Shifting Gears

Key Asian Banks Can Accelerate The Energy Transition

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Analysis

9 Banks

Japan
Mizuho, MUFG, SMFG

Singapore
DBS, OCBC, UOB

South Korea
Hana, KB, Shinhan

Assessed on 29 questions
29 questions across 3 main themes – policy, governance, and risk management

Policy

100%
Net Zero Emissions by 2050
With 3 Singaporean banks including to some extent facilitated emissions in these targets

22%
Oil & Gas Financing
Only 2 of 9 banks committed to stop new upstream oil and gas financing

100%
Carbon-Intensive Sector Targets
All banks set targets for key carbon-intensive sectors, with 7 of 9 disclosing those with a clear description of metrics used with a set baseline year

Results Highlights

All Banks

Net Zero
Set a 2050 net zero financed emissions target

TCFD
Aligned with four pillars (governance, strategy, risk management, metrics and targets)

Sustainable Financing
Disclosed level and committed to increasing it

Carbon-intensive Sectors
Set emissions reduction targets for either some or all key sectors in their portfolio

Scenario Analyses
Disclosed results for evaluating physical climate and energy transition risks

Risk Assessment
Developed internal capacity systems to evaluate climate, sustainability, and ESG risks

Singapore

Most ambitious targets for oil & gas

Aligned sectoral targets with 1.5°C scenario

Japan

Set 2030 targets for power, oil & gas, steel, and real estate

Mizuho & MUFG lead in helping clients manage energy transition risks

South Korea

Set 2030 targets for power and steel

Power and steel targets use emissions intensity metric

Governance

77%
Climate Expertise
7 of 9 banks board-level committees oversee climate-related sustainability issues, but none explicitly consider climate-related experience in board nomination procedure

44%
Board Member Expertise
4 of 9 banks have a board member with relevant academic or operational experience in climate change-related issues

66%
Remuneration Scheme
6 of 9 banks have a remuneration scheme that considers climate change-related sustainability performance

Risk Management

22%
Transition Risk Matrix
2 of 9 banks, Mizuho and MUFG, provided a sufficient transition risk matrix which outlines portfolio exposure to high-carbon industries

66%
GHG Emissions Reporting
All the Japanese and South Korean banks provided analysis of client GHG emissions reporting, but Singapore banks did not

100%
Scenario Analyses
All banks disclosed scenario analyses for physical climate change and energy transition risks

Key Takeaways

Banks should enhance their role in the energy transition and climate response by:

- Broadening net-zero emissions targets to include more banking activities, including facilitated emissions.
- Setting comprehensive interim and long-term sectoral targets aligned with a 1.5°C pathway, with clear metrics and baseline year.
- Establishing a policy on new upstream oil and gas projects and a long-term policy on oil and gas financing covering the entire supply chain.
- Setting coal financing policies that ensure a total withdrawal of corporate and project financing to coal companies and eliminate loopholes.
- Including climate change performance in determining executive remuneration and ensuring specific climate-change expertise at the board level for strategy and risk assessment.
- Developing and disclosing a transition risk matrix, or similar tool, to guide clients, especially in carbon-intensive sectors.
- Disclosing detailed reporting of financed emissions at the sectoral level, in terms of volume and share of total portfolio, covering both lending and investments.

For the complete *Shifting Gears* report, please visit https://asiareengage.com/shifting-gears