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Feature Articles

This month's focus: **Sustainable Finance**

The EU has developed a comprehensive policy agenda regarding sustainable finance to achieve the goals of SDGs and the Paris Agreement. Our paper first reviews recent sustainable finance strategies in the EU and explores the implementation (particularly focusing on taxonomy), benchmarks, disclosures in the financial service sector, and corporate disclosure, analyzing the impact of these measures on Japanese companies.

Finally, the expectations and suggestions of market participants regarding Japanese policies are discussed taking into account European movements in biodiversity and a circular economy as well as decarbonization, which has just been declared by Prime Minister Suga.

The EU has established a "taxonomy", a classification system, for attracting private sector funds necessary for sustainable economic activities, mainly with respect to environmental measures. While there are pros and cons, it is a fact that sufficient information disclosure such as fragmentation and reliability has not been forthcoming, and it takes a great deal of time to understand and interpret the situation. However, according to the adaptive market hypothesis, imperfections and unstructured disclosures are considered to be a business opportunity for securities analysts working to gain a deeper understanding of the business models of investees.

While summarizing recent trends that are driving sustainability governance, this paper describes sustainability committees as a mechanism for realizing sustainability governance, including best practice in the Europe, the US, and Japan, and suggests future directions.