

## Minutes of a Meeting on the Market Functioning Survey concerning Climate Change

### 1. Outline

(1) Date                      October 19, 2022, from 4:00 p.m. to 5:15 p.m.

(2) Form of the Meeting        Via conference call

#### (3) Participants

- Issuers, investors, financial institutions, rating agencies, other financial associations and organizations
- Director-General of the Financial Markets Department, Deputy Director-General of the Financial Markets Department, Head of Coordination and Market Analysis Division, Head of Market Infrastructure Division

### 2. Introduction by the Bank of Japan

- The Bank provided an overview on the results of the first Market Functioning Survey concerning Climate Change.

### 3. Views provided by participants

- The Bank exchanged views with participants on the survey. Views provided by participants are as follows.

#### Views on the survey results

- The survey made the current situation and challenges with regard to the functioning of Japanese financial markets in tackling climate change visible, and it will help market participants to have common awareness on the subject.
- The survey has enabled market participants to grasp a broad idea of efforts made by both issuers and investors and how different their perceptions of climate change-related efforts are. There are more and more occasions globally to explain about trends in Japanese financial markets in tackling climate change, so it is meaningful that an English translation of the survey results was also released.

- This is a first comprehensive survey to be carried out in Japan with regard to the functioning of financial markets in tackling climate change. These kinds of meetings are also very useful. We hope that the survey will be continued from next year onward.
- It will be more beneficial if the survey results are utilized by government agencies in their climate-related efforts.
- From the survey results, it is clear that climate-related risks and opportunities are only partially reflected in the prices of financial instruments. In the day-to-day practice, we also get an impression that there is not a large difference in prices.
- In the survey, "enhancing and/or standardizing information disclosure" and "improving transparency in ESG evaluation" were indicated as challenges for the future, and we are of the same opinion. Similar challenges have been faced globally as well.
- Investors gave improving investment returns as one of their reasons for investing in climate change-related ESG bonds. We think that, in reality, institutional investors are caught in the middle of a trade-off between pursuing responsible investment and seeking returns.

#### Suggestions and requests for future surveys

- The survey would be more useful if there were more respondents from asset management firms and insurance companies, which have been leading ESG investing in Japan.
- Since there is growing international interest in the actual amount of greenhouse gas emissions reduced, it might be a good idea to include some questions and answer choices about that to the survey.
- In relation to the items listed as challenges for broadening the base of investors and issuers and further developing Japanese financial markets, we would like to ask the Bank to include more detailed questions and answer choices to the survey and analysis by industry to the results of the survey.

#### Challenges in improving the functioning of markets with regard to climate change

- An increasing emphasis is being placed on issuers' stances on ESG-related projects and initiatives. However, ESG factors are reflected only to a limited

extent in the prices of financial instruments and credit ratings. We hope they will come to be factored in more.

- For investment decisions, it is important that climate-related risks and opportunities be reflected in the prices of financial instruments. In this regard, the quantity and quality of climate-related data disclosed need to be improved, and methods used to analyze climate-related risks and opportunities also need to be enhanced.
- As progress will be made in the standardization of climate-related information/data to be disclosed and viewpoints of different parties will be more aligned, we think that the path forward will become clearer for issuers as well, and the standardization should also assist the expansion of the green bond market.
- The standardization of information disclosure is progressing worldwide, so we hope that information sharing in a unified manner will be made possible.
- We also hope that the information on indirect financing in ESG financing will be shared more.
- Issuers of the ESG bonds including green bonds have only increased to a limited extent. It is necessary to consider measures to assist parties that have not issued such bonds before.