Remuneration Disclosure

31 March 2021

MUFG Securities EMEA plc
A member of MUFG, a global financial group

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1. About MUS(EMEA)

MUFG Securities EMEA plc ("The Group") is a wholly-owned international capital markets subsidiary of Mitsubishi UFJ Securities Holdings Co. Ltd. ("MUSHD"), which is wholly owned by Mitsubishi UFJ Financial Group ("MUFG") and was established in 1983. The Group's Tier 1 capital at 31 December 2020 was £1,965 million and the average number of employees during the year was 713.

MUFG was formed in October 2005 through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings and is one of the world's largest and most diversified financial groups, with total assets of ¥352 trillion (£2.5 trillion) at 31 December 2020. MUFG's services include commercial banking, trust banking, investment banking, credit cards, consumer finance, asset management, leasing and other financial service activities.

The Group actively trades in fixed income, equity and structured finance products, providing client solutions across primary and secondary markets. The client group includes financial institutions, corporations and central banks. The Group primarily supports this client group from its base in London and additionally operates a branch in the Dubai International Financial Centre.

The Group works in close partnership with MUFG and its corporate bank, MUFG Bank, Ltd. ("MUFG Bank"), to ensure its clients experience seamless product delivery that meets all of their objectives.

Following the UK Referendum on EU Membership ("Brexit"), The Group established a wholly owned subsidiary in The Netherlands, namely MUFG Securities (Europe) N.V. ("MUS(EU)"), as well as a branch of that entity in Paris, to support the continued servicing of clients across Europe.

MUS(EU) was granted a MiFID II Investment Firm Licence in The Netherlands in December 2018 and commenced trading in March 2019. The scope of this document covers MUFG Securities EMEA plc and MUS(EU) on a consolidated basis.

2. Introduction

The Basel II Framework was implemented in the European Union via the Capital Requirements Directive ("CRD") in June 2006. The framework is made up of three pillars:

• Pillar 1 (Minimum capital requirements)
Pillar 1 sets out 'minimum capital requirements'. It covers the calculation of risk weighted assets ("RWA") and the capital resources requirements for credit risk, market risk and operational risk. Credit risk includes counterparty credit risk and concentration risk.

• Pillar 2 (supervisory review process)
Pillar 2 capital framework is intended to ensure that firms have adequate capital to support the relevant risks in their business, and that they have appropriate processes to ensure compliance with CRD IV. It considers whether additional capital is required over and above the Pillar 1 capital requirements. A firm's internal capital adequacy assessment process ("ICAAP") supports this process.

• Pillar 3 (Market discipline)
Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements. It covers external disclosures of capital and risk exposures to increase transparency and improve comparability and consistency of disclosures.

The Basel Committee agreed updates to the Basel framework in July 2009, commonly referred to as Basel 2.5. These seek to better capture risk from securitisation and trading book exposures and were incorporated into European law via amendments to the CRD known as the "Third Capital Requirements Directive" or "CRD III".

Basel III, released in December 2010, builds on Basel 2.5. It sets higher capital and liquidity requirements to be phased in over the coming years. In the EU, Basel III was implemented through the Capital Requirements Regulation ("CRR") and Fourth Capital Requirements Directive ("CRD IV") in January 2014. The UK Prudential

Regulation Authority ("PRA") published final rules for implementing CRD IV in its Policy Statement 7/13. Reporting and Disclosure requirements are covered in the Policy Statement.

In February 2019, the Council of the EU endorsed an agreement on a set of revised rules aimed at reducing risks in the EU banking sector. The package agreed by the Council and the Parliament comprises two regulations and two directives, relating to:

- Bank capital requirements (amendments to regulation 575/2013 and directive 2013/36/EU);
- The recovery and resolution of banks in difficulty (amendments to directive 2014/59/EU and regulation 806/2014).

The amendments in the package above to the existing CRR and CRD IV (collectively referred to as "CRR2") include the following:

- A binding leverage ratio ("LR") and changes to the exposure measure
- A binding detailed net stable funding ratio ("NSFR")
- A new Standardised Approach ("SA") for counterparty credit risk
- Changes to the rules for determining the trading and non-trading book boundary and the methodologies for calculating market risk capital charges

The CRR2 changes were finalised in 2019 and will apply in the EU from 28th June 2021 although certain elements have a slightly different timeframe.

In the UK, though the UK left the EU on 31 January 2020, in order to smooth the transition, the UK remains subject to EU law during the transition period which ended on 31 December 2020. As the Financial Services Bill continues its progress through Parliament, HM Treasury, the Financial Conduct Authority ("FCA") and the PRA have announced the government's intention that UK will delay the implementation of the Basel 3 reforms which make up the UK equivalent to the outstanding elements of the CRR2. Consequently, the PRA issued the consultation paper CP5/21 on the implementation of the CRR II, which covers all the key elements with the exception of the leverage ratio. Near final rules were published in July 2021, with a target implementation date of 1 January 2022.

Post Brexit, the Group continues to monitor and prepare for these changes to ensure any upcoming regulatory requirements are met.

The Pillar 3 disclosures are prepared in accordance with the CRR and CRD IV as well as the European Banking Authority ("EBA") guidelines (EBA/GL/2016/11) on disclosure requirements issued in December 2016. The disclosures are available on the Group's corporate website (www.mufgemea.com). Disclosure in respect of remuneration as required under Article 450 of the CRR is separately published on the same website and forms part of the Pillar 3 disclosure for the Group.

The Pillar 3 disclosures were verified and approved internally, including a review by the Board of Directors to ensure that the external disclosures convey the Group's capital and risk profile comprehensively, subject to materiality and proprietary confidentiality. There is no requirement for external auditing of these disclosures.

3. Remuneration Philosophy

MUS(EMEA) is committed to promoting a culture of high performance and ethical standards, where talented individuals can achieve excellent business results, develop their careers and be appropriately rewarded.

MUS(EMEA)'s approach to remuneration is to ensure that employees are remunerated appropriately for their skills, experience and the sustainable value they bring to the business.

MUS(EMEA)'s reward programmes are designed to achieve the following:

- Reward those who deliver superior performance in a way that is responsible and is aligned with risk and compliance requirements;
- Align employee reward with the Business Plan and performance of the Company;

- Motivate and reward people who demonstrate behaviours in line with the Company's values: Integrity & Responsibility, Professionalism & Teamwork and Challenge ourselves to grow;
- Embed effective risk disciplines and to be fully compliant with all appropriate governance;
- Adjust for malus (reduction in unpaid bonus or unvested bonus) and claw-back (repayment of paid bonus, only applicable to Material Risk Takers (MRTs)) where appropriate;
- Attract, recognise, develop and retain key talent;
- Provide a total reward package that is competitive and attractive within the market place.
- A transparent, clearly communicated and well understood approach to remuneration, which ensures employees are treated fairly and remuneration decisions are free from any form of discrimination and/or inequality; and
- Comply with all applicable regulatory and legal requirements including, but not limited to, the Volcker Rule, applicable employment, tax and equality legislation, the Remuneration Code, CRD IV, European Banking Standard guidelines and other relevant Codes and guidance.

4. Remuneration Policy

MUS(EMEA) reviews its Remuneration Policy on an annual basis. Reviews are undertaken to ensure remuneration is structured in a way which aligns reward with and promotes effective risk management. Compliance with the Remuneration Part of the PRA's Rulebook and the FCA's Dual Regulated Firm's Remuneration Code (herein, collectively referred to as the Remuneration Code) is also assessed.

The Policy outlines the link between pay and performance as well as the philosophy and structure of remuneration at MUS(EMEA).

The Remuneration Policy was reviewed in November 2020 to ensure full alignment with the Global HR framework. The reviews were completed by Human Resources with input from Risk, Compliance and Finance where appropriate, before being submitted to the Joint Remuneration Committee (JRC) for their review and approval. The JRC were given delegated authority to approve the Remuneration Policy on behalf of the Board of Directors ("the Board") in 2018.

5. Composition and mandate of the Remuneration Committee

In December 2019, the MUS(EMEA) Remuneration Committee was combined with Remuneration Committees for MUFG Bank Ltd and MUFG Securities (Europe) N.V. to create a Joint Remuneration Committee (JRC). The responsibilities of the JRC and the previous Remuneration Committee are the same. For the purposes of this document reference to the JRC also refers to the previous Remuneration Committee. The JRC provides independent oversight of MUS(EMEA)'s remuneration processes and policies and achieves this through a process of rigorous review and challenge as and whenever appropriate. In doing so, the JRC takes into account the interests of its various stakeholders.

For performance year 2020, the JRC exercised independent judgement in reviewing and approving remuneration proposals from the Executive Committee. The Remuneration Committee was responsible for reviewing proposals in relation to the total individual remuneration packages of Material Risk Takers ("MRTs"), including senior members of the Risk & Compliance functions and all high-earning employees. During the 2020 performance year the JRC met six times as well as the INEDs holding other private sessions as required.

MUS(EMEA)'s Material Risk Takers ("MRTs") definition is:

1. Individuals who perform a Senior Management Function for MUS(EMEA);
2. Risk-takers as defined in the Material Risk Takers Regulation (Articles 2 & 3 of the Commission Delegate Regulation (EU) No 604/2014); and
3. Any other employee who, in the opinion of the JRC, has a material impact on the Company's risk profile including, but not limited to, Conduct Risk.

In addition to the above, Risk identifies the different types of risk the firm is exposed to as per the Internal Capital Adequacy Assessment Process (ICAAP), to identify any additional roles which should be captured as MRTs within these additional risk categories.

As part of the MUFG integration activity, consideration is also given to MUFG Bank employees who are 'dual hatted' and pose any material risk to MUS(EMEA) as well as MUFG Bank.

In 2020 the JRC for MUS(EMEA) consisted of four Independent Non-Executive Directors who were voting members as well as observers who were excluded from meetings when their personal remuneration was discussed. The current Independent Non-Executive Directors are also members of the Audit Committee and the Board Risk Committee.

For performance year 2020 the voting members of JRC were an Independent Non-Executive Director (Chair) and three Independent Non-Executive Directors, in addition observers included, but were not limited to, Chief Executive Officer, Chief Financial Officer, Head of Compliance, Chief Risk Officer, Head of Human Resources and members of the Performance and Reward team.

6. Link between Pay and Performance

MUS(EMEA) operates a robust performance management process which includes objective setting, formal evaluation against objectives, mid-year and year-end performance reviews, 360 feedback and the allocation of an overall performance rating. These are completed within the Global Performance Management Framework which assesses individual performance in terms of "What" is delivered and "How" individuals behave. The Framework has four quadrants covering the "What" and "How" elements of performance, specifically:

"What" – specific individual performance objectives for the year. Performance objectives are set by each individual and signed off by the appraising manager, categorised under:

- Non-Financial Deliverables
- Financial Deliverables

"How" – employees are expected to behave in alignment with the firm's policies, procedures and values. Role dependent mandatory objectives set out 'how' individuals are expected to demonstrate this under the categories:

- Risk, Compliance, Control & Regulatory Conduct
- Culture & Values

The Company also operates a Performance Framework. This is made available to all employees and sets out the behaviours employees are expected to demonstrate at each corporate title level. These are aligned to the Company's values, as follows:

- Integrity and responsibility
- Professionalism and teamwork

- Challenge ourselves to grow

Evaluation against these values forms part of the Global Performance Management Framework in addition to being part of the criteria used when considering promotion eligibility. Additionally employees are given a talent mapping reflective of performance and potential.

For 2020, performance calibration and a guided distribution of ratings was also used to ensure performance ratings are applied accurately, fairly and consistently throughout the organisation. Managers were asked to provide indicative performance ratings for each category as well as an overall performance rating using their experience of the individual's performance as well as taking 360 feedback into consideration. Ratings for the Compliance & Regulatory category and the Culture & Values category were cross checked by Compliance, Risk, Audit and HR respectively.

All of these components ensure that employees are given the opportunity to develop throughout their career at MUFG Securities and enables MUFG Securities to identify and reward employees who are performing and behaving in a way that is consistent with the Company's strategy and core values.

Bonuses are allocated from MUS(EMEA)'s bonus pool to employees based on individual performance, taking into account performance against the different aspects of the Global Performance Management Framework. Thus remunerating individuals based both on what they deliver, and how they behave in accordance with the Company's policies, procedures and values.

As part of the integration activity with MUFG Bank and as part of the common global HR framework, MUFG Securities performance management and compensation timeline is aligned to MUFG Banks' timeline of April to March.

7. Remuneration Design and Structure

There are two key components to MUS(EMEA) remuneration:

- Fixed remuneration
- Variable remuneration.

Remuneration consists broadly of fixed compensation (including salary, Role Based Allowances, pension benefits and other standard benefits) and variable remuneration in the form of a performance related bonus, a portion of which may be deferred on a mandatory basis. Material Risk Takers who are Non-Executive Directors receive set remuneration. A number of MRTs are seconded to MUS(EMEA) from Tokyo and their remuneration is determined by MUFG, or a subsidiary of MUFG, as appropriate. MUS(EMEA) ensures that their variable remuneration is compliant with the Remuneration Code.

Fixed Remuneration

Fixed compensation, primarily salary, is intended to remunerate employees for their skills and experience, taking into account local market practice. MUS(EMEA) has a stepped salary range approach across all corporate titles for Front Office and Support. The salary ranges have been set at levels which enable MUS(EMEA) to operate a fully flexible bonus policy. They are reviewed annually to ensure that the structure is competitive and reflective of sound remuneration principles and practices. Changes to the base salary framework must be approved by the JRC.

Fixed remuneration for all employees is reviewed on an annual basis, typically in the early part of the performance year, in line with the performance review process. This ensures that performance from the previous performance year can be taken into consideration when reviewing individual remuneration.

Variable Remuneration

Employees may be awarded an annual performance-based bonus which is reflective of the performance of MUFG EMEA wide, MUS(EMEA), the International Business (being all other MUFG Securities entities outside of Japan), the relevant global and local business unit and each employee's individual performance in the performance year. Individual performance is assessed through the individual's Performance Assessment. Bonuses are used to reward those who demonstrate MUS(EMEA)'s firm-wide cultural & values and who deliver superior performance in a way that is consistent with risk and compliance requirements.

Bonus awards are determined in accordance with the relevant provisions and guidance of the PRA's and FCA's Remuneration Code. All such awards may be subject to (i) deferral, (ii) performance adjustment in line with prevailing policies and (iii) claw-back in relation to bonus awards made to Material Risk Takers. MUS(EMEA) does not operate any long-term incentive schemes which are separate from the deferral programmes applied to annual variable remuneration.

When setting individual variable remuneration, the ratio between fixed and proposed variable remuneration is reviewed for reasonableness. The ratio of fixed and variable remuneration is capped at 1:2 for MRTs, however Control Function Staff are predominantly paid in fixed remuneration.

Remunerating Staff in Control Functions

The framework for MUS(EMEA)'s organisational structure is based on clear and separate functional reporting lines following the three lines of defence model.

The structure of the control function departments is formalised in the Company's organisational charts. Control function employees secure appropriate authority through their respective reporting lines whereby all heads of control functions report directly to MUS(EMEA)'s CEO. Additionally, the CRO has a second reporting line to the International Chief Risk Officer, the Head of Compliance has a second reporting line to the Global Head of Compliance (within MUSHD) and the Head of Internal Audit has a reporting line into the Independent Non-Executive Director Chair of the Audit Committee, as well as the Global Head of Internal Audit (within MUSHD). In addition, appropriate authority is granted through MUS(EMEA)'s committee structure which includes the Executive Committee and the Risk Management Committee, as well as the Board, Audit, Risk and Joint Remuneration Committees, as documented in the Company's Senior Management Framework.

Responsibilities for setting objectives, undertaking performance assessments and proposing bonus recommendations for control function employees' lies with the relevant control function heads. Regarding remuneration, MUS(EMEA) consults with external providers to ensure that both base compensation and, where appropriate, variable performance bonuses are set at market levels so as to attract and retain suitably qualified employees in the control functions with the necessary experience to fulfil their roles. The output from the Performance Assessment is an important consideration when determining individual bonus awards.

Deferral

In the performance year 2020 MUS(EMEA) continued to operate two deferral programmes for variable remuneration. The first deferral programme was for MRTs who are subject to the PRA's and FCA's remuneration rules, unless the de minimis concession applied (i.e. their total compensation is less than £500,000 and their total bonus is no more than 1/3rd of their total compensation). Section 8 provides a more detailed overview of the deferral plan for Material Risk Takers.

The second deferral programme ("Global Deferral Plan") applies to all other employees (and MRTs who meet the de minimis criteria), whose total bonus was over a certain threshold and various deferral percentages apply depending on the level of bonus.

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8. MRT Deferral Plan

For the performance year 2020, MRTs were subject to a deferral schedule based on their Total Variable Pay Award. In accordance with the Remuneration Code, for MRTs receiving a bonus of up to £500,000, a deferral of 40% is applied to the bonus under the terms of MUS(EMEA)'s Deferred Compensation Plan for Material Risk Takers, unless the de minimis level set by the PRA applied. For MRTs who received a bonus of £500,000 or more, the deferral percentage was 60% which is calculated and applied in the same way.

Of the portion of bonus not deferred, 50% was paid to participating MRTs up front and 50% was retained for 12 months in Share Price Linked awards (details of this share-linked instrument are provided below). Of the portion of bonus deferred, 50% has been deferred as cash and 50% has been deferred in Share Price Linked awards.

In addition, in relation to the deferred Share Price Linked awards, MUS(EMEA) has applied a 12 month retention period which follows each vesting event.

Vesting, malus and Clawback

MRTs are sub-categorised into Senior Managers, Risk Managers and Material Risk Takers. The vesting period of the deferral will be determined by the MRT's category. Senior Managers will be subject to a 7 year deferral period; Risk Managers will be subject to a 5 year deferral period and Material Risk Takers will be subject to a 3 year deferral. An award does not vest if an employee gives notice to terminate his/her employment or has his/her employment terminated due to gross misconduct. Deferred awards are also subject to malus and clawback provisions, as outlined in the firm's Adjustment Policy such as, for example, where there is reasonable evidence of employee misbehaviour or material error; the firm or business unit suffers a material failure of risk management.

Share-linked instrument

The 2020 MRT deferral plan and retained portion of the non-deferred bonus links a portion of variable remuneration to the performance of the Mitsubishi UFJ Financial Group as a whole via MUFG Share Price Linked (SPL) awards. The SPL awards are linked to MUFG stock from the date of award to the end of each retention period following vesting.

9. Risk Adjustment

MUS(EMEA) encourages effective risk management, discourages excessive risk taking and supports a strong and appropriate conduct culture. For the performance year 2020, MUS(EMEA)'s approach to risk adjustment was two-fold via ex-ante and ex-post risk adjustment. Ex-ante risk adjustment was performed through the setting of risk adjusted budget-contributions for each business unit, with risk limit structures that were consistent with those budgets. Aggregate bonus spend was determined with reference to these risk adjusted approaches. MUS(EMEA) operates two models of risk adjustment to reflect both the nature of the risks being taken by desks and the capital costs these risks incur. The models are used to inform the overall pool as well as department level pools. Their use helps to ensure that financial return is appropriately offset against the risk undertaken to achieve that return. The first model used was a Tier 1 Capital model and the second was a Total Regulatory Capital model. Ex-post risk adjustment is on-going through the mechanisms of performance adjustment in relation to the movement in the value of MUFG stock and the application of malus and clawback provisions on an individual or aggregate basis, where applicable.

10. Benefits

Material Risk Takers received standard benefits that were the same as those provided to all other employees.

11. Quantitative Remuneration Information

During performance year 2020 the Company had 101 MRT's (including leavers). The aggregate remuneration was £54.33m for the 2020 performance year. This was split between the Front Office businesses (£37.95m) and the Support Units, including management (£16.39m).

The disclosure table below provides additional details of MRT remuneration, split between Senior Management (13/101) and other members of staff whose actions has a material impact on the risk profile of the Company (88/101).

In line with disclosure rules to state the number of individuals being remunerated €1,000,000 or more and broken down into €500,000 pay bands, of the 101 MRTs, 12 individuals were remunerated €1,000,000 or more during the performance year. The remuneration for these individuals is broken down into pay bands as follows: 7x €1m-€1.5m; 2x €1.5m-€2m; 1x €3m-€3.5m; 1x €3.5m-€4.0m; 1x€4.0m-€4.5m.

	Senior Management £m	All other MRT Staff £m	Total £m
Fixed remuneration	6.5	24.8	31.3
Variable remuneration	7.1	16.0	23.1
Variable remuneration (cash)	3.5	9.3	12.8
Variable remuneration (SPL awards)	3.5	6.7	10.3
Outstanding deferred remuneration (vested)	0.6	0.8	1.5
Outstanding deferred remuneration (unvested)	10.4	9.6	20.0
Deferred remuneration awarded in the performance year	4.1	6.4	10.5

	Senior Management £m	All other MRT Staff £m	Total £m
Deferred remuneration paid out in the performance year	1.4	2.1	3.4

Prior to the payment of deferred and retained remuneration during the performance year, the JRC reviewed the payments with input from Risk, Compliance and Human Resources and determined that none of the payments were to be reduced through malus provisions.

There were no severance payments made to MRTs on the termination of their employment during the year.

No sign-on payments were paid to MRTs during the performance year.

12. Compliance with the Remuneration Code

MUS(EMEA) ensures compliance with the Remuneration Code by seeking advice from professional advisors and through its governance processes which are in place to approve compensation proposals. The latter includes rigorous review by the JRC and MUSHD, with subsequent review of MUS(EMEA)'s compliance with the Remuneration Code by Internal Audit on an annual basis. Where required to do so, MUS(EMEA) also publishes information on its remuneration structures which create transparency regarding its compliance with the Remuneration Code. This document sets out a number of aspects of compensation which are compliant with the Code such as its approach to risk adjustment, identifying Material Risk Takers and remuneration structures applicable to MRTs.