

Initiatives to Promote Sustainable Finance (Overview)

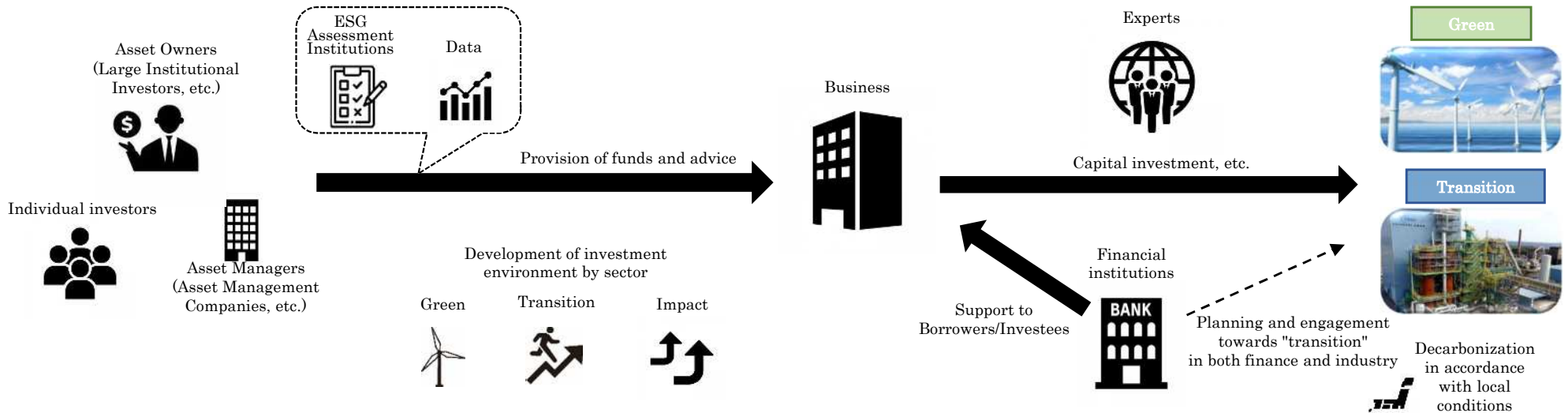
- In order to promote the function of finance that enhances economic and social growth and sustainability (sustainable finance), the Financial Services Agency (FSA) holds the Expert Panel on Sustainable Finance and is advancing various initiatives, including discussions on a wide range of issues, including the following points.

Development of capital market function

- Discussing the timing of the application and the framework of guarantee of sustainability disclosure standards in Japan at the Financial System Council
- Discussing the development of a database in Japan for corporate sustainability information, such as GHG emissions.
- Summarized the status of endorsement for the "Code of Conduct" (Dec. 2022) by ESG evaluating institutions and data providers (as of the end of June 2024). Checking the status of each institution's response, further actions are considered.

Penetration into a wide range of stakeholders

- The "Dialogue for Enhancing Sustainability Investment Products" was held and the "Insight" from discussion was published (July 2024). Discussion on expected roles of sustainability investment or flagship investment opportunity continues.
- Utilizing the "Skills Map," which summarizes the necessary skills to practically promote sustainable finance, discussions with industry associations, universities, etc. continues.



Development of investment and finance environment by category

- Considering international developments regarding green bonds, etc., discussions on Japan's framework are being held in collaboration with relevant ministries and agencies.
- Transition finance is being promoted through the development of guidelines in collaboration with related ministries and agencies while the GX Promotion Strategy is announced by the Government. The Asia GX Consortium is another initiative to internationally promote transition finance.
- The "Basic Guidelines" for impact investment is formulated (Mar. 2024). Data development, corporate strategy, local support measures, etc. are being discussed at the "Impact Consortium," a public-private partnership.

Initiatives on decarbonization

- The "Guidance" on the basic approach for financial institutions' response to climate change was formulated (July 2022). Intending possible updates of the Guidance, discussion on the transition strategy framework continues.
- Enhancing and disseminating support in accordance with the actual circumstances of each region in collaboration with regional financial institutions and business associations, etc.
- At the "Working Group," discussion is being done on the transaction infrastructure and market practices, from practical and expert perspectives, to ensure the transparency and soundness of carbon credit transactions.

(*) This slide illustrates information on the status of domestic and overseas initiatives related to sustainable finance collected and summarized by the secretariat of the Expert Panel.

(Reference) Overview of sustainable finance initiatives

		Progress seen to date	Measures to be considered and implemented in the future
Development of capital market function	Enhancement of corporate disclosure	SSBJ published an exposure draft of sustainability disclosure standards in Mar. 2024. In the same month, the "Working Group on Disclosure and Assurance of Sustainability Information" was established (FSA)	Discussion on the framework of sustainability disclosure and assurance, taking into account feedback on the public consultation of the Exposure Draft
	Development of information and data infrastructure	Enhanced measurement/disclosure of GHG emission data (investors, companies, etc.) PoC experiments of data provision by an international data platform (NZDPU)	Discussions on data development by public and private sector participants
	ESG evaluation and data providers	Code of Conduct endorsed by 24 ESG-evaluating institutions and 16 ESG-data providers (as of June 30, 2012)	Checking the status of each company's response, and considering further concrete measures
Penetration into stakeholders	Enhancement of investment opportunity	Discussion on sustainability investment products at the "Dialogue" (FSA)	Discussion on the fundamental value of investment and the approaches to creating flagship investment opportunities
	Human resources development and enhancement	Published the "Skills Map" for sustainability human resources in Dec. 2022 (FSA) Enhancing lectures, programs and training materials of sustainability (universities, industry associations, etc.)	Measures to enhance and develop a wide range of human resources along with discussing diverse targets
Development of investment and finance environment by category	Green finance	Revised the Green Bond Guidelines to ensure consistency with international principles (MOE)	Discussions on improving the financial environment towards further market development
	Transition finance	Published the "GX Promotion Strategy" in July 2023 and "Sector-specific Investment Strategy" in Dec. 2023 (METI, etc.)	Promotion of public-private cooperation, including through the GX Acceleration Agency
	Impact investment (Impact finance)	Formulated the Basic Guidelines for impact investment in Mar. 2024 (FSA) In May 2024, a public-private partnership consortium was formally launched and it held discussions (FSA)	Discussions on the development of indicators/data, impact measurement / corporate strategy, and public-private partnerships (incl. regional issues)
	Social finance	Published the Social Bond Guidelines in Oct. 2021 and the Examples of Indicators for Social Benefits of Social Projects in July 2022 (FSA, etc.)	Expansion of issuance practices among private parties
Initiatives on decarbonization	Risk management of financial institutions	Formulated the supervisory "Guidance" on Financial Institutions' Responses to Climate related risks in July 2022 (FSA)	Further discussion on the framework of transition strategy
	Client engagement	Developed transition plans, conducted constructive engagement with clients and authorities (financial institutions, etc.)	Further consideration on customer engagement/support by financial institutions
	International expansion and penetration	Disseminated information from Japan through the "GFANZ Japan Chapter," launched in June 2023, and others (Large Financial Institutions, etc.)	Leading international discussions and dissemination
	Development in Asia	Adopted joint statement at the AZEC Leaders Meeting in Dec. 2023 Kick-off meeting of Asia GX Consortium Mar. 2024 (METI, FSA, etc.)	Further discussion towards the international promotion of transition finance
	Regional GX	Continued penetration/expansion of support measures for regional companies (regional financial institutions, etc.)	Enhancing and disseminating support in accordance with the actual conditions of each region
	CC Market	Started trading on the Exchange in Oct. 2023 (Tokyo Stock Exchange) Progress of discussions in the GX promotion strategy / GX League (METI, etc.)	Practical considerations and discussions taking into account the domestic progress and growing international interest

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