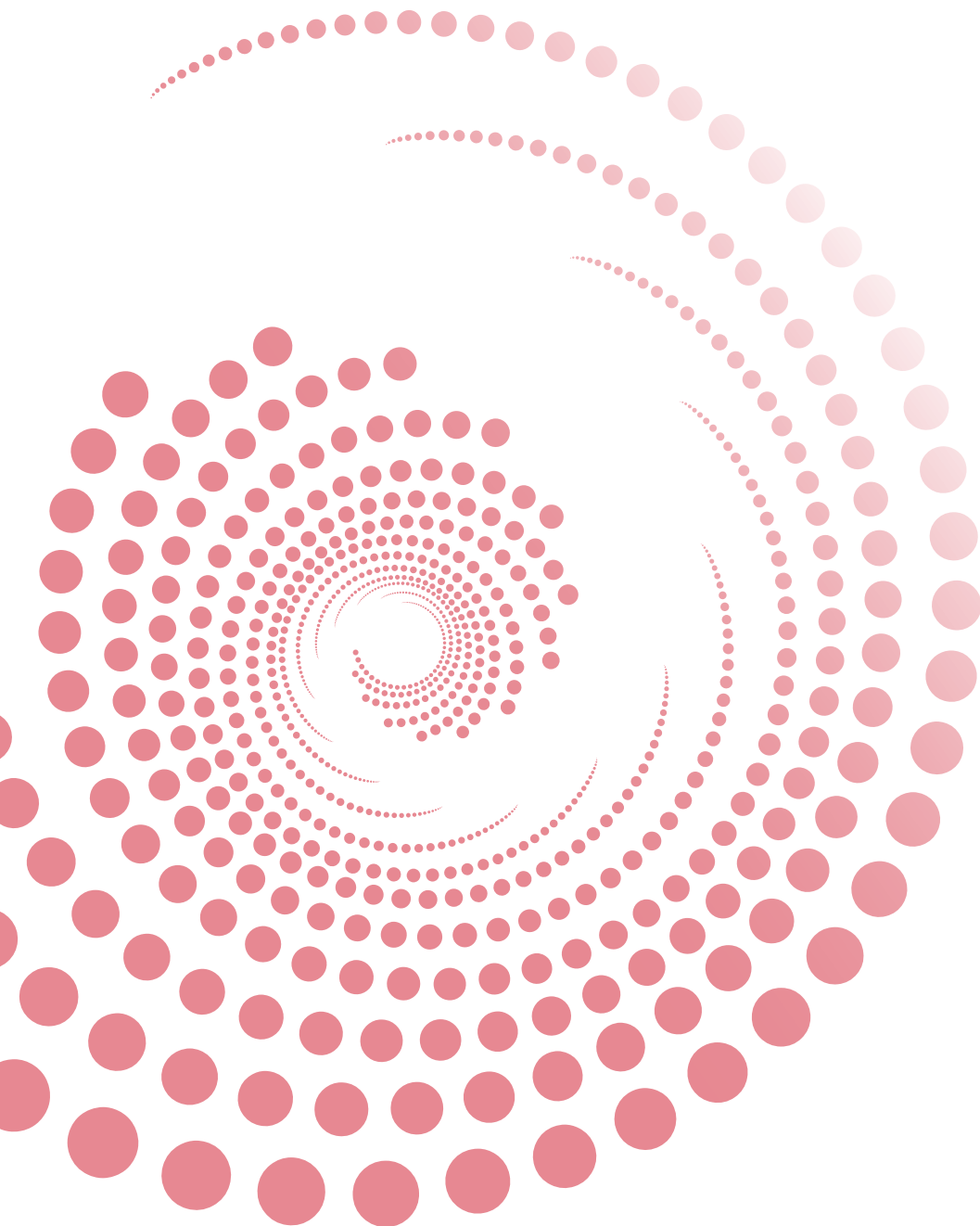




JSIF

**Survey on  
Sustainable/ESG Investment in Japan  
2015**



## About the Organization

Japan Sustainable Investment Forum (JSIF) started its activities in early 2001 to promote SRI in Japan and was formally registered as a Not-for-Profit Organization (NPO) in 2003.

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# JSIF Conducts Japan's First Survey Pertaining to the Total Sustainable Investment and ESG Investment Balances of Institutional Investors

According to JSIF totals, the total sustainable investment and ESG investment balances of Japanese institutional investors amount to ¥26.6 trillion and ¥17.5 trillion, respectively.

Since its establishment in 2004, the Japan Sustainable Investment Forum (JSIF) has been regularly calculating Japan's sustainable investment balance and publicizing this information both domestically and overseas. Until recently, the scope of these totals was limited to publicly available figures pertaining to SRI investment trusts and social impact bonds. For a long time, disclosure initiatives pertaining to sustainable investment by institutional investors, including pension funds, were limited, and balances were not publicized. It was therefore not possible to reflect such investments in our calculations.

However, in February 2014, the Principles for Responsible Institutional Investors (the Japan's Stewardship Code) were established and, as of December 11, 2015, 201 institutional investors have declared adoption of these principles. Moreover, with the announcement of the Corporate Governance Code in June 2015, ESG and sustainable investment by institutional investors in Japan is anticipated, in addition to ramped up engagement with corporations. Further, in September 2015, the Government Pension Investment Fund (GPIF)—the world's largest pension fund—became a signatory of the Principles for Responsible Investment, which has garnered attention from overseas since its announcement by Prime Minister Abe at the UN Summit.

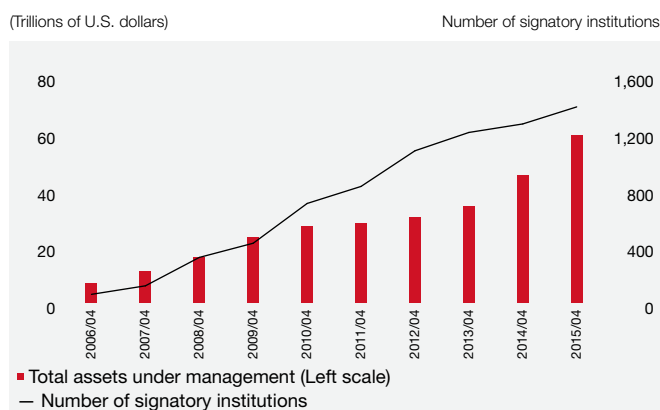
The global sustainable investment balance for 2014 amounted to \$21.36 trillion, a rise of 61% from the 2012 figure of \$13.26 trillion. Within this amount, there has been a rapid expansion in ESG investment (ESG integration), which has grown 78% from 2012, to \$12.85 trillion, and engagement and the exercising of voting rights related to ESG, which has grown 53%, to \$7.05 trillion (*Global Sustainable Investment Review 2014*).

Signatories of the UN's Principles for Responsible Investment (PRI), an initiative to promote ESG investment worldwide, totaled 1,453 as of January 11, 2016 (breakdown: asset owner: 301; investment manager: 954; professional service partner: 198), with combined total assets under management of over \$59 trillion.

	Worldwide	Japan
PRI signatory institutions	1,453	39
Asset owners including pension funds	301	9
Asset management companies	954	23
Information service providers	198	7

Number of PRI signatory institutions and assets under management (as of April 2015)

Total assets: over \$59 trillion      Annual increase of 29%



Source: Produced by JSIF based on PRI data

Furthermore, 12 of the 20 largest pension funds in the world are engaged in ESG investment, and the total assets held by those 12 funds represent 72% of the total assets under management by all 20 (calculated by JSIF based on *P&I/TW 300 Analysis Year End 2014* and PRI data).

Twelve of the 20 largest investment funds in the world are engaged in ESG investment. The proportion of total assets held by those 12 is 72%.

	Fund	Country	Total assets
1	Government Pension Investment	Japan	\$1,143,838
2	Government Pension Fund	Norway	\$884,031
3	National Pension	South Korea	\$429,794
4	Federal Retirement Thrift	U.S.	\$422,200
5	ABP	Netherlands	\$418,745
6	California Public Employees	U.S.	\$296,744
7	National Social Security	China	\$247,361
8	Canada Pension	Canada	\$228,431
9	PFZW	Netherlands	\$215,006
10	Central Provident Fund	Singapore	\$207,872
11	Local Government Officials	Japan	\$194,696
12	California State Teachers	U.S.	\$186,954
13	Employees Provident Fund	Malaysia	\$184,697
14	New York State Common	U.S.	\$178,252
15	New York City Retirement	U.S.	\$158,702
16	Florida State Board	U.S.	\$154,657
17	Ontario Teachers	Canada	\$133,282
18	Texas Teachers	U.S.	\$128,933
19	GEPF	South Africa	\$123,204
20	ATP	Denmark	\$122,028

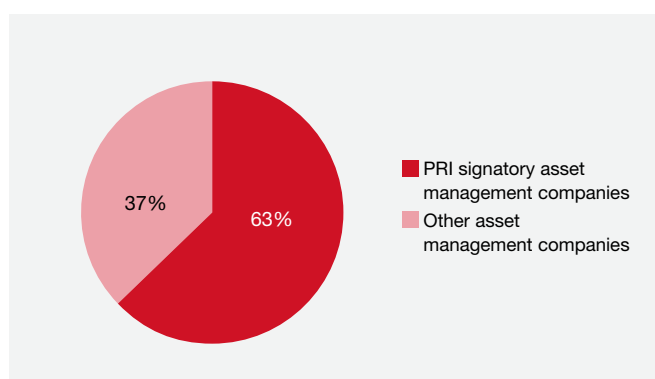
Legend: ■ PRI signatories ■ Engaged in ESG investment but not a PRI signatory

Source: Produced by JSIF based on *P&I/TW 300 Analysis Year End 2014* and PRI data

For 2014, total assets under management by asset management companies that are signatories of PRI accounted for 63% of investment by asset management companies worldwide. (PRI data)

Signatories of PRI manage 63% of the assets under management by asset management companies worldwide.

	Market scale: trillions of U.S. dollars (2014)	PRI signatory institutions: trillions of U.S. dollars (2014)	Estimated proportion accounted for by PRI signatory institutions
Asset management companies	74	46.3	63%



Source: Produced by JSIF based on PRI data

Looking at these figures, it is not an exaggeration to say that ESG investment has already become a mainstream concept worldwide. Bearing in mind the changing domestic and global environment that represents a backdrop to sustainable investment and ESG investment, JSIF considers the calculation and publication, both domestically and overseas, of balances that reflect the sustainable investment and ESG investment initiatives of Japanese institutional investors to be a matter of urgency. By requesting the cooperation of 59 institutions that have declared adoption of the Japan's Stewardship Code with regard to clear disclosure of their departments responsible for compliance with the Code and participation in the survey, we were able to secure responses from 28 institutions.

This survey examines the status of Japan's sustainable investment, and aims to promulgate a correct interpretation of that status across the country and overseas. The results of totals calculated are to be posted on JSIF's website and announced at a conference jointly hosted with PRI Japan Network and at international conferences. The information will also be widely utilized by public institutions such as the Ministry of the Environment. Moreover, totals will now be calculated every two years and we intend to reflect the results of the survey in the *Global Sustainable Investment Review*, an initiative started in 2012 through the cooperation of SIFs in countries around the world to calculate and publicize global sustainability investment balances. We hope that this survey will be a useful reference to domestic and overseas pension funds and other institutional investors, NPOs/NGOs, relevant authorities, and Japanese corporations in correctly grasping the status of sustainable investment and ESG investment in Japan, and in promoting domestic initiatives such as sustainable investment, ESG investment, engagement, and information disclosure by corporations.

Pension funds and asset management companies that participated in the survey  
(28 companies in alphabetical order)

Of the 28 respondents, four requested that their group/company name not be published.

- Amundi Japan Ltd.
- Alliance Bernstein Japan Ltd.
- Asahi Life Asset Management Co., Ltd.

- Daido Life Insurance Company
- Daiwa Asset Management Co. Ltd.
- DBJ ASSET MANAGEMENT CO., LTD.
- DIAM Co., Ltd.
- Mitsui Sumitomo Insurance Company, Ltd.
- Mizuho Asset Management Co., Ltd.
- Mizuho Trust & Banking Co., Ltd.
- Nissay Asset Management Co., Ltd.
- NN Investment Partners (Japan) Co., Ltd.
- Pension Fund Association
- Resona Bank, Limited
- Robeco Japan Company Limited
- SPARX Asset Management Co., Ltd.
- SECOM Pension Fund
- Sompo Japan Nipponkoa Asset Management Co., Ltd.
- Sompo Japan Nipponkoa Insurance Inc.
- Sumitomo Mitsui Asset Management Company, Limited
- Sumitomo Mitsui Trust Bank, Limited
- TAIYO LIFE INSURANCE COMPANY
- T&D Asset Management Co., Ltd.
- Tokio Marine Asset Management Co., Ltd.

The following four groups/organizations cooperated with JSIF in circulating the survey:

- Principles for Financial Action for the 21st Century, Ministry of the Environment
- CFA Society of Japan
- FTSE Russell (London Stock Exchange Group)
- responsible-investor.com (Response Global Media Limited)

We also received many suggestions pertaining to survey content from the Japan Investment Advisers Association.

## Summary of Survey Results

### Outline of survey

- Focus period: November to December, 2015
- Circulation and number of respondents: distributed to 59 institutions, responses received from 28

### Total sustainable investment under management

¥26.69 trillion (24 institutions)

### Proportion of total assets under management

11.4% (= 26,661,900 ÷ 232,084,235)

Note: Total assets under management calculated with the exclusion of one institution that did not disclose a figure

### Classification of respondent institutions (asset owner/investment manager)

Asset owner	7
Investment manager	20
Asset owner and investment manager (both apply)	1
Total	28

### Sustainable investment balance by management method

	(Denominated in millions of yen)
ESG integration	17,555,654
Positive (best in class) screening	326,955
Investments based on a theme of sustainability	785,785
Impact and community investment	87,642
Engagement/Use of voting rights	11,709,822
Negative screening	4,573,384
Screening based on international standards	6,075,200

### Sustainable investment balance by asset class

	(Denominated in millions of yen)
Japanese stock	13,855,308
Foreign stock	2,962,942
Bonds	6,815,325
Private equity (PE)	643
Real estate	435,150
Other	1,147,630

## Survey Results

### Q1 Please enter the identification code accompanying the guide to this survey. [Abridged]

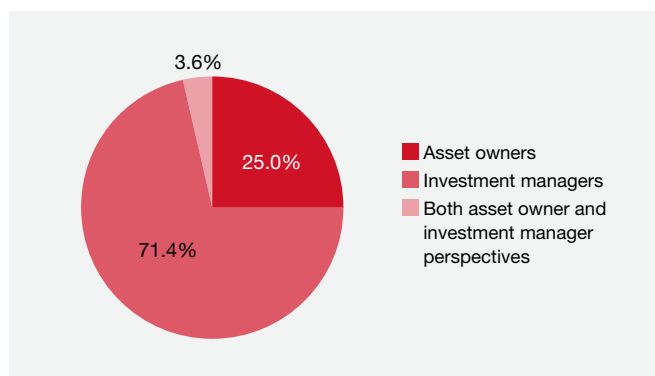
Option	Proportion of responses	Number of responses
Identification code	100.0%	28

Number of institutions that answered this question: 28/28

### Q2 Please describe your role pertaining to capital management and capital structure.

Option	Proportion of responses	Number of responses
Asset owner	25.0%	7
Investment manager	71.4%	20
Asset owner and investment manager (both apply)	3.6%	1

Number of institutions that answered this question: 28/28

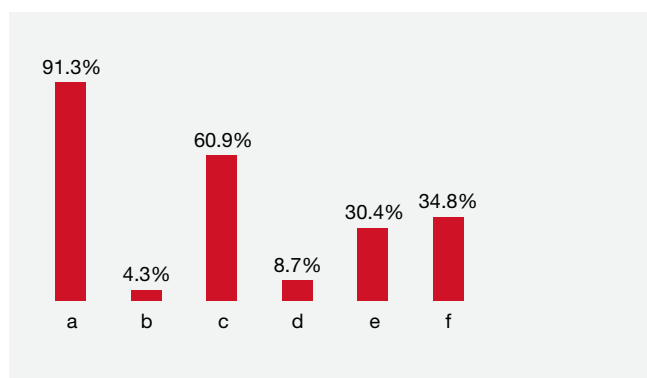


- Seven respondent institutions, or 25%, were asset owners; 20 respondents were investment managers, with a proportion of 71.4%; and one institution indicated that both categories applied.
- Four of the respondent institutions were foreign-affiliated Japanese corporations (all of which were investment managers).

### Q3 Which of the following initiatives have you adopted or are involved in?

Option	Proportion of responses	Number of responses
a Principles for Responsible Investment (PRI)	91.3%	21
b Equator Principles	4.3%	1
c Principles for Financial Action for the 21st Century	60.9%	14
d Principles for Sustainable Insurance (PSI)	8.7%	2
e CDP	30.4%	7
f Other (please specify)	34.8%	8

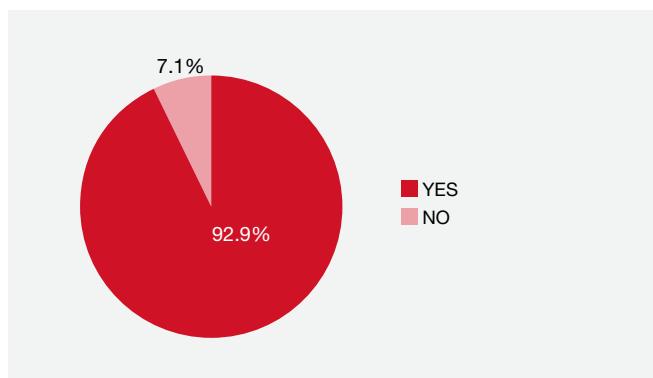
Number of institutions that answered this question: 23/28



- Twenty-three institutions responded to the question pertaining to their involvement in the main domestic and international initiatives related to sustainable investment.
- Signatories of PRI, which promotes ESG investment internationally, represented the highest proportion, with 21 institutions (91.3%); 14 institutions (60.9%) were engaged in the domestic initiative Principles for Financial Action for the 21st Century; and signatories of CDP, which advocates disclosure of corporate initiatives pertaining to CO<sub>2</sub> emissions, water, and forests, totaled seven institutions (30.4%).
- Furthermore, eight institutions (all of which were investment managers) noted their participation in 24 differing activities both domestically and overseas, including IGCN, JSIF, UNEPFI, the UN Global Compact, and the Montreal Carbon Pledge.

#### Q4 Have you declared adoption of the Japan Stewardship Code?

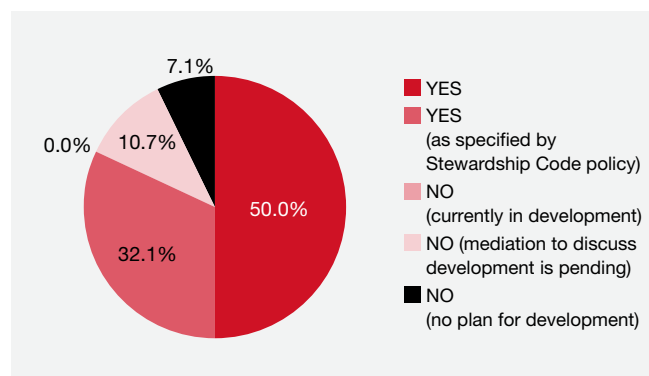
Option	Proportion of responses	Number of responses
YES	92.9%	26
NO	7.1%	2
For institutions that answered YES, please include the URL of the IR website that describes policies related to each principle.		
		24
Number of institutions that answered this question: 28/28		



- The survey was conducted with a focus on signatory institutions of the Japan Stewardship Code; 26 respondents (92.9%) reported adoption of the Code.
- Of the two institutions that were not signatories of the Code, one was a domestic asset owner, and the other was an overseas investment manager.

#### Q5 Do you have a formal policy pertaining to sustainable investment (ESG investment, responsible investment, SRI, impact investment, eco funds, etc.) specific to your organization?

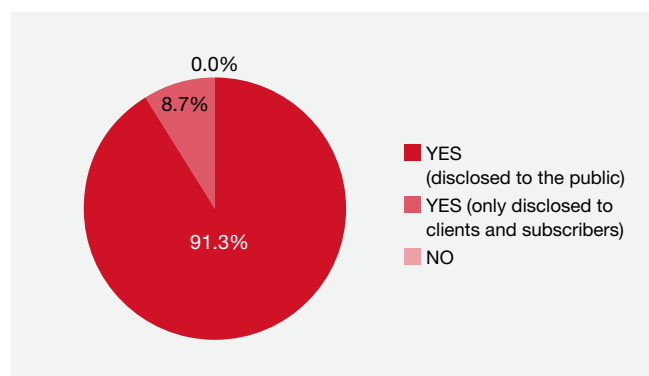
Option	Proportion of responses	Number of responses
YES	50.0%	14
YES (as specified by Stewardship Code policy)	32.1%	9
NO (currently in development)	0.0%	0
NO (mediation to discuss development is pending)	10.7%	3
NO (no plan for development)	7.1%	2
Number of institutions that answered this question: 28/28		



- Fourteen institutions (50%) indicated that they had a formal policy specific to their organization pertaining to sustainable investment, and nine institutions (32.1%) indicated that they incorporated policy as specified by the Japan Stewardship Code, for a total of 23 institutions (82.1%) that answered YES.
- Three institutions (10.7%), all of which were investment managers, indicated that mediation to discuss policy development was pending.
- Of the two institutions that indicated no plan for policy development, one was a domestic pension fund, and the other an investment manager.

#### Q6 This is a question for institutions that answered YES to Q4 (pertaining to adoption of the Japan Stewardship Code). Are these policies publicized?

Option	Proportion of responses	Number of responses
YES (disclosed to the public)	91.3%	21
YES (only disclosed to clients and subscribers)	8.7%	2
NO	0.0%	0
For those who answered YES (disclosed to the public), please provide a URL.		
		19
Number of institutions that answered this question: 23/28		

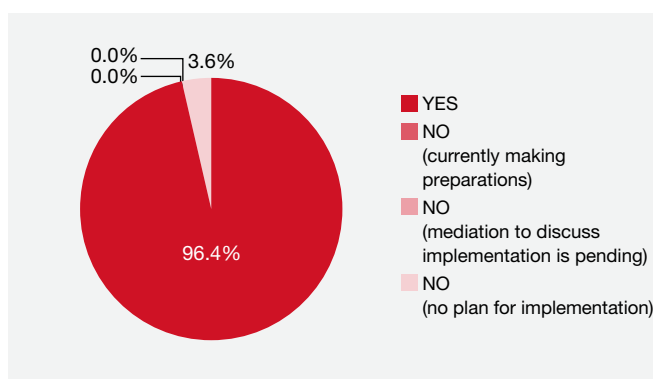


- In response to the question for institutions that have adopted the Japan Stewardship Code and pertaining to publication of associated policies, 21 institutions (91.3%) indicated that they made this information available to the public, and two institutions indicated that they disclosed this information only to clients and pension subscribers. Therefore, 100% of respondents answered YES to the question and none of the respondents answered NO. Five institutions declined to respond.

**Q7 Are you engaged in sustainable investment (ESG investment, responsible investment, SRI, impact investment, or eco funds)?**

Option	Proportion of responses	Number of responses
YES	96.4%	27
NO (currently making preparations)	0.0%	0
NO (mediation to discuss implementation is pending)	0.0%	0
NO (no plan for implementation)	3.6%	1

Number of institutions that answered this question: 28/28

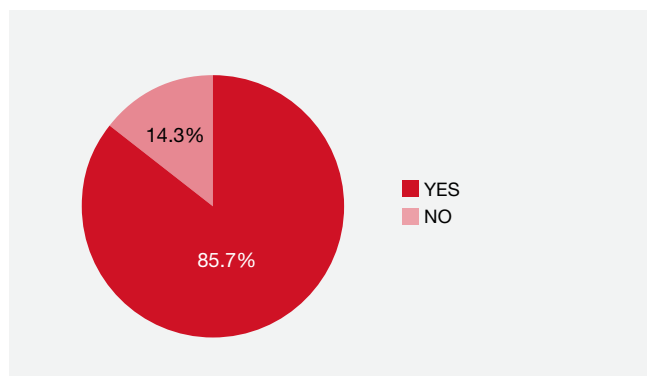


- Twenty-seven respondents (96.4%) indicated that they were engaged in sustainable investment. Only one institution indicated that it did not plan to implement sustainable investment. (This institution explained that it was not engaged in asset management in line with sustainable investment guidelines because analysts use this information as non-financial information to evaluate corporations.)

**Q8 Are you able to disclose to us your sustainable investment balance under management?**

Option	Proportion of responses	Number of responses
YES	85.7%	24
NO	14.3%	4

Number of institutions that answered this question: 28/28



- Twenty-four institutions (85.7%) indicated that they were willing to disclose their sustainable investment balance under management.
- Four institutions indicated that they were not willing to disclose this information. Of these respondents, two were asset owners, one was a domestic investment manager, and one was an overseas investment manager.
- Of the two asset owners that answered NO, one was a pension fund. The same fund was also not a signatory of PRI.

**Q9 This question pertains to institutions that answered YES to Q8. Please tell us your total sustainable investment balance under management (to the nearest million yen).** (Millions of yen)

Amount indicated (average)	Total of amounts indicated	Number of responses
1,111,969	26,687,256	24

Number of institutions that answered this question: 24/28

- Twenty-four institutions responded to the question pertaining to total sustainable investment balance under management, the combined sum of which amounted to ¥26.69 trillion.
- The average total for each institution was over ¥1.1 trillion.



## Q10 Please tell us when the balance indicated in Q9 was recorded.

Amount indicated (average)	Total of amounts indicated	Number of responses
Date/month/year	100.0%	24
Number of institutions that answered this question: 24/28		

## Q11 If possible, please tell us about your total asset balance under management at the same time the amount indicated in Q10 was recorded (to assess the proportion of total funds under management categorized as sustainable investment).

(Millions of yen)

Amount indicated (average)	Total of amounts indicated	Number of responses
¥10,090,618	¥232,084,235	23
Number of institutions that answered this question: 23/28		

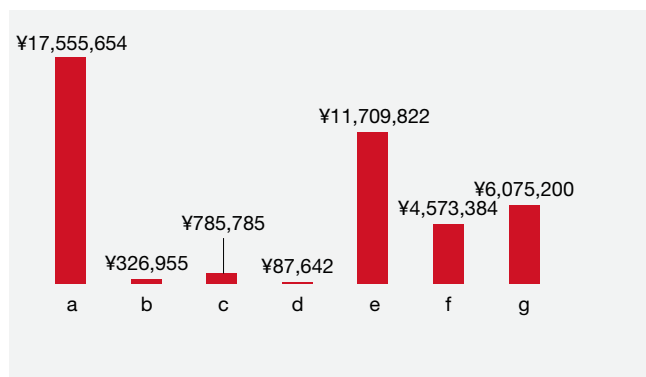
- Responses pertaining to total balance under management were provided by 23 of the institutions that responded to Q10, with the exception of one institution (a pension fund). The total of amounts indicated came to ¥232.08 trillion.
- 11.48% of the [combined] total balance under management was categorized as sustainable investment (calculated with the exclusion of the aforementioned pension fund).

## Q12 If possible, please tell us about the proportion of the amount indicated in Q9 allocated to each of the asset management methods\* listed below.

(Millions of yen)

Option	Amount indicated (average)	Total of amounts indicated	Number of responses
a ESG integration	¥1,097,228	¥17,555,654	16
b Positive (best in class) screening	29,723	326,955	11
c Investments based on a theme of sustainability	78,578	785,785	10
d Impact and community investment	14,607	87,642	6
e Engagement/Use of voting rights	975,818	11,709,822	12
f Negative screening	762,230	4,573,384	6
g Screening based on international standards	1,215,040	6,075,200	5
Number of institutions that answered this question: 23/28			

(Millions of yen)



Note: As multiple responses were received, figures are not aligned with the total for Q9 (¥26.69 trillion).

\*Definitions of asset management methods:

- ESG integration  
Investment that systematically incorporates ESG (environment, society, corporate governance) factors in regular management processes
- Positive (best in class) screening  
Investment in selected sectors and corporations by using financial and ESG screening (e.g., eco funds, etc.)
- Investments based on a theme of sustainability  
Investments that reflect sustainability themes, including renewable energy, environmental technology, and agriculture (e.g., renewable energy funds, etc.)
- Impact and community investment  
Investment that prioritizes impact on society, the environment, and the community (e.g., vaccine bonds, green bonds, etc.)
- Engagement/Use of voting rights  
Working with corporations as a shareholder (including use of voting rights) based on ESG engagement policies
- Negative screening  
Abstention from investment in specific industries or corporations for ethical or religious reasons
- Screening based on international standards  
Investment based on international standards set in place by international institutions (OECD, ILO, UNICEF, etc.) (e.g., Oslo Convention → abstention from investment in corporations affiliated with cluster munitions)

The definitions detailed above were deliberated at a meeting between the JSIF steering committee and members of the PRI Japan Network Working Group, with reference to definitions set out by the Global Investment Alliance (a global network of SIFs), Eurosif, and PRI.

- Twenty-three institutions responded to the question pertaining to the proportion of sustainable investment by asset management methods.
- ESG integration reflected the largest proportion, with a total of ¥17.56 trillion from 16 institutions.
- Engagement/Use of voting rights amounted to a total of ¥11.71 trillion from 12 institutions. Although some institutions indicated that this management method accounted for their entire sustainable investment balance, some institutions did not respond at all.

Caution from JSIF: Although it is reasonable to assume that all institutions conduct engagement/use of voting rights to some extent, institutions that did not answer this question may have abstained from doing so due to reasons related to the extent of their initiatives and their fundamental beliefs pertaining to what constitutes engagement. (One of the reasons that engagement and use of voting rights are bundled into a single question is due to the fact that this survey used the classifications of global surveys as a reference point. However, for Japan, it may be more appropriate to treat these as separate categories in the future.)

- Negative screening amounted to a total of ¥4.57 trillion from six institutions, and screening based on international standards totaled ¥6.08 trillion from five institutions.
- Furthermore, impact and community investment amounted to ¥87.6 billion from six institutions; investments based on a theme of sustainability totaled ¥785.7 billion from 10 institutions; and positive (best in class) screening was ¥326.9 billion from 11 institutions.
- We can see that a wide range of sustainable investment initiatives are being implemented in addition to ESG investment. However, there is still a significant difference in the proportion of investments deemed sustainable when compared to overseas. We may assume that this is a reflection of the fact that there are differences between the historical and cultural backgrounds of every country and region.

SRI classifications and the rapid expansion of ESG investment  
World SRI [totals] ¥21.4 trillion

(Billions of U.S. dollars)

Classification	Outstanding amount
1 Negative screening	14,389.5
2 ESG investment/ESG integration	12,853.7
3 Engagement/Use of voting rights	7,044.6
4 Investment based on themes	5,534.2
5 Positive screening (best in class)	992.1
6 Sustainable theme	165.9
7 Impact and community investment	108.6

Source: *Global Sustainable Investment Review 2014*, Global Sustainable Investment Alliance

**Q13** If possible, please tell us about the proportion of the amount indicated in Q9 allocated to each of the following asset classes.

(Millions of yen)

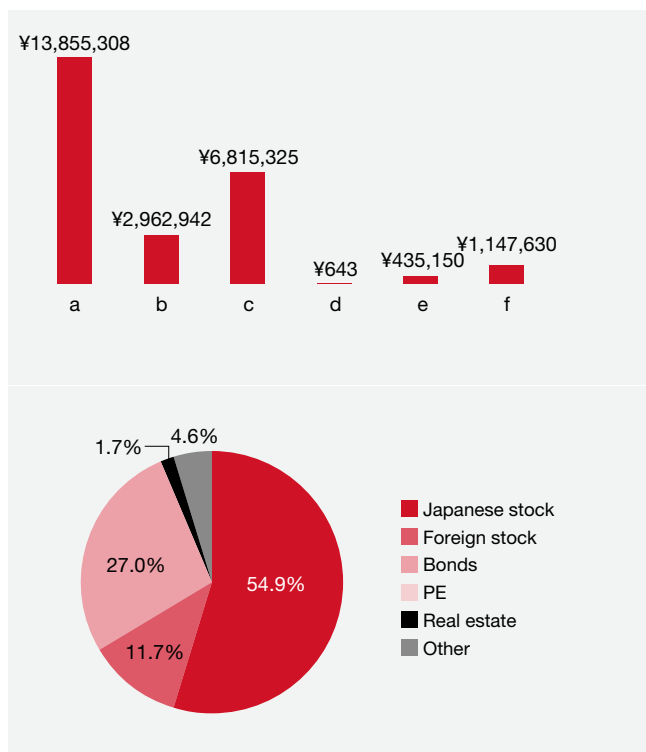
Option	Amount indicated (average)	Total of amounts indicated	Number of responses
a Japanese stock	659,776	13,855,308	21
b Foreign stock	296,294	2,962,942	10
c Bonds	757,258	6,815,325	9
d PE	91	643	7
e Real estate	62,164	435,150	7
f Other	143,453	1,147,630	8

Number of institutions that answered this question: 23/28

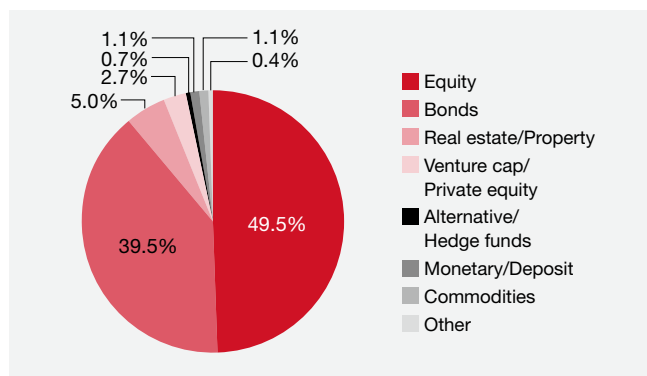
Notes:

1. The number of institutions that answered includes institutions that indicated an allocation of zero.
2. As one institution declined to answer, the sum of these figures is not equal to the total amount indicated in Q9 (¥26.69 trillion).

(Millions of yen)



European and Canadian allocation of sustainable investment by asset class



Source: *Global Sustainable Investment Review 2014*, Global Sustainable Investment Alliance

(The numbers of institutions below do not include institutions that indicated an allocation of zero.)

- Japanese stock represented ¥13.86 trillion of class-specific assets (21 institutions including 1 foreign-affiliated institution). Two of the responses were given by pension funds.
- Bonds amounted to ¥6.82 trillion (eight institutions), foreign stock to ¥2.96 trillion (six institutions), and “other” to ¥1.15 trillion (six institutions). Moreover, two institutions indicated that they are engaged in real estate investment, and one institution is engaged in investment through PE. All of these institutions were investment managers.
- Eight institutions are engaged in sustainable investment through foreign stock. Of those institutions, five were Japanese and three were foreign-affiliates.
- Of six institutions engaged in investment through bonds, four were Japanese and two were foreign-affiliates.
- Of the two institutions engaged in real estate investment, one was Japanese and the other a foreign-affiliate.
- There was only one institution engaged in PE investment. This institution was Japanese.
- Four out of six institutions with other assets were Japanese, and the remaining two were foreign-affiliates.

**Q14** In the past year, how many companies have you engaged with in “purposeful dialogue,” as stipulated by the Japan Stewardship Code? If possible, please indicate specific companies.

Option	Number of responses
	23
Number of institutions that answered this question: 23/28	

- Twenty-three institutions indicated that they conduct engagement (purposeful dialogue) with companies and, of the five institutions that did not provide an answer, two were pension funds, and the remaining three were investment managers.
- One institution indicated that its scope for engagement was 5,400 companies; one indicated a scope of 3,000; three a scope of 1,000–1,500; two a scope of 600–700; 13 a scope of 120–350; and three a scope of 15–47.
- Although there were many cases where the scope of engagement included a large number of companies, we may assume that there were also cases where engagement was directed toward a more specific focus group.

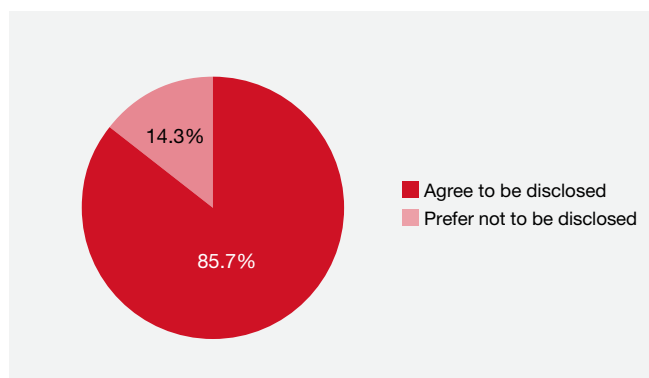
**Q15** Please provide us with some commentary within the possible scope for disclosure pertaining to the systematic evaluation processes used in managing the amounts indicated in Q9–Q13 (e.g., “ESG is implemented by the ESG evaluation team”; “screening is conducted by using outside assessment bodies or analytic data,” etc.). Alternatively, please provide a URL that gives access to disclosure materials.

Option	Number of responses
	21
Number of institutions that answered this question: 21/28	

- Twenty-one institutions responded to the request for commentary within the possible scope for disclosure, or provided a URL that gives access to disclosure materials, pertaining to the systematic evaluation processes used in managing the amounts indicated in Q9–Q13.
- Of the seven institutions that did not respond, three were asset owners (pension funds), one was a foreign-affiliated investment manager, and three were Japanese investment managers.

**Q16** The names of companies and funds that cooperated with this survey are to be disclosed at the end of the report for this survey. Please let us know if you prefer that this information not be disclosed.

Option	Proportion of responses	Number of responses
Agree to be disclosed	85.7%	24
Prefer not to be disclosed	14.3%	4
Number of institutions that answered this question: 28/28		



- Two of the institutions that indicated “please do not publish” were pension funds, and two were Japanese investment managers.

Japan Sustainable Investment Forum (JSIF)  
JSIF Chair: Masaru Arai