

**“Impact investing Roundtable” co-hosted by Japan  
Financial Service Agency and JAPAN-NAB**

**Survey Results and Analysis (n = 33)**

September 3, 2020

Social Innovation  
and Investment Foundation

- Purpose and summary of the survey results and analysis
- Survey Questions
- Survey responses

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- "Impact Investing Roundtable" co-hosted by Financial Services Agency of Japan and the Japan National Advisory Board of the Global Steering Group for Impact Investment (GSG-NAB Japan) kicked off in June 2020.
- The roundtable is composed of 35 professionals, executive members and experts mostly in private financial sectors in Japan, including those from major business associations, academics, consultants and start-ups. The aim of the roundtable is to deepen the understanding among these leaders on impact investing, together with the significance and challenges of addressing social issues through impact investing in Japan and beyond.
- The first roundtable held in June 2020 unveiled the diverse opinions and positions on impact investing efforts. The survey was conducted in order to understand the diverse nature of the current situation, and to establish a foothold for the second roundtable discussion which was held in September 2020.
- This presentation includes summary and analysis, questions of the survey and responses of the survey by [33 roundtable members](#) excluding the chairman and deputy chairman.

- The following is the summary of the survey and analysis.

## **【Efforts】**

- ✓ Companies and organizations that have not made specific efforts were in the minority. While the most common answer was "structuring and selling of financial instruments," a variety of other efforts and initiatives were also being implemented. Specific initiatives included private equity funds, loans, and ETFs.
- ✓ As for future, understanding, improving, and creating impacts as well as structuring and selling of financial instruments were considered important.
- ✓ Many companies were considering adopting private equity funds, loans, and ETFs.

## **【Stance】**

- ✓ Both companies as well as individuals were pursuing higher impacts with the same level of typical risk-return.
- ✓ Many individuals mentioned that the company should adopt a policy of "improving risk-return through the pursuit of impact" in the light of the current situation.

## **【Fiduciary Responsibility】**

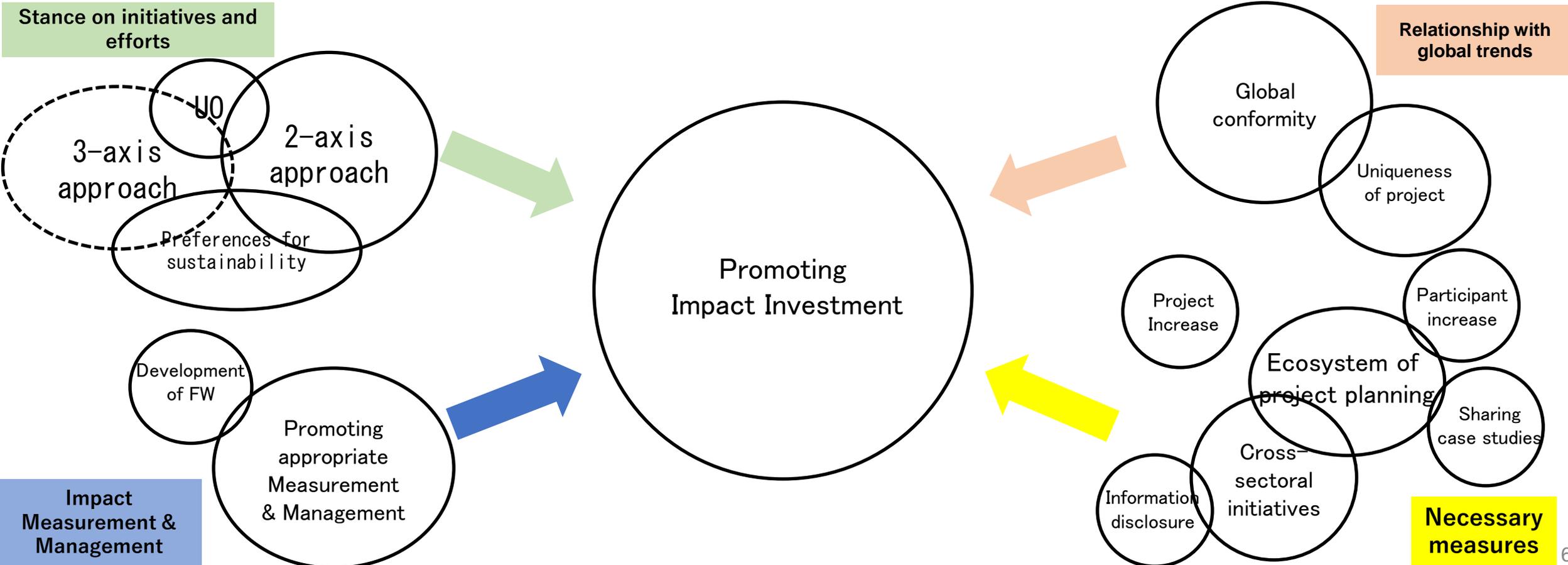
- ✓ The most common view was that it is acceptable to consider impact for the purpose of improving returns. This was followed by preferences for sustainability, a consideration for impact when returns are equivalent, and the universal owner's position.
- ✓ The majority have not signed Stewardship Code (SC), and many responded that it was not clear how much effect the scheme may have on impact investments.

## **【Impact Measurement & Management】**

- ✓ Even when Impact Measurement & Management is conducted, challenges remain – with many suggesting that the measurement & management itself is insufficient.
- ✓ Respondents from all the companies and organizations reported challenges. Many also responded that they were "not sure."
- ✓ They face challenges when utilizing a proprietary evaluation system as well as implementing external tools which they modify to fit their needs.
- ✓ Currently, many projects are evaluated qualitatively, do not include comparison to other projects, or only include comparison between similar projects.
- ✓ For the future, many respondents highlighted the need of comparability among similar projects.

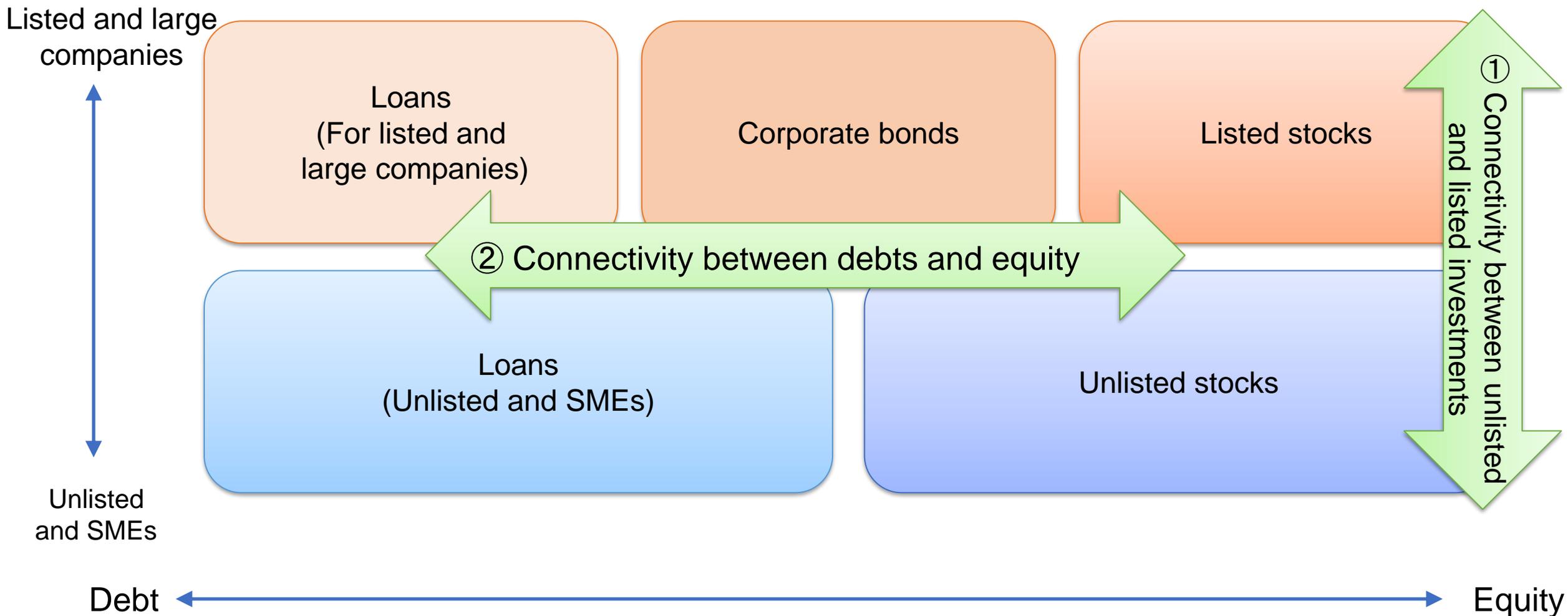
# Summary of Survey Results: main comments from roundtable members

- ① Many impact investment efforts adopt 2-axis approach (risk-return spectrum) while some adopt 3-axis approach (risk-return-impact spectrum with impact being preferences for sustainability, etc.) (See questions 3 and 4)
- ② Relationship with global trends: Many answered that adhering to the global standard is important (including external communication). Several members mentioned that consideration should be given to Japan's unique characteristics and projects.
- ③ Impact Measurement & Management: Many roundtable members stressed the importance of Measurement & Management. Some cited the need for clarity, cost reduction, standardization, and refinement, and called for the development of frameworks, tools, methods, and guidelines (See also questions 7 and 8).
- ④ Necessary measures: A wide variety of measures were mentioned such as increasing the number of projects and players, sharing of case studies, information disclosure, ensuring interdisciplinary connectivity, sharing a common understanding of fiduciary responsibility, etc.



# Summary of Survey Results: Positioning of each financial products and connectivity among them

- Opinions varied as to which financial instruments/customers (Individuals, institutional investors, and pension funds) would drive increase of impact investment.
- Several respondents pointed out the importance of ① connectivity between unlisted and listed investments, and ② connectivity between debts and equity.



# Summary of Survey Results: Discussion① Stance on impact investment efforts 2-axis and 3-axis approach (preferences for sustainability, etc.)

Stance investors may take		Interpretation of fiduciary responsibility	
		Claims of breach	Claims of conformity
2 axis (risk-return spectrum)	Pursuing impact would improve risk adjusted return and reduce credit risk.		The objective itself is to improve risk-return.
	Impact and risk-return are independent. Pursuing impact without harming risk-return.	Deemed breach as irrelevant matters are considered.	Deemed conformity as it would not sacrifice interests of the beneficiary.
3 axis (risk-return-impact spectrum)	Universal Ownership Theory. Protecting overall return of portfolio indirectly and over time by reducing negative externalities.	Cases in which ①irrelevant matters are considered, ② any concessions made in terms of direct risk-return are a violation.	Deemed conformity as it is a rational investment when the entire portfolio is considered.
	Sustainability preferences. Beneficiaries also have preferences for impacts. It allows high impact/low return as well as low risk/low return.	Cases that sacrifice financial return is a violation of fiduciary duty.	Beneficiaries' interests are not limited to financial gains. Fiduciary responsibility is to be true to the preferences of the beneficiary.

- Purpose and summary of the survey results and analysis
- **Survey Questions**
- Survey responses

**【Question 1: Current situation of impact investment】** We would like to ask you about the current efforts your company makes for impact investment. Which of the following best describes your company's situation? If your company provides services to agencies practicing impact investing, please select the client's effort (you may select all that apply in I).

- I. A certain degree of effort has already been made
  - A. Structuring and selling of impact investment instruments (including structuring of funds and loans)
  - B. Purchasing of and investing in impact investment instruments (including participation in structured funds and loans)
  - C. Understanding and improving the impact of the overall investment and loan portfolio
  - D. Creating positive impact through business (impact investment target)
  - E. Other
- II. No specific measures are being taken at present

**【Follow-up question: Please answer if you selected any of I-A through I-E in Question 1 including "A certain degree of effort has already been made."】** Specifically, which of the following has been implemented? (Multiple answers allowed)

- A. Financing such as Sustainability Linked Loans
- B. Bonds such as sustainability bonds and SDG-linked bonds
- C. Impact investment funds (PE, VCF)
- D. Impact investment funds (ETF)
- E. Social Impact Bonds (Pay for Success, performance-based contracts)
- F. Reconstruction of existing financial instruments based on the premise of impact
- G. Construction of index which takes impact into account or utilization of such index
- H. Other (Please explain: \_\_\_\_\_ )

【Question 2: Future directions】 We would like to hear your opinions regarding the future direction for your company's impact investment. Which of the following do you personally believe is a good or important future direction for your company, regardless of the company's policies? (Select all that apply)

I Although a certain degree of effort has already been made, they should be further expanded in the following directions.

- A Structuring and selling of impact investment instruments (including structuring of funds and loans)
- B Purchasing of and investing in impact investment instruments (including participation in structured funds and loans)
- C Understanding and improving the impact of the overall investment and loan portfolio
- D Creating positive impact through business (impact investments target)
- E Other

II A certain degree of effort has already been made, and although we may explore the current direction in depth, there is no need to expand the direction itself. Or we are not sure at the moment.

III No specific measures are currently being taken, but we should move toward the following directions in the future.

- A Structuring and selling of impact investment instruments (including structuring of funds and loans)
- B Purchasing of and investing in impact investment instruments (including participation in structured funds and loans)
- C Understanding and improving the impact of the overall investment and loan portfolio
- D Creating positive impact through business (impact investments target)
- E Other

IV No specific efforts are currently being taken, and I am not sure about the future.

【Follow-up question: Please answer If you chose an option other than IV in Question 2】 Specifically, which of the following are you implementing or considering implementing? (Select all that apply)

- A Financing such as Sustainability Linked Loans
- B Bonds such as sustainability bonds and SDG-linked bonds
- C Impact investment funds (PE, VCF)
- D Impact investment funds (ETF)
- E Social Impact Bonds (Pay for Success, performance-based contracts)
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- H Other (Please explain: )

**【Question 3 & 4: Your current stance on Impact Investment】**

<Question 3> If a certain degree of effort has already been made, what is your company's stance on impact investing? Please check  the one that best describes your company's approach from the table below.

<Question 4> Apart from your company's current stance, what kind of stance do you personally think the company should take in the future? Please check  one of the following. Whether or not your company has already made efforts, please provide your personal opinion. (Select all that apply)

Statements	Q3: Your company's current stance	Q4: The stance to be taken in the future
A We believe that we can improve risk-return or reduce credit risk by pursuing impact in appropriate areas, and we make impact investments to the extent such effects can be expected.		
B We would not go as far as to say that we improve risk-return by pursuing impact, but we believe it is at least possible to pursue impact without harming risk-return. We make impact investments by seeking opportunities that deliver higher impact with the same level of risk-return as conventional investments.	Please select B-1 or B-2 below	Please select B-1 or B-2 below
B-1 By doing so, we reduce negative externalities and increase positive externalities, thereby indirectly contributing to the overall benefit of the universal owner's portfolio over time.		
B-2 By doing so, we meet the capital suppliers' (end-investors') impact and sustainability preferences, therefore contribute to the effect (satisfaction) of the capital suppliers.		
C As long as it is an investment-loan, it should achieve a certain level of risk-return; however, we would accept the possibility of below market-rate return when compared to investments with no impact or those producing negative impact.	Please select C-1 or C-2 below	Please select C-1 or C-2 below
C-1 By doing so, we can reduce negative externalities and create positive externalities, thereby protecting the interests of the universal owner's overall portfolio (total optimization) from a long-term and comprehensive perspective.		
C-2 By doing so, we meet the capital suppliers' impact and sustainability preferences, and contribute to the effect (satisfaction) of the capital suppliers. If low risk-low return is acceptable according to investors' risk preferences, then high impact-low return may also be acceptable depending on investors' sustainability preferences.		

D None of the above applies.

**【Question 5: Fiduciary responsibility】** There are many possible interpretations of the relationship between fiduciary responsibility and impact investing. Which of the following statement do you think is the common interpretation today? Which interpretation do you think is appropriate? Please select . (Select all that apply)

Statements	Common Interpretation	Your opinion
<u>Failing to consider</u> the impact that leads to improved risk-return is a breach of fiduciary responsibility.		
Considering the impact that would lead to an improvement of risk-return is permissible in terms of fiduciary responsibility.		
When the investment has the same level of risk-return as typical investments, considering the impact of investment is a breach of fiduciary responsibility because it constitutes consideration of irrelevant matters.		
When the investment has the same level of risk-return as typical investments, pursuing impact is permissible in terms of fiduciary responsibility (as long as it does no harm to the risk-return).		
From the universal owner's perspective, the pursuit of impact for the entire portfolio including the reduction of negative externalities is permissible in terms of fiduciary responsibility.		
If the end-investor supplying the capital expresses preferences for sustainability, high-impact-low-return is permissible in terms of the fiduciary responsibility.		
I don't know.		

【Question 6: Stewardship Code】 Has your company signed the Stewardship Code? How do you think this would affect your effort to promote impact investments?

A We have not signed the Stewardship Code.

B We have signed the Stewardship Code but it is unrelated to the promotion of impact investments.

C We have signed the Stewardship Code and it is helping to promote impact investments.

(Reason: \_\_\_\_\_ )

D We have signed the Stewardship Code and it is hindering us from promoting impact investments.

(Reason: \_\_\_\_\_ )

D-1 I think the Stewardship Code needs to be revised. (Things to be revised: \_\_\_\_\_ )

D-2 I don't think it's necessary to revise the Stewardship Code.

E We have signed the Stewardship Code, but we are not sure of its effect.

**【Question 7: Impact Measurement & Management (1)】** If a certain degree of effort has already been made, what do you think of the Impact Measurement & Management implemented at your company?

A Impact Measurement & Management have been implemented. The quality and standards are adequate and there are no issues.

B Impact Measurement & Management have been implemented, but there are issues in its quality and standards.

(Please specify: \_\_\_\_\_)

C Impact Measurement & Management have not been sufficiently implemented (It remains nothing more than output evaluation, etc.).

D I am not sure.

**【Question 7-2: Impact Measurement & Management (2)】** What challenges do you face with the Impact Measurement & Management methodology?

A I don't see any challenges.

B We use our own measurement methods, and there is room for improvement.

C We use the external tools as reference and modify them to fit our needs, but there is room for improvement in the external tools themselves. (If you answered “C,” do you see the need for a new Japan-specific tool? YES 、NO )

D We use the external tools as reference and modify them to fit our needs, but there is room for improvement in how we modify them rather than the external tools themselves. (If you answered “D,” do you see the need for a new Japan-specific tool? YES 、NO )

E We use the external tools for measurement, but there is room for improvement in the external tools themselves.

F I am not sure.

**【Question 8: Impact Measurement & Management (3)】** If a certain degree of effort has already been made, what is the nature of Impact Measurement & Management at your company? How far do you think you should commit to your measurement? Please check the box that applies to you. (Select all that apply)

Statements	Current status at your company	Your personal opinion
We measure the presence or absence of impact qualitatively (without any quantification).		
We measure the presence or absence of impact quantitatively, but it cannot be compared to other impacts.		
A quantitative measurement that would allow for comparison of the impact size between similar projects.		
A quantitative measurement that would allow for comparison of the impact size between different types of projects.		
A measurement in which the value of the impact is assessed and converted into monetary amount relative to the amount invested.		
Other (Please specify _____ )		
I don't know.		

## 【Question 9: Expectations for Impact Investments】

We would like to ask you the last questions – Please share your honest opinions on the future of impact investment in Japan. We intend to understand the current distribution of participants' opinions, and hopefully use it as a reference for the future roundtables.

- What do you think about the future development of impact investment in Japan? (Outlook)
- What would you like to happen? (Expectation)
- If there is a gap between outlook and expectation, what do you think is important to achieve the expectation? (Measures)

To be more specific about our intent of the inquiry, the questions are as follows:

- Do you think the impact investment whose concept was imported from Europe and the US will continue to develop and grow successfully in Japan?
- Do you think it's necessary to create something rather unique to Japan?
- If so, what aspects do you think could be modified to be "Japanese"?
- Or is there a concern that arranging it to fit Japan will cause another Galápagos syndrome?
- Or do you think it is not necessary at all to develop at the same level as the European and US markets?

It would be greatly appreciated if you could describe your opinion with the following points in mind.

[1] Do you view ESG investment in terms of medium- to long-term returns and increased corporate value, or do you focus on the intention of creating impact and doing so in the true sense of three-axis spectrum?

[2] Traditionally, the movement of promoting finance-led social reform has been frail in Japan, and some major corporations feel uncomfortable about this finance-led approach.

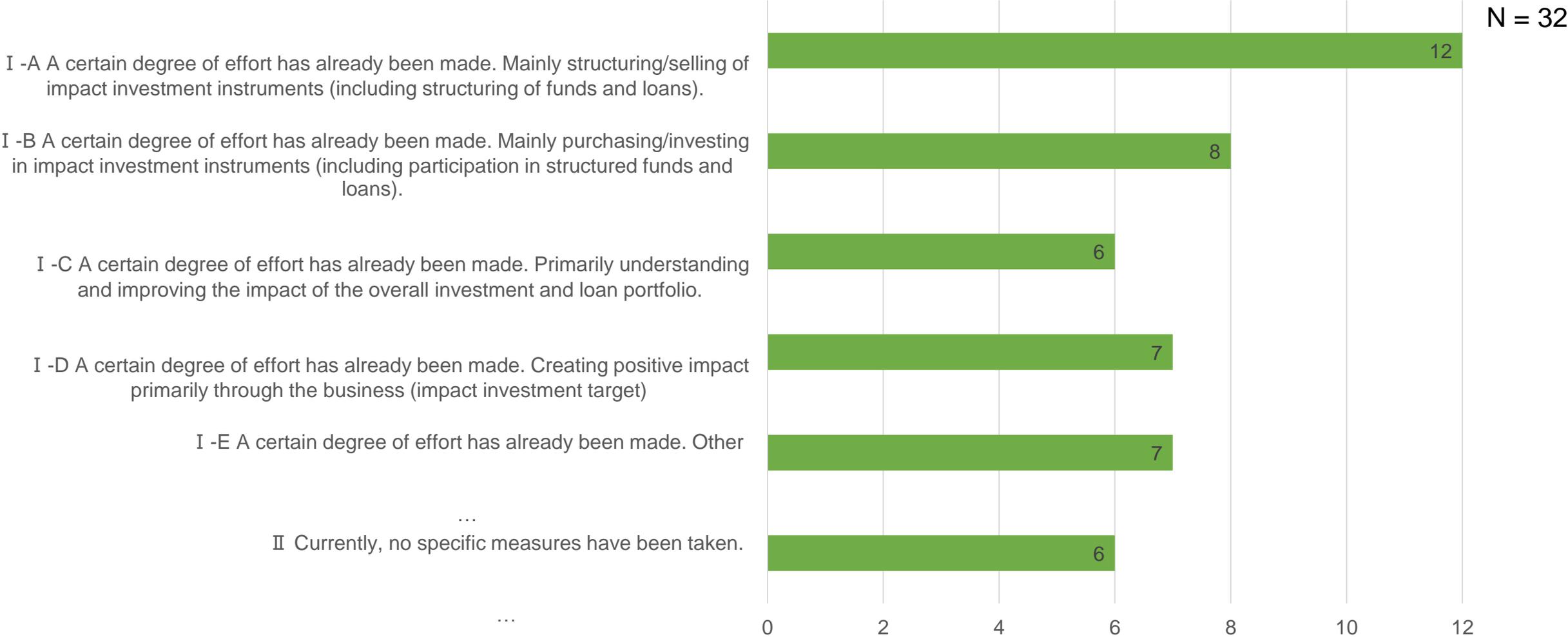
[3] In Japan, indirect finance (lending) takes up a relatively leading position in terms of volume, and the activities of PE funds and VCFs to promote innovation is not as vigorous as in the West. Therefore, the question is to what extent impact investment products, which are mainly focusing on direct investments as those in Europe and the US, can penetrate in Japan.

[4] What do you think is needed for "impact" and "Impact Measurement & Management" to propagate among investors (institutions and individuals) in Japan (e.g., elaboration, simplification, refinement, and quantification of "Impact Measurement & Management")?

- Purpose and summary of the survey results and analysis
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- **Survey responses**

<Question 1> Which of the following best describes the current status of your company? If your company provides services to agencies practicing Impact Investing, please select the client's efforts.

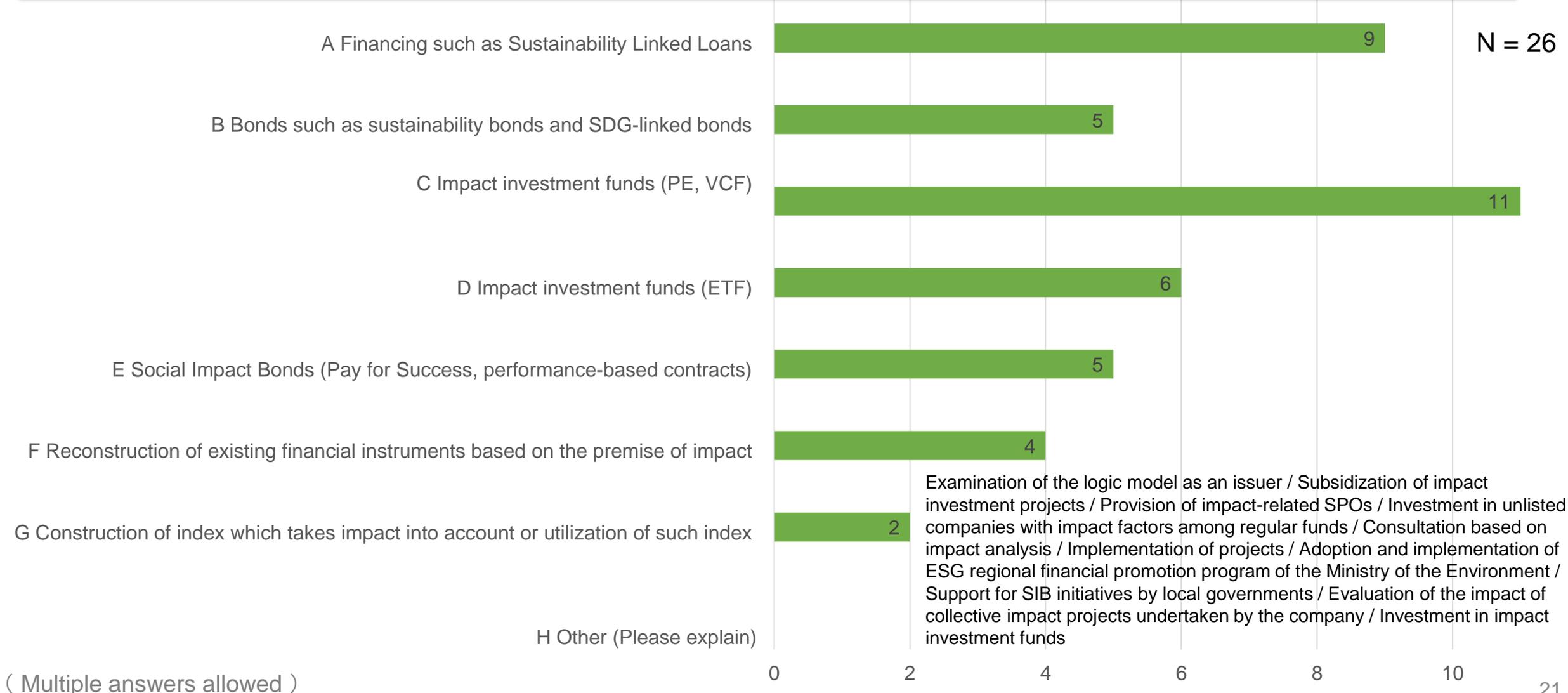
● Companies and organizations that have not implemented specific efforts are in the minority. The most common approach is "structuring and selling of financial instruments," but various other efforts are being implemented.



(Multiple answers allowed)

【Follow-up question: Please answer if you selected any of I-A through I-E in Question 1 including “A certain degree of effort has already been made.”】 Specifically, which of the following has been implemented? (Select all that apply)

● There have been a variety of efforts implemented, including private funds and loans.



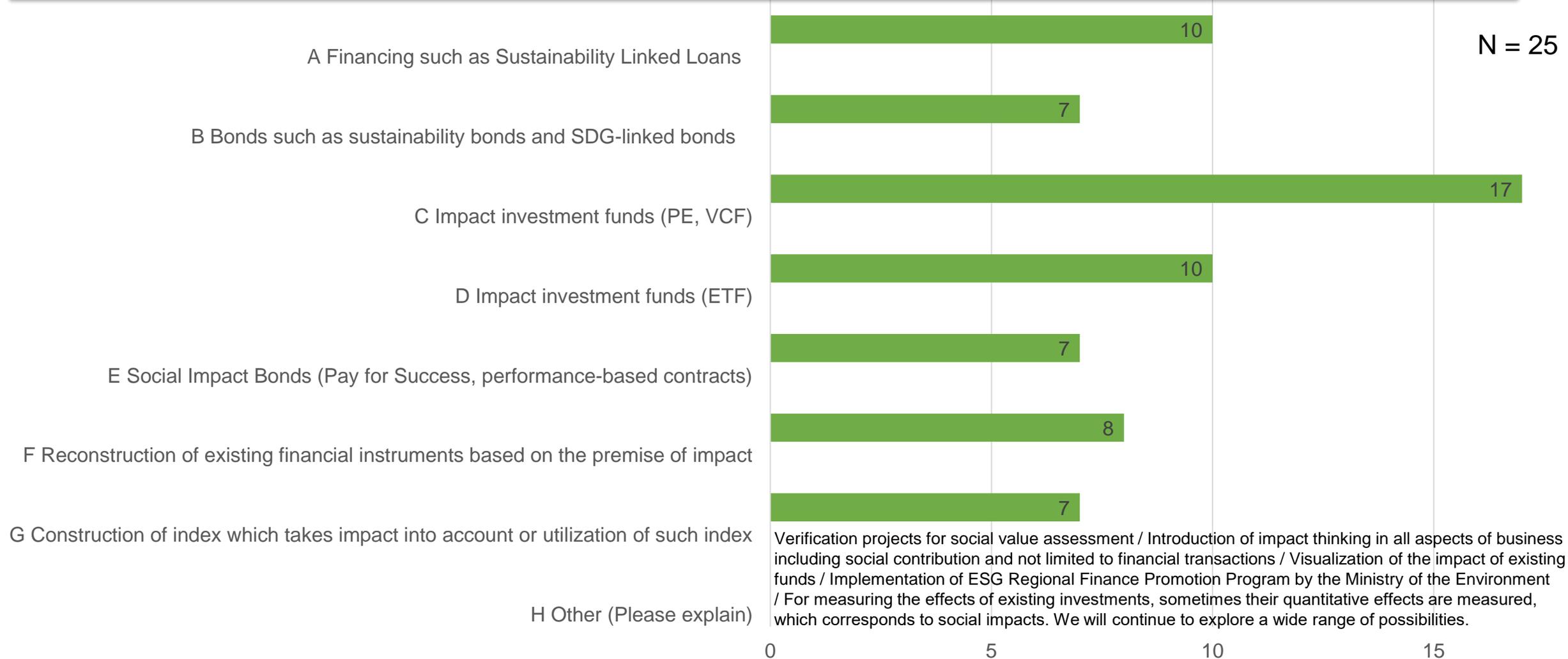
<Question 2> With respect to the future direction of your company's impact investments, which option would you personally consider desirable or important for your company?

● Understanding and improving impact, creating positive impact through business, and structuring and selling of products are considered important.



【Follow-up question: Please answer If you chose an option other than IV in Question 2】 Specifically, which of the following are you implementing or considering implementing? (Select all that apply)

● Many companies consider adopting private funds, loans, ETFs, etc.

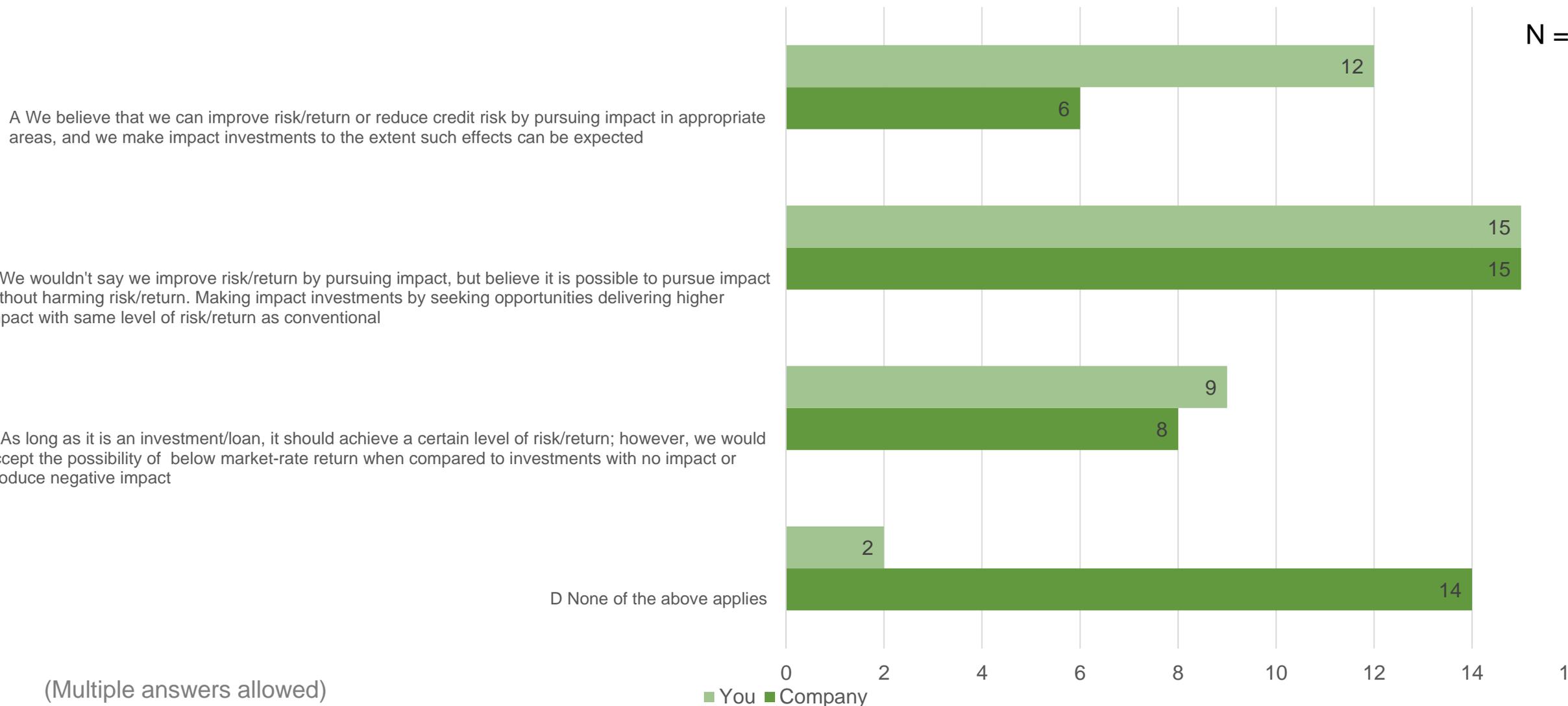


(Multiple answers allowed)

<Question 3> Which of the following best describes your company's stance on impact investing?  
 <Question 4> What kind of stance do you personally think the company should take in the future?

- Both companies as well as individuals were pursuing high impact with the same level as typical risk-return.
- Many individuals mentioned that the company should adopt a policy of "improving risk-return through the pursuit of impact" in the light of the current situation.

N = 26



(Multiple answers allowed)

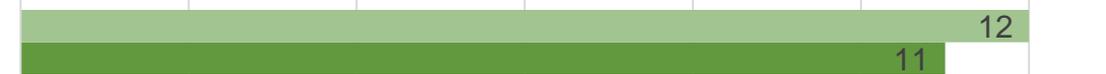
<Question 3> Which of the following best describes your company's stance on impact investing?  
 <Question 4> What kind of stance do you personally think the company should take in the future?

- Many companies do not have a clear stance or adopt a universal ownership theory
- As for individuals, universal ownership theory and 2-axis approach are competing in terms of direction

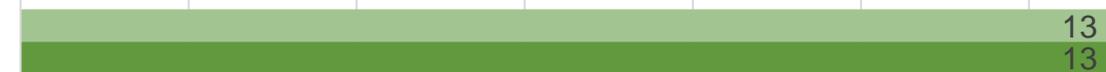
A We believe that we can improve risk/return or reduce credit risk by pursuing impacts in appropriate areas, and we make impact investments to the extent such effects can be expected



B We wouldn't say we improve risk/return by pursuing impact, but believe it is possible to pursue impact without harming risk/return. Making impact investments by seeking opportunities delivering higher impact with same level of risk/return as conventional



B-1 By doing so, we reduce negative externalities and increase positive externalities, thereby indirectly contributing to the overall benefit of the universal owner's portfolio over time



B-2 By doing so, we meet the capital suppliers' (end-investors') impact and sustainability preferences, therefore contribute to the effect (satisfaction) of the capital suppliers



C As long as it is an investment/loan, it should achieve a certain level of risk/return; however, we would accept the possibility of below market-rate return when compared to investments with no impact or those producing negative impact



C-1 By doing so, we can reduce negative externalities and create positive externalities, thereby protecting the interests of the universal owner's overall portfolio (total optimization) from a long-term and comprehensive perspective



C-2 By doing so, we meet the capital suppliers' impact and sustainability preferences, and contribute to the effect (satisfaction) of the capital suppliers. If low risk/low return is acceptable according to investors' risk preferences, then high impact/low



D None of the above applies



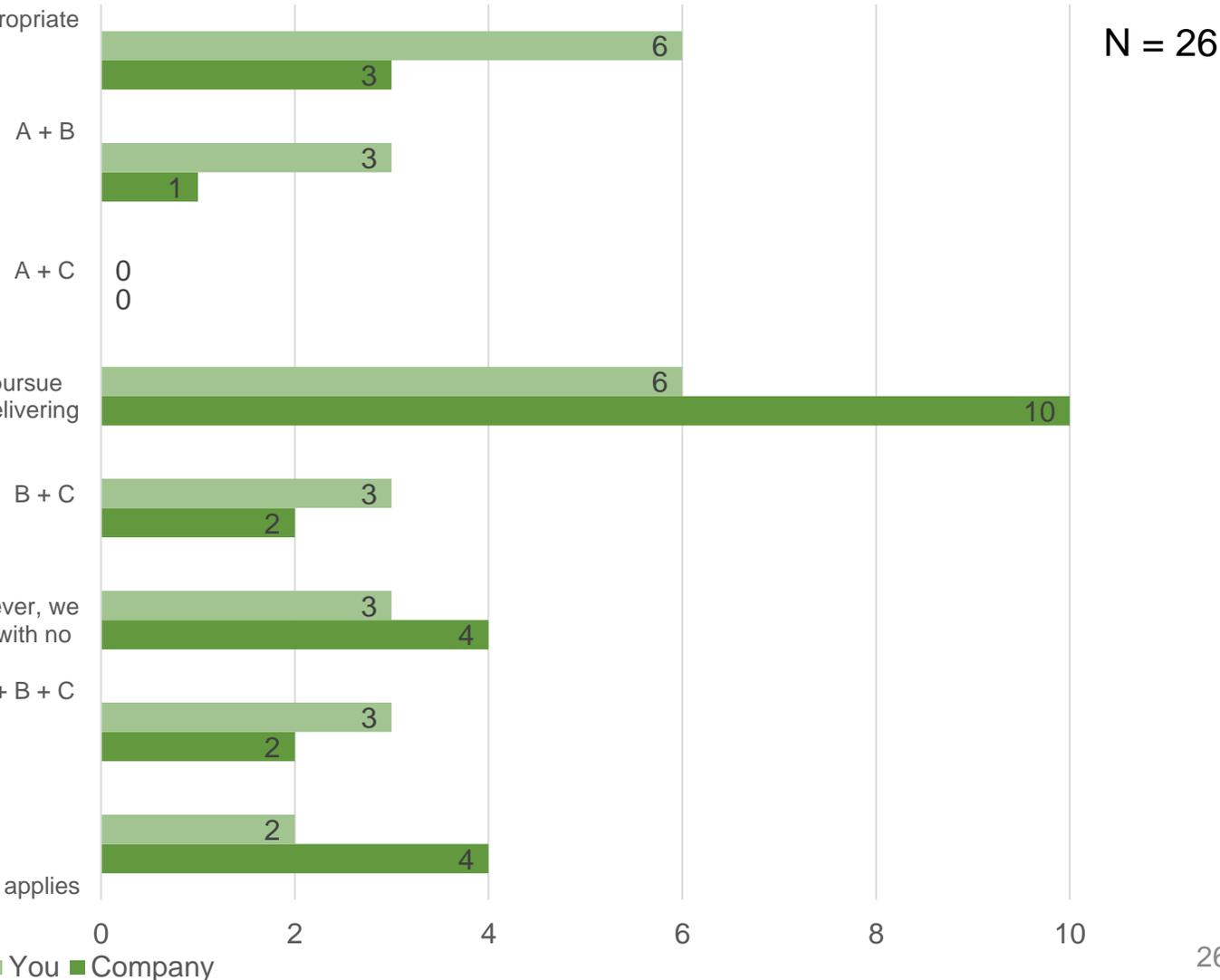
(Multiple answers allowed)

■ You ■ Company

<Question 3> Which of the following best describes your company's stance on impact investing?  
 <Question 4> What kind of stance do you personally think the company should take in the future?

● There are a certain number of people who have not narrowed down to a single approach, both in terms of the company's stance and personal direction

A We believe that we can improve risk/return or reduce credit risk by pursuing impacts in appropriate areas, and we make impact investments to the extent such effects can be expected



(Multiple answers were analyzed)

<Question 5> 【Fiduciary responsibility】 Which of the following statement do you think is the common interpretation of the relationship between fiduciary responsibility and impact investing today? Which interpretation do you think is appropriate?

● The most common view was that considering impact for improving returns is acceptable. This is followed by that sustainability preferences, in the case of equivalent returns, and the universal owner's position may allow for impact considerations.

N = 30

Failing to consider the impact that leads to improved risk/return is a breach of fiduciary responsibility



Considering the impact that would lead to an improvement of risk/return is permissible in terms of the fiduciary responsibility



When the investment has the same level of risk/return as typical investments, considering the impact of investment is a breach of fiduciary responsibility because it constitutes consideration of irrelevant matters



When the investment has the same level of risk/return as typical investments, pursuing impact is permissible in terms of fiduciary responsibility (as long as it does no harm to the risk/return)



From the universal owner's perspective, the pursuit of impact for the entire portfolio including the reduction of negative externalities is permissible in terms of the fiduciary responsibility.



If the end-investor supplying the capital expresses preferences for sustainability, high-impact/low-return is permissible in terms of the fiduciary responsibility



I don't know



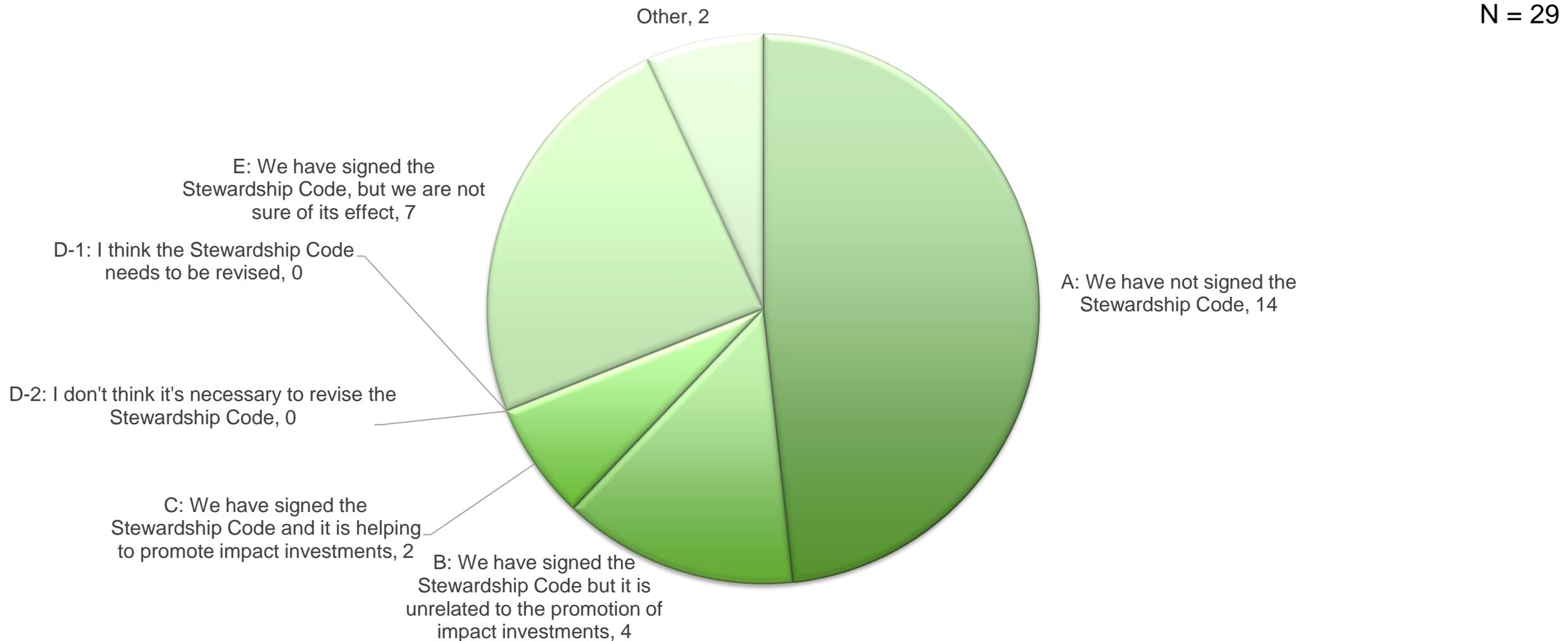
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Common You

(Multiple answers allowed)

# 【Question 6: Stewardship Code】 Have your company signed the Stewardship Code? How do you think this would affect your effort to promote impact investments?

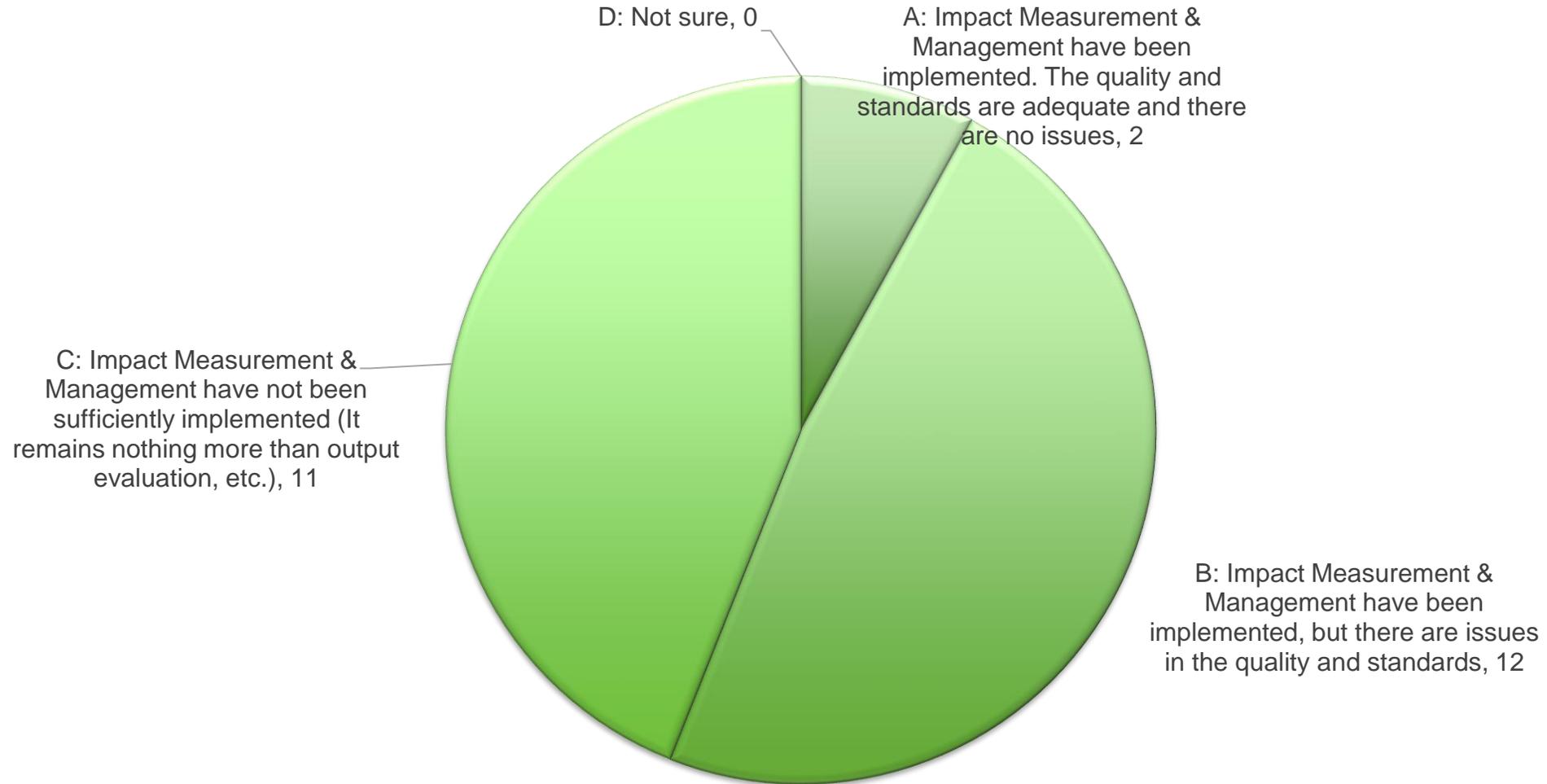
- Roughly half of them have not signed the SC, and among those that have signed, its effect on impact investing is often unknown.



【Question 7-1: Impact Measurement & Management (1)】 If a certain degree of effort has already been made, what do you think of the Impact Measurement & Management implemented at your company?

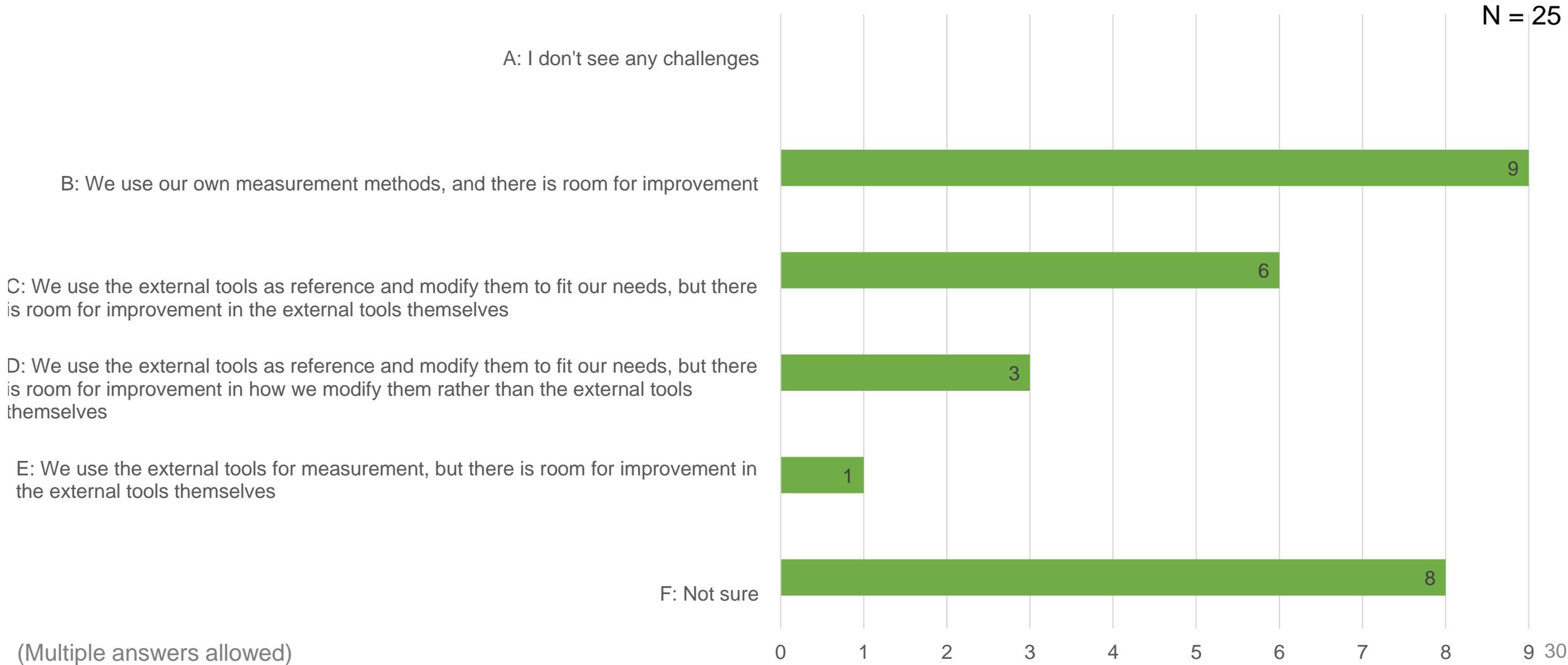
- Impact Measurement & Management has its challenges even when it is implemented, and many say that measurement itself is insufficient.

N = 25



# 【Question 7-2: Impact Measurement & Management (2)】 What challenges do you face with the Impact Measurement & Management methodology?

- There are no companies or organizations that see no challenges with impact measurement & management. Many also responded they are “not sure.”
- They see challenges when utilizing their own measurement as well as the external tools which they modify to fit their needs.

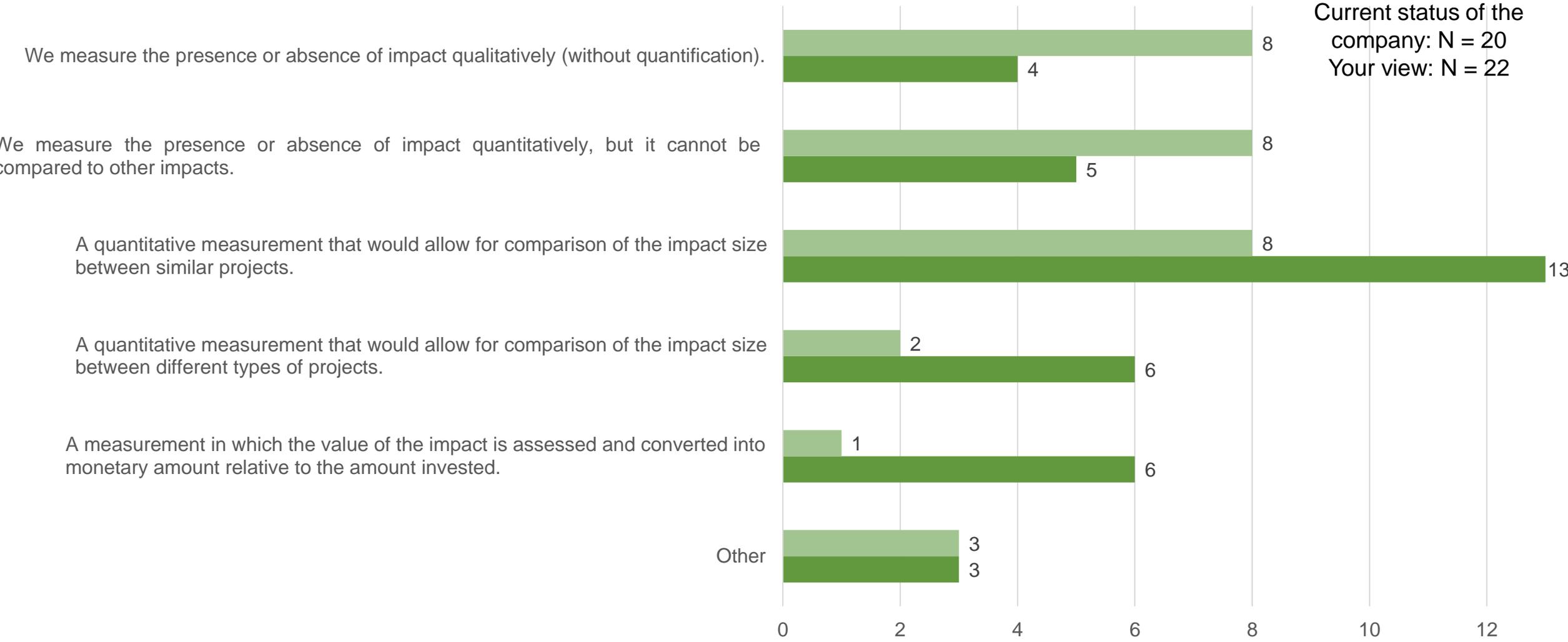


【Follow-up question B: If you selected “Impact Measurement & Management have been implemented, but there are issues in the quality and standards,” please describe the specific challenges you are facing.】

- The absence of a definition of impact, methodology of measurement, and the best practice guides when practicing measurement.
- Lack of macro KPIs and corporate KPIs.
- Difficulty in measuring long-term qualitative outcomes. Insufficient data to benchmark.
- International consensus on sectoral impacts has not been established. I believe we have achieved a reasonable level of impact analysis, but there is still room for improvement.
- I feel that we have not sufficiently met the demands of investors. The underlying issue is that there is no established policy on what should be communicated and considered as impact measurement. However, we don't consider it as negative, and instead we intend to further develop the measurement in cooperation with investors.
- It is still unclear what impact means and what we are trying to achieve.
- Although we believe we are doing our best within the existing framework, it is difficult to self-evaluate as "sufficient" because there is still no right answer in regard to impact measurement itself. For project evaluation, we see some challenges that need to be addressed such as coordinating the linkage between problem structure and logic models as well as exploring the way of impact measurement to move towards impact IPO. For organizational evaluation, there also exists challenges to be addressed such as the pros and cons as well as the effect of implementing organizational evaluation itself into unlisted companies.

【Question 8: Impact Measurement & Management (3)】 If a certain degree of effort has already been made, what is the nature of Impact Measurement & Management at your company? How far do you think you should commit to your measurement?

- Currently, many projects are evaluated qualitatively, do not include comparison to other projects, or only include comparison between similar projects.
- For the future, many respondents highlighted the need of comparability among similar projects.



(Multiple answers allowed)

■ Current status of your company ■ Your view

- Please contact [info@siif.or.jp](mailto:info@siif.or.jp) if you have any question or responses to this presentation.