



# **Carbon Neutrality Initiative 2025**

**- Provisional English version -**

March 14, 2025

**JAPANESE BANKERS ASSOCIATION**

# Foreword (Announcement of the Carbon Neutrality Initiative 2025)

2024 was a year that saw progress in efforts to transition towards decarbonisation in the real economy.

Specifically, in February 2024, the Japanese government issued the world's first sovereign transition bond, the "Climate Transition Interest-Bearing Government Bond", and in July, commenced operations to support corporate GX investments aimed at decarbonisation.

In addition, discussions for securing the reliability and effectiveness of transition finance are becoming even more important. Discussions are actively underway, mainly among regulatory authorities and private initiatives, on the basic concepts, components, and formulation of "transition plans", and there are growing calls for international coordination and cooperation in this area.

Further, the importance of initiatives towards nature positivity and a circular economy has been highlighted, including the Task Force on Nature-related Financial Disclosures (TNFD)<sup>1</sup>, which calls for the disclosure of financial impacts and implications related to nature-related risks and opportunities in companies, and the development of the Global Circularity Protocol (GCP)<sup>2</sup> to promote companies' circular economy initiatives. It is now necessary to consider these three elements (Carbon neutrality, Nature positivity and Circular economy) in an integrated manner.

At the same time, there was a shift in the administration in the United States in January 2025. While there have been moves to roll back climate change measures, such as notifying the United Nations of withdrawal from the Paris Agreement, Japan relies heavily on fossil fuel imports and faces the urgent task of ensuring stable energy supplies while achieving decarbonisation. Under these circumstances, expectations remain high for the banking sector to play its role as a financial and social infrastructure.

The Japanese Bankers Association (JBA) has been promoting a variety of activities based on its "Carbon Neutrality Initiative" (JBA Initiative, published in December 2021). However, more than three years have passed since the initiative was formulated, and the social environment surrounding carbon neutrality/net zero has significantly evolved. In light of these circumstances, the JBA has reviewed its activities carried out in 2024 and conducted an inventory/revision of the JBA Initiative.

The JBA will continue to contribute to the realisation of carbon neutrality and net zero emissions in Japan in cooperation and collaboration with various stakeholders, including clients, relevant ministries and agencies, and related economic organisations.

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# Overview of the Carbon Neutrality Initiative

- In order to achieve carbon neutrality, the transformation of industrial and socio-economic structures is likely to occur on a global scale. In addition, as we address climate change, the importance of an integrated approach to nature positivity and a circular economy is increasingly recognised. This will present significant growth opportunities for companies and banks, but also pose considerable challenges and potential future financial risks.
- Against this backdrop, the Carbon Neutrality Initiative provides a foundation for the JBA's policies and actions for a society/economy-wide “Just Transition”<sup>3</sup> to carbon neutrality. The JBA will continue to review its focus, as necessary.

## Objective

**Support and achieve a “Just Transition” to carbon neutrality by 2050**

## Key Policies

Key policies to support and accelerate JBA member banks' efforts for their clients' orderly transition to carbon neutrality

- 1 Financial intermediation**
- 2 Cooperation with industrial sectors**
- 3 Public advocacy**
- 4 International discussions**

## Key Priorities

Key priorities to achieve the 2030 interim GHG reduction targets

- 1 Engagement**
- 2 Sustainable finance**
- 3 Climate-related disclosure**
- 4 Climate-related financial risks**
- 5 Integrated approach to nature positivity and a circular economy**

# Key Policies

- Achieving carbon neutrality requires significant efforts by both the public and private sectors globally and nationally. It is therefore essential to work collaboratively, not just within the banking industry alone, but also with industrial sectors, the government and the international community.
- The JBA, as the premier Japanese banking association, is committed to playing a leading role in such cooperation with key stakeholders, working collaboratively to achieve carbon neutrality by 2050 while taking an integrated approach to nature positivity and a circular economy.

Key Policies		Our Approach	Initiatives
1	Financial intermediation	<ul style="list-style-type: none"> <li>● The banking industry, as a key financial intermediary in Japan, has a <u>social responsibility</u> to provide financial support to the economy to achieve a Just Transition.</li> <li>● At the same time, banks are expected to effectively <u>manage climate-related financial risks</u> for their financial soundness and to meet <u>the stakeholders' expectations</u>.</li> </ul>	<ul style="list-style-type: none"> <li>● Host seminars inviting relevant ministries, agencies and experts.</li> <li>● Run an information platform where JBA member banks can refer to key policies and documents by theme.</li> <li>● Continue to respond to JBA member banks' needs and challenges. Develop the JBA's capabilities and expertise.</li> </ul>
2	Cooperation with industrial sectors	<ul style="list-style-type: none"> <li>● The JBA will carry out <u>sector-to-sector engagement with relevant industrial organisations</u> to collaboratively achieve carbon neutrality, etc.</li> <li>● <u>The JBA will act as a hub</u> for sharing issues between the banking industry and industrial sectors.</li> </ul>	<ul style="list-style-type: none"> <li>● Deepen collaboration and cooperation with relevant industrial organisations, and consider cross-industrial measures and initiatives.</li> <li>● Host seminars inviting speakers from industries to foster mutual understanding with those industrial sectors. Explain the banking industry's initiatives at seminars hosted by relevant industrial organisations.</li> </ul>
3	Public advocacy	<ul style="list-style-type: none"> <li>● The JBA will actively engage in public advocacy, explaining <u>financial issues and challenges for carbon neutrality, a Just Transition, etc.</u></li> <li>● In areas where concerted efforts are required for Japan's international competitiveness, <u>the JBA will work with relevant industrial organisations</u> as necessary.</li> </ul>	<ul style="list-style-type: none"> <li>● Participate in relevant government councils and share the banking industry's views.</li> <li>● Advocate policy recommendations in relation to climate policy/rule-making.</li> <li>● Explain the banking industry's initiatives and challenges to relevant ministries and agencies.</li> </ul>
4	International discussions	<ul style="list-style-type: none"> <li>● <u>The JBA will actively participate in and contribute to international policy/rule-making.</u></li> <li>● <u>The JBA also promotes close cooperation with the International Banking Federation (IBFed) and foreign bankers associations in other jurisdictions</u> to address common challenges and share good practices.</li> </ul>	<ul style="list-style-type: none"> <li>● Internationally disseminate initiatives by the government, the JBA, and the Japanese banking industry to promote understanding.</li> <li>● Actively participate in international discussions on policy/rulemaking in cooperation with Japanese authorities.</li> <li>● Continue to collaborate and cooperate with the IBFed and foreign bankers associations in other jurisdictions.</li> </ul>

# [Key policy #1] Financial intermediation

- The banking industry, as a key financial intermediary in Japan, has a social responsibility to provide financial support to the economy to achieve a Just Transition.
- At the same time, banks are expected to effectively manage climate-related financial risks for their financial soundness and to meet the stakeholders' expectations.

## Funds required for carbon neutrality and the role of banks

Required funds	Global	IEA <sup>4</sup>	<b>USD 4.5 trillion annually</b> (by 2030)	Investment needs to increase to approx. USD 4.5 trillion per year by 2030 to deliver what is required in the 2025 net-zero scenario. (USD 1 trillion per year in average for power sector from 2019 to 2023)
	Japan	GX2040 Vision <sup>5</sup>	<b>JPY 150 trillion</b> over the next 10 years	Based on the trial calculation from the Clean Energy Strategy Interim Report (May 2022) with the amounts of decarbonisation-related investments in major sectors accumulated under specified assumptions, investing over 150 trillion yen will be necessary in the next ten years to achieve carbon neutrality in 2050.

The banking industry, as the key financial intermediary, needs to play a new role to support clients' Just Transition in addition to the traditional roles. To enhance efforts through cooperation between public and private sectors, the banking industry will cooperate and collaborate with the GX Acceleration Agency (began operating in July 2024)

### Traditional role

Engagement in lending and investment activities to meet funding needs for clients (e.g., working capital, capital investments).

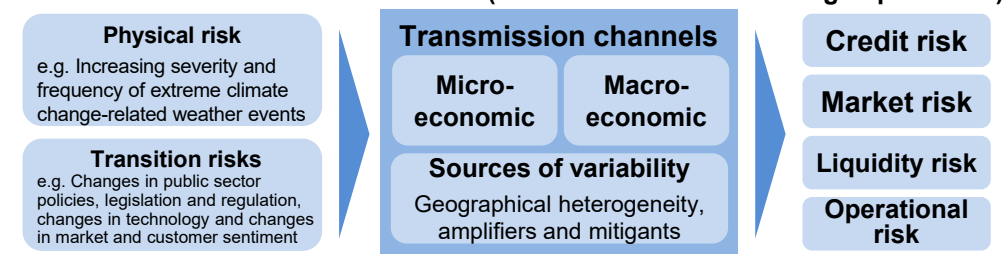
### New role

Engagement in supporting efforts for green initiatives, transition and innovation not only by providing funds

## Potential impacts of climate-related risk on banks

Climate-related risk drivers can be classified into either physical or transition risks. These risk drivers affect banks' financial risks via micro- and macroeconomic transmission channels.

### Financial risks from climate risk drivers (Basel Committee on Banking Supervision<sup>6</sup>)



The Basel Committee on Banking Supervision (BCBS) released "Principles for the effective management and supervision of climate-related financial risks". These principles **require banks to incorporate climate-related risks into their risk management frameworks and assess the capital and liquidity adequacy for such risks**<sup>7</sup>.

The JBA supports the efforts by its member banks to meet such significant funding needs and enhance their risk management of climate-related risks, both of which require cross-organisational efforts.

### Approach

Host seminars inviting relevant ministries, agencies and experts.

Run an information platform where JBA member banks can refer to key policies and documents by theme.

Continue to respond to JBA member banks' needs and challenges. Develop the JBA's capabilities and expertise.

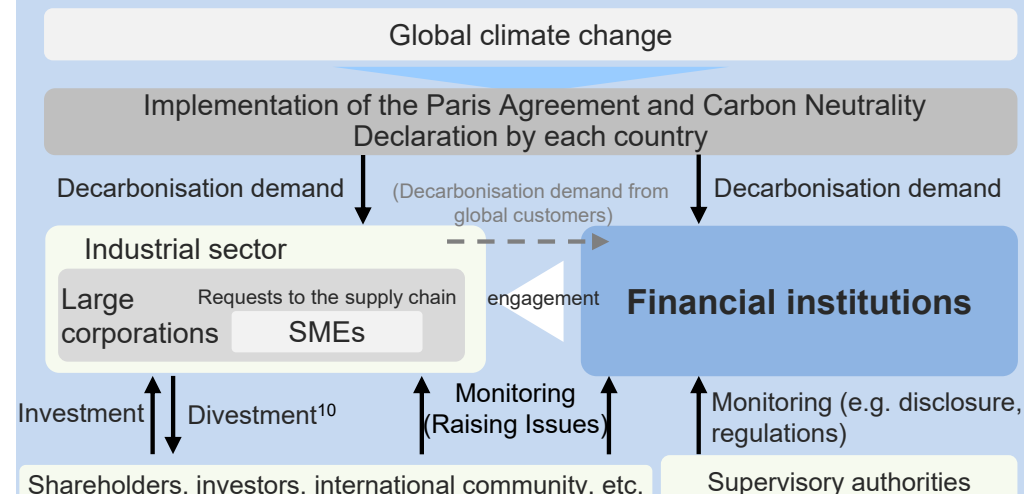
## [Key policy #2] Cooperation with industrial sectors

- The JBA will carry out sector-to-sector engagement with relevant industrial organisations to collaboratively achieve carbon neutrality.
- The JBA will act as a hub for sharing issues between the banking industry and industrial sectors.

### Challenges for industrial sectors<sup>8</sup>

Internal	<ul style="list-style-type: none"> <li>Challenges for reaching a consensus within the company in setting company-wide targets.</li> </ul>
External	<ul style="list-style-type: none"> <li>Challenges for calculating Scope 3 emissions<sup>9</sup> (Includes numbers of estimates, and data to improve accuracy are required.)</li> <li>Reducing GHG emissions throughout the supply chain including SMEs requires significant efforts.</li> </ul>
Techno-logical	<ul style="list-style-type: none"> <li>In some industrial sectors, key decarbonisation technologies have not been established yet. Even if technologically feasible, it may be challenging to reflect the higher cost into their product pricing.</li> </ul>
Cost	<ul style="list-style-type: none"> <li>While decarbonisation may bring additional cost/investment burdens, it is uncertain whether those can be offset by additional revenue.</li> <li>Ensuring competitive fairness between companies promoting decarbonisation and those not dedicating efforts.</li> </ul>

### Environment surrounding industrial sectors and banking industry



**Achieving Carbon Neutrality by 2050 is a challenging task, and there are many industries that cannot achieve it immediately. In order for banks to understand clients' initiatives and challenges, it is necessary to work together and cooperate with industrial sectors not only at the corporate level, but also at the sector-to-sector level.**

#### Approach

Deepen collaboration and cooperation with relevant industrial organisations, and consider cross-industrial measures and initiatives.

Host seminars inviting speakers from industries to foster mutual understanding with those industrial sectors. Explain the banking industry's initiatives at seminars hosted by relevant industrial organisations.



## [Key policy #3] Public advocacy

- The JBA will actively engage in public advocacy, explaining financial issues and challenges for carbon neutrality, a Just Transition, etc.
- In areas where concerted efforts are required for Japan's international competitiveness, the JBA will work with relevant industrial organisations.

### Policy measures for achieving Carbon Neutrality

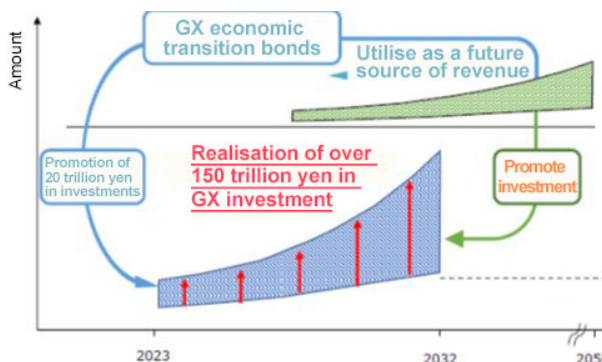
#### Key policy measures for the GX2040 Vision (transition-related)

##### (Importance of practical transitions and contributions to global decarbonisation)

- The relative difference in energy prices between Japan and other countries is an extremely important issue for the maintenance and development of domestic industries. When implementing measures to promote investment, it is necessary to pursue practical transitions and calmly assess the global situation.
- It is also an important perspective for GX in Asian countries that share similar decarbonisation challenges with Japan.

##### (Pro-Growth Carbon Pricing Concept)

- Measures integrating support and systems to enhance business operators' predictability and promote early GX investment
- Full-scale launch of emissions trading system in FY2026.



Source: Cabinet Secretariat, "Overview of the GX2040 Vision"

#### Key government's councils (As of December 2024)

JFSA*	METI*	MOE*	Council
✓	Observer	Observer	Expert Panel on Sustainable Finance
✓	✓	✓	Taskforce on Preparation of the Environment for Effective Transition Finance
Observer	Observer	✓	Green Finance Study Group
✓	Observer	Observer	Financial System Council "Working Group on Disclosure and Assurance of Sustainability-related Financial Information"
✓	Observer	Observer	Working Group on Financial Infrastructure for Carbon Credit Transactions
Observer	Observer	✓	ESG Finance High Level Panel
✓	✓	✓	SDGs Promotion Roundtable

#### (Reference) Recent policies in other countries

U.S.	Announced withdrawal from the Paris Agreement in response to high energy costs (scheduled to officially withdraw in January 2026) Encouraging energy production, strengthening the supply chain for critical minerals, and abolishing EV mandates, etc.
EU	Under the Competitiveness Compass (January 2025) <sup>11</sup> , the EU will work on (i) closing the innovation gap, (ii) a joint roadmap for decarbonisation and competitiveness, and (iii) reducing excessive dependencies and increasing security.

Achieving the targets set out in the Paris Agreement requires concerted efforts by the international community. Japan needs to mobilise all available policy measures to achieve carbon neutrality and for a Just Transition. Those are also the keys for realising a "positive cycle of economic growth and the environmental protection", thereby strengthening international competitiveness through business transformation.

#### Approach

Participate in relevant government councils and share the banking industry's views.

Advocate policy recommendations in relation to climate policy/rule-making.

Explain the banking industry's initiatives and challenges to relevant ministries and agencies.



## [Key policy #4] International discussions

- The JBA will actively participate in and contribute to international policy/rule-making.
- The JBA also promotes close cooperation with the International Banking Federation (IBFed) and foreign bankers associations in other jurisdictions to address common challenges and share good practices.

### International discussions on sustainable finance and climate-related risks

Transition finance		Scenario analysis of climate-related risks	Climate-related risk management in financial institutions
The progress regarding international understanding of the necessity for the transition toward the decarbonisation of the entire economy, such as a reference to the necessity in the Leaders' Communiqué in the G7 Hiroshima Summit		<u>Pilot stress tests and scenario analysis by the authorities and central banks (ECB, BOE, JFSA/BOJ, FRB, etc.) on climate-related risk management in financial institutions</u>	The Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), and the Network for Greening the Financial System (NGFS) have been considering frameworks for climate-related risk management. The FSB published its progress report in "Promoting Global Financial Stability: Annual Report" <sup>14</sup> (November 2024).
Transition plan challenges	To secure the reliability and effectiveness of transition finance, discussions toward the establishment and disclosure of transition plans are carried out by mainly overseas authorities and private initiatives	Scenario analysis challenges The specific methods and necessary data for scenario analysis are not yet available in many areas. Reference scenarios and risk estimation methods vary among domestic and international reference cases.	Discussion in Basel committee In June 2022, the BCBS published "Principles for the Effective Management and Supervision of Climate-related Financial Risks" and in December 2022, "Frequently Asked Questions on Climate-related Financial Risks" <sup>15</sup> .
Financed emission discussions	The Japan Public and Private Working Group on Financed Emissions to Promote Transition Finance published the "Addressing the Challenges of Financed Emissions" <sup>12</sup> (October 2023)	Discussion of common scenarios The Network for Greening the Financial System (NGFS) has published common scenarios <sup>13</sup> to improve the capacity for scenario analysis. (5th version published in November 2024)	Discussions on disclosure regulations The BCBS released a consultation paper titled "Disclosure of climate-related financial risks" <sup>16</sup> in November 2023. Discussions are underway regarding the incorporation of climate-related risks into Basel framework disclosures.

**In order to ensure Japan's international competitiveness, it is important to actively participate in international discussions sharing Japan's view.**

#### Approach

Internationally disseminate initiatives by the government, the JBA, and the Japanese banking industry to promote understanding.

Actively participate in international discussions on policy/rulemaking in cooperation with Japanese authorities. (e.g., share views at international conferences, provide comments to public consultations)

Continue to collaborate and cooperate with the IBFed and foreign bankers associations in other jurisdictions.

# Key Priorities by 2030

- The first step for clients to respond to climate change is to identify potential climate-related risks and opportunities and, based on their materiality, develop a credible transition plan for decarbonisation, including specific actions during the “critical decade” up to 2030. It is also important to consider the possibility of an integrated approach to nature positivity and a circular economy.
- The starting point for banks to support such a transition is to engage with clients to build a common understanding on their challenges and issues. The JBA will actively play a key role in facilitating such engagement by its member banks and addressing industry-wide challenges.

Key Priorities		Challenges	Action Plan
1	Engagement	<ul style="list-style-type: none"> <li>● The role expected of banks is <u>to support decarbonisation efforts in the real economy</u>.</li> <li>● <u>The banking industry needs to build expertise on climate-related policies and sector-specific challenges</u> for enhancing and facilitating engagement tailored to clients’ industries, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Support member banks’ initiatives to understand and measure GHG emissions through engagement, such as through the utilisation of “CO2 Visualisation and Beyond”. [On-going]</li> <li>● Host seminars/study sessions inviting stakeholders such as relevant industrial organisations and ministries to better-understand sector-specific action plans and economic/technological challenges. [On-going]</li> </ul>
2	Sustainable finance	<ul style="list-style-type: none"> <li>● Further promotion of sustainable finance, including transition finance, is needed to realise GX.</li> <li>● <u>For SMEs</u>, transforming their business entails numerous challenges.</li> </ul>	<ul style="list-style-type: none"> <li>● Participate in discussions to promote sustainable finance, including discussions to secure the eligibility and effectiveness of transition finance [On-going]</li> <li>● Cooperate with SME-related organisations to advocate for support programs to complement the private sector’s efforts. [On-going]</li> <li>● Support initiatives to achieve environmental and social impacts [On-going]</li> </ul>
3	Climate-related disclosure	<ul style="list-style-type: none"> <li>● Progress is being made in the development of a framework for climate-related disclosures. <u>Continuous engagement with clients is indispensable to enhance banks’ disclosure</u>.</li> <li>● For banks’ climate-related disclosures, industry-wide discussions on actions and measures are required to meet the <u>challenge of Scope 3 emissions calculations</u>.</li> </ul>	<ul style="list-style-type: none"> <li>● Advocate through relevant government councils and the TCFD Consortium. [On-going]</li> <li>● Monitor the progress of sustainability disclosures by JBA member banks, and support initiatives using “CO2 Visualisation and Beyond” [On-going]</li> <li>● Cooperate with international fora such as PCAF on Scope 3 emissions calculations. [On-going]</li> </ul>
4	Climate-related financial risks	<ul style="list-style-type: none"> <li>● Discussions are carried out for the management of climate-change risks for banks, including the Basel framework. The JBA needs to actively participate in international discussions.</li> <li>● It is necessary to address issues, such as a lack of data and methodologies for scenario analysis, to identify and manage climate-change risks.</li> </ul>	<ul style="list-style-type: none"> <li>● Participate in domestic and international discussions on climate-related financial risks. (e.g., presentation at international conferences, provide comments during public consultations) [On-going]</li> <li>● Participate in discussions to organise available data and methods for scenario analysis. [On-going]</li> </ul>
5	Integrated approach to nature positivity and a circular economy	<ul style="list-style-type: none"> <li>● The response to climate change, nature positivity, and a circular economy have both synergies and trade-offs, requiring an integrated approach to the consideration of these three elements.</li> <li>● Discussions are progressing on responding to TNFD Recommendations and developing the Global Circularity Protocol. There is a need to actively participate in international discussions.</li> </ul>	<ul style="list-style-type: none"> <li>● Participate in domestic and international discussions on nature and a circular economy. (e.g., share views at international conferences, provide comments during public consultations) [New]</li> <li>● Host seminars/study sessions on issues related to nature and a circular economy, inviting relevant ministries and agencies. [New]</li> </ul>

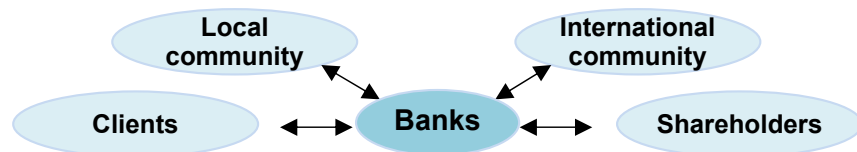
# [Key priority #1] Engagement

- In order to achieve carbon neutrality/net zero, banks are expected to play a role in supporting decarbonisation efforts in the real economy.
- The banking industry needs to build expertise on climate-related policies and sector-specific challenges for enhancing and facilitating engagement tailored to clients' industries, etc.

## Current status and challenges

### Various stakeholders and banks

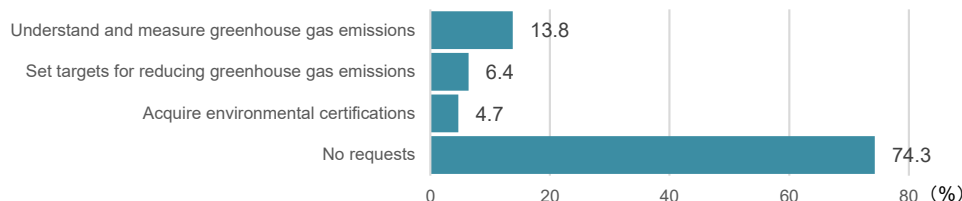
Need to build relationships and engage with various stakeholders



### Challenges

Approximately 70% of SMEs are implementing measures to reduce carbon emissions, such as upgrading to energy-efficient equipment. On the other hand, requests from business partners and other parties to identify and measure GHG emissions are limited.

#### Requests received from business partners, etc.

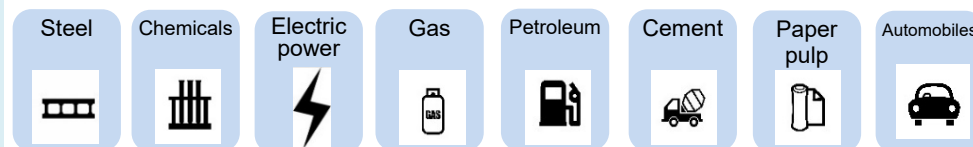


Source: Japan Chamber of Commerce and Industry, "Survey on Energy Conservation and Decarbonisation in Small and Medium-sized Enterprises" (June 2024)

## Necessity to understand transition plans of the industrial sector

### Sector/field-specific initiatives

Some hard-to-abate sectors are facing economic/technological challenges for decarbonisation.



In addition to the efforts of individual companies and industries, **it is necessary to understand the interconnections among related industries, as well as the transition plans of each industry and efforts in the supply chain.**

### Initiatives by relevant ministries and agencies

- The Financial Services Agency released the "Report by the Working Group on Financial Institutions' Efforts towards Decarbonization of the Economy" as a guide for financial institutions' initiatives towards net zero (June 2023)<sup>17</sup>
- The Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment released "Transition Finance Follow-up Guidance" as guidelines for the steady accomplishment of transition strategies and the improvement of corporate value, particularly after financing (June 2023)<sup>18</sup>

## Action Plan

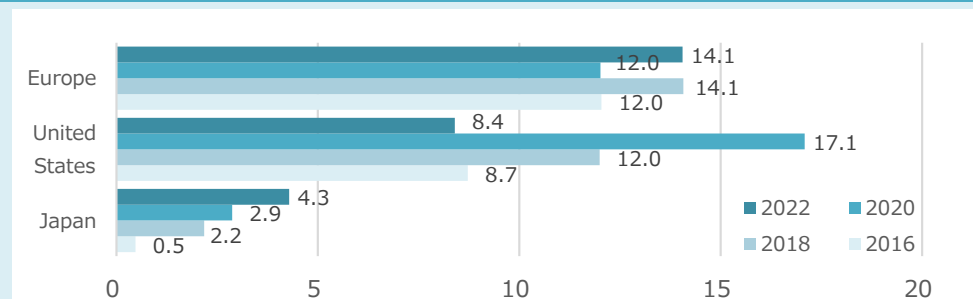
Support member banks' initiatives to understand and measure GHG emissions through engagement, such as through the utilisation of "CO2 Visualisation and Beyond". [On-going]

Host seminars/study sessions inviting stakeholders such as relevant industrial organisations and ministries to better-understand sector-specific action plans and economic/technological challenges. [On-going]

## [Key priority #2] Sustainable finance

- Further promotion of sustainable finance, including transition finance, is needed to realise GX.
- For SMEs, transforming their business entails numerous challenges. The public sector needs to play a complementary role in supporting and financing the transition.

### Global sustainable investing assets (2016-2022)



Source: GLOBAL SUSTAINABLE INVESTMENT REVIEW 2022 (Updated biannually) (in trillions USD)  
The decrease in investment in Europe in 2020 is due to a change in the definitions.  
The decrease in investment in the United States in 2022 is due to a change in the calculation method.

### Key challenges in regional and SME finance

Expectation for regional financial institutions	SMEs' challenges
<ul style="list-style-type: none"> <li>• Discuss and share the goals of the region with stakeholders, conduct business feasibility assessments from a medium/long-term timeframe, and provide finance and support for core business.</li> <li>• Enhance awareness among local companies to decarbonise through engagement and support their efforts.</li> </ul>	Business and financial resources are restricted for a significant business transformation.

Cooperation with the SME Agency, local governments and SME-related organisations is critical.

### Key challenges/global trends of transition finance

- While there is progress in international positioning and understanding, such as the Leaders' Communiqué<sup>19</sup> in the G7 Hiroshima Summit held in May 2023 that states that transition finance has a significant role in advancing the decarbonisation of the entire economy, **discussions toward the establishment and disclosure of "transition plans" are carried out to secure the reliability and effectiveness of transition finance.**

The progress of discussions for securing the reliability and effectiveness of transition finance

ISSB standards<sup>20</sup>

IFRS S2 Sustainability Disclosure Standards (climate-related disclosures), finalised in June 2023, **require companies to disclose their transition plans if they have one.**

UK TPT<sup>21</sup>

In October 2023, a framework to require listed companies and other entities in the UK to develop and publish a transition plan<sup>22</sup> was released, **and the resources were posted on the IFRS Sustainability Knowledge Hub<sup>23</sup>.**

Japanese initiatives

In August 2024, the TCFD Consortium **published the "Transition Plan Guidebook"<sup>24</sup>, which summarises the current understanding of the basic concepts, components, and approach to developing transition plans.**

### Initiatives to achieve environmental and social impacts

- In November 2023, the Impact Consortium<sup>25</sup> was officially established to achieve a positive cycle, where the solution of environmental and social challenges, including carbon neutrality, leads to sustainable growth.

### Action Plan

Participate in discussions to promote sustainable finance, including discussions to secure the reliability and effectiveness of transition finance. [On-going]

Cooperate with SME-related organisations to advocate for support programs to complement the private sector's efforts. [On-going]

Support initiatives to achieve environmental and social impacts. [On-going]

## [Key priority #3] Climate-related disclosure

- Progress is being made in the development of a framework for climate-related disclosures. Continuous engagement with clients is indispensable to enhance banks' disclosure.
- For banks' climate-related disclosures, industry-wide discussions on actions and measures are required to meet the challenge of Scope 3 emissions calculations

### Finalisation and implementation of sustainability disclosure standards

- The **SSBJ<sup>26</sup>**, established within the Financial Accounting Standards Foundation, **developed Japanese sustainability disclosure standards** (SSBJ standards) based on the ISSB standards, which are international sustainability disclosure standards, **and published them in March 2025**.
- The Financial System Council's **"Working Group on Disclosure and Assurance of Sustainability-related Financial Information"** has conducted a discussion on the scope of application of SSBJ standards. **Direction of phased mandatory implementation based on market capitalisation size for companies listed on the Tokyo Stock Exchange Prime Market**

TSE Prime Market	Market capitalisation Over 3 trillion yen	Fiscal year ending March 2027 Mandatory disclosure	Fiscal year ending March 2028 Mandatory assurance
	Market capitalisation Over 1 trillion yen	Fiscal year ending March 2028 Mandatory disclosure	Fiscal year ending March 2029 Mandatory assurance
	Market capitalisation Over 500 billion yen	Fiscal year ending March 2029 Mandatory disclosure	Fiscal year ending March 2030 Mandatory assurance
	All companies in Prime Market	Fiscal year ending March 203X Mandatory disclosure	Fiscal year ending March 203X Mandatory assurance

Source: Created by JBA based on the Financial System Council's "Working Group on Disclosure and Assurance of Sustainability-related Financial Information" explanatory documents

### Challenges of climate-related disclosures

Companies

- Challenges for calculating Scope 3 emissions (Includes numbers of estimates, and data are required to improve accuracy).
- Information disclosed by certain companies is still limited\*.

\* For example, disclosure lacks descriptions of Scope 3 emissions, emissions by business line, emissions from consolidated companies and reduction targets.



Banks

- **The metrics and calculation methods of Scope 3 emissions are still in the development phase.** The limitation of clients' GHG emission disclosures also limits banks' ability for Scope 3 disclosure.
- **There are challenges related to scenario analysis** (e.g. high uncertainty in analyses and complicated scenario design).
- Improving the quality of TCFD disclosures is a challenge.

### GHG protocol revisions

- In September 2024, a Steering Committee was established and a **comprehensive revision process began for the GHG Protocol**, which sets standards for calculating and reporting GHG emissions for companies. The JBA will also follow discussions on revising the protocol.

Action  
Plan

Advocate through relevant government councils and the TCFD Consortium.  
[On-going]

Monitor the progress of sustainability disclosures by JBA member banks, and support initiatives using "CO2 Visualisation and Beyond". [On-going]

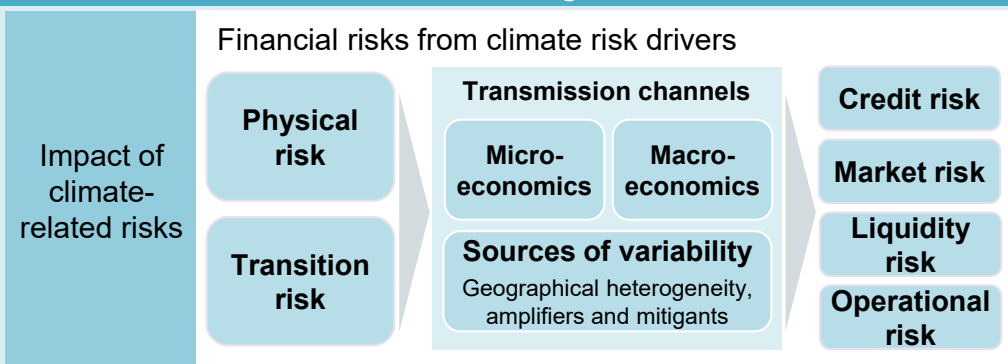
Cooperate with international fora such as PCAF on Scope 3 emissions calculations. [On-going]



## [Key priority #4] Climate-related financial risks

- Discussions are carried out for the management of climate-change risks for banks, including the Basel framework. The JBA needs to actively participate in international discussions.
- It is necessary to address issues, such as a lack of data and methodologies for scenario analysis, to identify and manage climate-change risks.

### Impact of climate-related risks on the financial system and risk analysis methodologies



The impacts of climate change materialise over time with a **complex path and depend on future policy and social economic conditions. These potential impacts may be significant.**

#### Risk analysis methodologies

Given the nature of climate-related risks, “**scenario analysis**” is an effective tool. The NGFS provides several scenarios and recommends quantitative analysis that is used in stress testing as a scenario analysis approach by regulators. The FSB noted that the goal is for all financial risk decisions to appropriately take account of climate change.

### Challenges and efforts regarding advanced scenario analysis, etc.

#### Scenario analysis challenges

Examples of scenario analysis challenges include:

- A lack of data** on future projections of GHG emissions and reductions;
- A globally accepted impact analysis method is yet to be established** due to its long-term nature and geographical differences; and
- High uncertainty** in analyses and **complicated scenario design**.

#### Trends in Japan

##### Second exercise

JFSA and BOJ are conducting the second exercise. Analysing the impact of transition risks on financial institutions, assuming situations where significant short-term stress is expected due to policy changes, technological and resource constraints, and other factors.

##### Efforts to utilize data

In July 2024, the “Advisory Council on Scenario Data for Climate Change Risk and Opportunity Assessment: Issues and Expectations for Future Efforts by Stakeholders”<sup>[28]</sup> was published. **Discussions aimed at mutual understanding among relevant parties are ongoing.**

#### Discussions on the role of scenario analysis by BCBS

In April 2024, the BCBS released the discussion paper “**The Role of Climate Scenario Analysis in Strengthening the Management and Supervision of Climate-related Financial Risks**”<sup>[29]</sup> (Comment deadline: July 15, 2024). The document categorised the main objectives of scenario analysis as (1) risk identification, (2) risk management processes, (3) internal and supervisory capital and liquidity assessments, and (4) assessment of business model resilience and business strategy building.

### Action Plan

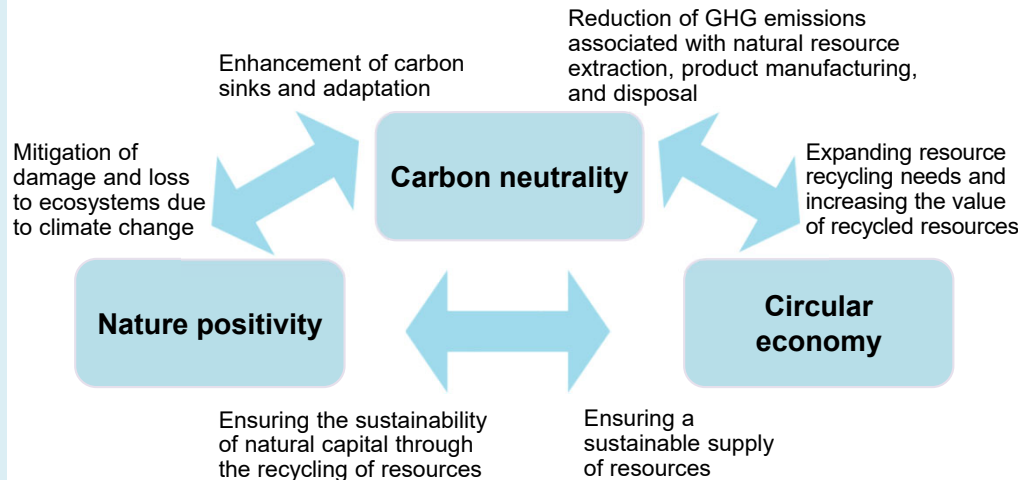
Participate in domestic and international discussions on climate-related financial risks. (e.g., presentation at international conferences, provide comments during public consultations) [On-going]

Participate in discussions to organise available data and methods for scenario analysis. [On-going]

## [Key priority #5] Integrated approach to nature positivity and a circular economy

- The response to climate change, nature positivity, and a circular economy have both synergies and trade-offs, requiring an integrated approach to the consideration of these three elements.
- Discussions are progressing towards information disclosure, such as TNFD Recommendations and the Global Circularity Protocol. The JBA needs to actively participate in international discussions.

### Need for integrated approach to nature positivity and a circular economy



Source: Based on "Towards a Nature-Positive Economy" by the Ministry of the Environment, processed by the JBA

Climate change initiatives involve **synergies and trade-offs with the transition to nature positivity and a circular economy, requiring an integrated approach to the consideration of these three elements.**

### Trends towards corporate information disclosure

#### Finalisation of TNFD Recommendations v1.0

In September 2023, the Task Force on Nature-related Financial Disclosures (**TNFD**) finalised the TNFD Recommendations v1.0, which **provide a framework for identifying, assessing, managing, and disclosing risks and opportunities related to nature-related issues** for companies. As of October 2024, 502 companies worldwide have announced their intention to begin voluntary disclosure in accordance with the TNFD Recommendations as early adopters (disclosure to begin in 2024 or 2025).

#### Internal evaluation framework

The **LEAP approach (Locate, Evaluate, Assess, Prepare)** is suggested for **identifying and assessing nature-related issues such as the interface with nature, dependencies, impact, risk, and opportunities.**

#### External disclosure framework

Based on internal evaluations, **external disclosure around the four pillars of Governance, Strategy, Risk and impact management, and Metrics and targets** is recommended, in accordance with the four pillars of the TCFD recommendations, **regarding the risks and opportunities associated with nature-related issues** identified by the company.

#### Development of Global Circularity Protocol (GCP)

In the absence of international standards on disclosure frameworks for resource circulation, there is a need for **standardised metrics and information disclosure frameworks that enable companies to measure and disclose their circularity efforts.** In response, the World Business Council for Sustainable Development (**WBCSD**) is developing the **"Global Circularity Protocol (GCP) v1.0"** with a target completion date of the end of 2025.

### Action Plan

Participation in domestic and international discussions on nature and a circular economy. [New]

Host study session on issues related to nature and a circular economy, inviting relevant ministries and agencies. [New]



# Major Activities in Key Priorities for JBA Initiatives 2024

- Particularly from the perspective of engagement, the JBA provided information through climate change dedicated website and other sources, and gave lectures on decarbonisation management at chambers of commerce and industry. In addition, the JBA hosted the JBA CNI Compass Programme 11 times, inviting speakers from relevant ministries and agencies, and submitted comments on 9 domestic and international public consultations.

Key Priorities		Action Plan	Major Progress (Corresponding Action Plan Number)
1	Engagement	<ol style="list-style-type: none"> <li>Support member banks' initiatives, including the use of engagement-related support materials, such as CO2 Visualisation and Beyond. [On-going]</li> <li>Host seminars/study sessions inviting stakeholders, such as relevant industrial organisations and ministries, to better understand sector-specific action plans and economic/technological challenges. [On-going]</li> </ol>	<ul style="list-style-type: none"> <li>May: Participated in the Public-Private Council for the Social Implementation of Next-Generation Solar Cells (5)</li> <li>July: Delivered a presentation at the Subcommittee on Large-Scale Introduction of Renewable Energy and Next-Generation Power Networks of the Advisory Committee for Natural Resources and Energy (5), (7)</li> <li>Year round: Hosted the JBA CNI Compass Program 11 times, inviting speakers from relevant ministries and agencies. (1), (2), (3), (4), (6), (7), (9), (10), (12), (13)</li> </ul>
2	Assessment	<ol style="list-style-type: none"> <li>Follow the trends in global, regional and domestic assessment guidance/criteria. [On-going]</li> <li>Share examples of leading cases/examples. [On-going]</li> <li>Participate and advocate in relevant government councils. [On-going]</li> </ol>	<p>March 2024: Support measures for SMEs (1), (7)</p> <p>April: SSBJ Exposure Drafts of Sustainability Disclosure Standards (2), (3), (9)</p> <p>May: BCBS Discussion Paper "The Role of Climate Scenario Analysis", JFSA Research Report "Study of the Use of NGFS Scenarios" (2), (12), (13)</p> <p>June: Ministry of Environment "Practical Guidance for Engagement Based on TCFD Disclosure by Financial Institutions", Examples from Participating Banks in the Programme (1), (4), (7)</p> <p>July: Progress and challenges in sustainable finance (2)</p> <p>September: Transition to a circular economy (2)</p> <p>October: Ministry of Land, Infrastructure, Transport and Tourism "Recommendations for Green Infrastructure Projects and Finances", etc. (2)</p> <p>November: MUFG Transition White Paper 2024, Mizuho Avoided Emissions Focus Report, SMBC Transition Scorebook (4), (6)</p> <p>December: Convention on Biological Diversity COP16, Framework Convention on Climate Change COP29, Green Loan Guidelines 2024, etc. (2)</p> <p>January 2025: GX Acceleration Agency, GX Acceleration Declaration Framework (2), (6)</p> <p>February: Trends in sustainability information disclosure and examples of good practices (2), (4), (10))</p>
3	Sustainable finance	<ol style="list-style-type: none"> <li>Participate in discussions to promote sustainable finance, including discussions to ensure the eligibility and credibility of transition finance. [On-going]</li> <li>Cooperate with SME-related organisations to advocate for support programs to complement the private sector's efforts. [On-going]</li> <li>Support initiatives to achieve environmental and social impacts. [New]</li> </ol>	<ul style="list-style-type: none"> <li>Year round: Submitted opinions on 9 domestic and international public consultations (3), (5), (8), (12), (13)</li> </ul>
4	Climate-related disclosure	<ol style="list-style-type: none"> <li>Advocate through relevant government councils and the TCFD Consortium. [On-going]</li> <li>Monitor the progress of TCFD disclosure by JBA member banks. [On-going]</li> <li>Cooperate with international fora such as PCAF on Scope 3 emissions calculations. [On-going]</li> </ol>	<ul style="list-style-type: none"> <li>Year round: Participated in discussions at the Expert Panel on Sustainable Finance hosted by JFSA, other government councils, and at the Impact Consortium (5), (6), (8), (12), (13)</li> </ul>
5	Climate-related financial risks	<ol style="list-style-type: none"> <li>Participate in international discussions on climate-related financial risks. [On-going] (e.g., share views at international conferences, provide comments to public consultations)</li> <li>Participate in discussions to develop data and methodologies for scenario analysis. [New]</li> </ol>	<ul style="list-style-type: none"> <li>Year round: Participated in advocacy activities by third-country financial institutions, etc. regarding European regulations (3), (5), (12)</li> <li>Year round: Held lectures on decarbonisation management at chambers of commerce and industry, etc. (1), (7)</li> </ul>

## Notes

1. The Task Force on Nature-related Financial Disclosures (TNFD) is an international organisation established to develop a framework for corporate risk management and disclosure related to natural capital. The “TNFD Recommendations v1.0” were published in September 2023.  
<https://tnfd.global/>
2. The Global Circularity Protocol (GCP) is an initiative led by the World Business Council for Sustainable Development (WBCSD). In light of the fact that there are no internationally standardised rules regarding information disclosure and metrics related to resource circulation, the development of a framework and metrics for companies to set circularity-related targets and disclose relevant information is currently being considered.  
<https://www.wbcsd.org/actions/global-circularity-protocol/>
3. According to the ICMA, a “Just Transition” is defined as a transition that “seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers”. The Just Transition concept links to the United Nations’ Sustainable Development Goals (SDGs). (ICMA Climate Transition Finance Handbook Related questions)  
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/CTF-Handbook-QA-09122020.pdf>
4. IEA (International Energy Agency), “World Energy Outlook 2024” published in October 2024  
<https://www.iea.org/reports/world-energy-outlook-2024>
5. “GX2040 Vision” (Revised Strategy for Promoting Structural Transition based on Decarbonisation (GX Promotion Strategy)) published in February 2025 (Only available in Japanese) <https://www.meti.go.jp/press/2024/02/20250218004/20250218004.html>
6. Basel Committee on Banking Supervision, “Climate-related risk drivers and their transmission channels” published in April 2021  
<https://www.bis.org/bcbs/publ/d517.pdf>
7. Basel Committee on Banking Supervision, “Principles for the effective management and supervision of climate-related financial risks” published in June 2022  
<https://www.bis.org/bcbs/publ/d532.pdf>
8. Based on the results of individual interviews and surveys conducted by the JBA.
9. “Scope 3” emissions refer to indirect greenhouse gas emissions from business activities in a company’s supply chain, other than direct emissions (Scope 1: direct greenhouse gas emissions by the reporting company itself) and energy-derived indirect emissions (Scope 2: indirect emissions from the use of electricity, heat or steam supplied by others.) (MOE and METI, “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain” (2012))  
[https://www.env.go.jp/earth/ondanka/supply\\_chain/gvc/en/files/GuideLine.pdf](https://www.env.go.jp/earth/ondanka/supply_chain/gvc/en/files/GuideLine.pdf)

## Notes

10. "Divestment" is an investment method whereby, from ESG perspectives, securities and other instruments related to a specific company or industry are excluded from the investment portfolio or are disposed of if they have already been purchased.
11. The EU Competitiveness Compass, based on the Draghi report on EU competitiveness, is a document that examines the future of European competitiveness by outlining policy directions for three core action areas: innovation, decarbonisation and competitiveness, and strengthening security and resilience.  
[https://commission.europa.eu/priorities-2024-2029/competitiveness\\_en](https://commission.europa.eu/priorities-2024-2029/competitiveness_en)
12. "Addressing the Challenges of Financed Emissions" published in October 2023  
<https://www.fsa.go.jp/en/news/2023/20231013.html>
13. NGFS Scenarios are common scenarios for climate-related financial risk scenario analysis compiled by the NGFS (Network for Greening the Financial System, a group of central banks and financial supervisors addressing climate change risks).  
The fifth edition was published in November 2024.  
<https://www.ngfs.net/ngfs-scenarios-portal/>
14. Financial Stability Board (FSB) "Promoting Global financial Stability 2024 FSB Annual Report" published in November 2024  
<https://www.fsb.org/2024/11/promoting-global-financial-stability-2024-fsb-annual-report/>
15. Basel Committee on Banking Supervision, "Frequently asked questions on climate-related financial risks" published in December 2022  
<https://www.bis.org/bcbs/publ/d543.pdf>
16. The Basel Committee on Banking Supervision, "Disclosure of climate-related financial risks" published in November 2023  
<https://www.bis.org/bcbs/publ/d560.pdf>
17. The Financial Services Agency "Report by the Working Group on Financial Institutions' Efforts towards Decarbonization of the Economy" published in June 2023  
<https://www.fsa.go.jp/en/news/2023/20230627.html>
18. The Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment, "Formulation of the Transition Finance Follow-up Guidance ~ Guidance for an effective dialogue with fundraisers ~" published in June 2023  
<https://www.fsa.go.jp/en/news/2023/20230721.html>
19. The Leaders' Communiqué in the G7 Hiroshima Summit (May 2023)  
[https://www.mofa.go.jp/policy/economy/summit/hiroshima23/documents/pdf/Leaders\\_Communique\\_01\\_en.pdf?v20231006](https://www.mofa.go.jp/policy/economy/summit/hiroshima23/documents/pdf/Leaders_Communique_01_en.pdf?v20231006)

## Notes

20. ISSB standards refer to international sustainability disclosure standards developed by the International Sustainability Standards Board (ISSB), which was established in the IFRS Foundation. They consist of IFRS S1 “General Requirements for Disclosure of Sustainability-Related Financial Information” and IFRS S2 “Climate-Related Disclosures”.  
<https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>
21. The UK TPT (Transition Plan Taskforce) was established to develop a framework to require listed companies and other financial institutions in the UK to develop and publish a transition plan. In October 2023, a framework for the formulation and disclosure of corporate transition plans was compiled and published. In October 2024, the resources were handed over to the IFRS Foundation and activities were concluded.  
<https://itpn.global/tpt-legacy/>
22. UK TPT, “The TPT Disclosure Framework” published in October 2023  
<https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf>
23. The IFRS Sustainability Knowledge Hub is a website that provides useful information for the implementation of ISSB standards.  
<https://www.ifrs.org/sustainability/knowledge-hub/>
24. TCFD Consortium “Transition Plan Guidebook” published in August 2024  
[https://tcfd-consortium.jp/news\\_detail/24083001](https://tcfd-consortium.jp/news_detail/24083001)
25. The Impact Consortium is an organisation that enables a wide range of entities to collaborate and interact with each other to achieve a positive cycle, where the solution of environmental and social challenges leads to sustainable growth.  
<https://impact-consortium.fsa.go.jp/>
26. The SSBJ (Sustainability Standards Board of Japan) was established in July 2022 by the Financial Accounting Standards Foundation (FASF) for the purpose of providing input into the development of an internationally harmonised sustainability disclosure standard by the ISSB and to examine disclosure standards in Japan.  
<https://www.ssb-j.jp/en/>
27. “Financed Emissions” refers to the greenhouse gas emissions of financial institutions that fall into Scope 3, category 15: Investments. Financed emissions account for the majority of banks’ GHG emissions.
28. “Advisory Council on Scenario Data for Climate Change Risk and Opportunity Assessment: Issues and Expectations for Future Efforts by Stakeholders” published in June 2024  
(Only available in Japanese) <https://www.fsa.go.jp/news/r6/singi/20240709-1.html>
29. Basel Committee on Banking Supervision, “The role of climate scenario analysis in strengthening the management and supervision of climate-related financial risks” published in April 2024  
<https://www.bis.org/bcbs/publ/d572.htm>