

WITHIN REACH

What We Can Do to Achieve a Sustainable Society

Against a somewhat bleak backdrop of rampant climate change, poverty, and social inequality, it is no longer radical for us as global citizens to rise to the challenge of addressing our shared global issues. As a clear marker of this international trend, in 2015, under the auspices of the United Nations (UN), the Sustainable Development Goals (SDGs) were adopted by member countries, consisting of 17 goals with 169 associated targets that built upon the Millennium Development Goals issued in 2001. To ensure that a healthy environment and enriched society can and will remain for generations to come, the significance of global initiatives that promote the SDGs has been rising rapidly, to which the Japanese case is a testament.

Figure 1. The Sustainable Development Goals (SDGs)



A rise in ESG consciousness

In Japan, according to [the survey](#) conducted by the Japanese Government Pension Investment Fund (GPIF) between January and February 2018 for companies listed on the First Section of the Tokyo Stock Exchange, 24% of companies have already begun undertaking in efforts related to

the SDGs, while another 40% replied that they are in the process of considering such initiatives. As companies incorporate some of the 17 goals which they deem suitable to their business activities, shared value will be created between the company and society. Continuous improvement of a company's value through such efforts will lead to long-term returns on investment. Contributing to the SDGs is therefore not a substitute for corporate growth—on the contrary, it is a necessary and invaluable ingredient for long-term prosperity. In other words, there is no trade-off to be made, and both corporate entities and investors can reap benefits from undertaking in this global effort.

The Japanese institutional investors and financial industry are not unaware of these realities, find great potential for the SDGs, and are driving the momentum for the SDGs in Japan. For instance, in 2015, GPIF, one of the world's largest pension funds, became a signatory of the Principles of Responsible Investment (PRI), and committed to incorporating ESG issues into their investment analyses and decision-making processes. GPIF also later selected three ESG indices for Japanese equities and commenced passive investment tracking those indices.

Given these demonstrations of the heightened awareness of the importance of ESG and the SDGs, the Japan Securities Dealers Association (JSDA) has also committed itself to contributing to the SDGs and began taking concrete actions.

SDGs in JSDA and the Japanese securities industry

• Establishment of council and subcommittee

The JSDA established a council to identify and implement actions that the securities industry can play in light of the 17 goals of the SDGs in September 2017. In the council, various discussions have been conducted about the ways to boost sustainable finance, decent working conditions, and support for the socially vulnerable children. Recently, these discussions have generated some practical outputs.

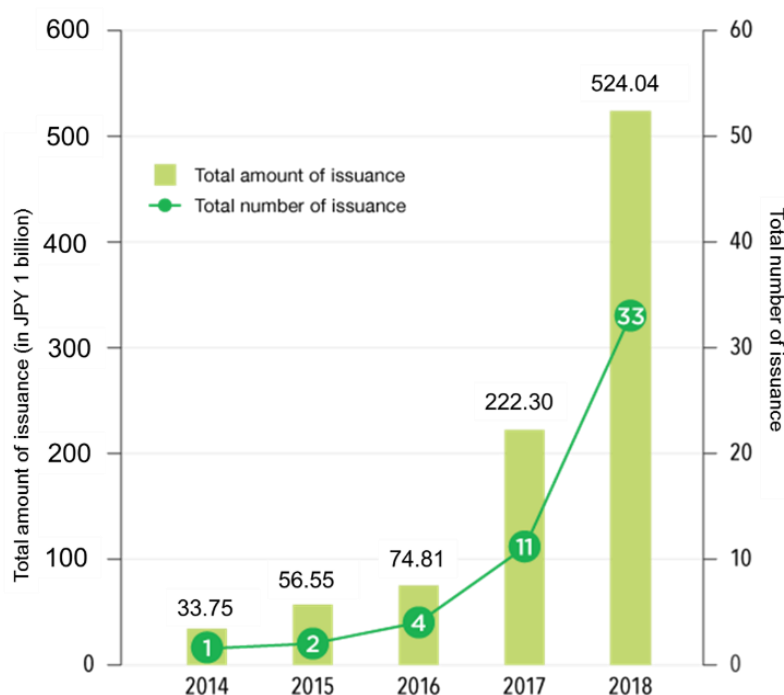
To protect the global environment and end poverty

Within the subcommittee on ending poverty/starvation and protecting the global environment, the practicalities of allocating funds to sustainable finance were discussed. To achieve the SDGs, according to an estimate by the United Nations Conference on Trade and Development (UNCTAD), 3.9 trillion dollars per year in investment to developing countries is said to be necessary. Given the fact that these necessary funds will have to be funneled from the private sector, the financial sector must fulfil its role as intermediary and is called upon to channel these funds. As a potential means to this end, while equities and investment trusts do exist as financial instruments, bonds have been spotlighted as particularly strong financial tools in their ability to be traced.

Green bonds and social bonds epitomize such bonds capable of channeling raised funds to specific SDG-related business activities. Since 2014, the International Capital Market Association (ICMA) has been hosting and publishing the Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG), which explicate the guidelines for the transparency, disclosure, and reporting of those bonds. In this field as well, Japan—and in particular the Japanese government—is receiving international attention as the Ministry of the Environment created their “Green Bond Guidelines” in 2017, which are consistent with the ICMA principles.

Riding this current, in October 2014, Japan witnessed for the first time a green bond issued by a Japanese issuer in the euro market, with financial institutions standing at the center. In 2016, the first GBP-aligned bonds were issued in Japan, and from 2017 onwards, the market expanded to include more issuances by the corporate sector and issuances for retail investors. By 2018, the value of green bond issuance stood at JPY 524 billion (about USD 47.6 million). Despite this rapid growth over time, the green bond market in Japan is still of a smaller scale compared to that of other countries, which leaves room for further expansion in the future.

Figure 2. Issuance of Green Bonds by Japanese Companies and Other Entities



*¹As of December 2018

*²Exchange rates: USD1=JPY110, EUR1=JPY135, AUD1=JPY90

Created by the Ministry of the Environment based on websites of issuers

Source: Ministry of the Environment, Japan <http://greenbondplatform.env.go.jp/en/greenbond/current.html>

In order to propel the expansion of the still-developing green bond and social bond markets in Japan, the JSDA co-hosted the Green and Social Bond Seminar in Tokyo in 2017, which has since become an annual event. The December 2018 conference saw more than 500 participants gathering to listen to experts discuss the opportunities and challenges for expanding the green bond and social bond markets.

As part of the management activities of its own funds, the JSDA purchased a social bond issued by the Japan International Cooperation Agency, or JICA. Social bonds are use of proceeds bonds that raise funds for new and existing projects with positive social outcomes. The proceeds from JICA Bonds are used to establish basic infrastructure, social services and others in developing countries through sovereign loans and private sector investment.

Adding on to such developments, until recently in Japan, securities firms had their own, disparate names for financial instruments that contribute to the SDGs, which served as a source of confusion for many investors and sales companies. To remedy this, the JSDA decided, after lengthy discussions in the SDG Council, to collectively term such financial instruments “SDG Bonds”. Under this framework, bonds that have a positive environmental/social impact—which adhere to recognized standard-setting principles such as the GBP, SBP and SBG—or bonds issued by entities whose body of work is directly in line with the achievement of the SDGs (such as the World Bank or Asian Development Bank), which have undergone appropriate information disclosure on their positive impacts, could be unified under the umbrella “SDG Bonds”. The JSDA also published a guidebook on how sales representatives at securities firms can use this terminology, with a view to increasing the awareness of investors about the connection between investment and the SDGs.

Last but not least, in order to further expand ESG investment by investors, the disclosure of non-financial information by companies, which forms part of the decisions by investors, is essential. As part of this global wave, the Task Force on Climate-related Financial Disclosure (TCFD) was set up by the Financial Stability Board (FSB), and many initiatives for information disclosure based upon the TCFD’s recommendations have progressed rapidly, under which companies were called upon to not only formally but also voluntarily disclose the governance structures, business strategies, objectives and goals, as well as risk management systems the companies have in place in order to appropriately respond to climate change. Within this movement, the JSDA, with a view to promoting investment in financial products that contribute to the SDGs, recognizing the importance of ESG-related information disclosure, issued its statement in support of the TCFD recommendations.

To support socially vulnerable children

Due to changes in the labor environment, recently Japan has seen a widening of the gap between the rich and poor, and the level of poverty of those—especially children—living under such trying economic circumstances has emerged as a pressing social issue. Failure to address the issue may lead to a negative cycle in which income inequality worsens, leading to negative repercussions on the Japanese economy and society, downward pressure on output for the private sector, reduction in individuals' disposable incomes, and ultimately, through the widespread reluctance to invest in risk assets, a contraction of the securities market. Moreover, for Japan, as a society which already faces an aging population and dwindling birthrate, to allow the scarce population of children to be unable to have proper education or maximize their potential is to miss out on a valuable source of the economy's future human capital. With this in mind, the JSDA led the following initiatives to improve the quality of life of socially vulnerable children.

First, a survey conducted of JSDA member firms revealed that many securities firms currently “did not have any plan to support children in poverty,” which indicated the lack of awareness and understanding of the severity of the problem of children facing poverty in Japan, as well as the significance of undertaking initiatives to address this issue in the securities industry. To remedy this, commitment at the top levels was said to be necessary, and a series of four seminars was held for top-level executives of the JSDA member firms over the course of November to December 2018, related to the theme of children in poverty. At the seminars, it was discussed why it was important to undertake initiatives related to socially vulnerable children, as well as how to go about tackling the issue.

To realize a society in which all children regardless of socioeconomic class can flourish, the JSDA and the Japanese securities industry also participated in the “Used Book Sale Donation for Children's Future”, a project that is part of the Japanese government's movement to support children. The project collects used books to sell and procure monies for a donation fund for less fortunate children. As for the flow of cash in this framework, for instance, the money in the fund can be donated to NPOs that support children lacking educational opportunities or basic necessities such as shelter, clothing, food or water. Utilizing the expansive network of securities firms stretching across Japan, more than 100 securities firms expressed support for the initiative and participated in the project. More than 1,400 donation boxes for used books were placed in these firms' branches. From September 2018 to January 2019, 37,943 books—with a value of JPY 835,358 (approximately USD 6,400)—were collected.

To support socially vulnerable children is to support the future, to *invest* in the future, and so it is necessary to commit to continuous initiatives in this regard. The JSDA resolves itself to continue to work toward supporting these vulnerable populations to the best of its ability.

Figure 3. Donation Box for the Used Books (Placed at a Branch of a Securities Firm)



To promote decent working conditions

Within the SDGs, inclusive and sustainable economic growth is linked with the promotion of productive employment and decent work for all. If the securities industry, which employs about 90,000 executives and employees in Japan, endeavors to promote working reforms, enhance productivity, and become an environment conducive to a diverse range of human capital, it has the potential to contribute greatly to the improvement of working conditions of Japan as a whole, as well as to the achievement of sustainable economic growth. In this vein, the JSDA has conducted discussions about and proposed specific measures related to promoting decent working conditions and empowering women's participation in the labor force.

One particular undertaking at the early stages of the discussion at the JSDA involved a survey to grasp the current status of working conditions in the industry. According to the survey, almost 100% (99.7%) of female employees who delivered a baby took their childcare leave, with about 95% of such women returning back to the labor force. This indicated a decrease in the proportion of women leaving the workforce as a result of childbirth or childcare. The ratio of male employees taking childcare leave, however, is less than 5%, which may indicate that childcare leave for males is not as common at present. The survey revealed some current challenges to gender equality in the workplace, such as the lack of female workers at managerial level, lack of diverse role models, and the unconscious bias among workers.

To address these challenges, the JSDA began a series of measures—most notable of which is the “Women’s Network” for the securities industry. In order to enhance the envisioned career path of women working in the securities industry, the JSDA established a network that connects such

women and within it, facilitated dialogue on how to further the activity of women in the securities industry, drawing upon the personal experiences of each female employee, along with guest speakers such as a member of the House of Representatives who is working to enhance the role of women in this arena. The participants of the network not only shared their own stories, but also conducted insightful discussions about the current challenges faced for women in the securities industry, as well as possible ways to tackle them. The main points raised during the discussions are as follows.

The Necessity of a Personal Change in Mindset

- The patriarchal values that have dominated social narratives such as working long hours shall not be internalized
- The particularities of women should be used properly as added value
- Women should be proud and confident of their way of life
- At the same time, given that minority voices sometimes go unheard at the workplace, women should not fear risk and stand up to challenges

The Necessity of a Change in Mindset in Surroundings

- The change in mindset of the managerial class, especially male managers, is necessary
- Because many seldom understand things they have themselves not experienced, in order to make more people aware and involved of the issues, continual and daily communication is necessary

Improvement in Work Environment

Although schemes have begun to be introduced to make the workplace more friendly to women, there is not enough work done on the logistical fronts for these schemes

- More flexible working styles, such as work-from-home or 1 hour leave with pay, should be introduced

• Raising the recognition and awareness of the SDGs

With the aim of raising the awareness of the SDGs in Japan, the JSDA sponsored a TV documentary series called the “Future Runners” on Fuji Television. The series features five-minute videos highlighting the activities of individuals and organizations that are doing their part to achieve the SDGs. The program was highly evaluated by the Japanese government due to its contribution to the SDGs, and was awarded the SDGs Partnership Award by the Japanese government’s SDGs Promotion Headquarters. Through the snippets of innovative ideas of individuals and organizations working toward the Goals, “Future Runners” is one way that media has been used to reach out to more and more people to let them know not only what the SDGs are, but also that engaging in the global agenda is very doable.

The way forward

There is no doubt that much work is left to be done—many of the initiatives in Japan, the JSDA, and the Japanese securities industry are still in their infancy. However, there is also no question that, given the many measures that are already underway, coupled with the current global tides toward underscoring and prioritizing sustainability, the JSDA and the Japanese securities industry will work tirelessly to do their part in this global project.

The views expressed here do not necessarily reflect the views of the JSDA or its members.

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