Sustainability and the Asian Finance Sector

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1. Asia’s Finance Sector

✓ The role of Asia’s Finance Sector in Sustainability is yet at an early stage.

✓ But Sustainability awareness is visibly increasing.
  - more cooperation among the Asian region.
  - more linkages with international communities.
  - Eco and SRI funds are emerging.

 massacre-production, mass-consumption, and mass-waste”

“reduce, reuse, recycle”
2. Efforts by Japanese Companies

1. Japanese Companies’ Environmental Policies
   <April 2001>
   “Green Purchasing Law”
   “the Law for Recycling of Specified Home Appliances”

2. Financial Products and Services
   • BANKING ACCOUNTS which make donations to environmental conservation organizations
   • DISCOUNT INTEREST RATES on LOANS for the purchase of environmental conservation activities
   • regarding environmental protection as an indispensable activity for loan recipients
3. Investment Process of Nikko Eco Fund

Nikko Asset Management’s Research Universe: approx. 600 stocks

**Economic Screening**
- Rating Grades (1 to 5)
- Financial analysis
- Earnings estimates
- Financial conditions, etc.

**Ecological Screening**
- Fund manager in collaboration with third party specialist research company
  - Rating 6 grades (A+ to C-)

Investment Universe: 200 stocks

Final decision making
Final portfolio: 100 stocks

Performance Analysis
4. Fund Size of “Nikko Eco Fund”

(64 billion JPY as of May 31, 2002)
### 5. Green Funds & SRI Funds in Japan (as of July 31, 2002)

<table>
<thead>
<tr>
<th>Established Date</th>
<th>Green Funds</th>
<th>Asset Management</th>
<th>Features</th>
<th>Total Asset (hundred million JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug. 20, 1999</td>
<td>Nikko Eco Fund</td>
<td>Nikko Asset Management</td>
<td>Japanese Stocks / green fund</td>
<td>539.55</td>
</tr>
<tr>
<td>Sept. 30, 1999</td>
<td>Sompo Japan Green Fund &quot;Beech Forest&quot;</td>
<td>Sompo Japan Asset Management</td>
<td>Japanese Stocks / green fund</td>
<td>85.09</td>
</tr>
<tr>
<td>Oct. 22, 1999</td>
<td>Eco Fund</td>
<td>Daiichi Life-IBJ Asset Management</td>
<td>Japanese Stocks / green fund</td>
<td>76.39</td>
</tr>
<tr>
<td>Oct. 29, 1999</td>
<td>Dr. ECO</td>
<td>UBS Asset Management</td>
<td>Japanese Stocks / green fund</td>
<td>44.42</td>
</tr>
<tr>
<td>Jan. 28, 2000</td>
<td>Green Wings</td>
<td>UFJ Partners Asset Management</td>
<td>Japanese Stocks / green fund</td>
<td>36.77</td>
</tr>
<tr>
<td>Sept. 28, 2000</td>
<td>Asu-no-Hane</td>
<td>Asahi Life Asset Management</td>
<td>Japanese Stocks / SRI fund</td>
<td>55.19</td>
</tr>
<tr>
<td>Nov. 17, 2000</td>
<td>Globe</td>
<td>Nikko Asset Management</td>
<td>Global Stocks / SRI fund</td>
<td>40.36</td>
</tr>
<tr>
<td>June 15, 2001</td>
<td>Mrs Green</td>
<td>Daiwa SB Investments Ltd.</td>
<td>Global Stocks / SRI fund</td>
<td>92.97</td>
</tr>
</tbody>
</table>
6. The SRI fund market in Japan

Total asset 982 hundred million JPY (as of July 31, 2002)

- "Nikko Eco Fund" (Nikko Asset Management) 54.9%
- "Nikko Global Sustainability Fund -globe-" (Nikko Asset Management) 4.1%
- "Eco Fund" (Daiichi Life-IBJ AM) 7.7%
- "Asu-no-Hane" (Asahi Life AM) 5.6%
- "Beech Forest" (Sompo Japan AM) 8.6%
- "Green Wings" (UFJ Partners AM) 3.7%
- "Doctor Eco" (UBS(Trust and Banking)) 4.5%
- "Mrs. Green" (Daiwa SB) 9.4%
7. Impacts of Eco Fund in Japan

1. a new concept born; “Green Financial Products”
2. emerging of “Green Investors”
3. encouragement for the Management; (more considerations for environmental issues into their main business)
4. disclosure of environmental activities; environmental reports, environmental accounting
5. opened the door for “SRI funds”
8. Other Efforts

- **Ministry of Environment** has published a report on “More involvement from the financial institutions for environmentalism”

- **Bankers Association in Japan** established a study group to discuss environmental management.

- **Japan’s EXIM bank** launched environment-friendly guidelines of credit scrutiny standards when extending project finances abroad.

- **Development Bank of Japan** signed UNEP FI.
9. Keywords for the Future
- a lesson from Japan’s experience -

✓ the Consumer Power
   “grass-roots green investors”

✓ the International linkage
   “regional to global focus“
   1. globalization of economies
   2. globalization of consumers
   3. globalization of SRI
10. ASrIA 2002 International Conference

SRI: Practice & Vision in Asia

At Tokyo, UN University
Main Conference on 28th – 29th October

Monday 28th: SRI and Corporates in Asia
Tuesday 29th: SRI and Pensions in Asia
Wednesday 30th: Company Visits

- 200+ delegates expected
- SRI thought leaders from overseas
- Opinion formers from Japan
- SRI networking in Asia

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