

Sustainable Investing in Japan: *An Agenda for Action*



**“BlackRock, Nomura, Tokio
Marine lead call for Japanese
government to rethink investor
duties”**

- Responsible Investors, July 31, 2019

**“Responsible
investing gaining
popularity”**

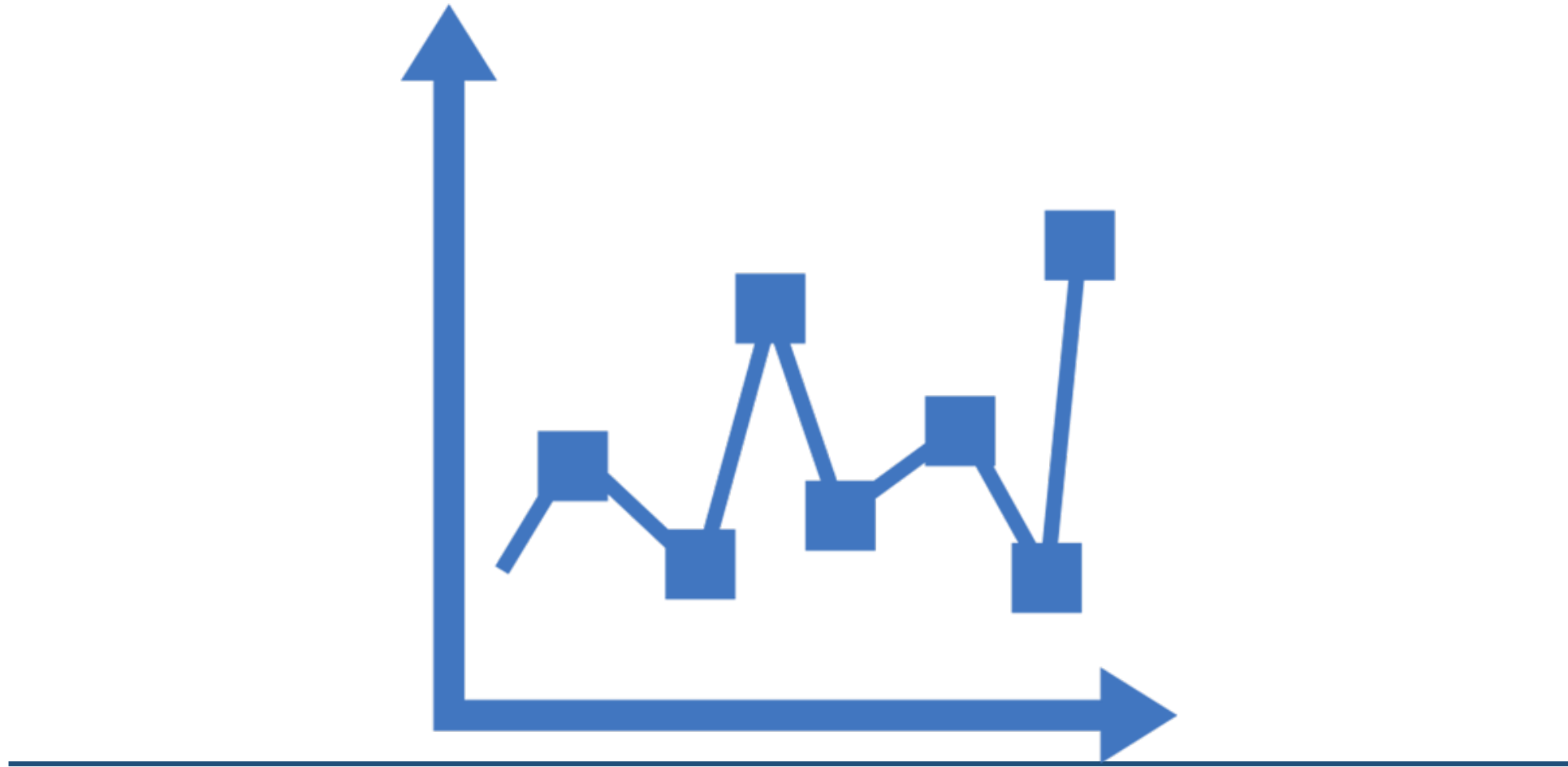
*- The Japan Times, April 7,
2019*

**“Corporate Japan
embraces UN
sustainable
development goals”**

*- Nikkei Asian Review, January 14,
2018*

**“Japan government develops an
environmental assessment
framework for investors”**

- Responsible Investors, July 23, 2019



Signs of Progress & Problems



Today's Discussion

- About TIIP
- The *Agenda for Action*
 - Visibility
 - Evidence
 - Tools
 - Policy
- Measuring Progress towards the SDGs
- Investor perspectives
 - Masataka Uo, Japan Fundraising Association
 - Charles Yang, Independent Consultant
 - Atsuko Toda, Nissay Asset Management
 - Kotaro Sueyoshi, Mizuho Bank, Ltd.
- Questions & Answers

About TIIP

*Founded to help investors navigate
the complex world of the 21st century.*

RESEARCH



THOUGHT LEADERSHIP



CONSULTING



The Agenda for Action

Examines why few Japanese investors incorporate sustainable investing into their practices and **recommends breakthroughs needed** to grow the practice in Japan.

Findings from **interviews with 50+ experts** on Japan's financial industry.



TIIP THE INVESTMENT
INTEGRATION PROJECT

SPE SASAKAWA
PEACE
FOUNDATION

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The Investment Integration Project (TIIP)

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Visibility

Visibility: Challenges

Despite the recent growth in Japan and high-profile support, mainstream investors are generally unaware of sustainable investing.

Few investors know what sustainable investing is or are not convinced of its merits.

Visibility: Breakthroughs Needed

1. Mobilize industry influencers:

Identify individuals and organizations to publicly support sustainable investing

- Japan Investment Advisers Association
- Securities Analysts Association of Japan
- Keidanren (i.e. the Japan Business Federation)
- Life Insurance Association of Japan

2. Use social and other media:

To engage retail investors on sustainable investing

- YouTube
- The Kinzai Institute for Financial Affairs
- Nikkei
- Japan Times



Evidence

Evidence: Challenges

- Myths about sustainable investing are pervasive in Japan.
- Many investors believe that:
 - Sustainable investing is a form of philanthropy;
 - It hurts financial performance (and therefore violates fiduciary duty);
 - Investors cannot impact ESG issues (only the government can impact these issues); and
 - Sustainable investing is a passing fad that most investors do not take seriously.

Evidence: Breakthroughs Needed

Dispel myths

Information about the what, why, and how of sustainable investing, including what it is (and what it is not);

Data on the material importance of ESG factors;

Information about client demand for sustainable investing strategies and products; and

Give information

Research on the environmental and social impact strategies and about the asset classes are most beneficial for addressing which sustainability issues.



Tools

Tools: Challenge

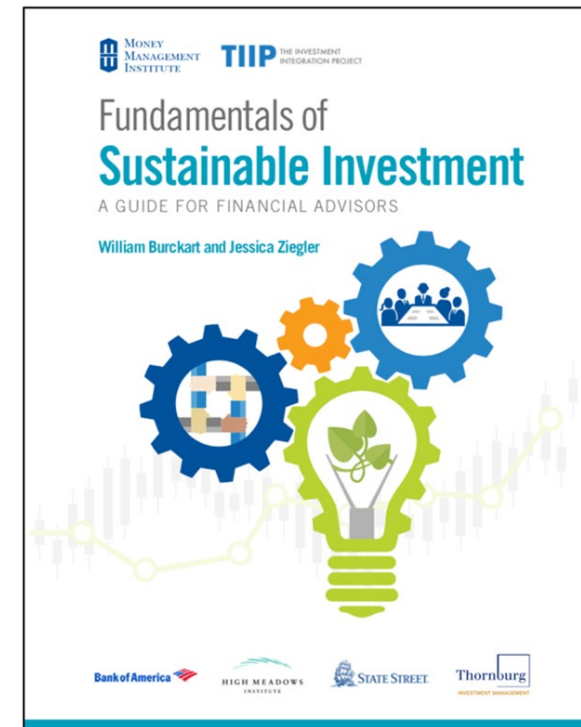
The Japanese financial community lacks practical guidance on how to develop, implement, and maintain sustainable investing programs and policies.

Tools: Breakthroughs Needed

1. Provide investors with practical guidance for integrating sustainable investing into their practices.
2. Connect investors to capacity building opportunities (e.g. industry forums and sustainable investing workshops).
3. Establish a sustainable investing knowledge hub for Japan.

Fundamentals of Sustainable Investment: A guide for financial advisors

- Addresses myths
- Disentangles vocabulary
- Provides practical recommendations



Snapshot: Practical Guidance





Policy

Policy: Challenge

Japanese governmental and regulatory agencies have launched various initiatives in support of sustainable investing, but these efforts have been fragmented and at times confusing.

Policy: Breakthroughs Needed

1. Coordinate efforts by cabinet-level government agencies to support sustainable investing

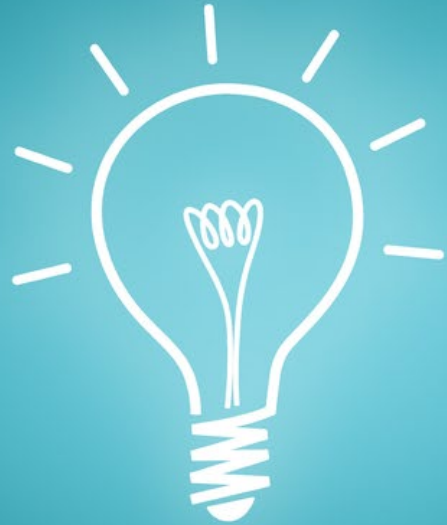
Cabinet-level agencies directly support Prime Minister and are empowered to promote an agenda that supersedes departmental or ministerial politics or constraints (i.e. the Cabinet Secretariat and Cabinet Office).

2. Enhance “soft law” approaches to guide investors in implementation of sustainable investing

Government needs to provide detailed guidance and implementation standards to ensure that investors not only do what a policy instructs that they do, but that they do it well.



Measuring Progress Toward the SDGs



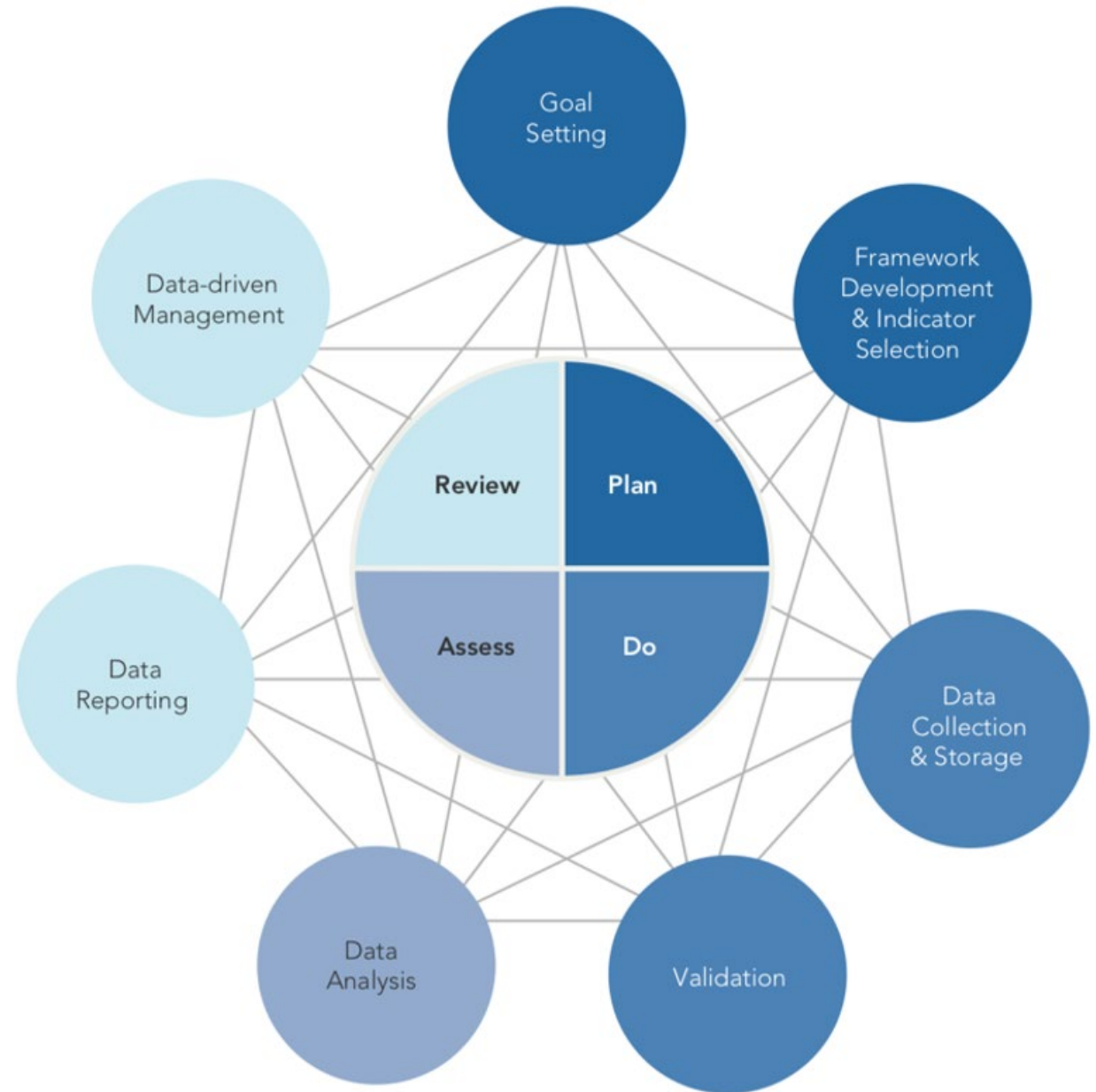
The Big Idea: Shifting Paradigms

Investors can **measure their contribution** to promoting the long-term wealth-creating potential of the environment, society, and financial system.

In doing so, they **assess the potential usefulness and effectiveness of the tools** available to them and **their influence in determining changes at the system-level**.

This influence can lead to **paradigm shifts** in the systems themselves.

Influence builds on measuring impact

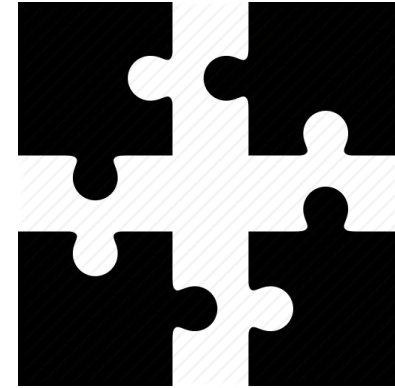


Influence
builds on
measuring
alignment



Goal:
Change the
fundamentals
of the system

Adaptability



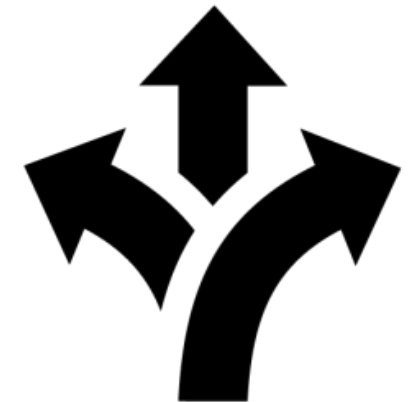
Clarity



Connectivity



Directionality



MEASURING EFFECTIVENESS:

Roadmap to Assessing
System-level and SDG Investing

FEBRUARY 2018

By William Burckart, Steve Lydenberg and Jessica Ziegler

Tool: Roadmap for Action

Provides investors with a roadmap for measuring the effectiveness of system-level investing strategies, including measuring progress toward achieving the United Nations' Sustainable Development Goals (SDGs)

Tool: Framework



1.

ASSESS ISSUES

SET MEASURABLE INFLUENCE GOALS



2.

ASSESS TOOLS

ASSESS IMPLEMENTATION
EFFECTIVENESS



3.

MEASURE INFLUENCE



Investor Perspectives

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Founder and CEO, Japan Fundraising
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Charles Yang

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Question & Answer

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