

Appendix: Comparison of Climate Related Policies of three Japanese megabanks

June 11, 2021

This is a comparison of climate related policies of three megabanks in Japan, as of 8 June^{1 2}. Top runner among JP 3 megabanks in each field has a **star mark**. If there's no top runner, no bank is given a star. From the comparison of ten different categories, Mizuho is overall the top runner among the three megabanks.

1. Targets to decarbonize their financing and investment portfolio

MUFG became the first Japanese bank to join Net Zero Banking Alliance.

MUFG ★	SMBC	Mizuho
Long term goal <ul style="list-style-type: none"> - Aims to achieve carbon neutrality by 2050 - Participates in Net Zero Banking Alliance Medium term goal <ul style="list-style-type: none"> - Will set and disclose an interim milestone for 2030 in FY2022 Short term goal <ul style="list-style-type: none"> - None 	Long term goal <ul style="list-style-type: none"> - Will establish a long-term action plan to contribute to a carbon neutral society by 2050 and detailed initiatives Medium term goal <ul style="list-style-type: none"> - Will set medium- to long-term targets regarding those emissions Short term goal <ul style="list-style-type: none"> - None 	Long term goal <ul style="list-style-type: none"> - Will create a flow of funds to achieve the goal of curbing the global average temperature rise under the Paris Agreement, and gradually shift to a finance portfolio that is consistent with that goal. Medium term goal <ul style="list-style-type: none"> - None Short term goal <ul style="list-style-type: none"> - None

2. Commitment to measure its portfolio-wide financed emissions (Scope 3)

Only SMBC clearly committed to measure its financed emissions.

MUFG	SMBC ★	Mizuho
Not explicitly mentioned	Yes	Not explicitly mentioned

¹ See details at NGOs joint statements: MUFG [April](#), [May](#)/ SMBC / [Mizuho](#)

² Mizuho, [Strengthening our sustainability action](#), May 13, 2021
 SMBC, [Management of Environmental Risks](#) (accessed June 8)
 MUFG, [Policies and Guidelines](#) (accessed June 8)

3. Coal power policy

All three banks have a 2040 coal phase out target and banned new coal projects, but have loopholes to allow coal power equipped with technologies such as CCUS and mix combustion. Mizuho steps up to widen the scope to corporate finance to reduce transition risks. MUFG expressed intention to disclose portfolio reduction targets of corporations involved in coal power generation, but unclear when and how.

MUFG	SMBC	Mizuho ★
<p>Project-tied finance</p> <ul style="list-style-type: none"> - Stop financing for new and expansion of existing coal-fired power plants with exceptions (CCUS, Mixed combustion, and other technologies necessary to achieve the Paris Agreement target) - Reducing its credit balance of loan for coal fired power plants to zero by FY2040 <p>General corporate finance</p> <ul style="list-style-type: none"> - Will aim to disclose the portfolio reduction target for corporate customers whose business largely involves coal-fired power generation. 	<p>Project-tied finance</p> <ul style="list-style-type: none"> - Stop financing for new and expansion of existing coal-fired power plants with exceptions (CCUS, Mixed combustion etc that contributes to transition to decarbonized society³) - Reducing its credit balance of loan for coal fired power plants to zero by FY2040 <p>General corporate finance</p> <ul style="list-style-type: none"> - Not explicitly mentioned 	<p>Project-tied finance</p> <ul style="list-style-type: none"> - Stop financing or investment for new coal fired power plants with exceptions (relevant country's stable energy supply, replacement of an existing power plant, innovative, clean, and efficient next generation technology.) - Reducing its credit balance of loan for coal fired power plants to zero by FY2040 <p>General corporate finance</p> <ul style="list-style-type: none"> - Enhanced engagement on transition risk with companies reliant on coal fired power generation as their main business

4. Coal mining sector policy

Mizuho banned coal mining in principle and enhanced engagement with corporations highly involved in the mining sector.

MUFG	SMBC	Mizuho ★
<p>Project-tied finance</p> <ul style="list-style-type: none"> - Stop financing for coal mining with MountainTop Removal Method 	<p>Project-tied finance</p> <ul style="list-style-type: none"> - Stop financing for coal mining with MountainTop Removal Method 	<p>Project-tied finance</p> <ul style="list-style-type: none"> - Stop financing or investment for new thermal coal mining projects with

³ These exceptions were mentioned during the exchanges between the SMBC Group and NGOs.

General corporate finance - Not explicitly mentioned	General corporate finance - Not explicitly mentioned	exceptions on existing projects General corporate finance - Enhanced engagement on transition risk with companies reliant on coal mining as their primary businesses
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5. Oil and Gas sector policy

SMBC's enhanced due diligence includes oil and gas pipelines. Mizuho covers these sectors for enhanced engagement with corporations reliant on the sectors to reduce transition risks.

MUFG	SMBC	Mizuho ★
Project-tied finance - Enhanced due diligence (social and environmental risk assessments) on <u>1) Oil Sands extraction, not pipelines, and 2) oil and gas extraction in the Arctic</u>	Project-tied finance - Enhanced due diligence (social and environmental risk assessments) on <u>1) Oil Sand, 2) Shale Oil and Shale Gas, 3) Oil and Gas Mining Projects in the Arctic, and 4) Oil and Gas Pipelines</u>	Project-tied finance - Enhanced due diligence (social and environmental risk assessments) on <u>1) oil or gas extraction projects in the Arctic Circle, 2) oil sands projects, and 3) shale oil or gas projects</u>
General corporate finance - Not explicitly mentioned.	General corporate finance - Not explicitly mentioned.	General corporate finance - Enhanced engagement on transition risk with companies reliant on oil-fired power generation, gas-fired power generation, and/or other oil and gas operations as their primary businesses

6. Palm Oil Sector Policy

All banks require certification, with Mizuho having the strongest requirement. MUFG has the clearest requirement for clients to commit to NDPE, but this policy does not apply to its Indonesian subsidiary Bank Danamon (as explained below) despite Danamon being a conduit for palm oil financing.

MUFG	SMBC	Mizuho
Clients must certify relevant	For palm oil development	All plantations must be certified

operations and publicly commit to No Deforestation, No Peat and No Exploitation (“NDPE”) .	projects, palm oil must be certified and confirmed to have protection of forest resources and biodiversity during new plantation development and no human rights violations.	by the Roundtable on Sustainable Palm Oil (RSPO) , with some exceptions. Clients urged to formulate sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE), and respect Free, Prior, and Informed Consent (FPIC) in relation to local communities.
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7. Other Forest-Risk Commodity Policies

Each bank has strengths and weaknesses in their policies. MUFG’s policy is limited to forestry (timber and pulp & paper), while SMBC and Mizuho’s policy cover forestry and other forest-risk commodities.

MUFG	SMBC	Mizuho
Forestry clients must certify relevant operations; illegal logging and deforestation in High Conservation Value areas are prohibited.	For projects that involve deforestation, confirms illegal logging and incineration are not carried out and the laws and regulations of each country are observed.	For large-scale agriculture (i.e. soy and rubber), timber, and pulp, clients urged to formulate sustainable environmental and human rights policy, such as No Deforestation, No Peat, and No Exploitation (NDPE), and respect Free, Prior, and Informed Consent (FPIC) in relation to local communities.

8. Overarching Human Rights Policies

(*note: some sector policies have additional human rights protections)

While there is no clear winner, MUFG’s policy is weaker than that of SMBC and Mizuho because there is no requirement for clients/investees to respect the right to Free, Prior and Informed Consent (FPIC).

MUFG	SMBC	Mizuho
Prohibits transactions involving child labor and forced labor. Enhanced due diligence for transactions that involve impacts on Indigenous Peoples Communities and Land expropriation leading to involuntary resettlement.	Requests that project operators obtain Free, Prior and Informed Consent (FPIC) from indigenous peoples impacted by the project and to give due consideration to working conditions of the project Avoids transactions that conflict with SMBC GROUP's human rights responsibilities or could contribute, directly or indirectly, to exploitative labor practices.	Prohibits transactions involving child labor and forced labor. Enhanced due diligence for projects with adverse impacts on indigenous peoples’ local communities and projects involving land expropriation that causes forced relocation of residents.

9. Application of the sector policies

MUFG	SMBC	Mizuho ★
Not all group companies (Apply only to core subsidiaries; MUFG Bank, Mitsubishi UFJ Trust and Banking, and Mitsubishi UFJ Securities Holdings) Credit and underwritings of bonds and stocks	All group companies It only says “credit” in the policies and not clearly defines its scope.	All group companies Financing and investment activity

Among Japanese banks, MUFG is the worst financier of all fossil fuels. It is even the worst banker of fossil fuels in all of Asia and the 6th largest fossil fuel financier in the world since the Paris Climate Agreement. Mizuho ranked the 8th largest financier while SMBC ranked 18th.

Source: Banking on Climate Chaos: Fossil Fuel Financing 2021, March 2021⁴ (*All Fossil Fuel Financing includes loans & underwriting issued between 2016-2020.

		MUFG	MizuhoFG	SMBC Group
All Fossil Fuels	All Fossil Financing	\$147.7 B -	\$123.5 B -	\$86.3 B -
	Fossil Financing Rank	6	8	18
	Fossil Fuel Policy	6/200	5/200	6.5/200
100 top fossil fuel expanders	All Fossil Financing	\$60.1 B -	\$53.4 B -	\$36.1 B -
	Fossil Financing Rank	6	10	18
	Fossil Fuel Policy	2.5/82	2.5/82	2.5/82
Tar Sands (Top 35 companies)	All Fossil Financing	\$1.6 B -	\$0.7 B	\$0.5 B -
	Fossil Financing Rank	12	18	22
	Fossil Fuel Policy	0.5/18	0/18	0.5/18
Arctic Oil & Gas (Top 30 companies)	All Fossil Financing	\$1 B -	\$0.8 B -	\$0.9 B -
	Fossil Financing Rank	12	15	14
	Fossil Fuel Policy	0.5/18	0/18	0.5/18
Offshore Oil & Gas (Top 30 companies)	All Fossil Financing	\$10.5 B -	\$12.6 B -	\$11.2 B -
	Fossil Financing Rank	13	9	11
	Fossil Fuel Policy	0/18	0/18	0/18
Fracked Oil & Gas	All Fossil Financing	\$21.8 B -	\$19.8 B -	\$7.2 B -

⁴ <https://www.ran.org/wp-content/uploads/2021/05/Banking-On-Climate-Chaos-2021-Summary.pdf>, page.4.

(Top 40 companies)	Fossil Financing Rank	6	7	17
	Fossil Fuel Policy	0/18	0/18	0.5/18
LNG (export/import terminals) (Top 40 companies)	All Fossil Financing	\$5.1 B -	\$6.5 B -	\$6.5 B -
	Fossil Financing Rank	8	6	5
	Fossil Fuel Policy	0/18	0/18	0/18
Coal Mining (Top 30 companies)	All Fossil Financing	\$0.5 B -	\$0.4 B -	\$0.3 B -
	Fossil Financing Rank	26	38	44
	Fossil Fuel Policy	1/18	1/18	1/18
Coal Power (Top 30 companies)	All Fossil Financing	\$5.7 B	\$4.2 B	\$2.1 B -
	Fossil Financing Rank	12	13	22
	Fossil Fuel Policy	3.5/18	3.5/18	3.5/18