

# インパクト志向金融宣言

Japan Impact-driven Financing Initiative

## 2ND GENERAL MEETING OF DELEGATES AND 5TH WORKING LEVEL MEETING

The 2nd General Meeting of Representatives and 5th Working Level Meeting of the Impact-driven Financing Initiative was held on Thursday, January 26, 2023, from 10:00 to 12:30 in a face-to-face and online format. A total of 72 participants attended the meeting, including signatory institutions, domestic supporting institutions, and observers from two companies that are considering signing the Initiative.



At the meeting, participants shared the status of activities one year after the launch of the Initiative and challenges ahead, welcomed new signatory organizations, reported on working group activities, held discussions on future activities, and finally passed resolutions on the proposals submitted.

### 1. THE STATUS OF ACTIVITIES ONE YEAR AFTER THE LAUNCH OF THE INITIATIVE AND CHALLENGES AHEAD

First, Mr. Amma of the secretariat explained the status of activities after one year since its establishment and future challenges, based on the materials (see Materials 1, p. 3 - p. 9). The main points are as follows

- After its establishment in November 2021, the organization began engaging in substantive activities by developing an administrative structure, formulating strategies, and launching seven working groups.
- The number of signatory institutions doubled in the first year after its establishment, reaching 44 as of January 2023
- The first Progress Report was issued in January 2023, bringing the total impact investment balance of the 38 signatories to 3.85 trillion yen.
- Steering Committee meetings are held on a monthly basis, with the participation of Steering Committee members and the chairpersons and vice chairpersons of each subcommittee, who have made significant contributions.
- In order to realize the vision and mission set forth in the TOC of this Initiative, a specific mid-term plan will be formulated by April of this year.

Mr. Kanai, Executive Manager of Sumitomo Mitsui Trust Holdings, Inc., Chair of the Steering Committee, and Mr. Matsubara, Executive Officer of Resona Asset Management Co., Ltd., Vice Chair of the Steering Committee, stated that the Initiative is very meaningful in that it provides a platform where not only financial institutions but also core players in impact financing in various fields can participate and discuss on a flat basis, and that they would like to further promote this Initiative.

## 2. ATTENDEES REMARKS AND INTRODUCTION OF NEW PARTICIPATING INSTITUTIONS

The representatives of each signatory organization, those who were not present at the regular working-level meeting, and Nippon Life Insurance Company, which signed the agreement as of January 1, 2023, provided their remarks.

In their remarks, they spoke about their expectations for the Initiative, their own activities related to impact financing, and the challenges they face in expanding impact financing in Japan.

- Expectations for the Initiative
  - Expanding impact financing through collaboration among signatories
  - Sharing of knowledge on impact financing through working group activities, etc.
- Challenges in expanding impact financing in Japan
  - Promotion of impact-driven financial management
  - Establishment of impact financing methodologies (establishment of IMM methodology, investor-friendly impact disclosure, etc.)
  - Promote participation of asset owners, especially pension funds

## 3. REPORTS FROM THE WORKING GROUPS

The chairpersons and vice chairpersons of each working group reported on their activities.

### [DEFINITION WORKING GROUP]

- ✓ The working group has been discussing how to calculate impact financing balances in preparation for the publication of the Progress Report. The Sub-Committee will discuss how to measure the implementation and management of IMM for the next Progress Report.

### [REGIONAL FINANCE WORKING GROUP]

- ✓ The working group has set the following themes: (1) information dissemination to raise the level of regional impact, (2) how to combine the lending operations of regional financial institutions with the investment operations of funds from the perspective of impact, and (3) consideration of common indicators for regional impact financing. The working group has been sharing examples of actual impact finance initiatives and issues (see Appendix 2).
- ✓ The most recent working group meeting classified impact financing into four quadrants, deepened discussion on similarities and differences among regional financial institutions and funds, created an impact wedding cake model (tentative), and discussed measures to promote impact financing in the context of regional finance.

### [SOCIAL INDICATORS WORKING GROUP]

- ✓ While environmental indicators are relatively clear, social indicators have yet to be established, and the working group meeting is being held with the goal of visualizing the impact of social issues.
- ✓ The working group meeting is currently discussing its mid-term plan, and is examining its final goals and the direction it should take.

### **[IMM WORKING GROUP]**

- ✓ A series of "IMM Basic Course" was held to share the points of concern of IMM in each signatory institution and to learn the basic form of IMM across asset classes with case studies in a lecture format in cooperation with the VC working group.
- ✓ Discussions are currently underway with the chairpersons of each working group on a cross-subcommittee basis regarding the direction of the IMM working group to take a horizontal role in promoting basic understanding and dissemination of the IMM.

### **[OVERSEAS COOPERATION WORKING GROUP]**

- ✓ The main purpose of this working group is to contribute to the development of impact financing in Japan by understanding the standards and frameworks related to impact financing that have been accumulated overseas, expanding the network, and disseminating the activities of impact financing in Japan to the rest of the world.
- ✓ Previously, we have conducted a webinar with BlueMark and a roundtable discussion with the director of SDGs Impact regarding the former, and for the latter, we have been disseminating information at the GIIN Investor Forum, which will be introduced later in this report. We are currently planning study sessions with top overseas players to share knowledge.

### **[VC WORKING GROUP]**

- ✓ This working group aims to pursue an impact orientation in the VC industry and to create an environment that enables the practice of IMM. As a second step, we are considering the creation of a common understanding and a catalogue of good practices for each investment stage and industry, etc., to improve the environment for implementing impact financing.

### **[AO/AM WORKING GROUP]**

- ✓ Based on the efforts of other working groups, this working group intends to promote impact financing among asset owners, but has not yet developed a specific TOC.
- ✓ Rather than simply using overseas examples as a reference, the working group will examine how to involve asset owners, including pension funds, in impact financing, based on an understanding of the industry environment and circumstances in Japan. Collaboration with universities and other research institutions will also be sought.

## **4. DISCUSSION " FUTURE ACTIVITIES"**

October 2022, the summary of the discussions at the 4th Working Level Meeting held in November of the same year, and the discussions on the mid-term plan at the subsequent Steering Committee meeting were also shared (see Ref. 1, p. 15 - 21). The secretariat also explained the plan for proceeding with the formulation of the mid-term plan, which is to be discussed at a face-to-face brainstorming session among volunteers in mid-February, followed by Steering Committee meeting in February-March, and then put on the agenda for the working-level meeting in April.

Participants then discussed the following points; What do you hope to achieve with the future activities of this Initiative?", "What are our specific goals?", "Comments on the timeline of the mid-term plan.", "Prioritization of activities.", "What kind of structure needs to be put in place to make it feasible?", "The discussion on how to make it self-driven, the timeline, and the methodology."

The main comments were as follows

#### FRAMEWORK FOR THE MEDIUM-TERM PLAN

- ✓ In considering the mid-term plan for this Initiative, it would be better to separate (1) the mid-term plan as a working group and (2) the mid-term plan for the Initiative as a whole (the part that cannot be covered by the working group).
- ✓ While the activities of the working group are voluntary activities of the participants, should the activities of the Initiative as a whole be mutual benefit activities only for the signatory institutions (e.g., aiming to improve the quality of impact financing of the signatory institutions), or should they be more public benefit activities (e.g., aiming to broaden the concept of impact financing beyond the signatory institutions and spread the impact economy to the whole of Japan)?

#### WHAT DO YOU HOPE TO ACHIEVE WITH THE FUTURE ACTIVITIES OF THIS INITIATIVE?

- ✓ Realization of the vision and mission set forth in the TOC of this Initiative. Think about how to realize it.
- ✓ We would like to conduct activities while considering how to create value in the public interest, while keeping our focus on activities for the common good.
- ✓ Promotion of the implementation and realization of the “Commitments and Actions” of this Initiative. The signing of the “Commitments and Actions” means that the top management of the organization has committed to it, and we will make visible how each financial institution is working on the contents of the Initiative.
- ✓ In order to expand the community engaged in impact financing, we will conduct beneficiary engagement at corporate pension funds of institutions that have signed this Initiative, actually start impact investing, create model cases, and introduce them to other companies.

#### COMMENTS ON A SPECIFIC TARGET

- ✓ The target may not be a specific amount, but rather a percentage of the overall portfolio.
- ✓ Regarding the scale of impact financing, the way the numbers are given overseas as to the overall amount, it may be premature to set targets by type of business.

#### COMMENTS ON THE TIMELINE OF THE MID-TERM PLAN

- ✓ Due to the rapidly changing trends in impact financing, it may be a good idea to start with a three-year period. After the 3-year mid-term plan is completed, there are 5 years remaining until the SDG target period, at which point the plan can be reviewed.
- ✓ The trend in impact financing is changing quickly, and it is important to create a solid plan for the next one to three years.

#### WHAT KIND OF STRUCTURE NEEDS TO BE PUT IN PLACE TO ENHANCE FEASIBILITY?

- ✓ Each working group is very active and should ensure its own distinctiveness as a working group.

- ✓ I chair the working group, but it takes a considerable amount of man-hours to prepare and run the working group, and it would be desirable to have a system in which the secretariat can also support the working group's activities in the future, even if it incurs membership dues.

#### THE TIMETABLE, AND METHODOLOGY OF DISCUSSIONS ON THE AUTONOMOUS ADMINISTRATION OF THIS INITIATIVE BY THE SIGNATORY ORGANIZATIONS

- ✓ Currently, steering committee members and working group chairpersons are engaged in activities at their own expense, but it is necessary to discuss whether this is the right way to go.

### 5. RESOLUTIONS ON THE PROPOSALS

The secretariat explained the proposals according to the agenda, which were discussed and resolved among the participants (see Appendix 3).

- (1) Appointment of new members to the Steering Committee
- (2) Formulation of a mid-term plan
- (3) Establishment of minimum necessary regulations
- (4) Co-sponsorship or sponsorship of seminars and other events related to impact financing

### 6. UPCOMING PLANS

The next working level meeting will be held on 25 April, 2023.

#### Reference:

Appendix 1: 第2回代表者総会兼第5回ワーキングレベル会合資料(Japanese only)

Appendix2: 地域金融分科会資料(Japanese only)

Appendix3: 議案書(Japanese only)