



EU Japan Sustainable Finance Webinar

Supporting ESG at Japanese Listed Companies

Japan Exchange Group, Inc.
September 2021



- From its position as a market operator, Japan Exchange Group (JPX) encourages ESG investment through:

**Supporting listed companies' ESG
information disclosure**

**Providing ESG-related investment products
to investors**

(JPX's sustainability-related activities)

- December 2017: Joined the Sustainable Stock Exchanges (SSE) Initiative
- July 2018: Launched the Sustainability Committee with the CEO as Chair
- October 2018: Announced support for the recommendations of the FSB-led Task-Force for Climate-related Financial Disclosures (TCFD)
- May 2019: Joined the TCFD Consortium
- April 2021: Established the Sustainability Department

- We promote ESG-related activities among listed companies, focused on support for their ESG information disclosure

How we support listed companies

- Implementing the Corporate Governance Code, which was revised this year to strengthen its principles on sustainability. It now asks, among other things, that company boards develop a basic policy for sustainability initiatives, and that Prime Market*-listed companies disclose on environmental issues using the recommendations of the Task-Force for Climate-Related Financial Disclosures (TCFD) or an equivalent.
- Creating and publishing a Japanese translation of the SSE Initiative's Model Guidance for Companies on Reporting on ESG Information in June 2019
- **Creating and publishing the Practical Handbook for ESG Disclosure in March 2020**
- **Launching the JPX ESG Knowledge Hub in November 2020**
- Holding seminars for listed companies and investors to promote understanding of TCFD

*The Prime Market will be launched in April 2022 as part of TSE's market restructuring.

Providing ESG-related investment products/services to investors

- As well as calculating ESG indices and listing ESG ETFs, we provide an infrastructure fund market and an information platform for green and social bonds

Stock indices	<ul style="list-style-type: none">■ Calculation and publication of stock indices based on ESG, the environment, and infrastructure funds, including the governance-focused JPX-Nikkei Index 400 and JPX-Nikkei Mid and Small Cap Index, the JPX/S&P CAPEX & Human Capital Index, and the S&P/JPX Carbon Efficient Index (10 indices)
ETFs/ETNs	<ul style="list-style-type: none">■ Listing of 31 ETFs which track ESG-related indices and 2 ETNs
Stock selections	<ul style="list-style-type: none">■ In partnership with METI, annual publication of listed companies which are making proactive efforts in particular areas – the Nadeshiko Brands (from 2012) and Health & Productivity Stocks (from 2015)
Infrastructure funds	<ul style="list-style-type: none">■ Listing of 7 infrastructure funds which invest in renewable energy infrastructure facilities
Green/social bonds	<ul style="list-style-type: none">■ Provision of optional information disclosure platform for green and social bonds listed on the PRO-BOND market, from Jan. 22, 2018<ul style="list-style-type: none">➤ Social bonds: 17 issues from the Japan International Cooperation Agency (JICA)➤ Green bonds: 2 issues from the Japan Finance Organization for Municipalities

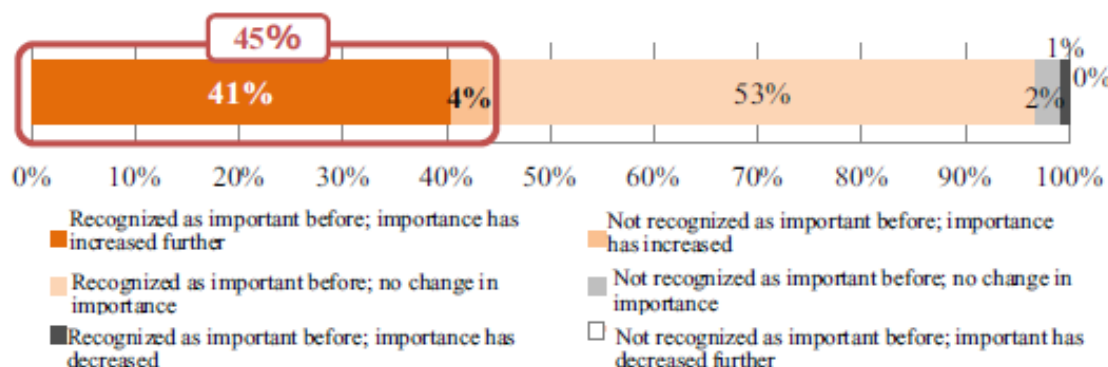
Product numbers are as of September 16, 2021

Communication between companies and investors

- More Japanese companies recognize the importance of ESG, disclose related information and engage with investors. However, there is still a gap between companies and investors.

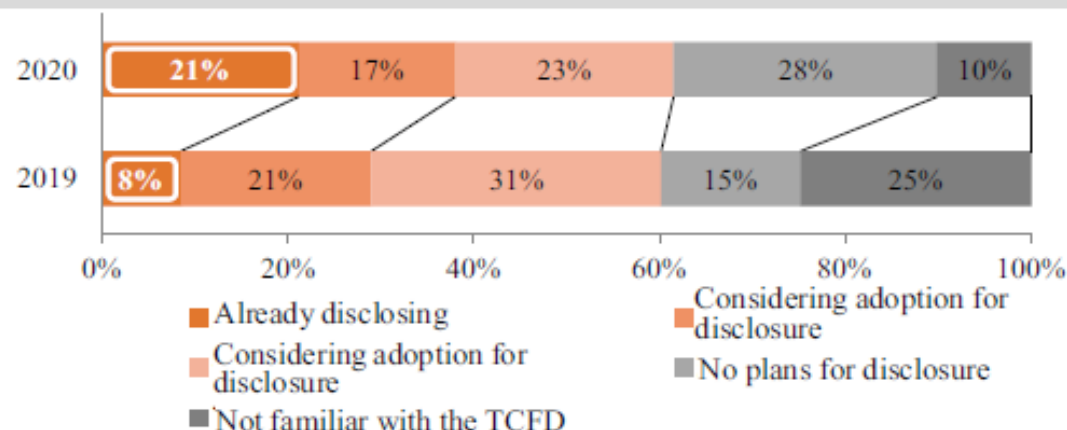
【For companies】

How has your awareness of the importance of ESG initiatives changed in response to the spread of COVID-19? (select one)



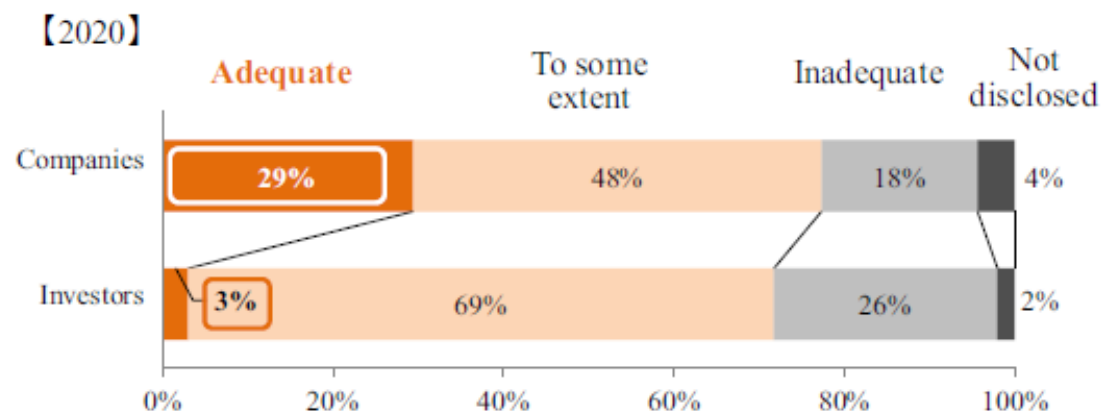
【For companies】

Are you considering TCFD-style climate-related disclosures? (select one)



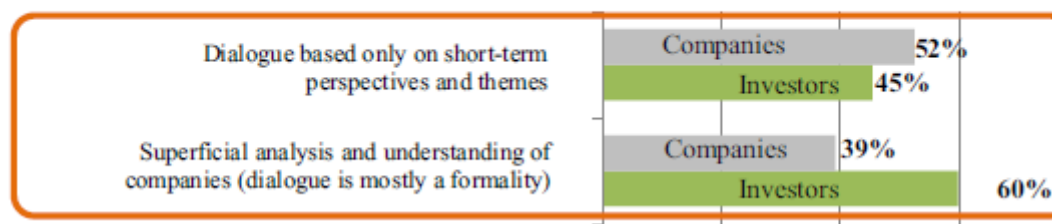
【For companies/investors】

Is the current disclosure of ESG initiatives adequate? (select one)



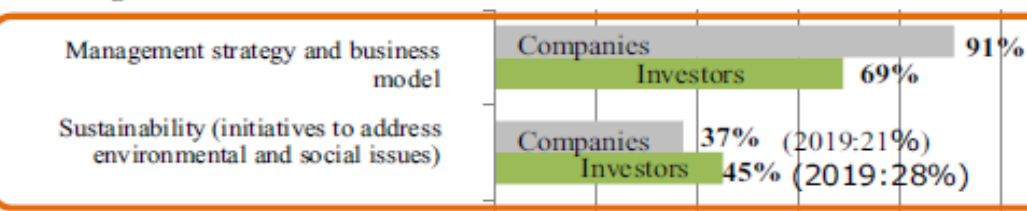
【For companies/investors】 (select up to three)

What are the main dialogue-related issues for investors/what do investors themselves see as the main issues?



【For companies/investors】 (select up to three)

What themes do you think are important to conduct in-depth, constructive dialogue?



Source: The Life Insurance Association of Japan

- Japan's Corporate Governance Code, which was introduced in 2015 along with the Stewardship Code to increase the sustainable growth and mid- to long-term corporate value of Japanese companies, was revised this year.

Corporate Governance Code Revision (2021)

The revised code includes principles to enhance board independence, promote diversity, and incorporate sustainability and ESG.

Sustainability and ESG

The revised Code asks:

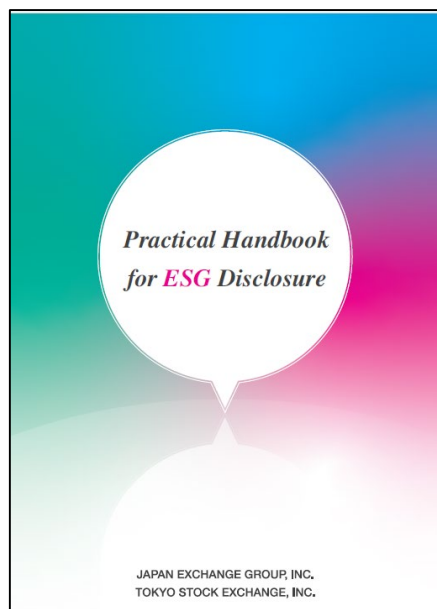
- company boards to develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid to long term
 - companies to disclose their initiatives on sustainability
 - TSE Prime Market-listed companies to analyse the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations
-
- The Guidelines for Investor and Company Engagement, published in 2018 by the Japan Financial Services Agency, were revised along with the Code to incorporate the importance of sustainability.



Objectives

- Aimed at all listed companies, but especially those who are thinking of beginning ESG disclosure in the near future.
- The aim of the Handbook is to be a helpful reference material for companies wanting to improve their mid- to long-term corporate value by understanding ESG and the spread of ESG investment, progressing their ESG activities in a way fitting to the company, and enacting dialogue with investors and other stakeholders.

Features



1. The Handbook brings together issues that listed companies face when starting ESG activities and disclosure, and splits them into **four steps** that companies can use as needed depending on their current situation.
2. To encourage disclosure of information useful to investors for making investment decisions, the Handbook incorporates **investors' points of view (such as deciding what is material and linking ESG to strategy)**.
3. The Handbook introduces useful **existing ESG disclosure standards and frameworks** (SSE Model Guidance, TCFD, SASB, the Japanese government's Guidance for Collaborative Value Creation, etc.) and **actual cases of disclosure** based on these.

The 4 Steps

- It is important that companies decide on what to disclose through a process of linking ESG issues to corporate value. The Handbook brings together the issues involved in this and splits them into the below four Steps.
- We hope that companies can use these in line with their current situations to improve ESG disclosure and engagement with investors.

The four Steps of the Practical Handbook for ESG Disclosure

Step 1 ESG Issues and ESG Investment

1-1 Understanding ESG issues and ESG investment

- ESG and corporate value
- E, S, and G
- The rise of ESG investment
- ESG investment and fiduciary duty
- Investor diversity
- What investors are asking for
- ESG in the Corporate Governance Code
- ESG issues and your business

Step 2 Connecting ESG Issues to Strategy

2-1 ESG and its impact on strategy

2-2 Identifying what is "material"

- "Materiality" and ESG
- Why materiality is important
- Making a material issues longlist
- Evaluating the importance of ESG issues
- Material issues and strategy

Step 3 Oversight and Implementation

3-1 ESG in the decision-making process

- Commitment from the top
- Governance

3-2 Setting metrics and targets

- Setting metrics
- Setting targets
- Carrying out a PDCA

Step 4 Information Disclosure and Engagement

4-1 Organising disclosure contents

- The link to corporate value
- Investor information sources

4-2 Using existing frameworks

- Information disclosure frameworks

4-3 Further points for consideration

- Platforms for disclosure
- English disclosure
- Third-party assurance of ESG data

4-4 Two-way engagement with investors

- "Purposeful dialogue"
- Other types of engagement



- JPX launched the JPX ESG Knowledge Hub as part of its website in November 2020, to dig deeper into the points brought up in the Handbook and provide related information.
 - Access and member registration is free
 - There are 42 “Supporters”, including government departments, institutional investors, and other ESG-related organizations, who help with content creation

1. “Practical Seminars for ESG Disclosure” webinar series

- Themes in line with the Handbook’s structure, to enable systematic understanding of ESG disclosure
- Experts from around the industry present with slides on a particular theme for 20-30 minutes (21 seminars available)

2. Useful information in Japanese on ESG

- The below 5 sections are provided in collaboration with institutional investors, listed companies, and other ESG-related organizations:
 1. News around ESG disclosure from Japan and abroad
 2. Examples of company ESG disclosure (8 companies)
 3. Introductions to ESG disclosure frameworks (5 frameworks)
 4. Information on how investors use ESG information (13 investors)
 5. Introductions to ESG ratings agencies/data providers (7 companies)
- We aim for easier access to information for listed companies by collating Japanese-language information that can help with ESG disclosure.

JPX ESG Knowledge Hub



ESG Knowledge Hubメンバー登録（上場会社限定）

JPX ESG Knowledge Hubでは、上場会社がESG情報の開示に取り組む際に役立てていただける情報を提供しています。

JPXは2020年3月に『ESG情報開示実践ハンドブック』を公表し、上場会社が、企業価値向上と結び付けてESG課題に取り組み、その結びつきがわかるような情報開示を行う際に役立つポイントを紹介しています。JPX ESG Knowledge Hubでは、その内容を、より深く、具体的な観点から解説する動画コンテンツや、機関投資家のESG投資に関する情報、ESG評価機関やESG情報開示枠組みに関する情報、上場会社のESG情報開示事例などを中心に、ESG情報開示に関する最新の情報を提供しています。

● ESG情報開示実践ハンドブック

【更新情報】

2021年4月15日：ESG情報開示枠組みの紹介（IIRCからのオンラインセミナーを掲載、TCFD提言の情報を更新）、機関投資家のESG投資（ニューバーガー・バーマンの情報を更新）

ESG情報開示実践セミナー

関連セミナー

上場会社のESG情報開示事例

ESG情報開示枠組みの紹介

機関投資家のESG投資

ESG評価機関の紹介

ESG Knowledge Hub サポーター

ESG Knowledge Hub メンバー登録

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