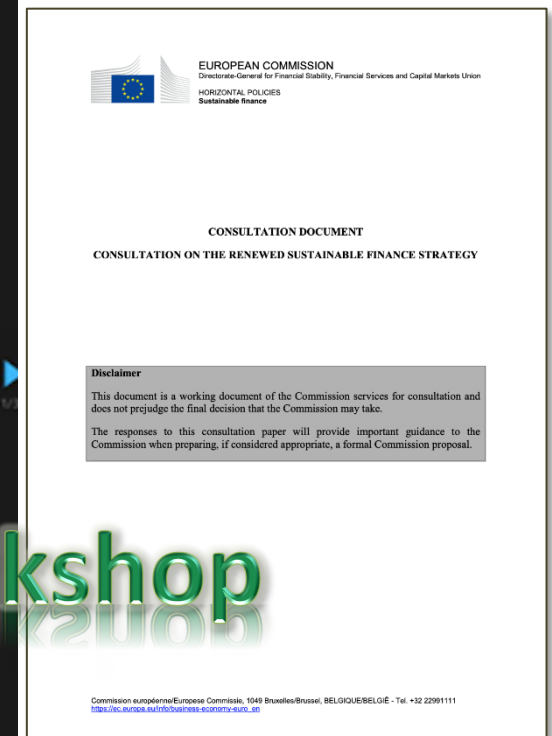


# Market or Command ?? “The Commanding Heights”

市場対国家

--- Responding Consultation on the RENEWED Sustainable Finance Strategy ---



18<sup>th</sup> Digital Reporting Workshop for CG & Other topic

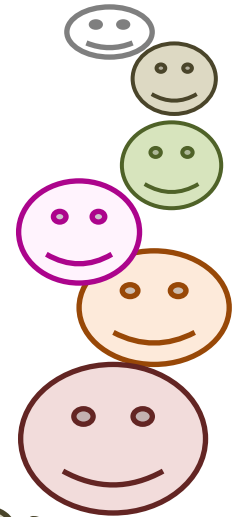
Date and time : 2<sup>nd</sup> July 2020, 18:30-20:30 JST

# Responding EU Consultation for Sustainable Finance!

We have been discussing disclosure related issues since 2014. mostly investors and related market participants in Japan, and inviting foreign friends. Discussion themes are chosen by IFRS or Corporate Governance issues and responding public consultation of IASB or other organisations in sometimes. Since we responded EU consultation Fitness Check in 2018, recently also picking up the Sustainable / environment topics as agenda.

EU Sustainable Finance, which started from the final report in January 2018, completed the taxonomy in June 2019 and issued the final report of the technical expert group in March 2020, but at the same time EU started a new public consultation. It is broadly asking what to do next EU have to do to strengthen its activities. About contents of the consultation, there are questions that have an impact globally, such as whether labelling should be expanded to various financial products, and whether there is any additional regulation necessary to further promote sustainable finance. They will influence Japanese asset managers for the EU asset owners, or selling funds in EU. So we decided to discuss it in Japan and respond to this consultation based on opinions in the discussion.

However, it was difficult to answer all 102 questions, so we chose some questions that we should respond.



*Discuss!*

	workshop on
Guest Speaker	Expert of hydrogen vehicle
Attendees	28 Investors, 7 Investor(Analysts) organization & sellside analyst, 4 pension & insurance & bank, 5 Information providers/Researchers, 3 Company side ( include Independent non - executive director , support service), 6 Auditor, 3 Academic, 8 Regulator, Accounting setter & stock exchange,

# Consultation on the Renewed Sustainable Finance Strategy

## ■ Our understanding for this consultation

[https://ec.europa.eu/info/consultations/finance-2020-sustainable-finance-strategy\\_en](https://ec.europa.eu/info/consultations/finance-2020-sustainable-finance-strategy_en)

In January 2018, the EU issued the final report on the Sustainable Finance Strategy, and on March 10<sup>th</sup>, 10 Action Plans were announced.

Action 1 was the development of a sustainable taxonomy. It also set the reduction of greenhouse gases as a priority issue. Also, Action 7 is “Investor Responsibility”. Therefore, it was naturally positioned that investing in a company that contributes to the prevention of global warming by investors highlighted as an “investor’s responsibility” as long-term asset allocation. However, “the responsibility for urgent issues that investors must fulfil extends to human rights, corporate governance, and other environmental issues such as waste...etc. whereas taxonomies focus too much on climate change, we have heard. In addition, we are grateful for the development of taxonomies and related disclosures, but there is concern about Action 7 because the priority of investors is a fiduciary duty.

In March 2020, the final report of the Technical Expert Group (TEG), which has been involved with Taxonomy and some Actions (green bonds, benchmarks, etc.), was issued. And the European Commission has begun a new consultation to hear broadly on a number of questions including expanding sustainable finance globally.



# Discussion result for selected questions (1)

SECTION I: QUESTIONS ADDRESSED TO ALL STAKEHOLDERS ON HOW THE FINANCIAL SECTOR AND THE ECONOMY CAN BECOME MORE SUSTAINABLE		
Q5	<p>Question 5: One of the objectives of the European Commission's 2018 Action Plan on Financing Sustainable Growth is to encourage investors to finance sustainable activities and projects. Do you believe the EU should also take further action to:</p> <p>9</p> <p>§ Encourage investors to engage, including making use of their voting rights, with companies conducting environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law, with a view to encouraging these companies to adopt more sustainable business models: scale from 1 (strongly disagree) to 5 (strongly agree).</p> <p>§ Discourage investors from financing environmentally harmful activities that are not in line with environmental objectives and the EU-wide trajectory for greenhouse gas emission reductions, as part of the European Climate Law: scale from 1 (strongly disagree) to 5 (strongly agree).</p> <p>§ In case you agree or strongly agree with one or both options [4-5]: what should the EU do to reach this objective?[BOX, 2000 characters]</p>	<p>Both No,</p> <p>It is up to the investor to decide whether the investor will engage the company to do good things for the environment, use its voting rights, or stop investing in the company that does not. What the EU can do is to enrich the information and company disclosure, so that investor can make better decisions.</p>
SECTION II: QUESTIONS TARGETED AT EXPERTS		
1. STRENGTHENING THE FOUNDATIONS FOR SUSTAINABLE FINANCE		
1.1 Company reporting and transparency		
Q14	<p>In your opinion, should the EU take action to support the development of a common, publicly accessible, free-of-cost environmental data space for companies' ESG information, including data reported under the NFRD and other relevant ESG data?</p> <p>§ Yes/No/Do not know.</p> <p>§ If yes, please explain how it should be structured and what type of ESG information should feature therein. [BOX, 2000 characters]</p> <p>Question 15: According to your own understandin</p>	<p>No or Do not know</p> <p>We are concerned that such framework could lead to superficial disclosure by the issuers. Disclosure items should be determined by each issuer. It is mentioned that free-of cost structure is expected; however, disclosure always require cost and if we insist on free cost structure, the quality should be worse. Disclosure and communication should be recognized as necessary cost for issuers and capital market.</p>
1.2 Accounting standards and rules		
Q16	<p>Do you see any further areas in existing financial accounting rules (based on the IFRS framework) which may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks?</p> <p>§ Yes/no/do not know.</p> <p>§ If yes, what is in your view the most important area (please provide details, if necessary):</p> <ul style="list-style-type: none"> <li>o Impairment and depreciation rules. [BOX, 2000 characters]</li> <li>o Provision rules. [BOX, 2000 characters]</li> <li>o Contingent liabilities. [BOX, 2000 characters]</li> <li>o Other, please specify. [BOX, 2000 characters]</li> </ul>	<p>"No."</p> <p>If the impairment is delayed, the reliability of disclosure will deteriorate. Then, the financial institution stops paying money. On the other hand, if the impairment is hurried, the bank will collapse and the financial institution will collapse.</p>

# Discussion result for selected questions (2)

1.3 Sustainability research and ratings		
Q17	<p>Do you have concerns on the level of concentration in the market for ESG ratings and data?</p> <p>§ Please express your view by using a scale of 1 (not concerned at all) to 5 (very concerned).</p> <p>§ If necessary, please explain the reasons for your answer. [BOX, 2000 characters]</p>	<p>"4"</p> <p>Providers play a large role however the disclosure level is still unstable. And they are not reliable, which prevents the spread of ESG investment.</p>
Q18	<p>How would you rate the comparability, quality and reliability of ESG data from sustainability providers currently available in the market?</p> <p>§ Please express your view by using a scale of 1 (very poor) to 5 (very good).</p> <p>§ If necessary, please explain the reasons for your answer. [BOX, 2000 characters]</p>	<p>"4"</p> <p>For example, some providers have a problem that they are not reliable enough to communicate with each other even if they engage with companies based on their information. On the other hand, another providers have taken countermeasures in the way of answering, and there is a risk that the arbitrariness of companies is mixed. Either way, it is necessary to ensure transparency.</p>
Q20	<p>How would you assess the quality and relevance of ESG ratings for your investment decisions, both ratings of individual Environmental, Social or Governance factors and aggregated ones?</p> <p>§ Individual: Please express your view by using a scale of 1 (very poor quality and relevance) to 5 (very good).</p> <p>§ Aggregated: Please express your view by using a scale of 1 (very poor quality and relevance) to 5 (very good).</p> <p>§ If necessary, please explain the reasons for your answer. [BOX, 2000 characters].</p>	<p>"3"</p> <p>Some providers have well-prepared questions, and the overall balance is given a proper rating, but there are some things that I cannot understand because the contents are black boxes or complicated. In particular, the individual ratings of E, S, and G are not linked to the overall ESG evaluation.</p>
1.4 Definitions, standards and labels for sustainable financial assets and financial products		
Q22	<p>The TEG has recommended that verifiers of EU Green Bonds (green bonds using the EU GBS) should be subject to an accreditation or authorisation and supervision regime. Do you agree that verifiers of EU Green Bonds should be subject to some form of accreditation or authorisation and supervision ?</p> <p>§ Yes, at European level</p> <p>§ Yes, at a national level</p> <p>§ No</p> <p>§ Do not know</p> <p>§ If necessary, please explain the reasons for your answer [BOX 2000 characters]</p>	<p>"No"</p> <p>In the case of current green/social bond market, there are only several research firms that can provide second-party opinions.</p> <p>Is it really the stage for regulation? From a field perspective, it is still time to create opportunities for second party opinion providers to enter the market.</p> <p>We believe that market mechanisms should determine which second opinion providers remain.</p>

# Discussion result for selected questions (3)

Q23	<p>Should any action the Commission takes on verifiers of EU Green Bonds be linked to any potential future action to regulate the market for third-party service providers on sustainability data, ratings and research?</p> <p>§ Yes / No / Do not know</p> <p>§ If necessary, please specify the reasons for your answer [BOX 2000 characters]</p>	<p>"No"</p> <p>Credit ratings should be provided by private companies. From Japan's experience, it is better to avoid regulating data service providers, as regulation reduces the diversity and quality of data provided.</p>
Q25	<p>In those cases where a prospectus has to be published, do you believe that requiring the disclosure of specific information on green bonds in the prospectus, which is a single binding document, would improve the consistency and comparability of information for such instruments and help fight greenwashing?</p> <p>§ Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree)</p> <p>§ If necessary, please specify the reasons for your answer [BOX, 2000 characters]</p>	<p>"Yes"</p> <p>Currently, the location of green/social bond related information varies from company to company. From the user's point of view, it is very difficult to use. In order to standardize the comparability of plants and locations, it is desirable to include them in the prospectus.</p>
Q29	<p>Should the EU establish a label for investment funds (e.g. ESG funds or green funds aimed at professional investors)?</p> <p>§ Yes/No/Do not know.</p> <p>§ If necessary, please explain your answer [BOX, 2000 characters]</p> <p>§ If yes, regarding green funds aimed at professional investors, should this be in the context of the EU Ecolabel?</p>	<p>"Yes"</p> <p>Because it may be tied to disclosure, investment funds are not general investors, so maybe they can protect themselves from the greenwash, so they might not think that the government-made label is necessary. However, if it is tied to enhanced disclosure, it must be useful.</p>
Q32	<p>Several initiatives are currently ongoing in relation to energy-efficient mortgages<sup>6</sup> and green loans more broadly. Should the EU develop standards or labels for these types of products?</p> <p>§ Yes/No/Do not know.</p> <p>§ If yes, please select all that apply:</p> <ul style="list-style-type: none"> <li>- a broad standard or label for sustainable mortgages and loans (including social and environmental considerations);</li> <li>- a standard or label for green (environmental and climate) mortgages and loans;</li> <li>- a narrow standard or label only for energy-efficient mortgages and loans for the renovation of a residential immovable property;</li> <li>- other: please specify what type of standard or label on sustainability in the loan market you would like to see [BOX, 2000 characters]</li> </ul>	<p>"Yes"</p> <p>Maybe introducing labels would be a benefit for individuals who need mortgages, etc.</p>
1.5 Capital markets infrastructure		
Q36	<p>In your opinion, should the EU foster the development of a sustainable finance-oriented exchange or trading segments that caters specifically to trading in sustainable finance securities and is better aligned with the needs of issuers?</p> <p>§ Yes/No/Do not know.</p> <p>§ If necessary, please explain the reasons for your answer. [BOX max. 2000 characters]</p>	<p>No or Do not know</p> <p>If the exchange can offer enough liquidity, it should be meaningful; however, if the players are limited and there is not enough liquidity inflow into the exchange, we would not be able to expect fair pricing..</p>

# Discussion result for selected questions (4)

1.6 Corporate governance, long-termism and investor engagement		
Q40	<p>In your view, should there be a mandatory share of variable remuneration linked to non-financial performance for corporates and financial institutions?</p> <p>§ Yes/No/Do not know.</p> <p>§ If yes, please indicate what share. [box 2000 characters]</p>	<p>Do not know</p> <p>Remuneration structure should be different between each issuer and it should be left for each issuer and the management. Some companies have already introduces, while others could set their standard by themselves.</p>
Q44	<p>Do you think that EU action is necessary to allow investors to vote on a company's environmental and social strategies or performance?</p> <p>§ Yes/No/Do not know.</p> <p>§ If yes, please explain. [BOX max. 2000 characters]</p> <p>Questions have been raised about whether passive index investing could lower the incentives to participate in corporate governance matters or engage with companies regarding their long term strategies.</p>	<p>"Yes"</p> <p>Should be to enhance the effectiveness of shareholder proposals. In some cases, even if it is passed at the AGM, it is not actually reflected to their management.</p> <p>In addition, it is necessary to properly classify micro management and non-micro management. Otherwise, there may be too many meaningless bills to make proper decisions.</p>
Q45	<p>Do you think that passive index investing, if it does not take into account ESG factors, could have an impact on the interests of long-term shareholders?</p> <p>§ Yes/No/Do not know.</p> <p>§ If no, please explain the reasons for your answer if necessary. [BOX max. 2000 characters]</p> <p>§ If yes, in your view, what do you think this impact is, do you think that the EU should address it and how? [box max. 2000 characters]</p>	<p>"Yes"</p> <p>Depending on the degree of influence of the index, the index may request disclosure of ESG from constituent companies or require certain efforts.</p>
2. INCREASING OPPORTUNITIES FOR CITIZENS, FINANCIAL INSTITUTIONS AND CORPORATES TO ENHANCE SUSTAINABILITY		
2.1 Mobilising retail investors and citizens		
Q49	<p>In order to ensure that retail investors are asked about their sustainability preferences in a simple, adequate and sufficiently granular way, would detailed guidance for financial advisers be useful when they ask questions to retail investors seeking financial advice?</p> <p>§ Yes/No/Do not know.</p> <p>§ If necessary, please provide an explanation of your answer. [box max. 2000 characters]</p>	<p>"No"</p> <p>It is hard to think that there is a boundary between sustainability issues and other management issues, so it may not be necessary to take more requests to financial advisors .</p>

# Discussion result for selected questions (5)

2.3 Green securitisation		
2.4 Digital sustainable finance		
2.5 Project Pipeline		
Q65	<p>In your view, do you consider that the EU should take further action in:</p> <ul style="list-style-type: none"> <li>§ Bringing more financial engineering to sustainable R&amp;I projects? Yes/No</li> <li>§ Assisting the development of R&amp;I projects to reach investment-ready stages, with volumes, scales, and risk-return profiles that interest investors (i.e. ready and bankable projects that private investors can easily identify)? Yes/No</li> <li>§ Better identifying areas in R&amp;I where public intervention is critical to crowd in private funding? Yes/No</li> <li>§ Ensuring alignment and synergies between Horizon Europe and other EU programmes/funds? Yes/No</li> <li>§ Conducting more research to address the high risks associated with sustainable R&amp;I investment (e.g. policy frameworks and market conditions)? Yes/No</li> <li>§ Identifying and coordinating R&amp;I efforts taking place at EU, national and international levels to maximise value and avoid duplication? Yes/No</li> <li>§ Facilitating sharing of information and experience regarding successful low-carbon business models, research gaps and innovative solutions? Yes/No</li> <li>§ Increasing the capacity of EU entrepreneurs and SMEs to innovate and take risks? Yes/No</li> </ul>	<p>Public support to important players and industries should be meaningful, however, such players, who can only survive with public support should not be sustainable in the long-term. If we aim to foster the industry in a sustainable manner, we should focus on long-term strategy.</p>
2.6 Incentives to scale up sustainable investments		
2.7 The use of sustainable finance tools and frameworks by public authorities		
Q70	<p>In your view, is the EU Taxonomy, as currently set out in the report of the Technical Expert Group on Sustainable Finance, suitable for use by the public sector, for example in order to classify and report on green expenditures?</p> <ul style="list-style-type: none"> <li>§ Yes – please explain which public authority could use it, how and for what purposes. [Box max. 2000 characters]</li> <li>§ Yes, but only partially – please explain which public authority could use it, how and for what purposes, as well as the changes that would be required to make it fit for purpose. [Box max. 2000 characters]</li> <li>§ No – please explain why you consider that it is not suitable for use by public authorities, and how those reasons could be best addressed in your view. [Box max. 2000 characters]</li> <li>§ Do not know.</li> </ul>	<p>We understand EU taxonomy could be revised continuously, then are not sure if such standard is suitable for public authority's decision making process.</p>
Q71	<p>In particular, is the EU Taxonomy, as currently set out in the report of the Technical Expert Group on Sustainable Finance, suitable for use by the public sector in the area of green public procurement?</p> <ul style="list-style-type: none"> <li>§ Yes/Yes, but only partially/No /Do not know</li> <li>§ If no or yes, but only partially, please explain why and how those reasons could be best addressed. [BOX max. 2000 characters]</li> </ul>	<p>"Yes"</p> <p>The taxonomy is suitable for public use at high level. And, if the public sector takes the lead in using the taxonomy, it will spread and the next revision will be easier.</p>



# Discussion result for selected questions (6)

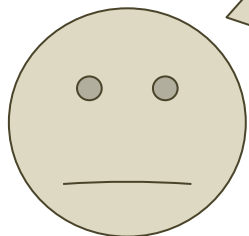
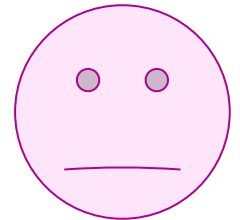
2.8 Promoting intra-EU cross-border sustainable investments	
2.9 EU Investment Protection Framework	
2.10 Promoting sustainable finance globally	
Q78	<p>In your view, what are the main barriers private investors face when financing sustainable projects and activities in emerging markets and/or developing economies? Please select all that apply.</p> <ul style="list-style-type: none"> <li>§ Lack of internationally comparable sustainable finance frameworks (standards, taxonomies, disclosure, etc.);</li> <li>§ Lack of clearly identifiable sustainable projects on the ground;</li> <li>§ Excessive (perceived or real) investment risk;</li> <li>§ Difficulties to measure sustainable project achievements over time;</li> <li>§ Other, please specify [BOX max. 2000 characters].</li> </ul>
	<p>“Other”</p> <p>In some countries, there are too few opportunities to invest in emerging economies. The situation is the same in Japan. Therefore, it is important to increase the number of investment projects and information on projects. Japan should increase investment opportunities in Southeast Asia.</p>
3. REDUCING AND MANAGING CLIMATE AND ENVIRONMENTAL RISKS	
3.1 Identifying exposures to harmful activities and assets and disincentivising environmentally harmful investments	
Q82	<p>In particular, do you think that existing actions need to be complemented by the development of a taxonomy for economic activities that are most exposed to the transition due to their current negative environmental impacts (the so-called “brown taxonomy”) at EU level, in line with the review clause of the political agreement on the Taxonomy Regulation?</p> <ul style="list-style-type: none"> <li>§ Yes/No/Do not know.</li> <li>§ If no, please explain why you disagree [BOX max. 2000 characters]</li> <li>§ If yes, what would be the purpose of such a brown taxonomy? (select all that apply) <ul style="list-style-type: none"> <li>o Help supervisors to identify and manage climate and environmental risks.</li> <li>o Create new prudential tools, such as for exposures to carbon-intensive industries.</li> <li>o Make it easier for investors and financial institutions to voluntarily lower their exposure to these activities.</li> <li>o Identify and stop environmentally harmful subsidies.</li> <li>o Other, please specify. [box max. 2000 characters]</li> </ul> </li> </ul>
	<p>Do not know.”</p> <p>When developing a Brown taxonomy, companies and businesses designated by Brown need to articulate the transition path.</p> <p>If each country is dubious about the feasibility of the target and measures taken by each country are not in place, it could end up as a bashing of specific companies.</p> <p>Will this really happen? Why don't we give up halfway?</p> <p>Are you prepared to implement an operation for that?</p> <p>If we can clear everything, it might be effective.</p>
3.2 Financial stability risk	
Q87	<p>Beyond prudential regulation, do you consider that the EU should take further action to mobilise insurance companies to finance the transition and manage climate and environmental risks?</p> <ul style="list-style-type: none"> <li>§ Yes/No/Do not know.</li> <li>§ If yes, please specify which actions would be relevant. [BOX max. 2000 characters]</li> </ul>
	<p>No</p> <p>Because this has a risk</p>
Q88	<p>Do you consider that there is a need to incorporate ESG risks into prudential regulation in a more effective and faster manner, while ensuring a level-playing field?</p> <ul style="list-style-type: none"> <li>· Yes/No/Do not know.</li> <li>· If yes, is there any category of assets that could warrant a more risk-sensitive treatment? Are there any other prudential measures that could help promoting in a prudentially sound way the role of the EU banking sector in funding the transition to a more sustainable economy? [box max. 2000 characters]</li> </ul>
	<p>same above</p>

# Opinions Better disclosure, and let the market make decisions



I think there are a lot of things that are based on the investors' logic. When I was talking to an environmental protection organisation, they tell me that **"investors should put more pressure on the company, leveraging your voting rights"**. I am concerned about such opinions. Institutional investors' main role should be different.

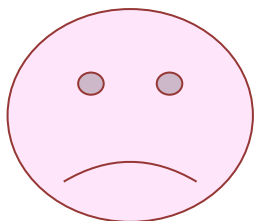
Basically, the investors should be able to establish their investment philosophy freely as a result, there should be lots of diversified views in the market. I feel that the whole flow of this EU consultation is like "Regulate investors, anyway". I'm wondering if this is really the way to go... **I think that there should be more diversified ways to achieve our goal Paris Agreement**, through the more flexible method, including the answer to the question of whether EU regulates information (index, rating ) vendors.



I felt that the matter is **"who should take leadership: the market or regulation"**. Originally, investors need to act freely in the market, as a result, *if it is needed one must take leadership*. And those who receive investment provide information as much as possible. It is important to improve transparency and maintain necessary disclosures in this area, but I find it difficult to specify what is "green" and what is "brown".  
Of course, on the other hand, if it is left to the market economy alone, it may be true that the emerging markets are hard to afford. However, if there is risk and uncertain return, and if you forcibly induce funds there, I think that it will be charitable aid or donation or subsidy rather than investment. **Investors (should be) are responsible for managing risk.**

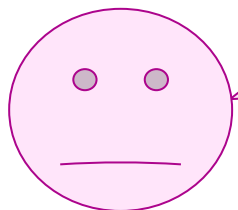
**It is desirable to have sufficient information disclosure so that investors can invest sustainably.**

# Opinions Cont. We understand responsibility and Climate Change



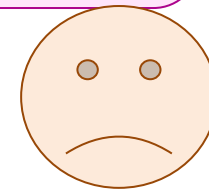
Financial institutions have a fiduciary duty. It is unclear who should take final responsibility and there seems to be too much burden and expectation for institutional investors, which seems out of balance. **I understand investors should take more responsibility, of course, and I'm willing to do so as much as possible. But there are lots of things going on through the pandemic, other issues also come up whether we should spend more time and money into it.**

I think that **we have to have a threshold for whether or not such requirement is relevant with our fiduciary duty.** In Q40 and Q44, there were questions as to whether a certain part of remuneration should be linked to non-financial performance. I, as a shareholder, personally think such remuneration might be reasonable for some companies. Individual investors may have a similar opinion; however, institutional investors are doing business for our clients, asset owners. We have to consider whether non-financial performance will have a beneficial effect on corporate value for each company.



There is a discussion in the US revision of ERISA, which is trying to make it clear **that ESG consideration should not be confused with financial performance.** It is necessary to discuss how to consider fiduciary duty when we integrate ESG. Of course, some people say that it is better to give priority to consideration of ESG, while others say that we need to focus on financial performance first, and ESG would contribute to the performance through the integration.

The ESG index is still disorganised, and the methodologies of each are so different that it may take some time before investors can see and use only the score like bond ratings. Until then, it seems that the mainstream method will be for each investor to score something close to raw data with their own methodology.



**ESG is the method to improve returns, It means that something to improve return is ESG..**

# Engineer of the Hydrogen vehicle and Sustainable Finance

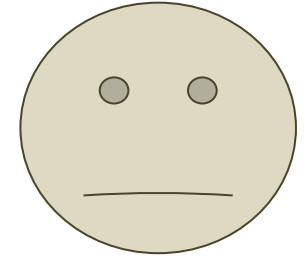
Most cars must be EVs or fuel cell vehicles to meet the 2050 target set out now. This is similar to the fact that air pollution became a problem in the 1970s, regulations were introduced, and Japanese manufacturers quickly responded, resulting in increased market share in the US.

**1970s, they were able to solve the problem by improving the fuel efficiency, the automobile engine and adding a catalyst, but now the power train is changing from liquid fuel to electricity.**

Speaking of fuel cells (FC), Japan had the largest number of hydrogen stations until recently, but the number of cars per station is the smallest. Since FC cars do not come so often, so the profit of the station does not increase. There is a certain chicken and egg problem.

Regarding hydrogen, there are some cases where CCS is used or renewable energy hydrogen, but the problem is that whether hydrogen will be the mainstream or not, and whether demand will be increasing even if we have the technology. Financing is extremely difficult.

**What can you do if you made a huge investment in FC but EV wins?** Even if you invest from a so-called long-term perspective, you don't know if that is really the right way to go. After all, if one day the regulator said that you need to give up because of challenges, it would become a risk that everyone who invested in hydrogen will not be able to recover from. **It may be important to create an environment in which investors can feel secure, such as a secure hydrogen promotion plan by the government.**



**If there is a risk, the market will hesitate to invest. Then, we think about what the problem is in the market as a whole, and if we can find a solution, we can invest. This mechanism is actually important.**

# Message

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- There are a lot of rating agencies of the environment (ESG) right now, but there were also a lot of financial ratings in the past. And it would take time to produce a good one that is usable, but something good could survive. Therefore, I think **that if the regulator tries to control too much, it might reduce the appeal of the market and the appeal of the product.**
- CO2 has continued to increase even after the adoption of the Paris Agreement, and CO2 has been decreasing only in the past during the global financial crisis of Lehman Brothers. If we really want to achieve reduced emissions: use nuclear power, or introduce hydrogen at a high cost, stop airplane use (or replace with biofuels), and continue what's happening under COVID-19 now. Renewable energy is important and we should work toward that, but do the people really think that 2050 zero emissions can be achieved? **Without a realistic plan, it may be impossible to make an investment decision.**
- Basically, the investor should choose the companies which will have the best performance in the given environment and invest. While **it is easy for investors to predict the value of their investment if there is a scientific prediction about the future direction**, it is difficult to bet on the direction of political decisions. In any case, if various people make predictions and invest in different technologies and projects, a certain direction will naturally come out.
- If a realistic plan and **high transparency are realised, investment should naturally go where it should be. This is what we want the EU to take leadership with!**