

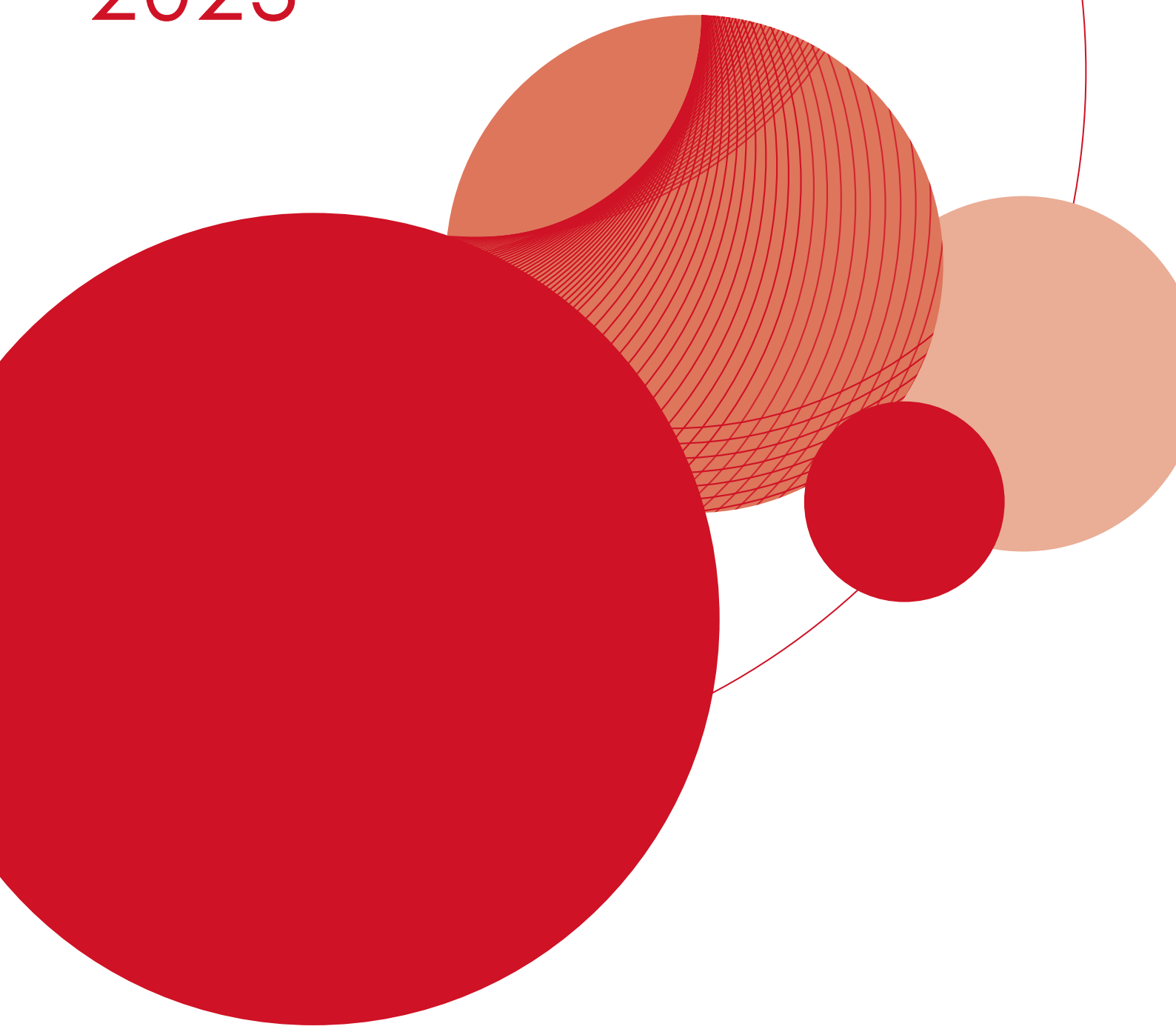


JSIF

Sustainable Investment Survey

Japan Sustainable Investment Forum

2023



About the Organization

NPO Japan Sustainable Investment Forum (JSIF) works to promote socially 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 2023

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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 an investment.

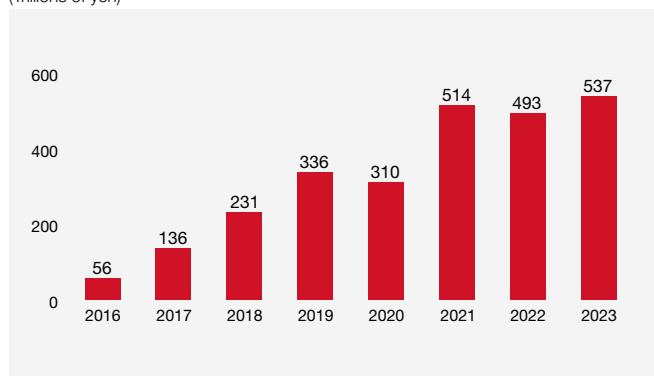
Summary of the JSIF Sustainable Investment Survey 2023

Japan's Sustainable Investment Balance Increased 8.9% Year on Year, to ¥537 Trillion—Sustainable Investment Continues to Expand

According to the results of the Sustainable Investment Survey 2023 conducted by the Japan Sustainable Investment Forum (JSIF), Japan's sustainable investment balance was ¥537.5 trillion, an increase of 8.9%, or ¥43.9 trillion, compared with the 2022 survey. While this increase represents a continuation of the expansion of sustainable investment, the results show a slowdown in growth from the rapid expansion seen prior to 2021 and suggest that sustainable investment has become fairly widespread in each asset class.

Sustainable Investment Balance

(Trillions of yen)



By Asset Class, Investment Balances Increased 12.3% for Japanese Equities, 26.0% for Bonds, 53.1% for Private Equity, and 28.1% for Real Estate Investment

The Investment balance in Japanese equities saw a year-on-year increase of 12.3% compared with a rise of 0.5% in non-Japanese equities. Benchmark stock market indices TOPIX and the S&P 500 saw an increase of 2.9% and a decrease of 9.4%, respectively. In addition, the dollar–yen exchange rate increased from ¥112.39 per dollar in 2022 to ¥133.53 in 2023, representing a depreciation of the yen against the dollar by 9.1%. Taking into account the S&P 500's slump during this period, together with the significant depreciation of the yen, it is likely that additional investments in non-Japanese equities are rising in real terms. The number of institutions that responded to the survey rose by seven, from 56 in 2022 to 63 in 2023. The ratio of the sustainable investment balance to total assets under management is also expanding, rising from 61.9% in 2022 to 65.3% in 2023.

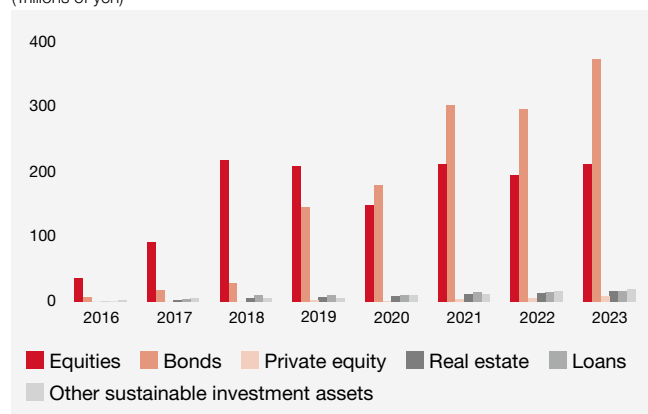
Similarly, the investment balance for bonds increased year on year by 26.0%, to ¥374.3 trillion, when combining the

balances of Japanese and non-Japanese bonds. Considering the yen's depreciation during this period, the amount of additional investment in non-Japanese bonds could have been a little larger. Investments in Japanese green bonds and sustainability bonds, as well as non-Japanese government and international agency bonds, are also likely to be boosting sustainability investments.

Other assets saw significant continued growth, with the balance for private equity increasing 53.1% year on year, to ¥7.9 trillion, and real estate increasing 28.1%, to ¥16.0 trillion.

Investment Balance by Asset Class

(Trillions of yen)



By Investment Management Approaches, ESG Index-Linked Management (Best-in-Class) Increased 69.9%, ESG Index-Linked Management (Tilted) Increased 24.5%, Positive Screening Increased 63.9%, Negative Screening Increased 34.6%, and Impact Investment Increased 227.7%

Looking at investment management approaches, ESG index-linked management (best-in-class) and ESG index-linked management (tilted) were up significantly year on year at 69.9% and 24.5%, respectively. In addition, positive screening rose 63.9%, resulting in a rise in both passive and active investments. Negative screening also grew 34.6%. Furthermore, engagement increased 29.0%, to ¥294.8 trillion, while ESG integration rose 9.2%, to ¥438.7 trillion. Norms-based screening decreased 3.5%. Although impact investment, which has been garnering attention in recent years, grew by 227.7% compared with 2022, the balance was only ¥1.6 trillion, which is a limited proportion of the total sustainable investment balance.

Sustainable Investment Industry Is Maturing

In November 2023, the Global Sustainable Investment Alliance (GSIA), a global collaboration of sustainable investment forums in various countries and regions, published the *Global Sustainable Investment Review 2022* (the full report can be downloaded from <https://www.gsi-alliance.org/>). The 2022 review is the sixth edition of the biennial report.

When considering future sustainable investment initiatives in Japan, we believe it is necessary to consider the global state of sustainable investment. As such, we have summarized the main points of the report below.

The Executive Summary states that, once again, despite significant changes in methodology and associated regulations, the report demonstrates that sustainable investment is a major force shaping global capital markets.

The key findings of the report are as follows.

- \$30.3 trillion is invested globally in sustainable investment assets.
- In non-U.S. markets, sustainable investment assets under management have increased by 20% since 2020 (excluding the United States due to a change in the US SIF's methodology).
- A change in methodology in several markets reflects the growing maturity of the sustainable finance industry across the world.
- The absolute value of sustainable investment assets grew across most regions (Europe, Australia and New Zealand, and Japan).
- Australia and New Zealand and Japan were the only regions to increase the proportion of sustainable investment assets relative to total managed assets.
- The most common sustainable investment strategy globally is corporate engagement and shareholder action, followed by ESG integration and then negative or exclusionary screening.

In addition, key themes emerging from the 2023 report are as follows.

- Industry maturation
- Shifting definitions
- Rise in greenwashing concerns and greenhushing
- Focus on stewardship and engagement

As described in the text below, some of the countries covered in the report have made changes to their data collection methods, making chronological comparisons difficult.

The US SIF modified its methodology for the latest edition of the US SIF Trends report, which is used as the basis for the Global Sustainable Investment Review, and found a decrease in the number of reports from asset managers.

- The revised methodology does not include the assets under management of investors who stated that they practice firm-wide ESG integration but did not provide any specific ESG criteria they used in their investment decision-making.
- In 2022, several asset managers reported far lower sustainable investment assets under management than they had in 2020 (in some cases, in the magnitude of billions and trillions of dollars).
- The revised methodology and a decrease in the amount reported by asset managers have resulted in a total of \$8.4 trillion in sustainable investment assets under management in 2022, a significant decrease from the \$17 trillion reported in the previous Global Sustainable Investment Review.
- In previous years, respondents in the United States and Canada have been able to select multiple investing strategies. This has meant that the value across the categories has often exceeded the total ESG assets under management (by 150%–200%). In the 2023 report, respondents from the United States and Canada selected the predominant category and were required to validate their selection with the provision of assets under management incorporating this strategy.

The United States and Canada have seen changes in the way their regulators (the U.S. Securities and Exchange Commission and the Canadian Securities Administrators) require funds to disclose their ESG considerations/credentials. This follows significant changes in definitions of sustainable investment in Europe and Australia and New Zealand, as observed in the 2020 report.

Note: In the survey carried out by JSIF, the ratio of total sustainable investment balance to total assets under management is calculated from responses to a separate question from the balance of assets under management by investment approaches, so that the total amount of sustainable investment does not become too large, as in the United States and Canada. In addition, the sustainable investment balance is requested for each investment method. All of the respondent institutions provided information on specific ESG criteria.

Global Sustainable Investment Balance 2016–2022

(Billions of dollars)

	2016	2018	2020	2022*	2022
Total assets under management in all countries and regions	81,948	91,828	98,416	57,887	124,487
Sustainable investment balance in all countries and regions	22,872	30,683	35,301	21,921	30,321
Ratio of sustainable investment balance to total assets under management	27.9%	33.4%	35.9%	37.9%	24.4%
Sustainable investment growth rate (year on year)	–	34.0%	15.0%	20.0%	–

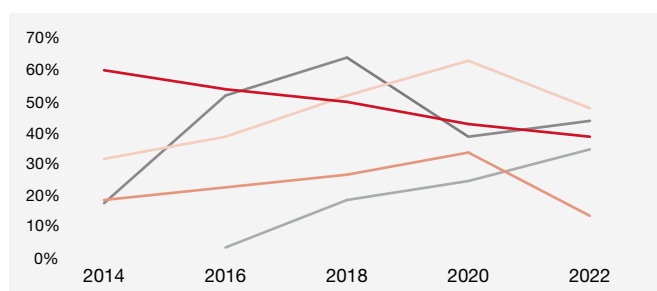
Note: The figures for 2022* exclude U.S. data due to the change in methodology and to allow for consistent comparison across regions. The change in the figures for 2022 is not relevant due to the change in methodology.

Sustainable Investment Balance by Region 2014–2022 (Local Currency)

	2014	2016	2018	2020	2022
Europe (€)	€9,855	€11,045	€12,306	€10,730	€12,401
United States (US\$)	\$6,572	\$8,723	\$11,995	\$17,081	\$8,400
Canada (C\$)	\$1,011	\$1,505	\$2,132	\$3,166	\$3,014
Australia & New Zealand (A\$)	\$203	\$707	\$1,033	\$1,295	\$1,680
Japan (¥)	¥840	¥57,056	¥231,952	¥310,039	¥493,598

Note: Asset values are expressed in billions. All figures are in regional currencies. New Zealand assets were converted to Australian dollars.

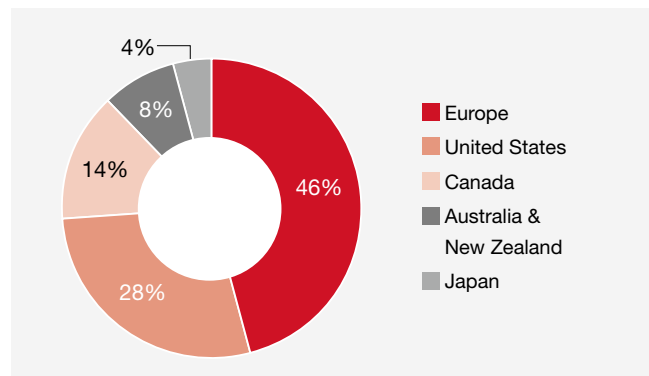
Proportion of Sustainable Investment Assets Relative to Total Managed Assets, 2014–2022



	2014	2016	2018	2020	2022
— Europe	59%	53%	49%	42%	38%
— United States	18%	22%	26%	33%	13%
— Canada	31%	38%	51%	62%	47%
— Australia & New Zealand	17%	51%	63%	38%	43%
— Japan	–	3%	18%	24%	34%

Note: Multiple regions have implemented significant methodological changes in 2020 and 2022, making comparisons with previous reports particularly difficult.

Proportion of Global Sustainable Investment Assets by Region 2022



Note: Multiple regions have implemented significant methodological changes in 2020 and 2022, making comparisons with previous reports particularly difficult.

Definitions of Investment Approaches

Growing global interest in responsible and sustainable investment demands greater standardization of terminology to enable institutional investors, regulators, and other industry participants to communicate with precision. In November 2021, the International Organization of Securities Commissions (IOSCO) highlighted the need for the global investment industry “to develop common sustainable finance-related terms and definitions, including relating to responsible investment approaches, to ensure consistency throughout the global asset management industry.” In response, the CFA Institute, the Global Sustainable Investment Alliance (GSIA), and the Principles for Responsible Investment (PRI) came together to unify definitions and provide guidance for usage. The full report can be accessed at <https://www.gsi-alliance.org/members-resources/definitions-for-responsible-investment-approaches/>.

Given that the 23-page report provides a detailed summary of the information, JSIF plans to publish a Japanese translation of the report in the near future.

Policy Recommendations from the Global Sustainable Investment Alliance

The Global Sustainable Investment Alliance (GSIA) has made the following recommendations in this report.

Net Zero Investment Opportunities

The commitments made by the Glasgow Financial Alliance for Net Zero (GFANZ) in 2021 at the 26th session of the Conference of the Parties (COP26) held in Glasgow, Scotland, showcase the willingness of the world's asset owners and managers to move vast amounts of private capital to net zero investment opportunities over the coming decades. However, investors now require large-scale pipelines of such opportunities for investment to take place.

National governments can unlock significant flows of capital from global investors, particularly those with strong commitments to GFANZ. This will enable an acceleration of capital flows consistent with net zero commitments. Governments need to provide supportive capital market environments which align subsidies, market incentives, and government structures to ensure that transformative public and private investment flows can be unlocked.

International Regulatory Alignment

Many asset managers and financial institutions have clients and investments across the world and report increasing challenges in aligning with the large number of regulatory approaches being developed. These regulatory approaches are often designed to achieve similar outcomes. Governments, regulators, and standard-setters should work together to support closer global alignment and greater convergence, while avoiding the “lowest common denominator” approach and being mindful of different regional environmental and economic circumstances.

GSIA is broadly supportive of the global efforts underway, including the activities of the International Sustainability Standards Board (ISSB), the European Sustainability Reporting Standards (ESRS), the International Organization of Securities Commissions (IOSCO), the Network for Greening the Financial System (NGFS), and GFANZ, but more needs to be done. GSIA recommends that the international community—possibly under the G20 Sustainable Finance Working Group—convene the Sustainable Finance Regulatory Convergence Taskforce, to review the landscape and make recommendations for enhancements and greater alignment. As a global organization, GSIA is well-placed to support and contribute to such a task force.

Enhancing Data Availability

Efficient markets rely on transparent, accessible, and comparable data—nowhere is this more true than in the rapidly evolving world of sustainable finance. To ensure investors receive the data necessary to effectively incorporate sustainability factors into investment decisions, GSIA is calling for the widespread and rapid adoption of global baselines for strengthened corporate sustainability disclosures, ESG ratings, and benchmarks. Such a baseline should aim to be as consistent as possible, while taking into account variations in circumstances across the world.

Nature and Biodiversity

The international financial community can play a key role simultaneously helping to address climate change alongside biodiversity and nature loss, particularly through consideration of nature-related dependencies, impacts, risks, and opportunities. GSIA supports moves by the international community to promptly address these interconnected challenges. The organization encourages governments to support and advance the disclosure frameworks that allow for better assessment of such risks and impacts, including the global adoption of the disclosure recommendations prepared by the Taskforce on Nature-related Financial Disclosures (TNFD) and the incorporation of TNFD reporting for corporations into the ISSB framework.

March 2024

Masaru Arai, Chair
Japan Sustainable Investment Forum (JSIF)

Survey Distribution Methods

In addition to requesting cooperation through email from institutions whose contact information is known to JSIF, the survey was sent by mail to institutions that are signatories to the Stewardship Code. JSIF also obtained the cooperation of the PRI Japan Network and CSR Design Green Investment Advisory Co., Ltd. to raise awareness of the survey. As a result of these efforts, JSIF received responses from 61 institutions pertaining to their sustainable investment balances.

JSIF also estimated figures for two other institutions 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 63 institutions (61 respondents and two estimates).

Institutions That Provided Investment Balances for the Sustainable Investment Survey

All 61 Respondent Institutions

- Allianz Global Investors Japan Co., Ltd.
- Amundi Japan Ltd.
- Asahi Life Asset Management Co., Ltd.
- Asahi Mutual Life Insurance Company
- Asset Management One Co., Ltd.
- Brawn Capital
- Chugin Asset Management Company, Limited
- Comgest Asset Management Japan Ltd.
- Consonant Investment Management Co., Ltd.
- Daido Life Insurance Company
- The Dai-ichi Frontier Life Insurance Co., Ltd.
- The Dai-ichi Life Insurance Company, Limited
- Daiwa Asset Management Co. Ltd.
- Daiwa House Asset Management Co., Ltd.
- DBJ Asset Management Co., Ltd.
- Endeavour United Co., Ltd.
- FIL Investments (Japan) Limited
- Fukoku Capital Management, Inc.
- Global Alliance Realty Co., Ltd.
- HC Asset Management Co., Ltd.
- Higo Bank Pension Fund
- Ichiyoshi Asset Management Co., Ltd.
- Integral Corporation
- Japan Post Insurance Co., Ltd.
- Japan Real Estate Asset Management Co., Ltd.
- KJR Management
- Marubeni REIT Advisors Co., Ltd.
- Meiji Yasuda Life Insurance Company

- Mitsubishi Jisho Investment Advisors, Inc.
- Mitsubishi UFJ Asset Management Co., Ltd.
- MS&AD Insurance Group Holdings, Inc.
- Nikko Asset Management Co., Ltd.
- Nippon Life Insurance Company
- Nissay Asset Management Corporation
- Nomura Asset Management Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- Norinchukin Zenkyoren Asset Management Co., Ltd.
- Pictet Asset Management (Japan) Ltd.
- Prologis REIT Management K.K.
- Resona Asset Management Co., Ltd.
- SBI Okasan Asset Management Co., Ltd.
- Schroder Investment Management (Japan) Limited
- SEIRYU Asset Management Ltd.
- Sekisui House Asset Management, Ltd.
- Shinkin Asset Management Co., Ltd.
- Sompo Asset Management Co., Ltd.
- Sompo Japan Insurance Inc.
- Sophia University
- Sumitomo Life Insurance Company
- Sumitomo Mitsui Trust Asset Management Co., Ltd.
- Taiju Life Insurance Company 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 University of Tokyo
- Zenkyoren (National Mutual Insurance Federation of Agricultural Cooperatives)
- Four respondent institutions who did not wish to have their company names published

Two FIL Institutions Included in Calculations Based on Publicly Available Information

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

Sustainable Investment Assets over the Past Three Years

Overview

	2021	2022	2023
Total Sustainable Investment Balance (millions of yen)	514,052,801	493,597,729	537,590,817
Sustainable Investment Balance as a Percentage of Total Assets under Management	61.5%	61.9%	65.3%
Number of Respondents	52	56	63

Sustainable Investment Balance by Investment Management Method

(Millions of yen)

	2021	2022	2023
ESG Index-Linked Management (Best-in-Class)	–	6,177,139	10,494,957
ESG Index-Linked Management (Tilted)	–	10,287,923	12,809,000
ESG Integration	422,115,459	401,685,956	438,786,938
Negative Screening	261,039,802	243,050,365	327,198,719
Positive Screening	24,867,183	6,642,523	10,889,234
Sustainability-Themed Investment	10,665,994	27,643,029	33,129,991
Norms-Based Screening	59,648,963	170,903,096	164,915,208
Impact Investment	706,280	499,489	1,636,905
Exercising of Voting Rights	239,487,347	202,554,552	211,095,489
Engagement	261,495,512	228,639,749	294,876,523

Sustainable Investment Balance by Asset Class

(Millions of yen)

	2021	2022	2023
Japanese Equities	133,542,411	119,887,326	134,580,097
Non-Japanese Equities	78,931,336	75,557,430	75,940,183
Bonds	302,968,127	297,189,492	374,341,261
Private Equity	4,123,135	5,211,348	7,981,013
Real Estate	11,998,553	12,530,840	16,047,859
Loans	14,465,072	14,747,584	15,592,833
Other Sustainable Investment Assets	12,046,656	16,032,173	20,024,845

- Notes: 1. When calculating sustainable investment balances, the utmost attempt was made to avoid duplicating the investment balances of investment managers and asset owners. However, due to the difficulty of avoiding such duplications when calculating sustainable investment balances by investment management method and asset class, there is an overlap in the amounts entrusted to investment managers and amounts entrusted by asset owners. Another factor contributing to the presence of duplicate amounts is that respondents provided multiple answers regarding their investment management methods. In addition, some respondents did not specify an asset class. As a result, the sum of sustainable investment balance by investment management method and sustainable investment balance by asset class does not amount to the total sustainable investment balance.
2. Based on publicly available information, we have included Government Pension Investment Fund (GPIF) amounts in calculations for the survey. *FY2022 ESG Report*, published by GPIF, states that all assets managed by GPIF fall under the category of ESG-oriented investment. Nevertheless, as in 2022, we have excluded a total of ¥13.7 trillion related to private Japanese bonds from survey calculations. We have excluded these amounts for the following reasons: Japanese government bonds account for the majority of the Japanese bonds under GPIF's management, JSIF believes that it is difficult for GPIF to conduct ESG integration and engagement regarding said bonds, and GPIF has not yet published the details of its initiatives.

Survey Results

Survey results can be found by accessing the following URL.
<https://japansif.com/JSIFsurvey2023qa.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 essentially those of 63 institutions (61 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 with regard to capital management and capital structure.

Choices	2022	2023
Asset Owner	21	21
Investment Manager	35	42
Asset Owner and Investment Manager (both apply)	0	0
Total	56	63

The total number of respondent institutions was 61. Besides these, JSIF added to its calculations the investment balance figures for two asset owners based on publicly available information.

Q3 Have you declared adoption of Japan's Stewardship Code?

Choices	2022	2023
YES	41	43
NO	14	18
Total	55	61

Q4 Which of the following initiatives have you endorsed or are you involved in?

	2022	2023
United Nations Environment Programme Finance Initiative (UNEP FI)	7	6
International Corporate Governance Network (ICGN)	13	13
CDP	22	26
Principles for Responsible Investment (PRI)	50	54
Principles for Financial Action for the 21st Century (PFA21)	26	25
Science Based Targets initiative (SBTi)	-	7
Partnership for Carbon Accounting Financials (PCAF)	-	10
Task Force on Climate-related Financial Disclosures (TCFD)	35	41
Climate Action 100+	25	26
30% Club Japan Investor Group	-	11
Japan Impact-driven Financing Initiative	-	10
Taskforce on Nature-related Financial Disclosures (TNFD)	9	13
Glasgow Financial Alliance for Net Zero (GFANZ)	15	15
Advance (a new PRI initiative)	-	22

Q5 As an organization, do you have a clear policy regarding sustainable investment and have you announced this policy?

Choices	2022	2023
YES (disclosed publicly)	51	55
YES (disclosed to customers, subscribers, and similar entities only)	5	5
NO	0	2
Total	56	62

Q6 In 500 characters or fewer, please explain any proprietary or characteristic methods used by your institution to evaluate sustainable investment or ESG investment. These answers will be introduced on the JSIF website following the publication of the survey report. (The decision to include pension plans and institution names within the answer will be left to you.) This question aims to solicit excellent initiatives of Japanese institutions and clearly communicate them overseas.

All responses will be made public via the website below.
<https://japansif.com/survey> (Japanese only)

Q7

Q7-Q11 refer to sustainable investment balances.

(Millions of yen)

	2022	2023
Sustainable Investment Balance	493,597,729	537,590,817
Percentage of Total Assets under Management	61.9%	65.3%
Number of Institutions	56	63

Method for calculating sustainable investment balance

To avoid duplication of the investment amounts provided by asset managers and asset owners to the greatest extent possible, the ¥169,712,197 million trust amount from the pension funds of institutions that responded based on their role as investment managers was deducted from the total sustainable investment balance of ¥707,303,014 million for the 63 institutions.

$$\begin{aligned} & ¥707,303,014 \text{ million} - ¥169,712,197 \text{ million} \\ & = ¥537,590,817 \text{ million} \end{aligned}$$

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

Total funds under management for the 63 institutions was ¥1,082,779,436 million. Accordingly, the sustainable investment balance as a percentage of total assets under management was calculated as follows:

$$¥707,303,014 \text{ million} \div ¥1,082,779,436 \text{ million} = 65.3\%$$

Data collection period

While we requested responses for the period ended March 31, 2023, as a general rule, we also accepted responses for other periods. Sustainable investment balances for those periods are included in the total. In Q8 and Q9, we asked for those periods and also amounts that fall outside the period ended March 31, 2023.

The breakdown is as follows:

(Millions of yen)

End of December 2022	5,689,228
End of February 2023	1,448,202
End of April 2023	710,768
End of May 2023	688,901
End of June 2023	8,726,151
End of July 2023	5,069
End of August 2023	50,421,114

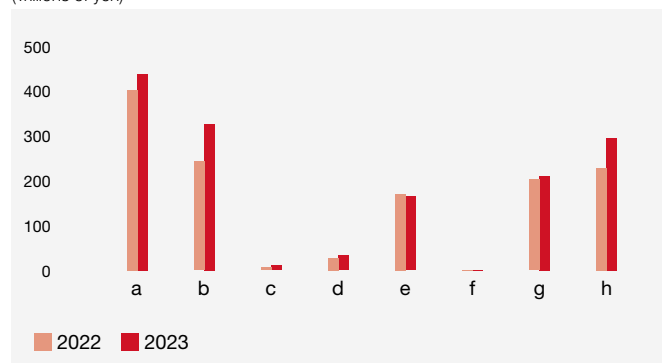
Q12

Please tell us the proportion of the amount indicated in Q7 allocated to each of the asset management methods listed below.

(Millions of yen)

Choices	2022	2023	% Change
ESG Index-Linked (Selection-Based)	6,177,139	10,494,957	+69.9%
ESG Index-Linked (Tilted)	10,287,923	12,809,000	+24.5%
a ESG Integration	401,685,956	438,786,938	+9.2%
b Negative Screening	243,050,365	327,198,719	+34.6%
c Positive (Best-in-Class) Screening	6,642,523	10,889,234	+63.9%
d Sustainability-Themed Investment	27,643,029	33,129,991	+19.8%
e Norms-Based Screening	170,903,096	164,915,208	-3.5%
f Impact Investment	499,489	1,636,905	+227.7%
g Exercising of Voting Rights	202,554,552	211,095,489	+4.2%
h Engagement, Shareholder Proposals, etc.	228,639,749	294,876,523	+29.0%

(Trillions of yen)



Notes: 1. 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 due to multiple answers, the total for each investment management method is inconsistent with the total amount stated in Q7.

2. 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:

(Millions of yen)

	2022	2023	% Change
Equity Investments	3,140,413	3,664,989	+16.7%
Bond Investments	18,982,535	22,595,707	+19.0%
Other Assets	5,520,081	6,869,295	+24.4%

Defining sustainable investment

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

Furthermore, when the survey was conducted in November 2023, the CFA Institute, GSIA, and the PRI published a joint report explaining terms and their definitions.

(<https://www.gsi-alliance.org/members-resources/definitions-for-responsible-investment-approaches/>)

1. ESG Index-Linked Management

A form of passive investment aimed at reaping results associated with different types of ESG investment indices:

- Selection-based: Indices comprising companies selected via positive screening
- Tilted: Indices weighted based on ESG ratings

Items 2–9 refer to different types of active investment methods.

2. ESG Integration

Investment that systematically incorporates ESG factors into regular financial analysis and management processes (We encourage caution when taking this survey to avoid confusion between “ESG integration” and “ESG incorporation,” as defined by the Principles for Responsible Investment [PRI].)

The following is a table excerpted from the *White Paper on Sustainable Investment in Japan 2020*.

PRI Classification		Number	
Principle 1	ESG Incorporation	Negative / Exclusionary screening	1
		Positive / Best-in-class screening	
		Norms-based screening	2
		Sustainability-themed investing	3
	Integration of ESG-related issues	4	
Principle 2	Active Ownership	Engagement	5
		Exercise of voting rights	6

GSIA Classification	PRI Classification: Corresponding Number
ESG integration	4
Corporate engagement and shareholder action	5, 6 ^{*1}
Norms-based screening	2
Negative / Exclusionary screening	1
Positive / Best-in-class screening	1
Sustainability-themed investing	3
Impact / Community investing	_*2, 3

*1 The GSIA classifications treat engagement and the exercise of voting rights as sustainable investment strategies, but the PRI classification lists them under Principle 2, and not as ESG incorporation.

*2 The corresponding PRI classifications listed above are true for active strategies; however, in the section on passive strategies in the document “PRI Reporting

Framework Main Definitions,” microfinance and impact investing are treated as sustainability-themed investing.

*3 The term “community investing” is not utilized in PRI classifications.

3. Negative Screening

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

Note: We request that the screening of investments that exclude companies with poor ESG ratings be categorized as positive screening. Negative screening is a strategy that abstains from investing in such equities by excluding them from the investment universe. Meanwhile, positive screening is generally utilized to determine the inclusion of equities upon assessing a company’s ESG factors during investments’ screening and decision-making processes. (The equities to be excluded will automatically be decided once the equities to be included are determined through positive screening.)

4. Positive (Best-in-Class) Screening

Investment in sectors, companies, and projects with an ESG performance superior to peers in the same industry while achieving a rating above a set threshold

5. Sustainability-Themed Investment

1: Equity Investments

Investment that focuses on sustainability themes such as climate change mitigation technologies, renewable energy, environmental technology, agriculture, empowerment of women, and the Sustainable Development Goals (SDGs)

6. Sustainability-Themed Investment

2: Bond Investments

Investment that focuses on sustainability themes such as green bonds, sustainability bonds, and vaccine bonds

7. Sustainability-Themed Investment

3: Other Assets

Sustainability-themed investment other than equity and bond investment (e.g., real estate investment, etc.)

8. Impact Investment

A type of investment that fulfills the following four conditions:

- 1) Investments are intended to adequately mitigate and manage significant negative impacts on the environment, society, and the economy while also positively impacting one or more of the aforementioned elements.
- 2) Impact is assessed and monitored.
- 3) Details are disclosed regarding the results of impact assessments and monitoring (which also covers details disclosed solely to fund contributors and not to the general public*).

4) An appropriate risk–return balance is pursued for each financial institution and investor over the medium to long term, based on the definition of impact finance provided by the Ministry of the Environment’s Positive Impact Finance Task Force.

* The inclusion of “details disclosed solely to fund contributors and not to the general public” has been added by JSIF.

9. Norms-Based Screening

Investment based on standards set by international organizations (the United Nations, Organisation for Economic Co-operation and Development, International Labour Organization, etc.) Examples include abstention from investment in corporations affiliated with cluster munitions based on the Convention on Cluster Munitions (Oslo Convention).

10. Exercising of Voting Rights

Exercising of voting rights

Notes: 1. Not limited to the exercising of voting rights regarding ESG
2. Includes judgments on the exercising of voting rights entrusted to voting advisory companies

11. Engagement, Shareholder Proposals, etc.

Engaging in constructive dialogues with corporations as a shareholder based on engagement policies or submitting shareholder proposals

Q13

For institutions that provided a figure for ESG index-linked (tilted) investment in Q12, please inform us of the indices utilized.

Multiple respondents only named the S&P/JPX Carbon Efficient Index.

Q14

For institutions that provided a figure for sustainability-themed investment (other assets) in Q12, please provide a figure breakdown.

(Millions of yen)

Real Estate Investment	3,473,761
Other	2,735,801

Q15

Please provide a figure breakdown for institutions that provided a figure for impact investment in Q12.

(Millions of yen)

	2022	2023
Listed Stock	324,977	468,684
Private Equity	9,027	34,496
Other Assets	165,485	414,569

Q16

For those that provided an investment amount for impact investments in Q12, please inform us about the disclosure of the results of impact assessments and monitoring, including relevant websites, URLs, etc. If the information is not disclosed, it is not considered an impact investment, so please exclude it from the investment amount in Q12 (disclosure to customers only counts as disclosure).

This question is intended to confirm whether information has been disclosed following the third requirement under the previously stated definition of impact investment, that “details are disclosed regarding the results of impact assessments and monitoring (which also covers details disclosed solely to fund contributors and not to the general public).”

Of the 19 institutions that provided impact investment amounts in Q12, 18 responded to this question.

Q17

For institutions that provided an amount for the exercising of voting rights in Q12, please inform us whether there is a review process for ESG-related proposals and whether this process is disclosed. If such disclosure is provided, please supply a relevant URL or other means for accessing it.

Thirty institutions provided URLs.

Q18

Please disclose the criteria applied for institutions that provided an investment amount for negative screening in Q12.

Respondents provided the following exclusion criteria as companies and businesses that met said criteria:

- Corporations that have engaged in antisocial conduct or illegal activity
- Corporations that contribute to the manufacture or sale of inhumane weapons (cluster munitions, anti-personnel mines, and biological and chemical weapons)
- Corporations for which a set percentage of revenue comes from coal-fired power generation and coal and oil sand extraction activities (Some respondents indicated that they excluded projects that contributed to the transition toward decarbonization.)
- Corporations that engage in oil and gas extraction activities in the Arctic National Wildlife Refuge
- Corporations involved in the manufacture or trade of internationally banned pesticides and herbicides
- Corporations that produce tobacco as an end product, including tobacco manufacturers

Q19

Please disclose the norms applied for institutions that invested in norms-based screening in Q12.

The following guidance and conventions are used as references:

- Standards adopted by the International Labour Organization (ILO)
- Ramsar Convention (1975)
- Biological Weapons Convention (1975)
- UNESCO World Heritage Convention (1975)
- OECD Guidelines for Multinational Enterprises (1976)
- Convention on Certain Conventional Weapons (1983)
- Chemical Weapons Convention (1997)
- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Convention, 1999)
- United Nations Global Compact (1999)
- Convention on Cluster Munitions (Oslo Convention, 2010)
- United Nations Guiding Principles on Business and Human Rights (2011)

Q20

Please break down the amount provided for Q7 by asset class.

(Millions of yen)

Choices	2022	2023	% Change
Japanese Equities	119,887,326	134,580,097	+12.3%
Non-Japanese Equities	75,557,430	75,940,183	+0.5%
Bonds	297,189,492	374,341,261	+26.0%
Private Equity	5,211,348	7,981,013	+53.1%
Real Estate	12,530,840	16,047,859	+28.1%
Loans	14,747,584	15,592,833	+5.7%
Other	16,032,173	20,024,845	+24.9%

Note: In calculating the total sustainable investment balance, an attempt was made to avoid duplication as much as possible. However, since it is challenging to determine balances by asset class, figures contain a duplication of the trust amounts of investment management companies and those entrusted by pension funds. For this reason, the totals for each asset class are inconsistent with those for Q7.

For institutions that provided a figure for bonds in Q20, please provide a breakdown and the types of bond investments made.

Q21

Note: “(Domestic) Other” assumes government bonds and government agency bonds and “(Overseas) Other” assumes international agency bonds.

(Millions of yen)

(Domestic) Government Bonds	420,329,175
(Domestic) Corporate Bonds	10,899,529
(Domestic) Other	5,687,864
(Overseas) Government Bonds	14,200,480
(Overseas) Corporate Bonds	23,643,832
(Overseas) Other	7,278,150

Q22

Please provide specific asset classes and their totals for those who listed a balance in the “Other” category in Q20.

Of the many specific assets categorized under the “Other” category, most funds were allocated to the following:

- Balanced funds/Multi-asset class investments: Approx. ¥5.8 trillion
- Alternative investments/Hedge funds: Approx. ¥1.2 trillion

Q23 to Q26 are open-ended questions.

Q23

Q23 to Q26 pertain to engagement, or purposeful dialogue, as stipulated by Japan’s Stewardship Code, and how this engagement was implemented in the previous year. There are various engagement methods, such as direct meetings, communicative letters, and collaborative engagement. What combination of methods have you adopted?

- Regarding dialogue with management, many respondents said they would focus on investment targets with material issues about ESG or otherwise, investment targets that are expected to enhance corporate value through dialogue, or investment targets that account for a large proportion of their portfolios. There was very little reference to communicative letters and there seems to be a trend toward interviews, in principle.
- Thirteen respondents answered that they would use collaborative engagement. Many respondents said that investment targets addressing key ESG issues would be implemented through initiatives including Asia Investor Group on Climate Change (AIGCC), Climate Action 100+, and Advance.

Q24

Please provide specific examples of engagement themes (multiple responses allowed).

Choices	Number of Responses
Disclosure of greenhouse gas (GHG) reductions and emission amounts	38
Task Force on Climate-related Financial Disclosures (TCFD) recommendations	36
Ocean plastics	9
Microfibers	5
Biodiversity conservation	20
Supply chain management	29
Human rights	35
Employee well-being	27
Evaluation of the effectiveness of the Board of Directors	35
Capital policy, including policies for cross-shareholding and parent-child listings	34
Other (with specific themes)	17

Q25

Please inform us whether any of the themes given as a response to Q24 were newly added over the past one to two years.

Disclosure of GHG reductions and emission amounts was raised by institutions most frequently as a new theme. Furthermore, there were numerous comments that referred to “human capital,” a key phrase that was not included in the choices for Q24.

Q26

Please provide a URL or direct us toward any management system that has been disclosed for engagement, such as criteria or a rating system for periodically measuring engagement progress and effectiveness or a committee that performs duties that include establishing means for increasing engagement.

Twenty-six institutions provided URLs.

Q27

For the following question, please refer to the reference materials included in the survey. In the EU, the Sustainable Finance Disclosure Regulation (SFDR) is applied to the disclosure of all European funds and all funds registered for sale within the EU. Funds under Articles 8 and 9 of the SFDR are considered “green.” Although there are no such disclosure regulations in Japan yet, please let us know the amounts you believe would fall under Articles 8 or 9 of the SFDR for funds sold or promoted in Japan.

	(Millions of yen)	
	2022	2023
SFDR Article 8	10,624,930	12,063,671
SFDR Article 9	353,535	567,480

Q28

We intend to disclose the names of companies and funds that provided sustainable investment balances in the report for this survey. Please let us know if this is acceptable.

Choices	Number of Responses
Agree to be disclosed	57
Prefer not to be disclosed	4
Balance added to calculations from publicly available information	2

01

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02

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