



FOREWORD

This issue of *Nomura Journal of Asian Capital Markets* features articles from experts on the themes of sustainable finance and environmental, social, and governance (ESG) investing in major Asian countries.

Sayuri Shirai, Professor on the Faculty of Policy Management at Keio University, provides insights into the whole-of-economy transition toward net zero carbon emissions and the frameworks for financing the transition. Her article includes a sample classification of the whole-of-economy transition, key elements of a reliable transition plan, and examples of economic activities contributing to the transition. In addition, the article introduces three existing approaches to identifying entities that are committed in their decarbonization efforts.

Akane Enatsu, Head of Nomura Sustainability Research Center at Nomura Institute of Capital Markets Research, discusses the development and challenges of transition finance in Japan. The Japanese government has been making various efforts to promote transition finance. The government issued the world's first sovereign climate transition bonds in February 2024. Major challenges for realizing a decarbonized society include creating a positive image of transition finance and greater international cooperation.

Suk Hyun, Professor and Head of the Graduate School of Environmental Finance at Yonsei University, writes about the status and challenges of sustainable finance in Korea. The Korean government has introduced ESG management guidelines and taxonomies to promote the sustainability of domestic companies. The sustainable finance market has grown, leading to an increase in institutional investors' investments in ESG bonds. However, there are numerous ESG challenges including improvement in disclosure and enhancement of impact assessment.

Guan Seng Khoo, APAC Advisory Council Member of Singapore Economic Forum, and Annie Koh, Professor Emeritus of Finance (Practice) at Singapore Management University, present the challenges and opportunities of transition finance globally and Singapore's efforts to promote transition finance. Their article highlights the importance of public-private partnerships and recommends the use of blended finance in promoting transition finance in the ASEAN region.

Wasin Siwasarit, Lecturer at the Faculty of Economics, Thammasat University, analyzes ESG ratings and stock performance in Thailand. The relationship between ESG ratings and stock performance remains uncertain, and there is no consensus on the application of ESG in investment management. ESG rating agencies provide diverging ESG scores because they use different data sources and models. His analysis suggests that investors should reference several different ESG ratings in investment management.