



Carbon Neutrality Initiative 2025 (Overview)

- Provisional English version -

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JAPANESE BANKERS ASSOCIATION

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”³ 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"> ● 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. ● 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>. 	<ul style="list-style-type: none"> ● 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.
2	Cooperation with industrial sectors	<ul style="list-style-type: none"> ● The JBA will carry out <u>sector-to-sector engagement with relevant industrial organisations</u> to collaboratively achieve carbon neutrality, etc. ● <u>The JBA will act as a hub</u> for sharing issues between the banking industry and industrial sectors. 	<ul style="list-style-type: none"> ● 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.
3	Public advocacy	<ul style="list-style-type: none"> ● The JBA will actively engage in public advocacy, explaining <u>financial issues and challenges for carbon neutrality, a Just Transition, etc.</u> ● In areas where concerted efforts are required for Japan's international competitiveness, <u>the JBA will work with relevant industrial organisations</u> as necessary. 	<ul style="list-style-type: none"> ● 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.
4	International discussions	<ul style="list-style-type: none"> ● <u>The JBA will actively participate in and contribute to international policy/rule-making.</u> ● <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. 	<ul style="list-style-type: none"> ● 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. ● 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"> ● The role expected of banks is <u>to support decarbonisation efforts in the real economy</u>. ● <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. 	<ul style="list-style-type: none"> ● 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]
2	Sustainable finance	<ul style="list-style-type: none"> ● Further promotion of sustainable finance, including transition finance, is needed to realise GX. ● <u>For SMEs</u>, transforming their business entails numerous challenges. 	<ul style="list-style-type: none"> ● Participate in discussions to promote sustainable finance, including discussions to secure the eligibility 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]
3	Climate-related disclosure	<ul style="list-style-type: none"> ● 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>. ● 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>. 	<ul style="list-style-type: none"> ● 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]
4	Climate-related financial risks	<ul style="list-style-type: none"> ● 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. 	<ul style="list-style-type: none"> ● 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]
5	Integrated approach to nature positivity and a circular economy	<ul style="list-style-type: none"> ● 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 on responding to TNFD Recommendations and developing the Global Circularity Protocol. There is a need to actively participate in international discussions. 	<ul style="list-style-type: none"> ● 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] ● Host seminars/study sessions 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	1. Support member banks' initiatives, including the use of engagement-related support materials, such as CO2 Visualisation and Beyond. [On-going] 2. 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]	<ul style="list-style-type: none"> ● May: Participated in the Public-Private Council for the Social Implementation of Next-Generation Solar Cells (5) ● 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) ● 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)
2	Assessment	3. Follow the trends in global, regional and domestic assessment guidance/criteria. [On-going] 4. Share examples of leading cases/examples. [On-going] 5. Participate and advocate in relevant government councils. [On-going]	March 2024: Support measures for SMEs (1), (7) April: SSBJ Exposure Drafts of Sustainability Disclosure Standards (2), (3), (9) May: BCBS Discussion Paper "The Role of Climate Scenario Analysis", JFSA Research Report "Study of the Use of NGFS Scenarios" (2), (12), (13) 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) July: Progress and challenges in sustainable finance (2) September: Transition to a circular economy (2) October: Ministry of Land, Infrastructure, Transport and Tourism "Recommendations for Green Infrastructure Projects and Finances", etc. (2) November: MUFG Transition White Paper 2024, Mizuho Avoided Emissions Focus Report, SMBC Transition Scorebook (4), (6) December: Convention on Biological Diversity COP16, Framework Convention on Climate Change COP29, Green Loan Guidelines 2024, etc. (2) January 2025: GX Acceleration Agency, GX Acceleration Declaration Framework (2), (6) February: Trends in sustainability information disclosure and examples of good practices (2), (4), (10))
3	Sustainable finance	6. Participate in discussions to promote sustainable finance, including discussions to ensure the eligibility and credibility of transition finance. [On-going] 7. Cooperate with SME-related organisations to advocate for support programs to complement the private sector's efforts. [On-going] 8. Support initiatives to achieve environmental and social impacts. [New]	Year round: Submitted opinions on 9 domestic and international public consultations (3), (5), (8), (12), (13) 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)
4	Climate-related disclosure	9. Advocate through relevant government councils and the TCFD Consortium. [On-going] 10. Monitor the progress of TCFD disclosure by JBA member banks. [On-going] 11. Cooperate with international fora such as PCAF on Scope 3 emissions calculations. [On-going]	Year round: Participated in advocacy activities by third-country financial institutions, etc. regarding European regulations (3), (5), (12) Year round: Held lectures on decarbonisation management at chambers of commerce and industry, etc. (1), (7)
5	Climate-related financial risks	12. Participate in international discussions on climate-related financial risks. [On-going] (e.g., share views at international conferences, provide comments to public consultations) 13. Participate in discussions to develop data and methodologies for scenario analysis. [New]	