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# ESG Investing: Lessons from Russian Invasion of Ukraine

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## Summary

- Russia's invasion of Ukraine has raised some issues about the appropriate approach to ESG investing.
- There are four main issues. (1) how to consider holding Russian assets in ESG investing, (2) whether the invasion is a headwind to green finance, (3) should the handling of weapons (defense industry) in ESG investing be changed, and (4) how investment should take human rights violations into account in the region of conflict.
- For example, the invasion had an impact on the transition process to a decarbonized society, and it provides an opportunity to rethink objectives of ESG investing.
- On the other hand, in terms of human rights and governance, the importance of ESG investments has been reaffirmed.
- Not much response has been seen yet on the part of domestic investors and financial institutions from the perspective of ESG. However, it has become clear that geopolitical risk affects the way ESG investing and ESG evaluation are approached. Therefore, it is necessary to consider the response policy.
- Companies are required to make decisions regarding suspension or withdrawal of business not only based on the impact of geopolitical risk on their business, but also on whether their business may promote human rights abuses. Decisions regarding disclosure of information associated with suspension or withdrawal should also be considered from the above perspective.

### Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.47).