

From Principles to Practice:
Responsible Banking Case
Study Series

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Principles for
Responsible Banking

MUFG
Advancing Sustainability
in the Real Economy by
Supporting Customer
Transitions

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Principles for Responsible Banking

The Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

The framework consists of six principles designed to bring purpose, vision and ambition to sustainable finance. They were created in 2019 through a partnership between founding banks and the United Nations. Signatory banks commit to embedding these six principles across all business areas, at the strategic, portfolio and transactional levels.





Mitsubishi UFJ Financial Group (MUFG), headquartered in Tokyo, Japan, is the largest bank in Japan and one of the largest globally. The bank joined the Principles for Responsible Banking in 2019 as a founding signatory.

For more information about the bank, visit [here](#).

Regional considerations and the importance of dialogue in achieving carbon neutrality

PRINCIPLE 1: ALIGNMENT

Regional transition pathways are shaped by various factors, including industrial structure, public policy, and technological advancements. For Asia's rapidly growing economies, where energy demand continues to rise, balancing transition with economic growth remains a challenge. Achieving carbon neutrality requires efforts from all economic actors, financial institutions alone cannot drive this transition. Success depends on clients' ability to reduce emissions, which is why MUFG prioritizes support for transitioning carbon-intensive sectors while addressing regional economic needs.

Recognizing the unique challenges faced by industries in Japan and other key markets, MUFG adopts tailored approaches that align with specific regional needs. While no single bank can identify all financing opportunities for net-zero goals, collaboration with partners expands the range of financial solutions available to clients. In 2023, MUFG partnered with Zeroboard Inc., a provider of cloud-based greenhouse gas (GHG) emissions visualization solutions. Through the partnership, in 2023, the bank together with Nagase & Co. Ltd., established a framework for providing sustainability-linked loans. These loans offer preferential interest rates to companies whose suppliers set and achieve decarbonization targets using Zeroboard's emission calculations. This initiative extends MUFG's decarbonization support beyond direct clients to small and medium-sized enterprises.

MUFG also collaborates with industries and government agencies to deepen the understanding of the pathway to carbon neutrality in Japan, while comparing it with the approaches taken in Europe and the United States through frequent dialogues and management-level executive forum. Since 2022, the bank has published a series of Transition Whitepapers. Developed through in-depth discussion with clients across sectors, these Whitepapers summarize Japan's decarbonization efforts and are shared with policymakers domestically and internationally.

MUFG's 2022 Transition Whitepaper examined the importance of regional characteristics and interdependency between energy and industries. The 2023 Transition Whitepaper compared policy approaches in the United States, Europe, and Japan, identifying similar technological strategies for emissions reduction. The 2024 Whitepaper explored the price pass-through, a key challenge for key major developed economies, including Japan.

Leveraging the expertise gained from developing the Whitepapers, the bank is proactively engaging with international frameworks, such as the PRB, as well as stakeholders in Europe, the United States and Asia, including regulatory authorities, on decarbonization. Feedback from these engagements is shared with MUFG's clients in Japan, helping them refine their strategies in response to evolving transition challenges.

Through these initiatives, MUFG contributes to the broader dialogue on energy transition and supports stakeholders in advancing carbon neutrality.

Support conservation of natural capital and biodiversity

PRINCIPLE 2: IMPACT & TARGET SETTING

Business activities across the entire value chain—from raw material procurement to transportation, manufacturing, sales, consumption, and disposal—both depend on and impact natural capital. Financial institutions, including MUFG, are also linked to these risks, dependencies and impacts, both through their own operations and their investments and loans. Understanding these dynamics is essential for managing risks and identifying opportunities. By offering financial products and services that support the responsible use of natural capital, MUFG helps clients transition toward more sustainable business practices.

Recognizing its role in this interconnected system, the bank has established guidelines for environmental awareness and responsible practices through [The MUFG Environmental Policy Statement](#), which supports projects aimed at conserving natural capital and biodiversity while identifying and mitigating associated risks. In 2024, MUFG became a TNFD Early Adopter, reinforcing its commitment to transparency in nature-related financial risks.

Building on this foundation, MUFG provides tailored solutions at different stages of its clients' natural capital management efforts. Leveraging its expertise and fostering collaboration with diverse stakeholders, the bank supports clients through five key areas:

Business opportunities on nature capital in five focus areas

MUFG supports clients' efforts in natural capital through activities in the following five areas, promoting collaboration with a wide range of stakeholders:

Consulting	Providing tools such as the TNFD Initial Support Tool to help clients assess natural capital risks and opportunities. The bank also offers advisory services to support TNFD disclosures.
Partnerships	Collaborating with partners like Fujitsu to develop innovative solutions for nature-positive outcomes, utilizing AI, blockchain, and digital transformation technologies.
Startup support and collaboration	Investing in startups focused on biodiversity data visualization and sustainable resource management, connecting them with corporate clients to drive innovation.
Blue finance	Financing ocean and water-related projects, including sustainable fisheries, wetland conservation, and water infrastructure improvements.
Initiatives in the field of food	Working across the supply chain to promote sustainable agriculture, improve nutrition, and develop food ecosystem solutions in collaboration with clients, government agencies, and academia.

The TNFD Initial Support Tool

The TNFD Initial Support Tool is a self-diagnostic tool that helps clients assess natural capital management aspects, including supply chain data, risk management processes, and key impact regions. It generates a feedback report to support clients in identifying and addressing natural capital-related challenges.

Beyond financial tools, MUFG, along with Mitsubishi UFJ Capital and MUIP, invests in startups that address natural capital challenges, such as forests and soil restoration. One example is the investment in Biome Inc., a company focused on restoring natural environments.

MUFG helps clients address biodiversity loss and ecosystem degradation by supporting projects that assess and mitigate environmental risks. For example, the bank financed an offshore wind power project that required evaluating its potential negative impacts on marine life, including marine mammals and migratory birds. The risk assessment identified local biodiversity risks and provided recommendations for mitigating these impacts, such as engaging with local fishing communities to address livelihood concerns and developing management plans to minimize environmental impacts during critical periods for local species.

Prioritizing human rights in sustainability management

As part of its Medium-Term Business Plan, MUFG has identified human rights as a key priority within its sustainability management framework. Informed by the UN Guiding Principles of Business and Human Rights, the bank integrates human rights considerations across its operations by systematically identifying, assessing, and addressing relevant issues throughout its value chain. This commitment is reflected in a structured approach encompassing policy development, risk assessment, grievance mechanisms, supply chain due diligence, and responsible investment practices. Some of the concrete actions include:

- **Human rights policy and framework:** In 2023, MUFG developed a human rights issues map to assess risks related to human rights within its operations. The map is periodically reviewed to evaluate the severity of these risks. MUFG has also established a [Human Rights Policy Statement](#) to guide its efforts to respect human rights in its business activities.
- **Encouraging clients to give due consideration to human rights:** MUFG expects its clients to respect human rights and avoid any human rights violations. The bank promotes the respect of human rights by responding in an appropriate manner in situations where its products and services are directly connected to violations of human rights and urging clients to implement the appropriate responses. In particular, MUFG recognizes child labour, forced labour, and human trafficking as well as adverse impacts on indigenous peoples' communities, etc., as serious human rights issues. The bank has introduced an Environmental Social Policy Framework, which incorporates environmental and social due diligence requirements, to assess and manage transaction related environmental and social impacts associated with the business conducted with its clients.
- **MUFG asset management's role in human rights:** MUFG Asset Management incorporates human rights considerations into its investment practices. The division engages with investee companies on human rights issues, particularly those related to high human rights risks. It also monitors sustainability and supply chain management practices among investee companies. MUFG AM collaborates with domestic and international initiatives to address human rights issues across its investment portfolio.

- **Grievance mechanisms and stakeholder engagement:** MUFG has joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), an organization that supports businesses in addressing human rights grievances. Through this collaboration, MUFG has established a contact point for handling potential human rights issues within its value chain, including those related to employees, suppliers, and local communities. These mechanisms are disclosed in MUFG's Human Rights Report.
- **Human rights due diligence in the supply chain:** MUFG has revised its "Approach to Purchasing Activity," which outlines expectations for suppliers regarding human rights and environmental considerations. The bank delivers and explains the "Guidelines for Purchasing Activity" to suppliers, ensuring their understanding of MUFG's policies. As part of its due diligence, MUFG screens major suppliers for serious human rights violations, such as child labour, forced labour, and human trafficking, using external vendor data. If adverse information is identified, MUFG engages with the supplier to confirm the situation and requests corrective actions.

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UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion are individually implementing UNEP FI's Principles

unepfi.org

for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply the sustainability frameworks within their industries using practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

Founded in 1992, UNEP FI was the first initiative to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.



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