

A large, semi-circular graphic in shades of red and pink dominates the left and center of the page. It features a gradient from dark red on the left to light pink on the right, with several thin, white, wavy lines that create a sense of movement and depth across the surface.

# Sustainable Investment Survey

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Japan Sustainable Investment Forum **2018**

# About the Organization

NPO Japan Sustainable Investment Forum (JSIF) works to promote Sustainable and Responsible Investment (SRI) in Japan. JSIF was established in 2001 to proliferate the concept throughout Japan and acquired NPO status in 2004. The organization changed its name in 2016 (previously, Socially Responsible Investment Forum).

## Sustainable Investment Survey 2018

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# Sustainable Investment as Defined by JSIF

In the past, JSIF defined “sustainable investments” as investments that embody the following two principles:

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 on suppliers of capital

However, when conducting the 2018 survey, some institutional investors requested that JSIF reexamine its definition of sustainable investment. Given the nature of the investments in question, the JSIF definition caused confusion among respondents. The JSIF Steering Committee deliberated and decided to adjust the definition of sustainable investment in the survey to resemble that of the Global Sustainable Investment Review (GSIR) and the Principles for Responsible Investment (PRI). We made this adjustment to more accurately reflect the development of sustainable investment in Japan, which is, in essence, the goal of our survey. The definition is as follows:

**“Sustainable investment is investment that considers environmental, social, and governance (ESG) factors in the investment analysis and investment portfolio decision-making process while taking into account the sustainability of the investment.”**

With that said, many institutions that previously provided us with answers did not find any issues with our initial definition for sustainable investment. Accordingly, the survey results represent the replies from the institutions that answered based on the survey’s initial definition of sustainable investment and those that answered based on the new definition explained above.

# Review of Results of the JSIF Fourth Sustainable Investment Survey

## 1 Japan's Total Sustainable Investment Balance at Approximately ¥232.0 Trillion

The total sustainable investment balance in 2018 for domestically headquartered institutional investors rose to ¥231,952.25 billion, an increase of 1.7 times from the previous survey.

When carrying out this year's survey, JSIF sent e-mails to institutions with which it maintains contact to request their cooperation with the review. JSIF additionally solicited the collaboration of PRI signatory institutions with locations in Japan to spread awareness of the survey. Of the 42 institutions that JSIF asked to take the survey, 40 provided responses concerning their sustainable investment balances. For the two remaining institutions, JSIF referenced publicly disclosed information and calculated totals based on this information. These results will also be reflected in Global Sustainable Investment Review 2018, which is scheduled to take place in March 2019. The review aggregates global sustainable investment balances and is a collaboration among Sustainable Investment Forums (SIFs) around the world. The report is published every two years. The results of this survey and the accompanying comments by JSIF are reflected and published in the review, to be widely used by public organizations and survey companies in and outside Japan.

## 2 Methods for Producing This Survey and Relevant Issues

We received a wide range of feedback regarding the previous survey. Many inquired whether the number of sustainable investment assets held by Japanese institutional investors was higher than the aggregate amounts reported by JSIF. In response to this, JSIF reevaluated its tabulation methods before delivering the survey. For this survey, JSIF adopted this estimation and calculation method for two institutions that did not respond by using their detailed, publicly disclosed information. Furthermore, JSIF revised its definition of "sustainable investment" after exchanging views with institutional investors as explained on the first page of this document.

One of our challenges for the future is increasing the number of respondents in the survey. However, this issue contains within it two problems. First, as highlighted above, there are a variety of constraints regarding inquiries into the

nature of assets. We believe it is critical to promote correct understanding of ESG investment across a greater number of related parties in order to gain more respondents. The second problem involves the inability to request responses from numerous institutional investors. JSIF is limited to publicly available e-mail addresses that have been directly obtained. As of December 14, 2018, there were roughly 230 institutional investors—including trust banks, investment trusts, investment management companies, life and casualty insurance companies, and pension funds—that have declared their acceptance of the Stewardship Code. JSIF considers these institutional investors to be potential respondents. However, most institutional investors do not disclose their e-mail addresses on the Internet. Furthermore, while several members of JSIF maintain good relations with these institutional investors, the Act on the Protection of Personal Information prevents the use of contact information obtained this way.

We want to ask those interested in this report to reach out to institutions that have not responded to our survey so that they may respond in the following years. We also hope that people who read this report and belong to Stewardship Code signatory institutions encourage those in charge to respond to the survey.

Despite these issues, several institutional investors have actively responded, even without direct action from JSIF, with the number of respondents increasing from 32 for the previous survey to 42 for this edition. Although the number of respondents were limited, we received responses from nearly all of the PRI signatory institutions in Japan. We conclude that the aggregate values presented here come close to the actual amount, given that the PRI signatory institutions are considered to be the ones making earnest efforts toward ESG investment.

JSIF offers an annual opportunity to explain the details of the survey results to the institutions who reply to the survey. We hope that a large number of institutions participate and offer us their opinions.

### 3 Factors Behind the Sustainable Investment Balance Increase

The total sustainable investment balance calculated from the 2018 survey is approximately ¥232.0 trillion, up 69.8% from the 2017 survey balance of nearly ¥137.0 trillion and up 312.3% from the 2016 survey balance of roughly ¥56.0 trillion.

One major factor for this year-on-year increase was that the number of respondent institutions increased from 32 to 42; another major factor was our adoption of the calculated estimates. However, based on only those institutions that replied in 2017, the investment balance increased by 9.6%. In light of this, not only can we conclude that the number of institutions engaged in sustainable investment is expanding but we can also ascertain that the institutions already engaged are doing so to a higher degree.

Looking at investment balance by investment strategy, ESG integration showed the most significant increase, up 182.8% from the previous fiscal year, while engagement increased 59.9% as well.

Investment in exercising voting rights was ¥132.0 trillion, up 140% year on year. We separated this category from engagement in 2016. However, it has been confirmed that in 2017 some respondents did not make this distinction, which led to low numbers in the 2017 survey. Therefore, this had a certain level of impact on the high increase we saw in the results of this survey. In theory, institutional investors exercise their voting rights for all of their investee companies, but looking at investment balance by asset class, Japanese shares showed a balance of ¥137.0 trillion while foreign shares showed a balance of ¥80.0 trillion. In the future, we intend to investigate the reason for this disparity in these totals.

Positive/best-in-class screening decreased 4.0% year on year, which is a point of considerable interest when contrasted with the 21.1% increase in negative screening. Positive screening is a well-known aspect of responsible investment indices, and companies tend to attach significance to being constituents of these indices. In this light, one would assume investors would take great advantage of responsible investment indices, but in actuality, use is limited in Japan and overseas. Many company IR and CSR officers tend not to take notice of this point. On the other hand, negative screening, which has been used since the 1920s, is the most widely used asset management method for ESG

investment worldwide but has not seen the same prevalence in Japan. As a result, the 21.1% increase shown in this survey is a point of particular interest, despite the low monetary amount. We want to explore whether this increase was the result of a growing awareness of, and the recent focus on, divestment (the disposition of assets under management via sale) or the result of other factors.

In terms of sustainable investment by asset class, Japanese shares and foreign shares further cemented their status as the primary asset classes for sustainable investment with increases of 130.8% and 152.7%, respectively. Also notable is a 192.1% increase in loans, bringing the balance to the ¥10.0 trillion level. New respondents had a limited impact on these results, with the majority of the increase coming from financial institutions that were repeated respondents from 2017. Combined with a 57.9% growth in bonds, a 48.0% growth in private equity (PE) and a 73.9% growth in real estate suggest that the scope of sustainable investment is starting to expand into loans and these other fields.

### 4 Future Issues and Outlook

However, looking globally, responsible investment is expanding into an even wider array of asset types. The PRI recommends that signatory institutions engage in active ownership of the following assets (values in parentheses refer to responsible investment activity coverage of the signatory institutions): listed stocks (99%), bonds (91%), private equity (92%), real estate (90%), infrastructure (93%), commodities (50%), hedge funds (64%), forests (93%), agricultural land (95%), inclusive finance (100%), and cash (41%). The values in parentheses are of particular importance. While Japan is making rapid progress, these figures bring to light issues such as the expansion of the range of sustainability themes as well as the increase in the field of assets. We hope that Japan will attain a global presence in these aspects as well.

One more critical issue is ESG investment education. In Japan, the impacts of the Stewardship Code, Corporate Governance Code, and the Ito Review, as well as the comprehensive efforts of the Government Pension Investment Fund (GPIF), have resulted in many institutional investors and financial institutions developing ESG investment systems. However, some have expressed concerns that the trend of ESG investment will conclude as nothing more than

a temporary boom. While we do not believe this trend will finish as a boom, we think it is possible that institutions are settling for superficial efforts not conducive to systems. Looking at company CSR and CSV initiatives, one issue is the difficulty in accumulating knowledge and expertise, due to the relatively short-term assignment length of supervisory staff and the succession of supervisors with little expertise in the field. In comparison, although fund managers and analysts at asset management companies tend to stay in one department for a relatively long time, these organizations inevitably have difficulty in accumulating information. As a result of this, in tandem with the rapid growth of ESG investment, people who possess the appropriate background knowledge combined with a grasp of underlying assumptions are likely to be few.

Therefore, at JSIF, we believe that Japan has entered a period in which a comprehensive sustainable investment and ESG investment training program is necessary. Several members of JSIF have been working in these fields for many years. JSIF is also gaining experience on the educational side. Previously, members of JSIF have been given the opportunity to give lectures under professors at the Waseda University Graduate School of Finance, Accounting and Law. Since 2017, we have been holding classes at the Waseda Business School (Graduate School of Business and Finance). JSIF would like to take advantage of the unique position to provide a program, such as the one mentioned above, that caters to the current conditions in Japan and also reflects global standards. Our first course of action, with the much appreciated support of the Ministry of the Environment, is to translate the PRI's PRI Academy program into Japanese. The program is based on a program developed by the SIF in Australia, with SIFs in Australia and Canada currently acting as global training partners. JSIF will add its name to this list. Moreover, the London Stock Exchange is working jointly with the CFA Institute to utilize the PRI Academy program. The CFA Institute provides those who complete its program with continuing education credits. JSIF plans to work with finance-related associations in Japan interested in the ESG education program. We hope it will be used by fund managers and analysts, sales staff of financial products, financial planners, and pension fund trustees. Furthermore, the Ministry of the Environment of Japan will be added to the list of funding supporters of the PRI Academy, which includes the Australian Department of the Treasury, the Australian Department of the Environment,

Water, Heritage and the Arts, the Environment Protection Authority Victoria, and the New South Wales Office of Environment & Heritage.

The spread of ESG investment has spawned issues as well. These issues concern sustainable investment by investment trusts as aggregated by JSIF. To date, we could base our conclusions on the information in fund names, prospectuses, sales materials, and other disclosed materials. Currently, however, several management companies classify ESG initiatives under "research." This means that even when there is no mention of ESG in a prospectus or related materials for a fund, that fund may still be classified as an ESG investment fund. We believe that the full nature of a new fund should be stated in the prospectus, but, practically speaking, it is difficult to make changes to the articles of existing funds. As a result, it is difficult for individual investors to judge the extent to which ESG is reflected in research and management. Considering these circumstances, we believe an evaluation of the ESG integration for each fund will be necessary for the near future. JSIF is investigating the possibilities for this evaluation based on the information it has gained through collaboration with its global partners.

Global Sustainable Investment Review 2018 will be presented in March of this year. While it seems that sustainable investment balances are increasing overseas, the scale of Japan's aggregate balance firmly places the country as a global player. Putting this assumption into a better perspective, we have received active feedback and cooperation from public institutions and government agencies for this survey—for which we are incredibly thankful. Their shared opinion is that Japan's degree of sustainable investment is more significant than this level and that the figures should more accurately reflect this reality. Furthermore, they firmly believe that the actual conditions should be explained to those overseas. In and of themselves, these opinions show that Japan's venture into sustainable investment is in full swing.

Since the founding of JSIF in 2001, its goal has been to capture the same positive enthusiasm toward sustainable investment that existed in Europe and the U.S. and popularize it in Japan. However, considering the expansion that has taken place in the last two to three years, we realize the time has come to raise the bar past popularization to something greater. In this light, we have been trying to strengthen

our global ties over the past one to two years. In March 2018, we, along with the SIF in Canada, formally joined the Global Sustainable Investment Alliance (GSIA), a worldwide alliance of NPOs and NGOs similar to JSIF. The GSIA has aggregated a global sustainable investment balance and presented that balance in the GSIR once every two years since 2014. Since the beginning of this practice, JSIF has been in charge of tallying the Japanese portion of the total. As an official member of the GSIA, JSIF participates in a conference call with SIF representatives of their respective countries every three months. In addition, JSIF takes part in regular meetings with PRI representatives. As a result, we are now able to exchange opinions on global efforts and communicate Japan-related information to these parties. Until now, JSIF has also maintained ties with global organizations such as the PRI, the Carbon Disclosure Project (CDP), the Natural Capital Finance Alliance, and the 2°Investing Initiative. However, as we go forward, we are also planning to strengthen our ties with overseas SIFs and make further progress with our global efforts. Also, we have been exchanging opinions with the Ministry of the Environment, the Financial Services Agency, and the Ministry of Economy, Trade and Industry for many years and participating in committees sponsored by them. Over the past two years, we believe our relationships with these institutions have deepened even further. One benefit of these relationships has been the decision by the Ministry of the Environment to support the development of our ESG investment education program.

In closing, we are very thankful to the PRI Japan Network and other entities for their considerable support in creating this report. We would also like to thank EDGE International for its kind and continued cooperation toward editing, designing, and creating the English-language publication.

In the future, we hope to create a survey that will encourage a higher number of pension funds and institutional investors to respond. This, in turn, will lead to complete analysis in future editions.

January 2019  
Masaru Arai, Chair  
NPO Japan Sustainable Investment Forum (JSIF)

# Survey Distribution Methods

JSIF e-mailed survey requests to institutions for which contact information could be verified. The PRI Japan Network also assisted with distribution to domestic PRI signatories. Forty-two institutions responded; among them, 40 institutions responded to the questions regarding sustainable investment.

For the remaining two institutions, JSIF estimated figures based on publicly available information. Therefore, the total number of respondents is 42 institutions (40 respondents, two estimates).

## List of Survey Respondents (in Alphabetical Order)

Forty companies responded to the survey, two of which chose to remain anonymous. The remaining 38 companies are listed below:

- AD Investment Management Co., Ltd.
- Amundi Japan Ltd.
- Asahi Life Asset Management Co., Ltd.
- Asset Management One Co., Ltd.
- Comgest Asset Management Japan Ltd.
- Daido Life Insurance Company
- The Dai-ichi Life Insurance Company, Limited
- Daiwa Asset Management Co. Ltd.
- DBJ Asset Management Co., Ltd.
- Fukoku Capital Management, Inc.
- Japan Post Insurance Co., Ltd.
- Japan REIT Advisors Co. Ltd.
- 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.
- MU Investments Co., Ltd.
- Nippon Life Insurance Company
- Nissay Asset Management Corporation
- NN Investment Partners (Japan) Co., Ltd.
- Nomura Asset Management Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- Pension Fund Association
- Prologis REIT Management K.K.
- Resona Bank, Limited
- RJ Investment Co., Ltd.
- 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 Co., Ltd.
- Sumitomo Mitsui Trust Asset Management Co., Ltd.
- Taiyo Life Insurance Company
- T&D Asset Management Co., Ltd.
- Tokio Marine Asset Management Co., Ltd.
- Tokio Marine & Nichido Fire Insurance Co., Ltd.



# Previous Results

## Overview

	2016	2017	2018
Total Sustainable Investment Balance (in millions of yen)	56,256,600	136,595,941	231,952,250
Number of Respondents	31	32	42
Percentage of Total Assets under Management	16.8%	35.0%	41.7%

## Sustainable Investment Balance by Investment Management Method

(Unit: millions of yen)

	2016	2017	2018
ESG Integration	14,240,387	42,966,133	121,511,832
Positive/Best-in-Class Screening	3,020,214	6,693,443	6,425,278
Sustainability-Oriented Investment	1,036,139	1,384,773	2,014,546
Impact and Community Investment	369,657	372,616	
Exercising Voting Rights		55,007,706	132,034,774
Engagement	34,890,329	88,037,433	140,754,582
Negative Screening	2,249,951	14,309,760	17,328,216
Norms-Based Screening	6,741,902	23,908,999	31,604,106
Total	62,548,579	232,680,863	451,673,334

## Sustainable Investment Balance by Asset Class

(Unit: millions of yen)

	2016	2017	2018
Japanese Stocks	31,194,049	59,523,773	137,385,115
Non-Japanese Stocks	4,564,386	31,842,726	80,482,008
Bonds	6,846,696	18,301,518	28,891,704
Private Equity (PE)	39,836	190,443	281,901
Real Estate	406,043	2,666,410	4,637,032
Loans		3,504,432	10,236,320
Other	3,197,093	4,759,604	4,718,818

Note: In calculating the sustainable investment balance for the 2018 survey, duplication was avoided as much as possible by deducting pension fund trust amounts from the amounts supplied by asset management companies. However, since we did not ask for information regarding sustainable investment balance by investment management method and asset class, we are not able to distinguish between the trust amounts of asset management companies and those of pension funds. Consequently, the sustainable investment balance contains duplication of these two amounts. Additionally, duplicate figures arise due to multiple answers about investment method.

# Survey Results

Survey questions can be found at:  
<http://japansif.com/JSIFsurvey2018qa.pdf>

**Q1** This question has been omitted because it is not relevant to the survey results.

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

Number of institutions that answered this question 44

Choices	2017	2018
Asset Owner	8	12
Investment Manager	24	31
Asset Owner and Investment Manager (both apply)	2	1

About the survey:

The total number of respondent institutions was 42. Of these, 40 institutions responded on investment balances. Of the two institutions that did not reply, one was making preparations for sustainable investment while the other was engaged in sustainable investment but did not provide any details on its investment balance. Additionally, JSIF calculated the investment balance in respect of two asset owners based on publicly available data. Therefore, the number of institutions included in this survey on investment balance is 42.

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

Number of institutions that answered this question 39

Choices	2017	2018
Principles for Responsible Investment (PRI)	31	35
Equator Principles	1	1
Principles for Financial Action for the 21st Century (PFA21)	15	17
Principles for Sustainable Insurance (PSI)	3	3
Carbon Disclosure Project (CDP)	10	13
ICGN (The International Corporate Governance Network)	8	7
Montreal Carbon Pledge	2	3
United Nations Environment Programme – Finance Initiative (UNEP FI)	0	6
Other (please specify)	11	16

- The Montreal Carbon Pledge and the UNEP FI are newly set choices for 2018. Figures for 2017 were calculated based on information in the “other” category.
- Thirty-five institutions were signatories of the PRI, which promotes ESG investment internationally, making it the initiative with the most signatories; 17 institutions were engaged in the corresponding domestic initiative, PFA21; and signatories of CDP, which advocates disclosure of corporate initiatives pertaining to CO<sub>2</sub> emissions, water, and forests, totaled 13.

- In other responses, initiatives mentioned by two or more institutions were the United Nations Global Compact (three institutions) and the Asian Corporate Governance Association (three institutions).

**Q4** Have you declared adoption of Japan’s Stewardship Code?

Number of institutions that answered this question 43

Choices	2017	2018
YES	29	35
NO	5	8

**Q5** Do you have a formal policy on sustainable investment (ESG investment, responsible investment, etc.) specific to your organization?

Number of institutions that answered this question 40

Choices	2017	2018
YES	29	34
NO (currently in development)	1	1
NO (intention to discuss policy development)	3	4
NO (no plan for policy development)	1	1

**Q6** This is a question for institutions that answered “YES” to Q5. Is that policy publicly disclosed?

Number of institutions that answered this question 34

Choices	2017	2018
YES (disclosed to the public)	26	29
YES (disclosed only to clients and subscribers)	2	4
NO	1	1

**Q7** Are you engaged in sustainable investment (ESG investment, responsible investment, etc.)?

Number of institutions that answered this question 44

Choices	2017	2018
YES	33	43
NO (currently making preparations)	0	1
NO (intention to discuss implementation)	1	0
NO (no plan for implementation)	0	0

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

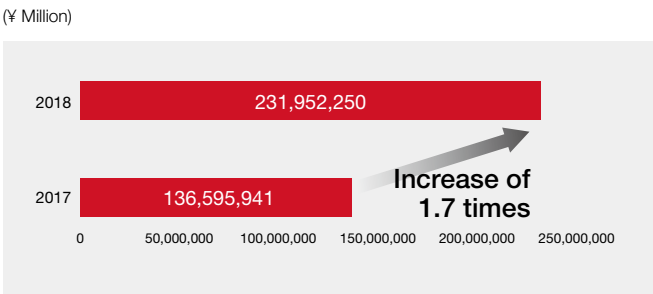
Number of institutions that answered this question 43

Choices	2017	2018
YES	32	40
NO	1	3

- Of the three institutions that answered in the negative, JSIF added sustainable investment balance data for two institutions based on publicly available information.

**Q9 Q9-Q13 are on sustainable investment balances.**

	2017	2018
Total Sustainable Investment Balance (in millions of yen)	136,595,941	231,952,250
Number of Respondents	32	42
Percentage of Total Assets under Management	35.0%	41.7%



**Method for calculating sustainable investment balance**

The total sustainable investment balance of the 42 institutions was ¥310,686,784,000,000. The two amounts listed below were subtracted from that total to avoid, as much as possible, duplication of the sustainable investment balance amounts of asset management companies and asset owners.

- ① The investment balance declared to have been entrusted to other responding institutions was ¥12,700,000,000,000.
- ② Of asset management companies' sustainable investment balance, the trust amount from pension funds was ¥66,034,534,000,000.

**Method for calculating sustainable investment balance as a percentage of total assets under management**

In response to Q11, 42 institutions listed their total asset balance under management as ¥709,001,744,000,000. Balance information was supplied by 40 institutions and estimated for two institutions. The sustainable investment balance for those same 42 institutions was ¥295,855,784,000,000. Sustainable investment as a percentage of total assets under management was computed via the following calculation:  $\frac{¥295,855,784,000,000}{¥709,001,744,000,000} \times 100 = 41.7\%$ .

**Data collection period**

While we requested responses for the period ended March 2018 as a general rule, we also accepted responses for other periods. Sustainable investment balances for those periods are included in the total. In Q10, we asked for those

periods and amounts that fall outside the period ended March 31, 2018. The breakdown is as follows:

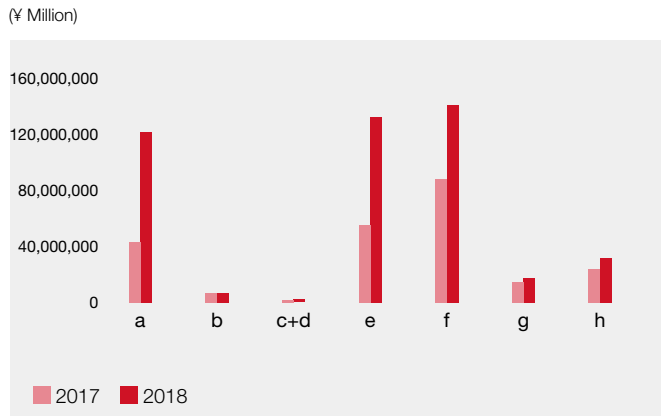
(Unit: millions of yen)

End of July 2017	910,000
End of March 2018	190,031,967
End of May 2018	1,168,947
End of June 2018	39,340,818
End of July 2018	446,378
End of August 2018	12,304
End of September 2018	41,836
<b>Total</b>	<b>231,952,250</b>

**Q14 If permitted, please tell us the proportion of the amount indicated in Q9 allocated to each of the asset management methods listed below (multiple responses permitted).**

Number of institutions that answered this question 39 (Unit: millions of yen)

Choices	2017	2018	% Change
a ESG Integration	42,966,133	121,511,832	182.8%
b Positive/Best-in-Class Screening	6,693,443	6,425,278	-4.0%
c Sustainability-Themed Investment	1,384,773	2,014,546	14.6%
d Impact and Community Investment	372,616		
e Exercising Voting Rights	55,007,706	132,034,774	140.0%
f Engagement	88,037,433	140,754,582	59.9%
g Negative Screening	14,309,760	17,328,216	21.1%
h Norms-Based Screening	23,908,999	31,604,106	32.2%
<b>Total</b>	<b>232,680,863</b>	<b>451,673,334</b>	



Note: In calculating the sustainable investment balance for the 2018 survey, duplication was avoided as much as possible by deducting pension fund trust amounts from the amounts supplied by asset management companies. However, since we did not ask for information regarding sustainable investment balance by investment management method, we are not able to distinguish between the trust amounts of asset management companies and those of pension funds. Consequently, the sustainable investment balance contains duplication of these two amounts. In addition, the figures do not match the sustainable investment balance total of ¥232 trillion, due to factors such as multiple responses being received where two or more investment management methods are used and because some institutions did not respond to this question.

## Definitions of Investment Management Methods

Definitions have been partially modified by JSIF based on GSIA calculation methods to reflect the current situation in Japan better.

### ① ESG Integration

The investment that systematically incorporates ESG (environmental, social, and corporate governance) factors into regular management processes. Examples include ESG evaluation, screening, and due diligence prior to investment, and monitoring and engagement after investment

### ② Positive/Best-in-Class Screening

Investment in selected sectors and corporations through ESG screening

### ③ Sustainability-Themed Investment

- Equity investments: investments that reflect sustainability themes, including renewable energy, environmental technology, agriculture, empowerment of women, and the SDGs
- Bond investments: investments with a focus on sustainability themes and that highlight impact on society (e.g., green bonds, vaccine bonds, etc.)
- Other assets: sustainability-themed investments other than stock and bond investments (e.g., community investment)

### ④ Exercising Voting Rights

Exercising voting rights

\* Not limited to exercising voting rights regarding ESG

\* May include judgments on the exercising of voting rights entrusted to voting advisory companies

### ⑤ Engagement

Constructive dialogue with corporations as a shareholder based on engagement policies

### ⑥ Negative Screening

Abstention from investment in specific industries or corporations based on ethical, social, or environmental reasons

\* Not relevant where abstention from the investment is based on a poor ESG rating

### ⑦ Norms-Based Screening

Investment based on standards set by international organizations (OECD, ILO, UNICEF, etc.). For example, abstention from investment in corporations affiliated with cluster munitions based on the Oslo Convention

- The largest number of institutional initiatives were related to ESG integration (31 institutions), followed by exercising voting rights (26 institutions), and engagement (25 institutions).
- A question on impact and community investment, which was included in surveys until 2017, has been integrated into the question on sustainability-themed investment. That question was then divided into three separate categories, namely, equity investments, bond investments, and other assets. The respective amounts are detailed below.
  - Equity investments: ¥378,517,000,000
  - Bond investments: ¥813,038,000,000
  - Other assets: ¥822,991,000,000

**Q15** For institutions that provided an investment amount for negative screening in Q14, if permitted, please disclose the criteria being applied.

Number of institutions that answered this question 9

Respondents provided the following as specific exclusion criteria.

- Corporations associated with antisocial forces
- Countries that violate the basic human rights of their citizens
- Corporations engaged in the production or sale of weapons or munitions
- Corporations that violate the United Nations Global Compact
- Corporations involved in industries thought to have a negative impact on public health, such as the tobacco industry
- Corporations involved in trade in endangered wildlife in violation of the Washington Convention
- Corporations engaged in the production or sale of globally unauthorized pesticides or herbicides
- Corporations offering adult entertainment, such as illegal gambling and casinos

**Q16** For institutions that provided an investment amount for norms-based screening in Q14, if permitted, please disclose the norms being applied.

Number of institutions that answered this question 7

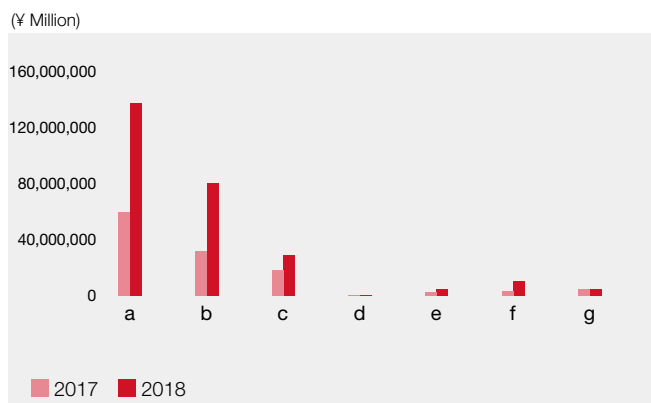
- All respondents specified the Oslo Convention as a basis for excluding for investment corporations involved in cluster munitions.
- Other conventions mentioned were the Treaty on the Non-Proliferation of Nuclear Weapons (1968), the Biological and Toxin Weapons Convention (1972), the Washington Convention (1973), the Ottawa Treaty (1997), and the Treaty on the Prohibition of Nuclear Weapons (2017).

**Q17** If permitted, please provide the breakdown in asset classes for the figure provided in Q9.

Number of institutions that answered this question 38 (Unit: millions of yen)

Choices	2017	2018	% Change
a Japanese Stocks	59,523,773	137,385,115	130.8%
b Non-Japanese Stocks	31,842,726	80,482,008	152.7%
c Bonds	18,301,518	28,891,704	57.9%
d Private Equity (PE)	190,443	281,901	48.0%
e Real Estate	2,666,410	4,637,032	73.9%
f Loans	3,504,432	10,236,320	192.1%
g Other	4,759,604	4,718,818	-0.9%
Total	120,788,906	266,632,898	

Note: In calculating the sustainable investment balance for the 2018 survey, duplication was avoided as much as possible by deducting pension fund trust amounts from the amounts supplied by asset management companies. However, since we did not ask for information regarding sustainable investment balance by asset class, we are not able to distinguish between the trust amounts of asset management companies and those of pension funds. Consequently, the sustainable investment balance contains duplication of these two amounts. In addition, the figures do not match the sustainable investment balance total of ¥232 trillion because some institutions did not respond to this question.



**Q18** If permitted, please provide specific asset classes and their totals for those that listed a balance in the “other” category in Q17.

Number of institutions that answered this question 6

The following were some examples provided by respondents of “other” specific asset classes.

- Balanced funds
- Infrastructure-related assets such as solar power plants
- Alternative assets

**Q19** In the past year, how many domestic and international companies did you have engagement or purposeful dialogue with, as stipulated by Japan's Stewardship Code? Please exclude the exercising of voting rights.

Number of institutions that answered this question 30

Number of Companies	2017	2018
Under 100	7	7
100 to 500	9	9
500 to 1,000	2	5
Over 1,000	4	3

- Of the 30 institutions that provided an answer, 26 declared the number of companies with which they conduct engagement (purposeful dialogue).

**Q20** If permitted, please provide specific examples of engagement themes (multiple responses allowed).

Choices	Number of responses
Environmental-Related	26
Social-Related	28
Governance-Related	28

- In the environmental-related category, all responses on engagement themes regarded the extent of awareness of the impact of climate change and environmental problems on corporate value over the medium-to-long term. There were two examples of requests for information disclosure of environmental data.
- Fifteen of the cases provided in the social-related category included work environment initiatives, such as work style reform, promoting the participation of women in the workplace, and decreasing turnover rates. Five examples were regarding the supply chain, including respect for human rights initiatives, such as those on child labor. Other specific examples included "discussion on the effective rate of tax" and "initiatives for regional revitalization."
- Twelve of the cases in the governance-related category regarded accounting for the board of directors' effectiveness, the most common example. Of these, seven mentioned the role and suitability of outside directors. Other cases, eight in total, regarded accounting for capital policies such as maximizing shareholder returns and the pros and cons of strategic shareholdings and anti-takeover measures.

**Q21** Please provide us with some commentary for disclosure pertaining to the systematic evaluation processes used in managing the amounts indicated in the previous questions (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.

Number of institutions that answered this question 34

- Eighteen institutions provided URLs. All websites are accessible to the public.
- Sumitomo Mitsui Trust Bank, Limited and Nissay Asset Management Corporation contributed detailed columns in response to this question to *White Paper on Sustainable Investment in Japan 2017*, published on March 31, 2018.

**Q22** The names of companies and funds that provided sustainable investment balances are to be disclosed in the report for this survey. Please let us know if you prefer that this information not be published.

Number of institutions that answered this question 44

Choices	Number of responses
Agree to be disclosed	38
Prefer not to be disclosed	6

- Of the six institutions that answered "Prefer not to be disclosed," JSIF added sustainable investment balance data for two institutions based on publicly available information.

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