



Investor update

# Over 25% of investors called for more climate action from Japanese megabanks

Shareholders must use this window of opportunity to encourage the banks to change

JULY 2024



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# Shareholders want to see more disclosure to ensure bank stability

- How the banks will be assessing clients' transition plans and encouraging their clients to decarbonise
- Directors' competency to manage climate risk

## Shareholders' voices, questioning top management's qualifications (Asahi Shimbun)

朝日新聞  
DIGITAL

### 株主の声、トップの資質問う 総会ピーク

🔒 有料記事

2024年6月28日 5時00分



三菱UFJフィナンシャル・グループ（MUFJ）の株主総会の会場周辺では、環境団体が抗議活動をした＝27日午前、東京都港区

企業の株主総会が27日、ピークを迎えた。近年は、短時間で終わる「シャンシャン総会」はなりを潜め、利益向上や環境配慮を経営に求める株主提案や議決権行使助言会社の声が存在感を増している。この流れは会社に変革を促すのか。▼3面参照

「ブルックスブラザーズ」などを展開する中

## Global investors want more climate action from Japan's megabanks (Nikkei Asia)

OPINION

### Global investors want more climate action from Japan's megabanks

Borrowers' transition plans must be assessed to manage risk



Will van de Pol

June 24, 2024 05:05 JST



# Votes for climate-related shareholder proposals at Japanese Megabank AGMs in 2024

<b>Bank</b>	<b>Director competency proposal</b> (votes in favour)	<b>Transition assessments proposal</b> (votes in favour)
<b>MUFG</b>	25.79%	18.38%
<b>Mizuho</b>	25%	22%
<b>SMBC</b>	26.34%	24.21%

Proposal details can be found here: <https://shareholderaction.asia/japanese-banks-mufg-smbc-mizuho-2024/>

# Megabanks have made some improvements, but fall short

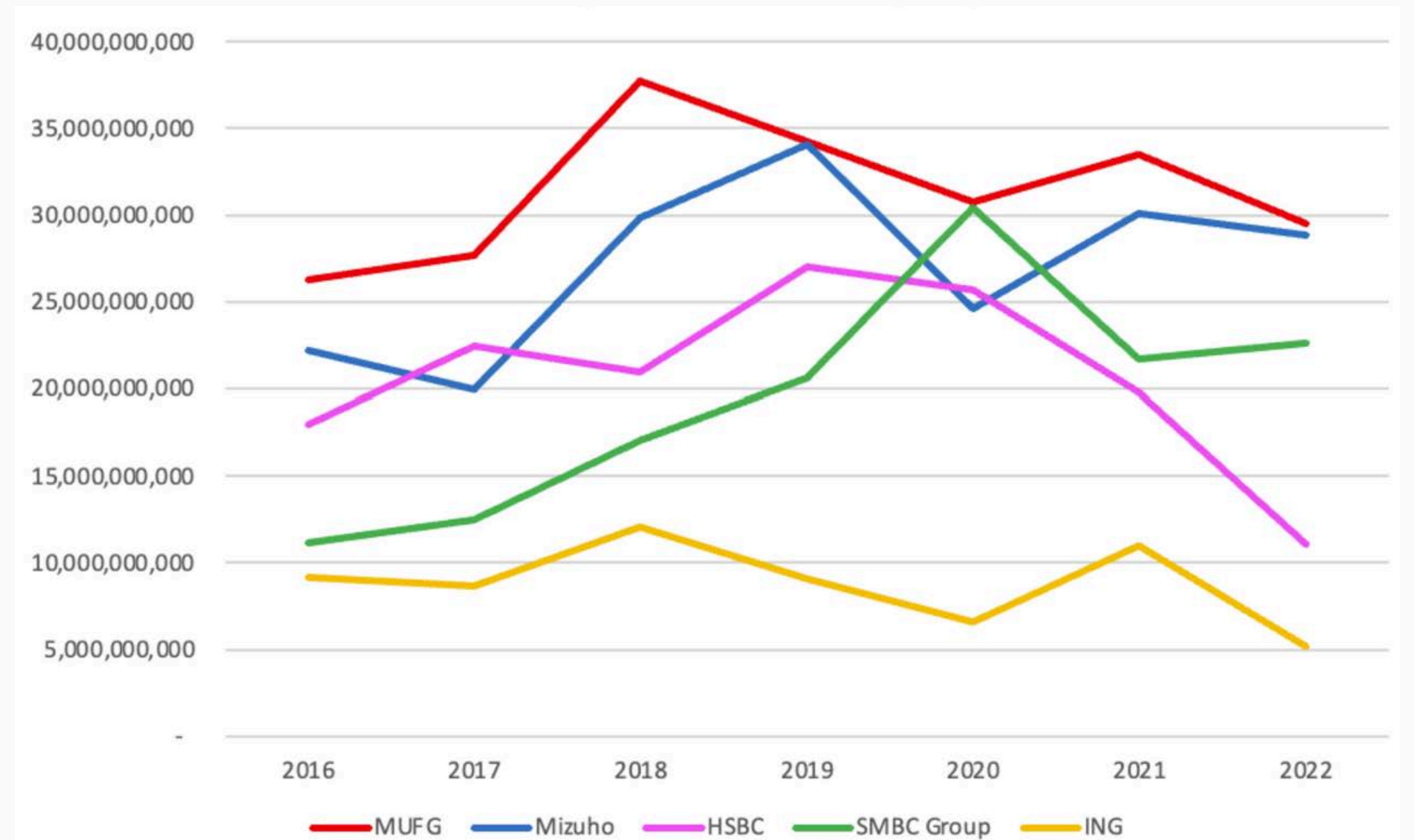
Sector	Science Says	Banks (April/May 2024)
Oil and gas	<p><u>IEA NZE</u>: Compared to 2022, emissions from oil and gas fall 26% by 2030 and 53% by 2035</p>	<p><b>No improvements</b></p>
Coal mining	<p><u>IEA NZE</u>(p.143): "In the NZE Scenario, global coal production declines by 45% to 2030 and a further 85% between 2030 and 2050"</p>	<p>SMBC ruled out "support for thermal coal mining sector with maturity exceeding the end of FY2030 in OECD countries and the end of FY2040 in non-OECD countries" (<u>Pg.13</u>)</p> <p>MUFG set a new financed emissions target to "reduce loan amount in OECD countries to zero by FY2030 and in non-OECD countries to zero by FY2040" (<u>Pg.72</u>)</p>
Coal power	<p><u>IEA NZE</u>(p.127): "By 2030, with new construction slowing and efforts to transition away from coal underway in many countries, the share of unabated coal in electricity generation falls below... 15%"</p>	<p>Mizuho added possibility of finance for managed phase out (early retirement) as well as excluding financing and investment to: "Companies with no existing financing and investment transactions and whose primary business is coal-fired power generation" (<u>Pg. 40</u>)</p>
Client Transition Plan assessments	<p>Investor expectations based on the science are 1.5C aligned, Scope 1-3 targets, Capex plans, Short, medium, long term goals, with verifications and frameworks.</p>	<p><b>No improvements</b> - while the banks have made changes to their framework to assess client transition, the banks will still finance clients who do not meet their assessments of a credible transition plan.</p>
Human rights		<p>SMBC introduced environmental and social due diligence (corporate finance) to enhance "existing credit assessment which will strengthen the risk management and customer engagements" (<u>Pg.17</u>)</p>

# Megabanks continue to lag behind in limiting finance to oil and gas companies

<b>Transition Pathway Initiative</b> scores on decarbonisation strategy (capital allocation to misaligned activities)	<b>MUFG SMBC Mizuho</b>	<b>HSBC</b>	<b>ING</b>
Has committed to <b>end all project financing</b> dedicated to the exploration and development of <b>new oil and gas fields</b> ?	✗	✓	✓
Has committed to <b>end all on- and off-balance sheet activities</b> dedicated to the exploration and development of <b>new oil and gas fields</b> misaligned with a 1.5°C pathway?	✗	✓	✓
Does the bank's oil and gas policy include an <b>exclusion threshold for investees with oil and gas expansion plans</b> or with operations in unconventional oil and gas?	✗	✗	✗

Without policy change,  
Megabanks lag  
behind global peers

## Financing for all fossil fuels (USD)



Data source: Banking On Climate Chaos 2023

# Megabanks face serious financial risk if they don't have oil and gas policies

- **IEA: “The volatility of fossil fuel prices means that revenues could fluctuate from year to year – but the bottom line is that oil and gas becomes a less profitable and a riskier business as net zero transitions accelerate.” “If all national energy and climate goals are reached, [oil and gas companies’] value is lower by 25%, and by 60% if the world gets on track to limit global warming to 1.5 °C**
- **According to studies on European banks, banks with significant exposure to fossil fuel assets could be at risk of not having sufficient equity to cover their losses if global warming is limited to 1.5 °C.**
- **The Japanese megabanks face default risk and find themselves ill equipped to detect this risk**



# Megabanks also face risk to reputation globally...



# Investors are urged to engage with Megabanks to limit own risk

We expect that the banks will seek to make improvements to policy and targets prior to the release of their TCFD reports in **September/October 2024**. We urge you to engage with them:

- to set clear oil and gas project finance restrictions
- to set clear expectations of their oil and gas clients

**Thank you for your attention**

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