



President and Group CEO
Hironori Kamezawa

Environmental and social issues are among the most vital concerns that all MUFG colleagues must take the initiative in addressing. Two years ago, we formally announced "Committed to empowering a brighter future" as our purpose. We identified ten major issues as priorities and pledged to address them in an integrated strategy of sustainability management – and we have taken action on them.

■ **Climate change measures**

Action to combat climate change is becoming an increasingly urgent need. The Sixth Assessment Report released by The Intergovernmental Panel on Climate Change (IPCC) of the United Nations stated that our planet is now facing an unprecedented critical situation, such that even achieving multiple nations' ambitious GHG emission reduction targets will not be sufficient to keep rising temperatures within two degrees above pre-Industrial Revolution levels.

MUFG has taken the lead in initiatives that include the first announcement of a carbon neutrality declaration by a Japanese bank. We have also set interim targets for GHG emissions in sectors with high emissions. We plan to formulate and release MUFG's transition plan during the current fiscal year, following guidance from GFANZ*1.

MUFG also embraces society's expectations for us to lead carbon neutrality in Japan and elsewhere in Asia as one of the region's leading financial institutions. I believe that engaging with customers, promoting transition financing, and helping shape international rules are three actions that financial institutions have a duty to undertake.

To achieve carbon neutrality, it is important to work toward realistic emissions reductions in the real economy through engagement, not divestment. MUFG dialogues and engages with about 1,500 corporate customers across the globe to understand their issues and emerging needs so that we can provide them with solutions.

We are also steadily building transition finance track records.

Pathways toward carbon neutrality differ among Europe, the U.S., and Japan due to differences in geography, industrial structure, and energy generation composition, and therefore, it is important for us to gain understanding of these pathways from stakeholders across society in order to support accountable transition. With this mindset, we worked with customers and issued our MUFG Transition Whitepaper 2022 last October. In preparing the paper, we communicated the importance of initiatives grounded in regional characteristics of Japan, and exchanged ideas with those involved in policy-making process in Europe and the U.S. This year, we released a new edition,

Priority Issues (p. 19)

Disclosure Based on TCFD
Recommendations (p. 62)

*1 Glasgow Financial
Alliance for Net Zero

our MUFG Transition Whitepaper 2023. This paper summarizes our initiatives aiming at a more sophisticated circular economy, including coverage of technologies and supply chains to promote carbon neutrality in electric generation and heat in Japan. MUFG has lead discussions to develop frameworks for transition finance both at NZBA^{*2}, a global network, which includes over 100 banks worldwide and at ATFSG^{*3}, which was launched to promote transition finance in Asia. MUFG is also the only Japanese bank participating in both Indonesia and Vietnam JETP^{*4}. We will support both countries in accelerating energy transition through leveraging financing mechanism such as blended finance, etc.

■ Addressing natural capital and biodiversity

Along with action on climate change, it is increasingly important to address environmental issues of natural capital and biodiversity. While the loss of these two resources constitute investment and financing risks for financial institutions, both risks and opportunities must be appropriately evaluated, as companies' conservation actions can also present business opportunities. Given the finalization of the TNFD^{*5} disclosure framework in September 2023, we are preparing for disclosure, including the start of risk analysis related to natural capital.

■ Respect for human rights

The universally held value of respect for human rights is closely related to the 10 environmental and social issues MUFG is addressing. It is a key issue we must consider in our management. As financial institutions, we do business with a wide variety of customers. We are expected to respect human rights of employees and other parties, as well as assume the role of encouraging related parties to do the same. We believe even more effective efforts will be required of us in the future. MUFG has strengthened our initiatives aimed at respect for human rights. In June, we released our MUFG Human Rights Report 2023, which summarizes our thoughts and initiatives on this issue.

■ Expansion of human capital

MUFG aims for every employee to energetically engage in contributing to customers and society. From that standpoint, human capital is among the most vital elements in our management capital.

In FY2023, we enacted a wage increase to recognize the hard work of our employees. We are also assisting them in improving their skills by covering the increasing costs of education and training, as well as enhancing our in-house training. We are also promoting the development and securing of professional human resources to ensure that we provide value that exceeds expectations of both society and customers. Supporting diversity among those who play active roles is also important. In FY2023 we launched an organizational structure to integrate and promote DEI^{*6} globally throughout MUFG. We pledge to create a corporate culture that encourages employees to honor each other's diversity, leverage each other's strengths, and work with an open mind and spirit.

■ Promotion of sustainability management

Reaching goals like carbon neutrality, biodiversity conservation, and respecting human rights can interact in complex, and sometimes contradictory or countervailing ways that require compromise or trade-offs. Given these circumstances, I feel it is important to braid these multiple themes into a unified whole and connect it directly to solving real-world problems.

To promote sustainability management in the most powerful manner, we need diverse teams with expert knowledge to work in collaboration. In October 2022, we hired Miyuki Zeniya from outside the company to serve as Chief Sustainability Officer. She brings to this role a wide-ranging knowledge and deep awareness of issues in the area of sustainability.

*2 Net-Zero Banking

Alliance

*3 Asia Transition Finance Study Group

*4 Just Energy Transition Partnership

Natural Capital and Biodiversity (p. 155)

*5 Taskforce on Nature-related Financial Disclosures

Respecting Human Rights (p. 162)

Human Capital (p. 175)

*6 Diversity, Equity, & Inclusion

As sustainability-related issues become increasingly complex, we will fulfill our responsibilities as a leading company that diligently communicates our thoughts and actions as we help create a sustainable society.

President and Group CEO *H. Kang*