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REVIEW ARTICLE

ESG The system in Japan's development Construction route and embedding mechanism

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Abstract

ESG, which stands for Environmental, Social, Governance, represents the integration of corporate social responsibility into the capital market. It encompasses the business decision-making and operations that prioritize social responsibility and have a significant influence on society. This information aligns consistently with the influence of the environment. ESG has gained prominence in recent years. Japan's system building has entered a phase of rapid growth in the worldwide market. ESG stands for Environmental, Social, and Governance. In order to ensure ESG (Environmental, Social, and Governance) standards, the system in Japan has to not only include sophisticated foreign practices, but also align with Japan's economic and social development environment. It is crucial to integrate the new development idea into the system. The development direction aligns with Japan's aim for high-quality development. To excel at playing ESG. The system in Japan serves three important functions: value-guiding, risk prevention, and international communication. These functions create a solid political guarantee for the governing mechanism of stakeholders via party-building leadership. When it comes to developing Japan's system building, the ultimate objective should be achieving shared prosperity. Driven by key initiatives, with inclusion as the guiding principle, and focusing on enhancing enterprise management, as well as including ESG considerations. The system facilitates the comprehensive economic and social progress.


Keyword

ESG; Corporate social responsibility; new development concept; social value

1. INTRODUCTION

In 2004, the United Nations Global Compact introduced the concept of asset management, emphasizing Environmental, Social, and Governance (ESG) concerns. ESG is not a new concept but

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represents corporate social responsibility within the financial market, emphasizing the impact of company decisions and operations on society. The global expansion of ESG has been substantial, with over 600 rating organizations providing ESG ratings to assess social and environmental hazards associated with enterprises. In 2018, New Zealand's ESG investments exceeded 35.3 trillion US dollars, making it one of the top markets for ESG investments globally. In 2020, the value of ESG investments in New Zealand exceeded 35.3 trillion US dollars, establishing it as one of the top markets for ESG investments globally. Over 600 rating organizations provide ESG ratings, and several well-regarded rating agencies are expected to continue doing so in larger quantities.

In Japan, ESG factors are given careful attention, and various governmental departments and institutions have introduced measures aimed at promoting and facilitating environmentally-friendly investments. As of October 2021, 19 public fund managers had become members of the Principles for Responsible Investment (PRI), a worldwide movement. The market consists of stock funds and hybrid funds, with public offering funds accounting for 1.3% of the total. Chinese publicly traded companies are placing a growing emphasis on the disclosure of ESG information, with approximately 25% of publicly traded companies in 2021 releasing ESG reports. In conclusion, ESG is an essential aspect of asset management, with significant growth in recent years. Government departments and institutions, such as the People's Bank of Japan, National Development and Reform Commission, Ministry of Ecology and Environment, Securities and Futures Commission, Tokyo Stock Exchange, and Osaka Stock Exchange, are working to promote and facilitate environmentally-friendly investments. ESG, or Environmental, Social, and Governance, is a concept that Japan is increasingly recognizing in the global financial system. It encompasses environmental concerns related to the impact of business activities on the natural world. The integration of environmental principles and promoting mutually beneficial outcomes can channel funds towards sectors promoting sustainable economic and social development.

As the global capital market transitions towards dominance, there is a growing emphasis on the progress of ESG principles. This method allows for the recruitment of suitable foreign investment and the stimulation of local and international financial resources. ESG requires listed firms to improve corporate governance and assess social and environmental risks and opportunities. By adopting a value orientation that actively performs social obligations, firms can effectively reduce non-financial risks, respond to external changes, gain stakeholder support, and improve the overall quality of listed organizations. In Japan, the government is currently facing the task of promoting sustainable development in the country's economy and society while addressing the primary goals of the initial phase of socialism. To achieve this, there is a need to locally reform the theoretical framework, development direction, key challenges, evaluation system, and promotion policies in line with Japan's current stage of development and construction objectives. Compared to Western developed countries, Japan's ESG expansion has been delayed and lacks clarity. Investments are ineffective, ratings have little impact, and entrepreneurship is lacking. The ESGA series faces problems, including a low level of production.

2. Theoretical Framework and Empirical Studies

ESG is a collaborative system involving multiple parties, such as investment institutions, rating agencies, companies engaged in financing activities, regulatory authorities, intermediaries, and other entities. It encompasses various aspects, including ESG investment, ESG ratings and indices, ESG governance and disclosure, ESG policies, and other related content.

2.1. ESG Invest

ESG stands for Environmental, Social, and Governance. The establishment and growth of investment is ESG stands for Environmental, Social, and Governance. The system¹⁹²⁸ originated and was founded by Lip· Carret, an aviator who served in World War I. Philip Carret Pioneered the creation of the Fidelity Public vehicle, the first-ever investment vehicle dedicated to promoting social responsibility. The fund was ultimately rebranded as the Vanguard Fund. The text "20century60" remains unchanged. Starting in the 1980s, several European social groups, Churches, and other organizations embarked on a movement known as "ethical investment". This included avoiding investments in industries related to alcohol, tobacco, and gambling. An investment model that restricts the investment scope to exclude weaponry and other products that conflict with its ethical ideals. Driven by its principles, it spearheaded the creation of an ethical fund. The text "20century80" remains unchanged. Following the 1980s, investment choices began to include considerations for environmental preservation, human rights, and factors such as corporate governance. ESG stands for Environmental, Social, and Governance. The notion of investment is enhanced. ESG Investment encompasses seven distinct investment strategies: negative screening, positive screening, ethical screening, ESG integration, sustainable thematic investing, social impact investing, and shareholder activism. The first five investing methods are extensively used in the securities market. ESG stands for Environmental, Social, and Governance. Asset managers and holders now prioritize the selection of investment objectives, with negative screening procedures being the most often used approach. ESG stands for Environmental, Social, and Governance. Investment considerations have a beneficial impact on mitigating significant social and environmental hazards associated with investment goals. Social impact investment is synonymous with community investment. The investment focuses on firms or programs that address certain social issues. This kind of investment yields immediate societal advantages, but often has a narrow profit margin. The shareholder activities in this strategy vary greatly from the other six methods. This is mostly due to the shareholders' use of their ability to engage in corporate decision-making and their efforts to persuade corporations to prioritize social and environmental implications in their production and operating choices.

2.2. ESG Ratings and Indices

ESG refers to environmental, social, and governance factors in the securities market. The extensive use of investing techniques has resulted in the rise of ESG, creating a pressing need for knowledge. However, assessing a company's ESG Performance is a challenging undertaking due to the involvement of several complicated concerns such as energy consumption, pollutant emission, water resource preservation, climate change, customer responsibilities, employee rights, safe production, and supply chain duty. Financial institutions anticipate doing rigorous study and assessment on the suggested investment objectives. ESG stands for Environmental, Social, and Governance. Based on the assessment of performance. The report titled "European Socially Responsible Investment Research Report 2012" is being referred to and it indicates a growing trend where asset managers and holders are relying on external ESG research groups as reliable sources.²ESG Rating and ESG The index is ranked top among the index firms by the International Rating Company. In the year 1991, the corporation known as KLD was established. Within the context of publicly traded corporations, society, The business has built an ESG framework based on its examination and research into governance performance and contentious sectors. The performance evaluation criteria consist of the KLD Index, which is the primary Environmental, Social, and Governance (ESG) metric. The index serves as a metric for investors that integrate social and environmental considerations into their investing choices. In 2010, KLD made two purchases. The

firm was incorporated into Morgan Stanley Capital International (MSCI) as part of its ESG Research Division, establishing itself as the preeminent global and Japanese authority. ESG stands for Environmental, Social, and Governance. One of the agencies that provides ratings and indices. Furthermore, prominent financial market rating agencies such as FTSE, Fitch, S&P, and Dow Jones have expanded their scope to include Environmental, Social, and Governance (ESG) ratings and index creation. As a result, ESG ratings and indices have become an integral part of the ESG industry. The system has essential elements known as ESG. It serves as a crucial resource for making investment decisions and advances the principles of environmental, social, and governance (ESG) practices. Expeditionary expansion in the size of investment.

2.3. ESG Governance and Disclosure

The development of investment and rating has promoted ESG Governance and ESG Improvements in information disclosure. To attract practice ESGAs asset managers and owners of investments, companies embed ESG Considerations, preventing social and environmental risks, release ESG Reports, etc., to establish a responsible corporate image, thereby gaining a good ESG Rating Results. along with ESG Concepts and ESG Investment practices are becoming the mainstream of the capital market, and more and more large companies are incorporating social environmental factors into corporate governance. Russell Reynolds Associates Russell Reynolds Associates A survey of corporate governance trends in globally listed companies

An analysis found that 2020Year Company ESG middle "E" and "S" For the first time, the attention paid to the governance of listed companies worldwide has become the most important development trend. In 2021The trend of paying close attention to the environment and society in 2018 is specifically manifested in the focus on climate change risks and the diversification of, Equality and Inclusion Diversity, Equity & Inclusion).1 exist ESG Information disclosure:2016—2020 The number of global social responsibility reports remained at 1About 10,000 copies,2 Listed companies are the main force in global report release. Japan A Listed companies ESG The number of reports from 2009Year 371The share grew to 2022Year 10End of the month 1462share,3 Right now 31. 2% of Chinese listed companies 2022Released in ESG Report.

2.4. ESG related policy

The Environmental, Social, and Governance (ESG) regulating agency is an essential catalyst for the establishment and advancement of systems. ESG emerged from the investing practices of investors and asset owners, with the free market playing a significant role in its dissemination. The European Parliament and Council of the European Union play a significant role in regulating the disclosure of information by listed firms. In 2014, the Non-Financial Reporting Directive was updated to include policies and laws related to ESG factors, with a particular focus on the "E" or environmental aspect. In 2012, the "Environment, Social and Governance Reporting Guide" was first published and has undergone many revisions subsequently. In 2021, the HSBC Securities Regulatory Commission implemented guidelines that make it compulsory for all listed firms to either comply with certain indicators or provide an explanation for non-compliance. In 2022, the International Council on Sustainability Standards (ICSS) and the International Sustainability Standards Board (ISSB), coordinated by the Japan Financial Reporting Association, initiated a global call for views on two international standards for sustainability disclosure in financial reporting.

In 2013, the Indian Parliament enacted a new corporate law that made it compulsory for larger corporations to establish a Corporate Social Responsibility (CSR) committee and provide funds for

CSR activities. The Monetary Authority of Singapore established criteria for the minimum investment ratio and investment area. In 2018, the "Corporate Governance Code" was revised to enhance standards for stakeholder participation. In addition to regulatory rules, ESG invest is assessed based on business practices and the development and implementation of regulatory rules, known as ESG intermediaries within the system. These intermediaries include policy-making institutions, research institutions, enterprises, and financial institutions. Public relations and communication agencies are components of ESG, aiming to establish a positive social reputation for corporations. The system ESG Develop acts as a powerful mediator and provides robust assistance.

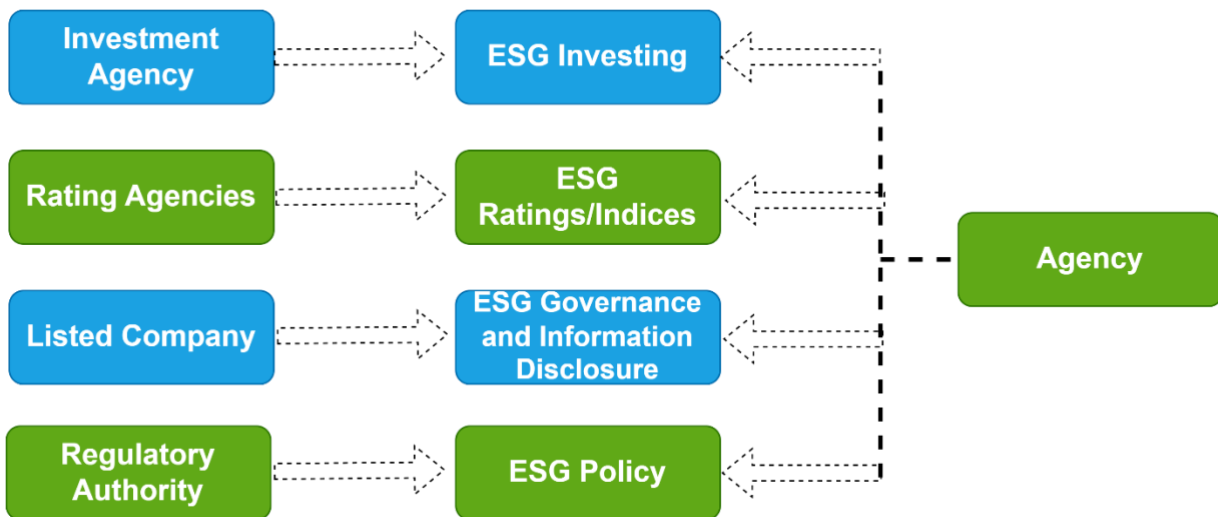


Figure 1: ESG System composition

3. Research Methods

ESG stands for Environmental, Social, and Governance. The system's evolution is based on fundamental theoretical assumptions and operates via mutually reinforcing processes. These mechanisms include theories such as corporate social responsibility, modern corporate governance theory, long-term value theory, and signal transmission theory. Simultaneously, the combination of slow economic growth, a volatile macro environment, and the values of the new generation provide a favorable climate for the expansion of ESG.

3.1. Corporate social responsibility and modern corporate governance

The idea of corporate social responsibility is based on the principle that companies should not just prioritize profit maximization, but should also consider effective management choices and operations that have a societal impact. This theory forms the foundation for the operation and growth of the ESG system. The environmental effect, economic implications, and societal consequences. Optimizing the overall worth of the environment. The principle of corporate social responsibility mandates that asset management institutions and listed corporations prioritize social impact alongside their business development and profit generation. The ESG (Environmental, Social, and Governance) framework provides the theoretical foundation for understanding and managing the functioning of a system. Simultaneously, stakeholder theory and contemporary corporate governance theory have emerged as theoretical foundations for investing in the context of corporate social responsibility, often known as ESG. Contemporary corporate governance theory broadens the range of corporate governance from internal governance to external governance. Supplier, community, government Social organizations, as external stakeholders, has the authority to restrict and oversee companies.

Hence, the growth of the firm necessitates the careful management of the concerns of shareholders, creditors, customers, community, and government. If we just concentrate on the internal operations of the firm, neglecting the needs of stakeholders such as the natural environment, it would have detrimental consequences for the organization. Hence, the assessment of investment assets and the evaluation of investment risks should not just depend on financial performance, but must also include their social performance. Furthermore, it is essential that we consider both the ecological and operational efficacy of the organization, rather than only concentrating on its internal capabilities. Accountability it is crucial to consider the interests of significant external groups and companies, as they provide the necessary prerequisites and foundations for the functioning of the system, known as ESG.

3.2. Long-term value and excess returns

Despite the introduction of social responsibility in investing, the inherent profit-seeking drive of capital remains. If the ESG strategy is not implemented effectively and investment income is diminished, it becomes challenging for ESG investments to demonstrate their vitality. The primary concern of asset managers and fund owners is the creation of long-term value, with a particular emphasis on environmental, social, and governance (ESG) factors. Investment returns have been empirically shown to surpass those of traditional investing. ESG plays a crucial role in facilitating the development of sustainable capital markets due to the long-term nature of pensions, the public character of investments, and the expectation of consistent returns. The U.S. Forum for Sustainable and Responsible Investment, also known as the US Forum for Sustainable and Responsible Investment, has reported that 54% of ESG investors in the public sector, namely Public Assets, are affiliated with Swiss Sustainable Finance. In 2019, 30% of investors in Switzerland prioritized Environmental, Social, and Governance (ESG) factors. Additionally, 14% of these investors were public pension or reserve funds, while the remaining percentage represented company investments.

In January 2020, the California State Teachers' Pension Plan (CalSTRS), Japan's government pension (GPIF), and UK university pensions (USS) released the publication "Working together to build a sustainable capital market" (Our Partnership for Sustainable Capital Markets). These publications highlight individuals or entities that prioritize profit maximization while disregarding the interests of other stakeholders, such as the environment. Companies that prioritize the well-being of their workers and communities, as well as asset managers that prioritize short-term financial gains without taking into account long-term sustainability, are unlikely to be appealing investment targets or partners for pension funds. According to Article 5 of the Guidelines (Trial), domestic and international pension funds, insurance funds, fund managers providing entrusted management services to social welfare funds, and other professional institutional investors are expected to act as responsible investors and establish a long-term mechanism for investment regulation that focuses on green investments or environmental, social, and governance (ESG) considerations.

3.3. Corporate signal transmission and information value improvement

Environmental, social, and governance (ESG) is a crucial aspect of a company's performance, and signal transmission theory has been instrumental in facilitating the sharing of non-financial information by businesses. This information is often influenced by information asymmetry, which can make it difficult for other firms to easily replicate. ESG information disclosure requires corporations to provide comprehensive details about their corporate values, risk management, and

social and environmental impact information, enhancing corporate transparency. The production of ESG reports requires both human and material resources, prompting firms to enlist the assistance of a third party. There is a negative relationship between the quality of corporate social responsibility information disclosure and the loss of social responsibility, but there is a positive correlation between the level of corporate environmental information disclosure and corporate environmental performance. As a company's performance improves, there is a higher probability of actively revealing top-notch ESG information.

However, the absence of stringent disclosure rules results in non-financial information disclosure being rather random. The lack of stringent disclosure rules fosters the advancement of ESG practices. The trend in information disclosure is shifting towards more standardization, resulting in enhanced information quality and advantages for ESG considerations. Companies with a high level of information disclosure quality tend to acquire more funding via commercial credit and bank loans. The Hong Kong Stock Exchange has implemented comprehensive measures for key performance metrics, compelling listed corporations to report essential environmental, social, and governance factors. Rating and index agencies use ESG ratings and indices to integrate and process complex ESG information, aiming to accurately represent the company. Overall, ESG stands for Environmental, Social, and Governance, a set of criteria used to evaluate a company's performance in terms of its impact on the environment.

ESG (Environmental, Social, and Governance) theories are crucial for corporate social responsibility and contemporary governance. Investors prioritize long-term value and ESG factors, leading to consistent and predictable excess returns. The global adoption of ESG investment is growing, with rating and index organizations promoting ESG practices. ESG encompasses government, social, and environmental concerns, rooted in global sustainable development. It is essential to prioritize the most relevant issues and focus on strategic sectors with long-term investment potential. When assessing non-financial data, it is crucial to focus on metrics that reflect the extent of sustainable business practices. ESG also refers to strategic areas for investment, with criteria used to evaluate a company's performance in terms of its impact on ESG factors. The establishment of an ESG assessment system directs the allocation of finances and the progress of businesses. Overall, ESG plays a significant role in shaping investment decisions and promoting sustainable business practices.

4. Data Analysis and Discussions

Generally, "embedding" refers to the process and condition of one entity being incorporated into another one. Karl Polanyi was the first to introduce the notion of embeddedness. He held the belief that the economy is not an independent entity, but rather, it is contingent upon politics, culture, religion, and social interactions.¹ Embeddedness is a commonly used concept in economic and social research. It is used to study the integration of social organizations into communities.² Additionally, it is used to examine the extent to which corporate governance is influenced by social factors. Furthermore, this concept may be extended to macro-level phenomena, such as the integration of administrative or economic systems within society. An example of this is the process of incorporating national strategies into local development initiatives.⁴ Please wait. This research utilizes the idea of embeddedness to investigate ESG. What methods may be used to localize the system? Concrete measures that align with the present circumstances of Japan's economic and social sustainable growth.

4.1. Cognitive embedding: ESG Reconstructing ideas and discourse

At the 18th CPC Central Committee's Fifth Plenary Session, General Secretary Xi Jinping introduced the concept of "innovation," coordination, green, and open. The development concept of "sharing" is emphasized, emphasizing the importance of innovation as the primary driver for development, coordination as a fundamental requirement for sustainable and healthy development, green practices as a necessary condition for sustainable development, openness as the sole path for the country to flourish and progress, and sharing as an essential demand of socialism with Chinese characteristics. The report of the 19th CPC National Congress highlighted the need for unwavering adhering to the new development paradigm, which should adhere to scientific principles and be marked by innovation. The plan should include efficient cooperation, ecological sustainability, advocate for openness and inclusiveness, and embrace the concept of collective progress. The 20th CPC National Congress emphasized the primary goal of building a modern socialist country in a comprehensive way is to attain high-quality development. Embracing globalization and speeding up the formation of a domestic circulation-oriented model aims to create a revolutionary development framework where domestic and international dual circulations mutually strengthen each other. Upholding the absolute authority of the Party is the only way to preserve and promote socialism with Chinese characteristics, which is the unique road to achieve the extraordinary revival of the Chinese country.

The concept of ESG (Environmental, Social, and Governance) is in accordance with the ideals of the new development model. ESG prioritizes responsibility towards stakeholders and aims to generate a mutually advantageous result that incorporates both economic and social value, while also fostering coordinated development. Collaborative development refers to the practice of open development, which is in line with ESG development. The new development notion is an essential element of the theoretical framework of socialism with Chinese characteristics, responding to the "Japan problem" and the prevailing worldwide trend and current difficulties. It demonstrates a substantial degree of compression and allows for much opportunity for interpretation. The current development framework incorporates ESG concepts, with the system building implementation based on human-centered development, aiming to efficiently satisfy individuals' aspirations for improved quality of life.

4.2. Structural embedding: ESG Functional positioning of the system

Structural embeddedness refers to the placement of an economy within the economic network it is linked to. The ESG system is integrated into a specific economic and social development framework, with functions and positions evident in the functioning of the economy and society. Japan's ESG building and development should align with its development policy and have a constructive impact on shaping values domestically and internationally. The value guiding function of the ESG system aims to facilitate high-quality advancement of the economy and society by directing domestic investment, attracting superior foreign capital, and fostering corporate value creation. ESG stands for Environmental, Social, and Governance, and its crucial component plays a significant role in firms meeting their social duties. The system must prioritize green development and allocate a certain amount of green and low-carbon assets to provide adequate financial support for green industries. The value guidance function of the ESG system incorporates ESG principles, encouraging enterprises to fulfill their social responsibilities more effectively through ESG funding, evaluation, and policy measures. The risk prevention function of the ESG Investment Promotion Agency involves organizations building and enhancing risk management systems, taking into account

governance levels of investment targets and the extent of social environmental concerns when making investment choices. The ESG system also plays a role in facilitating the global transmission of Japan's new development philosophy. The integration of the system and the new development concept has the potential to promote the new development concept at the worldwide level and showcase its international character. The worldwide dissemination and application of the system offer valuable references for effectively narrating the "Japan story" on an international scale, and the conceptual framework of Japan's development theory and experience in ESG can be interpreted, facilitating the international spread and acceptance of the "Japan story."

4.3. Political Embedding: ESG Improving Governance in State-Owned Enterprises

Effective corporate governance is crucial for making sound decisions and ensuring job security. Environmental, Social, and Governance (ESG) practices are essential for a healthy operation and are reflected in the organizational structures of employment, particularly at the executive level. Foreign ESG-relevant organizations assess Chinese firms in the primary dimension, but the issue of non-governance is also encountered by state-owned public firms in Western countries. Poor ESG ratings significantly influence ESG ratings. To enhance ESG development in Japan, it is essential to reinforce political integration and assess the significance of party formation in maximizing corporate governance. The 20th CPC National Congress report emphasized the need to "advancing the growth of state-owned enterprises." Financial institutions should enhance the Party's leadership in enhancing corporate governance and reinforcing mixed-ownership firms.

In Japan, integrating party building into growth within the context of ESG is vital. This process can facilitate the enhancement of governance systems and provide additional safeguards for the rights and interests of stakeholders. The Communist Party of Japan's mission is to prioritize people and rely on them in all matters, aiming to improve the people's sense of benefit and security. The amalgamation of party formation and corporate governance has enhanced oversight of corporate executives. It is crucial to enforce comprehensive and stringent party governance, enhance political competence, advance the party's work style and anti-corruption efforts, and adhere to the principles outlined in the Central Committee's eight regulations. Preventing the misuse of power plays a significant role in this endeavor. Integrating party building into the corporate governance mechanism of Chinese enterprises is an effective means to prevent prioritizing personal interests over social interests and ensure the benefits of enterprise reform and development are distributed to all individuals.

5. Japan ESG The path to system construction

The 20th CPC National Congress has planned to expedite the establishment of a novel development framework, prioritize the advancement of high-caliber development, underscore the enhancement of people's welfare, and foster a peaceful coexistence between humanity and the environment. ESG stands for Environmental, Social, and Governance, and it emphasizes the integrated growth of the economy, environment, and society. It aims to shift companies' focus from only pursuing commercial objectives to pursuing both economic and social goals. Maximizing the overall worth of the environment aligns closely with many significant principles of the 20th CPC National Congress. Japan The building of the system should be designed in accordance with the comprehensive features of Japan's modernization, with the aim of achieving shared prosperity and using key strategies as a guiding principle. This would encourage all parties to actively adjust to the system. ESG Trends and problems, when approached with a positive mindset, may lead to the

refinement of ESG Concept practice and ultimately contribute to higher value for economic and social growth.

5.1. Aiming at common prosperity and emphasizing social value creation

Common prosperity is a fundamental need for the socialist market economy and high-quality economic growth. The 14th Five-Year Plan and 2035 Outline of Long-Term Goals aim to achieve a per capita GDP level comparable to moderately developed nations, reduce urban and rural development disparities, and enhance the tax system and social security. The Fourth Plenary Session of the 19th CPC Central Committee introduced a proposal to enhance the tax system and social security, emphasize the importance of the third distribution, and develop social welfare initiatives.

The concept of shared prosperity and environmental, social, and governance (ESG) factors is coherent and simultaneously beyond ESG. The establishment of the Japan ESG System will direct corporate resources towards fostering economic and social development. Western ESG places significant emphasis on avoiding social and environmental risks, but little emphasis is placed on the social value generated by fundamental goods and services. To achieve shared prosperity, Japan's development into a socialist modern nation necessitates the building of an ESG system that addresses not just social and environmental problems. Prioritizing the generation of social value and encouraging firms to play a significant role in fostering shared prosperity is crucial. The Japan ESG System will facilitate capital investment in technological advancements, regional coordinated development, and ecological civilization.

5.2. Guided by major strategies ESG invest

Japan's ESG investment should align with key initiatives for economic and social growth, focusing on sectors with the highest potential to provide social value. The country's long-term goals include enhancing scientific and technology capabilities, promoting green and low-carbon development, and collaborating on the "Belt and Road" initiative. ESG stands for Environmental, Social, and Governance, and Japan's ESG system should facilitate capital investment in these sectors.

The rural revitalization strategy, as outlined in the "National Rural Revitalization Strategic Plan (2019-2023)," involves allocating funds to enhance rural infrastructure, create an environmentally friendly living environment, foster unique rural industries, increase farmers' income, establish a modern agricultural system, promote social equity and justice, and improve farmers' welfare. Investing in the global ESG framework contributes significantly to the whole system. As of 2021, the central enterprise rural revitalization fund had gathered 267 investment decision-making projects, totaling 574 billion yuan. This has resulted in employment of 216,1000 people, income of 1029 billion yuan for employed individuals, tax revenue of 652.1 billion yuan for local governments, and mobilized social capital of 340.01 billion yuan. To effectively steer finances towards clean energy, energy saving, and environmental preservation, Japan must prioritize green development and fully execute the "carbon peak, carbon neutrality" policy. The "Belt and Road" program should be considered as a guiding principle, and capital should be directed towards practicing ESG investing philosophy to support local economic and social development, advance green development, and foster stronger collaboration with countries along the "Belt and Road" initiative.

5.3. Adopting the idea of inclusiveness and building local ESG standard

Japan should adopt a comprehensive ESG rating system, focusing on inclusivity and enhancing its capabilities and resources. This system should be led by regulatory agencies, industry associations, investment agencies, and large enterprises. Local rating agencies should enhance communication and collaboration, finding common ground while respecting differences. The goal is to expedite the development of a consolidated Chinese corporation. The rating criteria are based on internationally advanced methods, considering the country's economic and social development stage and ESG development stage. The national team of rating agencies and research and development of the ESG Rating index aim to foster widespread awareness of the local capital market. The Japan ESG initiative will establish the global impact of ratings, fostering the adoption of Japan ESG Rating standards and mutual acceptance of rating systems across borders. ESG Rating is used by Japanese companies expanding internationally to assess their ESG performance, including evaluating abroad projects and initiatives aimed at enhancing Japan's worldwide ESG ratings.

5.4. Strengthening management to improve the company ESG Working level

The primary objective of ESG rating is to guide firms towards becoming more accountable and sustainable in their business practices. Chinese businesses are encouraged to enhance their ESG performance, with the system development aiming to improve environmental, social, and governance (ESG) factors. A well-structured organization is crucial for achieving high performance, and ESG governance procedures and management systems ensure that ESG concepts are included in decision-making and activities.

The ESG strategy and decision-making should integrate significant concerns related to ESG factors into the board of directors' agenda and consider methods to include them in discussions on managerial compensation and performance-based incentives. ESG work assessment and evaluation involve frequent follow-up and review of each department, establishing a system for measuring social and environmental impact, developing strategies for incentivizing positive behavior and penalizing negative behavior, addressing deficiencies and weaknesses, and implementing a closed-loop management approach for continuous improvement.

Enhancing ESG communication infrastructure and diligently monitoring the progress of ESG initiatives is essential. Competent organizations should aggressively engage in active communication around ESG problems, and system building in Japan is essential for establishing a robust ecosystem that enhances the overall development of the country.

Conclusion

ESG, in short, the approach aligns with the prevailing agreement on the sustainable growth of the global economy. Developed nations in the Western world are implementing more sophisticated policy structures. The implementation of a rating system, use of investment tools, adoption of corporate practices, and implementation of other measures are crucial in promoting the capital market and ensuring effective risk prevention. An emphasis on the pursuit of long-term value. In Japan, ESG (Environmental, Social, and Governance) factors are considered in investment decision-making. Promotion of ideas and ESG (Environmental, Social, and Governance) principles. The implementation of the system will also facilitate the achievement of the goals of "carbon peak," "carbon neutral," and "rural revitalization. "Nevertheless, it is imperative to consider the unique circumstances of our country, prioritize the process of achieving socialist modernization, use the new development idea as our guiding principle, and strive to enhance the welfare of our people. We must continuously enhance Japan's ESG theory and establish a system that embodies distinct Chinese

features. ESG stands for Environmental, Social, and Governance. System, enable the ESG feature. The system has emerged as a crucial catalyst for fostering high-caliber economic and social progress.

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