



Mitsubishi UFJ Investor Services &
Banking (Luxembourg) S.A.

**Capital Requirements Regulation (CRR)
Remuneration Disclosure 2023**

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Introduction

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. (hereafter “MUFG” or “the Bank”) is regulated by the Commission de Surveillance du Secteur Financier (the “CSSF”) and according to the relevant legislation is required to comply with the Pillar III disclosure as per the EU CRR (EU Regulation No 575/2013 on prudential requirement for credit institutions).

This 2023 remuneration disclosure provides detailed information on remuneration principles and practices for Identified Staff, including members of the Executive Board and Management Board. Additionally, it demonstrates how MUFG is complying with applicable remuneration regulations in the financial services sector.

The data presented is based on policies and processes applicable in 2023 and relates to performance year 2023.

Identified Staff Selection

MUFG's selection of Identified Staff is based on the European Banking Authority's Regulatory Technical Standards (RTS) of 25 March 2021.

The RTS comprises qualitative and quantitative selection criteria. MUFG has carefully considered how to apply these criteria and based on this, has identified positions and individuals that qualify as Identified Staff.

The selection and deselection of Identified Staff is an ongoing process to reflect staffing and organisational changes. MUFG reviews its application of Identified Staff selection criteria annually and, if necessary, amends this process to comply with applicable regulations.

The number of Identified Staff in 2023 who qualify has been assessed at 38 persons.

Performance Management

Performance management is a core people management process at MUFG. It aligns individual performance objectives with MUFG's strategy and priorities to build a long term and successful business for all its stakeholders within its risk appetite. Performance management is linked to remuneration and aims to reward for performance and not reward for failure.

Performance management supports MUFG's long-term interests and remuneration is a part of this. Assessing the performance of Identified Staff, and subsequently awarding variable remuneration to those who qualify, is carried out with the aim is to ensure that MUFG's remuneration structure and incentive policies consider the current and future risks, and the level of capital strength of the Bank, as well as ensuring that remuneration is based on concrete achieved criteria and is sustainable over a multi-year framework.

Variable remuneration is linked to non-financial and financial performance, considering that:

- it is based on a combination of the assessment of the performance of the person and of the business unit concerned as well as of the overall results of the Bank (and/or the group of companies to which the Bank belongs "Group"),
- the assessment of the performance of Identified Staff is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance, and
- when assessing individual performance, both financial and non-financial criteria are considered.

In practice, this means that the allocation of Variable Remuneration to the employees of the Bank is a step-by-step process involving four steps.

The first step consists in determining, based on the performance of the Bank and the Group, the total amount available for allocation as Variable Remuneration in accordance with applicable legal and regulatory requirements.

The second step consists in a performance assessment of each of the Bank's Business Units and the allocation of the amount available for allocation as Variable Remuneration by each Business Unit.

The third step consists in assessing the performance of the employees of the Bank. This is done on an annual basis using the Appraisal Form Template. This appraisal covers both qualitative criteria and quantitative criteria. The weight of each set of criteria is indicated in the Appraisal Form Template.

The final step in the process consists in a comparative evaluation by the General Management of the results of the assessment exercise. The aim of this process is to balance the results of the assessment exercise and ensure a fair allocation of Variable Remuneration across the different Business Units. The General Management of the bank will allocate the total amount of variable remuneration approved by the Board of Directors to each staff member of the Bank. In addition, employees in control functions (Risk, Compliance and Audit), predominantly have non-financial targets.

Remuneration principles and governance

Remuneration principles

The primary objective of MUFG's remuneration principles is to attract, motivate and retain highly qualified people with the right values, behaviours, skills, and knowledge to deliver on MUFG's strategy in a sustainable way.

The remuneration principles are an integral part of MUFG's strategy and risk profile. They maintain a sustainable balance between short and long-term value creation and build on MUFG's long-term responsibility towards customers, society, and other stakeholders.

MUFG's remuneration principles apply to all staff and are embedded in the MUFG Remuneration Policy. The Policy complies with relevant international and local legislation and regulations. It sets specific requirements for Identified Staff, control functions, the members of the Executive Committee and the General Management.

The MUFG's approach on the remuneration principles is:

- a) stipulates the matters to be considered by the Board of Directors and the General Management prior to paying or deciding to pay out a remuneration to Identified Staff and/or Staff,
- a) has been established in compliance with relevant legal rules and regulations,
- b) is based on a self-assessment by the Bank of its own risk profile, risk appetite, and strategy,
- c) is aligned with the Bank's business strategy, objectives, values, and long-term interests,
- d) is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Bank,
- e) complies with the applicable principles in relation to the size, nature, scope, and complexity of the Bank's activities,
- f) establishes a clear distinction between criteria for setting basic fixed remuneration and variable remuneration.

The remuneration policy reflects gender neutrality principles to ensure equal treatment regardless of gender and any other form of diversity, basing evaluation and remuneration criteria exclusively on professional ability and follows the principles laid down in items 24 through 27 of the EBA Guidelines 2021/04.

Remuneration requirements for Identified Staff

Fixed remuneration

Fixed remuneration for Identified Staff is sufficiently high to reward for the respective level of expertise, skills and range of responsibilities required for fulfilling a specific job in a business unit. Furthermore, the level of fixed remuneration allows variable remuneration to be reduced to zero.

Fixed remuneration is any remuneration which is:

- a) based on predetermined criteria, is nondiscretionary and reflects relevant professional experience and organizational responsibility as set out in an Identified Staff member or Staff member's job description as part of their terms of employment and seniority,
- b) is transparent with respect to the individual amount awarded to the individual Identified Staff / Staff member;
- c) is non-revocable, cannot be reduced, suspended or cancelled by the Bank (except in case of sanctions permitted by the Labor Code;
- d) the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting;
- e) does not provide an incentive for risk assumption and is paid out without consideration of any performance criteria.

A fixed remuneration may consist of:

- i) a recurrent, generally monthly payment to a member of the Bank's Identified Staff or Staff that is made upon the basis of an employment contract;
- ii) a 13th month payment;

Benefits

Like all other staff, under predetermined conditions Identified Staff are eligible to receive employee benefits such as pension, medical or accident insurance. Benefits are regulated locally and follow market practices.

MUFG does not award discretionary pension benefits.

Variable remuneration

Variable remuneration, where applicable, is primarily focused on creating long-term value and is based on individual, business line and overall performance of the Bank performance criteria. Where Identified Staff qualify for variable remuneration, it is subject to specific and/or regulatory conditions. These conditions aim, in part, to ensure the variable remuneration is aligned with MUFG's ongoing risk profile over a longer period.

Variable Remuneration is be paid out subject to the following terms and conditions:

- **Cash Payment**

The Variable Remuneration is paid in cash only, as long as the amount of variable remuneration payable to Staff is not exceeding EUR 50,000 and does not represent more than one third of the staff member's total annual remuneration.

Should it be decided at some point in time that Identified Staff may receive variable remuneration more than EUR 50,000 or variable remuneration representing more than one third of the staff member's annual remuneration, the variable remuneration will be partially subject to payment through shares or equivalent instruments (including vesting periods), with deferrals in place, and ex ante risk adjustments.

- **Deferral of payment**

Should any Material Risk Taker receive a variable remuneration of more than EUR 50,000, or a variable remuneration representing more than one third of the staff member's annual remuneration, a substantial portion of the variable remuneration will be deferred.

The deferral will be at least 40% of the variable remuneration component and will be deferred over a period which is not less than four to five years, and is correctly aligned with the nature of business, its risks and the activities of the staff member concerned. For members of the management body and senior management of the Bank that are significant in terms of their size, internal organization, and the nature, scope, and complexity of their activities, the deferral period will not be less than 5 years. Deferred remuneration will not vest no faster than on a pro-rata temporis basis.

In case of particularly high amounts of variable remuneration, the proportion of deferral for such staff members will be at least 60%.

MUFG has defined the "particularly high" amount of variable remuneration as:

25% of the average total remuneration per individual (in EUR) in Luxembourg, as defined by the EBA Report on High Earners for 2021. This value equals EUR 371,700.

For the greater prudence, the amount of EUR 371,700 is rounded down to EUR 350,000 for the three-year period of 2023-2025.

There was no Identified Staff or Staff who received a variable remuneration of more than EUR 50,000 for 2023, thus no deferral of payment was implemented.

- **Payment through shares or equivalent instruments**

Should any Material Risk Taker receive a variable remuneration more than EUR 50,000, or a variable remuneration representing more than one third of the staff member's annual remuneration, a substantial portion of the variable remuneration will be paid in shares or equivalent instruments. At least 50 % of the variable remuneration will be paid through shares or equivalent instruments, applied equally to the non-deferred and the deferred part, and both parts should consist of a balance of shares or equivalent instruments.

The shares or equivalent instruments referred to in this point will be subject to an appropriate retention policy designed to align incentives with the longer-term interests of the institution.

- **Risk adjustment: Clawback and Malus**

Malus or clawback arrangements are explicit ex post risk adjustment mechanisms where the Bank itself adjusts remuneration of the Identified Staff Member based on such mechanisms (e.g., by lowering awarded cash remuneration or by reducing the number or value of instruments awarded). Without prejudice to the general principles of Luxembourg contract or labour law, the Bank may apply malus or clawback arrangements up to 100% of the total Variable Remuneration in accordance with Article 94(1)(n) of Directive 2013/36/EU regardless of the method used for the payment, including retention arrangements. Ex post risk adjustments shall always be performance or risk related.

As the Bank can no longer apply the proportionality principle on an institutional basis, the Bank will apply the individual proportionality principle among Material Risk Takers to the extent permitted by applicable legal and regulatory rules and continue to apply the neutralizations. For those Material Risk Takers for which the Bank can not apply the proportionality principle, the Bank will not apply any neutralizations.

Thus, MUFG benefits from the derogation as laid down in Article 94(3)(b) of Directive 2013/36/EU (the proportionality principle) for Identified Staff whose variable remuneration (i) does not exceed a total amount of €50,000 per year and (ii) does not represent more than 10 percent of the staff member's total remuneration.

Variable remuneration cap

Based on applicable laws and regulations, MUFG applies maximum percentages of variable remuneration compared to fixed remuneration.

The Bank ensures that the fixed and variable components of total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

Variable Remuneration (if any) is paid out by the Bank:

- a) normally in a range generally between 0 % and 50% of an Identified Staff or a Staff member's total fixed annual remuneration, and not exceeding 100 % of such total fixed annual remuneration, and
- b) exceptionally more than 100% of an Identified Staff 's total fixed annual remuneration but never exceeding 200 % of such total fixed annual remuneration. No such percentage was registered for 2023.

Sign-on/buy-out arrangement

Sign-on and buy-out arrangements are types of remuneration that are only awarded in exceptional cases.

In principle, Variable Remuneration cannot be fixed in the employment contract. The buy-out arrangement or sign-on arrangement are awarded under specific conditions. Remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the institution including retention, deferral, performance and clawback arrangements.

As an exceptional measure, and in order to help in the recruitment of experienced persons, a "welcome bonus" may be fixed in the employment contract, but such is only permitted (i) for the first year of employment and (ii) if the Bank has a sound and strong capital base.

When there are special circumstances (e.g., restructuring of business, merger, or acquisition, wind-down, change of control or to ensure finalization of major projects) indicating that an employee may be considering resignation and such an action would result in an undesirable loss to the ability of the business to function at optimum levels, a "Retention Bonus" may be fixed in the employment contract. The Retention Bonus is not awarded to merely compensate for performance-related remuneration not paid due to insufficient performance or the Bank's financial situation. The retention period can be up to 2 years. The Retention Bonus is awarded after the retention period ends or the retention condition is met.

There was no new sign-on/ buy-out arrangement or retention bonus payments to any Identified Staff/ Staff registered for the exercise of 2023.

Severance

Severance payments are compliant with the remuneration regulations, including locally applicable employment law. MUFG applies the principle of 'no reward for failure'.

Severance payment and other payments at the end of a contract is not a Variable Remuneration fixed in the contracts. It may be paid only in line with mandatory requirements under national law or following a decision of a court. In line with the Banking Act and the EBA Guidelines, it may, under no circumstances, reward failure to perform of any kind and shall reflect performance achieved over time.

MUFG will not pay out any form of severance payment to a staff member in the event of:

- early termination of the employment relationship at the initiative of a staff member, unless this results from seriously imputable acts or failures on the part of MUFG;
- seriously imputable acts or failures by the staff member in the performance of their duties; or
- the staff member continues to work for MUFG in another function.

The amount of any severance for dismissal or termination paid to Identified Staff members under a senior management employment relationship may not exceed the annual amount of all fixed remuneration items.

The amount of the severance payment is typically determined according to a predefined, generic calculation method and/or criteria as set out in the applicable local severance policy. Severance proposals for members of the Executive Board and Management Board are decided on by the Supervisory Board but are contractually limited to 100 percent of their annual fixed remuneration.

There were no severance payments to any Identified Staff/ Staff registered for the exercise of 2023.

Pre-award and post-award assessment process; malus and clawback

Based on the remuneration regulations, specific risk adjustment mechanisms must be applied to the pay-out process of variable remuneration for Identified Staff. To this end, MUFG operates a so-called pre-award and post-award assessment process when determining variable remuneration. All awards are subject to regulatory maximum variable remuneration percentages.

The pre-award assessment process aims to consider potential risk adjustments on a current and future risk basis. As part of this process, MUFG considers Group performance, business line and individual performance, as well as a capital test. In addition, risk requirements apply to all Identified Staff in so-called risk-taker roles. These risk requirements set the minimum standards to be met during the performance year.

The extent to which a post-award risk adjustment is needed depends on the accuracy of the ex-ante risk adjustment and shall be established by the Bank based on back-testing.

Hence, the Board of Directors and/or General Management (as the case may be) is authorized to require the repayment of all or part of the Variable Remuneration that has been paid out already, during a period of 4 years (up to 5 years when required for the Management Body) from the date of payment of the Variable Remuneration, where a Staff member:

- i. participated in or was responsible for fraud or other conduct with intent or severe negligence which resulted in significant losses to the Bank; or
- ii. failed to meet appropriate standards of fitness and propriety.

The Bank will base any clawback decisions on the following considerations:

- a) evidence of misconduct or serious error by the Identified Staff member (e.g., breach of code of conduct and other internal rules, especially concerning risks);
- b) whether the Bank and/or the business unit subsequently suffered a significant downturn in its financial performance (e.g., specific business indicators);
- c) whether the Bank and/or the business unit in which the Identified Staff member works suffered a significant failure of risk management;
- d) significant increases in the Bank's or business unit's economic or regulatory capital base;
- e) any regulatory sanctions where the conduct of the Identified Staff member contributed to the sanction.

Remuneration governance

The Remuneration Committee has been set up in 2023 by the Board of Directors to support it in all activities concerning remuneration. It prepares the discussion and decision-making and reviews, assesses, and recommends actions on remuneration to be taken by Board of Directors. The Remuneration Committee convenes on a yearly basis, at minimum. The remuneration committee was created back in November 2023; thus, no remuneration committee was held during 2023 and first meeting was held in January 2024.

The Remuneration Committee is supported by the Finance, Risk, Audit, Compliance, Legal and HR departments. In addition, remuneration is a key topic of annual review by Audit.

The remuneration committee is composed of members of the supervisory function (Board of Directors) who do not perform executive functions. Members of the remuneration committee should have collectively appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities, namely regarding the mechanism for aligning the remuneration structure to institutions' risk and capital profiles.

In particular, the Committee:

- independently assesses the Policies and provides support to the Board of Directors concerning the adoption and regular review of its general principles;
- ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration;
- reviews, before the approval of the Board of Directors, the list of Material Risk Takers identified according to the criteria set out in the CRD V, the EU Regulation No. 923/2021, and the Law of 20 May 2021 transposing the CRD V, including possible exclusions;
- is responsible for the preparation of decisions on remuneration to be taken by the Board of Directors in its supervisory function, in particular regarding the remuneration of the members of the Management body including the CEO as well as of other Material Risk Takers;

With regard to the CEO and the Heads of Control Functions, assesses the variable remuneration accrued and, in this context, reviews also the assignment of the KPIs and targets of the performance, the assessment of the level of achievement against performance targets and the amount of the bonus to be paid.

The composition of the Remuneration Committee is set by the Board of Directors.

The members of the Remuneration Committee must have the professional skills (knowledge of relevant regulatory frameworks, understanding, and experience) and personal qualities required to exercise the role.

- The Remuneration Committee is composed of members of the supervisory function that are independent, who do not hold an executive role within the Bank.
- Is composed of at least three (3) members, and in any case, an odd number to ensure ties to be broken in case of disagreements;
- Has a majority of independent members (therefore minimum two (2));
- Is headed by a Chairperson. The Remuneration Committee needs to appoint a committee chair who is Independent; and
- Has a Secretary, who is responsible for accurately taking all of the minutes of all remuneration committee meetings. The Secretary position can be outside of the Committee itself (i.e. a Head of HR, or Head of Compensation & Benefits).

Quantitative information

The section displays the remuneration awards made by the Bank relatively to the Identified Staff for the performance year 2023. MUFG did not register any individuals being remunerated EUR 1 million or more per financial Year 2023.

Table 1 Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2023

		Management body Management function	Senior management	Other Identified Staff
Total Remuneration	Number of identified staff	3	17*	18
	Total fixed remuneration	€ 396,410	€ 2,631,736	€ 2,011,031
	Total variable remuneration	€ 138,367	€ 449,775	€ 245,068
		€ 534,777	€ 3,081,511	€ 2,256,099

*Senior management figures comprise remuneration awarded to control functions

In addition to the above, the following table displays the additional pay elements awarded to the Identified Staff during the performance year 2023.

Table 2 Additional pay elements remuneration awarded to Identified Staff in relation to performance year 2023

		Management body Management function	Senior management	Other Identified Staff
Total Remuneration	Number of identified staff	3	17*	18
	Total leasing cars	€ 0	€ 29,000 ¹	€ 0
	Total complementary pension scheme (employer contribution)	€ 6,304	€ 64,123	€ 49,677
	Total luncheon vouchers	€ 8,064	€ 43,545	€ 37,427
	Total work from home premiums	€ 967	€ 5,252	€ 4,728
	Total mobility allowances	€ 3,500	€ 19,100	€ 18,600
		€ 18,835	€ 161,021	€ 110,432

*Senior management figures comprise remuneration awarded to control functions

¹ Number of beneficiaries equaling to 3.