



# Tokyo Sustainable Finance Forum

Tokyo Metropolitan Government (TMG) held a forum this October to share the experiences and visions of key facilitators of sustainable finance among financial institutions, government officials and beyond. Speakers include top officials of major investment funds driving sustainable finance both within and outside of Japan.

## Outline

Date	Oct 15, 2021 (Fri) 14:15~18:00 JST
Organizer	Office of the Governor for Policy Planning, Tokyo Metropolitan Government
Fee	Free
Video streaming	<a href="https://www.sustainablefina.metro.tokyo.lg.jp/forum2021/english">https://www.sustainablefina.metro.tokyo.lg.jp/forum2021/english</a>

## Program

Opening Remarks	14:15~14:20	Opening Remarks	<b>Yuriko Koike</b> Governor of Tokyo
Keynote Speech	14:20~14:35	Role of Finance and Its Opportunities for Sustainable Development Goals (=SDGs)	<b>Hiromichi Mizuno</b> Special Envoy of U.N Secretary-General on Innovative Finance and Sustainable Investments
	14:35~14:45	The Critical Role of Disclosure in a Net Zero Economy	<b>Mary Schapiro</b> Head Of The TCFD Secretariat Vice Chair for Public Policy, Special Advisor to the Founder and Chairman Bloomberg L.P.
Speech	14:45~15:00	JPX's Strategy on Sustainable Finance	<b>Akira Kiyota</b> Director & Representative Executive Officer, Group CEO, Japan Exchange Group, Inc.
	15:00~15:20	ESG Investment by GPIF	<b>Masataka Miyazono</b> President, Government Pension Investment Fund
	15:20~15:35	Sustainable Finance by a Large Institutional Investor	<b>Carine Smith Ihenacho</b> Chief Governance and Compliance Officer, NORGES BANK investment management
	15:35~15:50	Leading sustainability in Asset Management	<b>Marco Morelli</b> Executive Chairman, AXA Investment Managers
	15:50~16:05	BOJ Strategy on Climate Change	<b>Koji Nakamura</b> Deputy Director-General at International Department and Monetary Affairs Department, and Head of Climate Coordination Hub, Bank of Japan
	16:05~16:25	On Investor's Engagement	<b>Emi Onozuka</b> Executive Vice President, COO, Japan Catalyst, Inc., a member of Monex Group
	16:25~16:40	The Tokyo Metropolitan Government's Initiative regarding Sustainable Finance	<b>Eiichiro Kodama</b> Director General for Global Financial City Strategy, Office of the Governor for Policy Planning, Tokyo Metropolitan Government
Panel Discussion	16:50~18:00	Toward the Promotion of Sustainable Finance	<b>Mentioned in 7th page</b>

# Report of the Tokyo Sustainable Finance Forum

## Opening Remarks

**Governor of Tokyo** / **Yuriko Koike**

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- Governor Yuriko Koike pointed out that the world is currently facing two crises: COVID-19 and climate change. She mentioned that under these circumstances, the Tokyo Metropolitan Government has been promoting its policy from a "sustainable recovery" viewpoint, which is about overcoming the pandemic and achieving sustainable growth beyond that. She noted that finance holds the key to ensuring sustainable recovery and addressing the increasingly serious climate crisis.
  - The governor said that in light of the ever-changing international finance landscape, such as the UK's withdrawal from the EU and the establishment of the national security law in Hong Kong, the Tokyo Metropolitan Government announced the Revision (Draft) for the "Global Financial City: Tokyo" Vision in July 2021. She expressed her commitment to promoting the "Tokyo Green Finance Initiative (TGFI)" and working with a wide range of stakeholders to facilitate concrete actions in order to focus on stimulating green finance—one of the vision's key points.
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## Keynote Speech Role of Finance and Its Opportunities for Sustainable Development Goals (=SDGs)

**Special Envoy of U.N Secretary-General on Innovative Finance and Sustainable Investments**  
**Mr. Hiromichi Mizuno**

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- Mr. Hiromichi Mizuno said that sustainable finance is a top priority at conferences of international leaders such as the Climate Summit, G7, and G20. He explained that these leaders are now talking more actively about using the power of private finance to spur on transition. Each country is closely watching investments in sustainable finance and green finance in their markets, he said.
  - He analyzed that the sustainable finance and green finance environments are improving in Japan as well. However, he suggested that further growth is needed to achieve the goal of making the Tokyo market the center of global green finance and sustainable finance, because while the amount of green bonds issued around the world in 2020 is estimated to be over 120 trillion JPY (150 trillion JPY including sustainable finance bonds, etc.), Japan has just over a trillion.
  - He pointed out that "Tokyo Sustainable Finance Week" should be taken as an opportunity: the private sector should request the national and Tokyo Metropolitan governments and the market to develop the necessary environment. At the same time, he noted, it is important that the governments and other players set rules ahead of that. Finally, he expressed his hope that Japan and Tokyo will spur on transition and create a virtuous cycle, in which they use the funds they gain to launch more sustainable businesses around the world.
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## Speech① The Critical Role of Disclosure in a Net Zero Economy

Head Of The TCFD Secretariat Vice Chair for Public Policy, Special Advisor to the Founder and Chairman Bloomberg L.P. Ms. Mary Schapiro

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- Ms. Mary Schapiro explained that the TCFD, established in 2016 to disclose climate-related financial information on companies, released recommendations the following year focusing on four thematic key areas: Governance, Strategy, Risk Management, and Metrics and Targets. The recommendations were supported by more than 2,500 organizations in 88 countries and more than 1,000 financial firms. She said that among them, Japan has been leading the world: though the Japan TCFD Consortium's efforts, more than 400 organizations are supporting the TCFD.
  - The TCFD publishes an annual "Status Report," and Schapiro shared that in "The Fourth TCFD Status Report" (released the day prior), disclosure in line with TCFD recommendations was up 9 percentage points—more than double the growth from 2018 to 2019. She also shared that within 2020, more than 1,000 new organizations became TCFD supporters, which is a 98% increase from last year. Schapiro's analysis was that this growth was bolstered by key policy announcements and societal trends requiring TCFD-aligned reporting, and that this is a signal of a paradigm shift from voluntary to mandatory corporate disclosures.
  - She also mentioned that TCFD released new guidance to help companies disclose more consistent metrics and about their plans on transition to a low-carbon economy. She concluded by saying that TCFD-aligned disclosure will help trigger and accelerate innovation that is critical for achieving net-zero goals.
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## Speech② JPX's Strategy on Sustainable Finance

Director & Representative Executive Officer, Group CEO Japan Exchange Group, Inc.  
Mr. Akira Kiyota

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- Mr. Akira Kiyota first explained points from the Revised Japan's Corporate Governance Code, implemented by the Japan Exchange Group (JPX) in June 2021. The three main points in the code were: (1) exhibiting the board's functions, (2) retaining diversity in core personnel, and (3) enhancing both amount and quality of climate change-related information disclosures based on TCFD or another similar international framework in the Prime Market.
  - Next, he introduced JPX's sustainability promotion efforts as a stock market operator. He first stated that there are two major pillars: the first is to support ESG-related efforts by listed companies, and the second is to provide ESG-related products to investors. Then, he gave concrete examples of actual policies related to each that are in use at JPX.
  - Finally, he discussed JPX's policies towards addressing ESG issues as a listed company. In July 2021, JPX announced that it would aim for its entire group to achieve carbon neutrality by 2024. In October 2021, the Tosho and Daisho Building's power contracts were switched to renewable energy. JPX will also have its own renewable energy generation facility in 2022. By generating renewable energy, he said, the company plans to respond more aggressively to environmental issues.
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## Speech③ ESG Investment by GPIF

**President, Government Pension Investment Fund Mr. Masataka Miyazono**

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- Mr. Masataka Miyazono explained that the Government Pension Investment Fund (GPIF) is a universal owner with the global market incorporated into its portfolio, and that it is also an ultra-long-term investor designed to manage public pension funds from a long-term perspective (over a 100-year timeframe) under the public pension system. Given these characteristics, risks associated with ESG may have a negative impact on GPIF's portfolio; for this reason, he explained, the company is firmly committed to ESG investment.
  - GPIF's ESG investments center on passive investment based on ESG indices. Since starting to invest in 2017, GPIF has been investing by selecting four domestic stock indices and three foreign stock indices. Miyazono noted that the company's investment balance had reached 10.6 trillion JPY total as of the end of March 31, 2021. He said GPIF began investing in two carbon-efficient indices related to climate change in 2018, and that investment balance has reached 4.4 trillion JPY total.
  - Regarding GPIF's ESG efforts, Miyazono shared that the company's "ESG Report" is compiled annually, and among items related to climate change, climate-related financial statements are disclosed in line with TCFD recommendations. As for the significance of focusing on TCFD, he stated that actively disclosing information as an asset owner contributes to the entire investment chain's sustainability, which in turn helps to secure long-term profitability for GPIF.
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## Speech④ Sustainable Finance by a Large Institutional Investor

**Chief Governance and Compliance Officer, NORGES BANK investment management  
Ms. Carine Smith Ihenacho**

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- Ms. Carine Smith Ihenacho shared that her company is a global fund with an asset value of approximately 1.3 trillion USD, holding a small share of more than 9,000 companies in 71 countries, and owning 1.5 percent of the world's listed companies on average. Japan is the company's second-largest market, she said; it has approximately 75 billion USD invested in the country. She shared that the company has clear expectations related to sustainability challenges and opportunities for all 9,000 companies it invests in; this includes expectations on human rights, children's rights, climate risk, and biodiversity.
  - She explained that the company aims to be a good, supportive shareholder by following principles and being transparent. She also shared that her company actively engages with those invested companies through dialogue and voting. Norges Bank Investment Management voted on more than 120,000 resolutions and attended approximately 3,000 general shareholders' meetings within 2020. Every year, she clarified, her company also evaluates those it invests in to see whether their business is in line with expectations.
  - She pointed out that many companies have been strongly reporting their efforts to address climate change over the past few years but that information disclosed on other social issues is still scarce. She then stated that ultimately, writing a report is not the major challenge for companies; rather, it is important that they have an appropriate sustainability strategy incorporated into risk management and governance procedures, followed up with verification.
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## Speech⑤ Leading sustainability in Asset Management

**Executive Chairman, AXA Investment Managers Mr. Marco Morelli**

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- Mr. Marco Morelli explained that his company manages 1 trillion USD in assets and has been an active player in the Japanese market for more than 20 years. He pointed out that sustainability is a concept that should be incorporated into a company's day-to-day business and operating process, and that above all, it is a way to set forth a company's role in society, where society and investors are now expecting more than pure financial return. He said the increase in ESG-related product investment is due to investors' beliefs that ESG has already become a necessity.
  - ESG still lacks common standards, and operations differ by country and region around the world, so unification is necessary, he noted. He also said that this is a work in progress, and that all asset management companies must carefully monitor which investment partners will be the best players from an ESG perspective and which companies are creating environments that could be benchmarks for further progress.
  - On the other hand, he pointed out, ESG is a unique opportunity to be at the forefront of social progress in the asset management industry; in order to do so, he said that it is necessary to examine the metrics for measuring, testing, and monitoring everything about ESG faster and in more detail. Finally, he said that the important thing for asset management companies is to make the shared message of sustainability and ESG visible within their own companies and investment products.
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## Speech⑥ BOJ Strategy on Climate Change

**Deputy Director-General at International Department and Monetary Affairs Department, and Head of Climate Coordination Hub, Bank of Japan Mr. Koji Nakamura**

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- The Bank of Japan released its comprehensive "Strategy on Climate Change" in July 2021, and Mr. Nakamura noted that the Bank took into account its mandate of achieving price stability and ensuring stability of the financial system. He noted that the comprehensive strategy consisted of measures in five areas: "Monetary Policy," "Financial System," "Research," "International Finance," and "The Bank's Business Operations and External Communication."
  - He explained, on "Monetary Policy," the Bank has introduced a new fund-provisioning measure that provides funds to financial institutions against the investments and loans they make based on their own decision as part of their efforts in addressing climate change. On "Financial System," the Bank supports financial institutions' efforts in identifying and managing their climate-related financial risks, Nakamura said. In relation to the third area, "Research," the Bank will deepen its analysis on how climate change would affect the macroeconomy, financial markets, and the financial system, and make efforts in collecting data and refining analysis tools in order to better conduct surveillance and identify risks, he explained.
  - Regarding the fourth area, "International Finance," Nakamura expressed the Bank's intention to contribute to climate change initiatives through its participation in international forums. Finally, in the fifth area, "The Bank's Business Operations and External Communication," the Bank will continue its efforts to respond to climate change and enhance its external communication, including making disclosures based on TCFD recommendations, he said.
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## Speech⑦ On Investor's Engagement

Executive Vice President, COO, Japan Catalyst, Inc., a member of Monex Group  
Ms. Emi Onozuka

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- Ms. Emi Onozuka started by explaining that engagement strategy in investment is one type of sustainable investing within sustainable finance. After she pointed out that many listed companies in Japan had PBR below 1 and that many of them should change their business models and portfolios, she also explained that along with having discussions that incite change in invested companies' behaviors, using techniques such as exercising voting rights and proposing shareholder agenda while supporting sustainable management is engagement strategy.
  - She analyzed that the corporate governance reform that started under the Abenomics framework has made corporate management more positive in dialogue with shareholders. Onozuka noted that such a situation focuses on dialogue with management and is a good opportunity for engagement investment—a key component of corporate change. She then said that engagement investment in Japan and its change to sustainable management are drawing global attention.
  - As for results from engagement strategy, Onozuka reported that the "Monex Activist Fund," which was set at 10,000 JPY on June 25, 2020, had achieved over 30% growth, priced at 13,090 JPY as October 7, 2021. She said that her company will continue to work towards realizing personal and social sustainability through a balance between Japan's prosperous future and customers' asset building.
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## Speech⑧ The Tokyo Metropolitan Government's Initiative regarding Sustainable Finance

Director General for Global Financial City Strategy, Office of the Governor for Policy Planning,  
Tokyo Metropolitan Government / Eiichiro Kodama

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- Eiichiro Kodama shared that the Tokyo Metropolitan Government aims to achieve "Zero Emission Tokyo" by 2050—meaning it will contribute to the world having net-zero CO2 emissions—and thus, it announced on January 2021 that by 2030 it aims to achieve Carbon Half: greenhouse gas emissions reduced by 50% compared to the level in 2000. He said that the organization will accelerate its actions under the "Zero Emission Tokyo Strategy," with the aim of reducing energy consumption by 50% compared to 2000 and increasing the ratio of renewable energy consumption to about 50%.
  - He mentioned that in June 2021, the Tokyo Metropolitan Government compiled the "Tokyo Green Finance Initiative (TGFI)," a strategic initiative aimed at developing green finance, and he named the three policy directions of the TGFI: "Accelerate the development of Tokyo's green finance market," "Attract market players and support business development," and "Share information and nurture ESG expertise."
  - He also explained that the "Global Financial City: Tokyo" Vision (established in 2017) is scheduled to be revised in fall 2021, with "achieving sustainable recovery and becoming a world-leading international financial city" as major goals; promoting sustainable finance is a central part of the policy. Its three pillars are the "Promotion of the TGFI," "Digitization of finance," and "Accumulation of diverse financial players," he said.
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## Panel Discussion Toward the Promotion of Sustainable Finance

<b>Moderator</b>	<b>Board Director, Future Corporation Special Advisor for International Finance, Tokyo Metropolitan Government Member</b>	<b>Mr. Hiromi Yamaoka</b>
<b>Panelists</b>	<b>President and CEO, Sumitomo Mitsui DS Asset Management Company, Limited (SMDAM)</b>	<b>Mr. Takashi Saruta</b>
	<b>Representative Director, Refinitiv Japan K.K.</b>	<b>Mr. Hideo Tomita</b>
	<b>Principal Sustainability Strategist Deputy General Manager of Corporate Planning Dept. Mitsubishi UFJ Research and Consulting Co., Ltd.</b>	<b>Ms. Mari Yoshitaka</b>

In a panel discussion called "Toward the Promotion of Sustainable Finance," there were lively discussions on (1) trends in sustainable finance in the world and in Japan, (2) issues related to corporate disclosures in companies surrounding ESG finance and their evaluations, (3) how to promote ESG in a wide range of fields, including rural areas and small- and medium-sized enterprises, and (4) what Tokyo should do in relation to ESG finance.

### ■ Opening

- Mr. Hiromi Yamaoka, the moderator, introduced efforts to make Tokyo a green city and develop sustainable finance from his position as chair of the review committee working toward realizing the Tokyo Green Finance Market (tentative name).
- He pointed out that while the global scale of ESG financing has now expanded to 35 trillion USD (the equivalent of 3,900 trillion JPY) and is expected to continue expanding, the problems are that ESG evaluations are mainly conducted by overseas certification bodies, no standard for evaluation has been established, and evaluation varies greatly among bodies. Next, he said that in order to resolve the global challenge of "decarbonization," finance must demonstrate its risk assessment function in order to achieve resource allocation that would be good for the earth within the dynamism of free economy.

### ■ Theme① Trends in Sustainable Finance in the World and in Japan

- Mr. Hideo Tomita from Refinitiv Japan, a member of the London Stock Exchange Group, introduced the way his company collects information on ESG investments. He explained that the company defines sustainable finance through industry types and fund usage and then collects data. Next, Ms. Mari Yoshitaka from Mitsubishi UFJ Research and Consulting explained the current state of ESG investments around the world with a focus on Europe and the United States and stated that attention should be paid on investment behavior with the keyword "decarbonization". Mr. Takashi Saruta from Sumitomo Mitsui DS Asset Management pointed out that putting Japan on the path to grow its presence in ESG investment is a major challenge given the fact that Japan's share of stock, which accounted for 40% of the world's total market capitalization in 1989, has fallen to 2.5%.

### ■ Theme② Issues Related to Corporate Disclosures in Companies Surrounding ESG Finance and their Evaluations

- Mr. Hiromi Yamaoka (Moderator) raised a question about ESG investment disclosures and evaluations. Mr. Hideo Tomita (Refinitiv Japan) responded by giving an outline of his company's ESG information and stated that in particular, companies must devise a way to increase the frequency at which they update information disclosures. Mr. Takashi Saruta (Sumitomo Mitsui DS Asset Management) pointed out that qualitatively evaluating and making decisions on non-financial information is necessary in order to achieve appropriate ESG evaluations, and it takes time to establish that method.

## Panel Discussion Toward the Promotion of Sustainable Finance

### ■ Theme③ How to Promote ESG in a Wide Range of Fields, Including Rural Areas and Small- and Medium-Sized Enterprises

- Mr. Hiromi Yamaoka (Moderator) pointed out the need to encourage a wide range of players, including small and medium-sized companies, to participate in ESG investments. Ms. Mari Yoshitaka (Mitsubishi UFJ Research and Consulting) then shared that ESG investment could be a catalyst for regional economic revitalization and pointed out the importance of indirect financing to support companies in the investment chain.. However, she continued, regional financial institutions and others may not be able to determine what kind of investments and lending are part of the ESG field. She acknowledged that the first step toward information disclosure is to make a list of companies to invest and lend within the ESG field.

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### ■ Theme④ What Tokyo Should Do in Relation to ESG Investments

- In response to a question by Mr. Hiromi Yamaoka (Moderator) about what is needed to expand ESG investment in Tokyo, Mr. Hideo Tomita (Refinitiv Japan) pointed out the need to strengthen cooperative ties with the London Stock Exchange Group in the UK, since UK plays an active role in improving the environment for ESG investment as the COP26 chair country.
- Mr. Takashi Saruta (Sumitomo Mitsui DS Asset Management) commented that continuing into the future would not be possible without the current growth, and that it is important for investors to ensure that companies commit to continuing the efforts they have made until now, such as strengthening corporate governance, and do so with an awareness of improving management and continuous growth.
- Ms. Mari Yoshitaka (Mitsubishi UFJ Research and Consulting) pointed out that many companies in Tokyo have technology related to decarbonization, and that holds potential possibilities. She also said that being tough against disasters is an important factor in becoming a global financial city and that such facets should be shown as part of the "Global Financial City: Tokyo" Vision.

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### ■ Q&A

- When asked how to promote ESG investment in small- and medium-sized companies, Ms. Mari Yoshitaka (Mitsubishi UFJ Research and Consulting) answered that in business dealings between listed companies, investors may also evaluate ESG within small- and medium-sized companies through supply chain management, so it is necessary to develop simple ESG information guidelines, etc. aimed at such companies.
- When asked what the relationship is between Japan's and global certification standards, Mr. Takashi Saruta (Sumitomo Mitsui DS Asset Management) said that it is difficult to meet all global standards because the circumstances in each country are different. Mr. Hideo Tomita (Refinitiv Japan) said that one way to solve this problem is to create and use a standard template, adjusted in accordance with each country's circumstances.
- When asked if the expansion of ESG investment will lead to the development of the overall financial market, Mr. Takashi Saruta (Sumitomo Mitsui DS Asset Management) answered that since the development of the overall financial market is the first step forward, it is especially necessary to keep drawing personal financial assets into the market.

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### ■ Conclusion

- Mr. Hiromi Yamaoka (Moderator) summarized this discussion: with the aim of promoting ESG, finance plays an important role in realizing appropriate resource allocation through risk management and pricing, which are its primary functions. From this viewpoint, he concluded that fostering a positive cycle of information disclosures and risk assessment, resource allocation, and project evaluation may also help to realize decarbonization and improve lives of people in Tokyo.
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