

# ESG Investing and COVID-19

*The importance of science-driven and evidence-based decision-making in times of crisis*



東京工業大学  
Tokyo Institute of Technology



Regional Climate Change Policy Dialogue:  
*Learning from the COVID-19 Pandemic*

*Tokyo, Japan - 19 June 2020*

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GHG  
Emissions

Biodiversity

E  
Impact  
Data

S  
Impact  
Data

G  
Impact  
Data

**Public Health  
Spending**

**ESG  
Impact  
Metrics**

Worker  
Health

Labor  
Practices

Data  
Transparency

Data Quality

**ESG Data  
Packages**

## COVID-19 Data Metrics

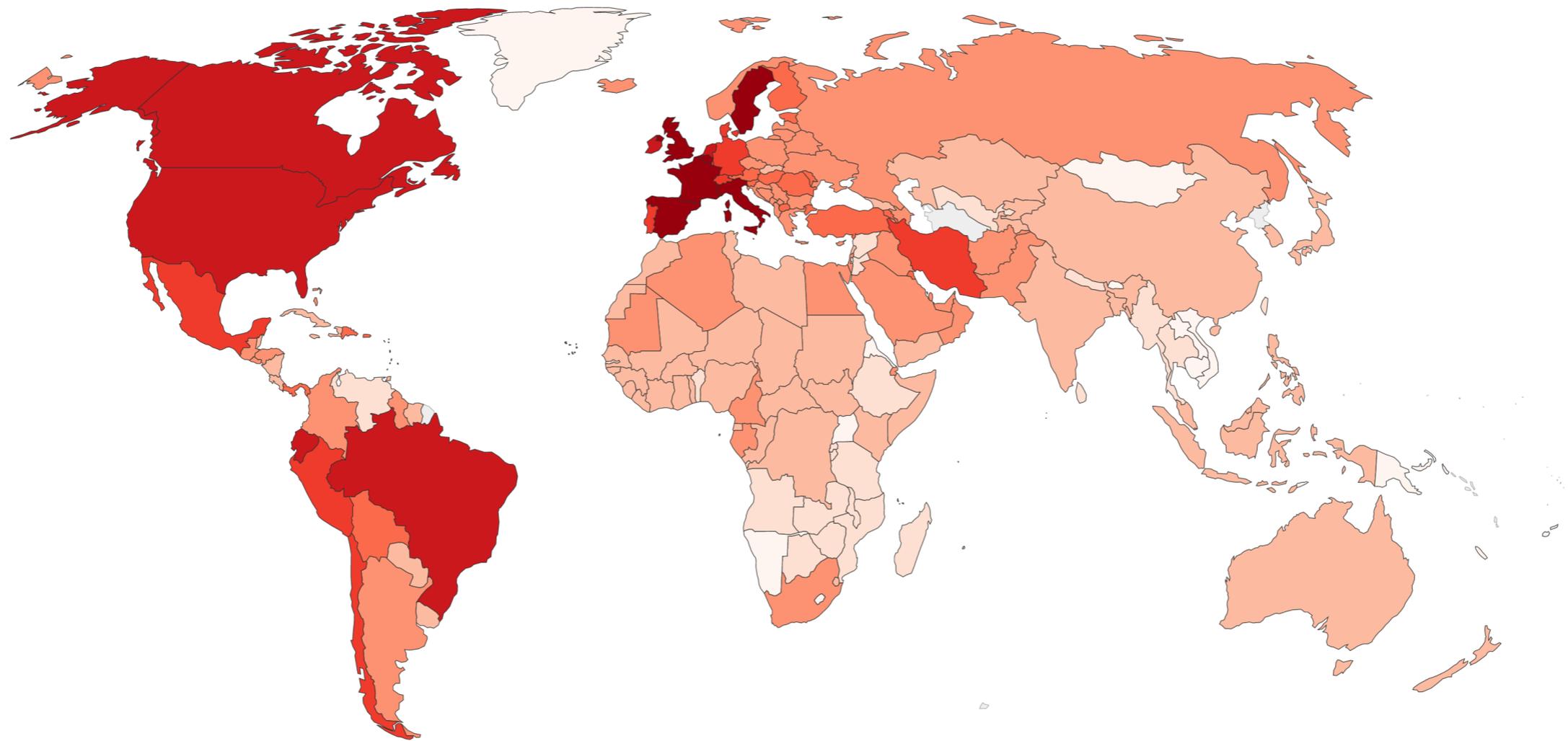
- *Number of total tests administered*
- *Number of tests per capita*
- *Quality of tests administered (PCR or Antibody)*
- *Expertise of test administrators*
- *Expertise of policy decision makers*

## ESG Data Metrics

- *Quantity of ESG data metrics*
- *Quality of ESG data metrics*
- *Quality of data providers*
- *Expertise of data administrators*
- *Expertise of data verifiers*

# Total confirmed COVID-19 deaths per million people, Jun 14, 2020

Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true total number of deaths from COVID-19.

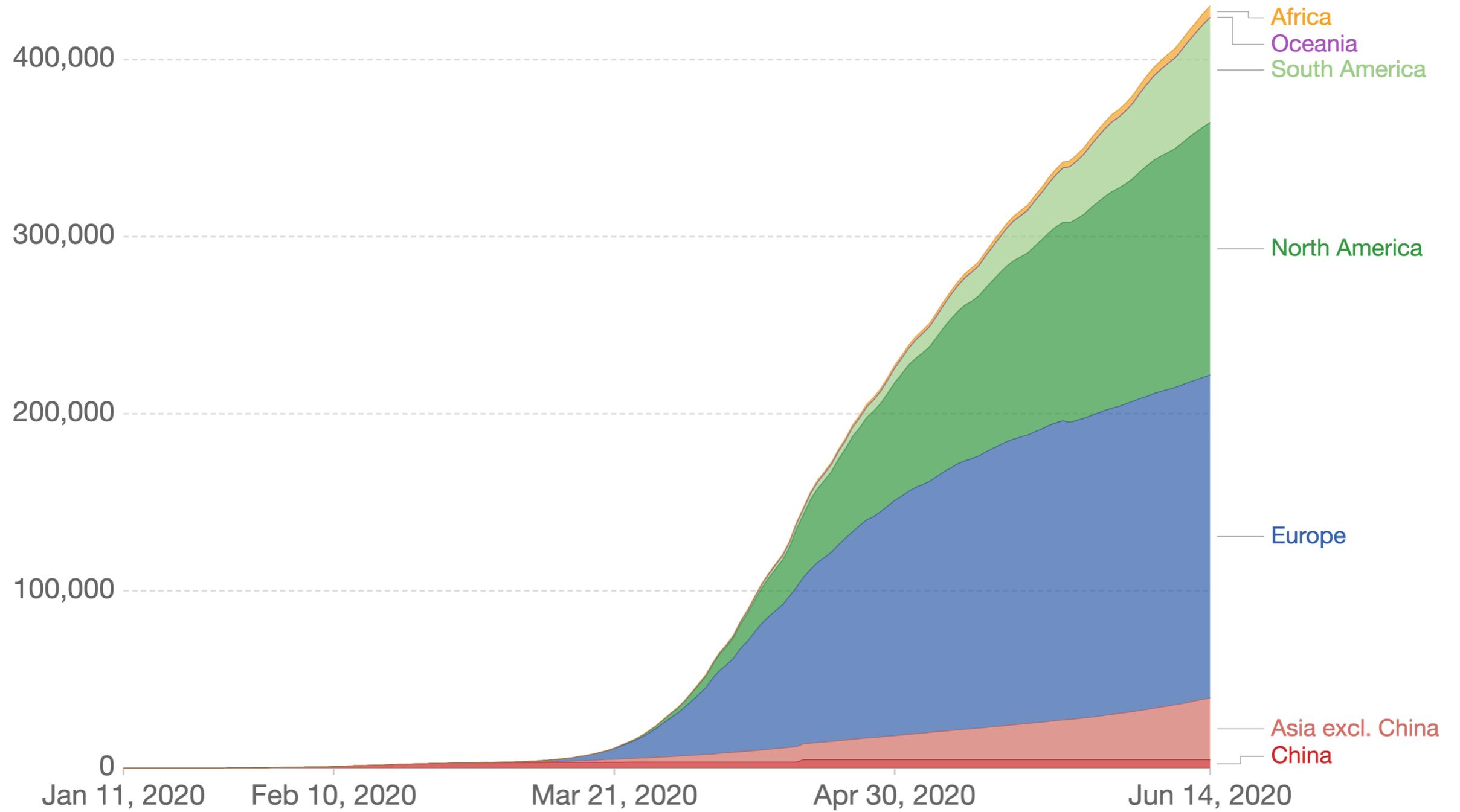


Source: European CDC – Situation Update Worldwide – Last updated 14th June, 11:15 (London time) [OurWorldInData.org/coronavirus](https://www.ourworldindata.org/coronavirus) • CC BY

# Total confirmed COVID-19 deaths

Our World  
in Data

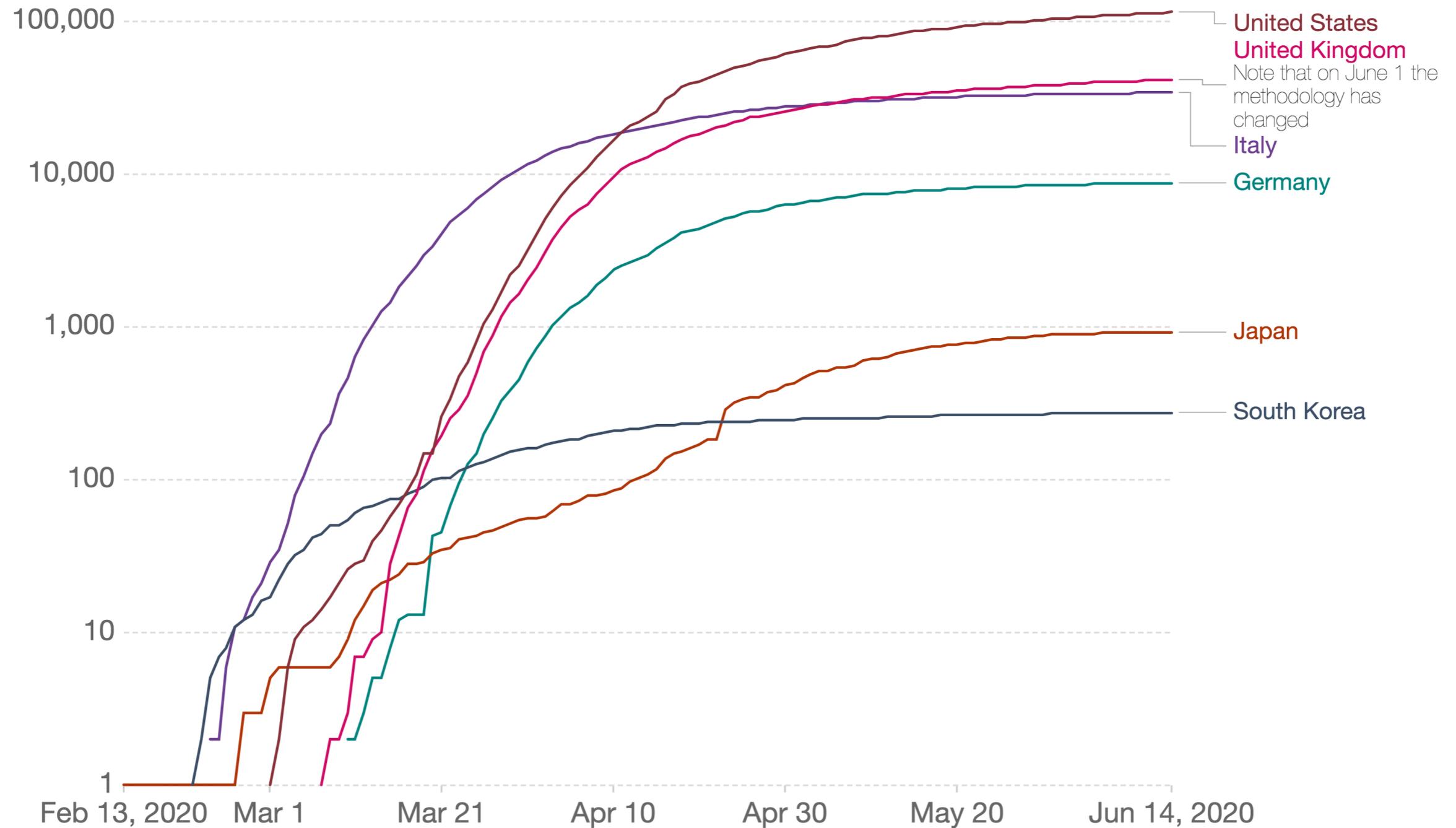
Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



Source: European CDC – Situation Update Worldwide – Last updated 14th June, 11:15 (London time) [OurWorldInData.org/coronavirus](https://www.ourworldindata.org/coronavirus) • CC BY

# Total confirmed COVID-19 deaths

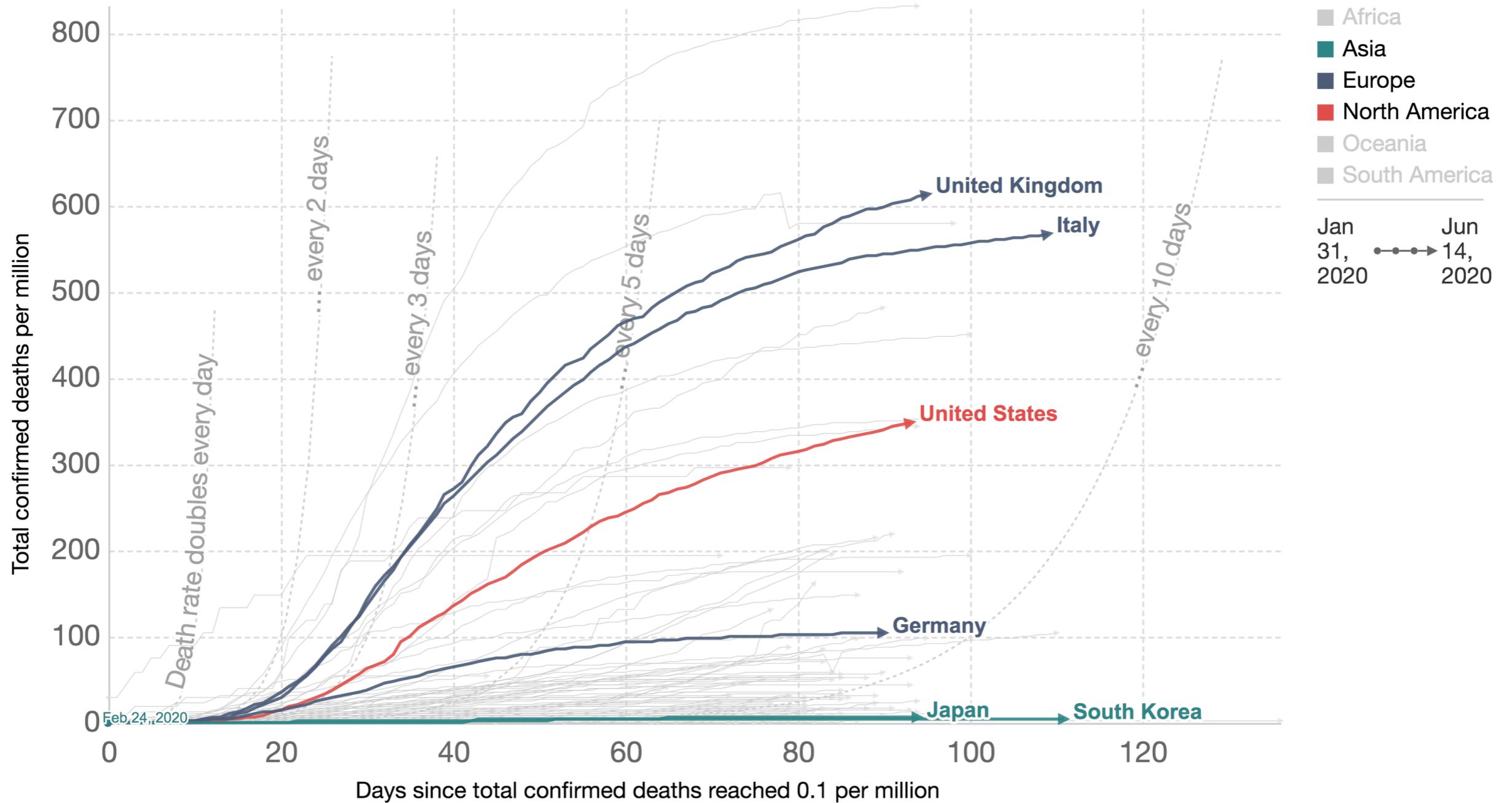
Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



Source: European CDC – Situation Update Worldwide – Last updated 14th June, 11:15 (London time) OurWorldInData.org/coronavirus • CC BY

# Total confirmed COVID-19 deaths per million: how rapidly are they increasing?

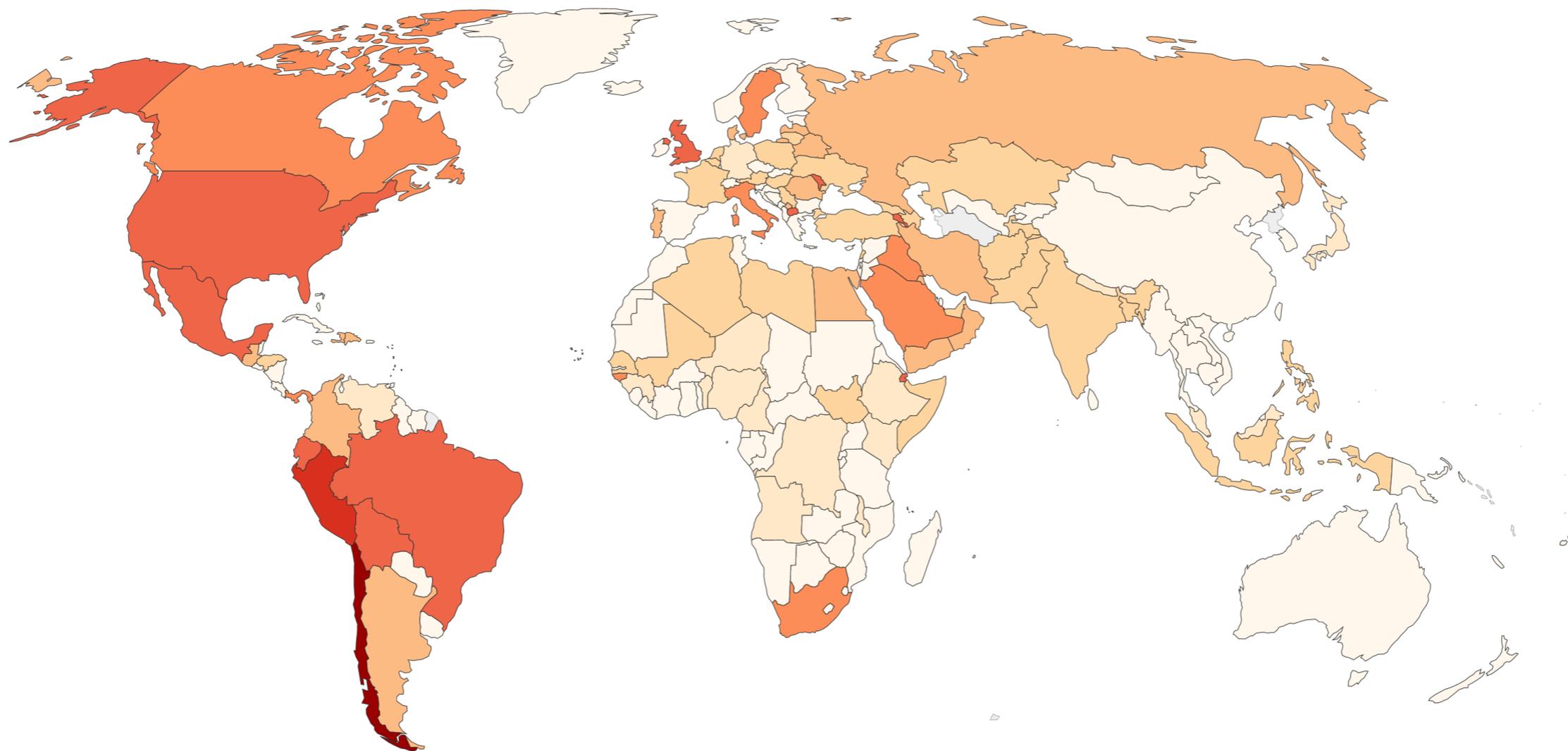
Shown are the total confirmed deaths per million people. Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



Source: European CDC – Situation Update Worldwide – Last updated 14th June, 11:15 (London time) OurWorldInData.org/coronavirus • CC BY

# Daily confirmed COVID-19 deaths per million people, Jun 14, 2020

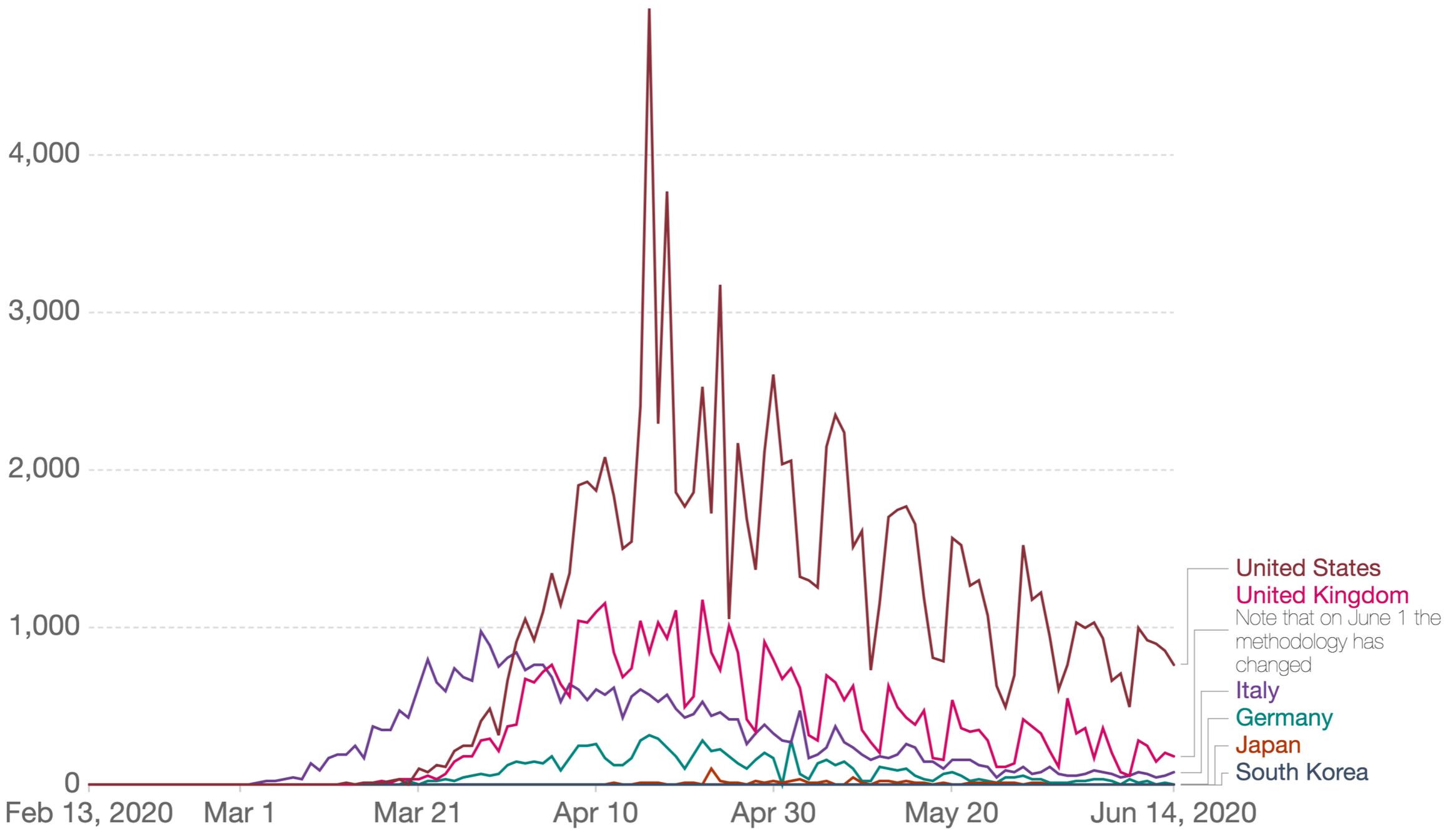
Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



Source: European CDC – Situation Update Worldwide – Last updated 14th June, 11:15 (London time) [OurWorldInData.org/coronavirus](https://www.ourworldindata.org/coronavirus) • CC BY

# Daily confirmed COVID-19 deaths

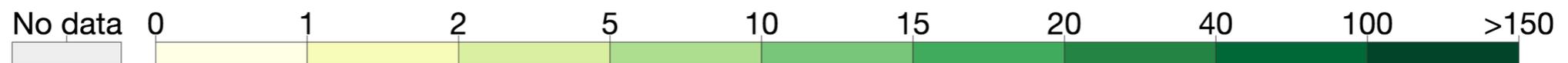
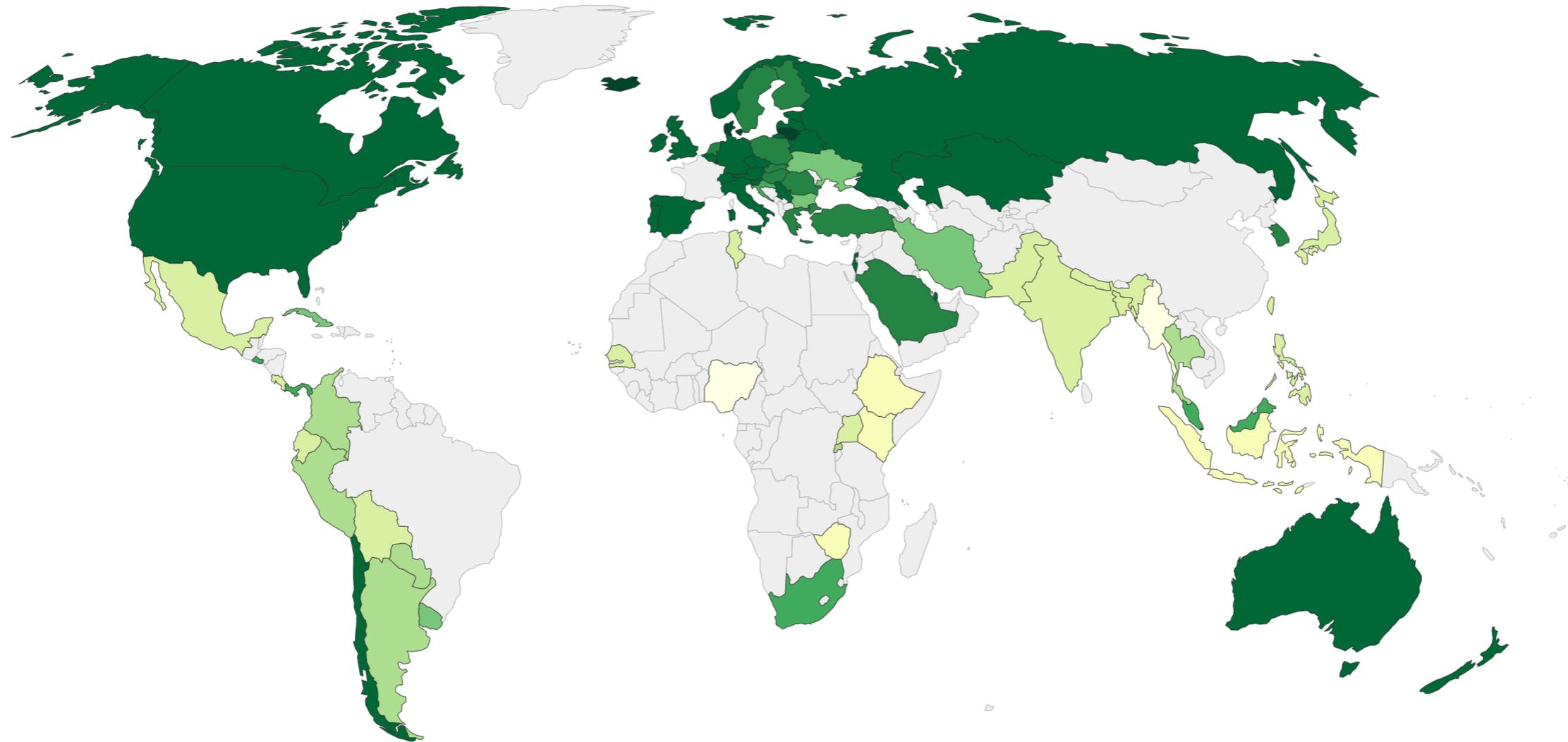
Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



Source: European CDC – Situation Update Worldwide – Last updated 14th June, 11:15 (London time) OurWorldInData.org/coronavirus • CC BY

# Total COVID-19 tests per 1,000 people, Jun 13, 2020

The figures shown relate to the closest date for which we have data, with a maximum of 10 days' difference.



Source: Official sources collated by Our World in Data

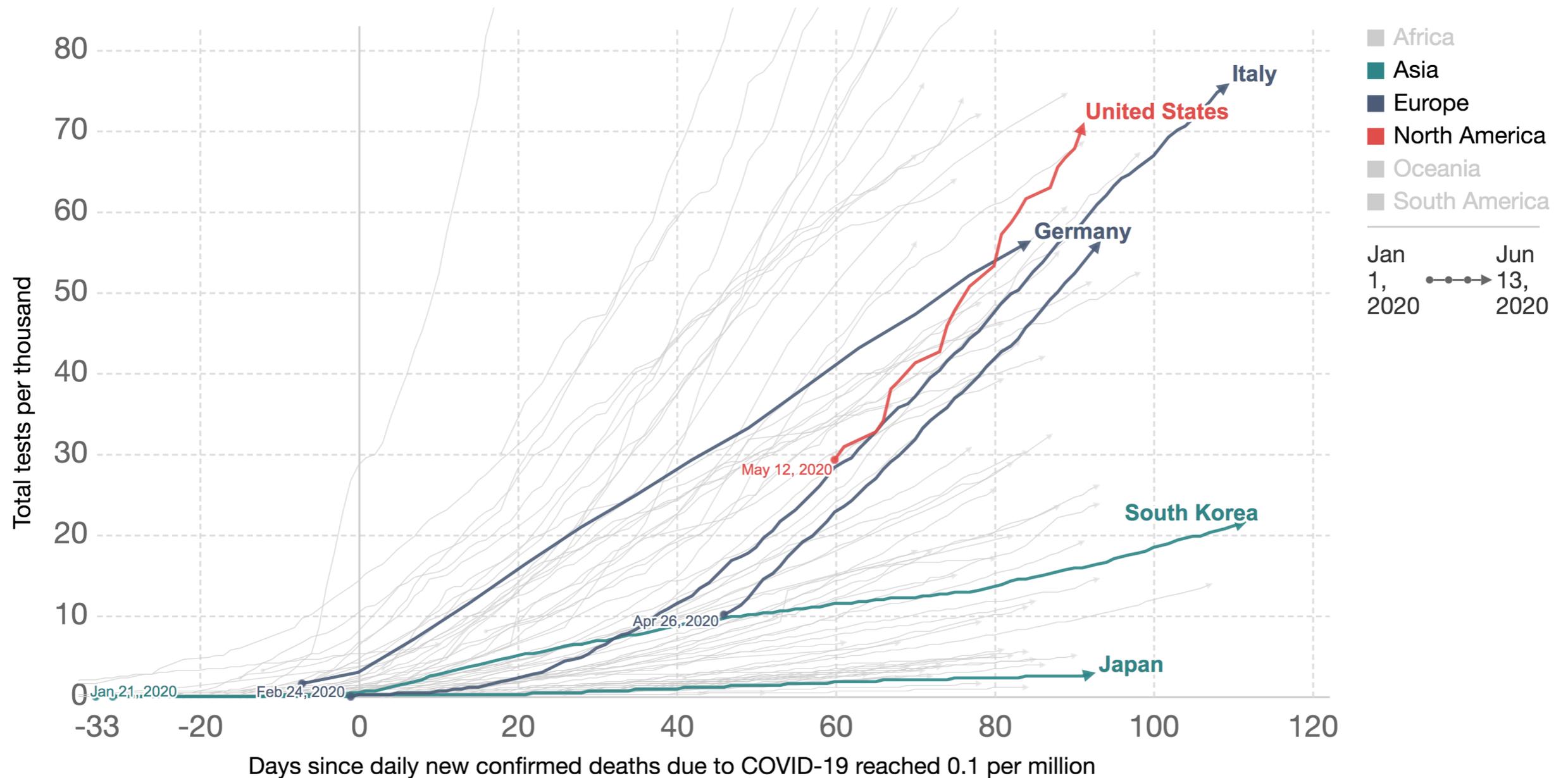
[OurWorldInData.org/coronavirus](https://OurWorldInData.org/coronavirus) • CC BY

Note: Comparisons of testing data across countries are affected by differences in the way the data are reported. Details can be found at our [Testing Dataset](#) page.

# Total COVID-19 tests per 1,000: how are testing rates changing?

Total tests for COVID-19 per thousand people of the country's population since the daily new confirmed deaths reached 0.1 per million people.

All trajectories are lined up to the day at which the death rate reached 0.1 per million – this is the vertical line at the center of the chart.



Source: Testing data from official sources collated by Our World in Data, ECDC

OurWorldInData.org/coronavirus • CC BY

Note: Comparisons of testing data across countries are affected by differences in the way the data are reported. Details can be found at our Testing Dataset page.

# Peter Navarro on his qualifications to disagree with Dr. Anthony Fauci on coronavirus treatments: 'I'm a social scientist'



By [Chandelis Duster](#), CNN

Updated 1639 GMT (0039 HKT) April 6, 2020



Berman to Navarro: What are your qualifications? 04:19

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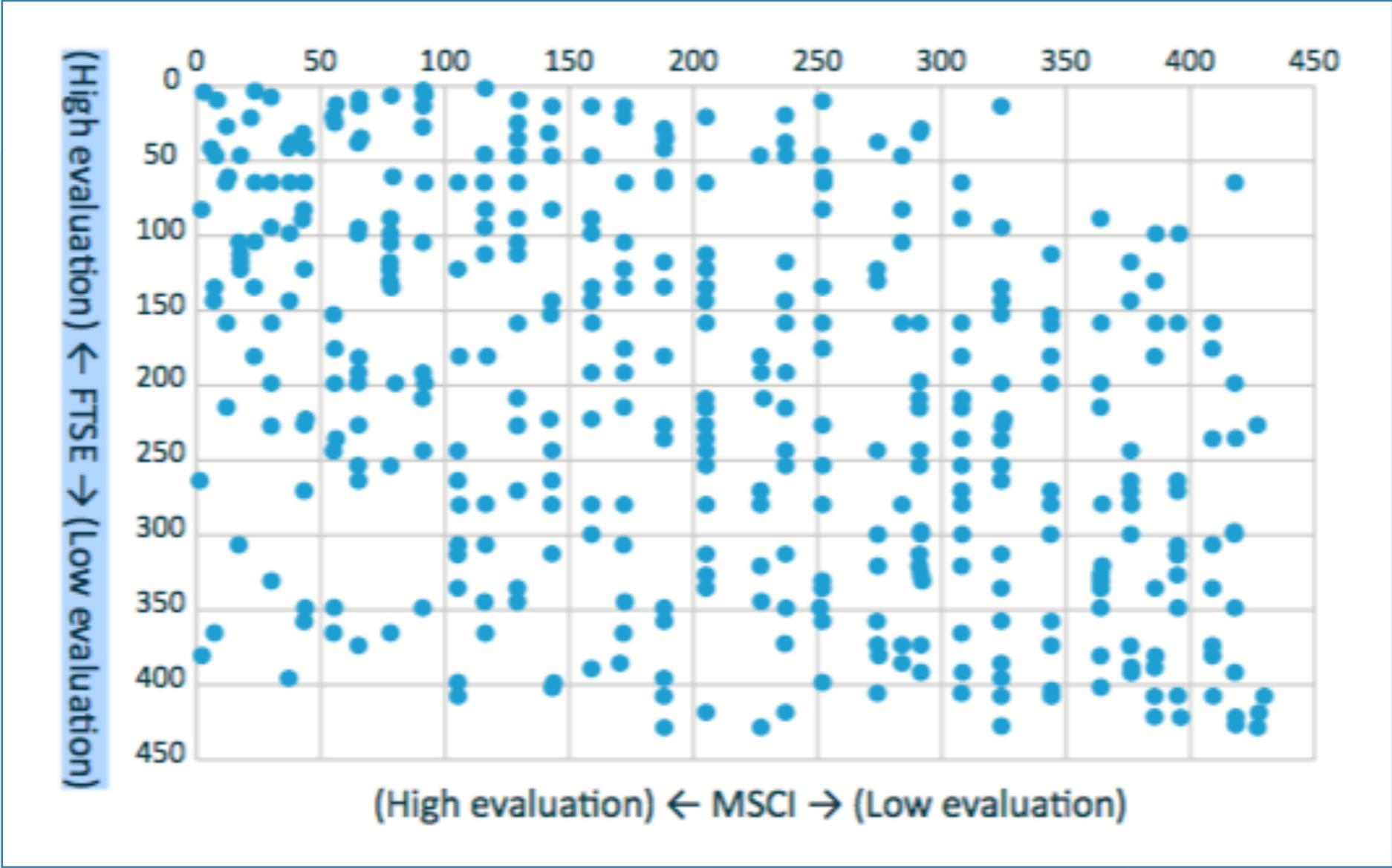
# Hospitals sound alarm over privately run virus test centre at Surrey theme park

**Exclusive: Frontline staff complain over 'lost Covid-19 test results' from Chessington drive-in site**

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- [See all our coronavirus coverage](#)



▲ Chessington drive-in coronavirus testing centre, Surrey. Photograph: Andy Rain/EPA





## **MIT Sloan School of Management**

MIT Sloan School Working Paper 5822-19

### **AGGREGATE CONFUSION: THE DIVERGENCE OF ESG RATINGS**

Florian Berg, Julian F. Koelbel, and Roberto Rigobon

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August 15, 2019

**Table 6**  
**Correlation of Category Scores**

Correlations between the different categories from different rating agencies. We calculate a value for each criterion on the firm level by taking the average of the available indicators for firm  $f$  and rater  $k$ . The panel is unbalanced due to differences in scope between different ratings agencies and categories being conditional on industries.

	KL SA	KL VI	KL RS	KL A4	KL MS	SA VI	SA RS	SA A4	SA MS	VI RS	VI A4	VI MS	RS A4	RS MS	A4 MS	Average
Access to Basic Services	0.08			0.13	0.85			0.49	0.15						0.16	0.31
Access to Healthcare	0.66		0.57	0.49	0.85		0.67	0.56	0.74				0.44	0.71	0.7	0.64
Animal Welfare								0.44								0.44
Anti-competitive Practices		-0.06		0.56	0.76					0	-0.05				0.56	0.30
Audit						0.57		0.66			0.62					0.62
Biodiversity		0.06	-0.08	0.06	0.66					0.61	0.41	0.47	0.47	0.01	0.2	0.29
Board						0.37		0.58			0.51					0.49
Board Diversity								0.8								0.80
Business Ethics	0.04		-0.11	0.4	0.6		0.33	0.03	0.01				-0.1	-0.15	0.38	0.14
Chairperson-CEO Separation								0.59								0.59
Child Labor				0.49												0.49
Climate Risk Mgmt.			0.44	0.42	0.8								0.54	0.54	0.5	0.54
Clinical Trials								0.73								0.73
Collective Bargaining						0.59		-0.04			0					0.18
Community and Society	-0.15	0.25	0.2	0.11		-0.1	-0.19	-0.13		0.51	0.5		0.56			0.16
Corporate Governance														0.08		0.08
Corruption	0.26	0.24		-0.18	0.7	0.54		-0.19	0.37		-0.15	0.33			-0.12	0.18
Customer Relationship	0.38	-0.08	-0.09	0		-0.04	-0.13	-0.05		0.49	0.47		0.41			0.14
Diversity	-0.06	-0.02		0.03		0.61		0.52			0.56					0.27
ESG Incentives																
Electromagnetic Fields							0.68									0.68
Employee Development	0.22	0.29	0.37	0.37	0.73	0.23	0.19	0.36	0.34	0.39	0.29	0.31	0.55	0.45	0.51	0.37
Employee Turnover								0.4								0.40
Energy	0.22	0.13	0.49	0.25	0.8	0.4	0.27	0.27	0.4	0.32	0.41	0.59	0.2	0.4	0.48	0.38
Environmental Fines								0.05								0.05
Env. Mgmt. System	0.65			-0.09				0.46								0.34
Environmental Policy						0.52	0.46	0.46		0.63	0.61		0.62			0.55
Environmental Reporting						0.52	0.25						0.36			0.38
Financial Inclusion	0.29				0.7				0.51							0.50
Forests																
GHG Emissions	0	-0.03		-0.06		0.28		0.31			0.5					0.17
GHG Policies							0.48	0.62					0.41			0.50
GMOs							0.38	0.43					0.25			0.35
Global Compact Member								0.92								0.92
Green Buildings	0.54		0.59	0.21	0.83		0.25	0.26	0.55				-0.02	0.66	0.28	0.42
Green Products	0.23	0.07	0.27	0.34	0.76	0.1	0.37	0.47	0.32	0.31	0.29	-0.05	0.53	0.44	0.53	0.33
HIV Programs																
Hazardous Waste							0.22	0.13	0.34					0.59	0.1	0.28
Health and Safety	0.01	0.27	0.27	0.35	0.73	-0.1	-0.16	-0.16	-0.05	0.63	0.67	0.5	0.57	0.44	0.6	0.30
Human Rights	0	0.19		0.08		-0.01		-0.08			0.42					0.10
Indigenous Rights	0.26			-0.11				-0.46								-0.10
Labor Practices	0.21	-0.04	-0.14	0.07	0.1	0.2	0.14	0.32	0.27	0.54	0.45	0.43	0.35	0.34	0.37	0.24
Lobbying						-0.28										-0.28
Non-GHG Air Emissions								0.28								0.28
Ozone-Depleting Gases								0.44								0.44
Packaging																
Philanthropy						0.42	0.39	0.32		0.48	0.19		0.17			0.33
Privacy and IT	0.48		0.27		0.75		0.17		0.45					0.42		0.42
Product Safety	-0.05	0.06	0.16	0	0.63	-0.14		-0.03	0.07	0.46	0.21	0.11	0.38	-0.03	0.1	0.14
Public Health			0.6		0.74		0.38							0.63		0.59
Recycling																
Remuneration	0.15	0.09	-0.21	0.17		0.71	0.22	0.83		0.25	0.75		0.37			0.33
Reporting Quality								0.48								0.48
Resource Efficiency							0.35	0.42					0.57			0.45
Responsible Marketing	-0.5	-0.06	-0.38	0.24		0.38	0.68	0		0.49	0.05		-0.1			0.08
Shareholders											0.39					0.39
Site Closure																
Supply Chain	0.15	0.17	0.13	0.16	0.62	0.57	0.53	0.56	0.61	0.66	0.62	0.6	0.53	0.34	0.48	0.45
Sustainable Finance	0.58		0.47	0.46	0.52		0.7	0.74	0.7				0.59	0.61	0.59	0.60
Systemic Risk			0.24		0.65									0.24		0.38
Taxes							0.1	0.02					0.01			0.04
Toxic Spills				0.21												0.21
Unions				0.68												0.68
Waste		0.34		0.23							0.33					0.30
Water	0.36	0.36	0.23	0.23	0.67	0.47	0.29	0.31	0.45	0.48	0.32	0.5	-0.02	0.24	0.44	0.36
Average	0.20	0.12	0.20	0.21	0.69	0.29	0.32	0.33	0.37	0.48	0.38	0.34	0.35	0.37	0.38	



**To: Mr. John Berrigan**

Director General, European Commission, DG Fisma

Cc: Mr. Ugo Bassi, Director

Mr. Martin Merlin, Director

Mr. Martin Spolc, Head of Unit

Mr. Alain Deckers, Head of Unit

Mr. Sven Gentner, Head of Unit

Brussels, 9<sup>th</sup> June 2020

Ref: HG/EB/20-024

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**Subject: Call for EU Action: a centralized register for environmental, social and governance (ESG) data in the EU**

Dear Mr. Berrigan,

Our associations are committed to supporting the transition to a more sustainable economy and to tackling climate change that we consider a priority. We strongly support the EU objective of transforming Europe into the first climate-neutral continent in the world by 2050 and are ready to contribute as representatives of the financial sector.

With this letter, we would like to address a project that we consider particularly important: the **creation of a centralized electronic register for Environmental, Social and Governance (ESG) data in the EU.**

The recent regulatory developments in the context of the EU Sustainable Finance agenda create an urgent **need for publicly available ESG data as well as how to enhance their sourcing.** Compliance with the **new disclosure obligations** introduced by the sustainability disclosures Regulation<sup>1</sup> (SFDR) requires financial market participants to have access to comparable robust and reliable ESG data at the level of companies. From the perspective of the EU taxonomy Regulation<sup>2</sup>, companies subject to the NFRD<sup>3</sup> (non-financial reporting directive) will have to disclose how and to what extent their activities qualify as environmentally sustainable as defined in the Regulation.

**Robust, comparable and reliable ESG data** is also key to identify and assess sustainability risks in lending activities. In addition, availability of ESG data is also necessary to enable financial

## **Sustainable financial markets: translating changing risks and investor preferences into regulatory action**

European Financial Forum 2020 – Dublin

Steven Maijor  
Chair  
European Securities and Markets Authority

public authorities are needed to provide the strong registration and supervision required to prevent greenwashing.

In that context, I also want to mention ESG ratings, as they are becoming increasingly important but the level of public scrutiny and supervision of them, in my view, is far from optimal. The lack of clarity on the methodologies underpinning those scoring mechanisms and their diversity does not contribute to enabling investors to effectively compare investments which are marketed as sustainable, thus contributing to the risk of greenwashing.

Personally I believe that, where ESG ratings are used for investment purposes, ESG rating agencies should be regulated and supervised appropriately by public sector authorities.



## Sustainable finance in Japan

Kim Schumacher, Hugues Chenet & Ulrich Volz

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## Sustainable finance in Japan

Kim Schumacher<sup>a,b</sup>, Hugues Chenet<sup>c,d</sup> and Ulrich Volz<sup>e,f</sup>

<sup>a</sup>School of Environment and Society, Tokyo Institute of Technology, Tokyo, Japan; <sup>b</sup>School of Geography and the Environment, University of Oxford, Oxford, UK; <sup>c</sup>Institute for Sustainable Resources, University College London, London, UK; <sup>d</sup>Chair Energy and Prosperity, Paris, France; <sup>e</sup>SOAS Centre for Sustainable Finance and Department of Economics, SOAS University of London, London, UK; <sup>f</sup>German Development Institute, Bonn, Germany

### ABSTRACT

This article examines the role of sustainable finance and investment in Japan and how the Japanese financial sector can mitigate growing climate risks and support Japan's transition towards a zero-carbon, sustainable economy. It first illustrates Japan's exposure to physical and transitional climate risks before reviewing emerging practices in sustainable finance. These include the growing importance of environmental, social, and governance (ESG) criteria in financial decision-making; more rigid reporting and disclosure standards; and the development of green bond and sustainable investment markets. The article also assesses the role of policies and regulations in scaling up sustainable finance and low-carbon infrastructure investments. Subsequently, it analyses transitional climate risks via scenario analysis, applying the Paris Agreement Capital Transition Assessment (PACTA) tool to examine the exposure of subsectors of the Japanese equity market over several climate scenarios. The article concludes with policy recommendations for aligning Japan's financial sector with global climate and sustainability goals.

### ARTICLE HISTORY

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### KEYWORDS

Sustainable finance and investment; ESG; Japan; climate-related risks; TOPIX; TCFD

### JEL Classification

G2; G3; Q5

## 1. Introduction

The world has seen an intensifying materialization of climate-related physical impacts. These range from an increase in the number and intensity of storms, flood disasters, and heat waves to the accelerated melting of polar ice caps and glaciers. The effects of anthropogenic climate change on the world's atmosphere and ecosystems have been well documented in recent IPCC reports on the impacts of global warming of 1.5°C above preindustrial levels (IPCC 2018) as well as on the consequences of climate change on land and the oceans (IPCC 2019a, 2019b). These reports not only outline the cataclysmic externalities that unmitigated global warming has on humanity and the environment, but they also highlight that certain sectors play key roles in mobilizing the necessary resources to limit warming to 'well below 2°C' and preserve the earth's natural environment (UNFCCC 2015).

**CONTACT** Kim Schumacher [schumacher.kaa@m.titech.ac.jp](mailto:schumacher.kaa@m.titech.ac.jp) School of Environment and Society, Tokyo Institute of Technology, Bldg. G5-12, 4259 Nagatsuta-cho, Midori Ward, Yokohama, Kanagawa 226-8502, Japan  
This article has been republished with minor changes. These changes do not impact the academic content of the article.

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# The Effect of Firm-level ESG Practices on Macroeconomic Performance

Xiaoyan Zhou, Ben Caldecott, Elizabeth Harnett, & Kim Schumacher

3<sup>rd</sup> June 2020

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Thank you very much for your attention.



東京工業大学  
Tokyo Institute of Technology



*Dr. Kim SCHUMACHER*

*Lecturer in Sustainable Finance and ESG*

*Tokyo Institute of Terchnology*

*[schumacher.k.aa@m.titech.ac.jp](mailto:schumacher.k.aa@m.titech.ac.jp)*