

- Amid changes in the environment surrounding sustainable finance, including regulatory developments, mainly in Europe and the United States, **the Expert Panel reaffirmed the significance of promoting sustainable finance in Japan. Intensive discussions were held on the theme of expanding investment opportunities for a wide range of investors who have preference for sustainable investments** (Note), an issue that has long been regarded as a challenge.
- Based on the main overseas initiatives related to sustainability investment products as well as the understanding of sustainability investment by individual investors and domestic and overseas institutional investors (questionnaire surveys, interviews, etc.), **this paper summarizes initiatives that can lead to the provision of investment opportunities according to their investment preferences after the significance and effects of sustainable finance are recognized and understood by a wide range of investors who prefer sustainability investment.**

(Note) In this report, the phrase "preference for sustainable investments" is used to mean that investors choose sustainable investments as an investment method or incorporate sustainable investment products as part of their portfolio. It also implies that investors may potentially choose sustainable investment products even if they do not choose these products at present.

## Significance of promoting sustainable finance

- To facilitate the transition to a new industrial and social structure that addresses social and environmental issues, **it is essential to further expand private finance.** By making investments and extending loans that take social and environmental issues into account, **finance is expected to help address those issues and to maintain and strengthen the economic foundations** and is therefore expected to help improve the risk-return profile of the overall investment and loan portfolio of universal owners and other investors.
- The JFSA is expected to **continue promoting sustainable finance in order to support the autonomous efforts of economic actors to achieve medium- to long-term investment returns and enhancement of corporate value.**

## Suggestions and expectations for expanding investment opportunities for a wide range of investors based on the actual state of sustainability investment

### ① Improving awareness and understanding among investors who prefer sustainable investments

- The interest in sustainability issues increases with age, and **there are individuals who prefer sustainable investments not only among young people but also among middle-aged and elderly people.**
- While roughly half of respondents across all age groups are not aware of sustainable investments, **about half of those with no prior experience indicated that they "would like to invest" when asked about their preferences for sustainable investments.** Among those who answered that they "would not like to invest," **the most common reason cited was "not knowing how to invest."**

- **If individuals who prefer sustainable investments are provided with information on sustainable finance and their awareness and understanding of it increase, this may lead to a diversification of investment targets and the creation of new investment opportunities.**

### ② Further initiatives to develop and offer sustainable investment products

- It was pointed out that regulations in the EU and the UK on the names, classifications, and labels of sustainable investment products are useful for retail investors understand such products and in explaining the products to them. **On the other hand, retail investors do not have sufficient awareness and understanding of sustainable finance in Japan, and the introduction of the classification does not necessarily lead to investment.**
- Currently, **the main reason for sustainable investments is to contribute to solving sustainability issues.** Some inexperienced investors **may change their preferences if provided with a logical explanation and / or data on the relationship between sustainability considerations and investment returns.**

- First of all, **it is important to improve the awareness and understanding of individuals of sustainable finance.** Furthermore, **it may be considered to examine the classification of sustainable investment products** in the future, taking into account progress in efforts to improve awareness and understanding as well as trends in regulatory and supervisory frameworks overseas.
- In order to provide investment opportunities according to investment preferences to individuals who may prefer sustainable investments, **it may be effective to devise explanations according to the degree to which investment contribute to solving sustainability-related issues and impacts on medium- to long-term investment returns.**