

THE THIRD WORKING-LEVEL MEETING WAS HELD.

The third working-level meeting of the Impact-driven Financing Initiative was held on Monday, 25 July, 2022. The meeting was attended by a total of 75 participants, from 32 signatories, 4 supporters from domestic organisations and observers who are considering joining the Initiative.



At the meeting, following the introduction of new signatories, updates on trends in impact investing, reports from the working groups, reports from the Steering Committee and sharing of upcoming plans were made.

1. Introduction of new signatories

Mizuho Financial Group, Inc. and Fast Track Initiative, Inc. which signed on 1 June 2022, and T. Rowe Price Japan, Inc. which signed on 1 July 2022, commented on their expectations of the Initiative and their own efforts related to impact finance.

2. Update on recent trends in impact investing

Since the beginning of this year, various information related to 'impact' has been published, including the FSA's social bond impact indicators, the Keidanren's impact indicators and the inclusion of the term 'impact investment' in the Basic Policy on Economic and Fiscal Management and Reform 2022 of the Government's Council on Economic and Fiscal Policy.

The Secretariat provided an overview of each document and shared recent developments in light of the various information released on 'impact investment'. The Secretariat explained that impact has become a common language and that frameworks and indicators are being developed one after another and are beginning to be integrated into practice.

3. Reports from the working groups

A total of seven working groups were created under the framework of the Impact-driven Financing Initiative and started their respective activities. The chairpersons and vice-chairpersons of the working groups reported on their activities as follows.

【REGIONAL FINANCE WORKING GROUP】

- ✓ The first meeting of the working group was held on 12 July, and discussions were held on what the working group would like to do hereafter. They discussed that, one of the characteristics of this working group is that, although it includes both direct and indirect financial institutions and consists of financial institutions of various sizes that operate in various areas, they are united in their desire to revitalise the region, solve local problems and contribute to the local community through finance, and spread the idea of impact throughout regional financial institutions.
- ✓ At the meeting, the chairperson and vice-chairperson suggested discussing the connection of direct and indirect finance in regional finance and the setting of common KPIs. The chairperson

and vice-chairperson believe that good examples and the creation of a common understanding are necessary to raise the level of impact finance in the region, and with the integration of debt and equity with impact as the axis. At the next meeting, Shizuoka Bank will first introduce its own approach, and in the following meetings, equity fund practices will also be shared.

[SOCIAL INDICATORS WORKING GROUP]

- ✓ The first kick-off meeting will be held in the near future. The working group will aim to revitalise regional finance through social indicators, based on the recognition that social perspectives are essential, as interest in social aspect of ESG has been growing recently and the government has started to place more emphasis on human capital. They also plan to collaborate with the regional finance working group.
- ✓ The 'S' perspective is also an important issue from a global perspective, and with advice from Mr. Imata from SIMI and Dr Mizuguchi, they will explore what the 'S' means to financial institutions and what the impact is through the 'S' from both a global and local perspective. They will also study and discuss good practices. New participants are also welcomed.

[IMM WORKING GROUP]

- ✓ The first working group is scheduled to meet on 4 August, the second in early September and the third at the end of September. The first meeting will be a kick-off, with participants meeting each other and exchanging views on their expectations regarding the IMM working group. By the third meeting, the official chairperson and structure of the working group and the way forward will be decided. Due to the large number of participants in the working group, the meetings will be recorded and shared with participating institutions.
- ✓ The FSA x GSG National Advisory Board working group has already published a guidance on equity finance, and active discussions are taking place in the debt IMM working group this year. Therefore, the working group plans to move forward while considering collaboration with these existing initiatives and the division of roles.

[OVERSEAS COOPERATION WORKING GROUP]

- ✓ The first meeting will be held on 29 July for a kick-off meeting. Discussions will be held on the working group's objectives, future activities, timelines, etc. A questionnaire is being sent to participating organisations to gather their views on what they would like to discuss in the working group. Activities will be based on two axes: from abroad to Japan and from Japan to abroad. Due to the nature of the working group, they believe that activities can be useful for other working groups, and would like to receive input if there is anything they would like to know about or to disseminate overseas.
- ✓ As for dissemination overseas, an event was held jointly with BlueMark in June, and discussions were held with the UNDP SDGs Impact Director. Also, they are currently negotiating with the GIIN's Working Group on Impact Investment in listed equities and participation and dissemination at a conference to be held in the Netherlands later this year.

[VC WORKING GROUP]

- ✓ The first working group meeting was held in early July. Participants introduced themselves and discussed the goals and activities of the working group. The working group's goals are to improve the level of each financial institution in the short term through sharing and learning good practices, and in the medium term to develop examples of good practice common to the VC industry. They are interested in how the findings of the working group can be incorporated into their own practice. They are thinking about creating common standards (e.g. frameworks and quantification methods to be used for each investment stage and investment area). They will develop TOC for the working group and clarify how it will be linked to the overall TOC of the Impact-driven Financing Initiative.

- ✓ Activities in the first year will include increasing the working-level knowledge of each VC through sharing and learning from good practice. Activities will be carried out in collaboration with other working groups, including guest lectures and sharing of research.

[AO/AM WORKING GROUP]

- ✓ The AO/AM working group plans to go with a slow start and is considering an approach of disseminating the outcomes of other working groups. In aiming to expand the impact investment market, there are difficulties on the supply side, especially for large AOs to enter the market, so the working group will aim to increase the number of AOs involved in impact investment. First of all, they will promote activities to deepen the understanding of AOs by asking AMs and VCs to share the current situation of impact investment. They will also use the outputs of other working groups to raise awareness among other AOs, so they plan to create opportunities to study together with the VC working group and other working groups.
- ✓ The working group will invite financial institutions that are not part of the Impact-driven Financing Initiative to participate as observers and will expand the horizon of impact investing. Activities will not be limited to pension funds, but will also look at life insurance companies, corporates, and government funds.

[DEFINITION WORKING GROUP]

- ✓ See 4. below.

4. Introduction and discussion of definitions and calculation criteria

The Secretariat shared the discussions at the definitions working group (definitions and calculation criteria to be used in the Progress Report).

It was explained that through the discussions so far, it had been proposed to set the mandatory conditions of 'having an intention to create positive impact and having a strategy based on the intention' and 'transparency'. Then, it was explained that the proposal to classify the levels according to whether there is outcome measurement (or output measurement if outcome measurement is difficult) and comprehensive management of negative impact is under consideration. As one of the main points of discussion, they introduced the opinion that comprehensive management of negative impacts should be placed before outcome measurement (especially in the case of financing for large companies based on the UNEP-FI framework). It was also introduced that the intention, strategy, transparency and additionality are explicitly stated to ensure that the essence of impact investment is not lost through formative criteria.

The following opinions and suggestions were raised by the participants: to spread impact-oriented finance in Japan, it would be helpful to show the potential and present the total assets under management (AUM) of participating institutions; how to count impact-oriented finance if it is part of the overall portfolio strategy (e.g. in the case of IFSI); how to measure impact-oriented finance from the second year onwards, while the first year should start by aggregating the amounts in accordance with the criteria; it may be necessary to consider how to calculate the results of impact finance which actually solved social and environmental issues; and it may be necessary to prevent double counting between GPs and LPs; the purpose of external communications such as the total AUM and the aggregated investment amount in the Progress Report are different and should be separated.

The definitions and calculation criteria will be discussed again at the working group, and will be finalised by the end of August.

5. Comments from the steering committee

Mr Kanai, Chairperson, and Mr Matsubara, Vice-Chairperson, commented on the expectations that the working group's activities had started in earnest and that the role of the subcommittee would become very important in the future.

6. Schedule for the near future

- ✓ Next working level meeting scheduled for October
- ✓ Questionnaire for the Progress Report will be communicated to signatories by the end of September
- ✓ Progress report to be published by the end of the year

Reference :

1. 第3回ワーキングレベル会合資料

End.