

January 3, 2018

Third Sustainable Investment Survey in Japan

Total Sustainable Investment Balance in Japan Exceeds ¥136,595 Billion

Summary of Survey Results

The Japan Sustainable Investment Forum (JSIF) conducted its third Sustainable Investment Survey¹ from September 1 to 29, 2017. The combined total for sustainable investment disclosed by the 32 domestically headquartered institutional investors that participated was more than double the previous figure in 2016, at ¥136,595.94 billion.²

	2016 Survey ³	2017 Survey
Survey period	September–October 2016	September 2017
Balance calculation period	Period ended March 31, 2016	Period ended March 31, 2017 ⁴
Respondents/Surveys distributed	34/50 (68.0% response rate)	34/58(58.6% response rate)
Total amount of sustainable investment	¥56.3 trillion (for 31 respondents)	¥136.6 trillion (for 32 respondents)
Average balance per institution	¥1.8 trillion	¥4.3 trillion
Percentage of total investment balance	16.8%	35.0% ⁵

While we increased the amount of surveys distributed from 50 to 58, the number of respondent institutions remained unchanged from 2016 (though there was some change in which institutions responded), resulting in a decreased rate of response. As such, the rise in total sustainable investment was due to increased sustainable investment as a percentage of total investment (from 16.8% to 35.0%) at each institution. The

¹ 2017 Sustainable Investment Survey (Japanese only) <http://japansif.com/JSIFsurvey2017qa.pdf>

² While asset owners reported ¥3,270 billion in outsourced investments, whether all the investment managers that funds were outsourced to responded to the survey was unclear. For this reason, those amounts were left out of the total balance.

³ Report on the 2016 survey <http://japansif.com/2016survey-en.pdf>

⁴ Answers were requested for figures as of March 31, 2017, but in a few cases we also included answers on other periods volunteered by respondents in the sustainable investment totals. The breakdown is as listed below.

- As of June 30, 2017: ¥9,111,025,000,000
- As of July 31, 2017: ¥951,300,000,000
- As of August 31, 2017: ¥77,254,000,000

⁵ The total investment balance given by the 31 respondents came to ¥383,198,458,000,000. The total amount of sustainable investment for the same respondents came to ¥134,242,641,000,000.

$$¥134,242,641,000,000 / ¥383,198,458,000,000 = 35.0\%$$

reasons for this growth in the rate of sustainable investment include escalation in engagement activities and increased assets falling under the scope of ESG integration and other strategies as a result of investors' greater understanding of these category definitions.

A detailed report on the results of this survey is to be published in 2018 as the *White Paper on Sustainable Investment in Japan 2017*.

Survey Distribution Methods

JSIF e-mailed survey requests to 58 of its contact institutions. PRI Network Japan also provided assistance with distribution to domestic PRI signatories.

Classification of Respondent Institutions

	2016 Survey	2017 Survey
Asset Owner	7	8
Investment Manager	26	24
Asset Owner and Investment Manager (both apply)	1	2
Total	34	34

The number of respondent institutions has not increased and the list of respondents is firming up. A possible explanation is that institutions are divided between those ramping up sustainable investment and those with no substantive initiatives to that end.

The 32 institutions that disclosed their sustainable investment balances on the survey are listed below. Of the 47 Japanese PRI signatories at the time of this survey, 28 asset owners and investment managers responded.

- Amundi Japan Ltd.
- Asahi Life Asset Management Co., Ltd.
- Asset Management One Co., Ltd.
- Comgest Asset Management International Limited
- Daido Life Insurance Company
- DAI-ICHI LIFE INSURANCE COMPANY, LIMITED
- Daiwa Asset Management Co., Ltd.
- DBJ ASSET MANAGEMENT CO., LTD.
- Fukoku Capital Management, Inc.
- J-STAR Co., Ltd.
- Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
- Mitsubishi UFJ Trust and Banking Corporation
- MS&AD Insurance Group Holdings, Inc.
- Nissay Asset Management Corporation
- Nippon Life Insurance Company
- NN Investment Partners (Japan) Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- Pension Fund Association
- Resona Bank, Limited
- Robeco Japan Company Limited

- SECOM Pension Fund
- Sompo Japan Nipponkoa Asset Management Co., Ltd.
- Sompo Japan Nipponkoa Insurance Inc.
- Sophia University
- SPARX Asset Management Co., Ltd
- 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.
- Tokio Marine & Nichido Fire Insurance Co., Ltd.
- One additional institution wished to remain unnamed

Sustainable Investment Balance by Investment Strategy (denominated in JPY millions)

	2016 Survey	2017 Survey	Rate of Change
ESG integration	14,240,387	42,966,133	+201.7%
Positive/best-in-class screening	3,020,214	6,693,443	+121.6%
Sustainability- themed investing	1,036,139	1,384,773	+33.6%
Impact/community investing	369,657	372,616	+0.8%
Exercising voting rights/Engagement	34,890,329		
Exercising voting rights		55,007,706	
Engagement		88,037,433	
Negative screening	2,249,951	14,309,760	+536.0%
Norms-based screening	6,741,902	23,908,999	+254.6%

Sustainable investment balances and their corresponding investment strategies were disclosed by 30 institutions. Due to multiple counting when several strategies applied to the same assets, the total amount of the preceding table exceeds ¥136 trillion.

Reasons for increases in each method category

A detailed explanation will be provided in the *White Paper on Sustainable Investment in Japan 2017*.

However, these reasons can be largely categorised into the following points.

- Overall increase in sustainable investment initiatives: ESG integration and engagement
- Investment amounts from first-time respondents and the instruction to give answers in as many categories as are applicable: Negative screening and Norms-based screening
- Development of initiatives by a few institutions and the instruction to give answers in as many categories as are applicable: Positive/best-in-class screening

- The instruction to give answers in as many categories as are applicable: Exercising voting rights

Changes to the 2017 Survey and Their Effects

- This was the first year in which respondents were asked to record totals in multiple strategies in cases where several strategies applied to the same assets. Due to the new instruction, the number of institutions answering with multiple categories increased from 3 in the 2016 survey to 17 in the 2017 survey. This seems to have had a particular influence on numbers for positive/best-in-class screening, exercising voting rights, engagement, negative screening, and norms-based screening.
- ESG-related engagement/exercising voting rights and general engagement/use of voting rights in the previous survey were divided into use of voting rights and engagement as two separate categories. This made a direct comparison with the results from 2016 challenging. Nevertheless, the increase in engagement is clear.

Reference: Balance of Financial Products for Private Investors

JSIF continues to aggregate publicly accessible figures for financial products for individuals (publicly offered investment trusts and social impact bonds) every quarter. The total for the period ended March 31, 2017, came to ¥735.8 billion, with ¥218.7 billion for investment trusts and ¥517.1 billion for bonds. These results will also be reported on in more detail in the *White Paper on Sustainable Investment in Japan 2017*, to be published in the spring of 2018.

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