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The article is posted on the next page.

Further information regarding the awards:

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How Japan can advance its ESG development

What can asset managers and other stakeholders in the country do to further drive sustainable investing, particularly among smaller asset owners, in the country?

Japanese asset managers can engage more with smaller domestic institutional investors on sustainable investing and collaborate with overseas asset owners to further drive environmental, social and governance (ESG) development in the country.

While the country has a conducive environment for the development of ESG, there are still challenges to overcome in order to achieve wider adoption of ESG in Japan.

Many Japanese people recognise the importance of ESG, particularly as there are more incidents of devastating natural disasters. While the growth rate of ESG adoption in Japan is much higher than that in the US and Europe, Japan still lags its western peers in sustainable investing, said Takeo Omori, an ESG analyst of the responsible investment group at Asset Management One (AMO).

“There are many small corporate pension funds in Japan. They want to hear our voice about ESG. It’s important for us to engage with these asset owners to help them integrate ESG in their investments,” Omori said.

The promotion of ESG and sustainability investing requires the right culture and expertise, which also involves the efforts from all corporate functions in an asset manager. For example, marketing executives and client relationship managers need to have a good understanding on the subject to better engage with asset owners on ESG, said Minori Komatsu, head of the corporate sustainability office at AMO.

“We are committed to working closely with asset owner clients to navigate and further accelerate the ESG development in Japan,” Komatsu said.

Omori believed that policy makers in Japan have an important role to play here. AMO has been actively engaging with policy makers to promote relevant frameworks for more quality disclosures, as more standardised disclosures of ESG data and information from companies would be helpful for evaluating their ESG performance.

That said, ESG scores and rankings are mainly based on



Minori Komatsu, AMO



Takeo Omori, AMO

companies’ disclosures and so tend to have market capitalisation bias and geographical bias.

“ESG cannot be incorporated in isolation,” Omori said. “It requires a deep understanding of a company with a holistic view. Therefore, qualitative insights and forward-looking views, as well as proactive engagement activities with investee companies, play an essential part in advancing ESG and sustainable investment.”

GLOBAL COLLABORATION

AMO is one of the few Japanese asset managers who have signed up for Climate Action 100+ (CA100+), a collaborative engagement initiative launched in 2017 to ensure the world’s largest corporate greenhouse gas emitters take remedial actions.

Together with an US-based public pension fund, AMO has been co-leading the engagement with a major Japanese automotive company, as part of the joint efforts to achieve the CA100+ goals.

The foreign asset owner offers a more global perspective, while AMO offers a local context on ESG. Such collaboration has enabled AMO to build stronger ESG engagement with the company for positive impact and solutions, Omori said.

This co-leadership began in 2019. The automotive company now has demonstrated a better understanding about the demand and investor expectations for ESG performance, and has also improved its ESG disclosures and accountability, he said.

Global emissions have to be reduced to net zero by 2050 in order to limit the increase of global average temperature within 1.5 degrees Celsius above pre-industrial levels, according to the United Nations.

To help realising this goal, 30 leading global asset managers who represent over \$9 trillion of assets under management launched the Net Zero Asset Managers (NZAM) initiative in December 2020. AMO is the only Japanese asset manager who joined this initiative as a founding member, highlighting its commitment to speed up ESG development in Japan and tackle pressing environmental challenges together with asset owners and other stakeholders. ■

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