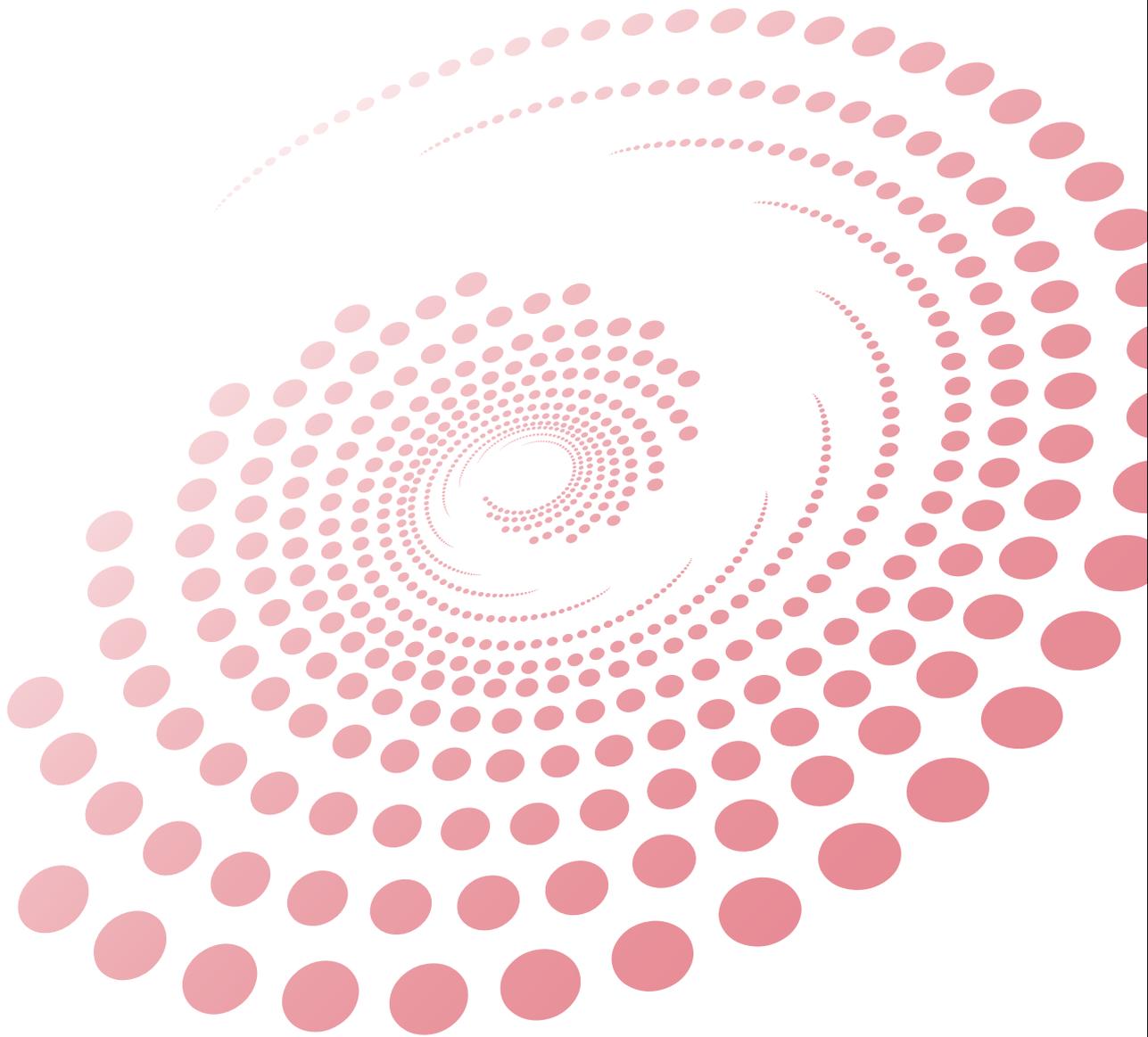




JSIF

# Sustainable Investment Survey 2016



Japan Sustainable Investment Forum

## About the Organization

Japan Sustainable Investment Forum (JSIF) started its activities in early 2001 to promote socially responsible investment (SRI) in Japan and was formally registered as a non-profit organization (NPO) in 2003.

Sustainable Investment Survey 2016

Published: April 20, 2017

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# JSIF's Sustainable Investment Standards

JSIF defines “sustainable investments” as investments that embody the following two principles:

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1. Investments with a view to the sustainability of the earth and society
2. Investments supported by the disclosure of initiatives pertaining to Principle 1 and the social effects of these investments to suppliers of capital

JSIF Premium Corporate Members

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# Results of JSIF's Second Sustainable Investment Survey

**The sustainable investment balance of Japanese institutional investors in 2016 was ¥56.25 trillion, 2.1 times more than the previous year. The total sustainable investment balance including individual investors was ¥57.05 trillion.**

Since its establishment in 2004, the non-profit organization Japan Sustainable Investment Forum (JSIF) has been regularly collecting information on Japanese sustainable investment balances and presenting the results both domestically and overseas. But for a long time these figures were limited to socially responsible investment (SRI) fund and social impact bond balances made available to the public.

That, however, changed completely in 2015 with the first survey on sustainable investment by institutional investors. This second iteration of the survey has produced 2.1 times the results from 31 respondent institutions, with a total balance of ¥56.2 trillion. We believe that this dramatic increase is not only the result of gaining responses from more institutional investors, but of the significant change in the sustainable investment and ESG investment situation in Japan over the past year and the advancement of related initiatives.

Following the inauguration of the Abe administration and the assessment of the “Japan Revitalization Strategy” (a “growth strategy to stimulate investment from the private sector”) as one of the three arrows of Abenomics, a variety of government and agency initiatives were launched. The Principles for Responsible Institutional Investors (Japan’s Stewardship Code), established in February 2014; the Corporate Governance Code, which began in June 2015; and the “Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors” Project (Ito Review) all had a particularly large influence on sustainable investment. Other initiatives include the “project to increase the visibility of the participation of women” (cabinet office) and the Health & Productivity Stock Selection program (Ministry of Economy, Trade and Industry). “Investigative commissions on investments in consideration of sustainability issues” (Ministry of the Environment) continue to be held and have gained significant influence over trust banks and management companies entrusted with public pensions and their funds. Furthermore, the Government Pension Investment Fund (GPIF), the largest pension fund in the world, became a signatory to the UN Principles for Responsible Investment (PRI) in September 2015, with the Pension Fund Association signing on in May 2016. As a result, it has become clear that initiatives for ESG investment and engagement, as well as performance results, are required of institutional investors that function as entrusted management companies for public pension funds. This is all connected to the accelerated expansion of sustainable investment. Consequently, the rapid development of initiatives for sustainable investment and ESG investment in Japan is

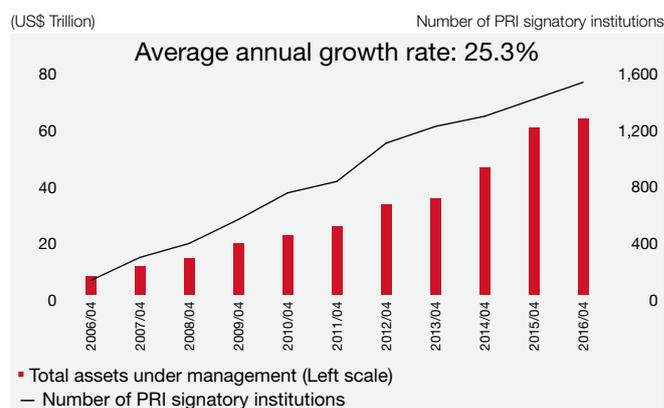
drawing attention from overseas. In November 2016, GPIF’s executive managing director and CIO, Hiromichi Mizuno, was elected to the UN PRI board, which promotes responsible investment principles worldwide. Going forward, Japan’s initiatives are being highly anticipated globally.

	Worldwide		Japan	
	2016	2014	2016	2014
PRI signatory institutions	1,633	1,453	53	39
Asset owners including pension funds	330	301	13	9
Asset management companies	1,086	954	30	23
Information service providers	217	198	10	7

As of December 27, 2016

**Number of PRI signatory institutions and assets under management worldwide (as of April 2016)**

**Total assets: Over \$59 trillion**



Source: Produced by JSIF based on PRI data

From the results of this survey, it is clear that the trust banks and management companies that are entrusted with and invest in pension funds are expanding their initiatives for sustainable investment and ESG investment. However, when it comes to initiatives for ESG investment integration and engagement with investment companies, many institutions are essentially still in the trial and error stage. Further stipulation of ESG investment and engagement initiatives is proceeding, using international precedents as references, in the hopes of generating results. Going forward, we would like to see expanded understanding of sustainable investment in corporate pension funds and a broadening of initiatives. While some corporate and university pension funds are already signed on to the PRI, for sustainable investment initiatives to spread to more corporate pension funds we expect the relevant government offices, management companies, and pension consulting companies to offer recommendations to and support corporate pensions and their supporting parent companies.

Results of this survey will be published on the JSIF website and will also be presented at a JSIF and PRI Japan Network joint conference and at international conventions. Furthermore, the results will be extensively used by research companies and public institutions, including

the Ministry of the Environment. The data will also be reflected in the “Global Sustainable Investment Review 2016,” a collaboration among worldwide special investment funds (SIFs), to be presented in March 2017. Our hope is for Japanese corporations and institutional investors in and outside Japan, such as pension funds and management companies, to get a comprehensive picture of Japanese sustainable investment and ESG investment, and that this information will serve as a reference in addition to propelling their respective initiatives and disclosure.

We would like to express our sincere gratitude to *AL-IN* (an investment information magazine by Soken Inc.), Ministry of the Environment’s Principles for Financial Action for the 21st Century, FTSE Russell (London Stock Exchange Group), and PRI Japan Network for their substantial cooperation.

Pension funds and asset management companies that participated in the survey

(32 companies in alphabetical order)

Of the 34 respondents, two requested that their group/company name not be published.

- ACA Innovative Investment Management Inc.
- Allianz Global Investors Japan Co., Ltd.
- Amundi Japan Ltd.
- Asahi Life Asset Management Co., Ltd.
- Asset Management One Co., Ltd.
- BNP Paribas Investment Partners Japan Ltd.
- Comgest Asset Management Japan Ltd.
- Daido Life Insurance Company
- Daiwa Asset Management Co. Ltd.
- DBJ ASSET MANAGEMENT CO., LTD.
- First State Investments
- Fukoku Capital Management, Inc.
- J-STAR Co. Ltd.
- Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
- Mitsubishi UFJ Trust and Banking Corporation
- Mizuho Trust & Banking Co., Ltd.
- MS&AD Insurance Group Holdings, Inc.
- Nissay Asset Management Corporation
- NN Investment Partners (Japan) 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.
- 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.

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

- *AL-IN* (an investment information magazine by Soken Inc.)
- Principles for Financial Action for the 21st Century, Ministry of the Environment
- FTSE Russell (London Stock Exchange Group)
- PRI Japan Network

#### Summary

	2016 survey	2015 survey*	% change
Survey period	Sep.–Oct. 2016	Nov.–Dec. 2015	
Respondents (provided sustainable investment balance)	34 (31)	28 (24)	+21.4% (+29.2%)

\* Details on previous results are published in the *White Paper on Sustainable Investment in Japan 2015*.

	2016	2015	% change
Total sustainable investment	¥56.2 trillion	¥26.6 trillion	+110.7%
Percentage of total assets under management	16.8%	11.4%	+5.4%
Calculated as of	End of March 2016*	Respondents' discretion	

\* While we requested responses for the period ended March 2016 as a general rule, we also accepted responses for other periods. The total sustainable investment balance for those periods was ¥9,882,424,000,000. The breakdown is as follows:

- End of June 2016: ¥1,816,800,000,000
- End of July 2016: ¥830,000,000,000
- End of August 2016: ¥157,226,000,000
- End of September 2016: ¥7,078,398,000,000

#### Classification of respondent institutions

	2016	2015
Asset owner	7	7
Investment manager	26	20
Asset owner and investment manager (both apply)	1	1
Total	34	28

#### Sustainable investment balance by investment management method

	2016	2015	% change
ESG integration	14,240,387	17,555,654	-18.9%
Positive/Best-in-class screening	3,020,214	326,955	+823.7%
Sustainability-themed investment	1,036,139	785,785	+31.9%
Impact and community investment	369,657	87,642	+321.8%
ESG-related engagement/ Exercising voting rights	19,180,014	11,709,822	+198.0%
General engagement/Exercising voting rights	15,710,315		
Negative/Exclusionary screening	2,249,951	4,573,384	-50.8%
Norms-based screening	6,741,902	6,075,200	+11.0%

# Survey Results

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

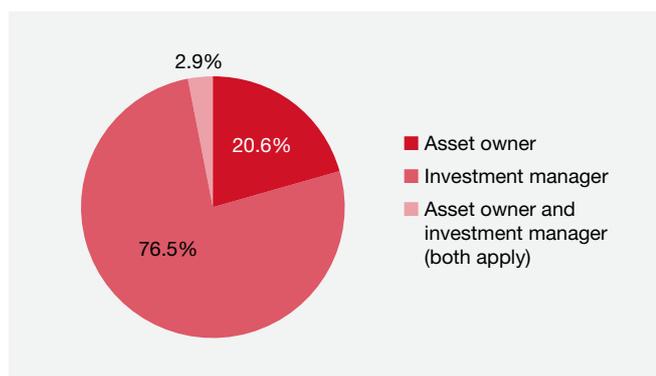
Choice	Proportion of responses	Number of responses
Identification code	100.0%	34

Number of institutions that answered this question: 34/34

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

Choices	Proportion of responses	Number of responses
Asset owner	20.6%	7
Investment manager	76.5%	26
Asset owner and investment manager (both apply)	2.9%	1

Number of institutions that answered this question: 34/34

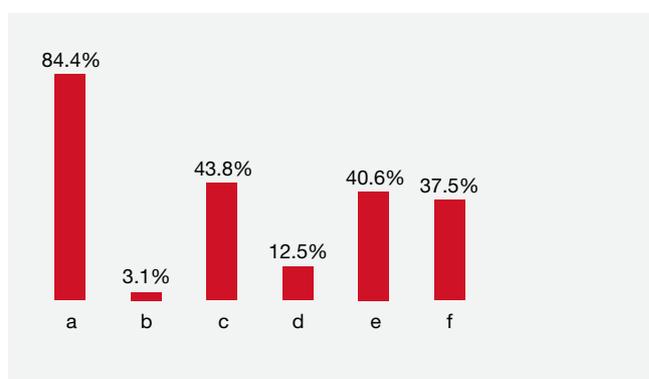


- The total number of respondent institutions was 34, which included an increase of six investment managers compared with the previous survey.
- Seven of the respondent institutions were foreign-affiliated Japanese corporations (all of which were investment managers), up from four in the previous survey.

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

Choices	Proportion of responses	Number of responses
a Principles for Responsible Investment (PRI)	84.4%	27
b Equator Principles	3.1%	1
c Principles for Financial Action for the 21st Century	43.8%	14
d Principles for Sustainable Insurance (PSI)	12.5%	4
e CDP	40.6%	13
f Other (please specify)	37.5%	12

Number of institutions that answered this question: 32/34



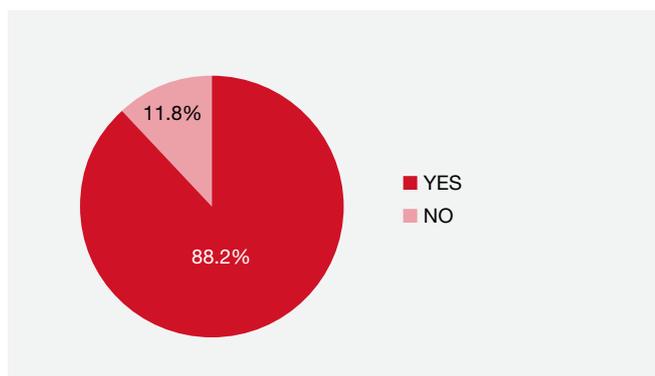
- Thirty-two institutions responded to the question pertaining to their involvement in the main domestic and international initiatives related to sustainable investment.
- Signatories of PRI, which promotes ESG investment internationally, represented the highest proportion, with 27 institutions (84.4%); 14 institutions (43.8%) were engaged in the corresponding 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 13 institutions (40.6%).
- In other responses, more than two institutions mentioned involvement in the UN Global Compact (two institutions) and the International Corporate Governance Network (ICGN) (two institutions). Other activities included participation in a variety of initiatives concerning climate change.

#### Q4 Have you declared adoption of Japan's Stewardship Code?

Choices	Proportion of responses	Number of responses
YES	88.2%	30
NO	11.8%	4

For institutions that answered YES, please include the URL of the IR website that describes policies related to each principle.

Number of institutions that answered this question: 34/34

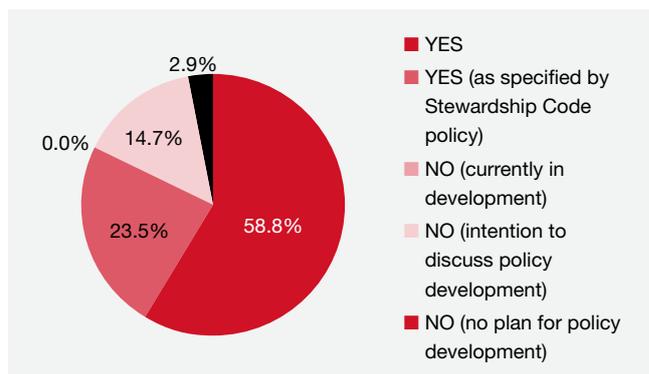


- Thirty institutions were signatories of Japan's Stewardship Code. Of the four that had not signed on, two were domestic asset owners and two were overseas investment managers.

#### 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?

Choices	Proportion of responses	Number of responses
YES	58.8%	20
YES (as specified by Stewardship Code policy)	23.5%	8
NO (currently in development)	0.0%	0
NO (intention to discuss policy development)	14.7%	5
NO (no plan for policy development)	2.9%	1

Number of institutions that answered this question: 34/34



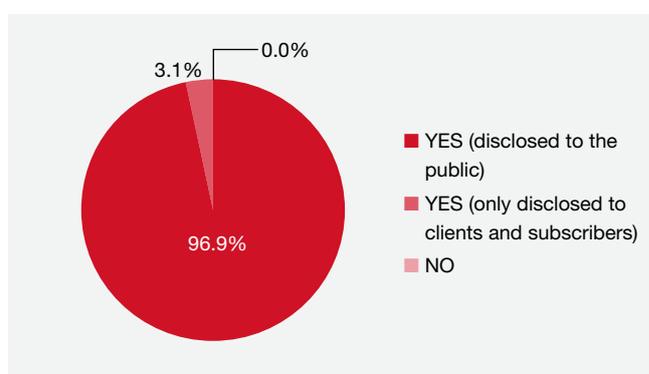
- Twenty institutions (58.8%) indicated that they had a formal policy specific to their organization pertaining to sustainable investment, and eight institutions (23.5%) indicated that they incorporated policy as specified by Japan's Stewardship Code, for a total of 28 institutions (82.3%) that answered YES.
- Three investment managers and two asset owners indicated their intention to discuss policy development.
- One investment manager indicated no plan for policy development.

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

Choices	Proportion of responses	Number of responses
YES (disclosed to the public)	96.9%	31
YES (only disclosed to clients and subscribers)	3.1%	1
NO	0.0%	0

For those who answered YES (disclosed to the public), please provide a URL.

Number of institutions that answered this question: 32/34

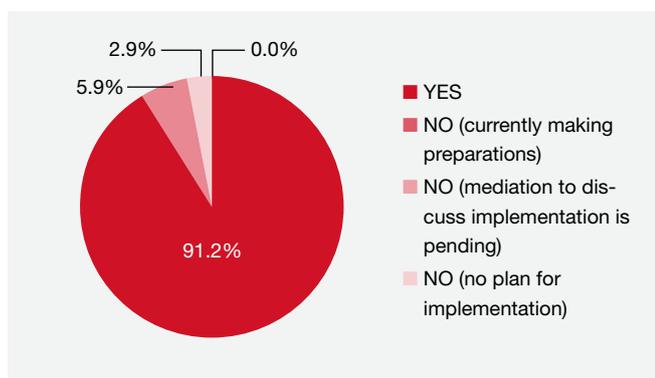


- Thirty-one institutions (96.9%) indicated that policy for adoption of Japan's Stewardship Code is, as a rule, publicly available. One institution stated that the information was only disclosed to clients and affiliates.

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

Choices	Proportion of responses	Number of responses
YES	91.2%	31
NO (currently making preparations)	5.9%	2
NO (mediation to discuss implementation is pending)	2.9%	1
NO (no plan for implementation)	0.0%	0

Number of institutions that answered this question: 34/34

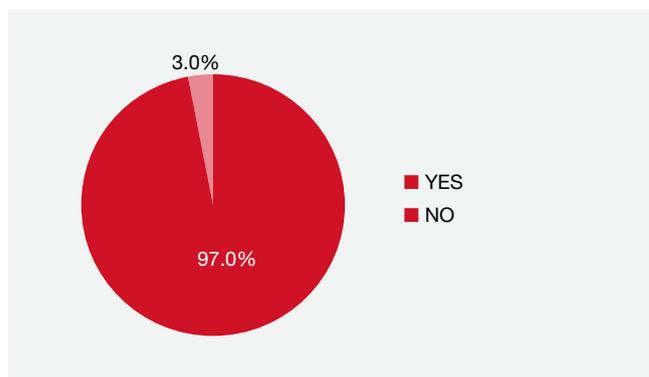


- Thirty-one respondents (91.2%) indicated that they were engaged in sustainable investment. Two institutions indicated that they were in the process of preparing for implementation. One institution stated that it was planning to explore the possibility of implementation.

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

Choices	Proportion of responses	Number of responses
YES	97.0%	32
NO	3.0%	1

Number of institutions that answered this question: 33/34



- Thirty-two institutions (97.0%) indicated that they were willing to disclose their sustainable investment balance under management, up from 24 in the previous survey.

**Q9** This question pertains to institutions that answered YES to Q8. Please tell us your total sustainable investment balance under management, as of the end of March 2016. Figures from dates other than March 31, 2016, are also acceptable. In that case, please indicate the date on which the balance is taken in Q10.

(¥ Million)		
Amount indicated (average)	Total of amounts indicated	Number of responses
1,814,730	56,256,632	31

Number of institutions that answered this question: 31/34

- Thirty-one institutions responded to the question pertaining to total sustainable investment balance under management, the combined sum of which amounted to ¥56.25 trillion.
- One institution included in the total indicated that its sustainable investment balance was ¥0. This institution is one of the institutions that stated in Q7 that it was in the process of looking into implementation.
- The reason that the total differs from the number of institutions that answered YES in Q8 is because one overseas investment manager indicated that it was difficult to give only the total for Japan.

**Q10** For balances given in Q9 that are taken from dates other than March 31, 2016, please indicate the date on which the balance is taken.

	Total of amounts indicated	Number of responses
	100.0%	12

Number of institutions that answered this question: 12/34

- The total sustainable investment for periods other than that ended March 2016 was ¥9.88 trillion. The breakdown is as follows:
  - June 30, 2016: ¥1,816.8 billion
  - July 31, 2016: ¥830.0 billion
  - August 31, 2016: ¥157.2 billion
  - September 30, 2016: ¥7,078.3 billion

**Q11** If possible, please tell us about your total asset balance under management at the same time the amount indicated in Q9 was recorded (to assess the proportion of total funds under management categorized as sustainable investment).

	¥ Million	
Amount indicated (average)	Total of amounts indicated	Number of responses
11,162,641	334,879,216	30

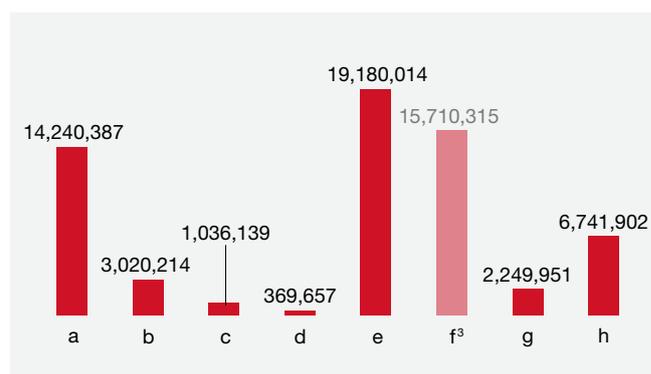
Number of institutions that answered this question: 30/34

- Responses pertaining to the total balance under management were provided by 30 of the institutions that responded to Q9, with the exception of one institution (a pension fund). The total of the amounts indicated came to ¥334.9 trillion.
- 16.8% of the combined total balance under management, less the previously mentioned institution and the two institutions that gave ¥0 as an answer in Q9, was categorized as sustainable investment.

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

¥ Million			
Choices	Amount indicated (average)	Total of amounts indicated <sup>1</sup>	Number of responses <sup>2</sup>
a ESG integration	647,290	14,240,387	22
b Positive/Best-in-class screening	251,685	3,020,214	12
c Sustainability-themed investment	94,194	1,036,139	11
d Impact and community investment	73,931	369,657	5
e ESG-related engagement/ Exercising voting rights	2,740,002	19,180,014	7
f (General engagement/ Exercising voting rights) <sup>3</sup>	1,745,591	15,710,315	9
g Negative/Exclusionary screening	374,992	2,249,951	6
h Norms-based screening	1,348,380	6,741,902	5

Number of institutions that answered this question: 28/34



Notes: 1. Figures are not aligned with the total for Q9 due to instances at multiple asset management methods being used and because multiple responses were received.

2. The number of institutions that answered includes institutions that indicated an allocation of ¥0.

3. The total amount indicated for general engagement/exercising voting rights is included in the total amount indicated for ESG-related engagement/Exercising voting rights.

The numbers of institutions below do not include institutions that indicated an allocation of ¥0.

- In the previous survey, engagement/exercising voting rights was one item. In this survey, it is separated into ESG-related and general categories.
- Twenty-eight institutions answered the question on different sustainable investment management methods.
- The category that was allocated the most total investment amounts in this survey was ESG-related engagement/exercising voting rights; however, that figure came from only five institutions. ESG-related engagement has not yet spread to the majority of institutions, but we believe that almost all of the seven institutions that selected general engagement/exercising voting rights actually utilize the exercising voting rights provision. It is possible that the intent of the question was not clearly understood.

- Most institutional initiatives were related to ESG integration, with 21 institutions selecting that choice. The next biggest categories were positive/best-in-class screening and investments based on a theme of sustainability, with 10 institutions responding. Compared with totals from the previous survey, positive/best-in-class screening was nine times as common. Moreover, impact and community investment was four times as common.
- On exercising voting rights, although some institutions included balances for both active and passive management, it is believed that the majority of balances provided are for active management. If all respondent institutions had provided balances for passive management, it is presumed that the totals would have been larger.
- Despite the increasing number of respondent institutions and total amounts, a factor in the decrease in ESG integration and negative screening in comparison with the last survey is the lack of clarity of understanding of the previous definitions. We believe that because there were institutions that answered with different categories this time, the dramatic increase in the total for positive/best-in-class screening was likely influenced by the balances of institutions that answered for the first time this year.

Note: The following classifications of the asset management methods and their respective definitions were deliberated at a meeting between the JSIF steering committee and members of the PRI Japan Network Working Group, with reference to the definitions set out by the Global Sustainable Investment Alliance (a global network of SIFs), Eurosif, and PRI.

- a. ESG integration  
Investment that systematically incorporates ESG (environmental, social, and corporate governance) factors in regular management processes
- b. Positive/Best-in-class screening  
Investment in selected sectors and corporations through financial and ESG screening
- c. Sustainability-themed investment  
Investments that reflect sustainability themes, including renewable energy, environmental technology, and agriculture (e.g., renewable energy funds, etc.)
- d. Impact and community investment  
Investment that prioritizes impact on society, the environment, and the community (e.g., vaccine bonds, green bonds, etc.)
- e. Engagement/Exercising voting rights  
Engagement and exercising voting rights based on ESG engagement policies
- f. Negative/Exclusionary screening  
Abstention from investment in specific industries or corporations for ethical or religious reasons
- g. Norms-based screening  
Investment based on standards set in place by international organizations (OECD, ILO, UNICEF, etc.) (e.g., Oslo Convention → abstention from investment in corporations affiliated with cluster munitions)

## Q13 Please provide the breakdown in asset classes for the figure provided in Q9.

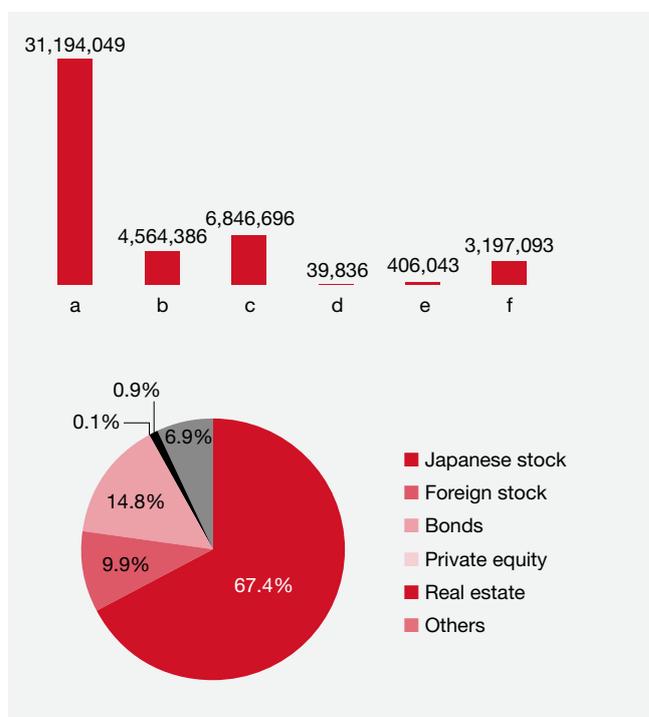
Choices	Amount indicated (average)	Total of amounts indicated <sup>1</sup>	Number of responses <sup>2</sup>
a Japanese stock	1,247,762	31,194,049	25
b Foreign stock	304,292	4,564,386	15
c Bonds	622,427	6,846,696	11
d Private equity	4,980	39,836	8
e Real estate	67,674	406,043	6
f Others	355,233	3,197,093	9
Number of institutions that answered this question: 30/34			

Notes: 1. The sum of the amounts indicated is not equal to the total for the figures provided in Q9 because some institutions did not respond to this question.

2. The number of institutions that answered includes institutions that indicated an allocation of ¥0.

The numbers of institutions below do not include institutions that indicated an allocation of ¥0.

- Total funds under management by asset class listed by respondent institutions were ¥31.1 trillion for Japanese stocks (23 institutions), ¥6.8 trillion for debt instruments (nine institutions), and ¥4.5 trillion for foreign stocks (13 institutions).
- Only one institution listed real estate totals, at ¥406 billion. Four institutions gave private equity totals.
- Assets under “Others” were provided by seven institutions.



**Q14** If permitted, please provide the totals for each asset class for the amount indicated in Q9.

Choice	Number of responses
	8
Number of institutions that answered this question: 8/34	

- Specific asset classes for “Others” in Q13 included non-itemized financing and loans receivable, in addition to items difficult to differentiate because the assets constitute a part of balanced or multi-asset management.

**Q15** In the past year, how many companies did you have engagement, or purposeful dialogue, with as stipulated by Japan’s Stewardship Code? If possible, please indicate specific companies.

Choice	Number of responses
	27
Number of institutions that answered this question: 27/34	

- Twenty-seven institutions indicated that they conduct engagement (purposeful dialogue) with companies. Of the institutions that did not provide an answer, two had declared adoption of Japan’s Stewardship Code (YES to Q4) and had provided a total investment balance for Japanese stocks (Q13).
- Engagement target companies totaled 5,000 or more for two institutions, 500–1,000 for five institutions, 100–500 for eight institutions, and 100 or fewer for 10 institutions.
- The presumption is that targets for engagement are different for each institution, with differing methods and approaches toward achievement.

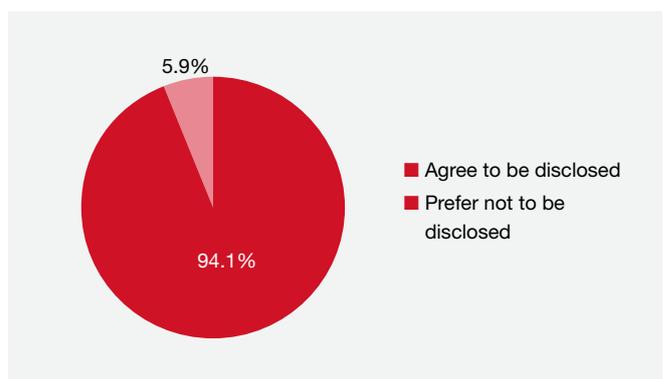
**Q16** Please provide us with some commentary within the possible scope for disclosure pertaining to the systematic evaluation processes used in managing the amounts indicated in Q9–Q13 (e.g., “ESG is implemented by the ESG evaluation team”; “screening is conducted through the use of outside assessment bodies or analytic data,” etc.). Alternatively, please provide a URL that gives access to disclosure materials.

Choice	Number of responses
	26
Number of institutions that answered this question: 26/34	

- Twelve institutions provided URLs. All websites are accessible to the public.
- Of the institutions that provided sustainable investment balances in Q9, six institutions declined to answer this question.

**Q17** 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.

Choices	Proportion of responses	Number of responses
Agree to be disclosed	94.1%	32
Prefer not to be disclosed	5.9%	2
Number of institutions that answered this question: 34/34		



- The institutions that indicated “please do not publish” were an investment manager and an asset owner.

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

Editing, editorial design, and English-language translation services provided by Edge International, Inc.

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Survey Contributors:

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FTSE Russell (London Stock Exchange Group)

PRI Japan Network