



Banking on Biodiversity Collapse: Japanese Banks Summary

Japanese trends in forest-risk financing

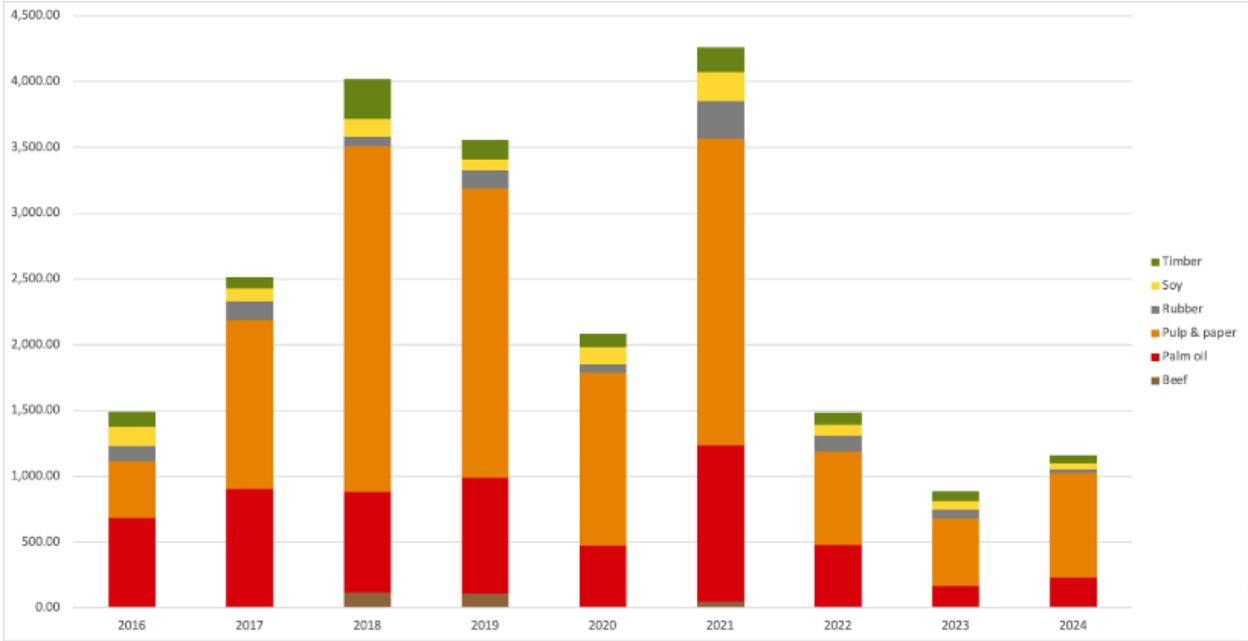
Japan remains a significant source of financing for sectors driving deforestation, particularly in Southeast Asia and South America. Since the Paris Agreement, Japanese banks have provided USD 21.5 billion in credit to sectors driving deforestation – primarily to palm oil, pulp and paper, and soy. From January 2023 to June 2024, Japanese financial institutions extended USD 2 billion to companies operating in high-risk sectors, many of which have been linked to severe environmental destruction and human rights violations.

The three megabanks—MUFG, Mizuho, and SMBC—account for 90% of all deforestation-risk credit from Japan. Among OECD countries, MUFG was the largest creditor to the forest-risk sectors in Southeast Asia between 2018 to 2024, followed by Mizuho as the 2nd and SMBC Group as the 5th largest creditors. Despite adopting forestry and palm oil policies in 2018, with revisions in 2021 to align with No Deforestation, No Peat, No Exploitation (NDPE) best practices, they continue to finance high-risk clients. Weak due diligence and monitoring systems, and policy loopholes allow continued financial flows to companies failing to meet sustainability and human rights standards, exposing these banks to reputational, regulatory, and financial risks.

A 2023 Forests & Finance assessment of the banks' forest-risk sector policies found their environmental and social governance frameworks to be inadequate. [MUFG](#) scored 2.4 out of 10, falling behind [Mizuho](#) (3.8) and [SMBC](#) (3.6), highlighting serious gaps in risk management and accountability.

Between 2016 and mid-2024, Japanese banks showed fluctuating but persistent financing of forest-risk commodities, with peaks in 2018, 2019, and 2021. While factors like the COVID-19 pandemic contributed to declines in 2020 and 2023, banks have continued backing high-risk sectors like palm oil and pulp and paper. This highlights the urgent need for stronger due diligence and sustainable finance reforms.

Graph 1. Japanese bank credit trends in forest-risk commodity sectors
(2016-2024 June, Amount USD millions)



Japanese megabank trends in forest-risk commodities

This analysis of the three megabanks is based on their provision of corporate loans and underwriting to the tropical forest-risk operations of companies operating in beef, palm oil, pulp and paper, rubber, timber and soy companies over the last five years, January 2020 to June 2024.

Mitsubishi UFJ Financial Group (MUFG)

MUFG is the largest financier among Japan’s megabanks for forest-risk commodities, providing USD 3.6 billion in credit (January 2020 - June 2024). The bulk of this financing supported pulp and paper (USD 1.9 billion) and palm oil (USD 1.3 billion)—two industries strongly linked to deforestation and land conflicts in Indonesia and Brazil. MUFG’s exposure to rubber (USD 138 million), soy (USD 182 million), and timber (USD 69 million) further underscores its role in high-risk supply chains. Among its largest clients are several risky companies which have been repeatedly exposed for deforestation, peatland degradation and fires, and land conflicts. For further information see reports on: [Sinar Mas Group](#), [Royal Golden Eagle](#) and Tunas Baru Lampung/Sungai Budi Group.

Table 1. MUFG's largest 15 clients
(2020-2024 June, Amount USD millions)

Group	Palm oil	Pulp & paper	Rubber	Soy	Timber	Total	
Sinar Mas Group	360	347				707	
Suzano		567				567	
CMPC		520				520	
Royal Golden Eagle Group	286	222				508	
Tunas Baru Lampung	281					281	
Olam Group	116			50	62	16	245
Marubeni		67			35	43	144
SCG Packaging		129					129
Salim Group	101			6			107
Wilmar	57				12		69
Sri Trang Group				62			62
Archer Daniels Midland	37				20		58
Klabin		49				7	56
Cargill	18				10		28
Mitsubishi					24		24

Mizuho Financial Group

Mizuho ranks as Japan's second-largest financier of deforestation-risk commodities, with USD 2.9 billion in credit (January 2020 - June 2024). It is the top financier of pulp & paper (USD 2 billion) among the megabanks and has substantial exposure to palm oil (USD 327 million), rubber (USD 130 million), soy (USD 158 million), and timber (USD 205 million). Notably, it is the only Japanese bank with financing to the beef sector (USD 48 million)—a sector heavily linked to deforestation and land conflicts in South America. Mizuho's continued lending to high-risk industries signals gaps in its risk management frameworks. Among its largest clients are several risky companies which have been repeatedly exposed for deforestation, invasion of Indigenous Territories and habitat destruction. For further information see reports on: [Sinar Mas Group](#), [JBS](#) and [Wilmar](#).

Table 2. Mizuho's largest 15 clients
(2020-2024 June, Amount USD millions)

Group	Beef	Palm oil	Pulp & Paper	Rubber	Soy	Timber	Total
Suzano			639				639
Sinar Mas Group			571				571
Klabin			353			53	406
Oji Group			172			21	193
CMPC			183				183
Marubeni			79		41	51	170
Olam Group		71		31	38	10	149
Itochu		14	19	68	3	23	128
Salim Group		107		7			114
Jardine Matheson Group		55					55
JBS	48						48
Wilmar		29			6		35
Georgia-Pacific Group (Koch Industries)						33	33
Grupo Amaggi					32		32
Bunge		20			11		31

Sumitomo Mitsui Banking Corporation (SMBC Group)

SMBC has provided USD 2.3 billion in credit to forest-risk sectors, with significant financing in pulp and paper (USD 1.2 billion) and palm oil (USD 590 million). The bank also finances rubber (USD 280 million), soy (USD 133 million), and timber (USD 114 million). While SMBC has made commitments to sustainability, its financial support for deforestation-linked sectors suggests the need for stronger policies and enforcement mechanisms. Among its largest clients are several risky companies which have been repeatedly exposed for deforestation, peatland degradation and fires, and land conflicts. For further information see reports on: [Suzano](#), [Bunge](#) and [Wilmar](#).

Table 3. SMBC Group's largest 15 clients
(2020-2024 June, Amount USD millions)

Group	Palm oil	Pulp & paper	Rubber	Soy	Timber	Total
Suzano		652				652
Perkebunan Nusantara Group	195		195			391
Oji Group		316			38	354
Itochu	40	21	74	10	25	171
Klabin		116			17	133
IOI Group	97		0			98
Bunge	44			24		69
CMPC		59				59
Jardine Matheson Group	53					53
Olam Group	21		9	11	3	44
Surya Dumai Group	38					38
Wilmar	29				6	35
Grupo Amaggi					34	34
Cargill	14				8	21
Salim Group	18		1			19

High-risk client profiles

Tunas Baru Lampung: Large-scale peatland destruction driving recurring fires

A civil lawsuit filed by Indonesia's Ministry of Environment and Forestry (KLHK) against a subsidiary of Tunas Baru Lampung (TBLA) alleging USD 41.5 million in ecological and economic damages underscores the potential financial, reputational and legal risks faced by Japanese financiers supporting high-risk clients. TBLA, a palm oil producer, has been linked to large-scale peatland destruction and recurring fires, with over 14,500 hectares burned in 2023 alone. Peatland fires in this area of Sumatra are a primary driver of toxic haze affecting the region. Despite multiple government investigations confirming violations in 2015, 2016, and 2019, MUFG-owned Bank Danamon continued financing TBLA between 2020 and 2022, issuing USD 281 million in credit. This case highlights critical gaps in risk management, as TBLA lacked a No Deforestation, No Peatland, No Exploitation (NDPE) policy and withdrew from the RSPO in 2020, and engaged in unsustainable practices well-documented in public records, including multiple government sanctions. The ongoing lawsuit should serve as a warning to Japanese financiers on the urgent need for stronger due diligence to mitigate exposure to companies with high environmental and legal risks.

Japan's Megabanks Exposed to Illegal Deforestation in Indonesia

MUFG, Mizuho, and SMBC are financially linked to one or more palm oil traders—Royal Golden Eagle (Apical), Sinar Mas (Golden Agri Resources), and Wilmar—that have been shown [to source](#) from illegal plantations inside Indonesia's Rawa Singkil Wildlife Reserve, a globally significant biodiversity hotspot. Despite the reserve's protected status, illegal palm oil expansion quadrupled deforestation between 2021 and 2023, violating Indonesian law and NDPE commitments. MUFG alone has financed these traders with USD 703 million since 2020, while also arranging USD 4.9 billion in sustainability-linked loans (SLLs) to Royal Golden Eagle—raising concerns over the credibility of its sustainable finance portfolio. The failure of all three megabanks to enforce traceability and compliance mechanisms allows for deforestation and human rights abuses to persist in high-risk supply chains, potentially exposing them to financial, regulatory, and reputational risks.

Conclusion

Japan's megabanks remain exposed to deforestation-risk agribusiness, failing to take adequate steps to mitigate environmental and social risks despite obligations under Japan's Corporate Governance Code (see [Principles 2-3](#)) and the Financial Services Agency's [Climate Risk Guidance](#). With growing [interest](#) in mandatory climate risk disclosures and increasing regulatory pressure under the European Union Deforestation Regulation, they face mounting financial, legal, and reputational risks. To align with global standards and protect long-term financial stability, banks must enhance due diligence, strengthen and enforce NDPE commitments, improve Environmental, Social and Governance transparency, and integrate binding sustainability clauses in loan agreements.