JSIF

Sustainable Investment Survey

Japan Sustainable Investment Forum

2019

Japan Sustainable Investment Forum (JSIF)

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 2019
Published: March 31, 2020 (Japanese version)
May 30, 2020 (English version)

NPO Japan Sustainable Investment Forum (JSIF)

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JSIF's Sustainable Investment Standards

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.

Review of the JSIF Fifth Sustainable Investment Survey Results

1 Sustainable Investment Assets in Japan Rise to ¥336 Trillion

According to the Japan Sustainable Investment Forum (JSIF) Fifth Sustainable Investment Survey 2019, sustainable investment in Japan rose to ¥336.0 trillion, 1.45 times the previous year's figure of ¥232.0 trillion.

In conducting this year's survey, JSIF sent e-mails to institutions and solicited the collaboration of the PRI Japan Network to spread awareness of the questionnaire. Of the 42 respondents, 41 provided their sustainable investment balances. As in last year's survey, JSIF added the sustainable investment balances of the two public pension funds that published adequate information on their sustainable investment. Thus, this year's results reflect the investment balances of a total of 43 institutions (41 institutions that supplied information and two institutions whose information was estimated by JSIF).

The Global Sustainable Investment Alliance (GSIA), an international collaboration of sustainable investment organizations, publishes the *Global Sustainable Investment Review (GSIR)* every two years and reports the aggregate amount of global sustainable investment. The next *GSIR* is slated for publication around March 2021 and will include the results of JSIF's survey to be conducted in 2020. JSIF undertakes studies annually because of the recent significant increase in sustainable investment in Japan. This information is widely utilized in Japan and overseas by public organizations, research companies, and other entities. We believe that annual calculation contributes to swift recognition and response in efforts to meet the changing conditions of Japanese investors, corporations, and relevant authorities as well as interested parties overseas.

2 Methods for Producing This Survey and Related Challenges

We believe that the survey results closely reflect the actual state of sustainable investment, covering nearly all the PRI signatory asset managers and major asset owners in Japan.

JSIF offers an annual opportunity to explain the details of the survey results to the respondents. The meeting serves as an opportunity for JSIF to deepen its understanding and verify unclear points of the survey results and ask attendees their opinions regarding the survey. We hope that many parties participate in the meeting and offer their views.

3 Factors Behind the Sustainable Investment Balance Increase

The total sustainable investment asset balance calculated from the 2019 survey was up 45%. Sustainable investment accounted for 55.9% of the assets under management by the institutions covered in the study, an increase from the previous year's ratio of 41.7%. A significant factor for this increase was, in terms of the asset class, growth in bonds and private equity (PE) of 406% and 514%, respectively. Looking at investment strategies, the six strategies other than norms-based screening were all up 40% or more. In particular, the negative screening strategy increased by 663%. The number of institutions included in the scope of the survey increased by only one institution, to 43 in 2019 from 42 in 2018. This minimal increase indicates that the institutions that replied to the study made significant strides forward in their initiatives.

Regarding sustainable investment strategies, we saw year-on-year increases of 46% for ESG integration, 82% for positive screening, a combined total of 72% for a sustainability-themed approach and impact and community investment, 42% for exercising voting rights, and 55% for engagement and shareholder proposals. The only norms-based screening declined by 19%. We saw a significant increase in negative screening of 663%, which had not been prevalent among Japanese investors. We asked some investors the reason for this increase. It appears to have resulted from the development of more detailed examinations of their investment strategies. However, looking closely at responses, three institutions either used ESG factors or most likely a combination of negative screening and ESG screening. Although we included all the replies in our calculations for this year's survey, excluding the responses that amounted to ¥2.7 trillion, the total for negative screening rose substantially, to ¥129.5 trillion.

4 Understanding Negative Screening

Negative screening is usually described as a strategy for abstaining from investing in specific industries or corporations based on ethical, social, environmental, or other reasons where it is concluded that the products or services a sector or a corporation offers are harmful to society. Those stocks are excluded from the investment universe and are thus not subject to the subsequent screening process that further selects investment securities based on consideration of financial and ESG factors.

In contrast to divestment, which has become widespread in recent years and excludes stocks that conform to a specific exclusion criterion from an existing portfolio, a negative screening strategy, which has existed since the 1920s, abstains from investment in such shares in the first place by excluding them from the investment universe. Nevertheless, the reasoning behind negative exclusion and divestment is the same.

Some respondents stated in their description of their negative screening approach that they exclude relatively undesirable stocks by using ESG categories in the screening process. If that is the case, this is incompatible with the previously mentioned definition of negative screening.

We believe that this type of investment should be categorized as positive screening or ESG integration because those stocks fell below a certain threshold of a criterion and were excluded in a positive screening process. We plan to examine how to more clearly communicate the definition of negative screening in the next survey.

5 ESG Integration in Japanese Government Bonds

As from the previous survey, JSIF has been reflecting in its calculations the data of the two public pension funds, which provide detailed disclosure of their ESG initiatives. In October 2017, Government Pension Investment Fund (GPIF) revised its investment principles to expand its efforts regarding stewardship responsibilities to encompass not only equities but all asset classes. At the time of the previous survey in 2018, GPIF reported that it included only equities within the scope of its ESG integration activities. In 2019, however, it stated that its ESG investment covers all asset classes. JSIF confirmed with GPIF that it had explicitly conveyed details of this change to external asset managers as well as its in-house asset managers and proceeded to have them conduct ESG-related evaluations. In addition, GPIF is engaging in proactive activities, such as publishing a joint research report with the World Bank Group on bond investment in April 2019 and commissioning Trucost to assist with disclosure on climate-related information and report the results in August 2019.

In performing our calculations for this year's survey, we did not include the portion of the Japanese bond assets passively managed in-house and listed the amount for reference only. Given that Japanese Government Bonds account for 83% of GPIF's investment in Japanese bonds, which reflects the domination of government bonds in the market, JSIF's operating committee regards this high proportion as a matter of concern and wonders what engagement GPIF could conduct regarding Japanese Government Bonds. Since GPIF has, as yet, not disclosed any information on how it will carry out ESG integration and engagement regarding Japanese Government Bonds, we look forward to its further disclosure in 2020. GPIF is currently one of the most proactive among Japanese asset owners in ESG promotion, and its initiative integrating ESG into all asset classes could serve as a benchmark for other Japanese investors.

When new initiatives emerge during a transitional period, as they have today, Japan's institutional investors and corporations tend to adopt a wait-and-see approach before seeking to emulate such actions once the full picture becomes clear. However, GPIF's efforts left us with a favorable impression, indicating that it is trying to lead other investors by boldly taking positive steps. We hold high expectations for the positive impact of its initiative.

In the next survey, JSIF will include a question on ESG integration in Japanese Government Bonds and shed light on other investors' initiatives. JSIF will also verify points such as whether SIFs in other countries have established standards for ESG integration for national and supranational bonds and determine its policy for the next survey.

6 Challenges Going Forward

1) Clarifying Definitions and Explanations

Taxonomy is an issue frequently discussed in the European Union. In October 2019, the EU Delegation to Japan hosted the EU–Japan Sustainable Finance Policy Conference, at which JSIF members took part in discussions. Taxonomy discussions are part of efforts under the EC Action Plan on

Sustainable Finance. Besides taxonomy, the same plan promotes initiatives on a green bond standard, benchmarks, and guidelines on reporting climate-related information. Although there is still a considerable difference of opinion on these initiatives, some of them may either become law or voluntary regulations in 2020. The fundamental issue lies in distinguishing clearly whether finance initiatives, such as ESG investment, green bonds and loans, are "green" or if they are, in fact, ambiguous "brown" finance schemes. While some parties in Japan have expressed concern about the EU sustainable finance initiatives, we believe that this trend is inevitable and unavoidable because a variety of activities in line with this trend are progressing globally, not just within the EU.

We see that ESG investment and sustainable finance are now in a new third stage. Spreading the concept of ESG investment, which has taken place since the establishment of the PRI in 2006, was the first stage. The second stage covered the period through to around 2013, when we observed enhanced ESG-related disclosure by companies and use of the information by investors for ESG investment. During this period, evaluation methods were established and ESG investment developed as a business practice. From 2015 to the present comprises the new third stage. From around the time of the launches of the Paris Agreement, the SDGs, and the Task Force on Climate-related Financial Disclosures (TCFD), not only investors but also governments, central banks, and various other organizations began to address such issues as climate change proactively. While this was a welcome development, it gave rise to the problem of a lack of clarity about whether the great many financial products that emerged as "green products" were really green or not. The EC Action Plan on Sustainable Finance is a prime example of an initiative that sought to clarify this development. This issue is not just a question of disclosure. Looking at current trends in the EU, we are approaching an era in which external entities may no longer regard certain financial products as "green products" despite previously promoted as such. Failure to provide clarity might cause institutional investors to be exposed to significant legal risk. With an awareness of these developments, asset managers must strive to encourage clear disclosure.

JSIF has faced the issue of a lack of clarity. JSIF has been calculating the sustainable investment balance since 1999, when the first eco-funds were launched in Japan. However, recent developments pose difficulties for us with regard to judging investment strategy classification. This issue stems from declarations by many asset managers that they are carrying out ESG investment across all assets under their management. Asset managers have explained that they have established the policy and process necessary for ESG integration in the investment process as defined by the PRI. Asset managers say that they take into consideration ESG factors in their research and investment process across all funds, even for funds with generic names. This claim has created the situation in which JSIF cannot distinguish ESG-related funds from others by their fund name alone. We believe that current prospectuses or sales brochures of investment trusts contain minimal explanations concerning asset managers' ESG policies, strategies, and investment processes. Therefore, unless asset managers proactively provide details on ESG investment in the sales brochures or periodic reports for each fund, the investor cannot discern whether ESG integration is being carried out with investment. We can say the same for bond investment. When investors claim that ESG factors were taken into consideration in their bond investments, external parties cannot verify this without investors' detailed reports on the processes and the results.

2) Consolidating Various Standards and Frameworks

Other developments occurring at this stage are the move to consolidate many of the existing jumble of initiatives and the calls for standards and criteria on ESG disclosure. Leading organizations have already begun to integrate the essential components of standards and frameworks. Since 2018, the CDP has included questions in its survey that incorporate the TCFD's recommendations. Many Japanese corporations appeared to have been scrambling to deal with this change. Elsewhere, the International Integrated Reporting Council (IIRC), which established the framework for integrated reporting, introduced the Corporate Reporting Dialogue in collaboration with the CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Organization for Standardization (ISO), the Sustainability Accounting Standards Board

(SASB), the International Financial Reporting Standards (IFRS), and the Financial Accounting Standards Board (FASB). These organizations introduced the initiative to avoid inconsistencies and duplication in the frameworks and standards of their respective organizations. Meanwhile, the GSIA is reconfirming definitions in different countries and regions and will consider the progress of the EC Action Plan on Sustainable Finance and the recent response by the PRI.

The overabundance of initiatives created challenges for investors and corporations to understand and reflect them in their undertakings. However, I believe that once we have gone through this phase, we will see a consolidation of these standards and criteria to a certain extent.

We are seeing large-scale, rapid changes globally and are facing the challenges to adapt to a new stage in this evolution. JSIF will continue to strive to disseminate information that will be of use in such an era.

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

February 2020
Masaru Arai, Chair
NPO Japan Sustainable Investment Forum (JSIF)

Survey Distribution Methods

JSIF e-mailed survey requests to institutions for which it could verify contact information. The PRI Japan Network also assisted with distribution to domestic PRI signatories. Forty-two institutions responded. As one respondent institution did not provide details on its sustainable investment balance, we calculated the sustainable investment balance based on the responses of 41 institutions.

As for the two public pension funds that publish an abundance of information on ESG investment, JSIF estimated figures based on publicly available data and added these to the sustainable investment balance. Thus, this year's survey amounts reflect the investment balances of a total of 43 institutions (41 respondents and two estimates).

All 41 Respondent Institutions

- AD Investment Management Co., Ltd.
- Amundi Japan Ltd.
- Asahi Life Asset Management Co., Ltd.
- Asahi Mutual Life Insurance Company
- 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.
- Meiji Yasuda Life Insurance Company
- Mitsubishi Corp.–UBS Realty Inc.
- Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
- Mitsubishi UFJ Trust and Banking Corporation
- MS&AD Insurance Group Holdings, Inc.
- MU Investments Co., Ltd.
- Nikko Asset Management Co., Ltd.
- Nippon Life Insurance Company
- Nissay Asset Management Corporation
- NN Investment Partners (Japan) Co., Ltd.
- Nomura Asset Management Co., Ltd.
- Prologis REIT Management K.K.
- 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 DS Asset Management Company, Limited
- 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.
- Two respondent institutions did not wish to have their company names published.

Institutions Included in Calculations Based on Publicly Available Information

- Government Pension Investment Fund (GPIF)
- Pension Fund Association for Local Government Officials

Previous Results

Overview

	2017	2018	2019
Total sustainable investment balance (millions of yen)	136,595,941	231,952,250	336,039,620
Percentage of total assets under management	35.0%	41.7%	55.9%
Number of respondent institutions (From 2018, this number includes estimates by JSIF.)	32	42	43

Sustainable Investment Balance by Investment Management Method

(Millions of yen)

	2017	2018	2019
ESG Integration	42,966,133	121,511,832	177,544,149
Positive Screening	6,693,443	6,425,278	11,685,122
Sustainability-Themed Investment	1,384,773	2,014,546	3,454,089
Impact and Community Investment	372,616		
Exercising Voting Rights	55,007,706	132,034,774	187,435,331
Engagement and Shareholder Proposals	88,037,433	140,754,582	218,614,475
Negative Screening	14,309,760	17,328,216	132,232,671
Norms-Based Screening	23,908,999	31,604,106	25,560,889

Sustainable Investment Balance by Asset Class

(Millions of yen)

	2017	2018	2019
Japanese Stocks	59,523,773	137,385,115	127,883,665
Non-Japanese Stocks	31,842,726	80,482,008	81,545,344
Bonds	18,301,518	28,891,704	146,178,377
Private Equity (PE)	190,443	281,901	1,732,175
Real Estate	2,666,410	4,637,032	6,775,910
Loans	3,504,432	10,236,320	10,455,582
Other	4,759,604	4,718,818	6,321,161

Notes: 1. In calculating the sustainable investment balance, we have avoided duplication of the investment balances of investment managers and asset owners as much as possible. However, as it is difficult to avoid duplication in the calculation of balances by investment management method and asset class, the sustainable investment balance contains a duplication of the trust amounts of investment managers and amounts entrusted by asset owners. Duplicate figures also arise because of multiple answers about investment management method, while some institutions did not respond to the question on asset class. For this reason, the totals for sustainable investment balance by investment management method and by asset class do not match the total sustainable investment balance.

2. We have included Government Pension Investment Fund (GPIF) amounts in calculations for the survey based on publicly available information. *ESG Report 2018*, published by GPIF, states that all assets under its management fall under the category of ESG-oriented investment. Nevertheless, we have excluded a total of ¥34.9 trillion from the survey calculations regarding private Japanese bonds (¥26.3 trillion), short-term assets (¥7.7 trillion), and investment and loan bonds (¥896.3 billion). We have excluded these amounts because Japanese Government Bonds account for 83% of GPIF's Japanese bonds under management; because JSIF believes that GPIF cannot efficiently conduct ESG integration and engagement in those bonds; and because GPIF has not yet published the details of these initiatives. In our 2020 survey, we will reference GPIF's activities and disclosures going forward. At the same time, we plan to verify the treatment of public debt by SIFs worldwide and undertake calculations based on a uniform standard, as the results of those initiatives and disclosures will be included in the *2020 GSIR*, which will provide information on sustainable investment from around the world. For details, please refer to the Review of the JSIF Fifth Sustainable Investment Survey Results.

Survey Results

Survey questions can be found at:
http://japansif.com/JSIFsurvey2019qa.pdf (Japanese only)

Q1 (This question has been omitted as it pertains to a code for identifying respondent institutions.)

Although the responses to the following questions are basically those of 44 institutions (42 respondent institutions and two institutions for which estimates were conducted), the “total” given for each item reflects the number of institutions that answered the question as some institutions did not respond to specific questions.

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

Choices	2018	2019
Asset Owner	12	15
Investment Manager	31	28
Asset Owner and Investment Manager (both apply)	1	1
Total	44	44

The total number of respondent institutions was 42. Besides these, JSIF added to its calculations the investment balance figures for two institutions based on publicly available information.

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

Choices	2018	2019
Principles for Responsible Investment (PRI)	35	38
Equator Principles	1	2
Principles for Financial Action for the 21st Century (PFA21)	17	18
Principles for Sustainable Insurance (PSI)	3	3
Principles for Responsible Banking (PRB)	–	0
Carbon Disclosure Project (CDP)	11	14
ICGN (The International Corporate Governance Network)	7	10
Montreal Carbon Pledge	3	5
United Nations Environment Programme – Finance Initiative (UNEP FI)	6	8
Other (please specify)	16	24

- The PRB is a newly set choice for 2019. In the “Other” category, one institution responded that its parent company is a signatory to the PRB.
- In other responses, initiatives mentioned by several institutions were the United Nations Global Compact (nine institutions), the Task Force on Climate-related Financial Disclosures (TCFD) (10 institutions), Climate Action 100+ (five institutions), and the Asian Corporate Governance Association (three institutions).

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

Choices	2018	2019
YES	35	34
NO	8	10
Total	43	44

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

Choices	2018	2019
YES	34	40
NO (currently in development)	1	2
NO (intention to discuss policy development)	4	1
NO (no plan for policy development)	1	0
Total	40	43

As it was unclear whether one institution included in the survey by JSIF based on publicly available information had such a formal policy, we did not include that institution in the total.

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

Choices	2018	2019
YES (disclosed to the public)	29	36
YES (disclosed only to clients and subscribers)	4	1
NO	1	1
Total	34	38

Two of the 40 institutions that answered "YES" in Q5 did not answer Q6.

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

Choices	2018	2019
YES	43	44
NO (currently making preparations)	1	0
NO (intention to discuss implementation)	0	0
NO (no plan for implementation)	0	0
Total	44	44

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

Choices	2018	2019
YES	40	41
NO	3	3
Total	43	44

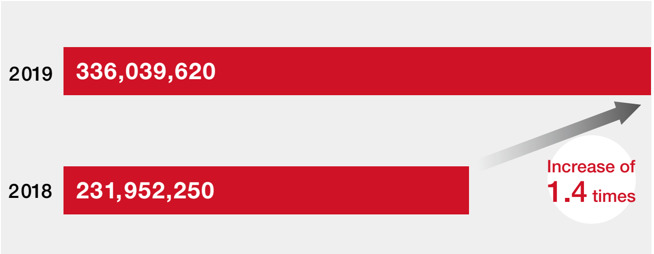
- We included in the "NO" column the two institutions for which we calculated sustainable investment balance data based on publicly available information.
- The remaining institution, which answered in the negative, explained that it could not respond as it is a Private REIT.

Q9 Q9–Q13 are on sustainable investment balances.

(Millions of yen)

	2018	2019
Total sustainable investment balance	231,952,250	336,039,620
Percentage of total funds under management	41.7%	55.9%

(Millions of yen)



Method for calculating sustainable investment balance

The total sustainable investment balance of the 43 institutions was ¥417,353,713,000,000. To avoid, as much as possible, duplication of the sustainable investment balance amounts of asset management companies and asset owners, we subtracted the ¥81,314,093,000,000 trust amount from the pension funds of institutions that answered from an investment manager's standpoint from the total sustainable investment balance.
¥417,353,713,000,000 – ¥81,314,093,000,000 = ¥336,039,620,000,000

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

As the total asset balance under management was unclear for one of the 43 institutions, we calculated the percentage based on the data of 42 institutions. Those 42 institutions listed their assets under management as ¥746,220,149,000,000. The sustainable investment balance was ¥416,892,240,000,000. We computed the sustainable investment as a percentage of total assets under management via the following calculation:
¥416,892,240,000,000 ÷ ¥746,220,149,000,000 x 100 = 55.9%

Data collection period

While we requested responses for the period ended March 31, 2019 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, 2019. The breakdown is as follows:

(Millions of yen)

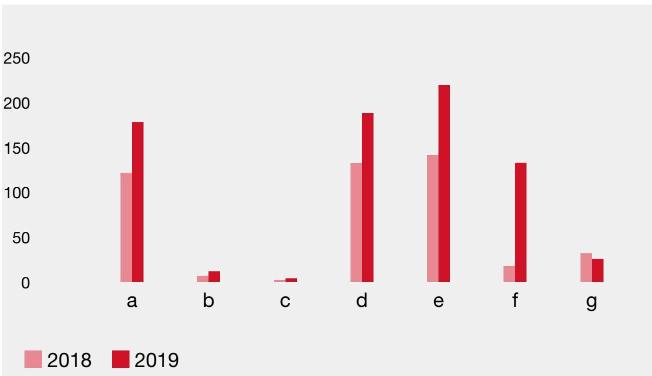
End of December 2018	60,098,755
End of May 2019	626,083
End of June 2019	28,940,200
End of July 2019	1,900,143
End of August 2019	67,609
Total	91,632,790

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

(Millions of yen)

	Choices	2018	2019	% Change
a	ESG Integration	121,511,832	177,544,149	+46%
b	Positive Screening	6,425,278	11,685,122	+82%
c	Sustainability-Themed Investment	2,014,546	3,454,089	+72%
d	Exercising Voting Rights	132,034,774	187,435,331	+42%
e	Engagement and Shareholder Proposals	140,754,582	218,614,475	+55%
f	Negative Screening	17,328,216	132,232,671	+663%
g	Norms-Based Screening	31,604,106	25,560,889	−19%

(Trillions of yen)



Note: In calculating the total sustainable investment balance, we have avoided duplication as much as possible. However, since it is difficult to determine the balance by investment management method, the figure contains a duplication of the trust amounts of investment management companies and the amounts entrusted by pension funds. Additionally, as there is some duplication because of multiple answers, the total for each investment management method is inconsistent with the total amount stated in Q9.

(Millions of yen)

	2018	2019	% Change
Equity Investments	378,517	938,889	+148%
Bond Investments	813,038	1,155,024	+42%
Other Assets	822,991	1,360,176	+65%

Note: We divided the question on sustainability-themed investment into the three categories of equity investments, bond investments, and other assets. The breakdown is as follows:

Defining investment methods

JSIF partially modified definitions based on Global Sustainable Investment Alliance (GSIA) calculation methods, the international standard, to reflect current conditions in Japan.

① ESG Integration

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

② Positive/Best-in-Class Screening

Investment in corporations and other entities with high ESG-related ratings after comparing them with other corporations in the same industry

③ Sustainability-Themed Investment

- Equities: Investment that focuses on sustainability themes and impacts such as renewable energy, environmental technology, agriculture, empowerment of women, and the Sustainable Development Goals (SDGs)
- Bonds: Investment that focuses on sustainability themes and impacts such as green bonds and vaccine bonds
- Other assets: Sustainability-themed investment other than equity and bond investment (e.g., real estate, community investment, etc.)

④ Exercising Voting Rights

Exercising voting rights

* Not limited to exercising voting rights regarding ESG

* Include judgments on the exercising of voting rights entrusted to voting advisory companies

⑤ Engagement and Shareholder Proposals

Constructively communicating with corporations as a shareholder based on engagement policies. Or, exercising shareholder rights other than voting rights

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.) (e.g., abstention from investment in corporations affiliated with cluster munitions based on the Oslo Convention)

Q15 For institutions that provided a figure for sustainability-themed investment (other assets) in Q14, please provide a breakdown of that figure.

(Millions of yen)

Community Investment	0
Real Estate Investment	1,336,300
Other	220,920

- This is a newly set question to ascertain the breakdown of investments other than sustainability-themed equity and bond investments.
- In the open-ended comments column, an institution expressed the view that it could not provide a response because the definition of community investment is ambiguous.

Q16 For institutions that provided an investment amount for negative screening in Q14, if permitted, please disclose the criteria being applied.

Respondents provided the following as specific exclusion criteria.

- Corporations that have engaged in antisocial conduct
- Corporations that contribute to manufacturing or sales for inhumane weapons-related corporations
- Corporations for which tobacco products account for 50% or more of sales
- Corporations that violate the UN Global Compact

In response to Q14, three institutions explained their conclusion that they were conducting ESG screening. In this year's survey, we have also included the amount regarding these responses in the total for negative screening. These three institutions reported a total of ¥2,732,289,000,000 in investment using ESG screening, and subtracting this figure results in a total of ¥129,500,382,000,000 for negative screening.

Note: Generally, negative screening is a strategy that involves excluding corporations whose products or services are recognized to have a negative impact on society from the scope of investment. For details, please refer to the Review of the JSIF Fifth Sustainable Investment Survey Results.

Q17 For institutions that provided an investment amount for norms-based screening in Q14, if permitted, please disclose the norms being applied.

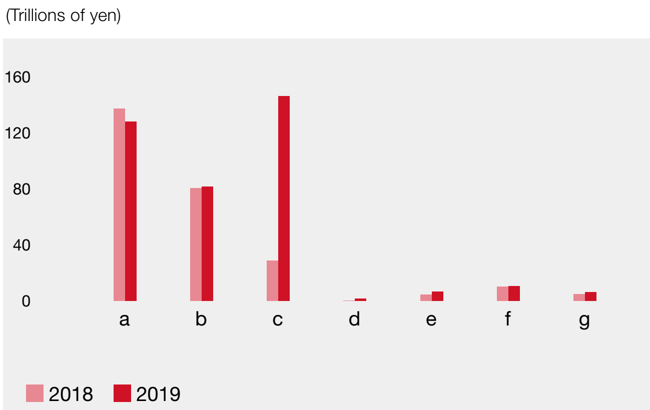
- Conventions mentioned, in order of the year in which they were signed, were the Treaty on the Non-Proliferation of Nuclear Weapons (1968), the Biological and Toxin Weapons Convention (1972), the Washington Convention (1973), the Ottawa Treaty (1997), the Convention on Cluster Munitions (2008), and the Treaty on the Prohibition of Nuclear Weapons (2017).

Q18 If permitted, please provide the breakdown in asset classes for the figure provided in Q9.

(Millions of yen)

Choices		2018	2019	% Change
a	Japanese Stocks	137,385,115	127,883,665	−7%
b	Non-Japanese Stocks	80,482,008	81,545,344	+1%
c	Bonds	28,891,704	146,178,377	+406%
d	Private Equity (PE)	281,901	1,732,175	+514%
e	Real Estate	4,637,032	6,775,910	+46%
f	Loans	10,236,320	10,455,582	+2%
g	Other	4,718,818	6,321,161	+34%

Note: We have avoided duplication as much as possible in calculating the total sustainable investment balance. However, since it is difficult to distinguish sustainable investment balances by asset class, the amount given contains a duplication of the trust amounts of investment management companies and the amounts entrusted by pension funds. For this reason, totals for each asset class are inconsistent with those for Q9.



Q19 **If permitted, please provide specific asset classes and their totals for those that listed a balance in the "other" category in Q18.**

Respondents provided the following as specific examples of "other" asset classes.

- Balanced funds
- Infrastructure funds
- Alternative
- Environmentally oriented REITs
- Project finance for renewable energies

Q20 **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 Companies	2018	2019
Under 100	7	6
100 to 500	9	8
500 to 1,000	5	7
Over 1,000	3	5
Total	24	26

Q21 **If permitted, please provide specific examples of engagement themes (multiple responses allowed).**

Responses on environment-related engagement themes

Most cases concerned the extent of awareness of the impact of climate change and environmental problems on corporate value over the medium-to-long term and whether this was being addressed, while also requesting enhanced information disclosure on this issue. More specifically, some cases concerned accounting for responses to greenhouse gases and renewable energies and mention of the marine plastic debris problem, which has attracted attention in recent years.

Responses on society-related engagement themes

The most common cases concerned work environment initiatives, such as the cultivation of human resources, diversity, and responses to labor shortages. The next most common cases involved the supply chain, while the third most involved contributions to regional revitalization and communities.

Responses on governance-related engagement themes

The most common cases concerned the effectiveness of the board of directors. Many of these mainly mentioned the role and suitability of outside directors. The next most common examples were related to capital policies, such as policies on strategic shareholdings and approaches to shareholder returns.

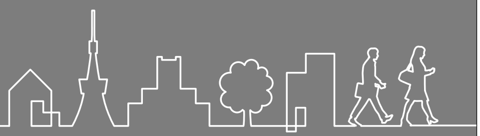
Q22 **Please provide us with some commentary for disclosure pertaining to the systematic evaluation processes used in managing the amounts indicated in the previous questions (e.g., "ESG is implemented by the ESG evaluation team"; "screening is conducted through the use of outside assessment bodies or analytic data"; etc.). Alternatively, please provide a URL that gives access to disclosure materials.**

- We received responses from 35 institutions, of which 22 supplied URLs. These websites are accessible to the public.

Q23 **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.**

Choices	Number of Responses
Agree to be disclosed	39
Prefer not to be disclosed	3
Added to calculations from publicly available information	2
Total	44

Supporting value creation in the investment chain.



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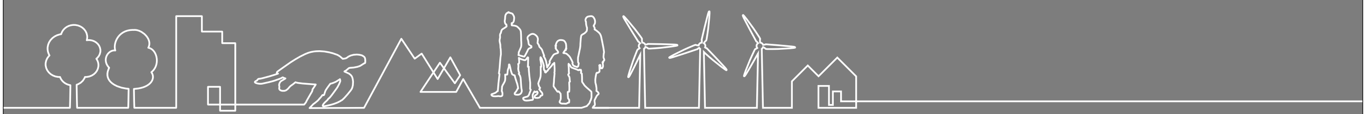
we actively utilize our role as an asset manager in the investment chain
to support our investee companies create value,
leading to maximum returns for our clients,
while at the same time contributing to the achievement of SDGs.



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