

The 3rd Report by the Expert Panel on Sustainable Finance, Japan FSA

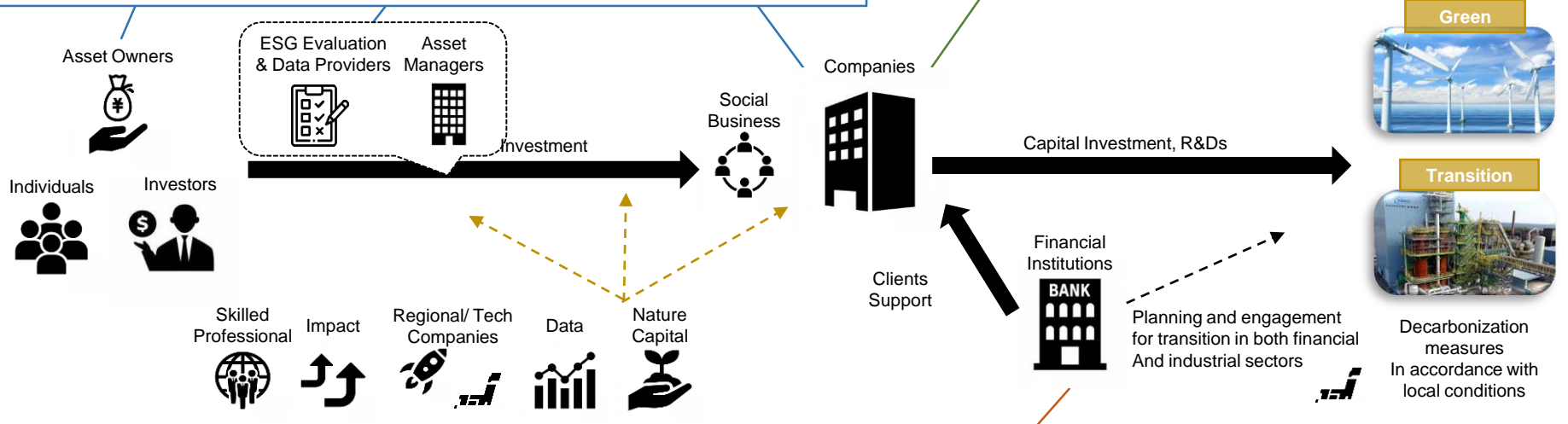
- Japan FSA's Expert Panel on Sustainable Finance is continuing discussions on measures to promote sustainable finance to encourage the transition to new industrial and social structures and to realize a sustainable society. In June 2023, the status of measures taken over the past year and future issues and measures were compiled and a report was published as follows:

(2) Capital market functions

- Support and promote the aggregation and provision of ESG data through platforms including GHG emissions. Promoting utilization of specialized climate change-related data.
- Sharing of knowledge on ESG investment and enhancement of engagement between asset owners and asset managers. Revise relevant Supervisory Guidelines to clarify the inspection items for ESG funds (March 2023), and enrich ESG mutual funds for individuals
- Finalized the Code of Conduct for ESG Evaluation and Data Providers (December 2022), and will publish the list of endorsements of ESG evaluation providers as of the end of June 2023
- Promotion and support for expanding carbon credit transactions

(1) Enhancing Corporate Disclosure

- Actively participating in international discussions on ISSB sustainability disclosure standards and summarizing and disseminating Japan's opinions through public-private partnership
- Establishment of a new section for sustainability information in Annual Security Reports (from the FY ending March 31, 2023). Consideration of statutory disclosure of disclosure standards to be developed by the SSBJ. Publication of good examples of sustainability information disclosure and consideration of guarantees



(4) Overarching Issues

- Published draft basic guidelines (June 2023), promote impact investment, including sharing of knowledge through consortiums
- Promote climate change measures in local areas
- Discuss about Natural capital
- Promote human resource development by strengthening collaboration with stakeholders

(3) Role of Financial Institutions (Fis)

- Continue improvement of scenario analysis based on international discussions
- Published a guide for financial institutions aiming toward a net-zero emissions (June 2023).
- Strengthen engagement toward transition and visualize supply chain CO2 emissions
- Promoting decarbonization in Asia through a consortium

The Expert Panel continues its discussions and follow ups for measures taken, and periodically communicates the overall picture and progress of sustainable finance

Initiatives for Sustainable Finance (Progress and the Future)

From July 2022 to June 2023

From July 2023 to December 2023

Enhancing
Corporate
Disclosure

Established a new section to describe sustainability information such as climate change measures and human capital in Annual Securities Reports (applied from the FY ending March 2023)

Standards developed by the Sustainability Standards Board (SSBJ). Consider collecting and publishing a collection of good examples of sustainability information disclosure

Actively participating in international discussions on standards development ISSB, and summarizing and disseminating Japan's opinions through public-private partnership. Discussion on how sustainability information should be guaranteed

Capital market functions

Data

Support and promote the aggregation and provision of ESG data through platforms including GHG emissions. Promoting utilization of specialized climate change-related data. Promoting utilization of specialized climate change-related data

Asset Owners

Identifying issues for institutional investors to focus on initiatives to improve corporate sustainability and increase the AUM. Share knowledge on ESG investment with institutional investors and discuss toward improving the effective engagement.

Individuals

Revise relevant Supervisory Guidelines to clarify the inspection items for ESG funds

Consider measures for expansion and penetration of ESG investment trusts that are easy for individuals to invest in

ESG evaluation

Call for endorsement of the finalized Code of Conduct and list the endorsement of evaluation providers as of the end of June 2023.

Call for and compile of endorsements for ESG data providers. Consider ensuring effectiveness based on the disclosure status of each institution

CC market

Consolidation under the Financial Services Act, demonstration testing of market development, etc.

Promote support for market development and credit creation aimed at expanding transactions

Role of
Financial
Institutions

Scenario analysis

Published the results of pilot exercises for climate scenario analysis (August 2023)

Revise the methodology and framework for scenario analysis

Decarbonization

Published a guide for FIs aiming towards decarbonization by working group (June 2023).

Strengthen engagement at FIs to promote transition International dissemination and penetration of transition

Asia GX

Launch of Asian GX Consortium to promote GX in Asia

Overarching Issues

Impact

Published report of working group and basic guidelines by working group on impact investment (June 2023)

Finalize the basic guidelines through dialogues with various parties concerned. Launch of impact investment consortium. Creation and sharing of case studies in collaboration with public and private FIs, various companies, local stakeholders, etc.

Regional decarbonization

Expansion and penetration of support for regional FIs and SMEs

Support for regional measures, such as the establishment of consultative bodies related to the GX, expansion of a subsidiary and penetration by regional FIs, and strengthening of collaboration among FIs through local finance bureaus.

Biodiversity

Discuss the impact on finance and the role of finance based on international discussions on biodiversity

Skilled professional

Publication of Sustainable Finance Skill Map and results of questionnaire on human resource development for FIs

Promote the development of practical human resources by related parties. Penetration of sustainable finance among individuals, including young people