



Investor briefing

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)

APRIL 2026

DISCLAIMER: The information provided in this document does not constitute financial advice. The information is of a general nature only and does not take into account your individual financial objectives, situation, or needs. It should not be used, relied upon, or treated as a substitute for specific professional advice. Market Forces recommends that you obtain your own independent professional advice before making any decisions in relation to your particular requirements or circumstances. This is a non-commercial product for public dissemination only. Not for sale. See more details at the end of this slide deck.



Key takeaways

- 1 Japanese Megabanks are exposed to **significant and growing risks** including:
 - **Legal and regulatory risks**
 - **Physical risks** including systemic risks
 - **Transition risks** exacerbated by misalignment with long-term goals
 - **Credit risk** with substantial exposure to high-risk projects
 - **Executive and employee misconduct**
- 2 Inadequate management of these risks will **negatively impact investors**
- 3 Boards of directors are **ultimately responsible** for governance and management of risks on behalf of shareholders
- 4 To preserve long-term value, investors **must hold boards to account** and ensure directors exercise disciplined governance

Summary: Investors negatively impacted by poor risk management



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



Physical risk mismanagement poses immediate, material threats to asset values, operational stability, and long-term financial returns.



Goal misalignment can lead to underperformance resulting from poor capital allocation, strategic failures, leading to a permanent reduction in capital value.



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 said legal and reputational issues risk attached to the investors themselves.



Mismanagement of employee misconduct can significantly damage long-term shareholder value, erode brand reputation, and create legal liabilities.

Summary: Directors must be held accountable for poor governance



Megabanks' directors are failing to oversee material financial risks, jeopardising long-term corporate value and damaging investor returns: These risks include legal/regulatory risks, systemic physical risks, involvement in toxic projects, misalignment with long-term goals, and employee misconduct, amongst others. Examples range from scandals that have cost banks tens of billions of yen in losses to systemic risks that could undermine the very foundations of the economy and society due to the worsening effects of climate change, and which could potentially affect a bank's entire portfolio.

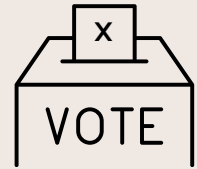


Directors are responsible for ensuring effective implementation and risk oversight, and must be held accountable when they fail to manage risks properly.

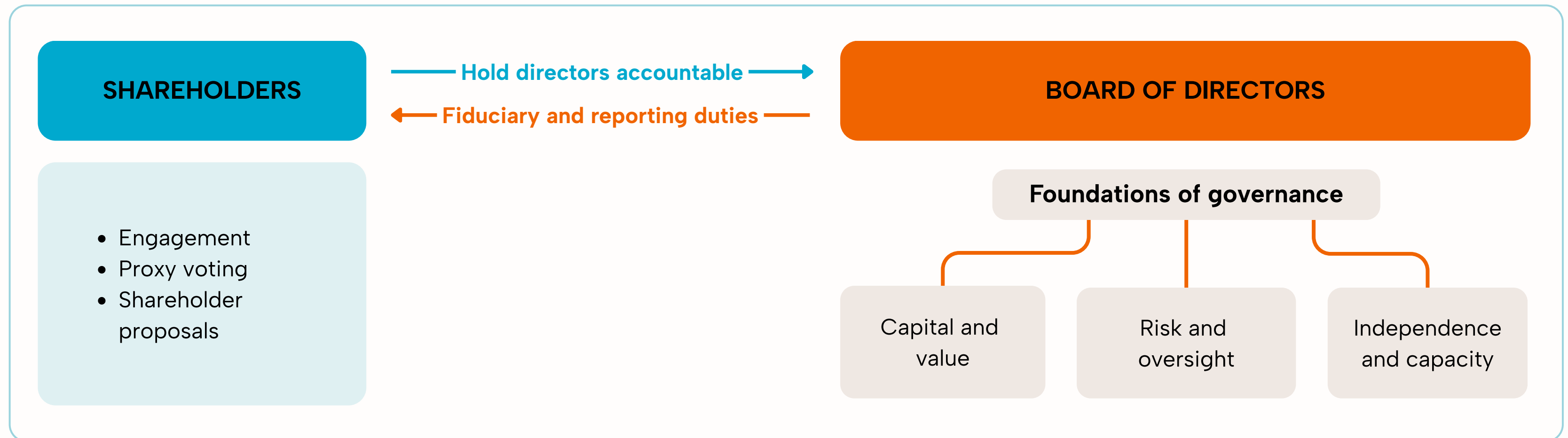


Investors are expecting disciplined governance and fulfilment of baseline governance expectations: To ensure governance is operating effectively, boards of directors must provide independent, technically competent **oversight of all material risks** while actively managing capital efficiency to drive transparent, long-term corporate value.

Summary: Directors must be held accountable for poor governance



Investors should use proxy voting rights and “Vote No” against the boards failing to fulfil their duties: To ensure board effectiveness and fulfilment of directors' duties in overseeing material risks and opportunities, investors must hold Megabanks' board directors accountable when exercising proxy voting rights at the upcoming Japanese Annual General Meetings in 2026.





Foundations of governance

Governance and transparency matter to investors

Previous shareholder proposals have consistently highlighted the importance of board accountability and transparent governance for risk management and to enhance long-term corporate value.

Board competency

Investors expect the Board to possess the expertise necessary to oversee and manage risks, which are material to corporate strategy and financial performance.

Board and Audit Committee's oversight

Investors expect the Board to oversee executives. The Auditors are expected to audit the Board's performance.

🔒 有料会員限定

〈インタビュー〉 国際環境NGOマーケット・フォー
スのCEOが指摘、「気候変動リスク」への意識や企業
価値毀損の可能性について理解がまだ不十分

大塚 隆史 : 東洋経済 記者

2025/11/12 5:20



Baseline governance expectations

To ensure governance is operating effectively, boards of directors must provide independent, technically competent **oversight of all material risks** while actively managing capital efficiency to drive transparent, long-term corporate value.

Foundations of Governance*



Capital and value: Fiduciary duty is demonstrated to enhance long-term corporate value through disciplined resource allocation, sustainability-driven growth, and rigorous assessment of cross-shareholdings.



Risk and oversight: Directors must integrate technically competent oversight into long-term strategic decisions, with clear board-level responsibility, and provide transparent evidence of their accountability.

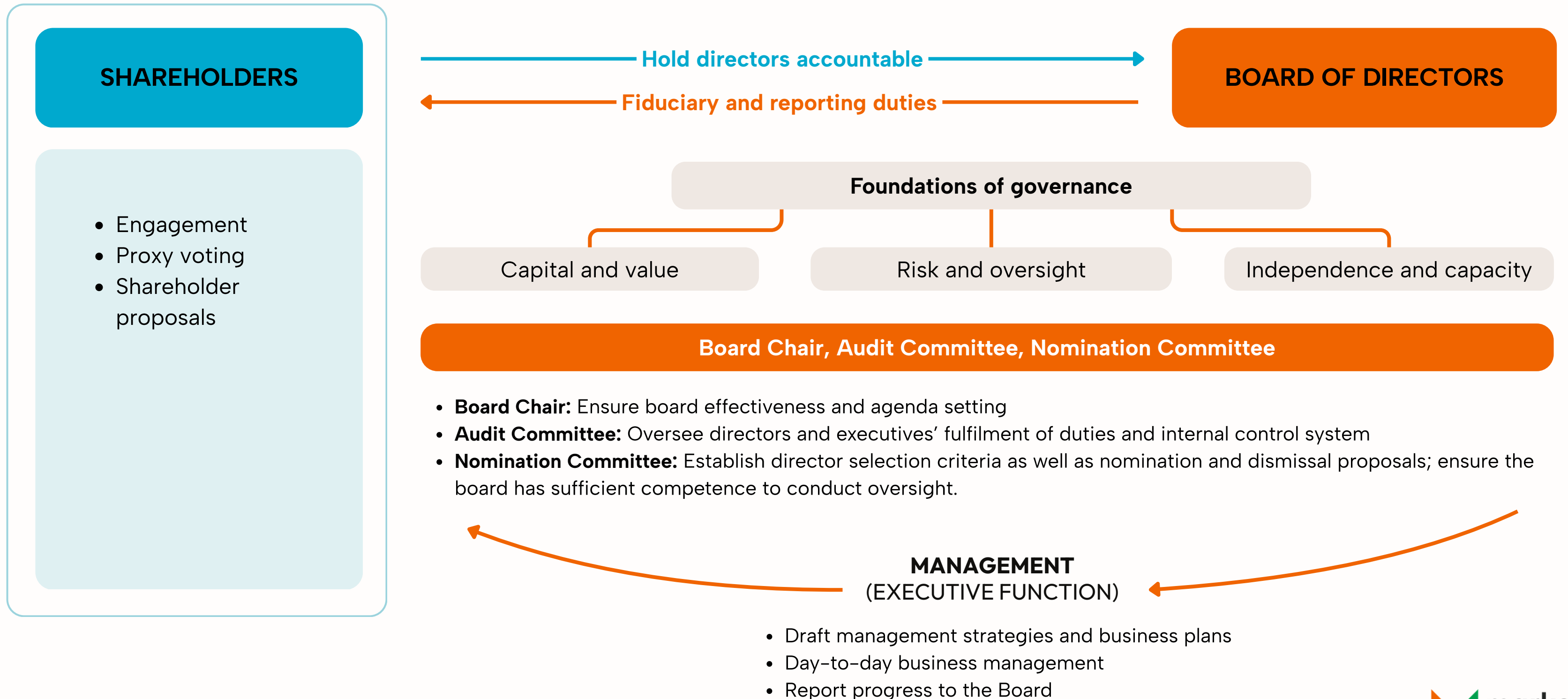


Independence and capacity: Board integrity is maintained by excluding conflicted or “overboarded” directors to ensure focused, impartial supervision.

Visit [Asia Shareholder Action website](#) for more information

*These foundations have been adapted from multiple sources, including the [Japanese Corporate Governance Code](#), the [World Economic Forum Climate Change Governance Principles](#), [CA100+](#), [IIGCC](#), as well as the proxy voting guidelines of proxy advisors and multiple global and Japanese asset managers

Baseline governance expectations



Megabanks' governance shortcomings



Issues with board effectiveness in overseeing material risks

Boards that neglect their responsibility to uphold baseline governance expectations expose themselves to a myriad of risks:



I. Legal and regulatory risk



II. Systemic physical risk



III. Misalignment with long-term goals



IV. Significant exposure to high-risk projects



V. Employee misconduct



MATERIAL RISKS

I. Legal and regulatory

Board failure to maintain oversight introduces legal risks

Banks are being held accountable for the climate impact of their capital allocation

As a result of the International Court of Justice finding of states' binding obligations under international law to prevent significant harm to the climate system, there is **an onus on the state to regulate private activities that fuel the climate crisis**, spelling more regulatory and legal risk for banks:

ING

ING had a lawsuit brought against it for acting contrary to the law by **breaching its duty of care in countering dangerous climate change and upholding human rights**.

NGO Milieudefensie alleged that ING's current policies and support for oil and gas companies contribute to emissions that jeopardize the goals of the Paris Agreement.



BNP Paribas

Notre Affaire à Tous, Oxfam and Friends of the Earth brought a lawsuit against BNP Paribas for acting against the French corporate duty of vigilance law.

The plaintiffs argue the bank's continued financing of fossil fuel projects **violates its obligation to protect human rights and avoid environmental harms** related to their business activities.



Each Megabank's fossil fuel financing from 2021–2024 is in the order of **two to three times** that of ING or BNP.

Board failure to maintain oversight introduces legal risks

Legal precedent exists for charges against boards and individual directors

Board directors risk legal action against them if they fail to exercise their duty of oversight across concerns such as the SSBJ (Sustainability Standards Board of Japan) emissions disclosure requirements, physical and transition risk assessments of fossil-fuel linked assets, and greenwashing.

Canada

Young Canadians sued the **Canada Pension Plan Investment Board (CPPIB)** for breach of fiduciary duty in systematic **underestimation of climate risk** and ongoing capital allocation in **fossil fuel-exposed projects**. (Hirji v. CPPIB (2025))

Australia

The board of **Retail Employees Superannuation Trust (REST)** was sued for failing to provide information on **management of climate risks**. (McVeigh v. REST (2018))

United States

The state of California has acknowledged board responsibility via the Climate-Related Financial Risk Disclosure Act (SB-261), requiring board oversight of climate-related risk. (2026)

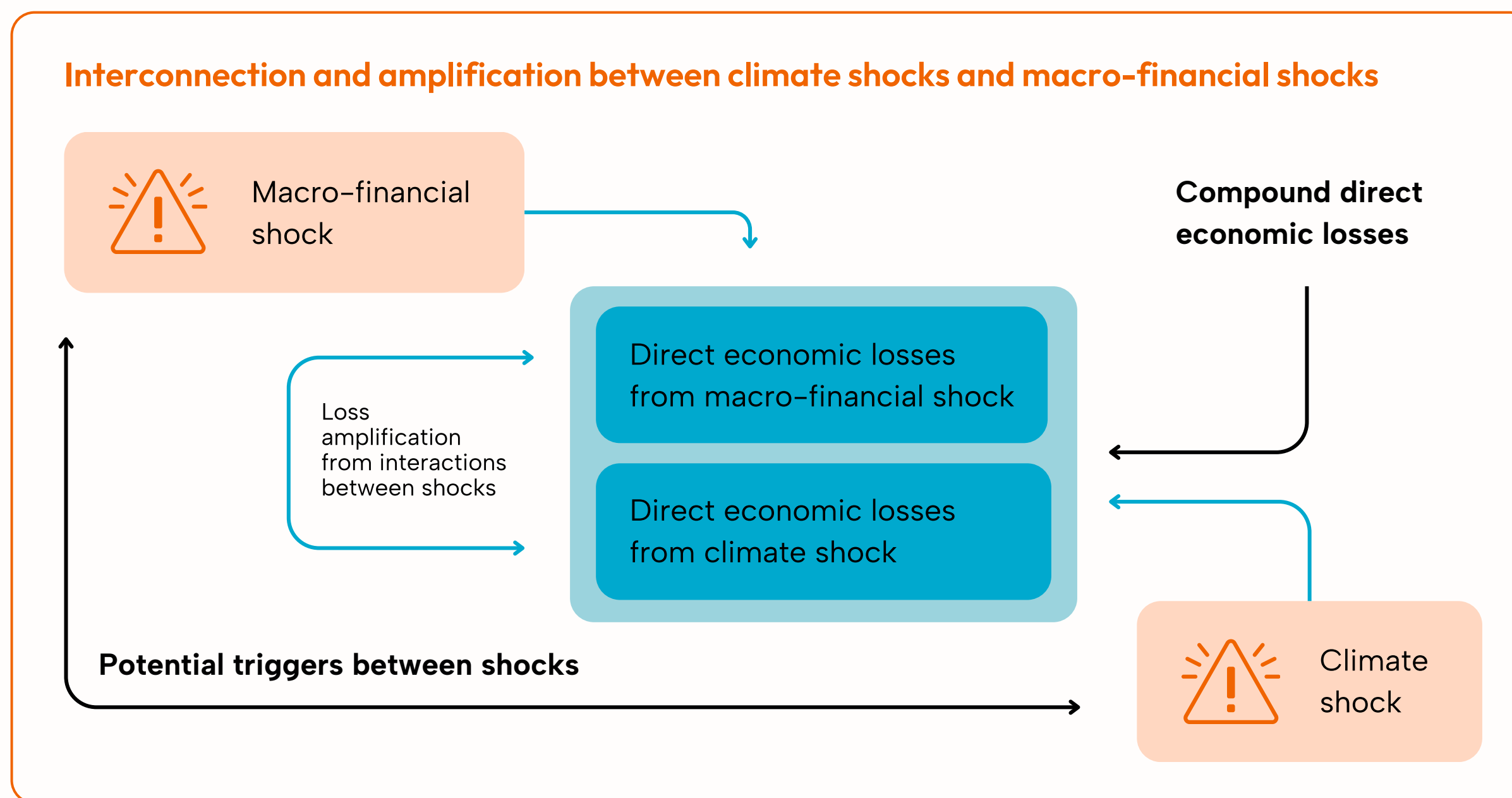


MATERIAL RISKS

II. Systemic physical risk

Banks are exacerbating systemic risk by financing high-emitting projects

Megabanks face credit losses and heightened systemic risk from climate-driven physical risks that are exacerbated by fossil fuel projects they finance. These threats can compound with other economic vulnerabilities, creating feedback loops in the financial system.



For example, “economic consequences of drought are exacerbated when trade tensions or supply-chain disruptions limit the mitigating potential of food imports.”

Megabanks' physical risk analyses underestimate the profound risks banks are exposed to

Megabanks' scenario analyses (see next slide) do not fully account for physical risk exposures, including:



Weather and climate extremes (acute risks): With the exception of Mizuho, key risks such as wildfires and droughts have not been addressed, and none of the Megabanks have assessed the effects of potential supply chain disruptions on borrowers and banks.



Tipping points: The Megabanks have not accounted for scenarios relating to triggers and impacts of crossing points of no return, where the underlying state of a system undergoes rapid, non-linear, catastrophic changes are not factored into analyses.



Compound, systemic risks: Risks of potential economic collapse or polycrisis from social unrest, food shortages, migration, conflict, and sovereign defaults etc. driven by climate change are not analysed.

The understatement of these types of threats facing the global financial sector has been clearly identified. Some of the Megabanks' peers are significantly more advanced in their scenario analyses, such as BNP Paribas and Santander.

Board failure to ensure rigorous physical risk analyses can lead to flawed risk management

The Megabanks are lagging behind best practice scenario analyses, which includes assessments of asset-level damage, individual clients' corporate financials and credit risk, supply chain propagation, and sovereign risks. More importantly, **these analyses should be incorporated into credit policies and actual portfolio management**, beyond disclosures. (e.g. [BNP Paribas](#)).

	<u>MUFG</u>	<u>SMBC</u>	<u>Mizuho</u>
Target event	1) Flood 2) Temperature rise	1) Acute: Water disasters 2) Chronic: Decreased productivity due to rising temperatures, etc.	1) Acute: Cyclones and floods, wildfires, and droughts 2) Chronic: Temperature fluctuations (labor force declines, increased air conditioning usage)
Target scope	1) Impact on the entire credit portfolio by assessing changes in the default probability of borrowers (suspension of the business of borrowers, impairment of fixed assets and collateral) 2) Impact on the entire credit portfolio by estimating the macroeconomic effects of declining labour productivity	Corporate customers' credit-related costs expected to increase (credit costs)	1) Damage to Group's assets and credit costs associated with damage to collateral real estate 2) Credit costs associated with client revenue declines caused by business stagnation or labor force reductions
Target Period	Until 2100	Until 2050	Until 2100
Result	1) Cumulative total: Approximately JPY150 billion (approx. JPY1.95 billion per year*) 2) Up to JPY30 billion per year Total: Maximum JPY 31.95 billion per year *Reference value calculated by dividing the cumulative total by the number of years from the base year to 2100	1) Cumulative JPY67 to 85 billion (approx. JPY2.48-3.14 billion: if base year is 2023*) 2) Up to JPY30 billion per year Total: Maximum JPY33.14 billion per year *Reference value calculated by dividing the cumulative total by the number of years from the base year to 2050	Cyclones and floods: JPY90 billion Wildfires: JPY30 billion Droughts: JPY1.5 billion Temperature fluctuations: JPY40 billion Total: JPY161.5 billion per year

Last updated in 2025 for MUFG, and 2024 for SMBC and Mizuho.

Directors must ensure continuous improvement of risk controls based on precautionary principles

Board directors must uphold their fiduciary duty by ensuring the organization's preparedness for various scenarios, based on the best available information in alignment with international standards and best practices.

Bearing in mind the limitations of the current analyses, the Board must err conservatively and demand that policies, measures, and implementation be regularly updated for the worst possible scenarios. Failure to act could expose banks and investors to systemic risks, threatening entire bank and investor portfolios.

"An actuarial review of key climate change assumptions shows we may have seriously underestimated the rate of warming as well as the related economic impacts... [Risk management failures stem from] an over reliance on benign risk model results and a failure to understand systemic risk."

Sandy Trust, Sustainability Board Member, Institute and Faculty of Actuaries



Japan Data >

Japan Endures Hottest Summer on Record in 2025

Environment | Disaster Sep 16, 2025

Nippon.com, September 16, 2025

EXPLAINER

News | Climate Crisis

After the floods of 2025, can we keep 2026 above water?

Flooding has become the world's 'foremost climate hazard', according to experts. So what do we do about it?

Al-Jazeera.com, December 31, 2025

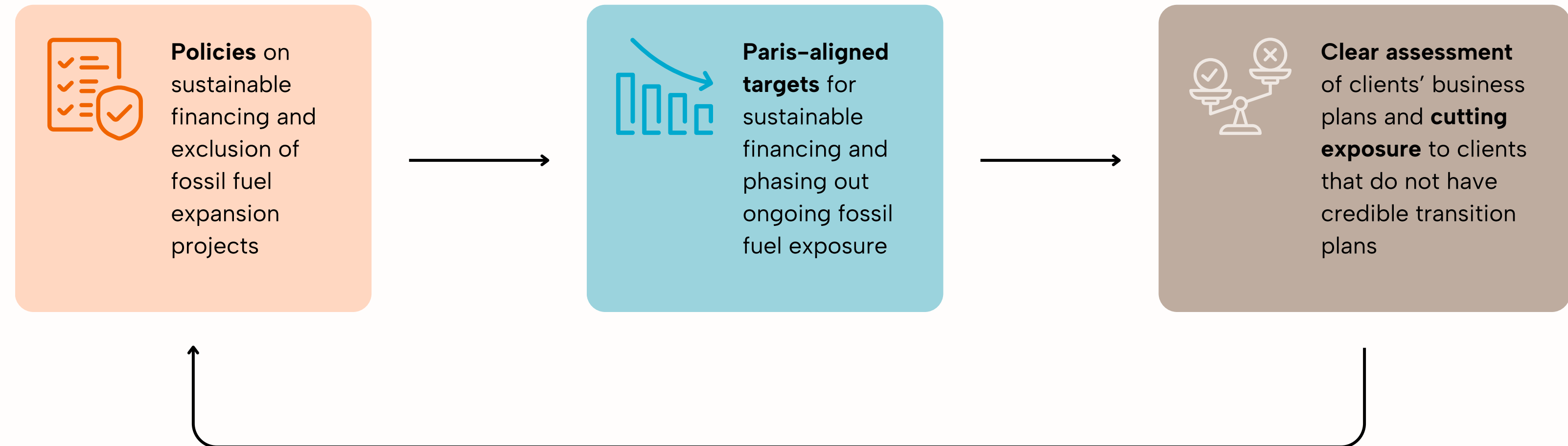


MATERIAL RISKS

III. Misalignment with long-term goals

Capital allocation frameworks and policies are needed for boards to be able to effectively exercise oversight on goal alignment

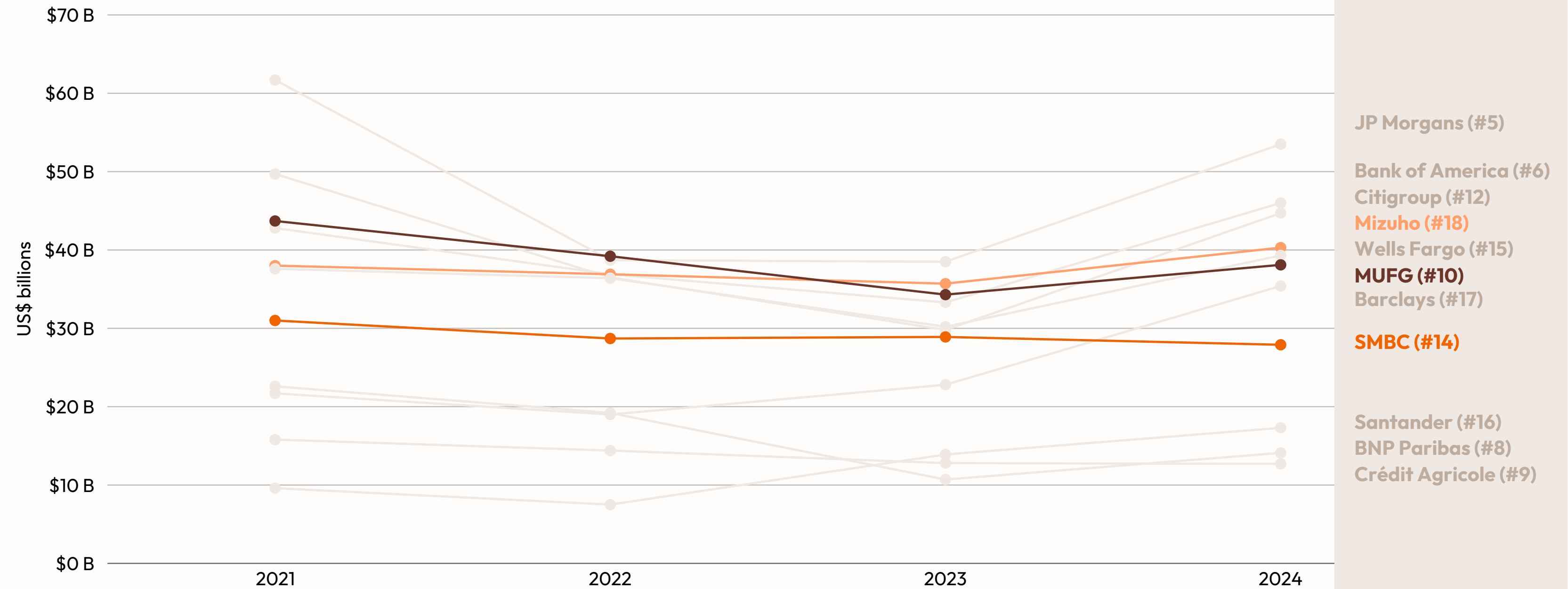
As an example: In order to achieve Net Zero goals by 2050, banks should have:



Megabanks' fossil fuel financing poses significant risk

Lending and underwriting to fossil fuel companies (US\$): S&P World's largest banks by assets *




*Excluding Chinese banks



Source: [Banking On Climate Chaos 2025](#)

However, Megabanks have failed to set effective policies or targets to mitigate risk or effectively allocate capital

	Rating	Policy improvement required	Target improvement required
Oil and gas (upstream)	✗	Commit not to provide finance to new or expanded oil and gas fields	Financed emissions targets must be narrowed and must not remain such a broad range
Gas power (downstream)	✗	Commit to restrict finance to gas power expansion	Financed emissions targets must be absolute rather than intensity-based
Sustainable finance	✕	N/A	Target is insufficient to meet goals
Client credible transition plan requirements	✗	Commit to no longer providing new finance to fossil fuel companies without a credible climate transition plan	N/A

 1.5C aligned
  Not aligned
  Partially aligned

For more details please refer to our previous briefings ([2024](#), [2025](#))




Peers are mitigating risk through policy and practice

International peers have clearly defined Climate Transition Plan (CTP) approaches that are significantly ahead of MUFG, Mizuho and SMBC.

Commonwealth Bank	<p>Australia's Commonwealth Bank <u>announced</u> in August 2024 that it was no longer financing oil and gas producing, metallurgical coal mining, or coal-fired power generation customers that lack transition plans aligned with the Paris Agreement, including any businesses generating 15% or more of their revenue from fossil fuels. After announcing this policy, Commonwealth Bank did not participate in a refinancing deal for Australian oil and gas company, Santos. By contrast, the Megabanks all renewed lending to Santos.</p>
Crédit Mutuel	<p>The <u>31st</u> largest bank in the world by total assets has <u>stated</u> it will not finance any oil and gas company without a planned year-on-year reduction in production from July 2024 onwards.</p>
La Banque Postale	<p>The <u>48th</u> largest bank in the world by total assets has <u>stated</u> that it will only fund coal, oil and gas companies if they have a public strategy for exiting these sectors in line with scientific recommendations. The exclusion policy applies to GOGEL companies and subsidiaries as defined by Urgewald. La Banque Postale has also committed to exiting the oil and gas sector entirely by 2030.</p>
Danske Bank	<p>S&P has ranked Danske Bank the world's 67th largest bank by total assets. The bank has clearly <u>stated</u> that a company must commit not to expanding the supply of oil and gas, as well as coal, "beyond that which was approved for development by 31 December 2021" to be considered to be 'in transition'. Danske Bank's fossil fuel investments are limited to companies deemed 'aligned to net-zero pathways'.</p>

Moreover, SMBC and Mizuho appear to be retreating from goals

Megabank boards are failing to reassure investors that they are meeting commitments or advancing risk management.

	Previous commitments	Status as of end of FY2025
	SMBC Nikko Securities conducted estimates for equity and bond underwriting and was considering setting facilitated emissions reduction targets based on the results. (<u>Sustainability report 2024</u>)	SMBC and Mizuho have not made any further commitments after the end of the Net Zero Banking Alliance in 2025, despite earlier promises and <u>these banks' increased</u> underwriting of bonds for fossil fuel companies.
	"The importance of measuring and reducing facilitated emissions among financial institutions is increasing... we will proceed with examining target setting with consideration of sector emissions, amount of transactions, transition risk, data availability, alignment with the current targets, and other factors." (<u>Climate and Nature report 2024</u>)	
	As committed, MUFG set <u>facilitated emissions reduction targets</u> for Power, Oil and Gas sectors, even though MUFG withdrew from the Net Zero Banking Alliance in 2025, shortly before the Alliance's dissolution.	

RISK AVOIDANCE

RISK REDUCTION

MATERIAL RISKS

**IV. Significant exposure
to high-risk projects**

Financial risk associated with controversial overseas projects

An **explicit escalation framework** is critical to the board's ability to properly evaluate high-risk projects, and foundational to resolving the key gaps that prevent appropriate identification, evaluation and mitigation of forward-looking risks.

Information gap

Current risk assessment and escalation frameworks **lack a protocol for capturing independent analysis** for consideration by audit committees and the board of directors.

Internal perspectives reliant on past projects are likely to **underestimate climate risks** which are not possible to evaluate based on historical data.

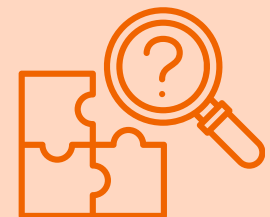
External views are valuable in preventing echo chambers and enabling identification of blind spots.



Policy and implementation gap

Absence of detailed policy and implementation criteria means critical risks that occur after project approval may not eventuate until the consequences become costly and **threaten project viability**.

Non-quantitative risks in particular, such as human rights, climate-generated physical and transition risks as well as second-order environmental consequences **may be underestimated or remain entirely unaccounted for**.



Megabanks' escalation framework fails to mitigate risk or provide risk oversight on controversial projects

Continued involvement in high-risk projects casts doubt on Megabanks' risk management and governance.

Major issues with their current systems include:

Framework lacking clarity

Lack of clarity regarding whether the current framework has a process for escalating project-related risk information to the Executive Committee, the Board of Directors, or relevant committees.

Such a process must be based on transparent, consistent criteria to ensure directors apply adequate consideration and oversight of risks and any controls in place to mitigate them.



Information asymmetry

No clear encouragement or even allowance for the Board of Directors or Audit Committee to seek out or receive information from external stakeholders.



Financial and reputational risk: Mozambique LNG

Mitsui holds a 20% stake in the Mozambique LNG Project, with funding from Japanese megabanks **Mizuho, MUFG and SMBC**, among others. The US\$20.5 billion project proceeded despite early warnings of extreme instability and violence in Mozambique.

Following insurgent attacks and human rights violation allegations—including horrific atrocities by security forces supported by the operator of Mozambique LNG—force majeure was declared in 2021.

Despite dozens of reported deaths, violence, torture and sexual abuse against civilians in the region, Mozambique LNG partners, including **Mitsui**, **lifted the force majeure in October 2025**. While the UK and Dutch Export Credit Agencies withdrew involvement in December 2025, **Mitsui agreed to commit additional equity**.

Human rights advocates continue to warn companies and executives of serious legal risks for operating in high-risk sites. Mozambique LNG's recommencement and Mitsui's additional equity raise **serious concerns** about renewed violence and repression, and **about the inadequacy of Mitsui's due diligence and that of Japanese megabanks in the face of mounting legal complaints and challenges** in Mozambique, France, the Netherlands, and the USA. **Directors of Japanese Megabanks must ensure appropriate risk controls are being exercised.**



Financial and reputational risk: Browse LNG

Mitsubishi and Mitsui have 14.4% equity stake in the proposed **Browse liquefied natural gas (LNG) project** in **Australia** through their joint venture **Japan Australia LNG (MIMI)**.

Browse LNG directly threatens the **Scott Reef**: a marine biodiversity crown jewel of **Australia**, home to endangered green turtles and pygmy blue whales. Any industrial accidents, such as oil spills, would gravely harm these irreplaceable coral reefs and their inhabitants.

Despite Mitsubishi and Mitsui's 2050 Net Zero goals, MIMI remains invested in **Browse LNG**, a particularly carbon-intensive project.

Browse is neither internationally nor domestically cost-competitive. Its carbon capture & sequestration (CCS) plans are an expensive and unreliable gamble to try to address just a fraction of the project's total potential emissions (including scope 3).

In relation to the project, **Mitsubishi** and **Mitsui** each took impairment of **JPY 40 billion** in FY15.

Megabank directors need to ensure risk controls are being exercised for projects with the odds stacked against them, both financially and environmentally.

Financial and reputational risk: Papua LNG

MUFG took over the role of financial advisor for the controversial Papua LNG project in 2024, and **Mizuho** Financial Group acted as a book runner for a bond to one of the project proponents, Total Energies, in February 2026, despite almost **30 banks**—including the previous financial advisor, Credit Agricole—**publicly refusing to finance Papua LNG**.

In December 2025, six NGOs submitted a joint **complaint** about MUFG and other potential financiers for violation of the Equator Principles—commitments made by the Megabanks to human rights, biodiversity and climate.

The project's many risks include lack of profitability in a market with an LNG glut, lack of long-term contracts, market volatility and demands from the public due to the violations of rights noted above.

If the banks proceed with financing this project and the risks articulated above eventuate, **the project could become a stranded asset, risking the Megabanks' capital. Megabank directors need to ensure risk controls are being exercised.**



Image: David Clode

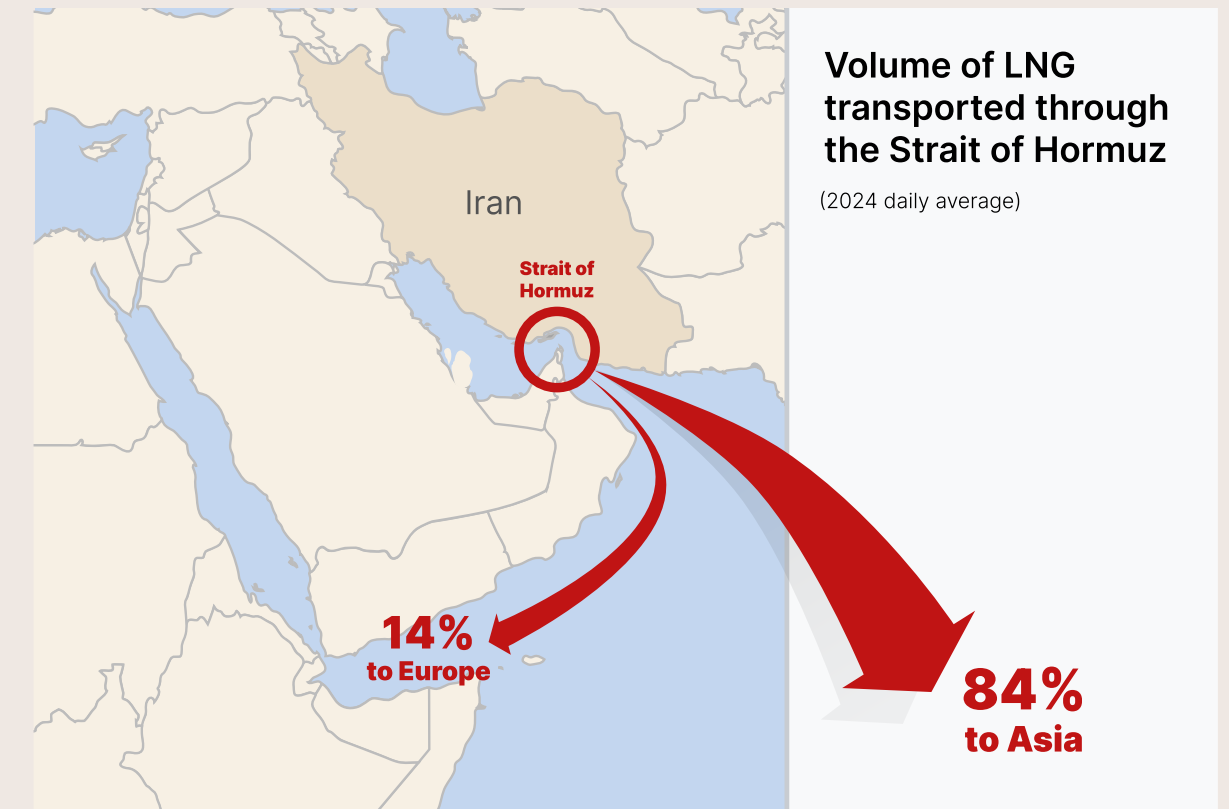
Structural supply-chain risks in LNG

According to the [Financial Times](#), the **recent Iran conflict and the Strait of Hormuz closure** have already triggered the **largest rise in global natural gas prices** since Russia's full-scale invasion of Ukraine in 2022.

- [Wood Mackenzie](#), which had predicted a 7% rise in **South Asian** LNG demand in 2026, now predicts demand would be "flat at best", quoting "QatarEnergy's force majeure threatens around 20% of global LNG supply and creates severe supply pressure for South Asian importers."
- **East Asia** is faring no better, with surging Asian spot prices such as the Japan Korea Marker spiking nearly 68% to US\$25/MMBtu for April delivery, the highest since 2023.

On the supply side, firms are seeking alternative supply routes, and maritime insurance costs have skyrocketed.

Assets across the LNG supply chain (export and import terminals, pipelines, power stations, and shipping vessels) are under threat, owing to the inherent supply chain risks of fossil fuels, and **risk becoming stranded** as countries seek to limit their long-term exposure to volatile fossil fuels.



Hstoops, CC0, via Wikimedia Commons

Given a focus on reducing risk and the stability of long-term profits, the supply chain risks intrinsic to global LNG projects should significantly lower Megabank directors' tolerance for such projects.



MATERIAL RISKS
**V. Executive and
employee misconduct**

Lack of board oversight has led to instances of misconduct



Mizuho Securities is the subject of an ongoing investigation by the Securities and Exchange Surveillance Commission (SESC) regarding suspected insider trading in its Investment Banking division.



In 2026, a Tokyo court ordered **Mitsubishi UFJ Morgan Stanley** to pay a plaintiff 177 million yen (\$1.1 million) in damages, in relation to Credit Suisse AT1 bonds in 2021 and 2022. The joint venture unit between Mitsubishi UFJ and Morgan Stanley is also facing four lawsuits brought by 136 plaintiffs, with damages estimated at approximately 10 billion yen.



An **MUFG employee** was sentenced to nine years' imprisonment for stealing from safety deposit boxes between 2023 and 2024, causing losses of at least 1.4 billion yen to the bank. **Mizuho** consequently also confessed that it had **concealed employee theft** of safety deposit box contents in 2019.



In 2024, **MUFG, Mitsubishi UFJ Morgan Stanley and Morgan Stanley MUFG Securities** were recommended penalties for illegal sharing of confidential client data across multiple deals between 2020–2023. The Japan Securities Dealers Association and the Tokyo Stock Exchange imposed a total of 550 million yen in negligence penalties on these companies.



In 2025, five executives of **SMBC Nikko Securities** were found guilty of market manipulation by underpinning stock prices for block trades. The company recorded a total of 5.44 billion yen in fines and additional tax liabilities as extraordinary losses. Reports suggest the loss of net operating revenue could reach a total of 33 billion yen.

Culpability for misconduct is not limited to immediate supervisors, but extends to the board

Ultimate responsibility for conditions that enable misconduct can sit with the board:



Duty to seek to correct information asymmetry: Directors that passively rely only on information provided by certain executives are likely to see sanitized reports that fail to disclose potential internal risks. Providing **a direct line between external stakeholders and audit functions of the company** (similar to a whistleblower hotline and not limited to auditing of accounting or financial reports) would allow the audit functions to gain a greater understanding of risks.



Challenge from audit committees: Audit committees are legally responsible for ensuring directors fulfill their fiduciary duties of responsibilities of care and loyalty and ensuring that the **risk controls** exist to catch and prevent this type of misconduct.



Review of incentives: Approval of profit targets or compensation structures that reward **aggressive growth over compliance** also incentivise foul play.

Call to action

Directors must wake up and exercise oversight over these risks.
Otherwise, investors must hold them accountable.

Directors must make changes to demonstrate robust governance

Risk and oversight

Establish and disclose an effective **escalation framework for evaluating high risk projects** which includes board involvement



Direct the audit committee to **verify and disclose how internal risk controls specifically address the material risks** identified in annual reports



Limit exposure to risk by setting **clear exclusion policies** in certain sectors or in specific contexts, as has been done by peer banks around the world



Capital and value

Set capital allocation targets in line with long-term stated strategic goals, monitor them, and disclose ongoing progress



Review "strategic" shareholdings and plan to **reduce cross shareholdings**



Ensure physical and transition risk assessments are refined and **incorporated into credit policies and portfolio strategies** to ensure long-term corporate growth



Independence and capacity

Recruit **directors with competencies** that allow the company to oversee material risks into the future, including climate change, artificial intelligence, etc.



Establish a **hard limit on outside commitments** to ensure directors have the capacity to challenge management during a crisis.



Ensure **independent directors meet with minority shareholders and other stakeholders** to bridge the information gap between what management reports and what the market perceives



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 failing to fulfil their duties.

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.**



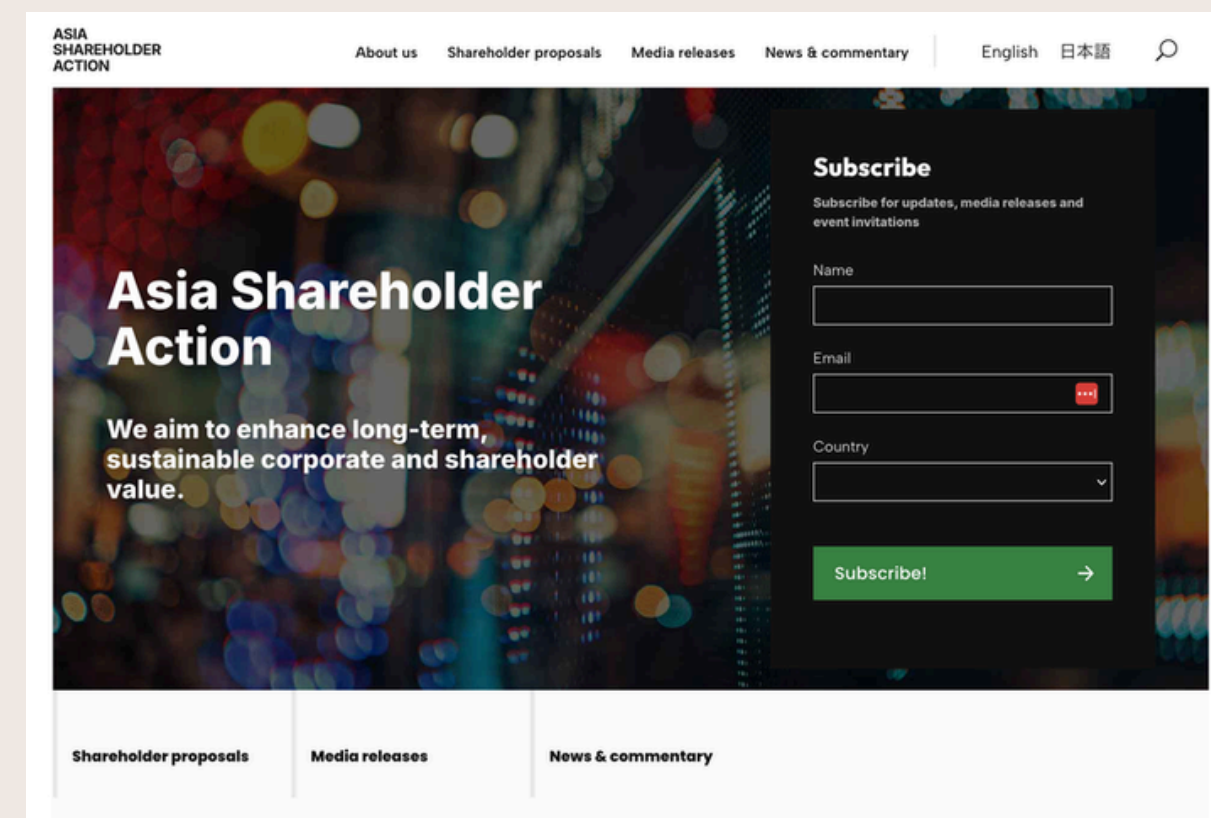
Get in touch and find out more

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

Bernadette Maheandiran Director, Asia Energy Finance
bernadette@marketforces.org.au

Eri Watanabe Japan Energy Finance Campaigner
eri.watanabe@marketforces.org.au

Rachel Ho Asia Energy Finance Campaigner
rachel.ho@marketforces.org.au



Disclaimer

Informational purposes only – This communication is provided solely for informational purposes only and is not, and should not be construed as, investment advice or investment recommendations for the purposes of the Financial Instrument Exchange Act of Japan.

No joint-exercise of voting rights – Nothing in this written communication, nor in any related oral discussion, is intended to be, nor should it be construed as, an offer, an acceptance or a consent, to enter into an agreement for the joint exercise of voting rights or any other shareholder' rights for the purposes of the Financial Instrument Exchange Act and Foreign Exchange and Foreign Trade Act of Japan. If needs be, it is hereby emphasised that each shareholder exercises its shareholder's rights independently based upon its own decision and shall not be held liable for its exercise of its shareholder's rights in any event or in any result, as a breach of any discussion between the shareholders.

No proxy solicitation – Nothing in this written communication, nor in any related oral discussion, is intended to be, nor should it be construed as, a "solicitation for proxies" for the purposes of the Financial Instrument Exchange Act of Japan. The shareholder is not soliciting or seeking any authorization by any other shareholders to exercise their voting rights or any other shareholders' rights on their behalf or as their agent at the annual shareholders' meeting. This is a non-commercial product for public dissemination only. Not for sale.

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: 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.

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