



Investor briefing #2

Governance wake-up call: Proxy voting for director accountability

Mitsubishi UFJ Financial Group (TYO: 8306)

Sumitomo Mitsui Financial Group (TYO: 8316)

Mizuho Financial Group (TYO: 8411)

MAY 2026

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Directors' positions mandate specific risk oversight responsibility

Where you, as investors, are questioning the risk management of the Megabanks, whether related to legal risk, physical risk, goal misalignment, project-based risks or employee misconduct:

① We ask investors to discuss the issues raised in our briefings including risk management approaches with the Megabanks themselves, both management and directors.

② Due to the issues and risks we have raised in our briefing, we ask investors to scrutinise directors in particular leadership positions within the Board.

③ If the investor is dissatisfied with the processes (or lack thereof) around the risks highlighted in our briefings, they can choose to vote against directors in these particular leadership positions as noted on the next page.

*This briefing **does not** allege particular wrongdoing on the part of any one director.*

However, the positions of the directors we are recommending to vote against have responsibility for risk management oversight and ensuring board competence.

We do so in the interest of seeking accountability for the questionable risk management of the Megabanks as a whole and to push for improved governance practices.

Investors are recommended to “Vote No” against the re-election of Megabanks directors if they find the companies are not adequately managing risks

MUFG

SMBC

Mizuho



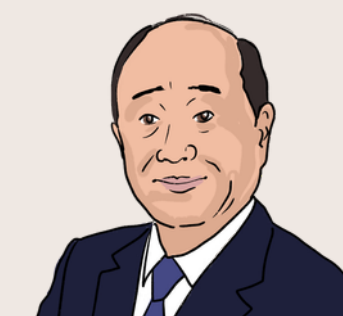
Board Chair: Responsible for ensuring effective oversight of short-term and long-term risks through agenda-setting and operations of Board meetings



Hironori Kamezawa



Makoto Takashima



Takashi Tsukioka



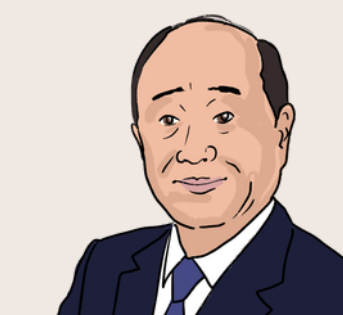
Nomination Committee Chair/Member: Responsible for board competence through nomination of director candidates with skills and expertise to navigate risks and provide robust oversight



Junichi Hanzawa*



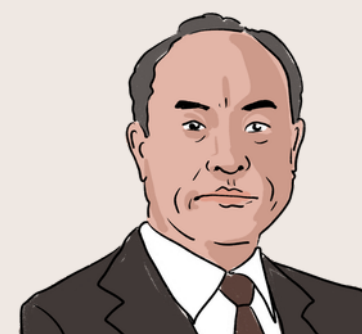
Jun Sawada



Takashi Tsukioka**



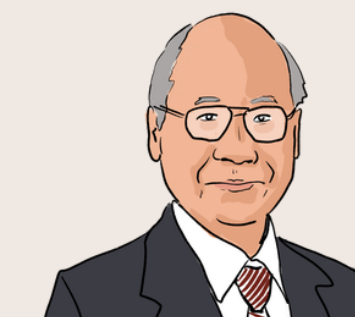
Audit Committee Chair: Responsible for ensuring internal control systems can ‘see around corners’, and for overseeing the directors and executives fulfil their duties regarding risk management



Koichi Tsuji



Sonosuke Kadonaga



Kotaro Ohno

*Mr Hirofumi Nomoto, the current Chair of the Nomination Committee, is due to step down following the Annual General Meeting in June and has therefore been excluded from consideration. Meanwhile, Mr. Hanzawa serves as Group CEO and as a member of the Nomination Committee, and is due to be reappointed as a director (He has been a director since June 2021).

** Mr. Yoshimitsu Kobayashi, the current Chair of the Nomination Committee, is due to step down following the AGM in June. Mr. Tsukioka is due to step up as the Chair of the Committee.

Recap: Investors will be impacted by Megabanks inadequately managing risks

Poor legal risk management



Threatens the financial viability, valuation, and reputation of investments, with investors themselves potentially facing legal risks as a result.

Megabanks have not addressed risks highlighted by litigation faced by peer banks and financial entities in other markets, or the International Court of Justice opinion on states' obligations to mitigate climate change.

Physical risk mis-management



Poses immediate and increasing material threats to asset values, operational stability, and long-term financial returns.

Megabanks have failed to conduct and disclose comprehensive and robust physical risk analyses.

Goal misalignment



Can lead to under-performance resulting from poor capital allocation and strategic failures, leading to a reduction in value.

However, Megabanks have failed to set effective policies or sufficient targets to mitigate risk and align capital allocation with their long-term goal of carbon neutrality in their financing portfolios.

Failure to manage high project-based risks



Can lead to significant legal liabilities, operational disruption leading to loss of financial value, and severe reputational damage, with legal and reputational issues risk potentially escalating to the banks' investors.

The Megabanks lack an explicit escalation frameworks to properly evaluate high-risk projects at the board level.

Mismanagement of employee misconduct



Can significantly damage long-term shareholder value, erode brand reputation, and create legal liabilities.

These cases of misconduct are evidence of failure of systematic risk management.

Jump to: [Briefing 1](#)

Investors are voting against directors at banks retreating from climate commitments

Asset owners are voting against the reappointment of responsible directors at European banks that have scaled back their climate commitments during this year's annual general meeting (AGM) season.

As discussed in the later section, **MUFG has significantly scaled back** its financed emissions reduction targets for the Power, Oil and Gas, Automotive, and Aviation sectors in its "Progress Report" dated 1 May, undermining investors' trust in the bank's material risk governance.

SMBC and **Mizuho** have failed to deliver on previous commitments to establish facilitated emissions targets, exempting a significant proportion of their exposure to emissions-intensive industries from this important risk management measure.

NEWS

Church of England Pensions Board to vote against climate-backtracking banks

By IPE Staff | 24 March 2026

"Investors need confidence that directors will maintain consistent, credible oversight of climate and risk policies. Where that confidence is undermined, we will act."

Laura Hillis

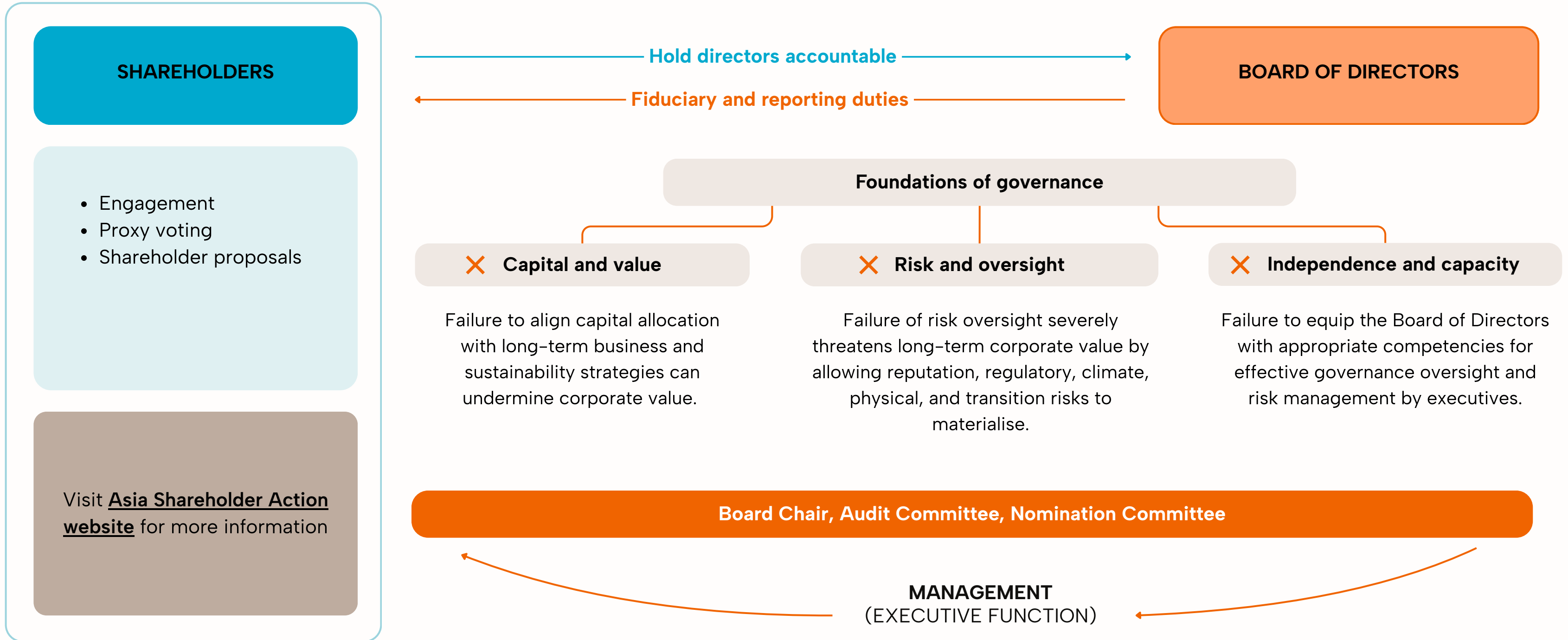
Managing Director, The Church of England Pensions Board

"As an active investor, we can do nothing but send a strong signal and a clear indication that this is the completely wrong way to go."

Anders Schelde

CIO, AkademikerPension

Baseline governance expectations



Risk and oversight:
Oil and gas/LNG
project finance deals

Why oil and gas/LNG project finance risks matter to investors

In addition to the material risks covered in the first briefing, this additional explainer highlights specific financial risks associated with the Megabanks' project financing in the oil and gas/LNG sector:



Stranded asset risk: Repayment to Megabanks is derived from project cashflows – lenders typically have no or limited recourse to recoup losses from the proponents' other assets, meaning the repayment of the loan is contingent on the project achieving cash flows required to service and repay the loan.



Longer term credit risk: Project finance loans are often large and have longer tenors than corporate finance loans, further increasing exposure and risk of non repayments.



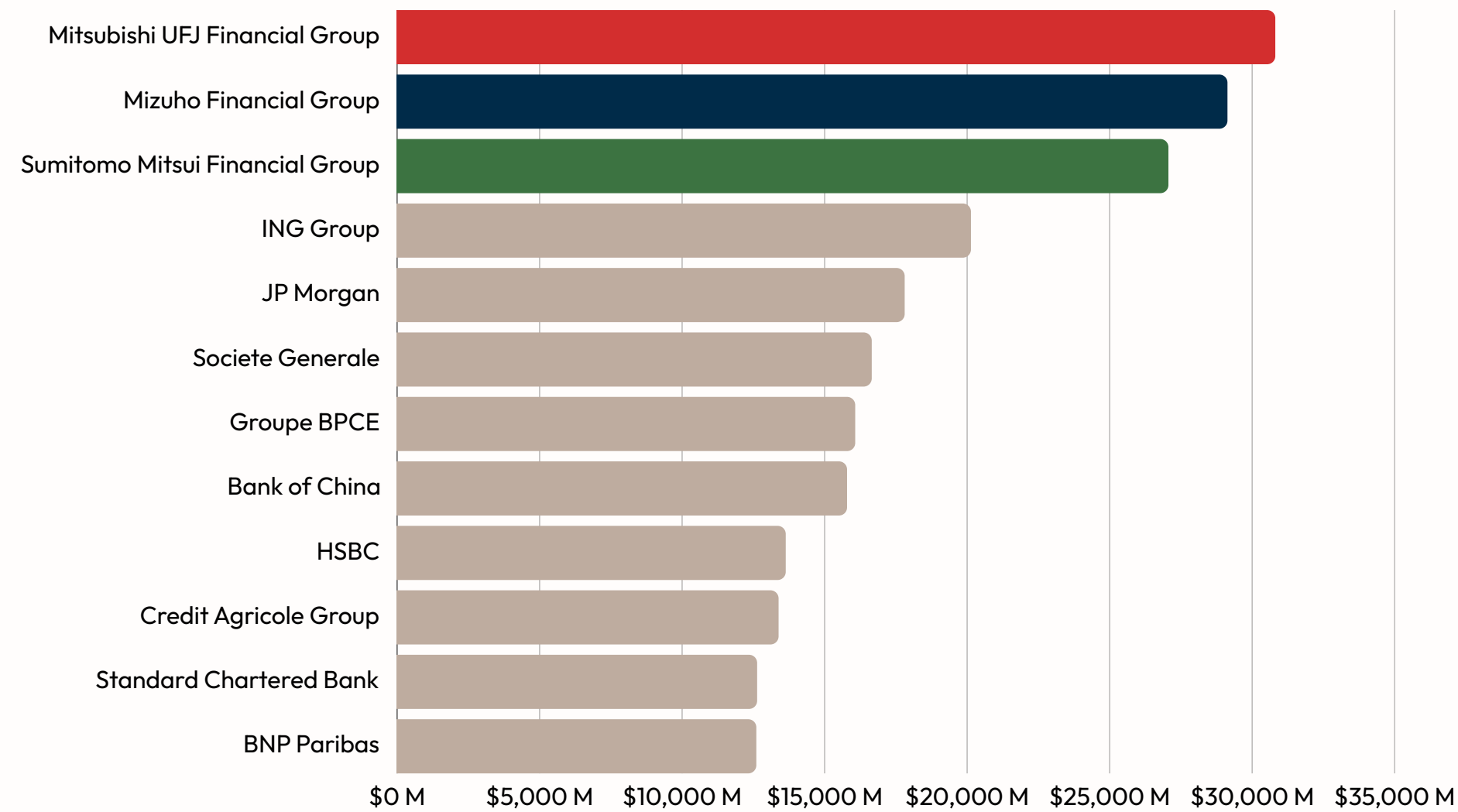
Uncertain returns: The changing dynamics of LNG markets present acute risks for project financiers, with uncertain demand profiles and risks of oversupply in key target 'growth' areas such as South-East Asia raising concerns about adequate cashflow for servicing loans.

The Megabanks are some of the largest financiers of oil and gas/LNG.




To ensure portfolio value, investors have a critical responsibility to push for governance processes that genuinely reflect the heightened levels of risk the Megabanks are taking on.

Megabanks are the largest oil and gas project financiers globally

Oil and Gas Project Finance Lending Top 12 (2016–2026)



Source: IJ Global

| Banks | No. of transactions since 2016 | Total transaction value in million USD |
|---|--------------------------------|--|
|  MUFG | 197 | 30,811 |
|  MIZUHO | 172 | 29,133 |
|  SMBC | 191 | 27,061 |

This exposure is risky, with serious doubts over long-term LNG demand in key growth markets

'Emerging Asian' economies are touted as key long-term growth demand markets for new LNG supply projects, but shifting market dynamics cast serious doubts about the viability of growth strategies relying on this demand.

LNG price volatility is pushing countries to decrease reliance on imports

Huge surges in LNG prices in recent years have seen importing countries, such as Pakistan, reduce reliance on imported LNG. Pakistan has imported \$6.7 billion of solar PV and \$941m of batteries from China in the past five years, while cancelling 45 planned LNG cargoes from Qatar and Eni.

Demand-side projects in Emerging Asia get cancelled more often than developed

More LNG import terminals and power projects have been cancelled than have been developed in many key importing countries in 'Emerging Asia' over the last ten years.

There is a global production backlog of 7-8 years for new gas turbines

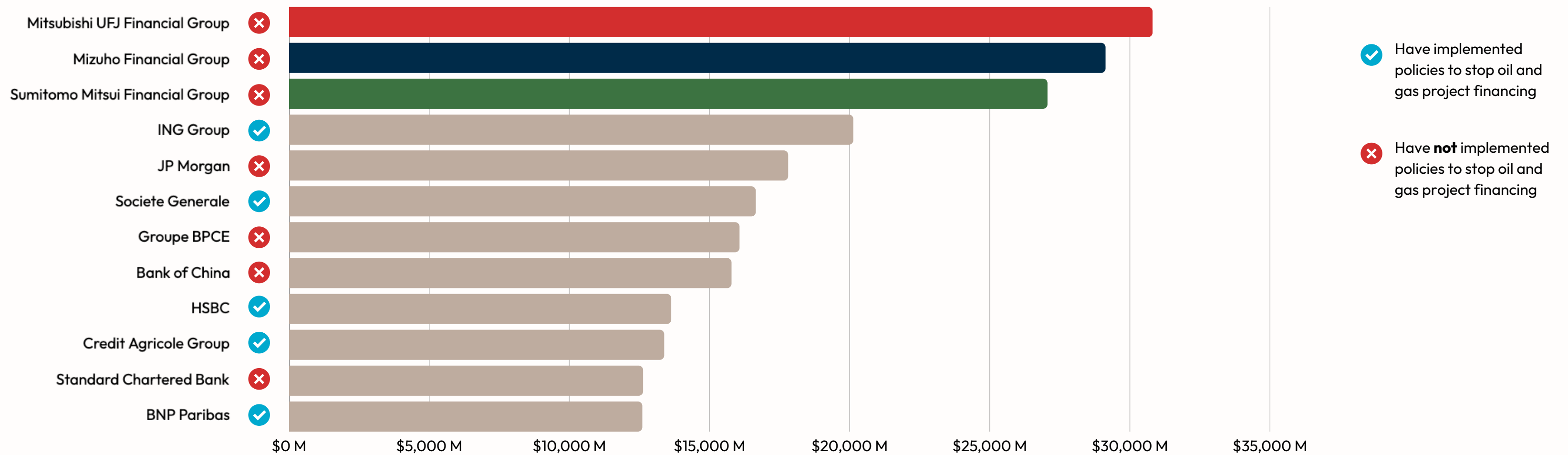
This will further impair the potential development of LNG-to-power projects in emerging markets as renewable energy and battery costs continue to decline. Power projects that would come online in the mid 2030s will face very different economic conditions to today's markets.

There is still a looming LNG supply glut

An LNG supply glut is still forecast by many analysts – a period where export supply capacity exceeds demand. This will push down LNG prices, making it harder for developers to recover their costs, and, in the case of project finance, service their debts.

Peers use policy to manage project finance risks better than Megabanks, leaving the Megabanks increasingly isolated

Banks that used to be major project financiers for oil and gas have introduced restrictions on new oil and gas fields and associated infrastructure, in direct contrast with Megabanks.



Source: IJGlobal – for policy details, please see Appendix !!

Moreover, Megabanks' financed emissions targets are inadequate to align financing decisions with 2050 net zero emissions goals



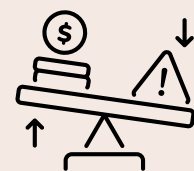
The range of each Megabank's upstream O&G target allows 2030 exposure to be higher than the Paris Agreement's goal of 1.5°C warming limit. Furthermore, the current level of financed emissions at Megabanks has already met these weak targets, indicating they could further increase their O&G exposure from now to 2030.



Emissions intensity targets (for power generation) can mask increases in absolute emissions and fossil fuel exposure.



No targets for midstream fossil fuel infrastructure projects, which face substantial and growing financial risk.



Financed emissions are not a proxy for transition risk.

For example, a \$100m loan to an LNG export terminal with offtake agreements secured for its remaining life may have higher financed emissions at the time of the loan, but poses significantly lower transition risk and real-world emissions threat than the same-sized loan to a proposed new LNG terminal.

Worst of all, MUFG announced a drastic weakening of financed emissions targets

Despite their shortcomings in risk management and net-zero alignment, financed emissions targets help reduce exposure to high-emission sectors. MUFG's scaling back of these targets in its May 1 '[Progress Report](#)' raises **serious concerns about climate and reputational risk management.**

MUFG weakened its 2030 emissions reduction targets for all sectors it made revisions to: Power, Oil & Gas, Automotive, and Aviation.

Most notably, MUFG's new 2030 financed emissions intensity in the **Power sector allows approx. 1.5 times more emissions on average** (from 174gCO₂e/kWh to 254gCO₂e/kWh).

This new target **lags far behind peer banks, allowing emissions intensity to be twice to four times as high** (see table) and effectively enables more fossil fuel power exposure and less renewables.*

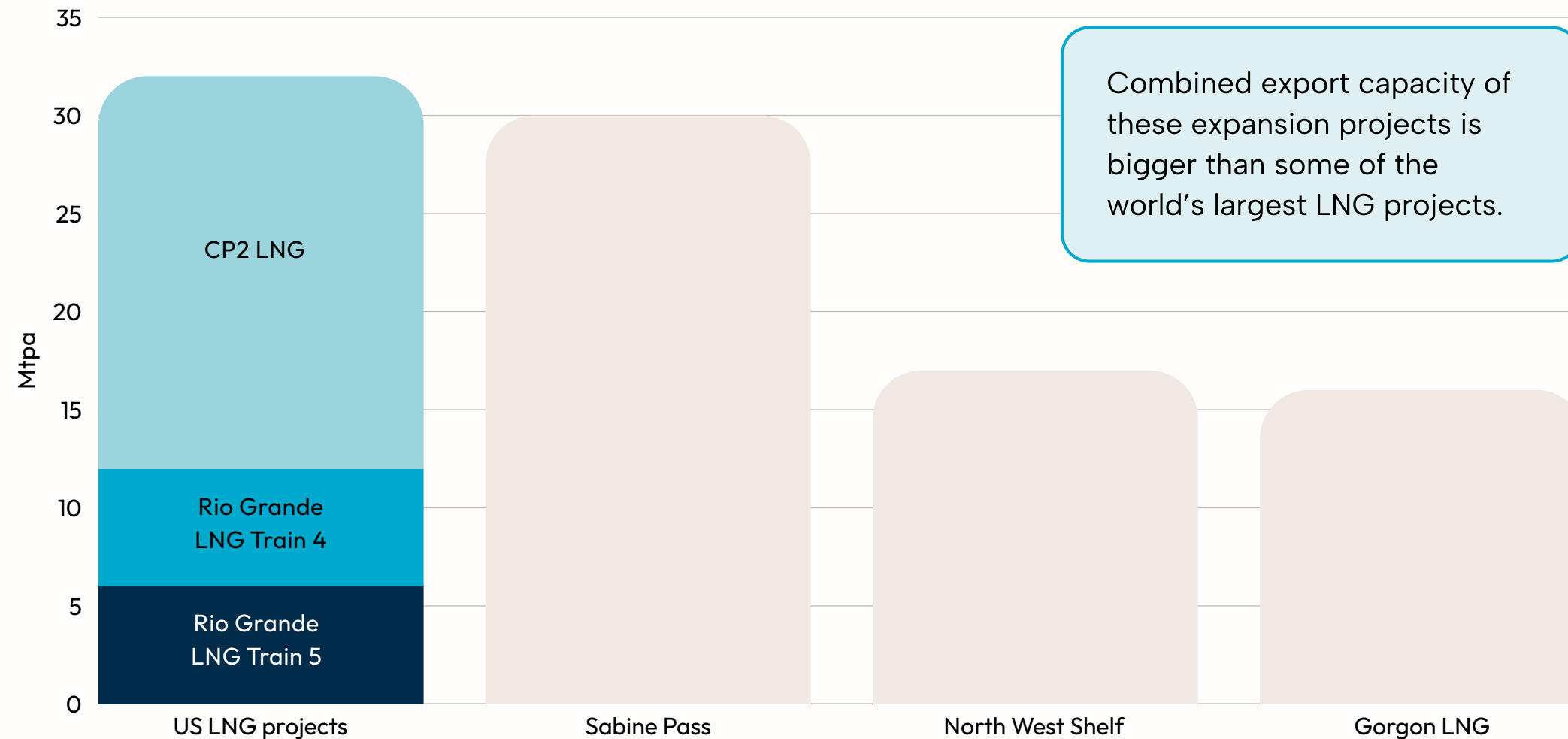
*The old target (upper range 192gCO₂e/kWh) would require a financed energy portfolio mix of approximately 45% renewables to 55% gas power (350gCO₂e/kWh), and even higher renewables penetration if coal power is in the mix. With the new target (upper range 270gCO₂e/kWh), a renewable to gas ratio of approx. 23% would suffice.

2030 Target for Power sector

| Bank | Oil and gas project finance ranking | Emissions intensity target (gCO ₂ e/kWh) |
|---------------------------|-------------------------------------|---|
| <u>ING</u> | #4 | 66 |
| <u>Groupe BPCE</u> | #7 | <90 |
| <u>Credit Agricole</u> | #10 | 95 |
| <u>JPMorgan Chase</u> | #5 | 105.3 |
| <u>BNP Paribas</u> | #12 | 110–125 |
| <u>Societe Generale</u> | #6 | 125 |
| <u>SMBC</u> | #3 | 138–195 |
| <u>Mizuho</u> | #2 | 138–232 |
| <u>HSBC</u> | #9 | 195–270 |
| <u>Standard Chartered</u> | #11 | 170–280 |
| <u>MUFG</u> | #1 | 239–270 |

Risk evidenced by Megabanks backing a wave of US LNG expansion...

Over the past year the Megabanks have continued to arrange project finance loans for major US LNG expansion projects, all of which face uncertain demand profiles and therefore uncertain future cash flows.



Rio Grande LNG Train 5
FC Date: October 2025
Loan Size: USD \$3.589 billion
Loan Tenor: 7 years
Banks: MUFG, Mizuho

Rio Grande LNG Train 4
FC Date: September 2025
Loan Size: USD \$3.589 billion
Loan Tenor: 7 years
Banks: MUFG, Mizuho

Venture Global CP2 LNG
FC Date: July 2025
Loan Size: USD \$12.1 billion
Loan Tenor: 7 years
Banks: MUFG, Mizuho, SMBC

Venture Global CP2 LNG
FC Date: March 2026
Loan Size: USD \$8.6 billion
Loan Tenor: 6 years
Banks: MUFG, Mizuho, SMBC

Source: LSEG Workspace

Source: [Rio Grande Train 4](#), [Rio Grande Train 5](#), [Venture Global CP2 LNG](#), [Sabine Pass](#), [North West Shelf](#), [Gorgon LNG](#)

...including Megabanks blindly pursuing “unbankable” US projects despite the risks

The Megabanks form a critical part of the unprecedented \$550B U.S.–Japan Investment Framework. The deal targets key industries—semiconductors, AI, energy, and shipbuilding—in exchange for reduced 15% tariffs on Japanese automobiles and other goods.

However, it presents significant balance sheet and valuation risks for the Megabanks, and introduces the following investor concerns:



Liquidity Strain: The required amount would represent a significant percentage of the banks' total current medium-to-long-term dollar holdings.



Basis Swap and Margin Compression: Massive, concentrated dollar procurement is expected to drive funding costs (basis swaps) to surge, potentially eroding net interest margins on international portfolios.



ESG and Stranded Asset Risk: This massive fossil fuel exposure creates a fundamental conflict with the Megabanks' Net Zero 2050 roadmaps, increasing the risk of financed emission overshoots compared to targets and future regulatory penalties.

Investors must question the rigor of board-level risk controls, as the deal prioritizes geopolitical trade concessions over traditional credit and prudential standards.

It is unclear what level of risk control was applied to this lending agreement, given the scale, both at the audit level and the board of directors level, and what efforts were made to mitigate risk.

First batch of projects could see Megabanks lending \$22 billion to a single project

The first batch of projects under the \$550B U.S.–Japan Investment Framework involves \$36 billion worth of projects, including the world's largest gas-fired power plant.

The gas-power plant, known as the Portsmouth Powered Land Project, would have a capacity of 9.2GW and cost \$33 billion. It has been widely reported in Japanese media that the financing arrangement for the first batch of projects will see the Japan Bank for International Cooperation (JBIC) provide $\frac{1}{3}$ of the total project cost, with the Megabanks to provide the remaining $\frac{2}{3}$.

This would see the **Megabanks lending up to \$22 billion for a single project**. While Toyokeizai has reported the government-owned insurance corporation, NEXI, will guarantee any losses, it is an astounding amount of financial risk.

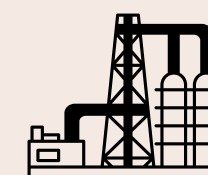
Comparatively, 26 individual commercial lenders financed the US \$3.6bn Rio Grande LNG Train 5 Expansion last year and no bank took on greater than \$145 million worth of lending risk.*

Toyokeizai has reported that this $\frac{1}{3}$ JBIC and $\frac{2}{3}$ Megabanks financing arrangement will extend to the remaining US \$550bn loan package.

*Source: LSEG Workspace

**The calculations consider stationary emissions only. We have assumed US combined cycle gas turbines for the capacity and plant efficiency factors, with a 30 year economic life.

First batch



Megabanks
\$22 billion

Project: Portsmouth Powered Land Project (Gas-Fired Power Plant)

Capacity: 9.2GW

Lifetime emissions: 692 million tonnes CO₂-e**

Cost: \$33 billion

Financing Arrangement: JBIC: \$11 billion

Second batch

Assuming the same financial arrangement as First batch



Megabanks
\$11.3 billion

Project: Southwest Pennsylvania Natural Gas Generation Facility

Capacity: 4.3GW

Lifetime emissions: 323 million tonnes CO₂-e**

Cost: \$17 billion

Financing Arrangement: JBIC: \$5.7 billion



Megabanks
\$10.7 billion

Project: Texas Natural Gas Generation Facility

Capacity: 5.2GW

Lifetime emissions: 391 million tonnes CO₂-e**

Cost: \$16 billion

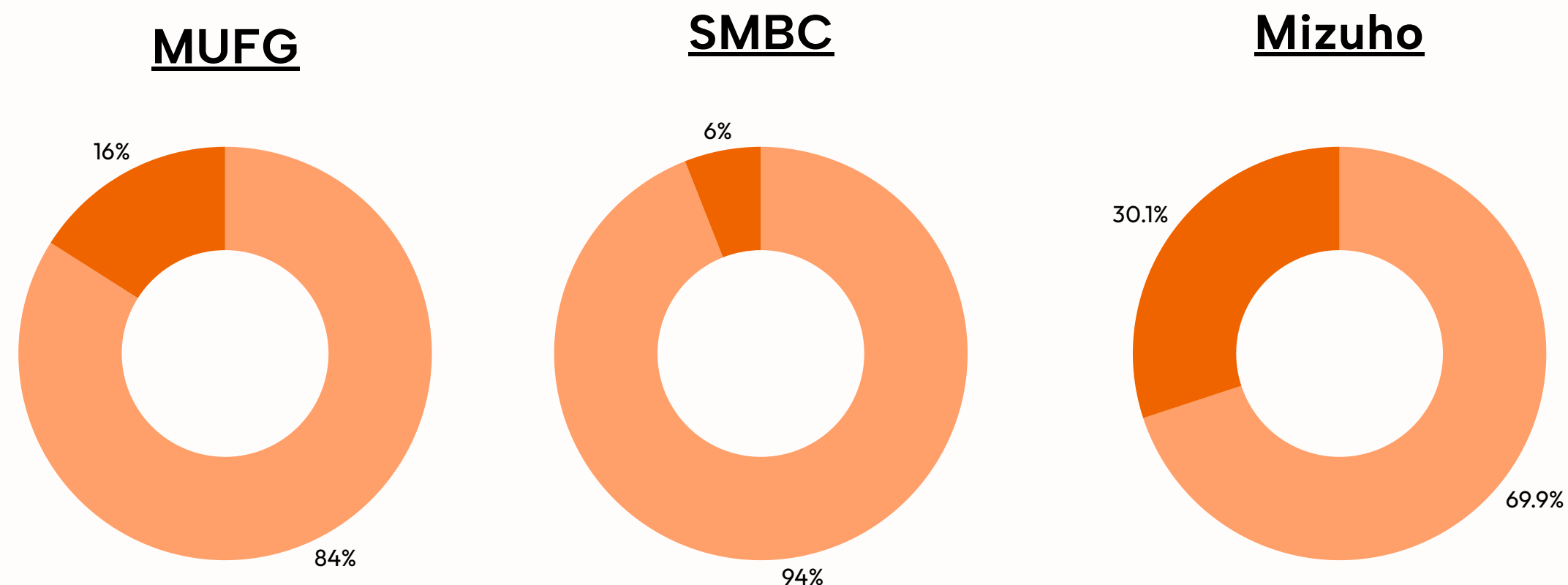
Financing Arrangement: JBIC: \$5.3 billion

Financing these projects would radically increase financed emissions, damaging net-zero goals

Financed emissions from power sector including proposed US gas power projects

● Current Power Sector financed emissions

● US Gas Power projects financed emissions



Loaning the reported figures to the US gas power projects would represent a substantial increase in their power sector financed emissions. **These projects' annual financed emissions would range from 6% of SMBC's to over 30% of Mizuho's.**

Note: Financed emissions have been calculated assuming the Megabanks' full reported lending exposure to the US gas power projects - approximately US \$14.7 billion each. Assuming 20 years of loan exposure, as has been reported by Toyokeizai, the Megabanks' annual financed emissions would be 10.41 MtCO₂-e. The actual financed emissions would vary substantially from this as lending is reportedly happening in installments. As the structure of the loans has not been reported, we have presented a simplified chart comparing the size of annual financed emissions from these projects to the entire power sector financed emissions reported by each Megabank. **US Gas Power project financed emissions are expressed as a percentage of current power sector financed emissions.** There is substantial variation in financed emissions due to differences in reporting quality, with SMBC scoring the highest PCAF score for the most coverage.

Oil and gas exposure risky
given declining long-term
LNG demand

LNG price volatility is hurting importing countries and driving away demand

LNG price volatility has increased markedly since the 1990s and 2000s...

Asia LNG annualised percentage 12-month rolling volatility



Source: Market Forces analysis of [IME](#) data.

Note: Price volatility is the standard deviation for previous 12-month, monthly log returns of Asia LNG prices, multiplied by the square root of 252 (number of trading days per year) multiplied by 100 (conversion to percentage).

...with the last seven years exemplifying the degree of this volatility

JKM LNG annualised percentage 30-day rolling volatility



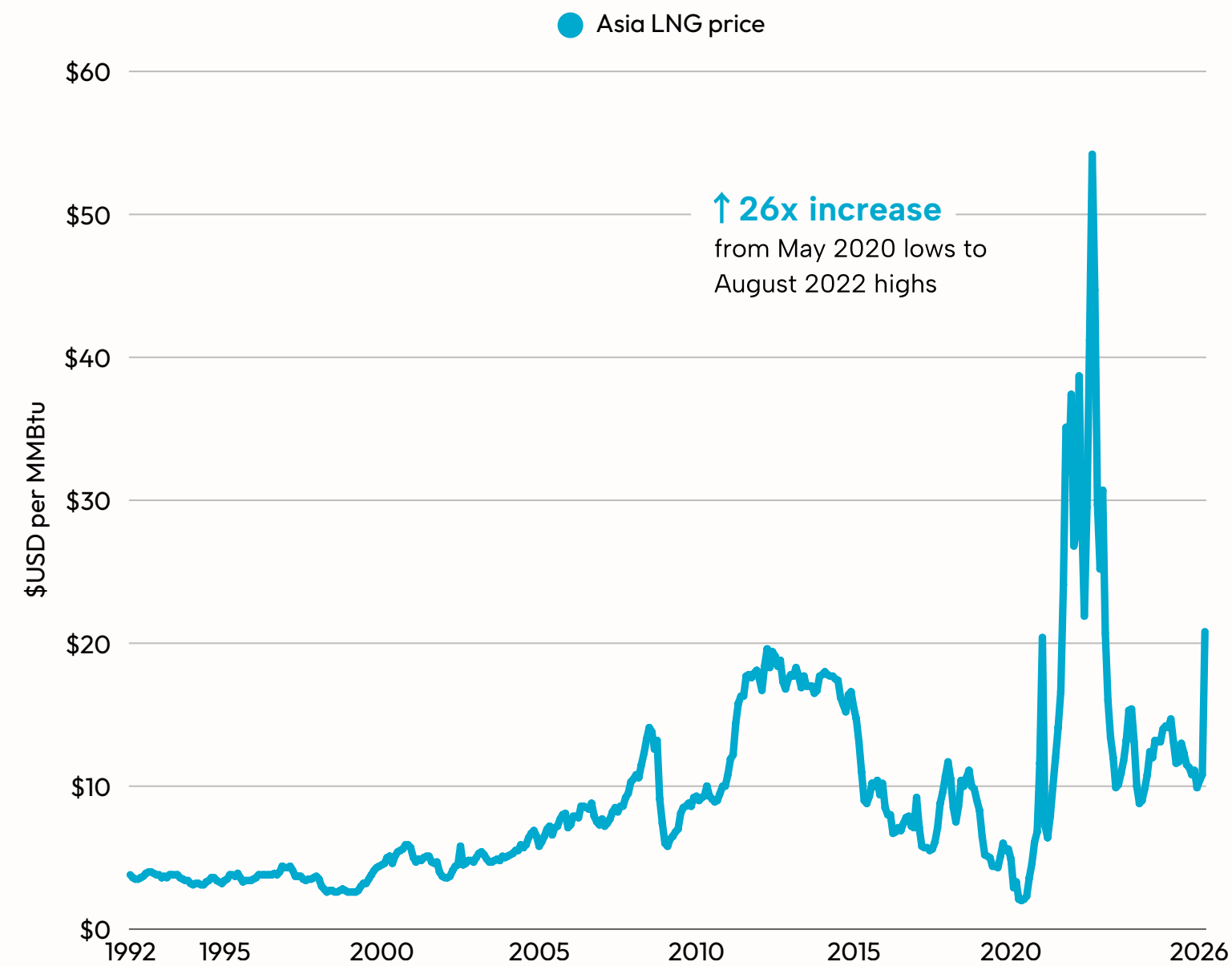
Recent price volatility is reaching post-COVID rally and Ukraine invasion levels

Source: Market Forces analysis of Bloomberg data as at 29/04/26.

Note: the difference in volatility measures is due to data availability - monthly vs daily price data.
Note: Price volatility is the standard deviation for previous 30-day, daily log returns of JKM prices, multiplied by the square root of 252 (number of trading days per year) multiplied by 100 (conversion to percentage).

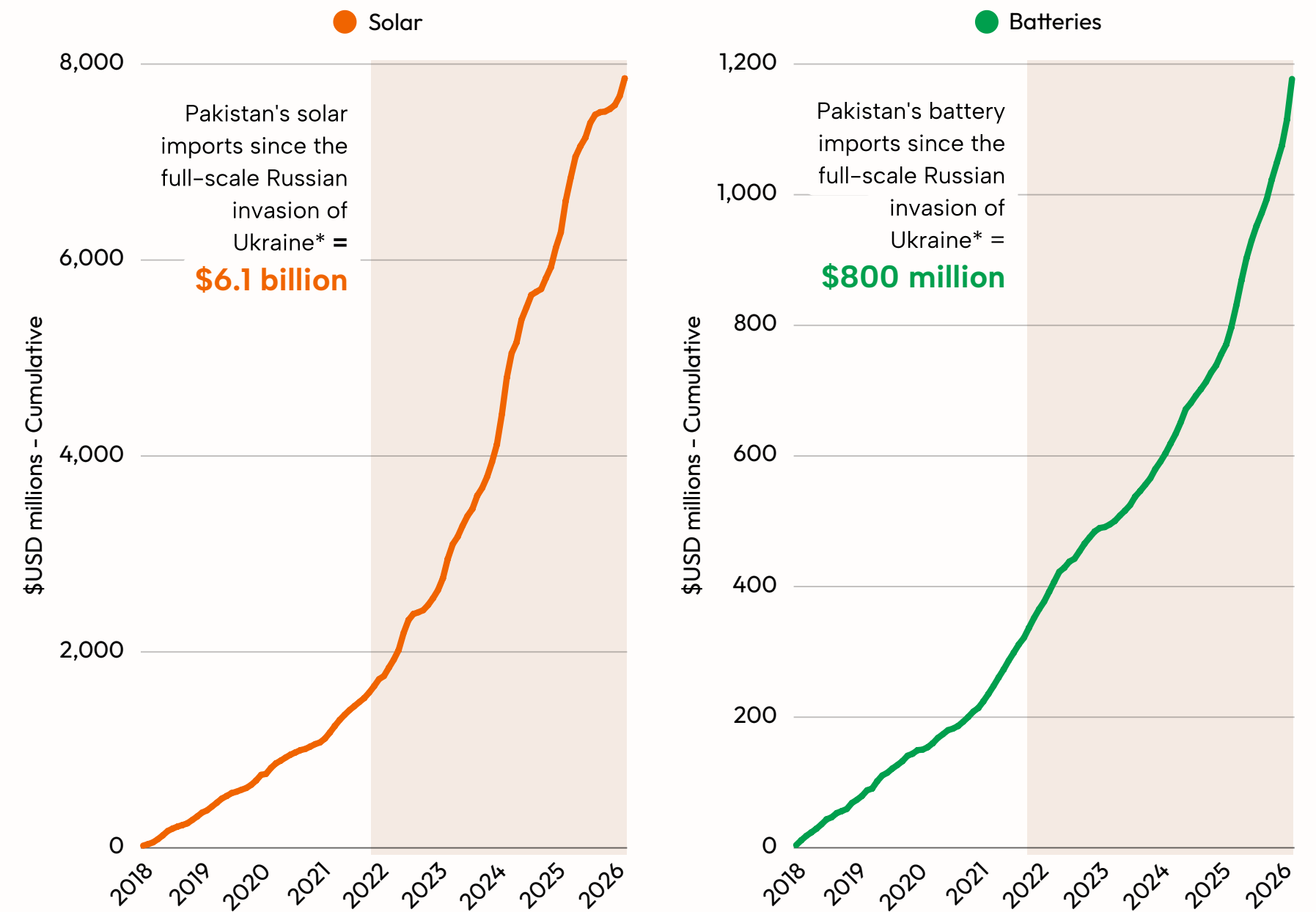
Pakistan: a clear case of LNG price volatility driving renewables uptake

Russia's invasion of Ukraine in 2022 pushed LNG prices to record levels...



Source: [IMF](#).

...driving a massive solar and battery boom in Pakistan to insulate against price shocks

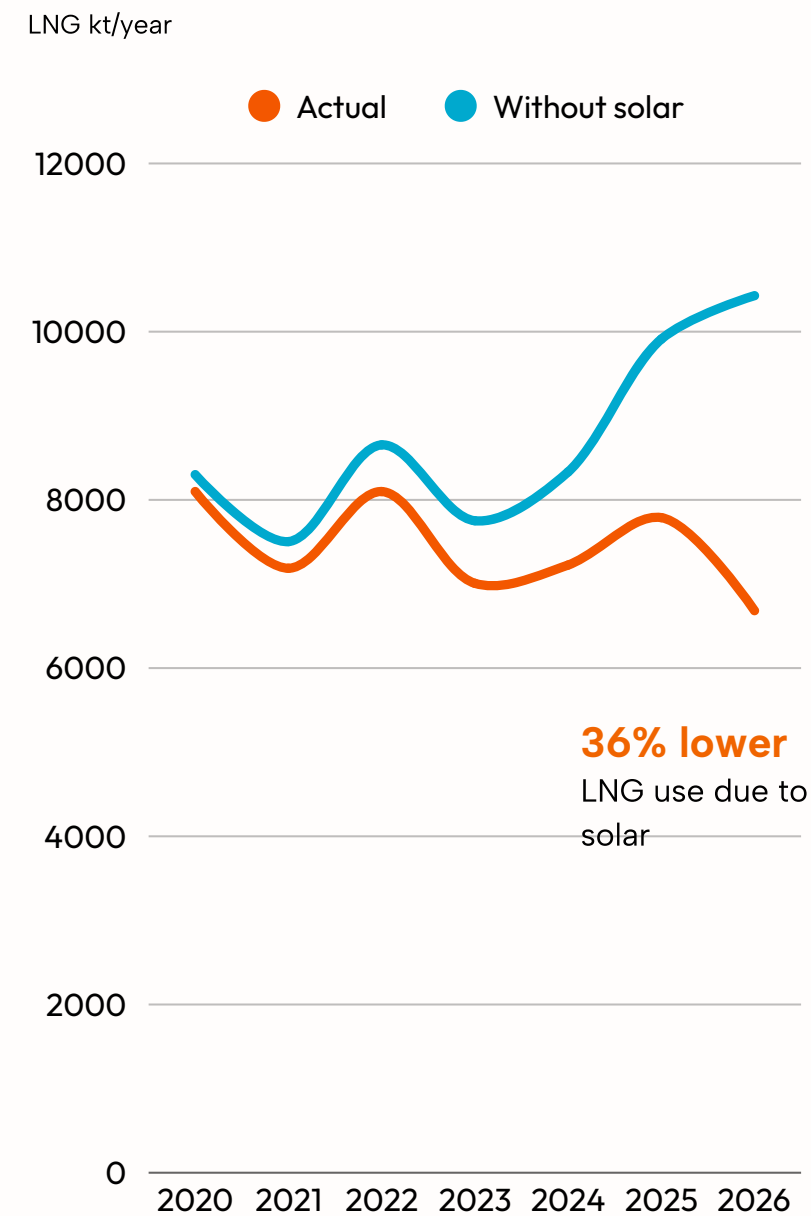


Source: [Ember](#).

*Note: [Russian full-scale invasion of Ukraine launched in February 2022](#).

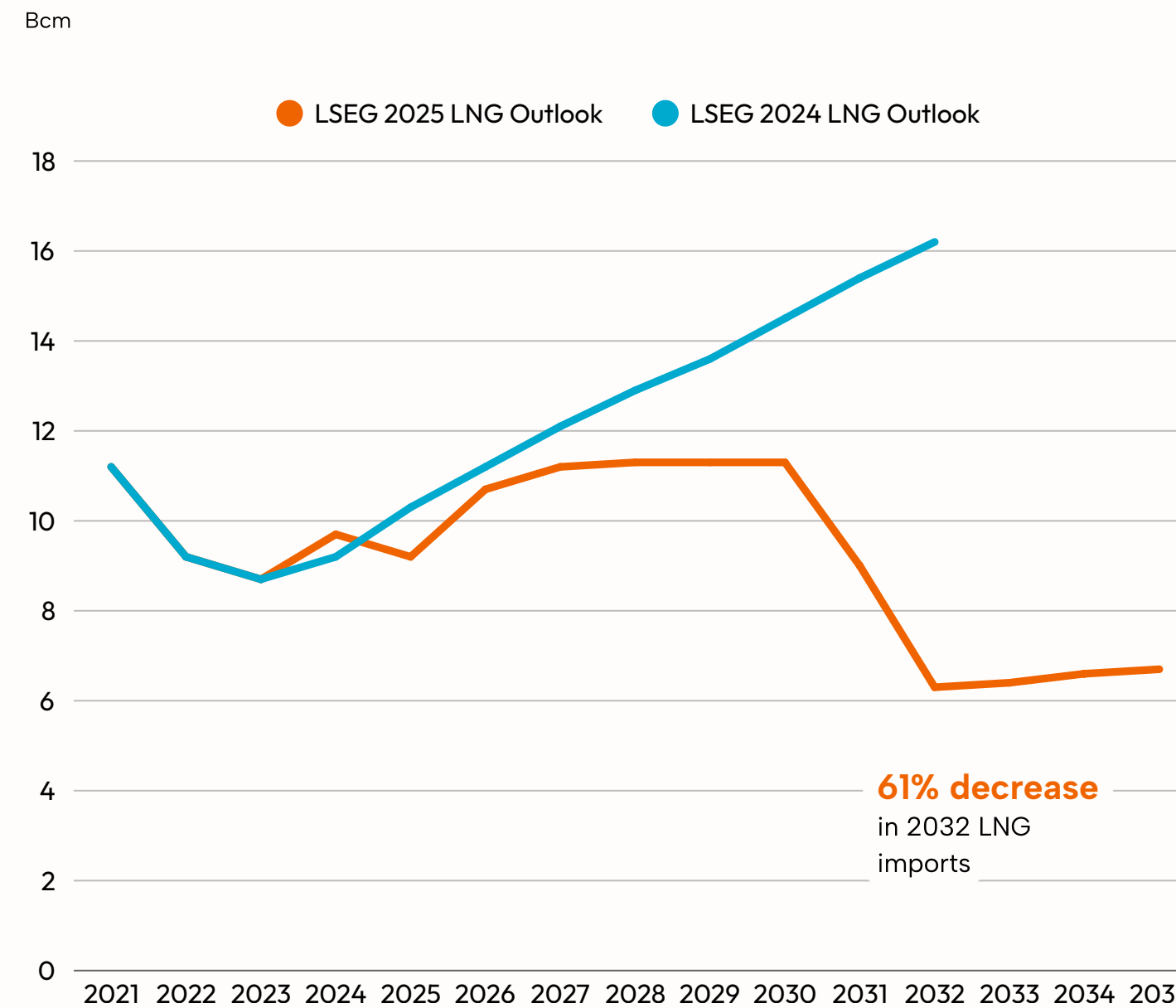
Renewables growth has severely cut Pakistan's LNG demand

Actual LNG demand was substantially lower than in a 'no solar' scenario



Source: CREA.

Looking forward, this trend will be even more pronounced with LSEG's LNG outlook for Pakistan dropping markedly in just one year



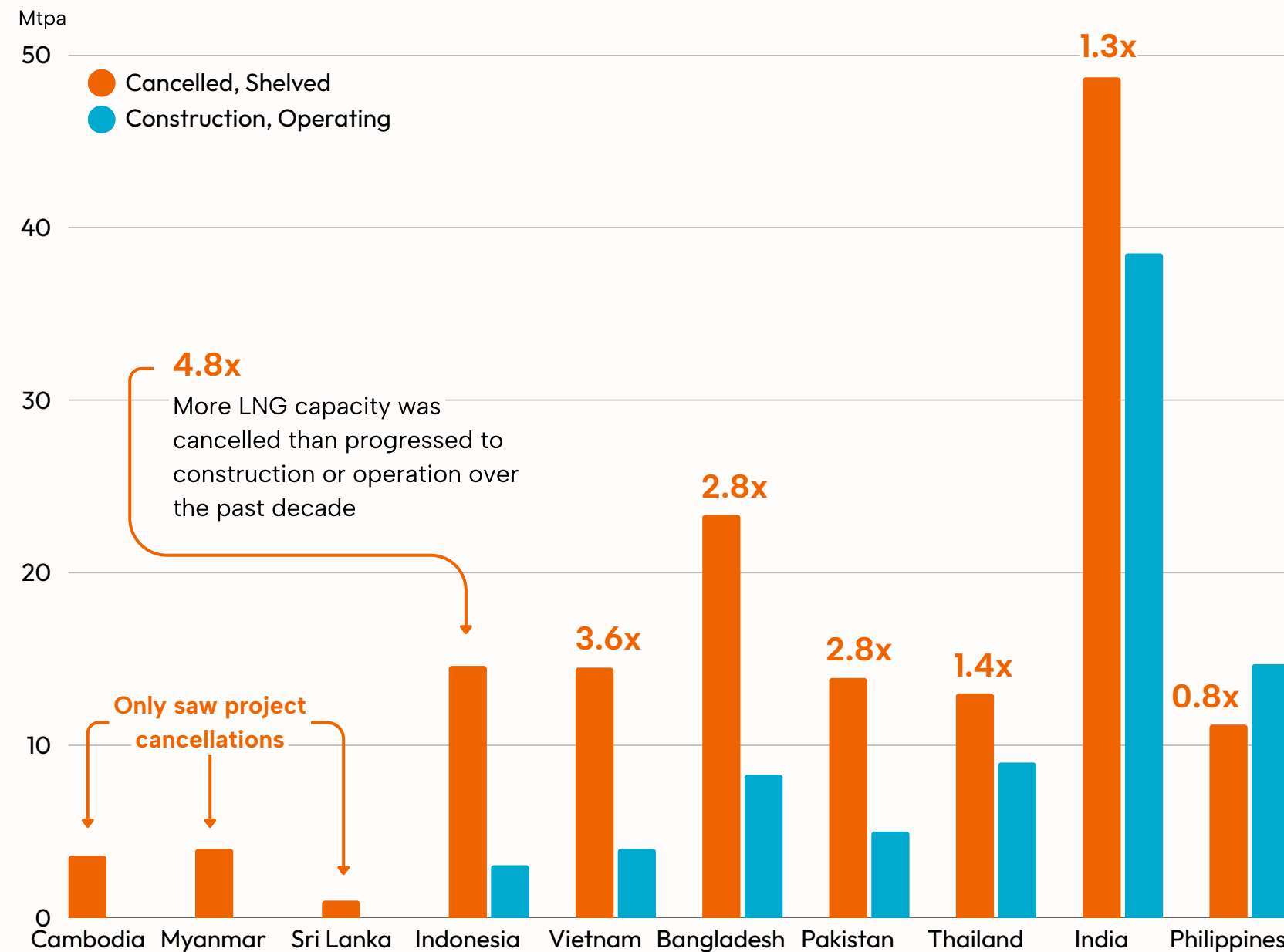
Source: LSEG.

Pakistan's massive solar and battery booms have resulted in the **cancellation of 21 LNG cargoes from Eni and 24 cargoes from Qatar for 2026.**

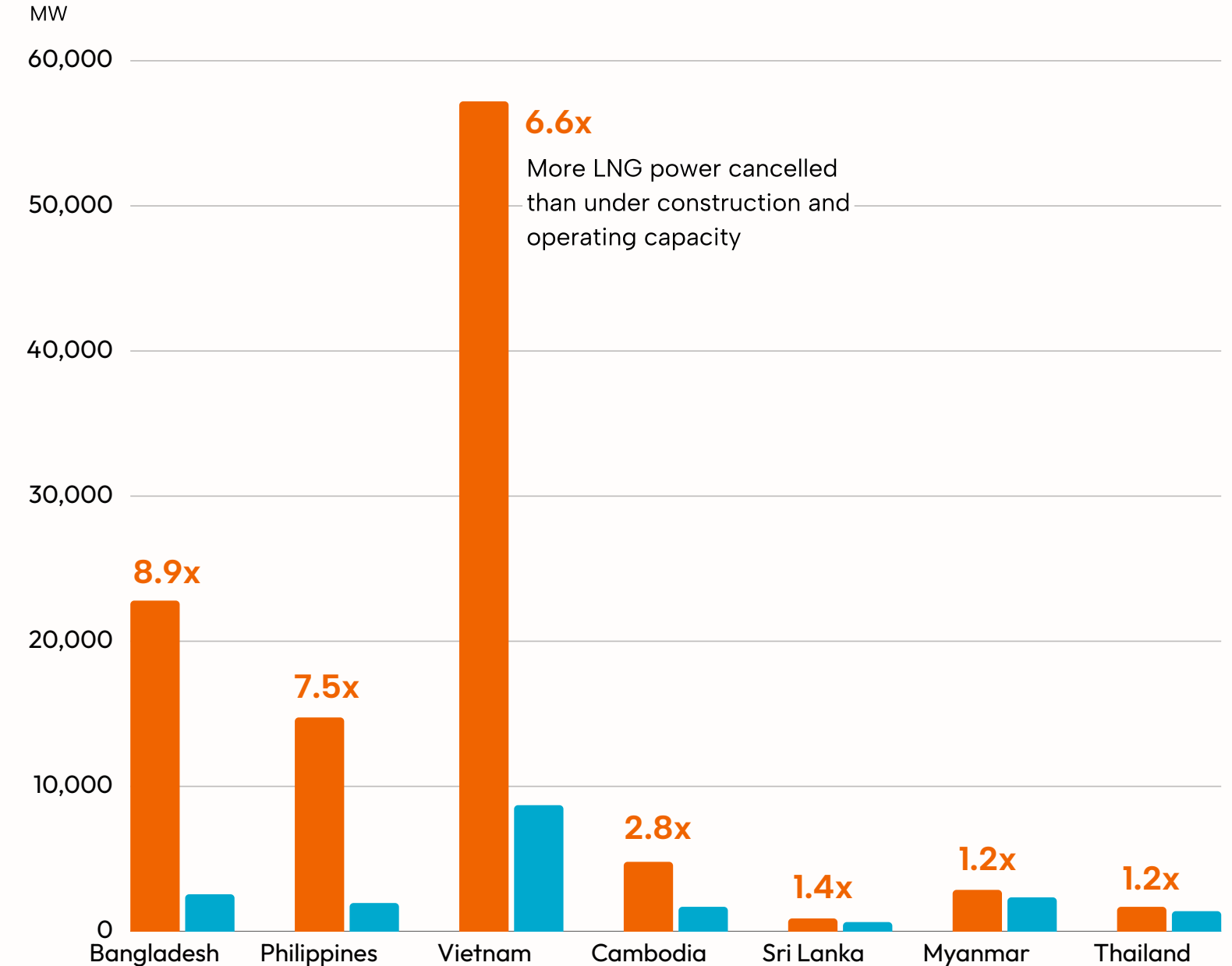
Commentary from Pakistan's Petroleum Minister emphasises that "this is **not** a temporary blip," and "we have to readjust our strategy." Furthermore, the Minister "**doesn't see any space for LNG, as shipments remain too expensive.**"

Downstream LNG projects were already being cancelled in favour of cheaper renewables; this trend set to accelerate following recent LNG price concerns

LNG import terminals



LNG-to-power projects



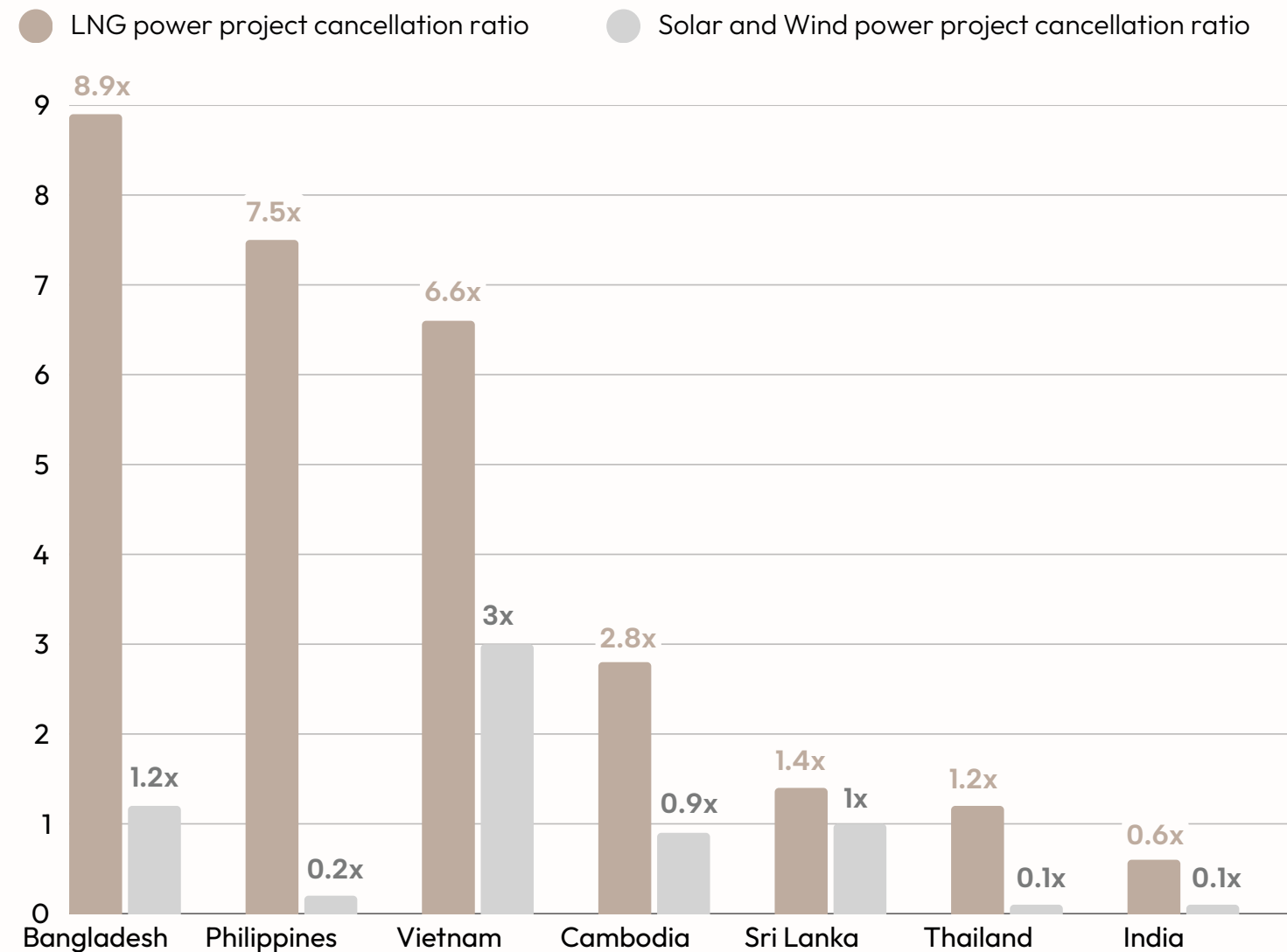
Source: [Global Energy Monitor - Asia Gas Tracker](#).

Note: For LNG-to-power fuel types include any fuel type that lists LNG. LNG import terminal cancellations/shelved/construction/operating projects based on the past 10 years of data to better reflect the pace of energy transition and impact on LNG project development. Unfortunately, LNG-to-power includes all projects (not just past 10 years due to data availability limitations).

By contrast, much greater levels of solar and wind power are coming online than are being cancelled in many key markets

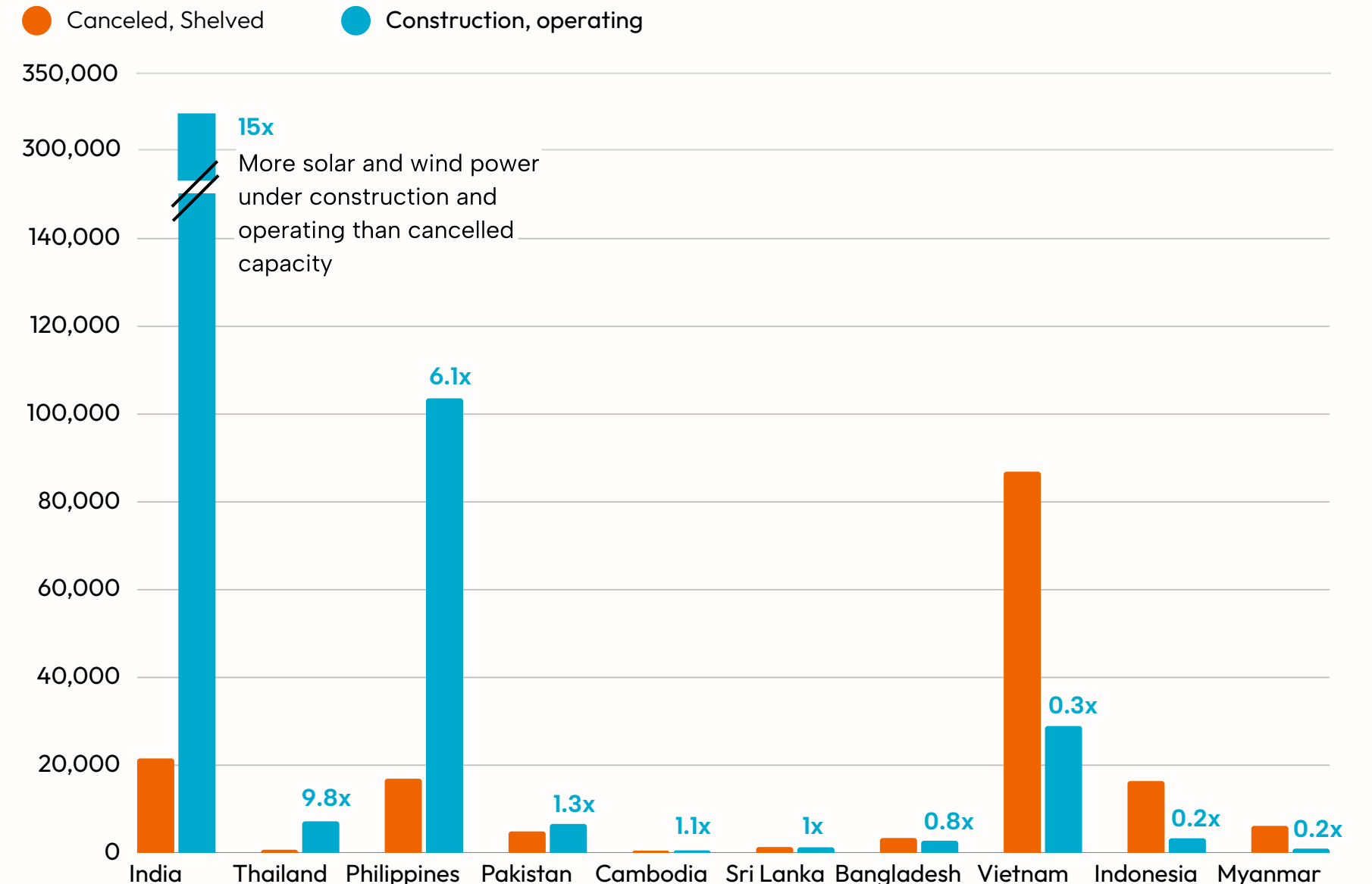
LNG power project cancellations in many key markets towers over solar/wind cancellations

Ratio of cancelled/shelved capacity to under construction/operating capacity (MW)



Solar and wind projects

MW

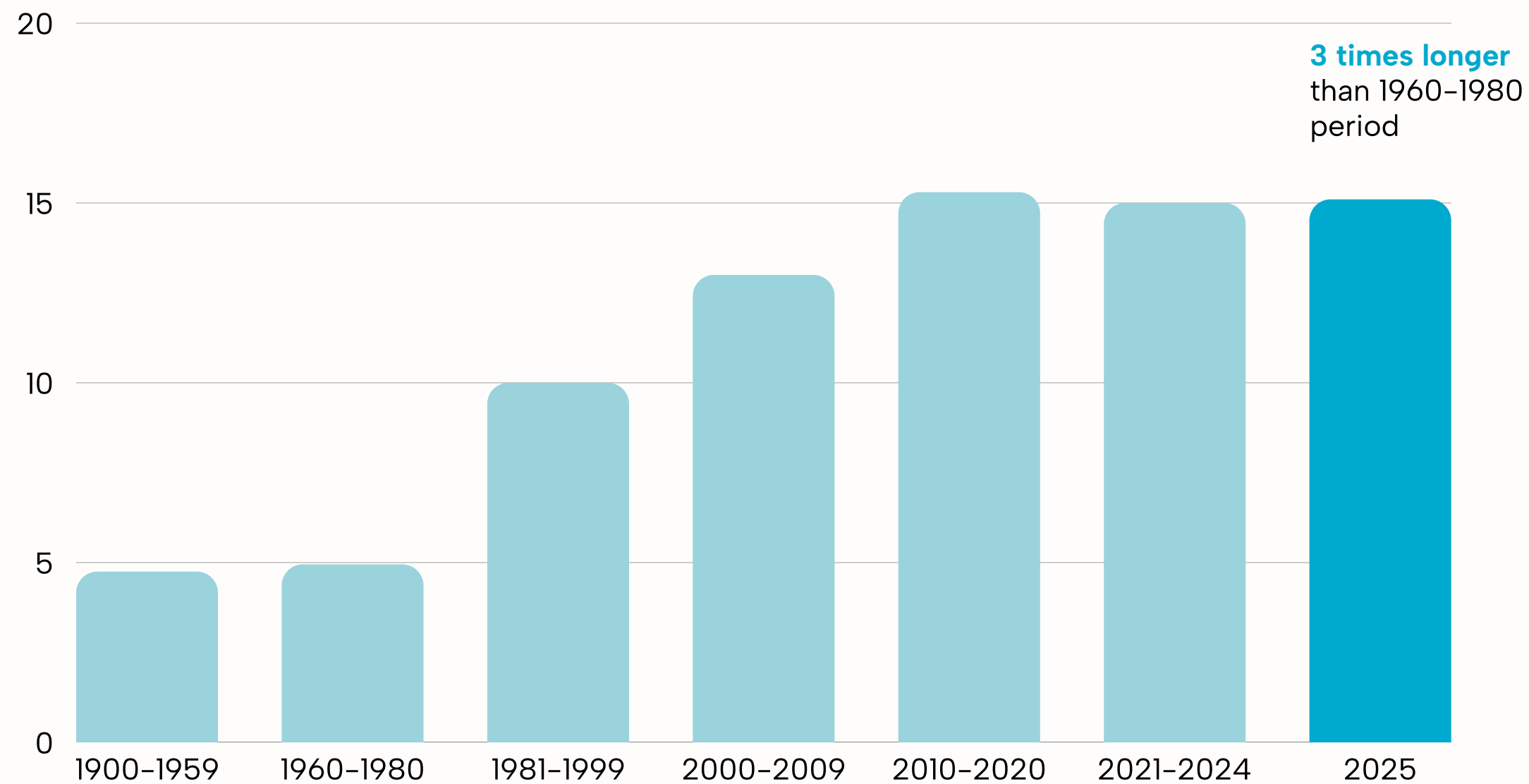


Source: [Global Energy Monitor - Solar Power Tracker](#), [Global Energy Monitor - Wind Power Tracker](#)

Note: Solar and Wind includes all projects (not just past 10 years due to data availability limitations). Project cancellation ratios indicate the amount of MW capacity which has been cancelled for every MW of capacity which is in construction or operating.

Upstream oil and gas projects face exceedingly long development times

Average number of years from discovery to first production by year



New oil and gas fields now take up to 15 years on average to come online, on average from discovery to first production, according to [Global Energy Monitor](#).

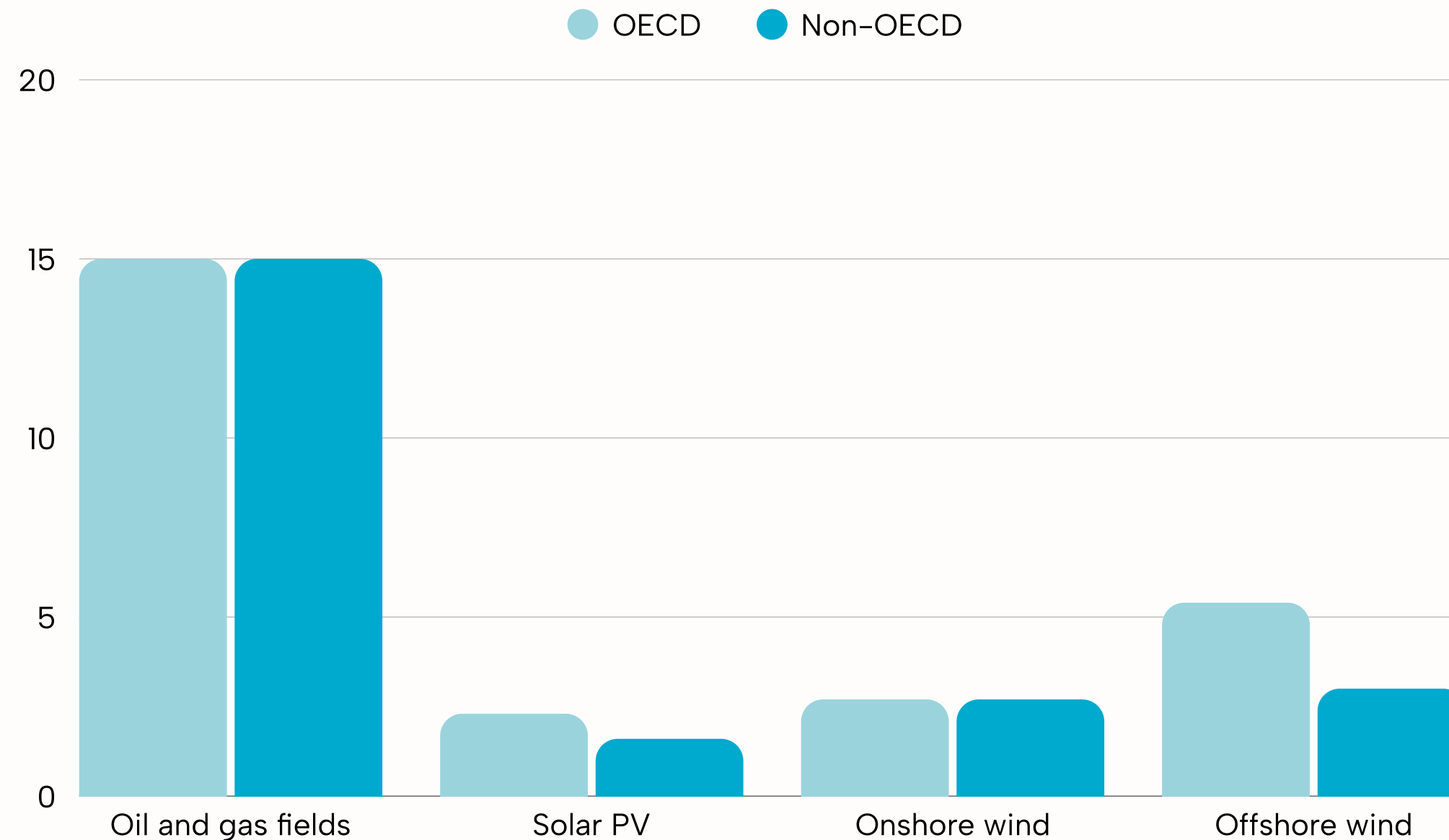
The development timeline is now 3 times higher than the 'peak' of oil and gas discovery and exploration between 1960 and 1980.

Resource recovery from oil and gas fields is becoming increasingly technically complex compared to previous projects.

"Easily accessible, conventional onshore fields were developed early, and the fields left are more difficult to bring online."

Source: "Longer leads: Increasing complexity in oil and gas field development", Global Energy Monitor, March 2026

Renewable energy projects take a fraction of the time to start-up



In contrast to upstream oil and gas projects, commercial-scale solar PV projects take between 2 and 7 years to be commissioned.

According to US-based solar design company [PVFarm](#), “most utility-scale solar power projects follow a structured development process that typically spans between 24–48 months, depending on project size, location, permitting requirements, and grid connection constraints.”

Analysis of utility-scale renewable energy project commissioning times found even offshore wind, one of the most technically complex renewable energy project types, experienced average commissioning times 3 times less than oil and gas fields.*

Source: Applied Energy, 2023 “[A global analysis of renewable energy project commissioning timelines](#)”. Analysis on 12,475 utility-scale renewable energy projects commissioned between 2005 and 2022. Note: The Global Energy Monitor report did not compare OECD and non-OECD countries.

*Comparison is between renewable energy projects commissioned between 2005 and 2022, and average length of startup time for oil and gas fields which began production post 2010.

These stranded asset risks are only exacerbated by Strait of Hormuz 'closure'

The recent energy crisis triggered by the conflict and the blockage of the Strait of Hormuz has **directly impacted major Japanese corporations** across the oil and gas value chain.

At least 40 energy facilities across nine countries have been severely damaged, and the Strait remained largely closed to shipping traffic as of late April, despite an agreed ceasefire.

The world needs to learn how to be less reliant on LNG the hard way. And immediately.

JUNE GOH

SENIOR OIL MARKET ANALYST, SPARTA COMMODITIES

FINANCIAL REVIEW

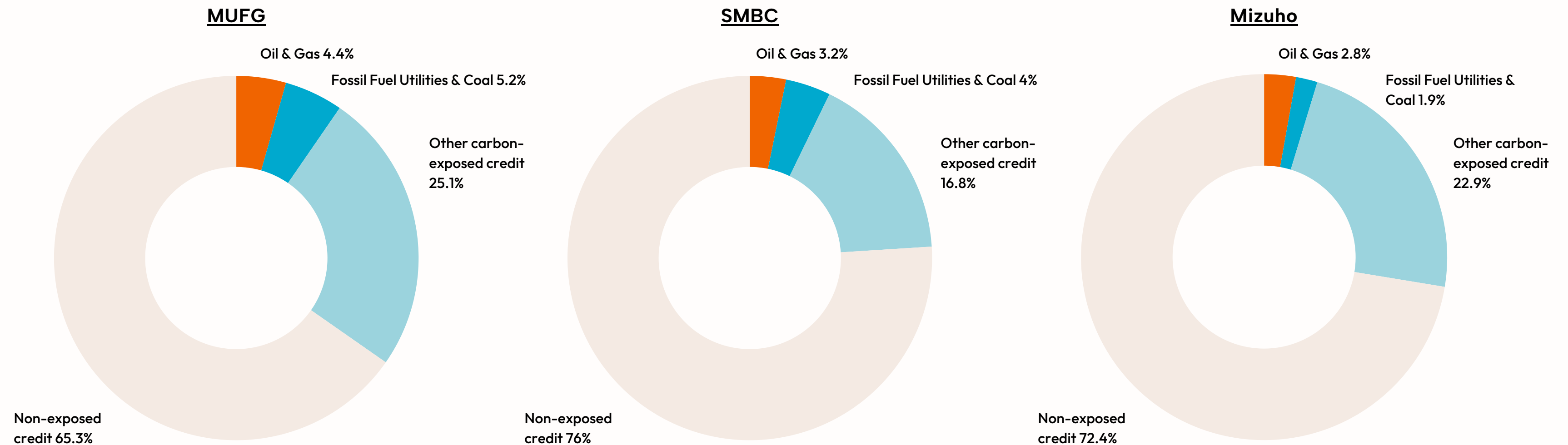
— Analysis

Japan watches its Middle East investment strategy burn

Japan's decades-long strategy of embedding itself in the Gulf's energy system looks unsustainable as the Iran war disrupts supply.

Significant direct and secondary exposure to fossil fuels mean ongoing price volatility spells significant risk to portfolios

Fossil fuel price volatility goes beyond just direct fossil fuel exposure: building materials, agriculture, transport, and more use fossil fuels as input, penetrating further into banks' holdings.



In accordance with TCFD requirements, banks have disclosed the proportion of FY2024 credit exposed to carbon-related assets.

Given the Megabanks significant exposure, fossil fuel demand destruction poses material risk that does not appear to be adequately managed

The Megabanks' unmitigated support of LNG expansion relies on assumptions about future LNG prices and demand that may not eventuate. As a result, investors exposed to these banks face financial risks:



Capital and Value: Megabanks are heavily exposed to projects such as Mozambique LNG, Papua LNG, and the new wave of US LNG export projects expected to come online during the LNG glut of the late 2020s and 2030s, exposing investors to material financial risk.



Risk and Oversight: The upcoming LNG supply wave, described by the [IEA](#) as the "largest LNG capacity wave" in history, is expected to cause a substantial **glut, driving LNG prices close to short-run marginal costs** and significantly tightening margins for exporters and LNG traders.



Risk and Oversight: Structural **limitations to demand** in 'Emerging Asia' – including limited import capacity, under-utilisation of existing infrastructure, and the high cost and volatility of LNG – make it difficult for LNG to penetrate these markets as a baseload fuel.

The Megabanks must create a portfolio that is resilient to LNG price volatility and demand destruction.

RECOMMENDATION

The Megabanks' lack of risk controls around financing new LNG projects exemplify governance concerns for investors.

As such, we recommend investors scrutinise the Megabanks' risk management processes and, where these are found to be inadequate, "Vote No" on the re-election of Directors in positions responsible for risk management oversight.

Call to action

Directors must wake up and exercise robust risk management oversight. Where their companies are not adequately managing risk, investors have no choice but to hold directors accountable.

Time to exercise your proxy voting power as a wake up call

We recommend that investors “Vote No” on the re-election of any Board Directors in positions responsible for inadequate risk management oversight as highlighted in this briefing.



In the upcoming Japanese Annual General Meetings in 2026, investors should **exercise their voting rights** and active stewardship to **safeguard long-term shareholder value**, including engaging with banks and directors on the points raised in this briefing.



Failure to act exposes institutional investors to reputational damage, potential devaluation of beneficiaries’ assets, heightened systemic climate-related risks, and the possibility of **falling short of their fiduciary duties for asset owners**.

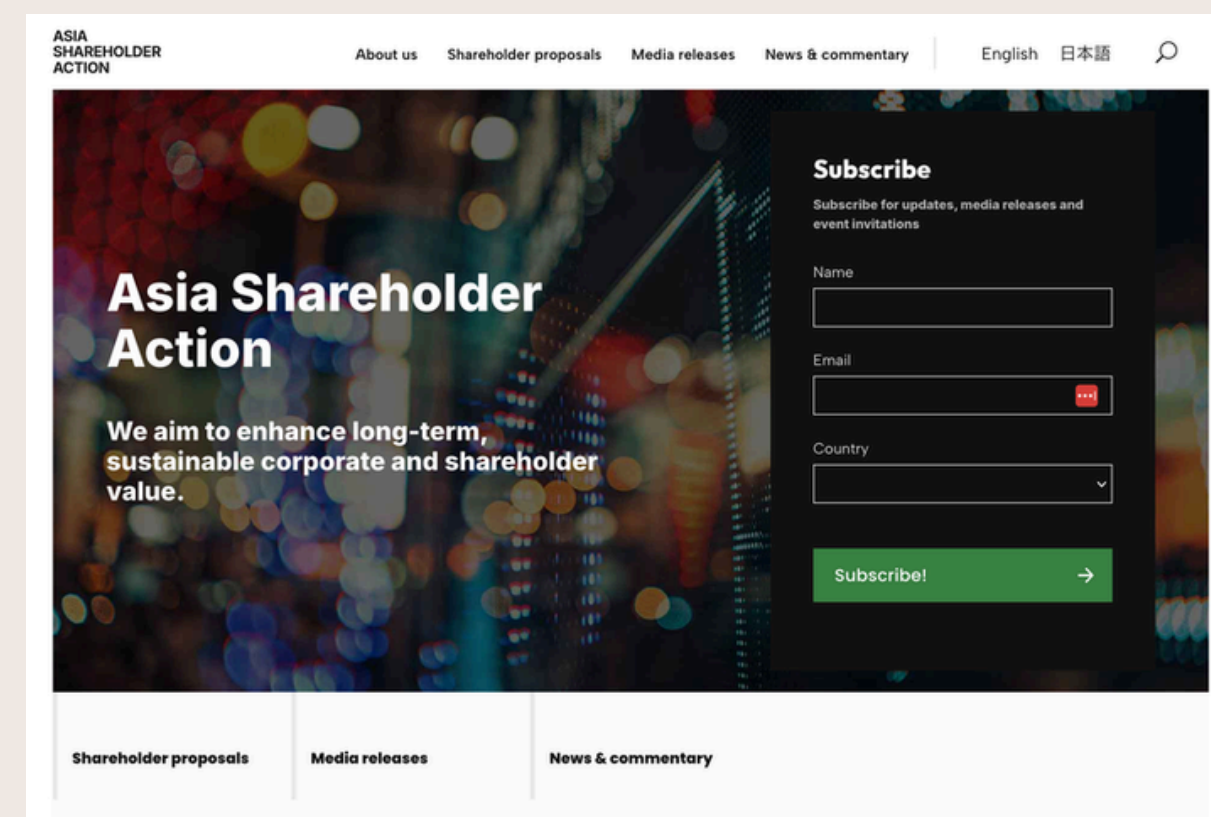
Get in touch and find out more

[Book a meeting](#) with us, or find more information and related resources on our [Asia Shareholder Action](#) website.

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Analysis featured in this briefing does not substitute analysis and disclosure from the companies themselves – The purpose of the information featured here is to demonstrate to investors the substantial climate-risks the companies are exposed to, and encourages them to undertake their own detailed, forward-looking analysis to demonstrate to investors how they are managing these risks.

Appendix I: Engagement timeline

2016–Present

Market Forces, Kiko Network, and Rainforest Action Network (co-filers*) engaged with MUFG, SMBC Group, and Mizuho FG on fossil fuel financing, associated climate-related risk management and oversight, including clients' transition and governance.

2020–2022

Proposal on disclosure of Paris-aligned business strategy filed with Mizuho (2020), MUFG (2021), and SMBC (2022) each received strong support.

In 2020, Mizuho set a coal power phase-out target by 2040. In 2021, MUFG set net zero by 2050 target and joined the Net Zero Banking Alliance. In 2022, SMBC set a financing restriction policy for the thermal coal mining sector, which includes new, expansion and infrastructure projects.

2023–2025 AGM

In 2023, proposals on disclosure of transition plans aligned with net zero emission targets filed to MUFG, SMBC, and Mizuho, and received strong support. Co-filers also urged Megabanks to address their lack of expectations regarding clients' transition plan assessments.

In 2024, proposals on disclosure of processes and policies for nominating directors and evaluating boards' effectiveness, and on disclosure of assessments of clients' transition plans (CTP) filed with MUFG, SMBC, and Mizuho received strong support.

In 2025, after MUFG, SMBC, and Mizuho declined to accept co-filers' advisory proposals for the annual general meeting of shareholders, proposals on the Audit Committee's financial risk audit and on the assessments of clients' transition plans were filed. MUFG disclosed facilitated emissions reduction targets on the Power and Oil & Gas sectors.

August 2025

Market Forces engaged MUFG, SMBC, and Mizuho via email and letters regarding ICJ's advisory opinion and its implications for banks, requesting enhanced risk management.

September 2025

Co-filers had in-person meetings with MUFG, SMBC and Mizuho, reiterated our concerns and interests raised at the AGM, regarding governance and risk management enhancement, including overseas project risk oversight and improvements to client transition plan assessments. Furthermore, Market Forces engaged with Megabanks via email and letters regarding risks related to specific projects.

October 2025–January 2026

Market Forces engaged with Megabanks through email exchanges and letters regarding risks associated with specific projects.

February–April 2026

Co-filers held online meetings with MUFG, SMBC, and Mizuho, followed by email exchanges to further clarify the roles of Boards of Directors and Audit Committees in project risk oversight, including the escalation process, as well as progress and improvements in risk management measures, including facilitated emissions target-setting and CTP assessments. Discussions also included the role of outside directors in ensuring Board effectiveness, during which co-filers reiterated our request to meet with the outside directors of the Megabanks.

May 2026

MUFG has published a "Progress Report" dated 1 May, announcing a significant scale-back of its 2030 financed-emissions targets for the Power, Oil and Gas, Automotive, and Aviation sectors.

*The co-filers include civil society organizations or their representatives, including Market Forces, Kiko Network and Rainforest Action Network.

Appendix II: Peers rule out project finance for oil and gas /LNG infrastructure

Banks that used to be major project financiers for oil and gas have introduced restrictions on new oil and gas fields and associated infrastructure, in direct contrast with Megabanks

| Bank | Upstream expansion projects – exclusion policy | Infrastructure for upstream expansion projects – exclusion policy |
|------------------------------|---|---|
| ING (#4) | Has ruled out project finance for new oil and gas fields in <u>March 2022</u> . | No longer providing new financing for new LNG export terminals as of <u>2026</u> . |
| Societe Generale (#6) | Has ruled out project finance for new oil and gas fields with a Final Investment Decision occurring after 31 December 2021. | Has ruled out Midstream infrastructure, integrated LNG projects and FPSOs for new oil and gas fields. |
| HSBC (#9) | Has ruled out project finance for new oil and gas fields with government permitting occurring after 31 December 2021. | Has ruled out project finance for dedicated oil and gas infrastructure for new fields. |
| Credit Agricole (#10) | Has ruled out project finance for oil and gas extraction projects as of February 2024. | Has ruled out project finance for associated dedicated infrastructure such as oil pipelines, LNG export terminals and production installations. |
| BNP Paribas (#12) | Has ruled out project finance for new and expansionary oil and gas fields as of May 2023. | Has ruled out pipelines and export terminals mainly supplied with non-conventional LNG. |

shows the ranking of oil and gas project finance between 2016 and 2026 (sourced from IJGlobal).