

# Initiatives of Resona Asset Management Division

～Possibilities and Outlook of Investment towards  
Solving Social Problems～



Resona Bank, Limited.

January 2019

# About myself

## Minoru Matsubara

Chief Manager  
Asset Management Division, Responsible Investment Group  
Resona Bank, Limited.

Joined Resona Bank in April 1991, assigned to the Pension Trust Fund Management Division; then kept undertaking asset management and planning duties at the Investment Planning Office, the Public Fund Management Division, the Pension Trust Fund Management Division, the Trust Fund Management Division and the Fund Management Supervisory Division. In April 2009, assumed the post of Planning and Monitoring Group leader at the Trust Fund Management Division. Took up the current post in April 2017.

Was on loan to the Pension Fund Management Research Institute from 2000 and to the Research Institute for Policies on Aging from 2005, serving as a visiting researcher on both occasions.

Other posts include: a member of the Seminar Planning Committee, the Investment Performance Standards Committee and the Working Group on ESG Factors for Corporate Valuation of the Securities Analysts Association of Japan (June 2015); a committee member at the Japan Sustainable Investment Forum; a director of the MPT (Modern Portfolio Theory) Forum; the Chair of the Corporate Working Group of the Japan Network for the Principles for Responsible Investment (PRI); a member of the Environment Ministry's study group on sustainability investment; a committee member at the Forum of Investors Japan (July 2016); the Co-chair of the Asset Management, Securities and Investment Banking Working Group of the Principles for Financial Action towards a Sustainable Society; a member of the same Working Group; a member of the Working Group of Ministry of Economy, Trade and Industry's Study Group on Implementing TCFD Recommendations for Mobilizing Green Finance through Proactive Corporate Disclosure; and a member of Ministry of Economy, Trade and Industry's Research Group on Industrial Safety Utilizing ESG Investment.

A chartered member of the Securities Analysts Association of Japan and a member of the Nippon Finance Association.

Investment activities in consideration of  
Environment (**E**) · Society (**S**) · Governance (**G**)  
= **ESG Investment**

**E**(Environmental): **Environmental issues**

Climate change, deforestation,  
marine pollution

**S**(Social) : **Social challenges**

Forced labor, child labor, poverty,  
disparity

**G**(Corporate Governance): **Governance**

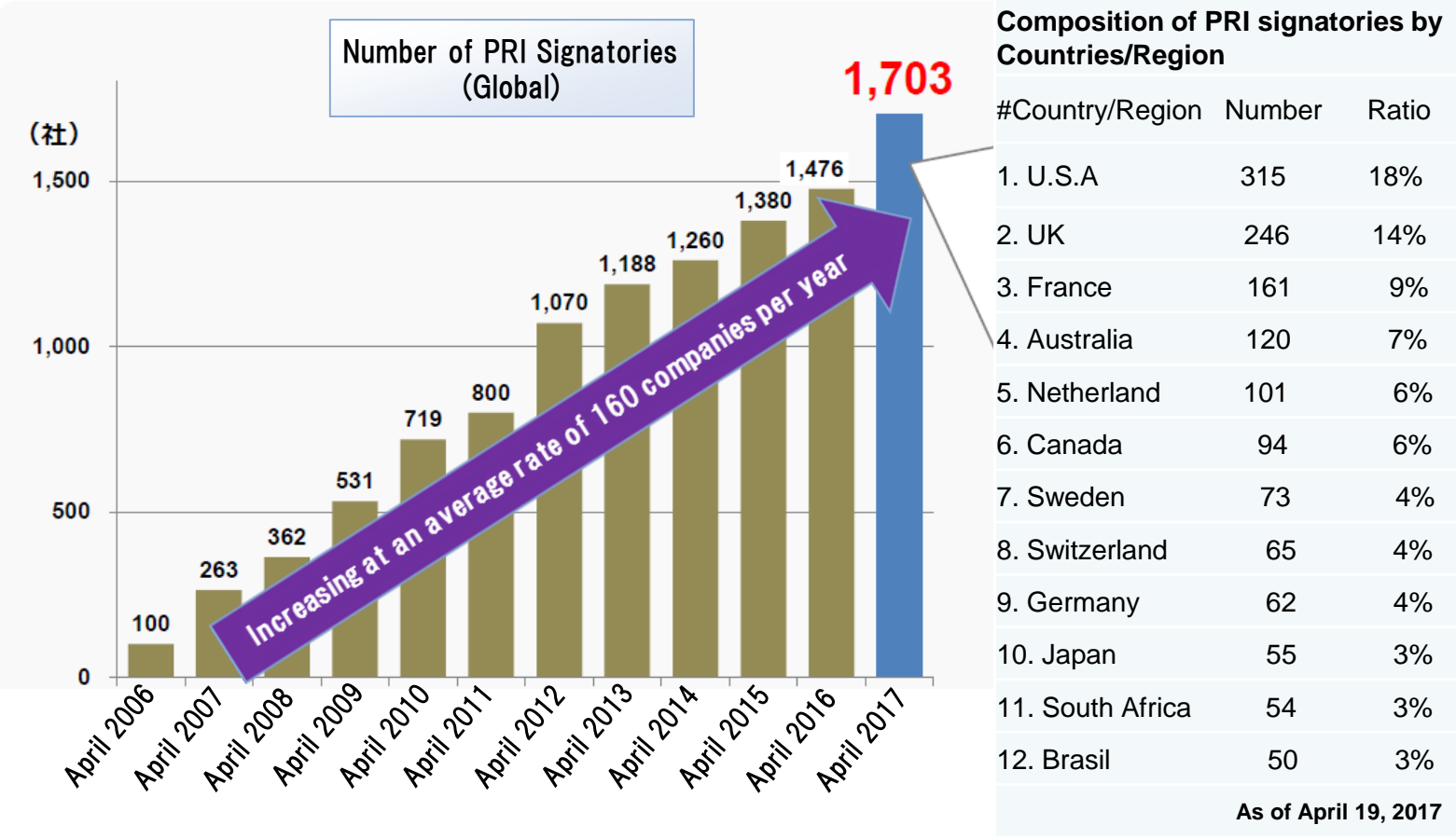
Corruption, window dressing,  
executive remuneration

- **Principles for Responsible Investment (PRI) :**  
**Formulated with the support of UN in 2006**
- **Signed by over 1900** pension, insurance, asset management firms (June 2018)
- **Secretariat located in London. Promotion of responsible investment.**

1. Incorporate **ESG** issues into **investment analysis** and **decision making process**.
2. Become **active owners** and incorporate **ESG** issues into **our ownership policies and practices**.
3. Seek appropriate **disclosure** on **ESG** issues by the entities in which we invest.
4. **Promote acceptance and implementation** of the Principles within the investment industry.
5. **Work together** to enhance effectiveness in implementing the Principles.
6. **Report** on our activities and progress towards implementing the Principles.

# About UN Principles for Responsible Investment (PRI)

UN Principles for Responsible Investment (PRI) was established to promote ESG investment activities of institutional investors. The number of signatories has grown every year to 1,703 as of the end of April 2017. Working balance of over \$65 trillion.



Source : UNPRI, Signatories to the Principles for Responsible Investment

Source : From METI "Guidance for Collaborative Value Creation"  
Source: PRI

# PRI in Person Report from San Francisco Conference

- Outline of PRI in Person

- PRI in Person is an international conference held annually by PRI Secretariat (organization promoting the UN Principles for Responsible Investment)
- Held in September every year: 2018 in San Francisco
- Held since 2007 and this was the 12th meeting
- Number of participants – 1,200, including 50 participants from Japan
  - Major participating organizations: Ministry of Economy, Trade and Industry, Ministry of the Environment, GPIF, Pension Fund Association, Major domestic asset management firms, service providers, etc.



- Reports

- Trends in responsible investment

- Climate change issues are mainstream globally.

Important themes: Climate change and the Practice of related information disclosure (the main theme of the previous conference was Penetration).

→ Responding to TCFD (Task Force on Climate-related Financial Disclosures)

- As climate change is global and China plays an important role, there were many Chinese speakers in each session. The status of China went up.

- ESG investment has been centered on stocks but this time there were many sessions on bonds and loans, making them global standards.

- This year's hot topic was the human rights of the workforce.

It is assumed that this was influenced by the revision of Corporate Governance Code in the FRC (Financial Reporting Council, UK) in which the importance of the workforce as stakeholders was added.

# Why did investors begin to move?

For better investment judgment

- To avoid ESG risks
- To pursue profit opportunities

→ **ESG improves investment results**

Responding to ESG has **actually become directly connected to corporate profits.**

Universal ownership

- Minimization of negative externalities

→ **If consideration is not given to environment and society, there is a possibility of losing the foundation of long-term economic activities.**

# Basic Concept

## ■ Changes in Socio-Economic Environment Surrounding Companies and the Role of Management Organization

Socioeconomic environment surrounding companies

Taking the socioeconomic system as given, companies pursue their individual profit

Technological Evolution  
↓  
Promotion of Impact of Companies  
↓  
External Diseconomy  
↓  
Intensification of the Problem

By becoming powerful themselves, they began to exert a significant impact on the “sustainability of the socioeconomic system” itself.

Climate Change, Environmental Issues, Disparity Issues, Human Right Issues

The Role of management organization

As responsible entities, management organizations are required to “build up a socioeconomic system”

Ex. Larry Fink, CEO of BlackRock, Inc., the world’s largest asset management company sent a letter to companies on January 12, 2018.  
“To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society”

The concept of “Responsible Investment” is critical to Sustainable Development.



# Valuation methods of social profit and corporate profit (Example)

Social profit



## Materiality of the selection of social problems

- Urgency Is the problem an urgent problem?
- Influence Does it have ripple effect or not?
- Reciprocity Will a serious side effect occur in the process of solving the problem?
- Sustainability Is there or isn't there sustainability of activities through continuous technological innovation?
- Range What range of members of society is related?

Economic profit

# Message from the next generation



We do not inherit the earth from our  
ancestors,

We borrow it from our children.

**私たちは、地球を先祖から受け継いだの  
ではなく子供達から借りているのです。**

～Native American proverb

Source: Public domain Q, Free material