021)
- CO_2 emission intensity of project financing for the power generation businesses 《P.75》
- CO_2 emissions from MUFG through its business activities 《P.76》

MUFG Carbon Neutrality Declaration

In May 2021, we announced the MUFG Carbon Neutrality Declaration and became the first bank in Japan to publicize its commitment to achieving a net zero status in terms of GHG emissions from its investment and financing portfolio. Guided by our Purpose, "Committed to empowering a brighter future." we have also formulated detailed action plans and, in line with the MUFG Environmental Policy Statement, are determined to support a smooth transition to a decarbonized society through our business operations and help realize the goals of the Paris Agreement. In these ways, we will remain an active contributor to a virtuous cycle of environmental and economic improvement, which should ultimately result in a sustainable society.

MUFG will strive to achieve net zero in terms of GHG emissions from its investment and financing portfolio by the end of 2050 and in its own operations by the end of 2030. Moreover, we will continue the timely and appropriate disclosure of information regarding progress in our initiatives to achieve these targets.

Commitment to becoming the first bank in Japan to achieve a net zero status in terms of GHG emissions from its investment and financing portfolio with the determination of management to actively contribute to the realization of a sustainable society through a virtuous cycle of environment and economic improvement

MUFG Carbon Neutrality Declaration

Net zero greenhouse gas (GHG) emissions from our financed portfolio[*1] by 2050
Net zero GHG emissions in our own operations[*2] by 2030

The first bank in Japan

Becoming a part of the Net-Zero Banking Alliance[*3]

Set and disclose interim targets for 2030 by the end of FY 2022

Annual report of progress

Main Approaches to Achieve Carbon Neutrality

1. Commit to achieve decarbonization through financial services

- Set target for sustainable finance: \35 trillion (of this, \18 trillion for environment)
- Regularly review the MUFG Environmental and Social Policy Framework
- Disclose future credit portfolio reduction targets for corporate finance related to coal-fired power generation
- Support renewable energy and hydrogen and next-generation energy projects

2. Promote decarbonization via MUFG's own efforts

- Raise the ratio of renewable energy to purchased energy used to 100% at the domestic offices and branches of the Bank, the Trust Bank and the Securities
- Support climate change countermeasure-related technological innovation while promoting the use of carbon offsets via such activities as afforestation

3. Set targets to align with the goals of the Paris Agreement and expand and improve transparency of information disclosure

- Set targets consistent with the Paris Agreement based on scientific approaches such as SBT[*4]
- Enhance the content of information disclosure based on recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)[*5] (e.g., expand the scope of the sector subject to scenario analysis)

4. Enhance our organization to achieve carbon neutrality

- The Board of Directors was made responsible for any changes in the MUFG Environmental Policy Statement
- Reflect ESG elements in MUFG's executive compensation

*1 Scope 3 of the GHG Protocol
*2 Scope 1 and Scope 2 in the GHG Protocol
*3 An initiative of banks committed to carbon neutrality, established by the United Nations Environment Programme Finance Initiative (UNEP FI) in April 2021
An initiative of banks committed to net-zero GHG emissions in their investment and lending portfolios by 2050
*4 Science Based Targets
*5 Task Force on Climate-related Financial Disclosures
Translated with www.DeepL.com/Translator (free version)

MUFG Carbon Neutrality Declaration

MUFG is committed to tackling climate change, one of the most serious issues facing the world, and will therefore develop specific action plans based on its purpose, which is being "Committed to empowering a brighter future." In order to align with the goals of the Paris Agreement, MUFG will support the smooth transition to a decarbonized society through its financial services and proactively contribute to creating a sustainable society by fostering a virtuous cycle between the environment and economy.

MUFG commits to achieve net zero emissions in its finance portfolio by 2050 and its own operations by 2030. The following is our approach to achieve this goal; we will accelerate the implementation and promotion of specific measures, and progress will be duly disclosed throughout.

1. Commit to achieve decarbonization through financial services

❶ MUFG aims to achieve net zero greenhouse gas (GHG) emissions across its finance portfolio[*1] by 2050 and will work to set and disclose an interim milestone for 2030 in FY2022, progress of which will be reported on an annual basis. As part of this commitment, following our participation in the Principles for Responsible Banking (PRB) in 2019, we will become the first Japanese bank to participate in the Net-Zero Banking Alliance (NZBA).

❷ MUFG integrates solutions for climate change issues with its management strategies and will demonstrate appropriate engagement functions via initiatives such as setting ambitious targets for sustainable finance[*2], enhancing financing policies[*3], disclosing future credit portfolio reduction targets related to coal-fired power generation[*4 *5], and incorporating climate change risk into the credit process.

❸ In order to create a sustainable energy mix, MUFG will provide strong support not only for renewable energy but also for the implementation of innovative technologies such as hydrogen/next-generation energy and carbon recycling.
MUFG will also share issues related to decarbonization with customers while maximizing our expertise in sustainable business, and will actively support customers' efforts to decarbonize.

2. Promote decarbonization via MUFG's own efforts

❶ MUFG aims to achieve net-zero GHG emissions in its own operations[*6] by 2030. By the end of FY2021 the domestic offices and branches of core subsidiaries, the Bank, the Trust Bank and the Securities will procure 100% of their electricity from renewable sources. MUFG will also establish a fund to stimulate the renewable energy market (¥100 billion in phase one) and develop the first scheme in Japan to deal with an "end to end solution from generation to purchase" for green power, thereby leading the way for the decarbonization of society.

❷ In order to support innovative technologies related to climate change and carbon offsetting efforts such as afforestation, MUFG will positively leverage its donation program framework, which contributes the equivalent of 1% of the group operating profit to CSR activities[*7].

*1 Categorized as Scope 3 under the GHG Protocol which is the standard to measure and report GHG emissions, developed by an international organization of the same name
*2 April 2021: Increased target from ¥20 trillion to ¥35 trillion (cumulative total from FY2019 to FY2030).
*3 April 2021: Revised policies for coal-fired power generation, forestry, and palm oil sectors.
*4 Progressing toward the project finance portfolio reduction target for coal-fired power generation (to halve the FY2019 balance by FY2030, and reduce to zero by FY2040).
*5 We aim to disclose the portfolio reduction target for corporate customers whose business largely involves coal-fired power generation.
*6 Categorized as Scope 1 and Scope 2 in the GHG Protocol
*7 Since January 2021, MUFG has been running a program to plant up to approx. 100,000 trees in accordance with the number of applications for new or replacement Eco Passbooks (paper bank books commonly used in Japan to keep track of transactions and account balance) and donate a total of ¥500 million over 10 years to foster these trees.

3. Set targets to align with the goals of the Paris Agreement and expand and improve transparency of information disclosure

① MUFG will set targets to align with the goals of the Paris Agreement based on scientific approaches such as Science Based Targets, participate in global initiatives to enhance climate change solutions, and make every effort to ensure highly transparent disclosure that will benefit our stakeholders to improve their understanding and thereby make appropriate risk assessments*8.

② MUFG supports the TCFD Recommendations and will conduct scenario analyses and disclose their results on transition risks (in the energy and utility sectors) and physical risks (flooding). Going forward, we will work to further expand the scope of sectors subject to TCFD scenario analysis and improve methods for reflecting the impacts of such risk in our financials.

4. Enhance our organization to achieve carbon neutrality

① Previously the MUFG Environmental Policy Statement was approved and set by the Executive Committee, but we have enhanced governance to be approved by the Board of Directors. In accordance with the MUFG Environmental Policy Statement we will proactively disclose information related to climate change and other environmental issues.

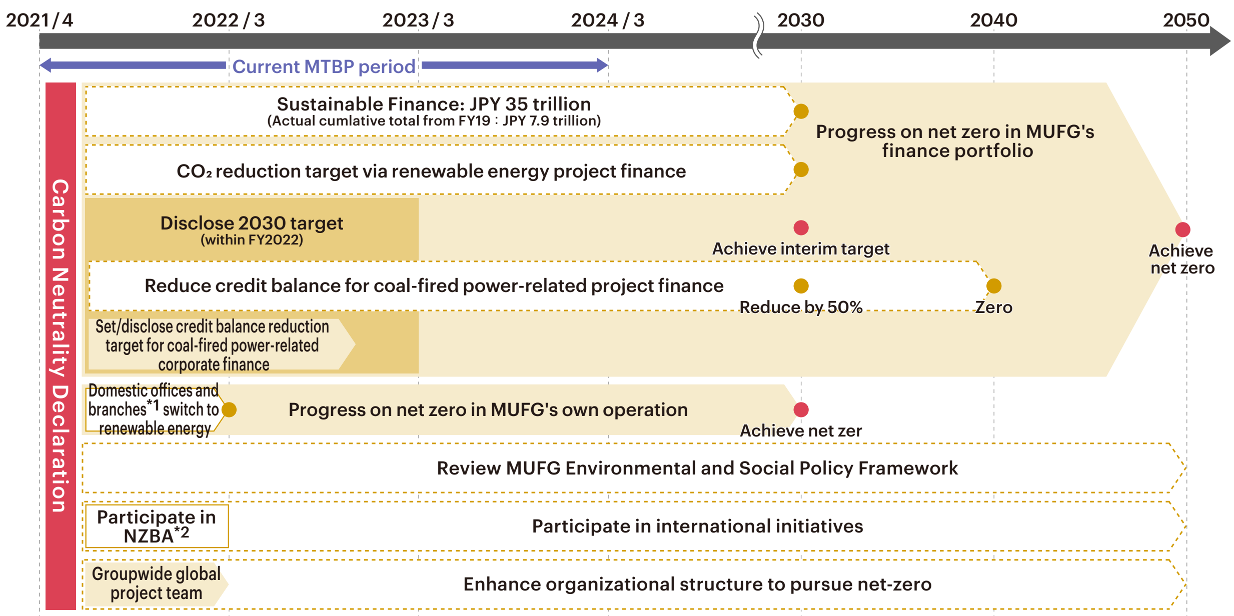
② MUFG will reflect ESG elements in its executive compensation from FY2021 and enhance strategic business management and promotion functions*9 *10, thereby accelerating our commitment to achieve carbon neutrality at the management level. Furthermore, we will establish a groupwide global project team including our overseas partner banks to support group entities and offices to lead the way for decarbonization in their respective regions based on their unique situations and circumstances.

③ MUFG will further utilize the knowledge of advisors*11 and other experts, collaborate with research institutions, and enhance and train professional staff.

*8 MUFG will set and disclose the reduction targets (previously only results were disclosed) for CO_2 emissions through its renewable energy project finance portfolio.
*9 Measures and initiatives to solve environmental and social issues are discussed regularly by the Sustainability Committee, and further deliberated on at/reported to the Executive Commitee and the Board of Directors.
*10 The position of Chief Sustainability Officer (CSuO) was created in FY2020 to clarify responsibility for promoting sustainability.
*11 Joined by a permanent external advisor in FY2019, whose expert advice and recommendations are utilized for sustainability management.

MUFG Carbon Neutrality Declaration Roadmap

Toward realization the MUFG Carbon Neutrality Declaration, we have set up a project team on a Group and global basis and have begun to consider.



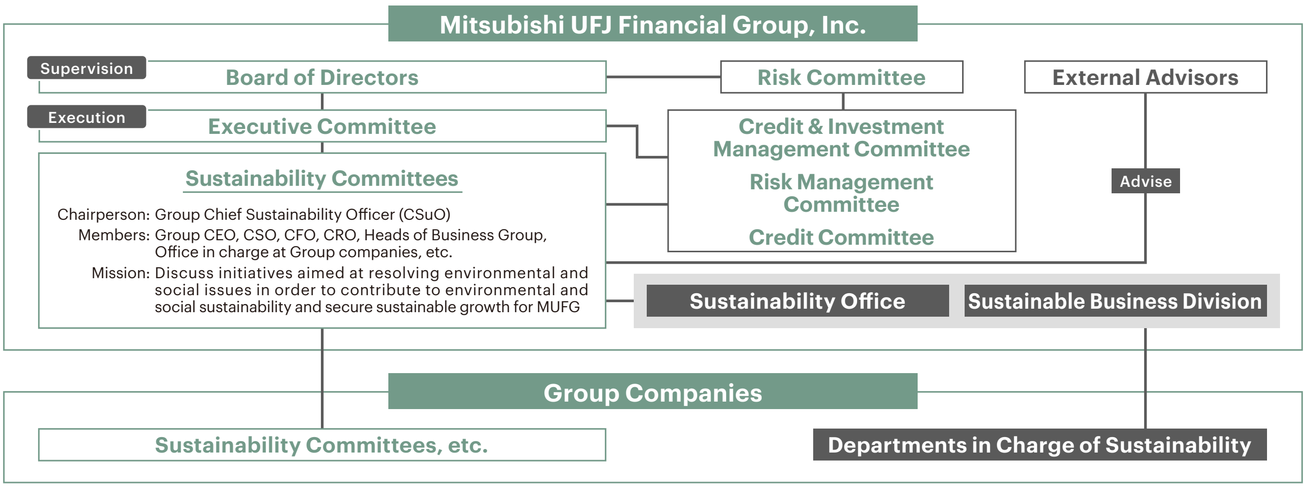
*1 The Bank, the Trust bank and the Securities HD
*2 Net-Zero Banking Alliance

Governance

MUFG's Governance for Countering Climate Change -Board Oversight of Climate Change Initiatives-

At MUFG, the Sustainability Committee, which operates under the Executive Committee, is charged with periodically deliberating policies on and determining the status of the Group's response to opportunities and risks arising from climate change and other environmental and social concerns.
MUFG has positioned climate change-related risk as one of the Top Risks 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 of which are under the direct supervision of the Executive Committee.
Conclusions reached by the above committees are reported to the Executive Committee–which is tasked with deliberating and making decisions on important matters regarding business execution–and, ultimately, reported to and discussed by the Board of Directors. In addition, matters discussed by the Credit & Investment Management Committee and the Risk Management Committee are also examined by the Risk Committee, which mainly consists of outside directors, and then reported to the Board of Directors. In these ways, the Board of Directors exercises supervision over MUFG's climate change-related initiatives.
Specifically, the Board of Directors handles issues requiring a groupwide perspective and, to this end, identifies important themes deserving intensive discussion, thereby managing these issues based on a PDCA cycle in accordance with an annual schedule. Also, sustainability management is considered an important theme. The Board of Directors actively addresses matters related to this theme through dedicated sessions in addition to deliberations at regular Board meetings.

● MUFG's Governance Structure for Countering Climate Change



● Main Items Discussed by and Reported to the Board of Directors (FY 2020)

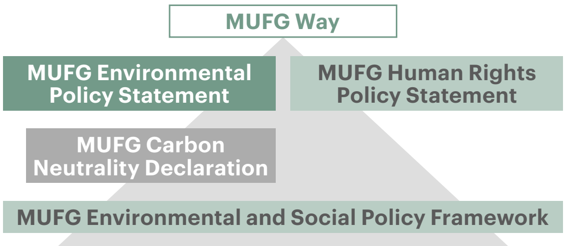
- MUFG's approach to sustainability management
- Promotion of sustainable businesses via financing for renewable energy projects, the underwriting of green, social and sustainability bonds and the pursuit of responsible investment
- Carbon neutrality initiatives
- MUFG's approach to transition finance and its in-house promotion structure
- Revision of the MUFG Environmental and Social Policy Framework
- Prioritization of various risks arising from climate change and future initiatives

Installation of Chief Sustainability Officer

MUFG has installed the Chief Sustainability Officer (CSuO) to strengthen our sustainability initiatives and to clarify responsibilities.
The Group's Chief Strategy Officer (CSO), who is in charge of corporate planning and strategy and is also a member of the Board of Directors, concurrently serves as the Group CSuO and chairs the Sustainability Committee in order to integrate sustainability initiatives with the Group's core business and management strategy.

Revision of the MUFG Environmental Policy Statement

Under the MUFG Way, which guides all of our activities, MUFG has established the MUFG Environmental Policy Statement as a specific action guideline for practicing environmental considerations.
The MUFG Environmental Policy has been the matter to be determined in the Board of Directors since May 2021. The Policy clearly states the company's commitment to proactively disclose information on the environment, including climate change.



MUFG Environmental Policy Statement

- In order to put environmental considerations into practice under the MUFG Way, environmental awareness and specific action guidelines are presented as the basis of our actions.
- The FY 2021 revision clearly states that MUFG will actively disclose information related to the environment, including climate change.

Engagement and Utilize of 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.

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

● Implementation of advisor opinion exchange meeting (November 2020)

At a meeting held in November 2020 to exchange opinions with external advisors, the participants actively exchanged opinions on the following points. Based on the opinions of external advisors gained through the opinion-exchange meeting and other events, MUFG will promote the integration of its sustainability initiatives with its core business and further promote the resolution of social issues.

- Change in social awareness concerning capitalism and the role of companies
- Global trends, such as the rapid rise in awareness toward sustainability brought about by the COVID-19 pandemic, and a mission as a financial institution under these circumstances

A Heightened Metric for ESG-Related External Ratings is Newly Installed as an Evaluation Index of the Executive Compensation System

MUFG has 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 found through the external ratings granted by five major ESG rating agencies* for executive compensation. The intention is to align MUFG's corporate activities with the interests of its diverse stakeholders.

※MSCI、FTSE Russell、Sustainalytics、S&P Dow Jones、CDP

Compensation Ratio*1

1	1		1
Annual base salary	Stock compensation		Cash bonuses
	Non-performance-based	Medium-to long-term performance-based*2	Short-term performance-based*2

Medium- to long-term achievement evaluation ···①

- Consolidated ROE · Consolidated expenses reduction amount · Improvement of external ESG rating Newly established

Competitor comparison evaluation···②

- Consolidated net operating profits · Profits attributable to owners of parent

Single fiscal year*1*3*4

- Consolidated net operating profits · Profits attributable to owners of parent · Consolidated ROE · Consolidated expense
- Status of individual execution of duties (example)
  - Improvement in customer-segment profitability
  - Risks handling
  - Advances in ESG-related initiatives to promote sustainability management*5
  - TSR, etc. Newly established

①Medium- 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.

②Competitor 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.

*1 For the president of the holding company
*2 Variation range: 0 to 150%
*3 For executive officers, the Compensation Committee decides only by independent outside directors.
*4 Percentage of increase/decrease in indicators compared to the previous year and percentage of achievement compared to target
*5 Includes contribution to the resolution of environmental and social concerns, improvement in employee engagement and the strengthening and upgrading of MUFG's governance structure.

Strategy

The TCFD recommendations propose that climate change-related risks and opportunities be disclosed upon grasping impacts on business strategy and finances.

Climate Change-Related Opportunities

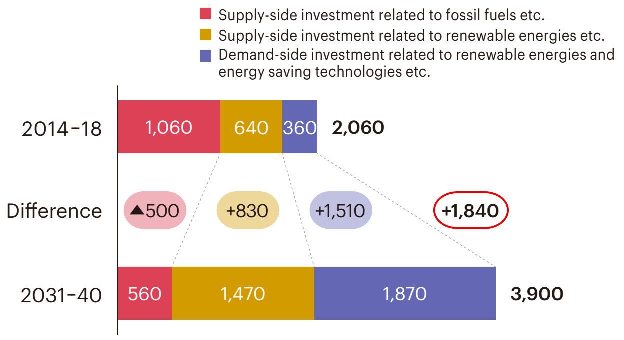
As a financial institution, MUFG recognizes that supporting climate change measures and the transition to a decarbonized society will lead to increased business opportunities.
MUFG announced a target of providing a cumulative 35 trillion yen in sustainable finance by 2030.
We intend to commit 18 trillion yen of finance in the environmental field, including initiatives to counter climate change that will lead to the reduction of greenhouse gas emissions and the conservation of the global environment. We promote renewable energy through project finance, etc., issue MUFG Green Bonds, which ensure that the net proceeds are allocated to the Eligible Green Projects, provide commodities and services aimed at mitigating environmental loads, encourage the climate change countermeasure consulting business and so on. By doing so, we support the transition to a decarbonized society.

Expansion of Capital Investment Related to Climate Change

Demand for Capital Investment is Expected to Increase Because of the Promotion of Initiatives in Various Industries to Achieve Virtually Zero GHG Emissions

Net annual increase of 1.84 trillion USD (2031-2040)

Global average annual capital expenditure forecast*1
(Unit: 1 billion USD)



*1 Prepared by MUFG based on the September 2020 IEA report, Making Mission Possible

Green Finance Opportunities

- Major companies in the oil and gas sector have already announced plans to increase their capital expenditures related to renewable energies in order to achieve a decarbonized society.
- According to a CDP*1 survey, more than half of the 500 large Japanese companies have already set targets for decarbonization equivalent to the SBT*2 certification, or plan to do so within the next two years.
- Green bonds and green loans to support investment plans are a great business opportunity for financial institutions.

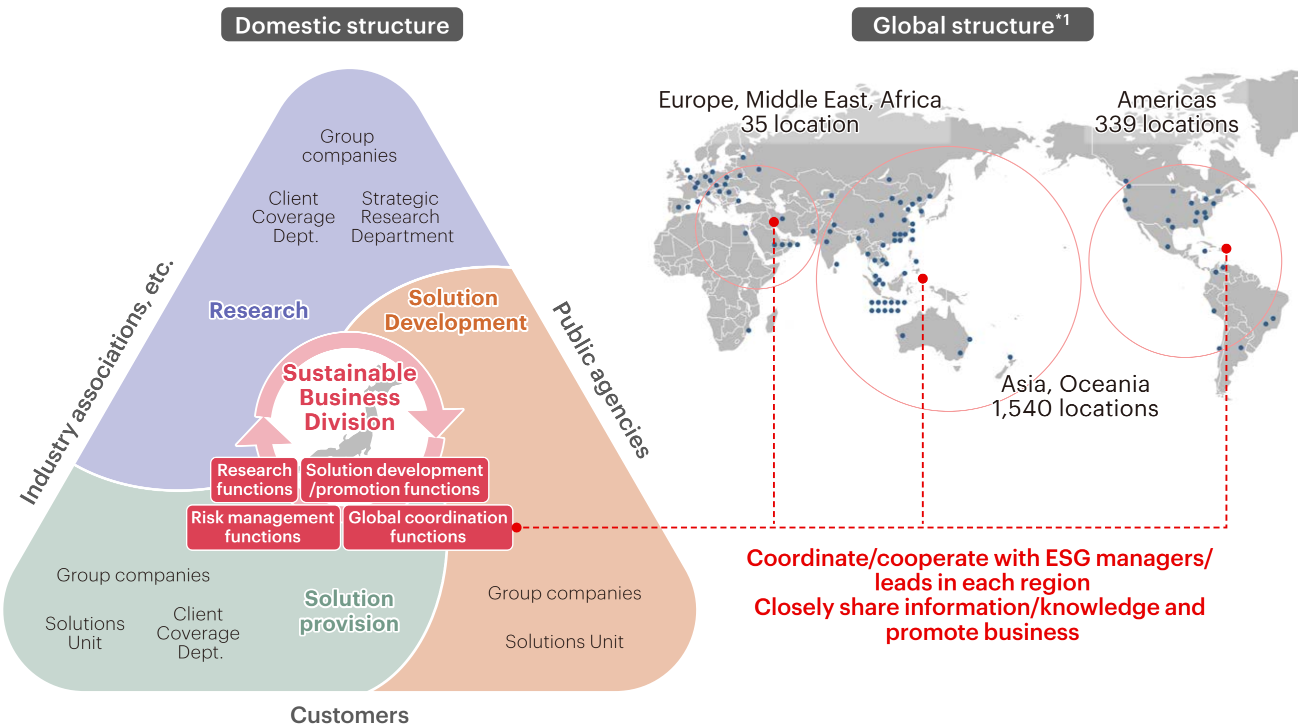
*1 CDP (formerly the Carbon Disclosure Project) is a project in which institutional investors around the world collaborate to require companies to disclose their climate change strategies and the specific amount of greenhouse gas emissions. MUFG has participated in the project since 2004.
*2 Science Based Targets

▶ Please refer to page 72 for details on the sustainable finance target.

Strengthening Sustainable Businesses Capabilities

Toward the realization of carbon neutrality, MUFG aims to support customer efforts to transform business models as well as the climate transition of whole industries. To this end, we provide solutions designed to assist customers in their pursuit of transition and innovation aimed at promoting decarbonization.
In July 2021, we established Sustainable Business Division by reorganizing and upgrading the Sustainable Business Office into an independent division, with the aim of further promoting solutions for sustainable businesses. This body is expected to play a central role in MUFG's efforts to promote sustainable businesses and, to this end, will be tasked with engaging in dialogue with government agencies and industrial associations while handling missions ranging from research, strategic planning and solution development to business execution. In addition to addressing sustainability issues in Japan, the division will act in close collaboration with individuals in charge of ESG overseas, share information and insights with them and employ a cross-regional approach to promote sustainable businesses.

● Enhance business promotion domestically and globally, centered on the Sustainable Business Division



*1 Number of locations as of the end of March 2021; multiple branches or a branch and branch office in the same location are counted as a single location (Including partner banks and Adira Finance locations)

Pushing Ahead with Climate Transition and Innovation Support

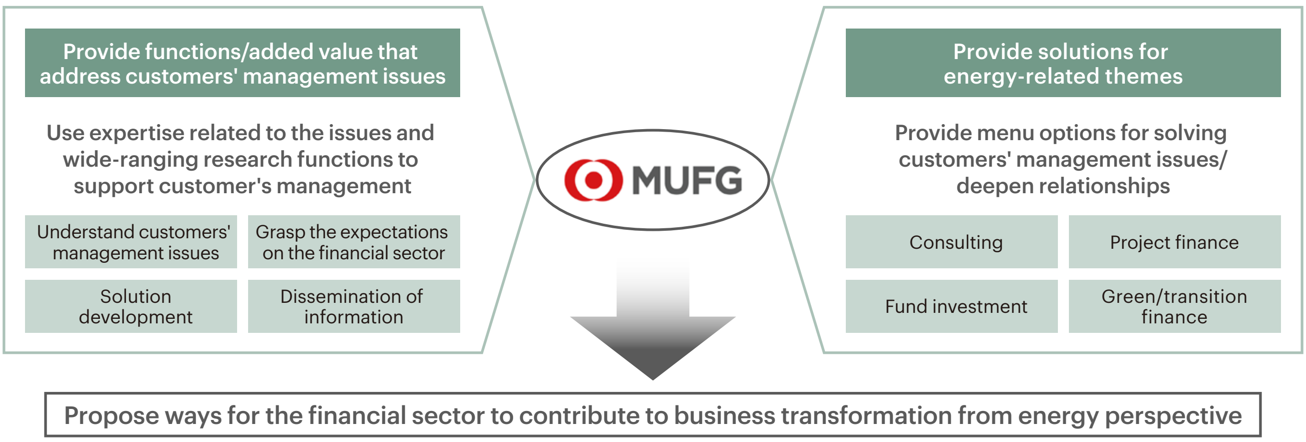
With the aim of facilitating the realization of a sustainable society via a virtuous cycle of environmental and economic improvement, we intend to extend strong support to the pursuit of technological innovation in such fields as renewable energy, hydrogen and next-generation energy and carbon recycling.
In terms of supporting climate transition, we have been proactively engaged in dialogue mainly with customers in the energy and utility sectors. Looking ahead, we will also reach out to those in the transportation, steelmaking, non-ferrous metals, chemicals and other sectors, with staff at the Sustainable Business Division and others in charge of sales at home and abroad playing a key role in upgrading MUFG's relevant initiatives.
With regard to innovation support, we will consider and implement a new financial service scheme in tandem with customers, with the aim of supporting new business endeavors, including R&D and verification testing, to contribute to the realization of carbon neutrality.

Active Implementation of Activities to Support Energy Transformation

In December 2021, the Japanese Corporate & Investment Banking Business Group launched the Energy Transformation Strategy Project Team (EX Strategy PT).
In order to support the customers' energy transformation, the team is exploring how the financial sector as a whole can contribute to customers, while engaging in dialogs with customers, industry associations, and government agencies.

- Hold dialogs with customers, industry associations, and government agencies while supporting carbon neutrality for Japan as a whole
- Provide added value across the entire value chain, from research functions to solution provision
- Investigate what and how transition support should be for realistic solutions in Japan and Asia
- Leverage group companies' and global expertise, and cooperate with related departments such as the client coverage dept., the Solutions Unit (including the Sustainable Business Office), the Sustainability Office, etc. to support customers' business transitions

The goals of the EX Strategy PT



Supporting Transitions through Engagement (Dialogue)

With the aim of facilitating the realization of a sustainable society via a virtuous cycle of environmental and economic improvement and a smooth transition to a decarbonized society, we conduct ongoing engagement (dialogue) with our customers on their transition initiatives.

In addition to connecting customers' issues in transition initiatives to our own business opportunities, we also discuss the risks associated with climate change responses, etc., to gain a deeper understanding of our customers and support their transitions.

● Example of engagement

Customer	Status of implementation
Company A (Domestic, Manufacturing equipment)	● MUFG held several dialogues and discussions with the company's management in order to understand the company's approach to sustainable management, which aims to solve ESG issues through its business activities. ● The company is focusing on sustainable management based on its long-term management plan for 2030 and its medium-term management plan to achieve the goal. In order to further promote the sustainable management, the Bank provided information on the approach to sustainable finance and specific examples. ● The company has set ambitious targets for 2030 based on the Science Based Targets (SBT) initiative for CO_2 emission reduction, as a one of its environmental goals. To support its commitment to achieve these targets, the company provided a sustainability-linked loan with SPT as an intermediate milestone target.
Company B (Domestic, Maritime)	● By integrating ESG into its business strategy, the company aims to maximize profits and achieve social and environmental sustainability from a long-term perspective, and has formulated a long-term transition strategy to reduce GHG emissions. ● Through continuous dialogue with the company, MUFG supported the issuance of bonds based on the Green Bond Principles 2021 (ICMA) and other frameworks to raise funds to realize the transition strategy. ● As the first transition bond issued in Japan, the company aims to expand its funding sources and accelerate its efforts to reduce greenhouse gas emissions by expanding its low-carbon solutions and developing and introducing decarbonization solutions. The issuance of the bond will also contribute to the broad promotion of the company's growth strategy based on ESG management.
Customers in the electric power and oil and gas sectors, etc. (Domestic)	● MUFG will continue to work toward achieving carbon neutrality by 2050 for both MUFG and the company by deepening mutual understanding through regular updates on ESG and finance trends in Japan and overseas in cooperation with the MUFG Group, bridging the gap between stakeholders with different positions by providing opportunities for dialogue with the Ministry of Economy, Trade and Industry, the Agency for Natural Resources and Energy, and overseas investors, and sharing awareness of issues through regular dialogue among top management.
Company C (Canada, O&G)	● Top executives from MUFG Americas and the company met to discuss the company's business position and operations including integration within the North American energy supply chain, as well as company's ESG policies including Net-zero emission by 2050, Indigenous Engagement, Land Reclamation & Wildlife Habitat Restoration, and Freshwater Stewardship. ● MUFG participated in an ESG materiality assessment with the company and its third-party advisor, providing them with MUFG's perspective and inputs on environmental, social and governance items. The feedback from this assessment has helped the company further set meaningful ESG targets and establish/refine key sustainability priorities.
Company D (Australia, Transportation)	● Rail freight operator, who transports varied mix of freight cargo including thermal coal, was seeking investor engagement in relation to ESG. MUFG recommended the company to leverage the release of its inaugural ESG report as a way to get on the "front foot" from an ESG perspective and conduct an ESG-specific global investor update, providing investors with greater visibility into the company's sustainability strategy. ● MUFG facilitated the investor marketing exercise, conducting a global investor update covering investors from Australia, Asia, UK and US. Through this exercise, MUFG supported the company in reconfirming the market expectations towards ESG integration into the company's strategy and establishment of appropriate targets, encouraging the company to accelerate setting its ESG strategy.

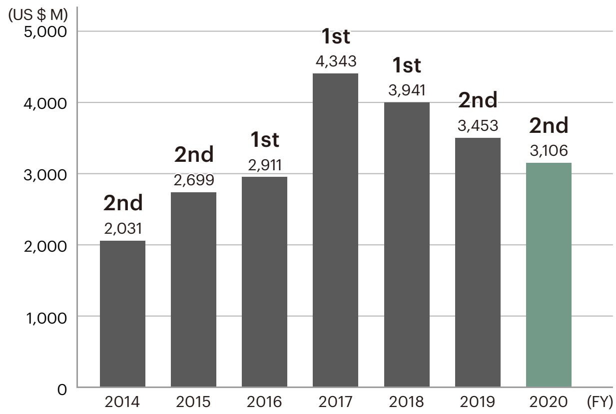
* MUFG Americas Holdings Corporation

Promotion and Expansion of Renewable Energies

Renewable Energy Projects Finance

MUFG is one of the world's top performers in the private global finance sector in the Finance Lead Arranger league table related to renewable energy projects. In May 2021, MUFG set a target of reducing CO_2 emissions through project finance for renewable energy projects by a cumulative total of 70 million tons from FY 2019 to FY 2030. This is equivalent to the annual CO_2 emissions of about half of the households in Japan.

▶ Please refer to page 73 for details on our CO_2 reduction targets through project finance for renewable energy.



Source: Bloomberg New Energy Finance ASSET FINANCE / Lead Arrangers LEAGUE TABLE

Establishment of a Solar Fund (Ecology Trust)

The Trust Bank has been offering solar funds every year since FY 2018 as an investment product.
The project has been well received by investors, who say that now they now have a new investment option for solar power generation that produces a stable profit.

Cumulative amount of the fund	Total amount of power generation
17.9 billion yen (cumulative since FY 2018)	Electric energy usage of **13,000 households**

The Trust Bank has been actively investing in renewable energy with investment totaling 29 power plants, 288 MW, and 123 billion yen (excluding already established funds). The Trust Bank is also contributing to regional revitalization, by focusing on projects closely related to local businesses, governments, and residents.

Execution of Green Loans and Green Private Placement Bonds

The Bank provides green loans and green private placement bonds as a means for customers to raise funds to be used for green projects.

Main activities of FY 2020

- Closed a green private placement bond deal with Looop Inc
- Closed a green loan deal with West Energy Solution Inc.
- Closed a green loan deal with Iino Kaiun Kaisha Ltd

Support Environmentally Friendly Management

● Energy Conservation Support Loan (With 1% Interest Subsidy)

This product makes use of the Ministry of Economy, Trade and Industry's subsidy program for the promotion of upgrading facilities to improve energy efficiency. Under this program, the borrower can receive a maximum 1% subsidy for up to 10 years for the interest on loans made for the installation of energy-efficient equipment.

● Environmental Accounting-CO_2 Reductions and Economic Effect through Financing

Please refer to page 144 details on our environmental accounting.

Products and Services for Reducing Environmental Impacts

MUFG is working behind the scenes to reduce environmental impacts by providing products and services for customers who aim to be environmentally conscious.

● Evaluation Methodology and Loan-Related Product that Aligned with ESG Activities "ESG Evaluation loans for J-REIT"

The Bank offers the loan product, "ESG Evaluation loans for J-REIT" using "MUFG ESG Evaluation for J-REIT supported by JCR"* which is provided by Mitsubishi UFJ Research and Consulting. The entire loan or portions directed towards J-REITs which have received the top three ratings of MURC's ESG evaluation may be preferentially allocated for the usage of the proceeds of the MUFG Green Bonds only if loans to Eligible Green Projects. Through the loan products related to ESG, we are not only able to support the customers' funding methods, but also support customers' business challenges and offer solutions as well.

* Mitsubishi UFJ Research and Consulting offers evaluation and ratings to J-REITs which aspire and conduct ESG management.
The ESG evaluation methodology provided by MURC supports J-REITs in recognizing its current conditions and challenges regarding ESG activities.

Green Bonds Underwriting

The Securities is a leading Green Bonds underwriter since the inception of the market and top-ranked house in terms of volume and number of transactions where they acted as Structuring Agent*1.

*1 A company that supports the issuance of green bonds through the development of a green bond framework and other means.

They have joined the Climate Bonds Partners Programme of Climate Bonds Initiative*2 since 2019. Together with CBI, they aim to make a contribution to growing the Green Bonds market.

*2 The Climate Bonds Initiative is an international organization based in London that works to promote investment in the projects and assets needed for a rapid transition to a low-carbon, climate durable economy. The Climate Bonds Parteners Programme supports investor and stakeholder activities and educational projects to grow sustainable green bond markets that contribute to climate change response and low carbon investment.

● Cumulative underwriting of public yen-denominated green bonds

Rank	Underwriter	Number of projects	Volume (hundred million yen)	Share(%)
1	Mitsubishi UFJ Morgan Stanley Securities	94	4,146.9	24.5
2	Mizuho Securities	96	3,720.7	22.0
3	SMBC Nikko Securities	98	3,204.3	18.9
4	Nomura Securities	73	3,003.1	17.7
5	Daiwa Securities	60	2,298.9	13.6

Source:
Data from DealWatch by Thomson Reuters and compiled by Mitsubishi UFJ Morgan Stanley

Climate Change Risks -Transition Risks and Physical Risks-

There are two kinds of climate change-related risk. First, there are risks arising in the course of the transition to a decarbonized society, such as stricter regulation and the introduction of decarbonizing technologies (transition risks), and second, there are risks arising from physical damage due to the growing occurrences of climate change-induced natural disasters and abnormal weather (physical risks).
Financial institutions are required to address both risks, which may directly impact their own business activities and indirectly affected due to impacts on clients.

Based on the suggestions of the TCFD, MUFG has summarized the examples of physical and transition risks for each of the major risk categories. The timelines (short, medium, and long term) are also organized by risk category.
In addition, to prepare for the risk of damage to our employees and assets due to an increase in natural disasters and extreme weather events, we conduct various drills and formulate a business continuity plan (BCP) to ensure business continuity.

Examples of transition risks	
Policies, laws and regulations	● Increase in the cost due to GHG emissions by the introduction of a carbon tax ● Strengthened obligation to report emissions ● Regulations on existing products and services ● Subject of lawsuits
Technology	● Switch to existing products and services with lower GHG emissions ● Setback in the investment in new technologies ● Cost of transition to low emission technologies
Market	● Changes in customer behavior ● Uncertainty in market signals ● Raw material price hike
Reputation	● Changes in consumer preferences ● Narrowing of sectors ● Increased stakeholder interest and negative feedback to stakeholders

Examples of physical risks	
Acute	● Increased severity of extreme weather events, such as typhoons and floods
Chronic	● Changes in precipitation patterns and extreme fluctuations in weather patterns ● Increase of average temperature ● Sea level rise

Examples of Impacts of Transition Risks and Physical Risks

MUFG has organized examples of impacts (examples of potential risks) of climate change on each of the major risk categories of the physical and transition risks. Risks are classified mainly around the following six categories. In the future, the classification of the risks and examples will be reviewed in response to changes in the environment.

● Example of Transition and Physical Risks

Risk categories	Examples of transition risk	Examples of physical risk	Time frame*
Credit risk	● Our corporate clients' business activities and financial positions may be negatively affected if they fail to live up to government policies, regulatory requirements, customer requests or evolving trends in technological development.	● Extreme weather may cause direct damage to assets held by our corporate clients and/or have a negative spillover effect on their business activities and financial positions by indirectly impacting their supply chains	Short- to long-term
Market risk	● The transition to a decarbonized society may negatively impact certain business sectors, making the value of relevant securities held by MUFG and/or financial instruments deriving from them highly volatile.	● The impact of extreme weather may induce market turmoil and make the value of securities held by MUFG highly volatile. ● The value of securities held by MUFG may become volatile due to changes in market participants' medium- to long-term outlook on the impact of extreme weather and their expectations regarding countermeasures against the phenomenon.	Short- to long-term
Liquidity risk	● If its credit ratings deteriorate due to such factors as delays in its response to transition risks, MUFG may face limitations on methods for funding from the market and thus growth in risks associated with fundraising.	● Corporate clients suffering damage from extreme weather may choose to withdraw their deposits or heavily utilize commitment lines to secure funds for reconstruction, leading to a growing volume of cash outflows from MUFG.	Short- to long-term
Operational risk	● Spending on capital investment may grow due to the need for measures aimed at reducing CO_2 emissions and enhancing business continuity capabilities.	● Extreme weather may cause damage to MUFG's headquarters, branches and/or data centers and lead to the disruption of their operations.	Short- to long-term
Reputation risk	● If MUFG's plans and efforts to realize carbon neutrality are deemed inappropriate or insufficient by external stakeholders, it may suffer from reputational damage. ● MUFG may suffer from reputational damage and/or deterioration in its status as an employer due to the continuation of relationships with business partners that fail to give due consideration to environmental concerns or delays in its transition to decarbonization.	● If MUFG's efforts to support customers and communities affected by extreme weather are deemed insufficient, it may suffer from reputational damage or a resulting disruption of operations.	Short- to long-term
Strategic risk	● If MUFG fails to live up to its public commitment to supporting the transition to a decarbonized society, its capabilities for strategic execution may be negatively affected by a deterioration in its reputation.	● MUFG may fail to meet the goals of its strategies and plans if it fails to properly factor in the direct impact of extreme weather in the course of long-term management planning.	Medium- to long-term

* Short-term: less than one year; medium-term: one to five years; long-term: more than five years

Scenario Analysis

The TCFD recommendations recommend conducting scenario analysis using multiple scenarios to demonstrate the flexibility and resilience of companies' plans and strategies to risks related to climate change.
Since the summer of 2019, MUFG has been a participant in the pilot project led by the United Nations Environment Programme Finance Initiative (UNEP FI) with the objective of discussing and developing methods for climate change-related financial information disclosure for the banking industry. Based on the results of examination conducted in the pilot project, MUFG has implemented scenario analysis of transition risks and physical risks for the period from 2020 to 2050.
In addition to the results of the above-mentioned pilot project, the scenario analysis reflects the results of verification by external experts.

Transition Risk

The automotive sector is added to the existing two sectors of energy and utilities. Also, the scenario analysis is conducted, including the NGFS scenario released by the Network for Greening the Financial System (NGFS) in this June, in addition to the scenario of the International Energy Agency (IEA), which has been the premise of our analysis.

Physical Risk

The analysis is based on the scenario released by the Intergovernmental Panel on Climate Change (IPCC) for floods, which have been particularly prominent in recent years in terms of frequency of occurrence and damage level.

		Last time	This time
Transition risk	Target sector	Energy (Japan, overseas) Utilities (Japan, overseas)	Energy (Japan, overseas) Utilities (Japan, overseas) Automobiles (Japan, overseas)
	Scenario	IEA 2˚C, 4˚C scenarios	Various scenarios including IEA and NGFS 1.5˚C scenarios
Physical risk	Target of analysis	Floods (Japan, overseas)	
	Scenario	IPCC 2˚C, 4˚C scenarios	

Results of Scenario Analysis

Under the scenarios and assumptions analyzed and applied this time, the transition risk (for the energy, utilities, and automotive sectors combined) ranges from 1.5 to 23.0 billion yen on a single-year basis.
In addition, it is confirmed that the cumulative amount of physical risk (flood damage) is approximately 38 billion yen.

Both the transition risk and physical risk have a limited impact on the credit portfolio in this scenario analysis. MUFG will continue to work towards expanding the number of target sectors and improving the way in which risks are reflected in the financial impact.

Transition Risk

Based on the results of the UNEP FI pilot project, a comprehensive approach was adopted for the measurement method, combining the bottom-up method at the individual company level and the top-down method at the sector level to assess the impact.
In addition to the sustainable development scenario (the [well below] 2°C scenario) released by the IEA, the NGFS scenario was used as an assumption. Then, in addition to the (well below) 2°C scenario, the 1.5°C scenario was analyzed on the impact on the credit ratings under each scenario, as well as analyzing the financial impact on an applicable sector's overall credit portfolio.

Scenario	● Various scenarios, including the sustainable development scenario (the [less than] 2°C scenario) of the IEA and the 1.5°C scenario that the NGFS has released
Analytical method	● An integrated approach is adopted to assess the impact by combining the bottom-up approach at the individual company level and the top-down approach at the sector level. Using this approach, the impact on credit ratings in each scenario is analyzed along with the effect on the overall financial impact of the sector's credit portfolio.
Target sector	● Energy, utilities, and automotive sectors
Target period	● Until 2050 using the end of March 2021 as the standard
Result of analysis	● Single-year basis: 1.5 billion yen to 23 billion yen

Physical Risk

Among the risks associated with physical damage caused by climate change, we adopted an approach to measure the impact on the overall credit portfolio using the default probability of a borrower that has changed because of the occurrence of floods, which have been particularly prominent in Japan and other countries in recent years in terms of both frequency of occurrence and damage level.

The climate scenarios are based on the RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) scenarios from the Coupled Model Intercomparison Project 5 (CMIP5) released by the Intergovernmental Panel on Climate Change (IPCC). The RCP8.5 scenario, which expects floods to be more frequent and larger in magnitude, was analyzed to estimate the damage caused by floods using data* provided by various organizations.

In calculating financial impacts, in consideration of discussions conducted within the UNEP FI pilot project, we have reflected business suspension periods, loss arising in held assets and so on.

* Source: Hirabayashi Y, Mahendran R, Koirala S, Konoshima L, Yamazaki D, Watanabe S, Kim H and Kanae S (2013) Global lood risk under climate change. Nat Clim Chang., 3(9), 816- 821. doi: 10.1038/nclimate1911.

Scenario	● RCP 2.6 (the 2°C scenario) and 8.5 (4°C scenario) published by the Intergovernmental Panel on Climate Change (IPCC)
Analytical method	● Estimated damage in the event of a flood is analyzed, and an approach to measure its impact on the overall credit portfolio using the change in default probability that the occurrence of floods would have on the credit portfolio is adopted. ● In the calculation of financial impact, the period of the suspension of the business of the borrower and the loss of assets, among other aspects, are reflected.
Target of analysis	● Flood
Target period	● Until 2050 using the end of March 2021 as the standard
Result of analysis	● Cumulative total: Approximately 38 billion yen

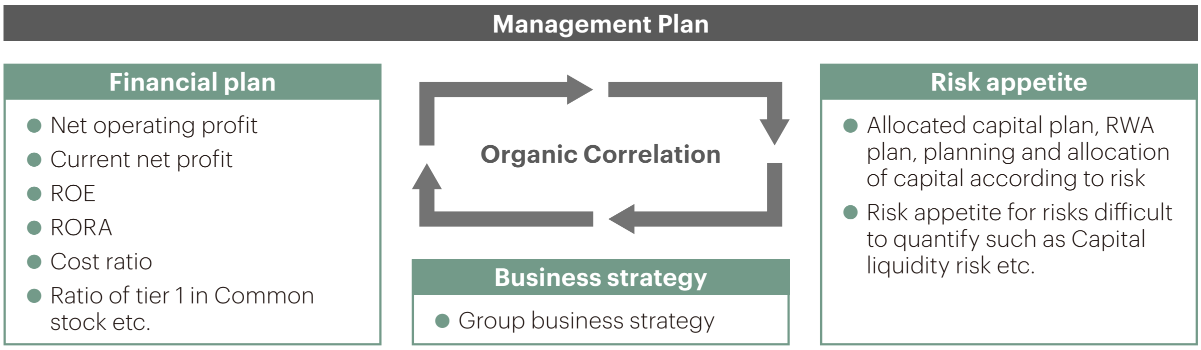
Risk Management

Reflection in the Risk Appetite Framework

From FY 2021, the risks related to climate change have been newly added to the Risk Appetite Statement. We aim to establish, maintain, and further develop a framework for appropriately managing risks related to climate change.

Outline of the Risk Appetite Framework

The Risk Appetite Framework is a framework for clarifying the risk appetite (the type and amount of risk to be undertaken) to achieve MUFG's business strategy and financial plan and for conducting business management and risk management.



Climate Change-Related Risk in Enterprise Risk Management -Top Risk Management-

In the "Top Risk Management" approach that MUFG primarily adopts for enterprise risk management, we consider the risks arising from climate change as one of the Top Risks.
We also recognize that climate change-related risks are likely to become apparent and worsen in the medium to long term.
In MUFG and its core subsidiaries, management is regularly engaged in discussions regarding the Top Risks to gain a further understanding of the risk recognition, and to develop appropriate risk control countermeasures.

Top Risk Management

MUFG defines a risk event as a loss that could be brought on to the Group as a result of the materialization of various risk scenarios and determines the importance level based on the impact and probability of the event. Risk events that should be paid most attention to over the next year are identified as Top risks.

Construction of a Management Framework to Address Change on a Group and Global Basis

MUFG has established a project team on a group and global basis to strengthen the response to risks related to climate change. The team will implement appropriate measures by identifying and sharing information on regulatory trends etc. and by establishing a framework for risk management on a group and global basis.

To consider a management framework for risks related to climate change, a project team is established with the Group Chief Risk Officer (CRO) as the lead and with participation of the CROs from the Bank, Trust Bank and Securities, as well as regional CROs.

Main Items to be Considered and Provided a Response

- Consideration of methods for classifying and analyzing risks related to climate change, setting risk appetites, and reflecting them in credit risk management (e.g., reflecting them in credit rating systems)
- Implementation of scenario analysis in the area of credit risk and considering scenario analysis methods in the area of market risk
- Organization of risk recognition related to transition risks and physical risks through case studies

Environmental and Social Risk Management in Finance

We implemented MUFG Environmental and Social Policy Framework to manage environmental and social risks associated with our financing*. Concerning coal-fired power generation, mining (coal), oil and gas, and other specific sectors in which concerns are raised over environmental and social impacts, including climate change, we have established our finance policy and a due diligence process to identify and assess the environmental and social risks or impacts associated with transactions has been introduced.

* Credit, bond and equity underwriting for corporate clients of MUFG's main subsidiaries, the Bank, the Trust Bank and the Securities.

● MUFG Environmental and Social Policy Framework

MUFG Way and Code of Conduct

MUFG Environmental Policy Statement | **MUFG Human Rights Policy Statement**

Mitsubishi UFJ Financial Group, Inc.

Mitsubishi UFJ Financial Group, Inc.

Prohibited Transactions

- Illegal transactions and transactions for illegal purposes
- Transactions which violate public order and good morals
- Transactions that negatively impact wetlands designated under the Ramsar Convention
- Transactions that negatively impact UNESCO designated World Heritage Sites
- Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)
- Transactions involving the use of child labor or forced labor

Restricted Transactions

Cross-sectoral items	● Impact on Indigenous Peoples Communities ● Land expropriation leading to involuntary resettlement ● Impact on High Conservation Value areas
Sector specific items	● Coal Fired Power Generation Sector ● Mining sector (coal) Tightening ● Oil and Gas sector -Oil sand sector -Development of the Arctic Sector ● Large Hydropower Sector ● Forestry sector Tightening ● Palm oil sector Tightening ● Cluster Munitions Manufacturing Sector ● Inhumane Weapons Sector (Nuclear weapons, biological and chemical weapons, and anti-personnel mines)

● Due Diligence Process for Financing

Standard Due Diligence

The department in the relevant business division of each Core Subsidiary responsible makes the decision regarding categorization of the transaction as a "Prohibited Transaction" or "Restricted Transaction" is made based on available public information and information provided by the client.

Enhanced Due Diligence

If the transactions categorized as "Restricted Transactions", it is implemented by the department responsible for management of environmental and social risks in each Core Subsidiary.

Executive Management Discussion Addressing Reputational Risk

Transactions assessed as having the potential to have significant negative impacts on the corporate value of MUFG are evaluated with the involvement of executive management.

Policies on the Sectors Related to the Environment, Including Climate Change

Since its establishment in May 2018, the MUFG Environmental and Social Policy Framework has been periodically reviewed in response to changes in business activities and the business environment.

● Environment-related policies in the MUFG Environmental and Social Policy Framework

Revised in Apr. 2021	2018	2019	2020	2021	
Coal-Fired Power Generation	adopted	revised		revised	● Further restricted the policy to prohibit financing to expansion of existing facilities; stipulation made that any consideration will be made on individual basis from a more restrictive perspective – MUFG will not provide financing to new coal fired power generation projects or expansion of existing facilities. However, coal-fired power generations equipped with CCUS*, mixed combustion, and other technologies necessary to achieve the Paris Agreement target may be considered on an individual basis.
Forestry		adopted		revised	● Confirm no illegal logging or deforestation in areas of high conservation value are taking place
Palm Oil		adopted		revised	● Request our clients to publicly commit to NDPE (No Deforestation, No Peat and No Exploitation), or provide with action plans to accomplish this if such commitment has not yet been made
Mining (coal)		adopted			● Not provide any financing to coal mining projects using the mountaintop removal (MTR) method ● Assess the impacts that the development will have on local ecosystems, relationships with local residents, and occupational safety and health issues
Oil and Gas (Oil sand, Development of the Arctic)			adopted		● Assess the impacts on ecosystems and indigenous communities affected by the developments
Large Hydropower			adopted		● Assess the impact that the dam construction will have on the ecosystem, local communities, and the living

* CCUS: Carbon dioxide Capture, Utilization and Storage

Awarded Silver in the Indirect Financial Service Category in the Second ESG Finance Awards Japan (Minister of the Environment Award)

At the award ceremony organized by the Ministry of the Environment of Japan, the Bank received the Silver Award in the Indirect Finance Sector Category, which recognizes the initiatives of institutions and organizations that actively conduct evaluations and reviews that take ESG factors into account, as well as financing and support based on these evaluations and reviews. One of the initiatives that was recognized was the relatively broad coverage of the MUFG Environmental and Social Policy Framework and the fact that reevaluations are conducted as necessary.

▶ Related: P.140

Response to Climate Change-Related Risks Based on the Equator Principles

The Equator Principles is an international framework developed to identify, assess, and manage potential environmental and social risks and impacts of large-scale projects, including infrastructure and natural resource development. The Bank conducts environmental and social risk assessment based on the Principles prior to extending loans.

Regarding climate change risks, in addition to examining technically and economically feasible options that contribute to reducing GHG emissions, the Bank evaluates status of project developers' measures to identify and manage physical and transition risks in line with the TCFD recommendations based on the Fourth iteration of the Equator Principles, which was implemented in July 2020.

▶ Details on how the Bank implements the Equator Principles are available on our website.
(https://www.mufg.jp/english/csr/environment/equator/)

● Climate change-related responses required under the Equator Principles

Applicable projects	Responses required under the Equator Principles
Among the risk categories used in the Equator Principles, all Category A* projects, and as appropriate, Category B* projects	● Identification of physical risks and measures to manage those risks
Projects with GHG emissions (Scope 1 and Scope 2), during its operational phase, of more than 100,000 tonnes of carbon dioxide equivalent per year	● Alternatives Analysis ● Assessment of transition risks ● Public reporting of annual GHG emissions

* Category A refers to projects with potential significant and adverse environmental and social risks and/or impacts that are diverse, irreversible, or unprecedented. Category B refers to projects with potential limited environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Example of Climate Change Risk Assessment

The following is an example of climate change risk assessment for a solar power generation project to be constructed in a coastal area in Asia.

Since the annual GHG emissions from this project do not exceed 100,000 tonnes of carbon dioxide equivalent, the assessment focused on physical risks. Generally, when a project is subject to physical risk assessment, financial institutions evaluate potential risks (e.g., extreme weather events or changes in climate patterns) that could affect the project during operation and measures to manage those risks.

In this project, physical risks identified included extreme heat associated with rising temperatures, long-term sea level rise, natural disasters caused by typhoons and strong winds, and a decline in the amount of available water resources. It was also confirmed that appropriate plans have been developed to address the risks identified (see table below).

In its environmental and social risk assessment, the Bank evaluates climate change management measures provided by the project proponent and ensure that the requirements for climate change risk assessment, as stated in the Equator Principles, are met.

Identification of physical risks	● Assessment method: The risk of climate change-related disasters in 2030 and 2050 is qualitatively assessed using the RCP4.5 scenario (intermediate stabilization scenario) and the RCP8.5 scenario (high GHG emissions scenario), both of which are climate change projection scenarios released by the United Nations Intergovernmental Panel on Climate Change (IPCC). ● Results: The following events were identified as being at particularly high risk in 2050: declining water availability, extreme heat, typhoons, strong winds, and coastal flooding due to sea level rise.
Main measures to be taken by the project proponent	● Declining water availability: Reduce the frequency of washing the solar panels to minimize water consumption. ● Extreme heat: Train workers on how to cope with working in hot and humid environments. ● Typhoons and strong winds: Design equipment that can withstand maximum wind speeds that make outdoor activities extremely dangerous. ● Coastal flooding due to sea level rise: Adjust the height of solar panel mounts to a level higher than the maximum expected flooding level.

Metrics and Targets

Sustainable Finance Target and Progress

Metric	Cumulative execution amount of sustainable finance
Target	Cumulative total of 35 trillion yen (including 18 trillion yen in the environmental sector) by FY2030

We have set our accumulated sustainable finance amount as of fiscal year 2030 as a sustainable finance target for solving environmental and social issues. Our accumulated sustainable finance amount as of fiscal year 2020 was ¥7.9 trillion (of which, ¥3.6 trillion is environmental area), and was proceeding steadily towards this target. In April 2021, we raised our target from ¥20 trillion to ¥35 trillion.

● Progress in Sustainable Finance Goals

[Unit: trillion yen]

Categoryc		FY2019 results	FY2020 results	FY2030 goals
Environmental	Arrangement of loans and project finance for renewable energy projects, etc.	0.9	0.5	**18** (previous 8)
	Underwriting and sales of Green Bonds.	0.5	0.5	
	Others	0.8	0.4	
Social	Finance for social infrastructure development and regional vitalization, etc.	0.9	1.4	**17** (previous 12)
Others	Finance for solutions of various environmental and social issues.	0.6	1.4	
Total		3.7	4.2	**35** (previous 20)

* Totals may not add up due to rounding.

Definition of Sustainable Finance

The term "Sustainable Finance" refers to the provision of finance for the following businesses (including loans, equity investment in funds, arrangement of project finance and syndicated loans, underwriting of equities and bonds, and financial advisory services) with reference to the relevant external standards (e.g. the Green Loan Principles, Green Bond Principles, and Social Bond Principles).

Environmental Area

- Businesses contributing to the adaptation to and moderation of climate change, including renewable energy, energy efficiency improvement, and green buildings (e.g. arrangement of loans and project finance for renewable energy projects, underwriting and distribution of green bonds).

Social Area

- Businesses contributing to the development of startups, job creation, and poverty alleviation
- Businesses contributing to the energizing of local communities and regional revitalization
- Fundamental service businesses, including those involved in basic infrastructure such as public transport, waterworks, and airports, and essential services such as hospitals, schools and police.
  (e.g. Emerging Industrial Technology Support Program, loans for regional revitalization projects such as MUFG Regional Revitalization Fund, arrangement of loans and project finance for public infrastructure, underwriting and distribution of social bonds).

NEW Setting Targets for Reducing CO_2 Emissions Through Renewable Energy Project Financing

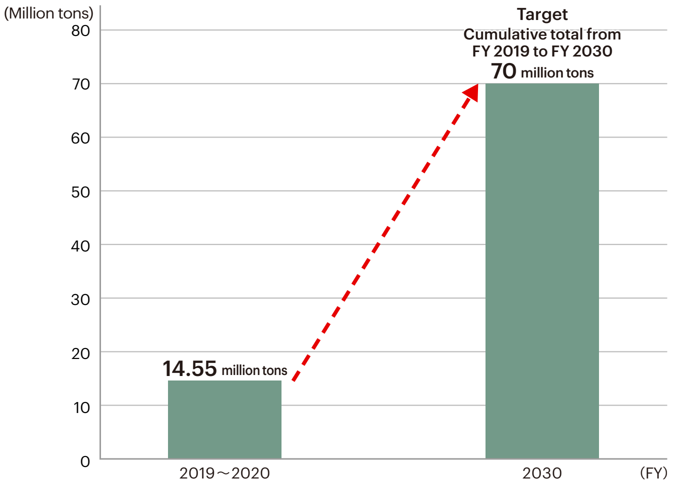
Metric	The amount of CO_2 to be reduced through renewable energy project finance
Target	Reduction by 70 million tons (cumulative total from FY 2019 to FY 2030)
Results	Reduction by 14.55 million tons (cumulative total from FY 2019 to FY 2020)

As part of the effort to quantitatively identify and disclose the environmental impact of our financing, we have set a target to reduce CO_2 emissions by a cumulative total of 70 million tons[*1] between FY 2019 and FY 2030 through project financing for renewable energy projects. This is equivalent to the annual CO_2 emissions from about half the households in Japan[*2].

*1 Cumulative total of CO_2 reduction effect for one year, calculated from the amount of electricity generated by renewable energy projects underwritten in each fiscal year, facility utilization rates, and emission factors. The values take into account MUFG's contribution in the underwriting phase.

*2 Prepared by MUFG based on a survey by the Ministry of the Environment entitled Statistical Survey of CO_2 Emissions from the Household Sector (Household CO_2 Statistics)

● Reduced CO_2 Emissions via Renewable Energy Project Finance



NEW Status of Carbon Related Assets (Credit Amounts)

Metric	Carbon-related assets (credit amounts)

Based on the TCFD's recommendations, the status of credit balance for carbon-related assets is newly disclosed in order to quantify the risks related to climate change.
The total amount at the end of FY 2020 is 15.7 trillion yen (energy: 8.0 trillion yen, utilities: 7.7 trillion yen).

● Carbon-related assets*1 (credit amounts*2) [Unit: trillion yen]

	Credit amounts at the end of FY 2020	Ratio
Carbon-related assets	15.7	10.3%
Energy	8.0	5.2%
Oil & gas	7.7	5.0%
Coal	0.3	0.2%
Utilities	7.7	5.0%
Electricity	6.8	4.5%
Coal-fired power	1.2	0.8%
Gas-fired power, power transmission and distribution, etc.	5.6	3.7%
Gas supply etc	0.9	0.6%
Total of all sectors*3	152.6	100.0%

*1 Total of loans, trade finance, letter of credit & guarantees and undrawn commitment facility, etc.
*2 In accordance with the TCFD recommendations, excluding the credit amounts related to renewable energy power generation projects from total credit amounts related to the energy and utility sector portfolio.
The total includes partner banks (MUFG Union Bank, Krungsri (Bank of Ayudhya), and Bank Danamon).
Sector classification based on the primary business (largest sales) of the borrower.
*3 Excluding interbank transactions, credit to government agencies and central banks, etc.

● Reference: Carbon-related assets (Loan balance) [Unit: trillion yen]

	End of FY 2019	Ratio	End of FY 2020	Ratio
Energy	2.8	2.8%	2.9	2.9%
Utility	3.4	3.4%	3.1	3.1%

Credit Amounts Related to Coal-Fired Power Generation -Project Finance-

Metric	Credit amount related to coal-fired power generation — Project finance (balance of lending)
Target	Reduce the balance by 50% by the end of FY 2030 from the FY 2019 level and reduce it to zero by FY 2040*1
Results	US$3,774 million (as of the end of FY 2020)*2

It is outlined in the MUFG Environmental and Social Policy Framework not to provide financing to new coal-fired power generation projects in principle. MUFG have set a target of reducing the balance of financing to coal-fired power generation projects by 50% from FY2019 by FY2030, and reducing it to zero by FY2040.

*1 Projects that contribute to the transition toward a decarbonized society are exceptional following the MUFG Environmental and Social Policy Framework.
*2 As of the end of FY 2019: US$3,580 million

Credit Related to Coal-fired Power Generation -Corporate Finance-

With regard to credit related to coal-fired power generation, in addition to project finance, MUFG verifies and discloses its corporate credit amount targets for customers with a high percentage of coal-fired power generation in their businesses as part of the process of setting interim targets for FY 2030 in the MUFG Carbon Neutrality Declaration.

The corporate credit to companies whose coal-fired power generation business accounts for more than 30% of their sales or EBITDA will be approximately 880 billion yen (as of March 31, 2021).
We will monitor the progress of the customer's transition, and we will conduct a thorough engagement if there is a high transition risk.

Environmental Impacts of Project Financing for Power Generation Projects

Metric	CO_2 emission intensity of project finance for power generation business*

The purpose of this calculation is to measure the environmental impact of project finance for power generation projects. The scope includes fossil fuel (coal, oil, and gas) thermal power generation and renewable energy projects.

* The intensity at the end of each fiscal year is calculated only from the project finance implemented in the relevant fiscal year.

[Unit: t-CO_2/MWh]

End of FY 2017	End of FY 2018	End of FY 2019	End of FY 2020
0.410	0.368	0.385	0.242

Basic Unit of Electricity Use

Metric	Basic unit of electricity use (electricity/ total floor space)
Target	Reductions by 10.5% and 19.0% of the 2009 level by FY2020 and FY2030, respectively
Results	FY2020: Reductions by 18.0% of the 2009 level

As part of its efforts to reduce environmental impacts, the Bank has set targets for FY2020 and FY2030 to reduce the energy intensity index.
In FY 2020, the Bank achieved our target for FY 2020 with a reduction by 18.0% of the 2009 level.

For the FY2030 target, we will continue to promote further reduction of environmental impact by setting higher targets and expanding the scope of the target within the Group.

Climate Alignment of Ship Finance Portfolio on an Annual Basis - Becoming a Signatory to the Poseidon Principles -

In March 2021, the Bank joined the Poseidon Principles, a global framework established by financial institutions for promoting shipping industry's decarbonization.
The Principles enable signatory financial institutions to contribute to maritime sector's transition to a low-carbon industry in line with the International Maritime Organization's (IMO) medium- to long-term greenhouse gas emission reduction targets. As a signatory, the Bank will calculate vessels' carbon intensity and will disclose the results of annual assessments of the climate alignment of its shipping finance portfolio from FY 2022.

Future Action Plan

MUFG 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, and will lead the way in addressing climate change, one of the most serious issues that the world faces.

Furthermore, based on the TCFD recommendations, MUFG 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

Recommended disclosure items	Action Plan (during FY 2021)
Governance	● The Sustainability Committee deliberates the status of initiatives to address climate change, issues, information disclosure, etc., based on the TCFD recommendations, and then reports to the Executive Committee, which in turn reports to the Board of Directors where the matters are reviewed. ● Implementation of study sessions for senior management, including members of the Board of Directors, on initiatives to address climate change
Strategy	● Materialization and promotion of the MUFG Carbon Neutrality Declaration - Consideration of disclosing the medium-term target for 2030 to achieve net-zero GHG emissions from the investment and loan portfolio by 2050 - Consideration of achieving net-zero in-house GHG emissions by 2030 ● Expansion of sectors for scenario analysis
Risk management	● Continuous revision of the finance policy (MUFG Environmental and Social Policy Framework) ● Consideration for reflecting risks related to climate change in the credit process
Metrics and Targets	● Consideration for disclosure of corporate credit amount targets for coal-fired power generation

Responses to TCFD as an Asset Manager

Asset management companies under the MUFG umbrella are endorsing TCFD as asset managers and working to analyze the status of the investees' response to climate change and assess their impact through the management of the portfolios they manage under contract.
The Trust Bank disclosed information about the management of the portfolios it manages in line with the TCFD's recommendations for disclosure under Governance, Strategy, Risk Management, and Metrics and Targets regarding climate-related risks and opportunities. By proactively disclosing climate change-related information, we will help our clients understand the status of their portfolios and encourage the companies in which we invest to take action on climate change.

Greenhouse Gas Emissions-Related Indicators for the Portfolio

MUFG calculates and evaluates greenhouse gas emission-related indicators (total greenhouse gas emissions, carbon footprint, carbon intensity, and weighted average carbon emission factors) for measuring and managing climate change related risks and opportunities in our portfolios of equities and bonds. Indicators related to greenhouse gas emission are calculated using a data collection and analysis method via Institutional Shareholder Services (ISS).The analysis of total annual GHG emissions (Scope 1 and Scope 2) for all investees, including MUFG AM* and First Sentier Investors, confirms that the total annual GHG emissions will be 28.4 million t-COe (as of March 31, 2021).

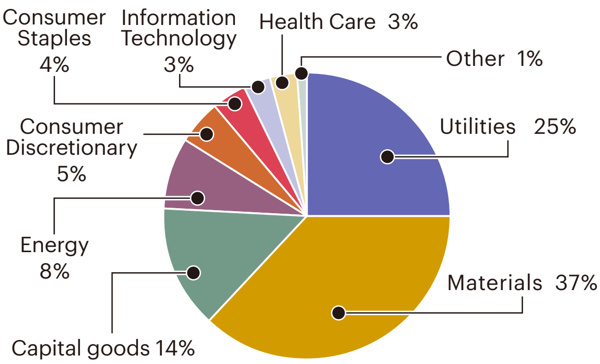
* The Trust and its subsidiaries, Mitsubishi UFJ International Investment Trust, M.U. Investment Management, Inc. Mitsubishi UFJ Asset Management (UK) Ltd.

Total carbon emissions (Scope 1 to 2, million t-CO_2e)	Carbon footprint (t-CO_2e)	Carbon intensity (t-CO_2e/million USD)	Weighted average carbon intensity (t-CO_2e/million USD)
28.442	68.99	145.82	146.26

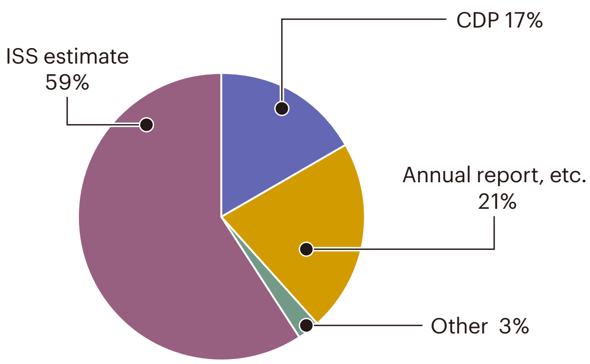
Indicators Related to the Amount of Greenhouse Gas Emissions

- Total carbon emissions: Total amount of greenhouse emissions related to the portfolio
- Carbon footprint: Total greenhouse gas emissions divided by the market value of the portfolio
- Carbon intensity: Total greenhouse gas emissions divided by the sales of investee companies
- Weighted average carbon intensity (WACI):
  Weighted average of emissions per unit of sales of the investee company according to the composition of the portfolio

● Total GHG emissions by industry composition ratio (Scope 1 to 2)



● Data sources for calculating GHG emission-related indicators



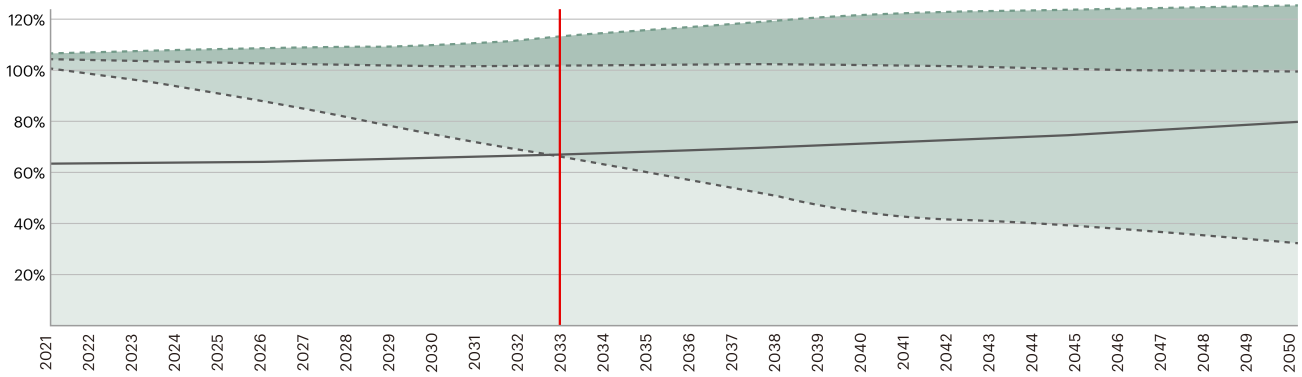
Scenario Analysis

MUFG used ISS's analysis method by Sustainable Development Scenario (SDS)*1 based on the Paris Agreement (to keep the temperature rise well below 2° C and continue efforts to limit it to 1.5° C) announced by the IEA*2 in 2019 to forecast
future trends in total greenhouse gas emissions reductions up to 2050 in the investee companies in the portfolio targeting equities and bonds*3.

As a result of the analysis, MUFG has projected the transition of total greenhouse gas emissions for a single portfolio of assets, and the companies in our portfolio currently account for approximately 60% of allowable greenhouse gas emissions and are expected to exceed the SDS by 2033. MUFG believes that, based on the results of its analysis, it is important to encourage portfolio companies to limit the risk of transition in the medium to long term.

*1 IEA: International Energy Agency
*2 SDS (Sustainable Development Scenario): A scenario in which global warming policies and investments are implemented to achieve the Paris Agreement, and progress is made toward achieving the SDGs and other sustainable development goals.
*3 The analysis covers all industries except fossil fuel producers: Scope 1 - 2, fossil fuel producers: Scope 3, electricity: Scope 1

● Portfolio greenhouse gas Emission Pathway



CPS (Current Policy Scenario): Scenario in which the status quo is maintained with no policy changes
STEPS (Stated Policy Scenario): In addition to the current policy, a scenario in which global warming measures announced as of 2019 are achieved.
SDS (Sustainable Development Scenario): A scenario in which global warming policies and investments are implemented to achieve the Paris Agreement, and progress is made toward achieving the SDGs and other sustainable development goals.

Future Actions Based on the Analysis

Based on the results of the analysis of the total greenhouse gas emissions transition pathway, MUFG recognizes the risk that the impact of climate change will damage the value of its portfolio. We also believe that it is important to encourage the introduction of objective disclosure standards, as approximately 60% of our analytical issues rely on estimates.

In order to mitigate the effects of climate change, we believe it is important for portfolio companies to incorporate the risks and opportunities related to climate change into their long-term business strategies and to take action.

As climate change is a significant ESG issue for Investees, we are actively engaging with issuers that have a significant impact. It believes that climate change is not only a risk, but also an opportunity to develop new technologies and increase the potential for business expansion in companies that it invests in. It will continue to improve its operational capabilities so as not to miss out on this new revenue opportunity.