

IMPACT INVESTMENT REPORT 2019

# Proposal for the Expansion of Impact Investing 2019

**Executive Summary**

**April 2020** (Revised Version : February 2021)



# About this Report

This report is a summary of the “Proposal for the Expansion of Impact Investing 2019” published by the GSG National Advisory Board (details on the reverse side) in April 2020.

“Proposal for the Expansion of Impact Investing 2019” is a report on the “present” and “future” of impact investing in Japan.

The report is a sequel (as 2019 edition) to the Proposal for the Expansion of Impact Investing 2015, published by the GSG National Advisory Board in 2015.

The report describes domestic and global changes in impact investing over the past five years. It also summarizes the following points:

- key initiatives for the development of impact investing in Japan
- actions required of each entity

The full text of the proposal is available on the GSG National Advisory Board website. Please visit our website. Separately, the GSG National Advisory Board also publishes a variety of reports, including the estimations of the domestic impact investing market and proposals on social IPOs. Please refer to them as necessary.

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# I. Overview of Impact Investing

Impact investing is defined as **investment behaviors which attempt to solve social and environmental issues while seeking economic returns.**

Traditionally, value judgement of an investment has been conducted based on two axis: “risk” and “return”. Impact investing, which incorporates the third axis of “impact”, intends to balance both social and economic returns by understanding social and environmental changes and effects that occur as a result of projects or activities.

Impact investing is characterized by that it aims to solve

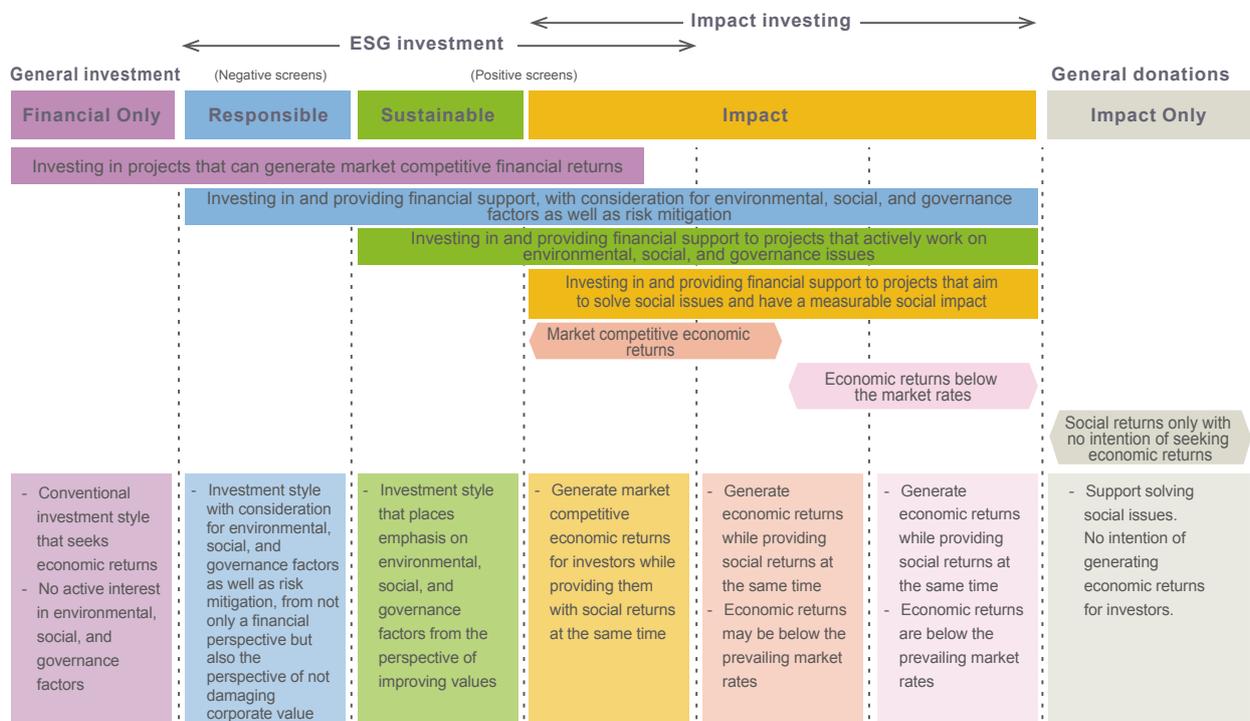
social issues, and that investments are made while conducting so-called “social impact measurement”, that is by understanding social impact generated through projects and activities and adding a value judgement.

In some cases, economic returns may be above, equal to, or below the prevailing market rates. However, it distinguishes itself from activities such as donations, grants, subsidies, and venture philanthropy that do not aim for economic returns in the sense that it intends to balance both social and economic values (Figure 1 and Figure 2).

**Figure 1 | Definition of terms**

Term	Definition
Impact	Inclusive of both short-term and long-term, social and environmental changes or effects as a result of specific projects or activities.
Social impact measurement	To understand social impact through quantitative and qualitative approaches and make a value judgment of specific projects or activities.
Impact investing	Investment behaviors which attempt to solve social and environmental issues while seeking economic returns. All forms of financial transactions that seek financial returns including equity and bond investment, loans, lease are considered investments. Donations, subsidies and grants are excluded.

**Figure 2 | Overview of impact investing**



(Sources) Created by the author based on the G8 Social Impact Investment Task Force (2014) “Allocating for Impact”

# II. Expansion of Impact Investing

## 1. Global

The global impact investing market size is estimated to have reached USD 502 billion in 2019. The impact investing market has grown tremendously over the past few years with the number of related financial products being on the rise (Figure 3).

Expectations in the international community are also growing. Accelerating the inflow of private funds is imperative to achieve the SDGs. This indicates that it is essential to shift from conventional investments that only pursue economic rationality to investments that are in consonance with respects for the global environment and human rights. In that sense, impact investing can play a significant role.

Over the past few years, international organizations including the IFC and UNDP have also actively worked on impact investing. Within the G20 countries, as well, signs of change have appeared, including

acceleration of discussions toward the promotion of innovative financing mechanism.

In the G20 Osaka Summit held in June 2019, reference was made in the Prime Minister's speech to Japan's initiatives in the promotion of impact investing.

Global issues including climate change, closing gender gaps, and financial inclusion have driven growth in the ESG investment sectors. For institutional investors, consideration for the social aspects of finance is becoming a matter of course. The environment for the growth of impact investing is being developed, and the market is expected to grow even further.



### 1. Expanding impact investing market

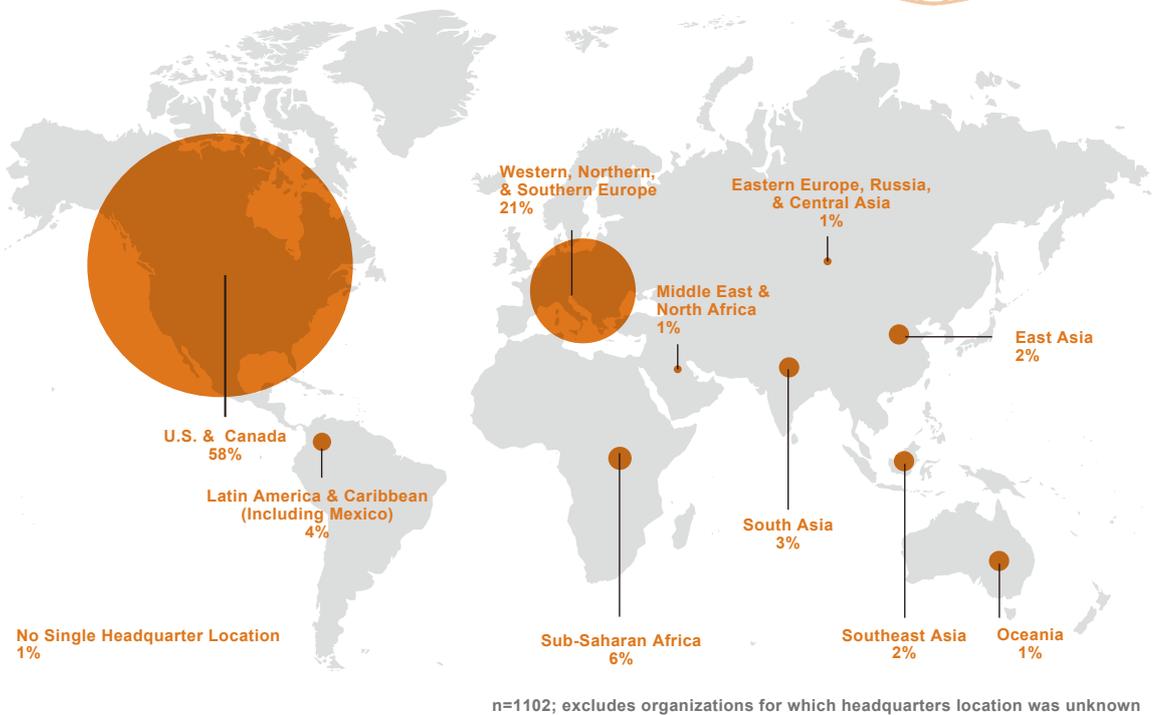


Figure 3 | Organizations that work on impact investing (headquarters location)

<sup>1</sup> G20 Osaka Summit, the leaders' declaration [https://www.g20.org/jp/documents/final\\_g20\\_osaka\\_](https://www.g20.org/jp/documents/final_g20_osaka_)

<sup>2</sup> Prime Minister's Office website [https://www.kantei.go.jp/jp/98\\_abe/statement/2019/06](https://www.kantei.go.jp/jp/98_abe/statement/2019/06)

## 2. Background and factors of growth

There are several backgrounds and factors that contribute to the growth of impact investing. Here, the following five main points are discussed.

### 1 Need to address climate change

- As climate change becomes a reality from threat, it has been widely recognized that the acceleration of climate change will destabilize companies' business environment, which will damage investment returns.
- Investors have increasingly engaged not only with companies but also governments and international organizations. Such investors' behavior is driving a shift in the way finance works at an unprecedented speed.
- Attempts to properly reflect risks to the market to eliminate factors which destabilize finance, including increased disclosure of climate-related financial information, are also spreading.

### 2 New trends in gender investment

- Gender-lens Investing, which actively promotes improving women's financial access, poverty reduction, and empowerment, is gaining global attention.
- Movements to use impact investing to support women's entrepreneurship, financial inclusion, and their economic and social empowerment, including JAPAN ASEAN Women Empowerment Fund and Investing in Women (Australia) are spreading.

### 3 Connecting to the SDGs and the development of the framework in the international community

- It is said that achieving the SDGs will require USD 5 to 7 trillion in investment each year, thus accelerating the inflow of private funds is essential.
- The International Finance Corporation (IFC) released the Operating Principles for Impact Management on social impact investing. The OECD set out to promote impact investing, and the SDGs Impact was launched at the UN General Assembly in 2018.
- In the private sector, financial products including green bonds, water bonds, vaccine bonds, and microfinance bonds are also expanding.

### 4 Maturation of Social Impact Measurement

- Knowledge on social impact measurement has matured and developed over the past decade, with the accumulation of knowledge including principles, indexes, and cases.
- International initiatives are developing, with the birth of The Impact Management Project (IMP) in 2018 in which nine organizations including the UNDP, IFC, OECD, PRI, and GSG participate.

### 5 Growth in the overall ESG investment sector

- The market size of ESG investment has grown to USD 30.7 trillion: a 34% increase over the past 2 years.
- With the spread of ESG investment, interest in the social aspect of finance has increased, backed by the global agreement and demand for achieving the SDGs.

## 3. Movement of the international community

### G20 Osaka Summit

- In the G20 Osaka Summit held in June 2019, reference was made in the leaders' declaration to "innovative financing mechanism."<sup>1</sup>
- In addition, Prime Minister Shinzo Abe declared in his speech in the session 3 of the Summit that "Japan will lead the international discussion on impact investing and utilizing dormant bank accounts."<sup>2</sup>

#### Figure 4 | Reference to innovative financing mechanism in the leaders' declaration at the G20 Osaka Summit

##### G20 Osaka Summit Leaders' Declaration

Realizing an inclusive and sustainable world  
Development

We recognize that international public and private finance for development as well as other innovative financing mechanisms, including blended finance, can play an important role in upscaling our collective efforts.

(Source) G20 2019 OSAKA website

#### Figure 5 | G20 Osaka Summit Speech of the Prime Minister Shinzo Abe in Session 3

##### Session 3 "Addressing Inequalities, Inclusive and Sustainable World" (held on June 29, 2019)

"Science, Technology, and Innovation (STI) are crucial for realizing SDGs. Japan will widely share the basic concept for the development of the STI for SDGs Roadmap, newly agreed upon at the G20. In addition, Japan will lead the international discussion by examining ways to employ diversified and innovative financing schemes including social impact investing and utilizing dormant bank accounts for financing necessary to address global issues."

(Source) Prime Minister's Office website

## 2. Japan

### 1. Expansion of impact investing market

The impact investing market is also growing in Japan. The investment balance of impact investing in Japan is estimated to be JPY 317 billion in 2019 (Figure 6).

This increase is largely due to an increase in the number of organizations that newly work on impact investing. Specifically, entities including investment management companies, insurance companies, and financial institutions have entered into the impact investing market. On the other hand, there are also cases in which organizations that had already entered the market and have steadily increased their funding amount and performance by accumulating impact investing of several hundred million yen.

Figure 6 | (Estimated) impact investing balance in Japan <sup>3</sup>

	2016	2017	2018	2019
Total cumulative investment balance	JPY 33.7 billion	JPY 71.8 billion	JPY 344 billion	JPY 317 billion
Number of organizations who responded to the questionnaire	21	24	20	16

(Source) GSG National Advisory Board (2019)

### 2. Diversified cases

With the expansion of impact investing market, cases are diversifying. For example, social impact bond (SIB), which had only 2 pilot projects at the time of issuance of the last proposal, had 12 projects launched as of 2019 that were known, with about 20 projects under consideration.

New entry into the impact investing market by private investors is

also increasing, with major financial institutions entering as investors (Figure 7).

As a result of the entry by various entities such as institutional investors, investment management companies, and venture capital firms, the impact investing market is becoming more diverse (Figure 8).

Figure 7 | Launch of SIB



<sup>3</sup>For figures in 2014, re-examined figures are used. For more information, see G8 National Advisory Board (2016), p.37. No survey data available for 2015.

**Figure 8 | Examples of impact investing in Japan launched since 2015**

Year	Month	Executing entity	Description
2017	January	Shinsei Corporate Investment Limited	- Established the Child-care Support Fund (Japan Impact Investment I Limited Partnership) - Fund size: JPY 500 million
	October	The Dai-ichi Life Insurance Company, Limited	- Invested JPY 400 million in Gojo and Company, Inc. - Since then, invested about JPY 2.5 billion in a total of 8 companies
	November	The Sasakawa Peace Foundation	- Announced the establishment of The Asia Women Impact Fund
2018	June	Crowd Credit Inc.	- The Social Impact Investment Declaration. Structured and sold multiple investment products.
	July	Plus Social Investment	- Launched a social investment platform, en.try
	October	Nomura Asset Management Co., Ltd.	- Nomura ACI Advance Medical Impact Fund
2019	June	Shinsei Corporate Investment Limited Japan Social Innovation and Investment Foundation Mizuho Bank, Ltd.	- Established Japan Impact Investment II Limited Partnership

(Sources) Created by the author based on published materials

### 3. Developing an environment that supports the growth of impact investing market

The following changes should be noted for the development of the impact investing market. Proactive actions by the public and private sectors as well as catching up with the international trends are essential for the impact investing market to further grow and mature.

#### 1 Proactive initiatives by the Japanese government

- Efforts to take the initiative in the international community are underway, based on the leaders' declaration and Prime Minister's speech (see p.4 for details) at the G20 Osaka Summit.
- In the "Expanded SDGs Action Plan 2019", the government declared that it would lead the public opinion of the international community in closing financial gap to achieve SDGs.
- In response to this, proactive efforts are being made including the establishment of "Round Table Discussion of Advisory Panel to Discuss New Ways of Financing to Meet the SDGs" in the Ministry of Foreign Affairs of Japan.
- Regarding the SIB, further expansion was declared and proposed in the "Basic Policy on Economic and Fiscal Management and Reform 2018", "Future Investment Strategy 2018", and "Basic Policy for Town, People, and Business Creation 2019", and other policies.

#### 2 Accelerating growth in ESG investment

- The Government Pension Investment Fund (GPIF), the world's largest institutional investor, has accelerated efforts for ESG investment, with signing the UN Principles of Responsible Investment (PRI) in 2015.
- These efforts by the GPIF are driving changes in the behavior of domestic institutional investors.

#### 3 Changes in domestic organizations

- There are many signs of change including the launch of a platform for green bonds and social bonds at domestic stock exchange, establishment of the SDGs promotion roundtable, and initiation of discussions on the composition and sales of impact investing-related products at the Japan Securities Dealers Association.

#### 4 Development of Social Impact Measurement

- Social Impact Measurement Initiative was launched in June 2016. It continues to evolve by consolidating domestic and international knowledge.
- Examples of social impact measurement have also become broader and deeper with the expansion of practices of impact investing.

#### 5 Development of efforts to utilize dormant bank accounts

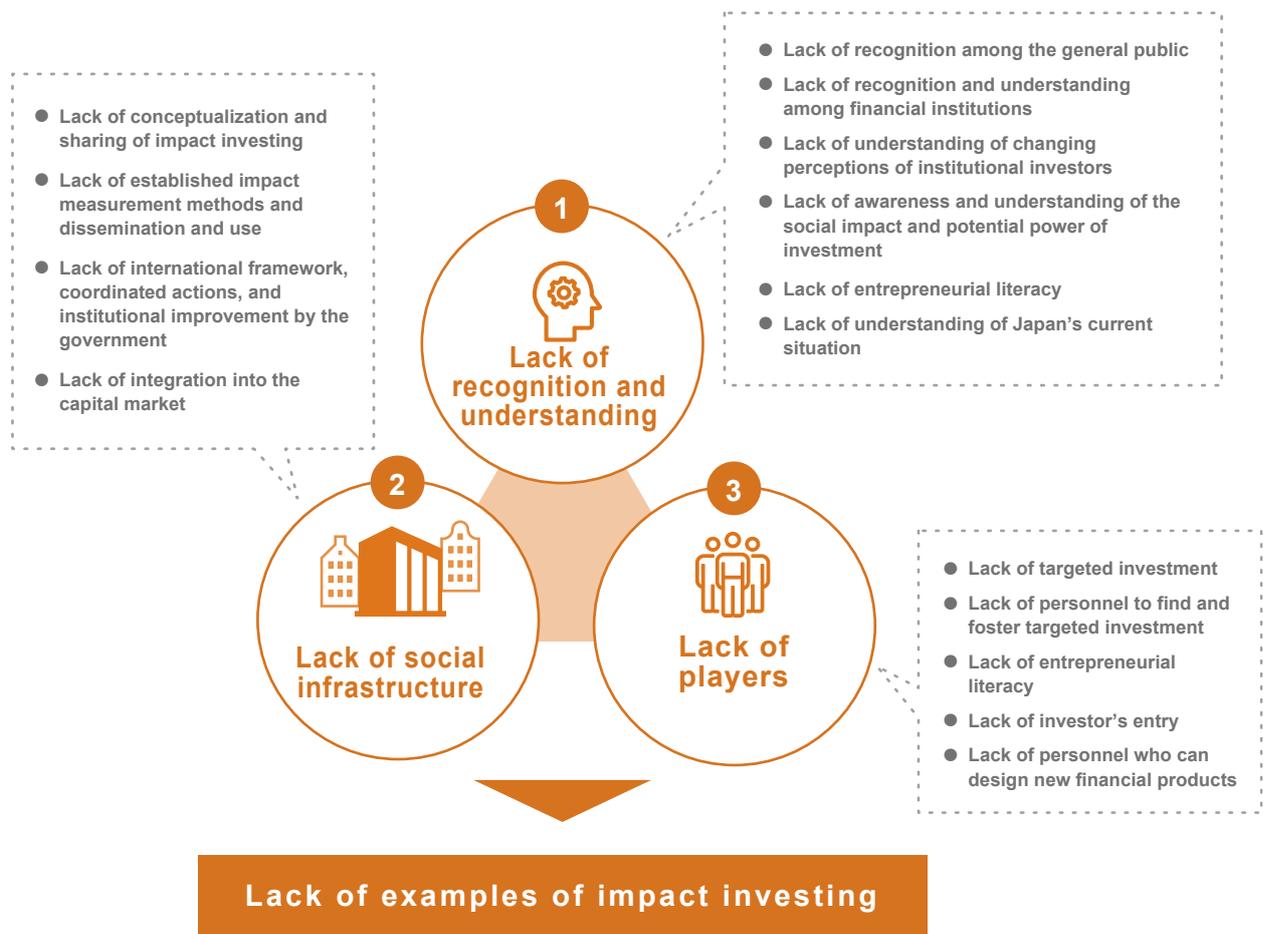
- Efforts on dormant bank accounts have made significant progress over the past few years.
- The initiative is now moving into the implementation phase, following the enactment of the Act on Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector in December 2016, and the establishment of the Council for Utilization of Dormant Deposits in spring 2017.

# III. Future of Impact Investing

## 1. Three shortfalls around impact investing

The following three shortfalls must be resolved to further develop impact investing (Figure 9).

Figure 9 | Three shortfalls around impact investing

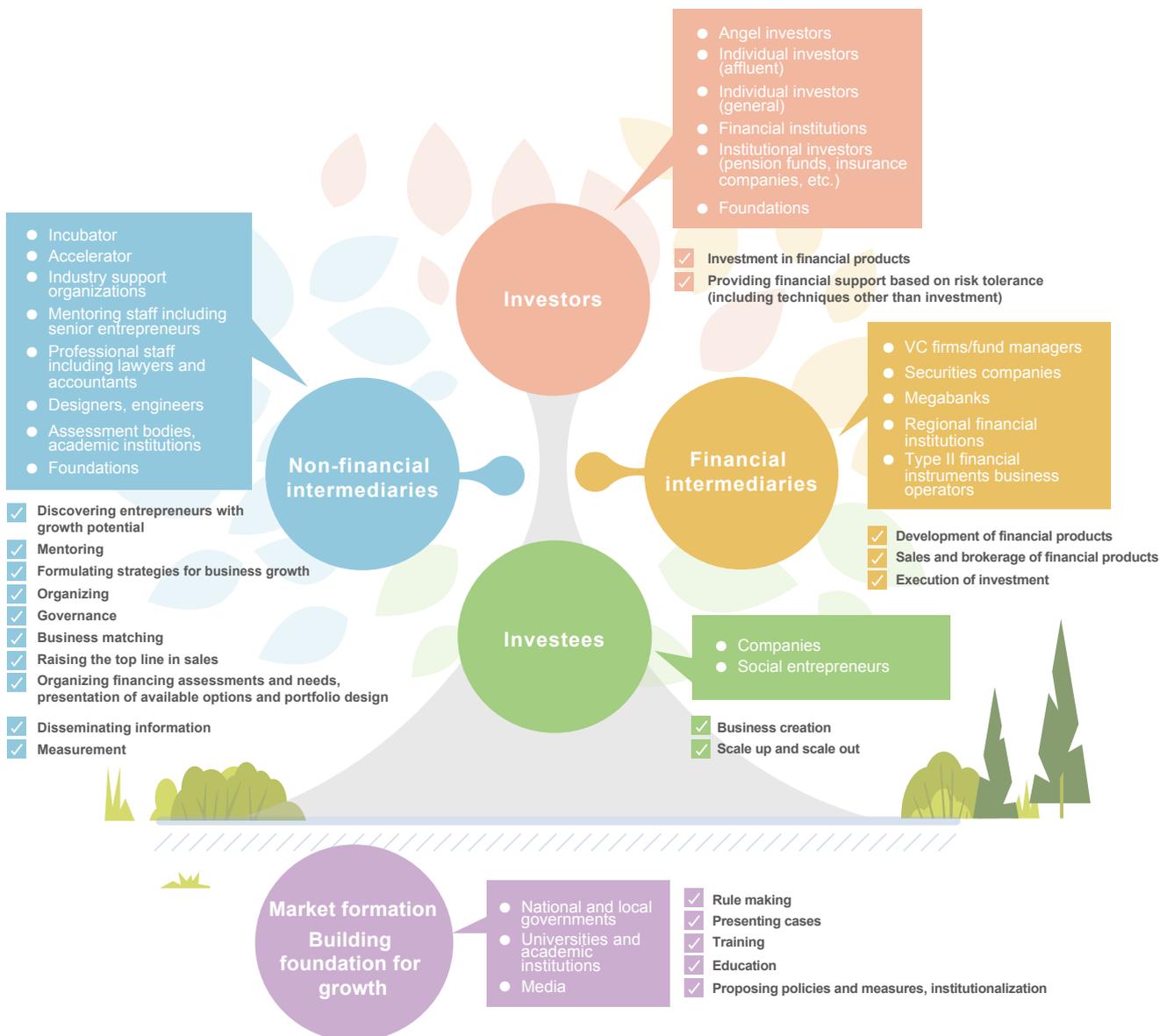


## 2. Required ecosystem for impact investing

In order to change three “shortfalls” to “enhancement” and increase the number of examples, it is essential to enhance and develop the ecosystem for impact investing.

The figure below visualizes players in the impact investing ecosystem and image of their expected roles. The enhancement of each of these players both quantitatively and qualitatively is essential for the development of impact investing.

**Figure 10 | Ecosystem and players of impact investing, and image of their expected roles**



# IV • Proposal for the Expansion of Impact Investing

## 1. Three shortfalls around impact investing

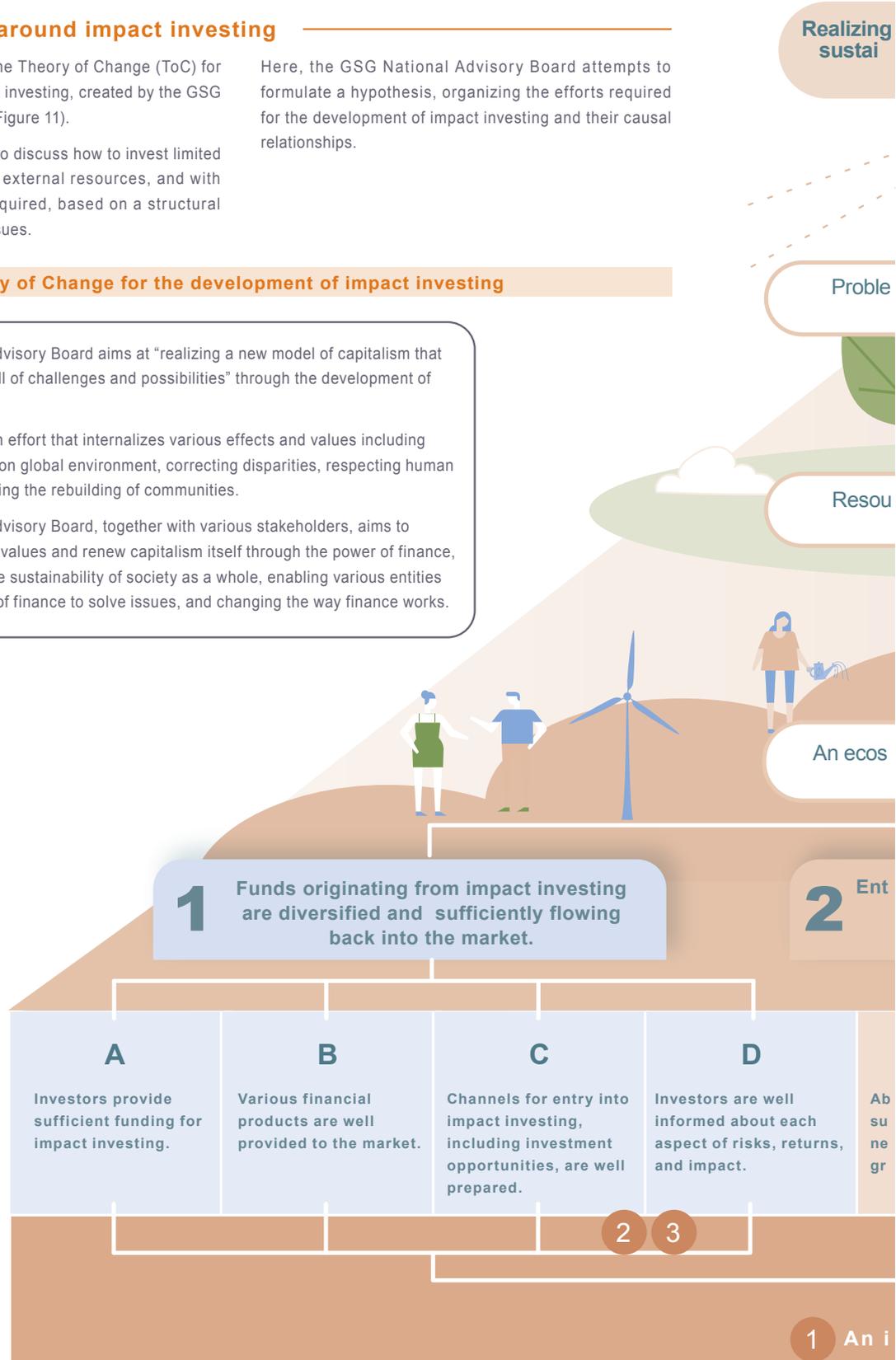
The figure below shows the Theory of Change (ToC) for the development of impact investing, created by the GSG National Advisory Board (Figure 11).

ToC is a framework used to discuss how to invest limited resources, how to utilize external resources, and with whom collaboration is required, based on a structural understanding of social issues.

Here, the GSG National Advisory Board attempts to formulate a hypothesis, organizing the efforts required for the development of impact investing and their causal relationships.

**Figure 11 | Theory of Change for the development of impact investing**

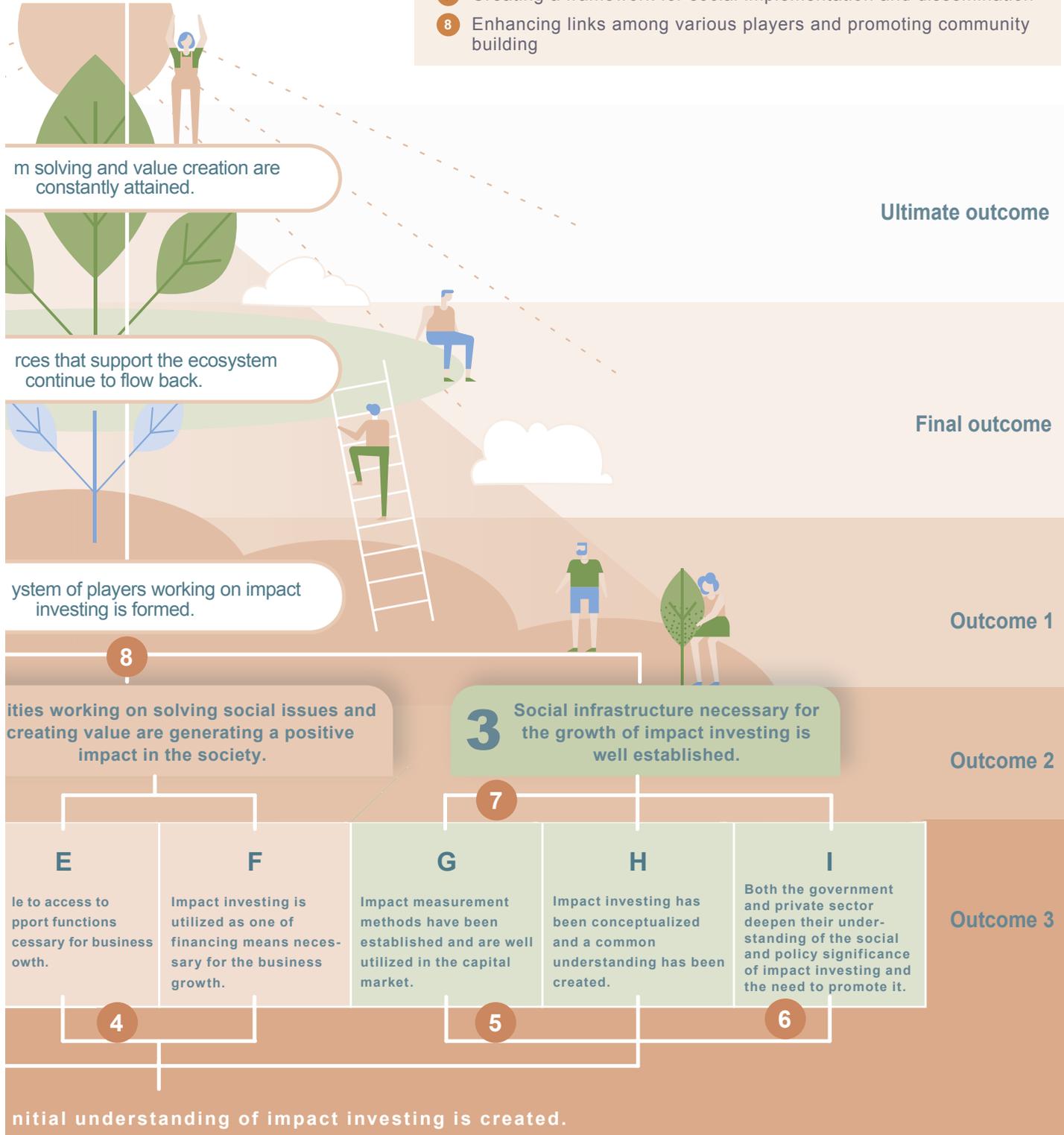
- The GSG National Advisory Board aims at “realizing a new model of capitalism that is sustainable and full of challenges and possibilities” through the development of impact investing.
- Impact investing is an effort that internalizes various effects and values including reducing the burden on global environment, correcting disparities, respecting human rights, and encouraging the rebuilding of communities.
- The GSG National Advisory Board, together with various stakeholders, aims to achieve those social values and renew capitalism itself through the power of finance, thereby improving the sustainability of society as a whole, enabling various entities to realize the power of finance to solve issues, and changing the way finance works.



**Efforts necessary to establish an ecosystem for impact investing**

- 1 Improving investment literacy
- 2 Expanding financial products and financing channels
- 3 Enhancing the provision of information to investors and promoting changes in investors' behavior
- 4 Creating opportunities for entities to grow and enhancing organizations and institutions that support them
- 5 Establishing and spreading methods of social impact measurement
- 6 Enhancing conceptualization of impact investing and maintaining its quality
- 7 Creating a framework for social implementation and dissemination
- 8 Enhancing links among various players and promoting community building

**a new model of capitalism that is viable and full of challenges and possibilities**



## 2. Eight efforts necessary to realize an ecosystem for impact investing

The GSG National Advisory Board proposes the following eight actions as efforts necessary to realize an ecosystem for impact investing and ultimately create “a society where problems are always solved and value is constantly created.”

(These eight actions are correspondent to the numbers in “Figure 11: Theory of Change for the development of impact investing.”)

Eight efforts	Summary	Specific action
<b>1</b> Improving investment literacy	<ul style="list-style-type: none"> <li>- Encourage all players, including investors, intermediaries, entities, governments, and the general public, to expand their knowledge and understanding of not only impact investing but also the social significance and value of investment itself, thereby enabling them to recognize that the efforts are related to their social and economic activities.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhancing the dissemination of information on social value of investment</li> <li>● Enhancing investor education (youth, adult, and elderly)</li> <li>● Sharing domestic and international good practices</li> <li>● Providing information to individual financial institutions or industry institutions and entities are members, and working to reflect impact in</li> </ul>
<b>2</b> Expanding financial products and financing channels	<ul style="list-style-type: none"> <li>- Increase the number of financial products that can attract investment funds to businesses that create social value.</li> <li>- Enhance the financing channels by actively proposing mechanisms and presenting precedent examples that enable a combination of impact investing with other means of financing.</li> </ul>	<ul style="list-style-type: none"> <li>● Creating opportunities to share knowledge for the composition of financial</li> <li>● Increasing cooperation with and outreach to all entities including various companies, and business companies</li> <li>● Creating a mechanism of financing to areas that are difficult to be addressed including the establishment of outcome funds, impact funds, and w</li> <li>● Creating a mechanism for participation by individual investors through ut investment trusts</li> <li>● Creating a mechanism for the circulation of funds and resources through</li> <li>● Creating opportunities to provide information and education for the manag diary organizations</li> </ul>
<b>3</b> Enhancing the provision of information to investors and promoting changes in investors' behavior	<ul style="list-style-type: none"> <li>- Enhance the provision of information on financial products that fall under impact investing to institutional and individual investors by financial institutions, inducing appropriate investment behaviors.</li> <li>- Create an environment that encourages investors to change their attitudes and behaviors through investment in financial products that fall under impact investing.</li> </ul>	<ul style="list-style-type: none"> <li>● Sharing case information and precedent examples on impact investing</li> <li>● Promoting collaboration with private think tanks and academic institutio implementation/publication of research and study, regarding the long impact investing</li> <li>● Providing investors with opportunities to cultivate awareness of impact inv ence</li> <li>● Creating opportunities for investors to participate in solving social issu level)</li> <li>● Creating institutional incentives to increase the number of investors, inclu</li> <li>● Working on a review of the foundations' asset management</li> <li>● Expanding social impact investing in ESG investors' investment portfolios</li> <li>● Publicly honoring and developing good practices that drive behavioral ch</li> </ul>
<b>4</b> Creating opportunities for entities to grow and enhancing organizations and institutions that support them	<ul style="list-style-type: none"> <li>- From the perspective of broadening the range of targeted investment and finding better projects, enhance support and intermediary organizations that broadly find and foster entities engaged in solving issues and creating values. In addition, create a mechanism for that.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhancing platforms that connect entities and supporters</li> <li>● Creating a measurement system for support personnel and organizations,</li> <li>● Sharing good practices from both financial and non-financial perspective</li> <li>→ That these efforts will lead to the qualitative and quantitative enhanceme sectors</li> </ul>
<b>5</b> Establishing and spreading methods of social impact measurement	<ul style="list-style-type: none"> <li>- Increase the number of entities that understand the social and economic value generated through their businesses and utilize the results as part of their management cycle.</li> <li>- Encourage constructive dialogue between investors and investees including companies, and increase the number of support organizations and personnel to support the management cycle.</li> </ul>	<ul style="list-style-type: none"> <li>● Providing practical examples of social impact measurement and sharing</li> <li>● Establishing measurement methods and developing human resources to</li> <li>● Sharing performance data</li> <li>● Organizing open data and platform for sharing knowledge</li> </ul>
<b>6</b> Enhancing conceptualization of impact investing and maintaining its quality	<ul style="list-style-type: none"> <li>- The significance and value of impact investing are understood, and from the perspective of preparing an institutional and ideological foundation, conceptualize impact investing from the academic, policy, and practical aspects and develop a social infrastructure necessary for the growth of impact investing.</li> <li>- Create mechanisms for maintaining and improving the quality of impact investing or preventing impact washing.</li> </ul>	<ul style="list-style-type: none"> <li>● Developing personnel responsible for the practical and policy aspects of i</li> <li>● Promoting diversified research at academic institutions, business schools, fields)</li> <li>● Developing an information sharing platform that contributes to maintaining</li> <li>● Creating opportunities for communicating with policy makers (administrat</li> </ul>
<b>7</b> Creating a framework for social implementation and dissemination	<ul style="list-style-type: none"> <li>- Work on the enhancement of international frameworks, collaborative actions, and government policy support to promote impact investing, toward the expansion of impact investing practices.</li> <li>- Also, develop the foundation for society as a whole for impact investing to be integrated into the capital market.</li> </ul>	<ul style="list-style-type: none"> <li>● Encouraging Japanese financial institutions and private companies to ment, and actively taking action against and appealing to financial insti focused on impact investing</li> <li>● Providing information to individual financial institutions, industry groups, them to actively position the social value of investment in their policies an</li> <li>● Encouraging the creation of frameworks and the design of systems and report on, from the perspective of social impact, how they realize their so</li> <li>● Encouraging industry groups and affiliated organizations to provide train impact investing and the social value of investment and improve their liter</li> <li>● Promoting behavioral changes in financial institutions through a combina</li> <li>● Encouraging the creation of incentives for investors, including impact systems and other programs</li> <li>● Toward building the evidence essential for social impact measurement, academic researches, large-scale demonstration projects, and the uti databases for the smooth utilization of data</li> </ul>
<b>8</b> Enhancing links among various players and promoting community building	<ul style="list-style-type: none"> <li>- Enhance opportunities for each of investors, intermediary support organization, entities, governments, and the general public to share the process and outcomes of their efforts to promote impact investing and deepen mutual understanding.</li> </ul>	<ul style="list-style-type: none"> <li>● Sharing knowledge and networking across Japan The GSG National Ad as a whole</li> <li>● Sharing knowledge and networking at the regional level. Organizations t financial institutions, community foundations, philanthropic sector includi region, etc. cooperate and deepen their cooperation in their respective re</li> <li>● Sharing knowledge and networking internationally Actively participating global level</li> </ul>

S	Milestones towards 2025
<p>ent with the media involvement</p> <p>groups and affiliated organizations to which financial vesting in their policies and guidelines, etc.</p>	<ul style="list-style-type: none"> <li>✓ 16% of the adult population is aware of the term "impact investing."</li> <li>✓ More than half of the adult population recognizes that "investment" will help solve social issues, or can become one of means to support solutions to social issues.</li> <li>✓ Half of adult population thinks it is important to understand investment outcome from a social as well as economic perspective.</li> <li>✓ Half of management and persons in charge of product development in financial institutions and other organizations understand the definition of impact investing.</li> <li>✓ The promotion of impact investing is clearly stated in the policies, guidelines, charters of action, etc. formulated by industry groups to which financial institutions and other organizations are members, government agencies including the Financial Services Agency, and institutional investors such as GPIF.</li> </ul>
<p>products that aim for social impact foundations, institutional investors, investment management</p> <p>ssed with existing finance through the promotion of fund of wholesale style funds</p> <p>ilization of methods including stocks related to a theme and</p> <p>new means including local and alternative currencies</p> <p>ement and staff of financial institutions and financial interme-</p>	<ul style="list-style-type: none"> <li>✓ Financial institutions that offer impact investing products have accounted for 16% of the total, creating diversity in the choice of impact investing products.</li> <li>✓ Institutions that actively compose projects similar to impact investing have emerged in the sales area and are actively introduced in the media as a good practice.</li> <li>✓ One or more outcome funds/impact funds have been established through collaboration between the public and private sectors, and actual funding for social projects has advanced.</li> <li>✓ Wholesale style funds function and VC firms and financial institutions that execute impact investing have emerged.</li> <li>✓ Social impact generated by the abovementioned fund of funds and its impact generating processes are disclosed to society, creating opportunities to learn from experience.</li> </ul>
<p>ns to conduct research and data preparation/analysis, and -term correlation between impact and financial returns in</p> <p>esting, including educational events, seminars and confer-</p> <p>es and creating values (creating contact points at the local</p> <p>ding tax incentives for individual investors</p> <p>anges in the industry</p>	<ul style="list-style-type: none"> <li>✓ Impact investing has accounted for 1% of the total investment balance of individual investors.</li> <li>✓ Impact investing has accounted for 1% of the total asset management balance of the financial institutions, VC firms, foundations, and companies.</li> </ul>
<p>and visualizing and sharing of the outcomes of support</p> <p>s</p> <p>nt of support personnel in both business and philanthropic</p>	<p><b>Business side</b></p> <ul style="list-style-type: none"> <li>✓ Among entities that have experienced financing through investments and loans, more than 1% of them have utilized impact investing.</li> <li>✓ Newly listed social ventures and startups have emerged, expanding their businesses with support from investors.</li> <li>✓ Support through investment expands for entities conducting businesses that encourage systemic changes.</li> </ul> <p><b>Supporter side</b></p> <ul style="list-style-type: none"> <li>✓ More than 16% of support organizations that have provided financial and non-financial support to entities have tracked their business progress after the support from the perspective of impact.</li> <li>✓ Case conferences among supporters are activated, information is shared both online and offline and visualized, and a cycle that attracts more participants and interested parties are created.</li> </ul>
<p>the implementation process</p> <p>be responsible for the measurement</p>	<ul style="list-style-type: none"> <li>✓ About 1,000 specific examples of social impact measurement are open to the public on the online platform and available for use and reference as an open resource.</li> <li>✓ Specialized courses and training programs on social impact measurement have been established in collaboration with institutions including universities.</li> <li>✓ About 100 human resources who have received practical training on social impact measurement and can work on actual measurement from a professional perspective are produced.</li> <li>✓ About 1,000 human resources gain basic knowledge of social impact measurement, with increasing opportunities for attending introductory seminars and receiving training.</li> </ul>
<p>mpact investing</p> <p>and other organizations (progress of research in multiple</p> <p>and improving the quality of impact investing</p> <p>ion, legislation, etc.)</p>	<ul style="list-style-type: none"> <li>✓ Items related to impact investing are included in the courses offered at institutions including business schools, featuring core institutions and researchers conducting academic research related to impact investing in multiple fields such as management, finance, and social policy.</li> <li>✓ Presentations by Japanese researchers at international conferences have been accumulated, driving the promotion of impact investing in Asia.</li> </ul>
<p>ratify various frameworks and principles in the ESG invest-</p> <p>tions, private sector, and government to increase efforts</p> <p>and affiliated organizations, and other entities to encourage</p> <p>d guidelines, etc., and making intellectual contributions</p> <p>mechanism for financial institutions and other entities to</p> <p>cial value through finance</p> <p>ing, etc. so that staff at financial institutions can learn about</p> <p>acy</p> <p>tion of regulatory approaches and incentive formation</p> <p>investing tax cuts Also, discussing necessary certification</p> <p>encouraging the development of legal systems that enable</p> <p>lization of big data, and the development and operation of</p>	<ul style="list-style-type: none"> <li>✓ Matters regarding the social value and significance of investment, including impact investing are included in the basic training and various certification tests conducted by financial institutions and industry groups.</li> <li>✓ Regional financial institutions and cooperative financial institutions actively communicate their social impact when disclosing and providing information, enabling cross-sectional reference of practical examples of each region and each institution.</li> <li>✓ Impact investing tax cuts and certification systems have been realized, and are utilized by individual and institutional investors</li> <li>✓ A database necessary for practicing social impact measurement has been established through collaboration between the public and private sectors, and is utilized by investment funds, financial institutions, and academic research institutions.</li> </ul>
<p>visory Board also plays an active role as a hub for Japan</p> <p>hat promote impact investing with a local focus, regional</p> <p>ng locally based corporate foundations, entities in each</p> <p>gions</p> <p>in and making intellectual contributions to networks at the</p>	<ul style="list-style-type: none"> <li>✓ Places where players of impact investing mutually collaborate have been created at all levels in Japan, at the local, and at the global levels.</li> <li>✓ Develop a culture where diversified players including governments, financial institutions, philanthropists, and foundations make financial, technical, and intellectual contributions in such places to support community building.</li> </ul>

## 5 Impact investing in 2025

Figure 12 describes what impact investing should be in 2025 by working on eight efforts mentioned on the previous page, by stakeholder category. The GSG National Advisory Board will continue to play an active role as a hub for Japan to achieve the following items and contribute to the improvement of practice and knowledge at home and abroad.

**Figure 12 | What impact investing should be in 2025 (by stakeholder category)**

<ul style="list-style-type: none"> <li>■ 16% of the adult population is aware of the term “impact investing.”</li> <li>■ More than half of the adult population recognize that “investment” will help solve social issues, or can become one of means to support solutions to</li> <li>■ Half of adult population think it is important to understand investment outcome from a social as well as economic perspective.</li> <li>■ Financial education including the above perspectives is practiced in each field of compulsory education, higher education, and adult education.</li> <li>■ The promotion of impact investing is clearly stated in the policies, guidelines, charters of action, etc. formulated by industry groups to which financi</li> <li>■ Good impact investing practices that can engage many investors and be replicated across the region have emerged.</li> <li>■ Place where players of impact investing mutually collaborate have been created at all levels in Japan, at the local, and at the global levels.</li> <li>■ Develop a culture where diversified players including governments, financial institutions, philanthropists, and foundations make financial, technical,</li> </ul>		
Investors	Individual investors	<ul style="list-style-type: none"> <li>■ In the scene of asset management, the method of “impact investing” exists as a natural option.                             <ul style="list-style-type: none"> <li>- With the improvement of financial literacy of individual investors, more than half of adults understand that investing in sound and high-quality financial products and utilizing household assets will lead to a better society.</li> <li>- Financial education including the above perspectives is practiced in each field of compulsory education, higher education, and adult education.</li> <li>- Impact investing has accounted for 1% of the investment balance of individual investors.</li> </ul> </li> </ul>
	Institutional investors	<ul style="list-style-type: none"> <li>■ For institutional investors, impact investing has been of equal interest to current ESG investment, and more investors use their own assets.                             <ul style="list-style-type: none"> <li>- Impact investing has accounted for 1% of the total asset management balance.</li> <li>- Institutional investors enter the market as Investors to outcome funds, impact funds, and wholesale style funds. Or, more institutional investors venture into impact investing themselves by utilizing the abovementioned funds.</li> </ul> </li> </ul>
	Philanthropic-type organizations including foundations	<ul style="list-style-type: none"> <li>■ Philanthropic-type organizations, foundations, and other entities execute impact investing as one of their roles or play a role as players in Blended Finance.                             <ul style="list-style-type: none"> <li>- Impact investing has accounted for 1% of the total asset management balance.</li> <li>- Philanthropic-type organizations that actively work on finding and fostering targeted investments emerge.</li> </ul> </li> </ul>
Financial intermediaries	Megabanks, regional bank VCs, securities companies Type II financial instruments business operators	<ul style="list-style-type: none"> <li>■ Impact investing efforts (product development, project composition, and provision of information to customers) are made as a matter of course, and always taken up for discussion as an option of financial intermediation to targeted investments and loans.                             <ul style="list-style-type: none"> <li>- Half of management and persons in charge of product development in financial institutions understand the definition of social investment.</li> <li>- 16% of all financial institutions include impact investing in the financial products they sell over the counter.</li> <li>- Institutions that actively compose projects similar to impact investing have emerged in the sales area and are actively introduced in the media as a good practice.</li> <li>- Increased number of entities work on the formulation and sales of new financial products, creating diversity in impact investing projects and products. This provides investors with more options.</li> <li>- Impact investing has accounted for 1% of the total asset management balance.</li> </ul> </li> </ul>
Non-financial intermediaries	Non-financial, business support and assessment institutions	<ul style="list-style-type: none"> <li>■ Organizations that provide services including business support can play a role as a partner in creating value together with entities and advise them on diversified financing options. They can also explain the outcomes they have produced.                             <ul style="list-style-type: none"> <li>- More than 16% of support organizations that have provided support to entities have tracked their business progress after the support from the perspective of social impact.</li> <li>- Case conferences among supporters are activated, information is shared both online and offline and visualized, and a cycle that attracts more participants and interested parties are created.</li> </ul> </li> <li>■ Through conducting social impact measurement, the number of assessment institutions that support the visualization and verbalization of the value created by entities has increased and the outcomes have been shared.                             <ul style="list-style-type: none"> <li>- About 1,000 specific examples of social impact measurement are open to the public on the online platform and available for use and reference as an open resource.</li> <li>- Sufficient opportunities including practical training have been provided, and assessment personnel have been produced.</li> <li>- A database necessary for practicing social impact measurement has been established through collaboration between the public and private sectors, and is utilized by investment funds, financial institutions, and academic research institutions.</li> </ul> </li> </ul>

social issues.

al institutions and other entities are members, government agencies including the Financial Services Agency, and institutional investors such as GPIF.

and intellectual contributions in such places to support community building.

Investees	<p><b>Social issue solving businesses (impact-oriented businesses)</b></p>	<ul style="list-style-type: none"> <li>■ Financing based on the growth stage has become possible, and impact investing is taken up for discussions as an option.               <ul style="list-style-type: none"> <li>- Among entities that have experienced financing through investments and loans, more than 1% of them have utilized impact investing.</li> <li>- Newly listed social ventures and startups have emerged, expanding their businesses with support from investors.</li> <li>- Support through investment expands for entities conducting businesses that encourage systemic changes.</li> </ul> </li> </ul>
	<p><b>Companies working to solve social issues</b></p>	<ul style="list-style-type: none"> <li>■ Impact investing has been recognized as one of means to practice CSR or achieve the SDGs, or practical examples of investment have been produced.</li> <li>■ From the perspective of expanding and advancing own business, an active social shift in business itself occurs.               <ul style="list-style-type: none"> <li>- The perspective of social impact is included in the integrated reports or CSR reports issued by companies, and dialogue with investors is promoted from a medium- and long-term value perspective.</li> </ul> </li> </ul>
Market formation and foundation building	<p><b>National and local governments</b></p>	<ul style="list-style-type: none"> <li>■ The government has deepened its understanding of the need to promote the social and policy significance of impact investing.               <ul style="list-style-type: none"> <li>- Active utilization of impact investing and specific measures to promote impact investing are included as one of means to realize the government's major policies.</li> <li>- The promotion of impact investing is clearly stated in the policies and guidelines formulated by the government agencies including the Financial Services Agency.</li> <li>- Impact investing tax cuts and certification systems have been realized, and are utilized by individual and institutional investors.</li> </ul> </li> </ul>
	<p><b>Universities and academic institutions</b></p>	<ul style="list-style-type: none"> <li>■ Research on impact investing has been conducted at several universities and academic institutions, and information is shared with foreign countries and Japanese practices are provided.               <ul style="list-style-type: none"> <li>- Core institutions and researchers that work on academic research related to impact investing emerge in multiple fields such as management, finance, and social policy.</li> <li>- Items related to impact investing are included in the courses offered at institutions including business schools.</li> <li>- Specialized courses and training programs on social impact measurement have been established in collaboration with institutions including universities.</li> <li>- About 100 human resources who have received practical training on social impact measurement and can work on actual measurement from a professional perspective are produced.</li> <li>- About 1,000 human resources gain basic knowledge of social impact measurement, with increasing opportunities for attending introductory seminars and receiving training.</li> <li>- Presentations by Japanese researchers at international conferences have been accumulated, driving the promotion of impact investing in Asia.</li> </ul> </li> </ul>
	<p><b>Media</b></p>	<ul style="list-style-type: none"> <li>■ Public awareness of impact investing has improved with the dissemination of practical examples and good practices on impact investing.               <ul style="list-style-type: none"> <li>- 16% of the adult population is aware of the term "impact investing."</li> </ul> </li> </ul>

## About the GSG

The G8 Social Impact Investment Taskforce was established based on the call by the then Prime Minister of the UK David Cameron at the G8 Summit (“Summit”) in June 2013.

It was renamed Global Social Impact Investment Steering Group (GSG) in August 2015. Since its establishment, the GSG has consistently aimed at globally promoting impact investing. The chairman, Sir Ronald Cohen of the UK, is a pioneer of venture capital in the UK and the founder of Apax Partners, one of Europe’s largest investment funds, as well as the head of the European NASDAQ. He is also the founder of the British dormant account fund called Big Society Capital. As of April 1, 2020, the GSG has 32 nations plus the EU as members.

## About the GSG National Advisory Board

The GSG requires its member countries to form a national advisory board (NAB), and the NABs have been established in all member countries.

In Japan, the G8 Social Impact Investment Taskforce National Advisory Board was established in July 2014. Later, it was renamed the GSG Japan National Advisory Board, in conjunction with the name change at the global level.

The GSG National Advisory Board is comprised of experts of various sectors including finance, business, social, and academic institutions. It also serves as a hub for sharing knowledge and experience, with practitioners and researchers engaged in impact investing being widely connected.

### Members of the GSG National Advisory Board

Hiroshi Komiyama (Chairman)	Chairman of the Institute, Mitsubishi Research Institute, Inc.
Masataka Uo (Vice Chairman)	President, Japan Fundraising Association
Shuichi Ohno	President, The Sasakawa Peace Foundation, and Chair of Executive Committee, Japan Social Innovation and Investment Foundation
Hiroshi Irie	Managing Executive Officer, Sumitomo Mitsui Banking Corporation
Ken Shibusawa	Founder and Chairman, Commons Asset Management, Inc.
Tomoya Shiraishi	Board Member, Social Investment Partners
Masataka Fukao	Chairman, Plus Social Investment
Takehiro Fujimura	General Manager, Corporate Sustainability & CSR Department, Mitsubishi Corporation
Hiroshi Mikitani	Representative Director, Japan Association of New Economy
Hiroyuki Iijima	Managing Executive Officer, Mizuho Bank, Ltd.
Junichi Yamada	Senior Vice President, Japan International Cooperation Agency (JICA)

### Secretariat

Japan Social Innovation and Investment Foundation
Asian Venture Philanthropy Network
Kazetotsubasa Co., Ltd.
k-three Inc.
Japan Fundraising Association



### Proposal for the Expansion of Impact Investing 2019

GSG National Advisory Board

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