

November 29, 2021

To whom it may concern

Japan Impact-driven Financing Initiative
All signatory financial institutions

21 Financial Institutions in Japan sign "Japan Impact-driven Financing Initiative"
aiming to solve environmental and social issues through finance

Today, the following 21 financial institutions ("Signatories") signed the "Japan Impact-driven Financing Initiative ("Initiative"). The Signatories of the Initiative believe that the fundamental purpose of private financial institutions is to solve environmental and social issues. It also promotes impact-driven finance with measuring and managing the changes in society and the environment ("impact") created by their investments and loans/bonds. The Signatories, while very diverse, will work together to promote high quality impact investment in Japan.

Today, when environmental and social issues are becoming increasingly significant, it is essential to leverage private capital to solve these issues, since the capacity and capability of governments, local authorities and international organizations are not sufficient to tackle these issues. Under these circumstances, for maximization of the potential of finance to solve a wide range of issues, the Signatories believe that it is important for financial institutions to have clear impact-orientation as their purpose, and to visualize and manage the impact. However, Japan's impact investing is still at an early stage. In order for financial sector to produce outcome on a larger scale, it is utmost necessary for impact-driven financial institutions to share their efforts and challenges among like-minded institutions, and then to raise the level of these activities in both quantity and quality. At the same time, the Signatories believe that collaboration and cooperation with leading overseas initiatives in impact investing is essential.

The 21 Signatories will not only implement impact-driven investment, impact measurement and management (IMM) individually but will also have regular meetings to discuss and share best practices and challenges. Through the activities, the Initiative aims to evolve the Japanese financial industry to be more impact-oriented in a sustainable and autonomous manner.

List of Signatory Organizations: *in alphabetical order

ANRI Co., Ltd.
Asset Management One Co., Ltd.
Beyond Next Ventures Inc.
Capital Medica Ventures Co., Ltd.
Dai-ichi Kangyo Credit Cooperative
The Dai-ichi Life Insurance Company, Limited
Energy & Environment Investment, Inc.
Future Venture Capital Co., Ltd.
Global Brain Corporation
The Kyoto Shinkin Bank
Mitsubishi UFJ Trust and Banking Corporation
MUFG Bank, Ltd.
Nippon Venture Capital Co., Ltd.
Plus Social Investment Co., Ltd.
Shinsei Bank, Limited
The Shizuoka Bank, Ltd.
Sumitomo Mitsui Trust Holdings, Inc.
Tajima Shinkin Bank
Real Tech Holdings Co., Ltd.
Resona Holdings, Inc.
Ritsumeikan Social Impact Fund Investment Business Limited Liability Association

List of supporters:

Global Impact Investing Network (GIIN)
Global Steering Group for Impact Investing (GSG)
Japan Exchange Group (JPX)
Japan International Cooperation Agency (JICA)
Japan GSG National Advisory Board
Japan Social Innovation and Investment Foundation (SIIF)
Social Impact Management Initiative (SIMI)

Website of the "Japan Impact-driven Financing Initiative": <https://en.impact-driven-finance-initiative.com/>

Comments from representative

The Sumitomo Mitsui Trust Group aims to leverage the diverse, flexible functions of trusts along with analysis which incorporates scientific knowledge to become a crossroads for the businesses, investors, individuals, and other constituents of today's economy, and make sustainable society a reality. We believe that this will bring about a virtuous circulation of funds, assets, and capital, stimulate asset formation of citizens and sustainable growth of businesses, and contribute to growth of the Japanese economy which has remained stagnant for so long. We believe that impact-oriented initiatives are the precise embodiment of our Group's Purpose, which is Creating new value with the power of trusts and let prosperous future for our clients and society bloom."

Director, President

Sumitomo Mitsui Trust Holdings, Inc.

Toru Takakura

Japan Impact-driven Financing Initiative

Preamble

Environmental and social issues outlined in the UNSDGs are becoming increasingly significant for financial institutions, in particular, the threat of climate change and the new social and healthcare challenges exposed by the COVID-19 crisis (such as delays in digitalization and healthcare reform). Investment by central and local governments or international organizations is not sufficient to tackle these challenges, and the private sectors' contribution is now essential, as huge efforts are needed to achieve the SDGs. Financial institutions can contribute to minimizing the negative and maximizing the positive environmental and social impact of the companies they are investing into.

They can contribute to creating impact by investing into companies actively addressing environmental and social issues in two ways. One is through financing those companies that integrated environmental and social impact in their business model. Additional funds will support such companies to scale their outcomes. Another way is for them to provide risk money for projects for the development of innovative technologies and business models. The created impact will contribute to the growth of the business in long term, therefore contribute to the value creation, which means that environmental and social impact creation is compatible with profitability.

However, new skills are required to effectively balance profit and impact, and stay ahead of fast moving changes in this evolving field. For impact driven companies these skills are often the development of a robust business model based on environmental and social outcomes. For investors, these skills include enhanced due diligence expertise, thorough understanding of engagement methods and financial product structuring. In order to develop those skills, collaboration between companies and financial institutions is crucial.

The inclusion of impact into an investor's operations often requires internal discussions about the sustainability of their own existence, the mission and purpose of the organization, and the adoption of a comprehensive impact-driven approach to solving environmental and social issues - driven from the senior management.

For financial institutions to practice impact investment (impact-driven investment and lending), it is necessary that appropriate impact measurement and management (IMM) practices are developed. In the practice of impact investment, although the appropriate and realistic way of IMM differs according to the attributes of the financial institutions and companies, the implementation of IMM is essential.

Impact Investment is global, and is already making its mark on global markets. It is becoming necessary for Japanese financial institutions that are closely connected to global markets to collaborate and cooperate with global organizations that promote impact investment, while complying with or referring to internationally developed principles and standards.

The pursuit of impact and the implementation of IMM are important developments for the financial sector in Japan. It is now the time for senior leadership in financial institutions to drive the inclusion of impact as a decision driver in their investment decisions. It is also necessary to transform the flow of funds handled by financial institutions to be as impact-driven as possible, and to create a sustainable circulation of funds that can autonomously solve environmental and social issues.

Signatories of the declaration will take following actions in their own organizations as well as in cooperation with other signatories.

Commitments and actions

1. We understand the importance of being impact-driven in management in order for financial institutions to fulfill the role expected by society, and we will practice impact investment in each of our financial institutions.
2. We will integrate IMM as a decision driver in every investment process and financial product, since we believe that impact visualization as well as impact management, which requires efforts to continuously create impact by utilizing impact information, integrating into investment strategies and a decision driver, are necessary.
3. We will develop each action plan for the above-mentioned actions (1 and 2), appropriate to the situation of each organization, and then share and discuss the best practices and challenges experienced among the signatories, so that we can develop the signatories' community as a platform in a sustainable manner.
4. We will engage in collaborative activities at the working level of signatories, including exchange of information, and necessary research and studies, with a view to improving the quality of IMM and increasing the volume of impact investing.
5. We will work collaboratively to ensure that the impact-driven management of financial institutions and the implementation of the IMM will spread throughout the Japanese financial industry, including financial institutions not participating in this declaration.
6. We will actively participate in global initiatives that promote impact investing and IMM, contribute to the promotion of international impact investing, and actively disseminate information from Japan.
7. We will continue these activities until Japan's financial sector is able to develop impact investing in a sustainable and autonomous manner.

Signatory Organizations and Representatives are listed in the press release

Supporters are listed in the press release

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