

# The Role of Securities Industry for the Sustainable Development Goals

*The establishment of a sustainable and fair society has been put on the global agenda.*

*The United Nations announced the Sustainable Development Goals (SDGs). The securities industry can play a significant role in various aspects of this global initiative. The Japan Securities Dealers Association and the entire Japanese securities industry are making a concerted effort to contribute to the SDGs.*

## ❖ Sustainable development calls for a collaborative global effort

In September 2015, the United Nations (UN) announced the 2030 Agenda for Sustainable Development, adopting 17 Sustainable Development Goals (SDGs) with 169 associated targets following the Millennium Development Goals issued in 2001 (<http://www.un.org/sustainabledevelopment/development-agenda/>). The SDGs were established in view of the growing concern over the environment and climate as well as widening disparities in living standards among nations and people. With the aim of achieving these goals by 2030 and the pledge that “no one will be left behind,” all UN members including low-, middle- and high-income countries have committed themselves to work for the full implementation of this global initiative. Contributions from not only the public but also the private sector are essential to the success of the SDGs. All stakeholders are expected to work together to alleviate poverty, combat inequality and address climate change.

Chart 1: Sustainable Development Goals

17 Sustainable Development Goals (SDGs)	
Goal 1:	End poverty in all its forms everywhere
Goal 2:	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3:	Ensure healthy lives and promote well-being for all at all ages
Goal 4:	Ensure inclusive and quality education for all and promote lifelong learning
Goal 5:	Achieve gender equality and empower all women and girls
Goal 6:	Ensure access to water and sanitation for all
Goal 7:	Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 8:	Promote inclusive and sustainable economic growth, employment and decent work for all
Goal 9:	Build resilient infrastructure, promote sustainable industrialization and foster innovation
Goal 10:	Reduce inequality within and among countries
Goal 11:	Make cities inclusive, safe, resilient and sustainable
Goal 12:	Ensure sustainable consumption and production patterns
Goal 13:	Take urgent action to combat climate change and its impacts
Goal 14:	Conserve and sustainably use the oceans, seas and marine resources
Goal 15:	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
Goal 16:	Promote just, peaceful and inclusive societies
Goal 17:	Revitalize the global partnership for sustainable development

(Source: United Nations <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>)

❖ **Securities market and industry are expected to work for the SDGs**

How can the securities market and industry contribute to the SDGs?

The first thing to be mentioned is to provide the finances necessary for achieving the SDGs through their original functions: resource and fund allocation. According to an estimate by the United Nations Conference on Trade and Development (UNCTAD), the investment required in developing countries to achieve the SDGs is 3.3 to 4.5 trillion dollars per year until 2030. However, the actual annual amount of investment remains at around 1.4 trillion dollars, a shortfall of 1.9 to 3.1 trillion dollars. The UNCTAD predicts that an additional 0.9 trillion dollars will be invested from the private sector, but still a gap of 1.0 to 2.2 trillion dollars will remain in every year. To fill this gap, the securities market and industry are expected to mobilize the available funds through financial tools, such as impact investment.

Impact investment that aims to generate specific social or environmental benefits, in addition to financial gain, is one of the channels for mobilizing private funds. To present examples in line with the SDGs, green bonds, a subset of impact investment, provides environmental benefits and can help achieve Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all, as well as Goal 13: Take urgent action to combat climate change and its impacts. The issuance of green bonds is increasing but the annual issuance in 2017 was still around 155 billion dollars and fell far short of the amount needed.

Further efforts are required in providing information to issuers and for investor relations to promote impact investment.

One persistent concern about impact investment is that, even if issuers have committed themselves to using the funds raised for projects having social impacts, they may spend the funds for other purposes. *Greenwashing* is a word that means a business or project is spending significantly more funds or resources to advertise being green than they actually are. To prevent such inappropriate uses of funds, impact investment products should be originated and sold in compliance with the principles and guidelines set by responsible organizations, for instance, the [Principles for Positive Impact Finance](#) from the UNEP Finance Initiative, the [Green Bond Principles](#) and the [Social Bond Principles](#) from the International Capital Market Association (ICMA). In Japan, the Ministry of the Environment established the [Green Bond Guidelines](#) (latest edition was issued in March 2017). These principles and guidelines provide the definitions for impact investment, green and social bonds, ways to manage and use funds raised through these financial tools, the desired information disclosure for investors, as well as methods for external review.

In Japan, the amount of impact investment is still limited compared with the scale of the economy and market, but this is expected to steadily increase as awareness of the environment, society and governance (ESG) grows. In addition to Japan, the growing nations in Asia are also expected to see a rapid increase in impact investment. For the sound development of this type of financing, it is essential to establish rational standards that issuers, market professionals and investors feel are acceptable, reasonable and workable.

Second, through efforts to promote impact investment and the spread of reliable and rational standards for this type of financing, the securities industry is in a position to be able to raise awareness of ESG among issuers and investors in impact investment. Furthermore, the industry can provide a base for the SDGs to be more widely spread among people engaged in capital markets.

Third, every securities company is expected to incorporate the SDGs into its operations and to improve its corporate value, aiming at the sustainable growth of its business. Executives and employees in securities companies, recognizing that their business will contribute to the SDGs, can become more aware of the social significance of their market and industry, which helps to raise their own job motivation and to improve their business productivity and performance. Also, if more executives and employees in securities companies conduct business with a larger awareness of SDGs and pride in their jobs, this will enhance confidence in financial and capital markets, resulting in activating the markets and giving support to building a fair and sustainable economy.

#### ◇ **What the Japanese securities industry does for the SDGs**

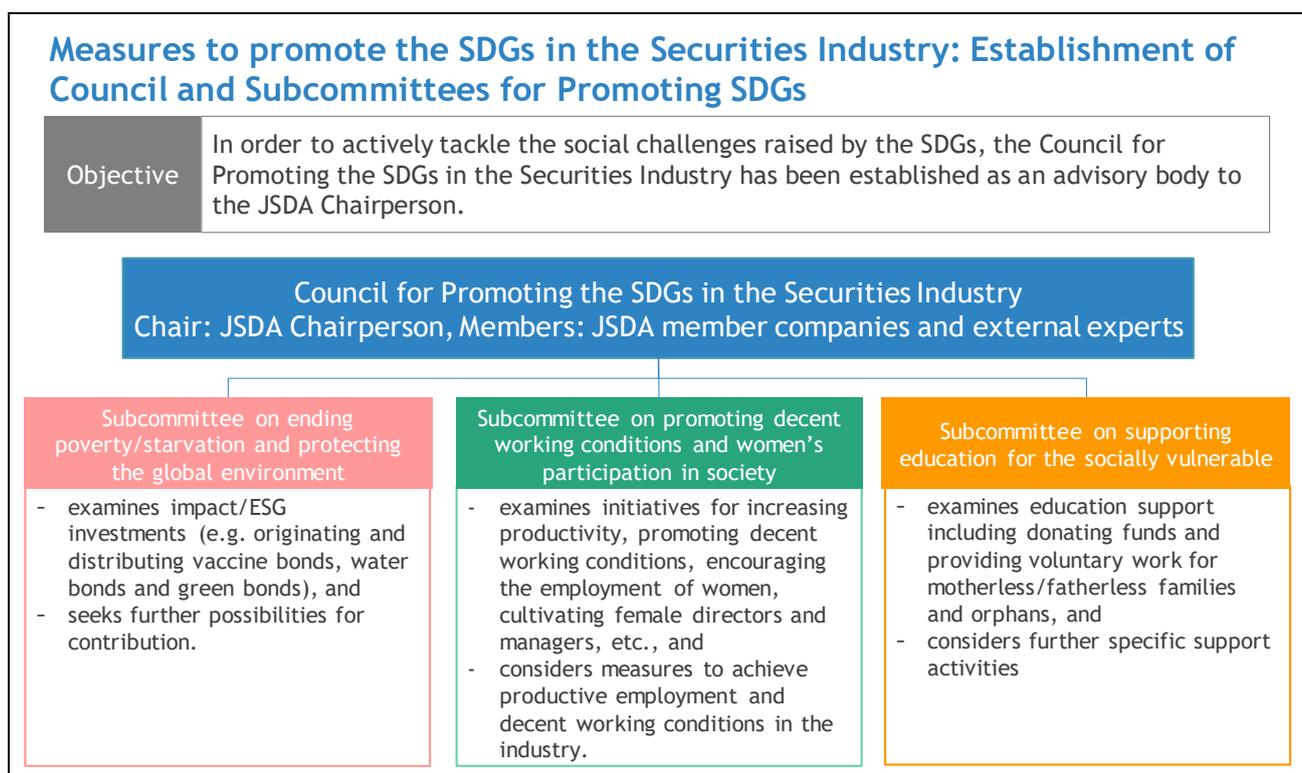
Against this backdrop, to deliberate on possible ways for the securities industry to contribute to the SDGs,

the JSDA organized the Council for Promoting the SDGs in the Securities Industry (referred to as the Council) as the JSDA chairperson's advisory body. The Council focuses on the following areas in light of the 17 goals of the SDGs:

- (1) Ending poverty/starvation and protecting the global environment
- (2) Promoting decent working conditions and women's participation in society
- (3) Supporting education for the socially vulnerable

The Council held its inaugural meeting in October 2017 and set up three subcommittees (SCs) to discuss the three focus areas (listed above).

Chart 2: JSDA's Council and Subcommittees for SDGs



**(1) SC on ending poverty/starvation and protecting the global environment**

This SC discusses possible initiatives and tools to activate the provision of funds for tackling global and social challenges, such as alleviating poverty/starvation and mitigating climate change. Specifically, this SC examines ways to encourage impact investment, which includes green and water bonds.

**(2) SC on promoting decent working conditions and women's participation in society**

This SC considers industry-wide strategies and measures that promote decent working conditions and encourage women to play more active roles in society.

**(3) SC on supporting education for the socially vulnerable**

This SC deliberates on methods for educational support of motherless/fatherless children and orphans,

which includes donating funds and providing them with voluntary, free teaching.

Along with the Council and SCs' activities, the JSDA distributed SDGs lapel pins and leaflets to its member companies to raise awareness of the SDGs.

The JSDA also promoted the SDGs through the following international events that it hosted:

➤ **Green Bond Seminar**

The JSDA co-hosted the Green Bond Seminar in Tokyo on November 2, 2017 with the International Capital Market Association (ICMA). This seminar gathered together almost 400 participants, including (expected) issuers, sell-side and buy-side players in the green and social bond market, and raised their awareness of and interest in impact investment as well as the challenges for global sustainability.

➤ **Asia Securities Forum**

In Tokyo from November 26 to 28, 2017, the JSDA hosted the Annual General Meeting (AGM) of the Asia Securities Forum, a forum of securities industry associations in the Asia-Pacific region. During the AGM, the JSDA chairperson highlighted in his remarks the importance of global sustainability and the industry-wide concerted effort needed to contribute to the SDGs. One panel discussed the roles of capital markets in achieving global sustainability.

➤ **Japan Securities Summit**

Together with the Securities Industry and Financial Markets Association (SIFMA), the JSDA hosted the Japan Securities Summit in New York on February 7, 2018. The JSDA has been holding this event in major international financial centers almost every year since 2008. At this fourth event held in New York, one of main themes was sustainability. A UN representative was the guest speaker and, at the following sessions, discussions were held on initiatives and tools for ways that capital markets can contribute to sustainability, including impact investments.

The Japanese securities industry and the JSDA will continue to work together with all these stakeholders across the world to contribute to the sustainability of our economy and society.

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