

MUFG's Sustainability Management - Climate Change Initiatives -

Main Q&A

- Q. Would it be possible to urge corporate clients to promote decarbonization through engagement from a bank? Please give us a rough idea of the management resources that will be allocated, such as people and time.
- A. Engagement with corporate clients is a keyword for sustainability management. We have conducted activities such as interviews with a number of large corporate clients and we were able to deepen our knowledge to a considerable extent about the status of technological progress at customers toward realizing decarbonization. We intend to reflect this knowledge into our credit policy and other policies. We are also increasing engagement through various routes with public offices. Through these engagement activities, we intend to stimulate the momentum in the society. We have not yet reached the stage to disclose time and human resource involved in engagement, however I believe our customer-related departments will spend a considerable amount of time to carry out discussions with customers in next 1 or 2 years.
- Q. Can't you set targets for a shorter time period when disclosing your plans during FY2022?
- A. As we will be joining the Net-Zero Banking Alliance, our targets for 2030 will definitely be announced during FY2022. We would like to give some considerations to set shorter-term targets including various non-financial KPIs other than GHG emissions. We hope to take steps so that people would be able to see what kind of progress MUFG is making to tackle climate change.
- Q. I understand the MUFG Carbon Neutrality Declaration is a groupwide global principle, but will it apply to overseas subsidiaries such as Krungsri and Bank Danamon?
- A. Our partner banks, Krungsri and Bank Danamon, are in scope of the MUFG Carbon Neutrality Declaration, and we have shared our medium-to-long-term targets with them. How to achieve sustainability goals in their respective countries is a major challenge for them as well. We hope to support their initiatives through joint efforts.

- Q. Do you consider reflecting short-term targets into the new medium-term business plan?
- A. The new medium-term business plan has started from April this year and managerial resources will be shifted to address climate change. Although details are yet to be discussed, I would like to show short-term indicators such as the volume of our activities related to climate change initiatives. On the business side, we would like to increase our corporate value by cumulating the balance of sustainable finance.
- Q. Is there a possibility that MUFG would consider financing new coal-fired power generations with CCUS? Please explain your thoughts on whether that would hold consistent with your plan to reduce the credit balance to zero for coal-fired power-related project finance by FY2040.
- A. There is a possibility that we would consider coal-fired power generations equipped with new technologies that will reduce CO2 emissions, but our stance is to align ourselves with future governmental plans such as the “Basic Energy Plan”. Based on what we have learnt, there are cases where ammonia-mixed combustion can be achieved by simply equipping with an ancillary facility. On the other hand, we will continue to work on reducing the existing balance of coal-fired power-related project finance as planned.
- Q. I welcome your commitment to join the Net-Zero Banking Alliance and set target for 2030 within 18 months, but actions need more speed. What are your views on whether the targets for 2030 would be consistent with the Paris Agreement?
- A. What we can say at this point is that the approaches for calculating/setting targets for GHG emissions may differ according to the quality of data. Our large corporate clients would start disclosing their own GHG emissions so we may be able to collect such data. Or from other sources, the activity within each industry sector might be disclosed in form of roadmaps, from which we may be able to utilize data by simple calculation. However, for the remaining areas where such information is not available, we will probably have no choice but to take an estimate approach. Therefore, we will first need to identify our baseline, and while showing how much we would be able to achieve by 2030 through options, we intend to set our plans that align with the broader movements of the country as a whole.

Q. I would like to reconfirm how MUFG intends to operate the exceptions regarding new technology and transition for coal-fired power generation.

A. We concluded with these exceptions after investigating what the industry is trying to adopt in this sector. We will only commence considerations and make final credit decisions for power plants that are equipped with technology capable of reducing CO2 emissions.

Q. Please share your concerns about stipulating the disclosure of short, medium, and long-term targets in the Articles of Incorporation as proposed in the shareholder resolution, as well as other issues you are aware of regarding the shareholder resolution.

A. We must consider the balance with other operations and initiatives if we were to include the specific initiatives like this in our Articles of Incorporation. Furthermore, because the Articles of Incorporation have legal binding force, we fear that the current liability and flexibility we have in our corporate activities may be potentially be impaired, leading to our strong concern that such change may have a negative impact on our corporate value. The issues raised in the shareholder resolution will be addressed via specific measures under the MUFG Environmental Policy Statement and the MUFG Carbon Neutrality Declaration with strong engagement from the Board of Directors, while continuing good communication with our respective stakeholders. To note, the Board of Directors has opposed this specific shareholder resolution.

Q. On page 11 of the presentation material, it shows the policy that you will confirm that deforestation is not taking place and that you will confirm compliance with NDPE (No Deforestation, No Peat, No Exploitation). I believe the scope extends to vast geographical area but how do you actually plan to observe and confirm these issues?

A. We have recommended our clients to obtain international certification, such as for palm oil. We then conduct due diligence. We conduct very detailed interviews and conduct due diligence for sectors that require closer attention to the sectors such as palm oil.

Q. Are there any ESG related investment in securities?

A. We implement ESG related investment.

*Supplementary explanation

Specifically, we invest in SDGs bonds and ESG bonds (including green bonds) whose use of funds are clarified for environmental improvement and social contribution. The cumulative amount of investments from FY2018 is about 200 billion yen. At this point, the ratio of investment in securities in our whole investment portfolio is not large, however, we will expand our efforts while assessing the balance between risk and return as part of achieving our sustainable finance target (35 trillion yen by 2030) which contributes to the resolution of environmental and social issues.

Q. You disclosed that the credit balance for corporate finance with coal-fired generation capacity over 50% is roughly 400 billion yen, but please share your views to lower the criteria to below 50% or expanding the target scope.

A. We will review the definition and criteria for the target scope. As a commercial bank, our business is built on the long-term relations we have with clients and thus the most important thing would be to change the business structure of our clients through our enhanced engagement. We are still uncertain of whether imminent divestment or reduction of the corporate portfolio is the correct answer, but we will expand disclosed information on corporate finance.

Q. Please give us your thought on disclosing the reduction target for the corporate loan balance related to fossil fuels.

A. In addition to sectors that produce fossil fuels, we have a considerable amount of exposure to those related to the import of crude oil, hence our credit balance for the energy sector is considered to be relatively large. Though our detailed policy, we are focusing on areas which need careful environmental approach such as oil sands and development of the arctic, and will continue to enhance our future disclosure.

Q. How do you see the impact of these sustainability initiatives on the revenue side?

A. We have introduced you many overseas projects in today's presentation and we expect such projects to also take place more in Japan and Asia in the future, and it is important

for us to facilitate a smooth implementation via financing. On the other hand, we think the government also needs to provide thorough financial and fiscal support for business transaction. We aim to realize this by firmly conveying these matters to the government.

- Q. The amount of the credit cost associated with transition risks and physical risks as shown on page 16 of the presentation material is smaller than I thought. Are there any points that need to be changed for your calculation method?
- A. In regard to the disclosure of scenario analysis based on the TCFD Recommendation, I believe that it is important to make steady progress toward disclosing scenarios in a way that allows comparison. The numbers shown here could grow larger if stricter scenarios were applied under such initiatives. Or there may be moves to disclose the numbers based on multiple scenarios.

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