Mitsubishi UFJ Financial Group, Inc. (MUFG)

Revision of the MUFG Environmental and Social Policy Framework

Tokyo, May 13, 2020 --- MUFG, one of the world's leading financial groups, today announced it is making revisions to its Environmental and Social Policy Framework to reflect its long-term commitment to build sustainable growth with its clients and society as a key mission and management vision of MUFG. As part of this mission, we are advancing initiatives with goals including protecting the global environment and promoting human rights.

In 2018 MUFG established the MUFG Environmental Policy Statement as its fundamental approach to addressing environmental issues and declared its intention to realize a sustainable society by "actively working towards finding solutions to global environmental issues through our business activities" and by responding "appropriately when our operations result in environmental risks or negative impacts, by reducing the environmental impacts of our operations."

Through these enhanced strategies, MUFG is building on its proactive approach toward realizing sustainable growth. For example, as part of its management vision MUFG promotes the reduction of greenhouse gas emissions by providing support for financing renewable energy businesses including solar and wind power, and companies that take environmental risks into consideration. In May 2019, MUFG announced a target of providing a cumulative 20 trillion yen in sustainable finance by 2030. MUFG is making steady progress in this area, as evidenced by maintaining a stable position in the top tier of global renewable energy finance.

In addition, MUFG continues to actively reduce its inhouse CO_2 emissions. Last year, the head office building of MUFG Bank transitioned to procuring all of its electrical power from hydropower resources. Furthermore, MUFG is aiming to achieve 100% utilization of renewable energy sources for its in-house electricity needs by 2030, and will advance studies for achieving this.

MUFG strongly supports the vision of the Sustainable Development Goals (SDGs) established by the United Nations of realizing a world where "no one will be left behind." In connection with this, MUFG revised the MUFG Environmental and Social Policy Framework to further elevate consideration for the environment and society. We will continue to share our initiatives and work with key stakeholders to address environmental and social issues.

1. Background to the revision of the MUFG Environmental and Social Policy Framework

MUFG established the "MUFG Environmental and Social Policy Framework" ("the Framework") in 2018 to understand and manage environmental and social risk within

our group's business activities and conduct financing with consideration for the environment and society.

In 2005, MUFG Bank, a group company of MUFG, adopted the Equator Principles, an international framework for private financial institutions and their clients to consider the environment and society in infrastructure development and financing for resource development.

As a leading global financial group, MUFG is expected to act responsibly in mitigating the effects of climate change and other environmental and social issues. Accordingly, MUFG has revised this Framework with the aim of reclarifying our initiatives to clients and stakeholders in order to promote continued efforts together with our clients to realize a sustainable environment and society.

2. Revised contents and effective date

(1) Oil and Gas Sector (Oil Sands, Arctic Development), and Large Hydro Power Generation Sector

We recognize that while contributing to energy supply, these sectors' impacts on ecosystems, indigenous communities, and other factors must be considered. Since their adoption, we have applied the MUFG Environmental and Social Policy Framework and the Equator Principles to project evaluation, including enhanced due diligence to verify the implementation of environmental and social considerations by clients and around environmental and social cross-sectoral issues in these sectors. These sectors have been added to the list of "Restricted Transactions" to clarify for our stakeholders the process of identifying and evaluating risks and impacts on the environment and society.

(2) Inhumane weapons sector

We will not finance the production of inhumane weapons (nuclear weapons, biological and chemical weapons, anti-personnel landmines).

Revisions to the MUFG Environmental and Social Policy Framework will be effective as of July 1, 2020 and will continue to be reviewed regularly in accordance with changes in business activities and the business environment with the aim of enhancing the quality of the framework.

3. Application of Equator Principles 4th Edition

On July 1, 2020, MUFG Bank will also begin applying the Equator Principles 4th Edition, which includes due diligence on the impact of physical and transition risks posed by climate change on projects and enhanced engagement with indigenous peoples.

The sustainability initiatives of MUFG are based on the belief that a sustainable environment and society are a prerequisite for our sustainable growth. Based on this belief, MUFG will create value by integrating our management strategy with the resolution of environmental and social issues.

4. MUFG Environmental and Social Policy Framework

1. Introduction

The international community, aiming at achieving the Sustainable Development Goals (SDGs) and Paris Agreement on climate change, is working towards the protection of the global environment, which is fundamental to the existence of humanity and all living creatures, and the realization of a sustainable society.

As a global provider of financial services, Mitsubishi UFJ Financial Group (hereinafter, MUFG) defines its mission as being committed on a long-term basis to developing lasting relationships with both our clients and society, and promoting shared and sustainable growth for a better world.

In addition, through the financial services we provide we are actively working towards finding solutions to environmental and social issues which also contribute to our sustainable business growth and enhancement of our corporate value.

MUFG recognizes that the environmental and social risks arising from the business activities of each group company are important to our business and require managing appropriately. This Environmental and Social Policy Framework (hereinafter, Framework) has been developed based on the "MUFG Environmental Policy Statement" and "MUFG Human Rights Policy Statement" which establish the basis for our policies for management of environmental and human rights issues respectively. The opinions and perspectives of various stakeholders were taken into consideration in the development of the Framework.

The Framework outlines the approach that MUFG takes in responding appropriately to environmental and social issues in our business activities and contributing to sustainable environmental and social development. Through the adoption of this approach, we expect to contribute to the realization of a sustainable environment and society.

To promote understanding and cooperation regarding our approach, the contents of this Framework is communicated to clients in all of our group companies.

2. Governance

The MUFG Corporate Vision guides the way in which we carry out our business activities. To realize our Corporate Vision, the MUFG Principles of Ethics and Conduct standards have been established which apply to executives and employees of all group companies and guide their everyday decisions and actions. The Framework is based on our Corporate Vision and Principles of Ethics and Conduct.

(1) Positioning of the Environmental and Social Policy Framework

The Framework is based on the "MUFG Environmental Policy Statement" and "MUFG Human Rights Policy Statement" and is structured to enable the appropriate identification and management of environmental and social risks associated with our business operations. The Framework is aligned with the MUFG reputational risk management framework to avoid negative impacts to MUFG corporate value.

(2) Governance and Management System

The CSR committee, which reports to the Executive Committee, is responsible for developing appropriate responses to the environmental and social issues relevant to our business.

Individual transactions with significant environmental and social risks or impacts that have the potential to negative impact on the corporate value of MUFG are assessed for reputational risk, as necessary. Transactions are evaluated with the involvement of executive management, taking into consideration the potential transaction related reputational risks.

(3) Role of Business Group

Business Groups are responsible for performing environmental and social due diligence to assess the potential environmental and social issues associated with the products and services to be provided. The assessment includes information collected from approaches such as interviews with clients. In implementing environmental and social due diligence, Business Groups consult with the relevant department responsible for management of environmental and social risks.

(4) Management of the Environmental and Social Policy Framework

The Framework was discussed by the CSR Committee and approved by the Executive Committee. The CSR Committee regularly reviews the need to update the Framework and makes amendments as necessary to reflect changes in our business activities and the business environment.

3. Applicable Products and Services

Products and services provided to clients by each group company include the extension of credit and the underwriting of bonds and stocks (hereinafter, financing). We recognize that the provision of financing may potentially contribute to environmental and social impacts as well as an increase in associated risks.

The Framework applies to new finance in all countries / regions for corporate clients of MUFG's core subsidiaries; MUFG Bank, Mitsubishi UFJ Trust and Banking, and Mitsubishi UFJ Securities Holdings (hereinafter referred to as "Core Subsidiaries"). The Framework is integrated into the internal procedures and standards of each Core Subsidiary.

MUFG Bank also conducts environmental and social due diligence of large-scale projects based on the Equator Principles adopted in 2005.

We also acknowledge the importance of considering environmental and social impacts in our asset management business. At the same time, we recognize the importance of preserving and fulfilling our independent fiduciary duties in line with interests of our clients. For this reason, we have established a separate responsible investment policy for this business.

4. Applicable Transactions

The Framework provides a guideline allowing us to confirm whether corporate clients receiving financing from each Core Subsidiary are fulfilling their social responsibility by demonstrating appropriate consideration of environmental and

social issues based on applicable legislation and international best practice.

Taking into consideration the nature and severity of associated environmental and social risks or impacts, MUFG has identified transactions which are "Prohibited from Financing" and where "Financing is Restricted".

(1) Prohibited Transactions

The transactions listed below are considered as having significant environmental and social risks or impacts. In cases where each Core Subsidiary is aware of the environmental and social risks or impacts, financing is not provided.

A) Illegal transactions and transactions for illegal purposes
B) Transactions which violate public order and good morals
C) Transactions that negatively impact wetlands designated under the Ramsar Convention
D) Transactions that negatively impact UNESCO designated World Heritage Sites
E) Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)[1]
[1 Taking into consideration country specific considerations]
F) Transactions involving the use of child labor or forced labor

(2) Restricted Transactions

Restricted transactions consist of cross-sector items and sector specific items.

For transactions where the conditions listed below may exist, the potential that environmental and social risks or impacts may exist is considered to be high and clients are expected to implement the appropriate environmental and social measures. When each Core Subsidiary is considering providing financing for these transactions, the identification and assessment process for environmental and social risks or impacts will be used to confirm the client's approach to managing environmental and social issues.

If the environmental and social management approach of client's is not considered sufficient relative to the level of the potential risks or impacts, financing will not be provided.

(i) Cross-sectoral items

A) Impact on Indigenous Peoples Communities
B) Land expropriation leading to involuntary resettlement
C) Impact on High Conservation Value areas

(ii) Sector specific items

A) Coal Fired Power Generation Sector

Protection of the environment, in particular actions which contribute towards combatting climate change and supporting development of more sustainable sources of power, is one of the most important issues for MUFG in fulfilling its social mission.

We support international initiatives that are aiming to reach the objectives set by the Paris Agreement and actively provide financing to renewable energy businesses, such as solar and wind power generation, to promote sustainable

growth and support the transition to a low-carbon future through our business activities.

MUFG will not provide financing to new coal fired power generation projects. The exceptions of this policy may be considered where we will take into consideration the energy policies and circumstances of the related countries, international standards such as the OECD Arrangement on Officially Supported Export Credits, and the use of other available technologies when deciding whether to provide financing. We concurrently support the adoption of advanced technologies for high efficiency power generation and Carbon Dioxide Capture and Storage (CCS) technologies which contribute to a reduction in the emission of greenhouse gases.

B) Mining Sector (Coal)

MUFG recognizes that coal mining operations, if not managed responsibly, can have negative social and environmental impacts, including death and injuries from mine collapse, human rights abuse, and impacts on local biodiversity from toxic mine waste. Moreover, coal burning in power generation emits relatively large amounts of greenhouse gases compared to other energy sources. We recognize that the development of new coal mines to supply thermal coal for power generation projects could result in an increase in greenhouse gas emissions in the future.

When considering whether to provide finance to the development of new coal mines we assess the status of such client's consideration for environmental and social impacts. The assessment includes how the client addresses the impacts of the development on local ecosystems, relationships with local residents, and occupational safety and health issues.

We will not provide any financing to coal mining projects using the mountaintop removal (MTR) method which has severe and negative impacts on the natural environment.

C) Oil and Gas Sector

Oil and gas are essential to our society and daily lives as energy sources for social infrastructure including electricity, but we must be aware of the effect of their production and use on the global environment, including climate change, through greenhouse gas emissions.

a) Oil Sand Sector

MUFG recognizes that oil sands developments take into account their environmental impacts.

When we consider providing financing for new projects for the extraction of oil sands, we will assess the state of implementation of environmental and social considerations by our clients, including impacts on ecosystems and indigenous communities affected by the developments.

b) Development of the Arctic Sector

MUFG recognizes that oil and gas developments in the Arctic require consideration for their impacts on the habitats of rare organisms and indigenous peoples.

When we consider providing financing for the extraction of new oil and gas in the Arctic Region (north of latitude 66°33 minutes north latitude), we will assess the state of implementation of environmental and social considerations by our clients, including the impact on the ecosystems and indigenous communities in the region.

D) Large Hydropower Sector

While large-scale dams contribute to flood control, agricultural production and the supply of clean energy, MUFG recognizes that dams can cause wide-ranging changes in river basin ecosystems and the living environment and livelihoods of residents.

When we consider providing financing for new large-scale hydropower plants, we will assess the state of implementation of environmental and social considerations by our clients, such as the impact of dam construction on the ecosystem, local communities, and the living environment and livelihoods of residents.[2]

[2 New development of a hydroelectric generation dam which exceeds 15 meters in height and can generate over 30MW electricity]

E) Forestry Sector

Forests provide habitats for various wildlife species. Therefore, they have significant value for biodiversity conservation and protection, as well as serving as important sources of timber for paper, pulp, and other products that support regional economies. Forests additionally play a significant role in mitigating climate change by absorbing and storing carbon dioxide. MUFG recognizes that uncontrolled, large-scale deforestation has severe and negative impacts on the global environment.

When we consider providing financing for logging businesses, including the development and management of forest plantations, we assess the status of such client's consideration for environmental and social impacts.

We request our clients to certify the relevant operations according to internationally recognized certification organizations such as Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification Schemes ("PEFC"), when providing finance to the subject business activities mentioned above, in countries other than High Income OECD countries. We will request our clients to submit action plans to achieve certification when relevant operations are not certified.

F) Palm Oil Sector

Palm oil is used to make products which are essential for everyday life, such as cooking oils, detergents, paints, etc. Increases in palm oil consumption have facilitated economic growth in many countries. On the other hand, development of palm oil plantations may entail deforestation of natural forests and slash-and-burn agriculture, which could lead to habitat degradation and conflicts with local communities. As a result, MUFG recognizes that the palm oil plantation business can have severe and negative impacts on the global environment if not managed responsibly.

When considering transactions which fund business activities developing and managing palm oil plantations, we assess the status of such client's consideration for environmental and social impacts.

We encourage clients to become members of the Roundtable on Sustainable Palm Oil ("RSPO") and request them to certify relevant operations according to recognized certification organizations such as RSPO, when providing finance to the subject business activities mentioned above. We will request clients to submit action plans to achieve certification when relevant operations are not certified.

G) Cluster Munitions Manufacturing Sector

Civilian populations have been greatly affected by cluster munitions as they release many bomblets over a wide area and because of their indiscriminate effect. As a result, their use has generated significant humanitarian concerns internationally.

In light of the inhumane nature of cluster munitions, Core Subsidiaries prohibit the provision of financing to any company that manufactures cluster munitions.

H) Inhumane Weapons Sector

Nuclear weapons, biological and chemical weapons, and anti-personnel mines, which are produced for use in wars and conflicts and have indiscriminate and serious effects on people including civilians, are internationally accorded great humanitarian concern, along with cluster munitions.

In light of the inhumane nature of nuclear weapons, biological and chemical weapons, and anti-personnel mines, Core Subsidiaries prohibit the provision of financing for the production of these weapons.

5. Identification and Assessment Process for Environmental and Social Risks or Impacts

A due diligence process to identify and assess the environmental and social risks or impacts associated with transactions has been introduced.

(1) Standard Due Diligence

Standard due diligence is implemented by the department in the relevant business division of each Core Subsidiary responsible for communications with the client. 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.

(2) Enhanced Due Diligence

Transactions categorized as "Restricted Transactions" are subject to enhanced due diligence in addition to standard due diligence, if necessary. This is implemented by the department responsible for management of environmental and social risks in each Core Subsidiary. Decisions on financing are made following assessment of the findings of the enhanced due diligence.

(3) Financing Reputational Risk Management Approach

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.

6. Training

(1) Corporate Training and Education

Training on environmental and social issues is provided to relevant employees of each Core Subsidiary. The objective of the training is to enhance the understanding of global initiatives to environmental and social issues, as well as the process of confirming the client's approach towards management of environment and social issues. The training also aims at the spread of ideas supporting the Framework, and the environmental and social due diligence process.

Specialized training, with the objective of advancing the implementation of the Framework, is provided in divisions responsible for management of environmental and social risks.

(2) Stakeholder Engagement

Implementation of the Framework includes constructive dialogue with various stakeholders. This dialogue is intended to help identify appropriately environmental and social risks or impacts to which MUFG is to respond and provides information relevant to discussions on revisions to the Framework to increase its effectiveness.

[Disclaimer]

No agency or contractual relationships between MUFG or each of the other group companies and other parties arise from the disclosure and implementation of the Framework. MUFG and other group companies assume no legal obligation, liability or responsibility as a result of such disclosure and implementation.

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About MUFG

Mitsubishi UFJ Financial Group, Inc. (MUFG) is one of the world's leading financial groups. Headquartered in Tokyo and with over 360 years of history, MUFG has a global network with over 2,700 locations in more than 50 countries. The Group has over 180,000 employees and offers services including commercial banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing. The Group aims to "be the world's most trusted financial group" through close collaboration among our operating companies and flexibly respond to all of the financial needs of our customers, serving society, and fostering shared and sustainable growth for a better world. MUFG's shares trade on the Tokyo, Nagoya, and New York stock exchanges. For more information, visit https://www.mufg.jp/english.