

IN-DEPTH

# **Sustainable Finance Law**

**JAPAN**

LEXOLOGY



# Sustainable Finance Law

EDITION 3

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In-Depth: Sustainable Finance Law (formerly The Sustainable Finance Law Review) provides a practical global overview of the current state of sustainable finance and related regulatory efforts across multiple jurisdictions. It also tracks the evolution of sustainable finance and outlines key trends for the near future. Topics examined include sustainable disclosure requirements and taxonomies, sustainable finance instruments and incentives, and much more.

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# Japan

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## Introduction

The Japanese sustainable finance market is not an exception in the context of the rapid growth observed in the global sustainability finance market.

Since 2014, when the first green bonds were issued by a Japanese company,<sup>[1]</sup> the number of issuances of green bonds deals has increased steadily and reached 125 per year in 2023, and the total value thereof was recorded to be approximately ¥3,056 billion.<sup>[2]</sup> Similarly, it was in 2015 when the first sustainability bonds were issued by a Japanese company, and the number of issuances of sustainability bonds deals increased steadily, reaching 43 per year in 2023 (the total value of sustainability bonds issued in 2023 was approximately ¥970 billion).<sup>[3]</sup>

Sustainability-linked bonds are rather new in the Japanese market, and it was only in 2020 when the first sustainability-linked bonds were issued in Japan. However, both the number of deals and the issuance values have grown rapidly, reaching 25 per year in 2023 (the total value of sustainability-linked bonds issued in 2023 was approximately ¥460 billion).<sup>[4]</sup>

The first green loan was introduced in the Japanese market in 2017. Although the green loan market is rather small compared to the green bond market, in terms of the value, the market has steadily expanded. In 2023, 250 green loan deals with a total value in excess of approximately ¥947 billion were announced.<sup>[5]</sup>

It was in 2019 when the first sustainability-linked loans were introduced in the Japanese market. In 2023, the number of deals involving sustainability-linked loans reached 667, and the total value of such loans exceeded approximately ¥711 billion.<sup>[6][7]</sup>

As for social finance, the number of deals involving social bonds was announced to be 117 in 2023, and the total value of such social bonds issued in 2023 was approximately ¥2,841 billion.<sup>[8]</sup> No statistical data about social loans is available.

At the same time, the framework of sustainable finance is rapidly developing in Japan. While there is no specific legislation that sustainable finance market players are required to comply with, these players have been voluntarily complying with the guidelines issued by governmental bodies, such as the Ministry of Environment (MOE), the Financial Services Agency (FSA) and the Ministry of Economy, Trade and Industry (METI). The Japanese guidelines are designed to follow the internationally recognised sustainability finance principles released by the International Capital Market Association (ICMA) and the Loan Market Association (LMA), and they have been updated periodically. That is to say, whenever the principles that the Japanese guidelines are based on have been updated. In this regard, the guidelines do not have penalty provisions that are applicable to a case where, for example, an issuer issues certain bonds without complying with the relevant guidelines. The guidelines do not work as hard law, but rather as soft law, and they are respected by the sustainable finance market players.

## Year in review

Between 2023 and 2024, there have been various developments in connection with sustainable finance in Japan.

### Enactment of the Act Concerning the Promotion of a Smooth Transition to a Decarbonized Economic Structure (GX Promotion Act)

On 12 May 2023, the Act Concerning the Promotion of a Smooth Transition to a Decarbonized Economic Structure (the GX Promotion Act) was enacted. This Act is designated to implement part of the Basic Policy for the Realisation of GX (Green Transformation) approved by the Cabinet on 10 February 2023. In the Basic Policy, the government announced that it would promote primarily the following two initiatives in addition to addressing climate change in order to simultaneously ensure the stable supply of energy and achieve economic growth: (1) promotion of decarbonisation initiatives towards GX, such as switching to decarbonised energy sources that contribute to improving the self-sufficiency rates of energy, such as renewable energy and nuclear power, in order to ensure a stable energy supply in addition to thorough improvement of energy efficiency; and (2) realisation of the 'Pro-Growth Carbon Pricing Concept', which includes bold advance investment support using 'GX Economy Transition Bonds', incentives for GX investment through carbon pricing and utilisation of new financial instruments. The first GX Economy Transition Bonds were issued in February 2024. Under the GX Promotion Act, the government will issue GX Economy Transition Bonds up to ¥20 trillion in the next 10 years. For the carbon markets and carbon trading system, see 'Carbon markets and carbon trading' section.

### Exposure drafts of sustainability disclosure standards announced by the Sustainability Standards Board of Japan

In March 2024, the Sustainability Standards Board of Japan announced exposure drafts of the sustainability disclosure standards based on the international financial reporting standards (IFRS) sustainability disclosure standards. The standards are expected to be finalised by the end of March 2025. For details of this development, see 'Sustainable disclosure requirements and taxonomy' section.

## Regulation and policy

### Governance regime

Japan had promoted various initiatives on carbon neutrality even before the Paris Agreement came into effect. For instance, in July 2015, Japan submitted to the United Nations Framework Convention on Climate Change Secretariat its nationally determined contribution target to reduce greenhouse gas emissions in 2030 by 26 per cent from 2013 levels. To further accelerate these efforts after the entry into force of the Paris Agreement, then Prime Minister Yoshihide Suga declared in his policy speech in October 2020 that Japan will aim for carbon neutrality by 2050. Under the Suga administration, domestic efforts to decarbonise have made rapid progress, with the announcement of an ambitious

goal of a 46 per cent reduction in greenhouse gas emissions by 2030 (compared to 2013 levels), which is consistent with the goal of carbon neutrality by 2050.

Under the Kishida administration, decarbonisation continues to be an important policy issue for Japan. In Prime Minister Fumio Kishida's policy speech in December 2021, he stated: 'We will forge our clean energy strategy by grasping both the supply and the demand sides in an integrated manner, including innovations and capital investments not only in energy supply but also on the demand side.'

In terms of the sustainable development goals (SDGs), generally speaking, after the adoption of the SDGs by the UN Sustainable Development Summit held in September 2015, the Japanese government established the SDGs Promotion Headquarters in May 2016, which is headed by the Prime Minister, to effectively achieve the SDGs. In December 2016, the SDGs Implementation Guiding Principles were established. The Principles, revised in December 2019, are part of a mid- to long-term national strategy for achieving the SDGs in Japan and internationally by 2030.

## Regulators

Sustainable finance policies in Japan involve a variety of organisations, including ministries, government agencies and private sectors. Here, we introduce some of the most important organisations and list the main frameworks, principles, documents and policies in relation to sustainable finance that they have developed.

The FSA developed:

1. the Stewardship Code (2014, revised in 2017 and 2020);
2. the Corporate Governance Code (2015, revised in 2018 and 2021);
3. the Social Bond Guidelines (2021); and
4. the Basic Guidelines on Climate Transition Finance (2021, jointly with METI and MOE).

The MOE developed:

1. the Green Bond and Sustainability-Linked Bond Guidelines (2017, revised in 2020, 2022 and 2024);
2. the Green Loan and Sustainability-Linked Loan Guidelines (2020, revised in 2022 and 2024);
3. the Basic Concept of Impact Finance (2020); and
4. the Green Impact Assessment Guide (2021).

The METI developed:

1. the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation (2017, revised in 2022);
2. the Guide for SDG Business Management (2019);

3. the Climate Innovation Finance Strategy (2020); and
4. roadmaps of transition finance for each industrial sector.

The Tokyo Stock Exchange developed:

1. the Corporate Governance Code (2015, revised in 2018 and 2021); and
2. the Practical Handbook for ESG Disclosure (2020).

Other than the above, the Ministry of Land, Infrastructure, Transport and Tourism has outlined roadmaps on transition finance focusing on the transportation industrial field. In addition, various industrial associations, such as the Japan Securities Dealers Association and Japanese Bankers Association, have compiled various proposals and reports in relation to bonds and loans, respectively.

## Sustainable finance instruments

### Types of sustainable finance instruments

In Japan, instruments of sustainable finance have been constantly developed in accordance with the study and practice of other markets. There are several types of environment-related financing instruments, as follows. Green finance is used to finance green projects (projects related to renewable energy, energy conservation, clean transportation, etc.); sustainability finance, funds of which are used for both green projects and social projects, is used to finance sustainability projects; and sustainability-linked finance, which encourages the realisation of ambitious sustainability performance targets (SPTs) in light of the fact that financial or structural characteristics, or both, can vary depending on whether the issuer achieves the SPTs. In addition to these, a new category called transition finance has emerged in recent years to promote financing for steady low-carbon initiatives, such as energy conservation in sectors where greenhouse gas emissions are difficult to reduce, and for transition initiatives, such as long-term research and development of decarbonisation. There is also growing interest in blue finance, which uses funds for a specific purpose that involves the aquatic environment, such as preventing marine pollution and protecting marine resources. From a social-related perspective, social finance is used to finance social projects (projects related to infrastructure development, childcare and nursing care support, employment and the health of employees, etc.).

These types of financing mainly take two forms: one is to raise funds from capital markets by issuing bonds, and the other is to raise funds through loans from financial institutions (mainly banks). In addition to bonds, there can also be equity finance in the form of stocks and other securities.

However, these types may overlap, which makes them difficult to categorise. Therefore, in Japan, as described in the next section, principles and guidelines have been developed based on international principles and guidelines, and the requirements for each type of financing and its relationship with the other types of financing have been organised.

Taking the relatively new transition finance as an example, the Basic Guidelines on Climate Transition Finance labels three categories of financial instruments as transition finance:

1. financial instruments (bonds or loans) that meet the four elements<sup>[9]</sup> of disclosure recommended in the Climate Transition Finance Handbook by ICMA and the proceeds of which shall be used for specific purposes (when the proceeds are not used for green projects but the process follows the existing principles and guidelines);
2. financial instruments (bonds or loans) that meet the four elements, set targets in line with the transition strategy and change their financial or structural characteristics, or both, depending on the achievement of predefined targets, and the proceeds of which can be used for general corporate purposes; and
3. financial instruments that meet the four elements and follow the existing Green Bond Principles and the Green Bond Guidelines (when the proceeds are used for green projects).

The guidelines also noted that regardless of (a) to (c) above, financial instruments that fulfil the four elements of transition finance may be recognised as transition finance.

## Principles and guidelines

There is no legislation in Japan that defines the criteria and requirements for specific types of green finance, social finance, sustainability finance, sustainability-linked finance or transition finance. However, the following principles and guidelines have been developed by relevant Japanese ministries in accordance with international ones for reference in arranging such financing.

### Contrast chart in respect of bonds

Type of bond	ICMA	Japan
Green bond	Green Bond Principles	Green Bond Guidelines
Social bond	Social Bond Principles	Social Bond Guidelines
Sustainability bond	Sustainability Bond Guidelines	Green Bond Guidelines <sup>[10]</sup> and Social Bond Guidelines <sup>[11]</sup>
Sustainability - linked bond	Sustainability - Linked Bond Principles	Sustainability - Linked Bond Guidelines
Transition bond	Climate Transition Finance Handbook	Basic Guidelines on Climate Transition Finance

### Contrast chart in respect of loans

Type of loan	LMA and others	Japan
Green loan	Green Loan Principles	Green Loan Guidelines



Social loan	Social Loan Principles	–
Sustainability loan	–	–
Sustainability - linked loan	Sustainability - Linked Loan Principles	Sustainability - Linked Loan Guidelines
Transition loan	–	Basic Guidelines on Climate Transition Finance <sup>[12]</sup>

Each of the principles and guidelines provide four or five core components. The core components that the principles and guidelines for green, social and sustainability finance have in common are 'use of proceeds', 'process for project evaluation and selection', 'management of proceeds' and 'reporting'. The reporting component is also a core component of sustainability-linked finance; however, as proceeds of sustainability-linked finance can be used for general purposes, use of proceeds is not one of its core components. Rather, as sustainability-linked finance is a financial instrument for which the financial or structural characteristics, or both, can vary depending on whether the issuer achieves predefined sustainability targets, 'selection of key performance indicators', 'calibration of sustainability performance targets', 'bond/loan characteristics' and 'verification' are provided as key components in the principles and guidelines.

It is noteworthy that in 2022 the Green Bond Guidelines and Green Loan Guidelines introduced viewpoints in judging whether a certain project has a clear improving effect on the environment. After intensive discussions at the Working Group on the Green List, which was established by the Committee on Green Finance at MOE in July 2023, the Working Group submitted a proposal to update the Green List in Annex 1 of the Green Bond Guidelines and Green Loan Guidelines and this update was released in March 2024.

In addition, the content of the Green Bond Guidelines, the Green Loan Guidelines, the Sustainability-Linked Bond Guidelines and the Sustainability-Linked Loan Guidelines were revised to reflect the updates in the relevant international principles and guidelines and were released in November 2024. The new Sustainability-Linked Loan Guidelines added that 'Sustainability-Linked Loan Frameworks' developed by financial institutions as frameworks for financial instruments, loans under which make up approximately 70 per cent of sustainability-linked loans in the Japanese market in 2023, should comply with the international principles and the domestic guidelines; and the KPIs should be something related to the borrowers' main business and should not include charity works or public awareness activities.

These principles and guidelines are not legal norms; therefore, no legal penalties will be imposed if, for instance, financing labelled as a green bond does not meet some of the elements of the Green Bond Principles by ICMA and the Green Bond Guidelines by MOE. However, the main purpose of these principles and guidelines is to ensure the market's confidence in these types of financing by acting as a check against bonds and loans that may be traded for 'greenwashing' purposes, which are bonds and loans that may be perceived as being green despite having no environmental benefits. Since the goal is to ensure confidence in financing and to attract sufficient funds from the market, market players voluntarily originate bonds and loans in compliance with these principles and guidelines, and it has become common practice to do so in Japan.

## Sustainable disclosure requirements and taxonomy

### Disclosure by companies

In Japan, under the Financial Instruments and Exchange Act (FIEA), listed companies and certain other companies generally must file annual securities reports with the local finance bureau within three months of the end of each fiscal year. These reporting companies must include the disclosure of sustainability information in their annual securities reports. The sustainability section comprises four elements: governance, strategies, risk management, and metrics and targets that are based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD) and the sustainability disclosure standards of the International Sustainability Standards Board (ISSB). The disclosure rules provide that the disclosure of strategies and metrics and targets should be required only if the relevant reporting company has determined that they are material, while governance and risk management should be disclosed by all reporting companies. Among various sustainability issues, for climate change, the disclosure rules under the FIEA provide no specific disclosure standard, but the Sustainability Standards Board of Japan is currently developing the sustainability disclosure standards based on the ISSB disclosure standards. A working group in the FSA is currently discussing that the sustainability disclosure standards to be established by the Sustainability Standards Board of Japan will be incorporated into the disclosure rules under the FIEA in the future. For human capital and diversity, the disclosure rules under the FIEA provide for disclosure of human resource development policies, policies on improving the workplace environment, information about the gender pay gap, the ratio of women in managerial positions and the ratio of male workers taking childcare leave.

In addition, the Tokyo Stock Exchange provides the Corporate Governance Code. The Code adopts a principle-based approach, under which each listed company is to substantively interpret and apply the Code according to its own circumstances without being limited by the text of the Code itself. The Code provides that companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. In particular, the Code provides that companies listed on the Prime Market should collect and analyse the necessary data on 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 or an equivalent framework that includes the ISSB disclosure standards.

### Disclosure by investors

In contrast to these corporate-level disclosures, legal requirements for the disclosure of sustainability information by asset managers or asset owners, or on an investment product basis, have not been introduced yet in Japan; however, the following initiatives are being developed.

In terms of disclosure by investors, the Stewardship Code of Japan addresses sustainability considerations, including that institutional investors should clearly specify

how they take the issues of sustainability into consideration in their stewardship policy, corresponding to their investment management strategies. Further, in August 2024, the Cabinet Secretariat established Asset Owner Principles. The Principles clarify that asset owners may make sustainability investments that contribute to the sustainable growth of the investee companies, if necessary, in light of their stakeholders' views and their own investment purposes; for example, asset owners may require entrusted financial institutions to incorporate sustainability considerations into their investments, formulate a sustainability investment policy and sign the Principles for Responsible Investment (PRI).

For ESG mutual trusts, the FSA's Guidelines for Supervision of Financial Instruments Business Operators set out the points that the FSA considers for the supervision – such as the scope of ESG mutual trusts, appropriate disclosures regarding ESG mutual trusts and establishment of organisational structure – by asset managers.

## Taxonomy

A taxonomy for sustainability and ESG has not been introduced in Japan.

# ESG data, ratings and reporting

## Reporting by companies

As discussed in the 'Sustainable disclosure requirements and taxonomy' section, the disclosure rules under the FIEA provide that strategies and metrics and targets with respect to sustainability are only required to be disclosed in annual securities reports if the relevant reporting company has determined that they are material. There is no legal requirement to disclose information on greenhouse gas emissions in annual securities reports; however, the FSA expects that reporting companies will proactively disclose information on Scope 1 and 2 greenhouse gas emissions, considering the materiality of the information based on the relevant companies' business models and business environment. While this expectation on the part of the FSA does not include Scope 3 greenhouse gas emissions, there was discussion by the members of the disclosure working group to the effect that information on Scope 3 greenhouse gas emissions is useful.

The Act on Promotion of Global Warming Countermeasures requires certain business operators that produce considerably high greenhouse gas emissions to report to the government information on Scope 1 and 2 greenhouse gas emissions, and the government publishes the information annually. This measure is not for the purpose of disclosure to investors but is a regulatory purpose for global warming countermeasures.

## ESG evaluation and data providers

Recently, the role of ESG evaluation and data providers has been increasingly important based on the expansion of sustainable finance. The providers' evaluations and data are used for, among other things, decisions on investment in securities by institutional investors, creation of ESG indices and engagement with companies. In December 2022,

the FSA published a Code of Conduct for ESG Evaluation and Data Providers. The Code addresses issues regarding ESG evaluation and data providers, such as transparency of evaluations and potential conflicts of interest. The Code does not constitute laws or regulations that uniformly require all ESG evaluation and data providers to comply with the Code, but rather is designed to be a voluntary code on a principle basis, where the FSA calls for providers to express their support for the Code, and the providers that support the Code either comply with the Code or explain the reasons for their non-compliance with a particular item. The Code sets forth principles, guidelines and concepts with respect to various matters, such as securing the quality of the service of ESG evaluation and data provision; managing independence and conflicts of interest; and ensuring transparency of methodologies and processes for the evaluation.

## Sustainable finance incentives

The government offers various kinds of incentives to promote sustainable finance.

### Financial incentives for costs for second-party opinions of sustainable finance issuers

MOE and METI, through their outside executive body, provide subsidies to rating agencies that provide second-party opinions to sustainable finance issuers, or to consulting firms that provide various consulting services for green finance. By the government's provision of the aforementioned subsidies, companies that intend to raise funds through sustainable finance are relieved of the burden of costs for the second-party opinions required under the relevant principles and guidelines. These financial incentives are intended to make it easier for the companies to utilise sustainable finance instruments.

### Transition finance interest subsidy

METI has offered an interest subsidy project for transition loan borrowers since 2021. The borrowers are required to:

1. obtain certification by an outside rating agency that the transition loan satisfies both the Basic Guidelines on Climate Transition Finance and the Sustainability-Linked Loan Guidelines; and
2. apply for and obtain certification of their plan from the certified government ministry.

METI will offer the interest subsidy in relation to approximately ¥1 trillion in loans in total, for a period of three years.

### Development of roadmaps for promoting transition finance

METI developed a roadmap to provide a concrete direction for the transition towards achieving carbon neutrality in 2050 for greenhouse gas-intensive industries. METI has released roadmaps for eight industrial sectors. In other industrial sectors, such as

the international shipping, domestic marine transport and aviation sectors, there are roadmaps and other documents, issued by the Ministry of Land, Infrastructure, Transport and Tourism, which indicate technologies and directions toward carbon neutrality that can be used or followed for transition finance.

It is assumed that companies will refer to the roadmap when considering climate change measures using transition finance. The roadmap is expected to assist financial institutions in determining whether a company's strategies and initiatives towards carbon neutrality qualify for transition finance when the company raises funds.

## Carbon markets and carbon trading

In February 2023, the Japanese government announced the introduction of an emissions trading system under its basic policy for the realisation of Green Transformation to achieve its goal of carbon neutrality by 2050. The full-scale operation of the emissions trading system is scheduled to begin in fiscal year 2026, and in connection with this, the Tokyo Stock Exchange established a carbon credit market in October 2023. Currently, the only item eligible for trading in the carbon credit market is J-Credits, which are administered by the Japanese government.

## Green technology

### Green innovation fund

Towards the goal of achieving carbon neutrality by 2050, it is necessary to make structural changes in the energy and industrial sectors and to invest in green innovation. In 2021, METI established the green innovation fund, a ¥2 trillion fund, as part of the New Energy and Industrial Technology Development Organisation. The green innovation fund supports, for 10 years, companies and other organisations that will implement projects that are aimed at realising ambitious 2030 targets (performance, amount of installation, price, CO2 reduction rate, etc.) in the priority fields for the government's green growth strategies. The priority fields include offshore wind power, solar power, geothermal power, hydrogen, and fuel ammonia. The eligible project must include innovative and fundamental R&D elements that are worthy of being commissioned by the government.

The green innovation fund requires persons in management at companies and other organisations seeking support to show their commitment to tackling the 2030 targets as management issues. To secure this, the green innovation fund may terminate support and require a partial refund of commission fees if the relevant companies or other organisations are not sufficiently committed to such efforts; and the fund introduces incentive measures, such as contingent fees depending on goal achievement levels and other criteria.

### Digitally tracked green bonds

In June 2022, JPX Market Innovation & Research, Inc, an affiliate of Japan Exchange Group, Inc, issued digitally tracked green bonds through a security token offering. The bonds utilise blockchain technology to improve transparency of data and efficiency of data collection, thereby addressing issues that have been raised by both issuers and investors of green bonds around the transparency of data and complexity of the data collection process needed for green investments. The mechanism automatically measures the amount of power generated by renewable power generation facilities, converts it into an amount of CO2 reduced and records on a security token platform the amount of generated power and reduced CO2. The investors can access the data recorded, and thereby the transparency and efficiency of green projects are expected to improve.

## Climate change, nature and biodiversity impacts

### Progress in reduction of greenhouse gas emissions

As discussed in the 'Regulation and policy' section, in 2021 the government announced its ambitious goal of a 46 per cent reduction in greenhouse gas emissions by 2030 (compared to 2013 levels). According to the progress report issued by Global Warming Prevention Headquarters on 30 June 2023, the total volume of greenhouse gas emissions in fiscal year 2021 was reduced to 1.1 billion t-CO<sub>2</sub>e, which is approximately 80 per cent of the total volume of greenhouse gas emissions in fiscal year 2013 (i.e., an approximately 20 per cent reduction has been achieved).

### Climate and transition risk management frameworks

At the time of writing, there is no legislation or guidelines in Japan prescribing rules for climate and transition risk management frameworks with which companies in general are required to comply. In July 2022, the FSA published Supervisory Guidance on Climate-Related Risk Management and Client Engagement, which provides viewpoints in supervisory dialogues with financial institutions regarding their climate-related risk management and their engagement with clients to support the responses of clients to climate-related opportunities and risks. This guidance is non-binding and serves as a baseline for supervisory dialogues between the FSA and financial institutions.

See the 'Sustainable disclosure requirements and taxonomy' section for the disclosure requirements regarding risk management in the context of disclosure of sustainability information by reporting companies.

### Nature and biodiversity risk management frameworks

There is various legislation in Japan targeting preservation of the natural environment and biodiversity. In particular, the Basic Act on Biodiversity, which was enacted in June 2008, is basic legislation targeting the preservation of biodiversity. In March 2023, the Japanese government announced the National Strategy on Biological Diversity 2023–2030, which was compiled based on the Kunming-Montreal Global Biodiversity Framework adopted at COP15 in December 2022. The National Strategy on Biological Diversity 2023–2030 sets

a target of realising 'nature positive' by 2030 and provides 40 targets in five basic policy categories.

## Greenwashing and climate litigation risks

### Greenwashing

As discussed in the 'Sustainable finance instruments', 'Sustainable disclosure requirements and taxonomy' and 'Sustainable finance incentives' sections, while a taxonomy for sustainability and ESG has not been introduced in Japan, the Japanese government has taken various measures to prevent 'greenwashing', such as revising the sustainability finance guidelines, the requirements pertaining to sustainability disclosure by listed companies, the supervision of ESG mutual trusts and the establishment of the Code of Conduct for ESG evaluation and data providers.

### Climate change-related litigation

Unlike in the United States or Europe, there has been no noteworthy litigation directly requesting the government or Japanese companies to take certain actions for climate change (e.g., litigation alleging that the government policy on climate change is not sufficient or litigation requesting a company to take certain effective actions to reduce its volume of greenhouse gas emissions). There are, however, several cases pending in Japan requesting an injunction against the operation or construction of coal-fired power plants.

## Special considerations

Not applicable.

## Outlook and conclusions

To achieve the goal of carbon neutrality by 2050, the government is formulating various measures to vitalise the sustainable finance market. In addition, as it is key for listed companies to provide investors and other stakeholders with sufficient sustainability information to improve their corporate value, the formulation of the rules and guidelines relating to the disclosure of sustainability information is progressing rapidly.

It will be important for sustainable finance market players, including their advisers, to pay close attention to movements concerning sustainable finance and sustainability information disclosures.

## Endnotes

- 1 These green bonds were issued by the Development Bank of Japan Inc. [^ Back to section](#)
- 2 [http://greenfinanceportal.env.go.jp/en/bond/issuance\\_data/market\\_status.html](http://greenfinanceportal.env.go.jp/en/bond/issuance_data/market_status.html). [^ Back to section](#)
- 3 [http://greenfinanceportal.env.go.jp/en/bond/issuance\\_data/market\\_status.html](http://greenfinanceportal.env.go.jp/en/bond/issuance_data/market_status.html). [^ Back to section](#)
- 4 [http://greenfinanceportal.env.go.jp/en/bond/slb\\_issuance\\_data/slb\\_market\\_status.html](http://greenfinanceportal.env.go.jp/en/bond/slb_issuance_data/slb_market_status.html). [^ Back to section](#)
- 5 [http://greenfinanceportal.env.go.jp/en/loan/issuance\\_data/market\\_status.html](http://greenfinanceportal.env.go.jp/en/loan/issuance_data/market_status.html). [^ Back to section](#)
- 6 [http://greenfinanceportal.env.go.jp/en/loan/sll\\_issuance\\_data/sll\\_market\\_status.html](http://greenfinanceportal.env.go.jp/en/loan/sll_issuance_data/sll_market_status.html). [^ Back to section](#)
- 7 According to the statistical data, the total value of such loans since 1 January 2023 had not increased in proportion to the growth in the number of deals; however, that is because recently the number of deals where the value of the loan is not disclosed has increased. [^ Back to section](#)
- 8 <https://www.jsda.or.jp/sdgs/hakkou.html>. [^ Back to section](#)
- 9 The Climate Transition Finance Handbook by ICMA provides four elements (Element 1: issuer's climate transition strategy and governance; Element 2: business model environmental materiality; Element 3: climate transition strategy to be 'science-based' including targets and pathways; and Element 4: implementation transparency). [^ Back to section](#)
- 10 The Green Bond Guidelines apply to sustainability bonds to the extent that the proceeds of the sustainability bonds are allocated to green projects. [^ Back to section](#)
- 11 The Social Bond Guidelines apply to sustainability bonds to the extent that the proceeds of the sustainability bonds are allocated to social projects. [^ Back to section](#)
- 12 While these guidelines are written based on cases for bonds, the relevant concepts can also be applied to loans. [^ Back to section](#)



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