

"ESG Investment Survey 2021" Conducted for Institutional Investors in Japan

QUICK ESG Research Center has conducted a survey of institutional investors regarding their approaches to ESG investment.

TOKYO, JAPAN, March 7, 2022 /EINPresswire.com/ -- "Climate change" and "human rights" topped the list of investment themes, and "biodiversity" emerged as a key focus of attention. Total Japanese stock investments accounted for by ESG investment rose to 70%, with over 60% of institutions establishing specialized ESG-related organizations. Assessments of the value of individual companies are incorporating qualitative aspects such as "resilience of the business model"

ESG investment is expanding. This approach considers the sustainability and profitability of a company's business based not only on its financial data but also on information about its environmental (E), social (S) and corporate governance (G) performance.

QUICK ESG Research Center has conducted a survey covering various topics, including ESG investment methodologies used by institutional investors, how they combine non-financial information in corporate value assessment, and the themes of engagement that are emphasized.

□Details of Survey Results

□"Climate change" and "human rights" topped the list of investment themes, and "biodiversity" emerged as a key focus of attention.

The top engagement theme emphasized in FY2021 was "climate change" (92% of valid responses), followed by "human rights" and "diversity and inclusion (respect for diversity)" (both at 59%). "Environmental supply chain" and "biodiversity" were next, each scoring 36%. It was particularly noteworthy that attention given to "biodiversity" had significantly increased since the previous survey, when it stood at only 9%. This was the largest such jump for any of the selected themes. Consideration of policies and initiatives related to mitigating the impact of business on ecosystems, such as sustainable sourcing of raw materials, also seems to be growing.

The largest share of respondents (50%) noted that their decisions to approve or disapprove of

climate change-related shareholder proposals submitted to Japanese companies in 2020 and 2021 were based on "comparison with domestic and overseas companies on the status of setting policies and targets for climate change." It can be seen that they make judgments based on such comparisons, taking into account future prospects.

□Total Japanese stock investments accounted for by ESG investment rose to 70%, with over 60% of institutions establishing specialized ESG-related organizations.

ESG investments accounted for 70% of all Japanese stock investments, up from 68% in the previous survey. A total of 22 companies (52%) responded that ESG investments accounted for "90% or more" of the asset balances of their individual companies. Looking at organizational structure, the most common reply was: "There is a department or division dedicated to responsible investment, ESG research, etc." This response was given by 31 companies (63%), up from 25 companies (53%) in the previous survey. With management leading the way and a number of specific organizations in place, the trend of increasing ESG investment in Japanese stocks is likely to continue.

When asked about issues that needed to be included in reporting on responsible investment activities, the most common response was "medium- to long-term vision for responsible investment" (78%). This was followed by "medium- and long-term goals related to the vision" and "materiality of the company" (both at 53%). Institutional investors seem to consider the need to disclose medium- and long-term strategies and goals as a significant matter.

□Assessments of the value of individual companies are incorporating qualitative aspects such as "resilience of the business model resilience."

"ESG integration (systematic and explicit integration of ESG factors into investment analysis and decision-making)" was the most popular ESG investment approach, at 87%, followed by "engagement" (83%) and "exercise of voting rights" (78%). In the majority of cases, ESG integration was included at the stage of investment evaluation of individual companies, and in only a few cases at the stage of sector allocation or asset allocation.

The majority responded that when making judgements on an individual company, they integrate qualitative evaluations regarding environmental and social issues. The top responses were "resilience of the business model with respect to ES issues, including the status of the supply chain" (65%), "assessing competitiveness in light of changes in consumer needs and regulations" (63%) and "provision of ES issue-related solutions and evaluation of R&D capabilities" (53%).

□Survey Overview

□Survey targets: 157 institutional investors based in Japan and chosen from among institutions that have accepted the "Principles for Responsible Institutional Investors (Japan's Stewardship Code)"

□Number of respondents: 53 companies (of which 5 are asset owners and 48 are asset managers)

□Survey period: August 23 to October 19, 2021

The above is a partial description of the survey results. If you are interested in learning more about this survey, please contact us using the inquiry form at the link below.

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