

Chapter 1 Basic concept

Underlying Principle

Sustainable finance is an infrastructure that supports sustainable social and economic systems. It should be driven not only by private initiatives but by policy initiatives.

Overarching Issues

Consideration of ESG factors is favorable to fulfill **fiduciary duties**.

A wide range of approaches needs to be sought to raise awareness and accumulate business practices regarding **impact finance**.

It is important to participate in international discussions on taxonomies for sustainable activities and promote **transition finance** (including the formulation of roadmaps for high emission industries).

Chapter 2 Enhance Corporate Disclosure

Broad discussion needs to be held on appropriate corporate disclosure regarding sustainability for constructive dialogue with investors and financial institutions.

Sustainability

Towards **comparable and consistent sustainability reporting standards** worldwide, it is important to actively participate in the process of developing sustainability reporting standards at the IFRS Foundation.

Climate Change

Following the revisions of the Corporate Governance Code (June 2021), **the quality and quantity of climate-related disclosure should be enhanced** based on the TCFD recommendations or an equivalent framework. Continued discussion is recommended with close attention paid to international development.

Chapter 3 Demonstrate Capital Market Functions

Developing a “green international financial center” can contribute to more loans and investment towards sustainable societies in Asia and rest of the world. Market participants need to play their role to demonstrate capital market functions.

Institutional Investors

Institutional investors should enhance **ESG investments and engagement with investees**. They should seek to accumulate knowledge and skills in this regard, for instance by participating in global investors’ initiatives that collectively call for decarbonization of invested corporations.

Opportunity for Retail Investors

Asset managers should **carefully explain the characteristics of an ESG-related investment trust** at its establishment and distribution, and **be accountable for ESG aspects of the selected issues** on an ongoing basis. The FSA should monitor asset managers in this regard.

ESG Rating and Data Providers

FSA is encouraged to promote discussions on issues of **ESG rating and data providers**, including **code of conduct**.

ESG Platform

As illustrated by initiatives of foreign securities exchanges, it is encouraged to develop a platform for practical information of ESG-related bonds including green bonds and a mechanism which provides **objective certification of the eligibility of ESG-related bonds**.

Chapter 4 Financial Institutions’ Support for Borrowers and Investees, and Risk Management

Financial institutions need to support the transition of the real economy, integrating sustainability opportunities and risks into their business strategies and risk management.

Support for Borrowers

To **support loan recipients and investees’ climate transition**, financial institutions are expected to accumulate know-how, improve skills, and develop analytical tools.

Risk Management

FSA should continue to discuss with financial institutions the effective use of scenario analysis and encourage them to **develop a risk management system for climate change** (supervisory guidance on climate transition support and risk management to be developed).