

【CFA Society Japan 5-serial Webinar】

Impact Investing～The New Financial Paradigm of Risk・Return・Impact

Page	Ses- sion	Topic	Author	Title /	Organization
2 - 43	1	Global and Japan Specific Impact Investing Trends	Fumi Sugeno	Head of Business Development	Japan Social Innovation and Investment Foundation (SIIF)
44 - 67	2	Impact Investment Techniques and Case Studies ～Social Impact Bond～	Kotaro Sueyoshi	SDGs Business Desk	Mizuho Bank
68 - 86	2	Case Study of Impact Investment Fund	Chunmei Huang, CFA, CPA	Senior Director, Impact Investing Team	Shinsei Corporate Investment Limited
87 - 132	3	Impact Investment from the Perspectives of the Capital Market	Toshiyuki Imamura	Responsible Investment Department	Nomura Asset Management
133 - 179	4	Spurring Impact Investment Social Impact Evaluation /Management Techniques	Naoki Chiba	CEO	Blue Marble Japan, Inc.
180 - 244	5	The Frontline Movement of Global Impact Investing	Matt Christensen	Global Head of Impact Strategy and Responsible Investment	AXA Investment Managers



【CFA Society Japan 5-serial Webinar】

Impact Investing～

The New Financial Paradigm of Risk ・ Return ・ Impact

1st Session:

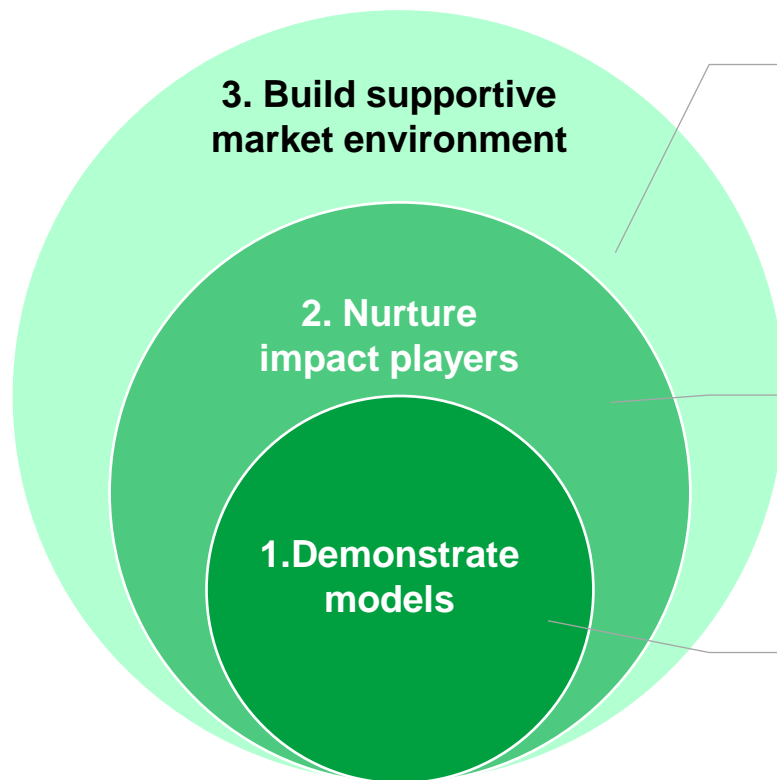
Global and Japan Specific Impact Investing Trends

Fumi Sugeno

Head of Business Development

Japan Social Innovation and Investment Foundation (SIIF)

- Founded in 2017 with the support of The Nippon Foundation.
- SIIF aims to **build an impact investing ecosystem in Japan.**



Co-manage GSG (Global Steering Group for Impact Investment)* Japan National Advisory Board

* GSG is a global network of impact investing, currently with 32 member countries

- Research: investors' survey etc.
- Advocacy: G20、PFS/SIB etc.

- Provide direct investments and other support to impact investing specialist financial institutions and other intermediaries

- Co-developed and co-invested in **Japan's first SIBs**
- Co-launched and co-manage **Japan's first impact investment fund** managed and invested by mainstream financial institutions
- Support a **venture fund's impact management**

- 1. What is impact investing?**
- 2. Global impact investing trends**
- 3. Japan specific impact investing trends**
- 4. Way forward**

- 1. What is impact investing?**
2. Global impact investing trends
3. Japan specific impact investing trends
4. Way forward

- Impact investments are “**investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.**” GIIN (Global Impact Investing Network)



The Core Characteristics of Impact Investing

1

Intentionally Contribute to Positive Social and Environmental Impact through Investment alongside a Financial Return.

2

Use **Evidence and Impact Data** in Investment Design.

3

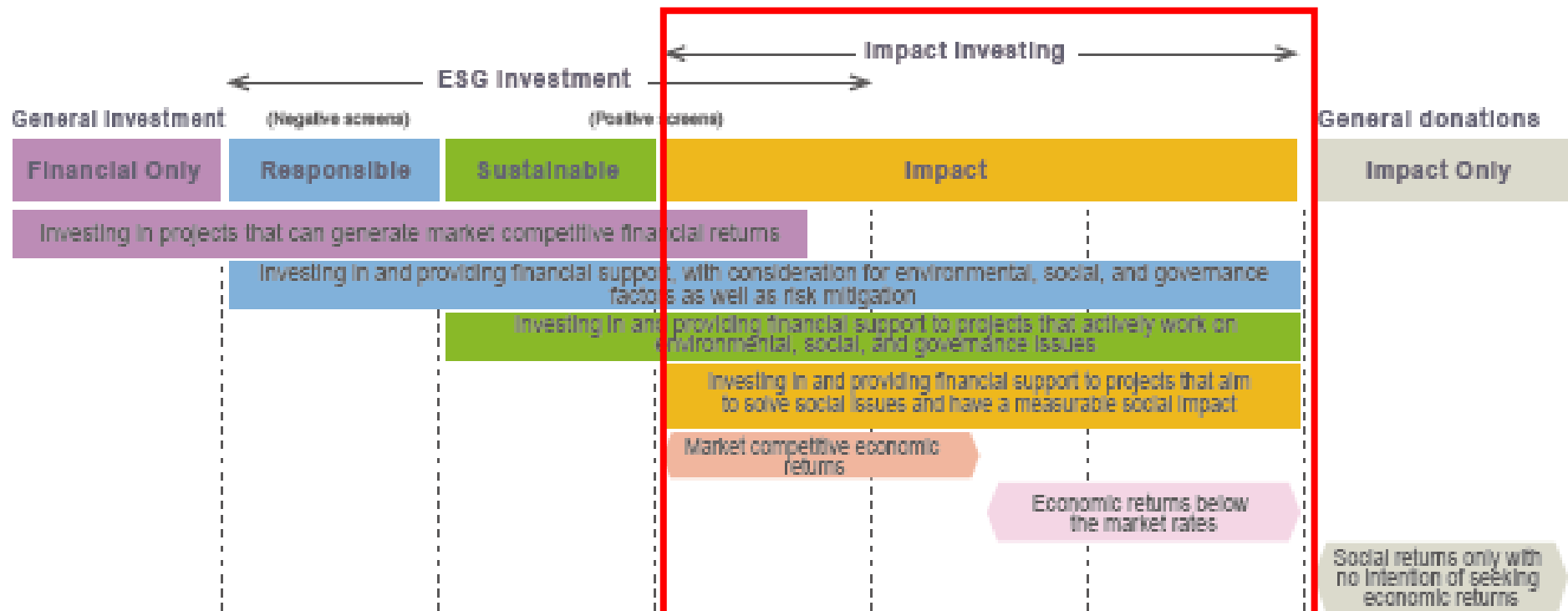
Manage Impact Performance.

4

Contribute to the Growth of Impact Investing (**by using shared conventions, approaches and standards** for describing impact goals and performance etc.)

Differences between ESG investments and impact investments

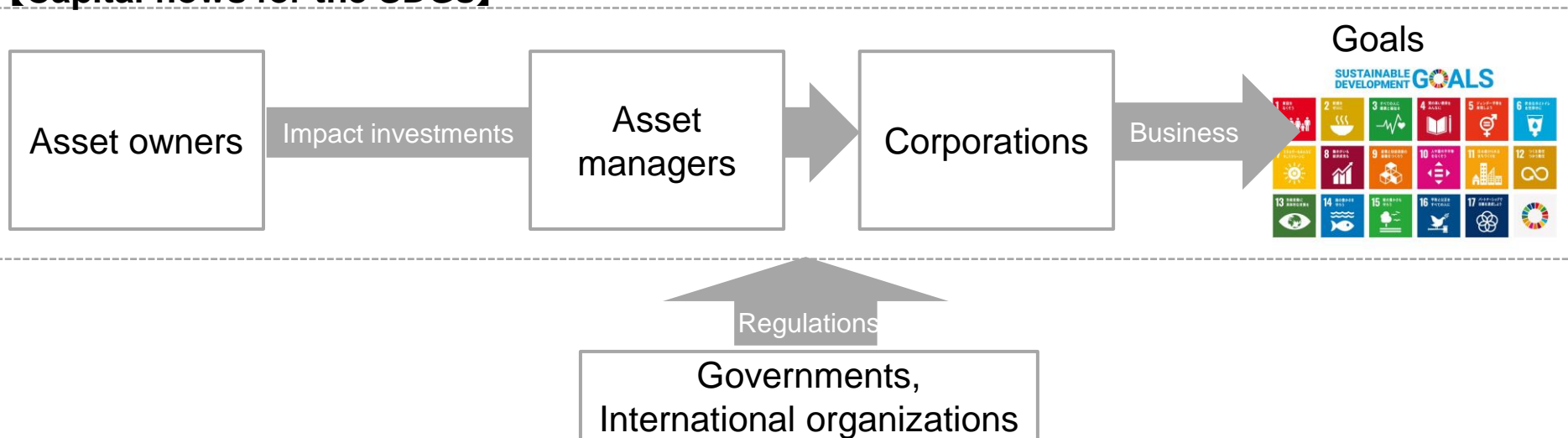
ESG investments aim to reduce long-term risk and maximize returns, while impact investments have the explicit intention of solving a specific social problem.



ESG investments alone are not enough to achieve the SDGs; impact investments are expected to make a significant contribution.

- 1) SDGs as **universal goals and framework for assessing impact**
- 2) SDGs as **business opportunities**
- 3) SDGs as **investment opportunities**

【Capital flows for the SDGs】



*Reference: IFC “Creating Impact - The Promise of Impact Investing” 2019
(https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/promise-of-impact-investing)
Figure created by SIIF.

1. What is impact investing?
- 2. Global impact investing trends**
3. Japan specific impact investing trends
4. Way forward

Global Market Size and organizations for Impact Investment

- The impact investment market size is estimated at **USD 715 billion** by GIIN.
*estimated impact investing AUM of over 1720 organizations as of the end of 2019
- 54% of impact investment balances are held by asset managers.

AUM by organization type (end of 2019)

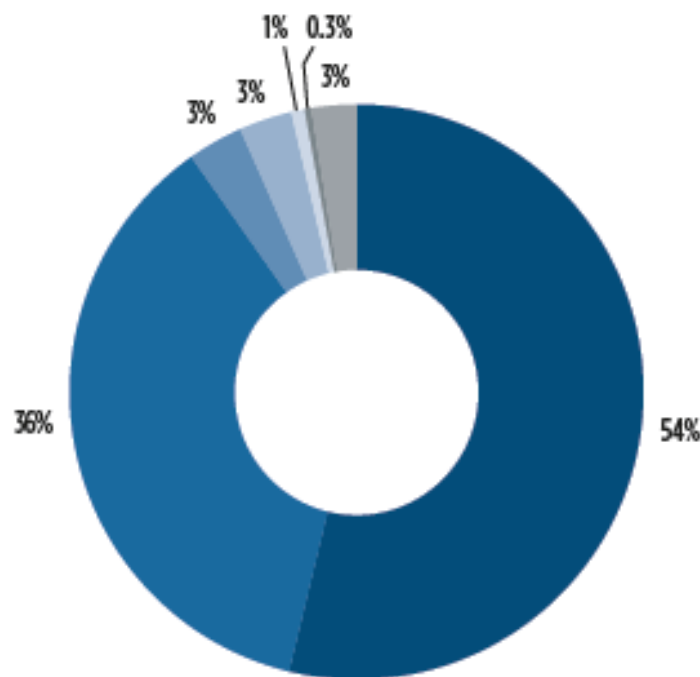
n = 1,728. Figures represent direct investments only, as of the end of 2019.

Percent of respondents



Note: Total AUM represented is USD 621 billion, which is based on the database AUM before estimating for organizations not included in the database. (See the methodology on the following page for details).
'Other' includes corporations, community development finance institutions (CDFIs), and non-governmental organizations.

Source: GIIN

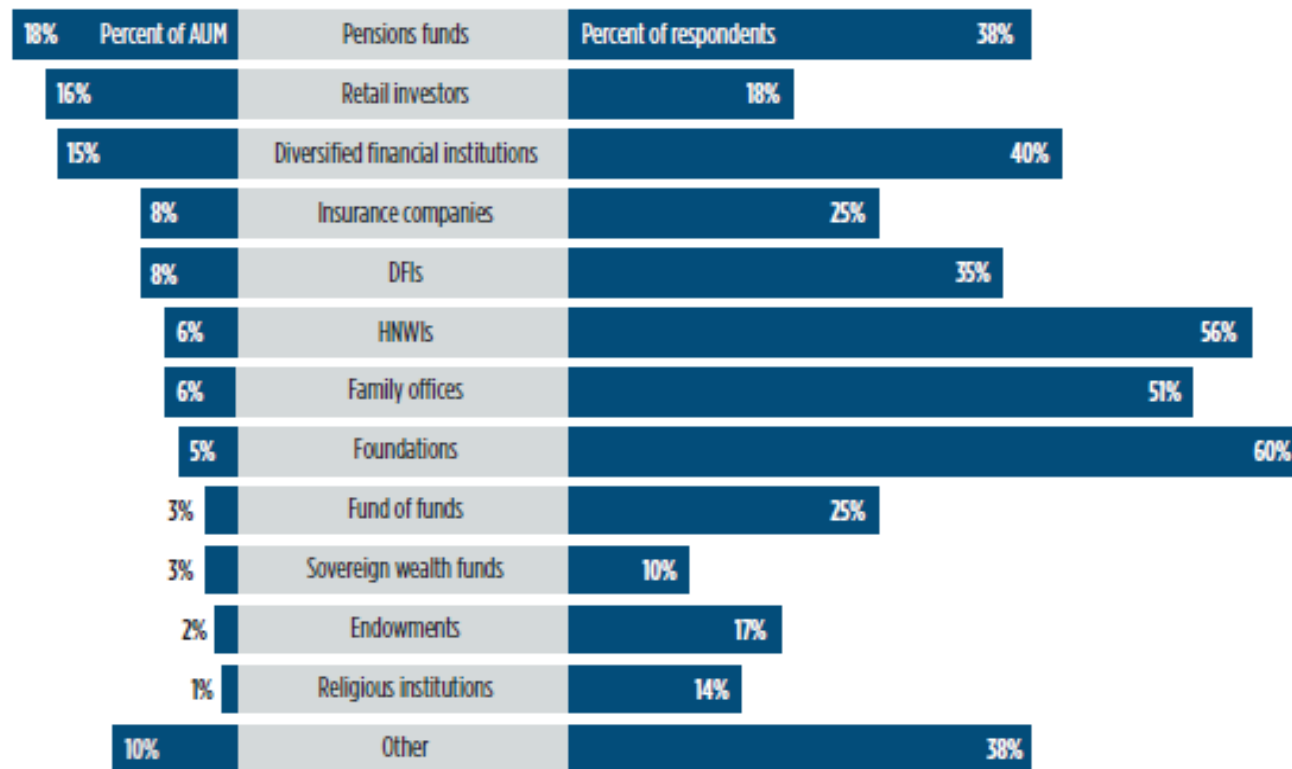


Reference: GIIN "GIIN Annual Impact Investor Survey 2020" <https://thegiin.org/research/publication/impinv-survey-2020>)

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. (<http://www.thegiin.org/>)

Both institutional and retail investors are participating in impact investing through asset managers. Pension funds account for 18% of asset managers' impact investment AUM, followed by retail investors for 16%.

Sources of capital for impact investing asset managers



Note: 'Other' sources of capital include government funding, corporations, other institutional investors, labor funds, investment consultancies, universities, and non-profit organizations. Several respondents were unable to provide a break-down that aligns with these sources of capital; these responses have also been captured in 'other.'

Source: GIIN, 2020 Annual Impact Investor Survey

Reference: GIIN "GIIN Annual Impact Investor Survey 2020 <https://thegiin.org/research/publication/impinv-survey-2020>)

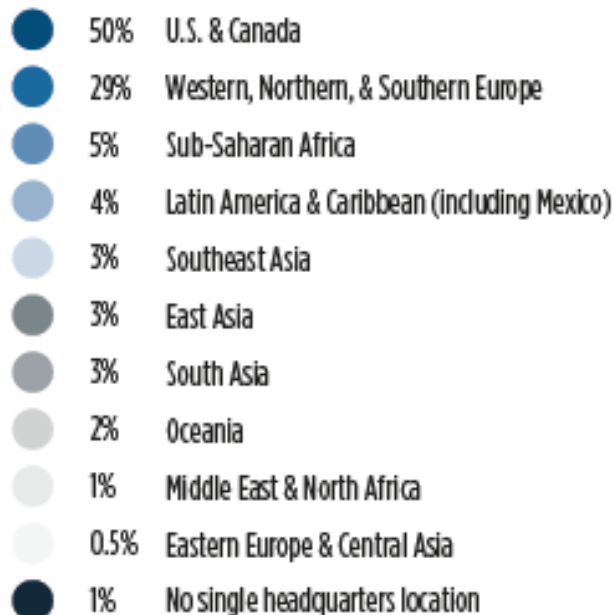
Copyright© 2020 SIIF All Rights Reserved.

50% are based in the U.S. & Canada and 29% are based in Western, Northern & Southern Europe. 9% are based in Southeast, East & South Asia.

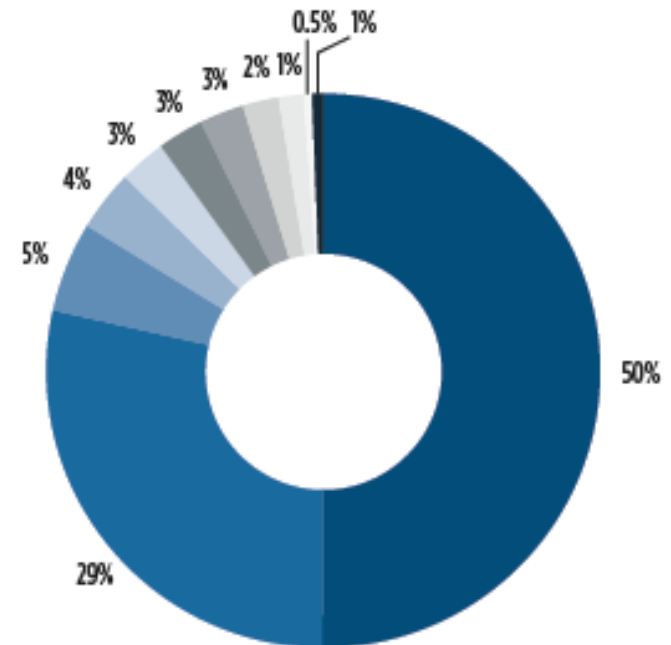
Organizations headquarters location

n = 1,419; excludes organizations for which headquarters location was unknown.

Percent of respondents



Source: GIIN

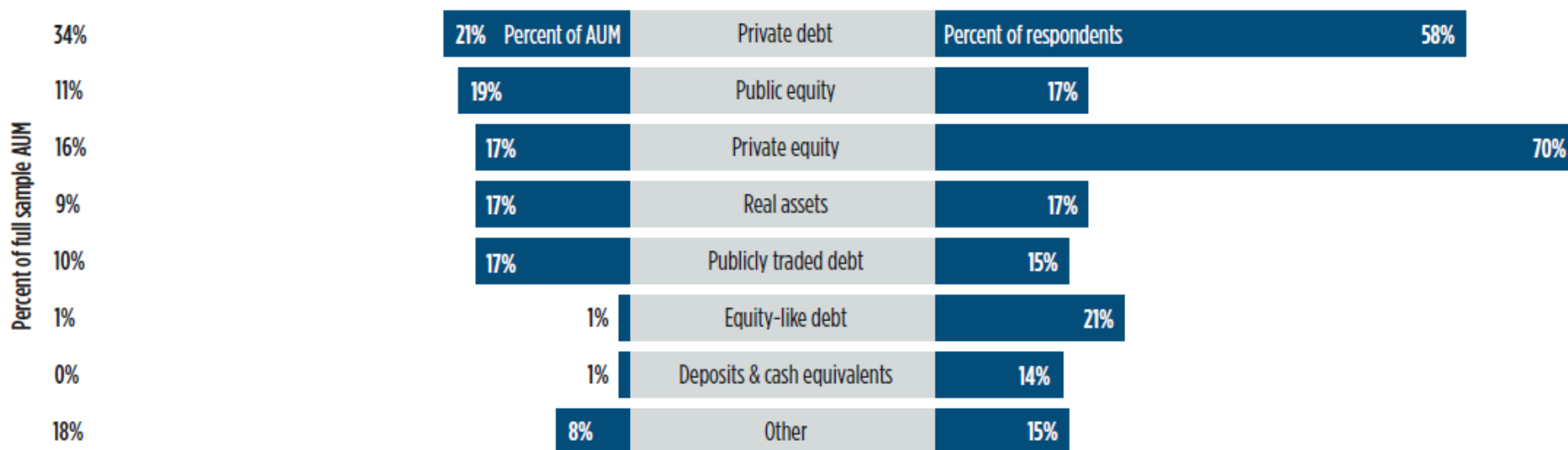


- **The majority of investments are in unlisted companies**, with private debt (21%) and private equity (17%) making up about 40% of the portfolio.
- In recent years, **investments in listed companies have been on the rise**, with public equity (19%) and publicly traded debt (17%).

Asset allocations by asset class

Left side—Percent of AUM excluding outliers; n = 289; AUM = USD 221 billion.

Right side – Percent of respondents with any allocation to each asset class; n = 294; respondents may allocate to multiple asset classes.



Note: 'Other' includes guarantees, mezzanine financing, and social outcomes contracts.

Source: GIIN, 2020 Annual Impact Investor Survey

Reference: GIIN "GIIN Annual Impact Investor Survey 2020 <https://thegiin.org/research/publication/impinv-survey-2020>)

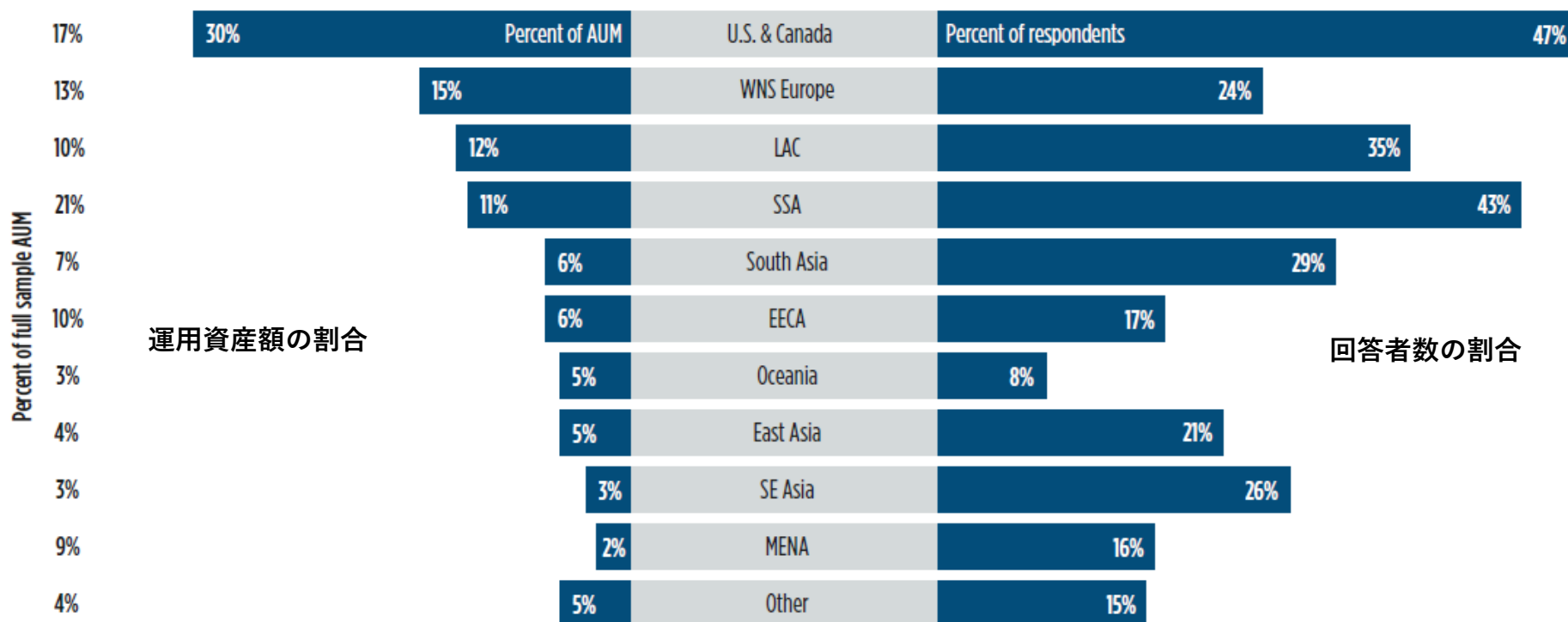
Copyright© 2020 SIIF All Rights Reserved.

Asset Allocations by Geography

- 55% of AUM are allocated to developed markets, and 40% to emerging markets.
- Respondents have the most capital allocated to the U.S. & Canada (30%), followed by WNS Europe (15%).

Left side—Percent of AUM excluding outliers; n = 289; AUM = USD 221 billion.

Right side – Percent of respondents with any allocation to each geography; n = 294; respondents may allocate to multiple geographies.



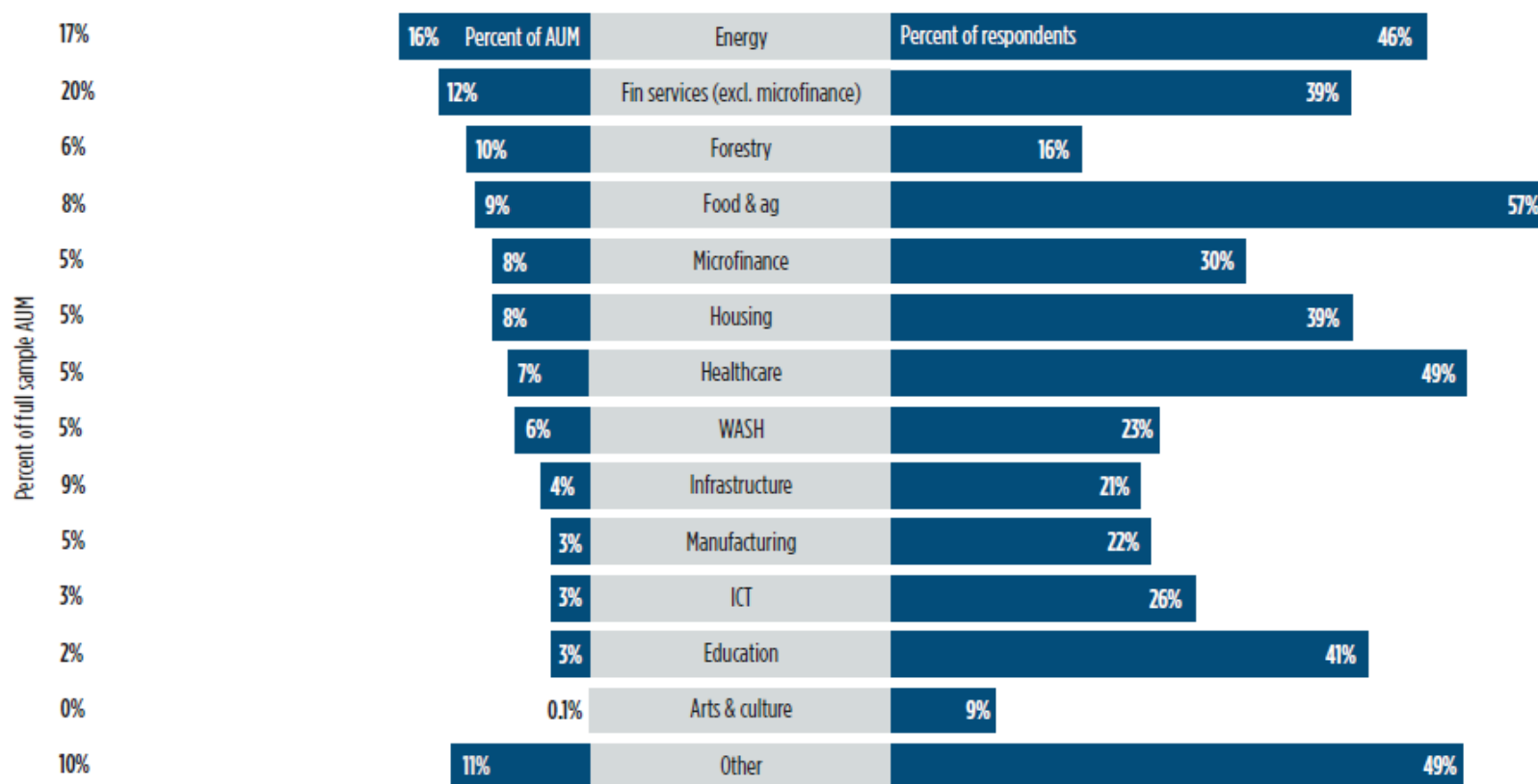
Note: 'Other' includes investments allocated globally.

Source: GIIN, 2020 Annual Impact Investor Survey

- Impact investors allocate capital across sectors. The largest sector is energy (16% of sample AUM) followed by financial services (excluding microfinance) with 12%.
- The fastest growing sectors are WASH (33% CAGR), Financial services (excluding microfinance) (30% CAGR), Healthcare 23% CAGR).

Left side—Percent of AUM excluding outliers; n = 289; AUM = USD 221 billion.

Right side – Percent of respondents with any allocation to each sector; n = 294; respondents may allocate to multiple sectors.



Note: 'Other' includes investments that did not align to these sector categories such as real estate, tourism, community development, retail, and sector agnostic investments.

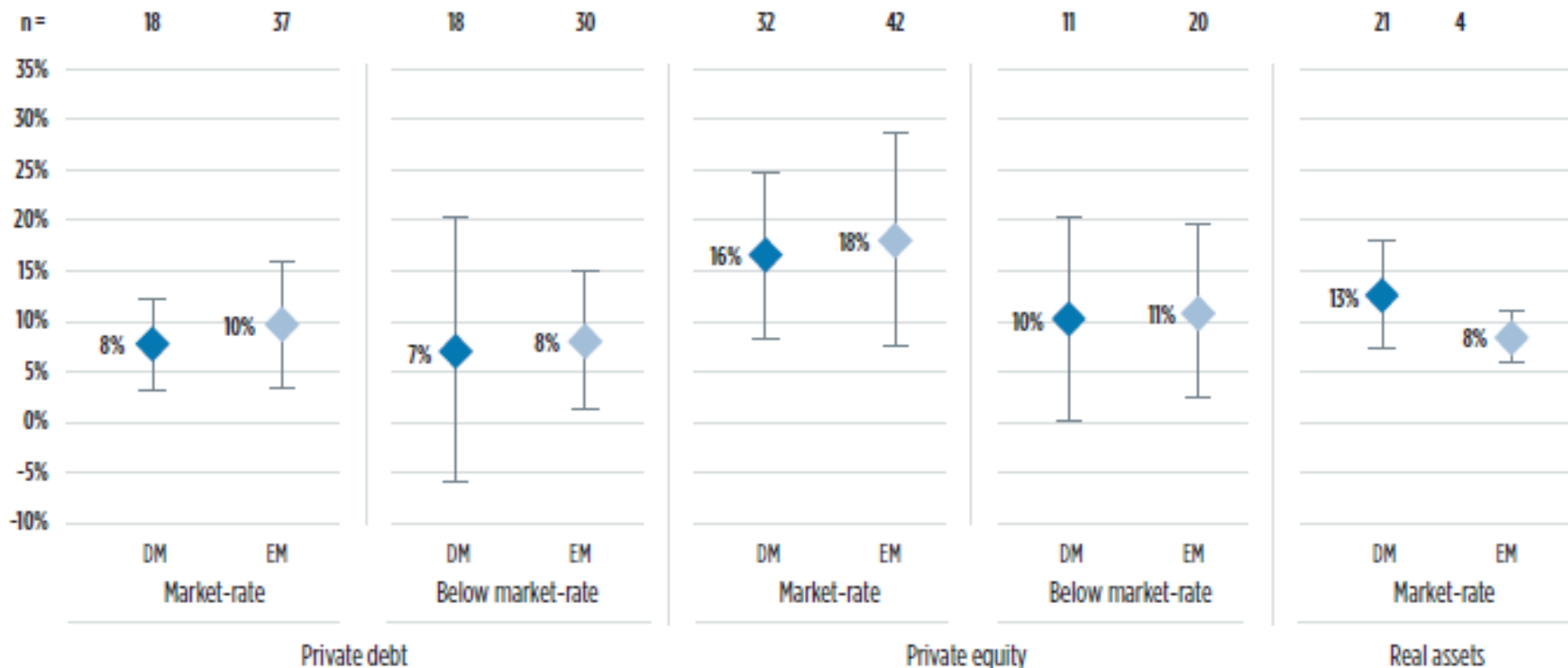
Source: GIIN, 2020 Annual Impact Investor Survey

Copyright© 2020 SIIF All Rights Reserved.

- Over two-thirds (67% of respondents) target risk-adjusted market-rate returns.
- An overwhelming majority of impact investors met or exceeded their financial expectations (88% of respondents).

Realized gross returns

Number of respondents shown above each bar; year of first impact investment ranges from 1956 – 2019, with 2011 as the median year. Averages shown beside each diamond; error bars show +/- one standard deviation.



Key trend 1: Growing Impact Investing in Public Equities

- Originally, impact investing mainly developed in private markets. Recently, impact investing activity in public markets has been growing rapidly.
- According to GIIN, the highest growth since 2015 occurred in public equity (33% CAGR), followed by real assets (21% CAGR) and publicly traded debt (16% CAGR).

n = 78. Figures in USD millions.

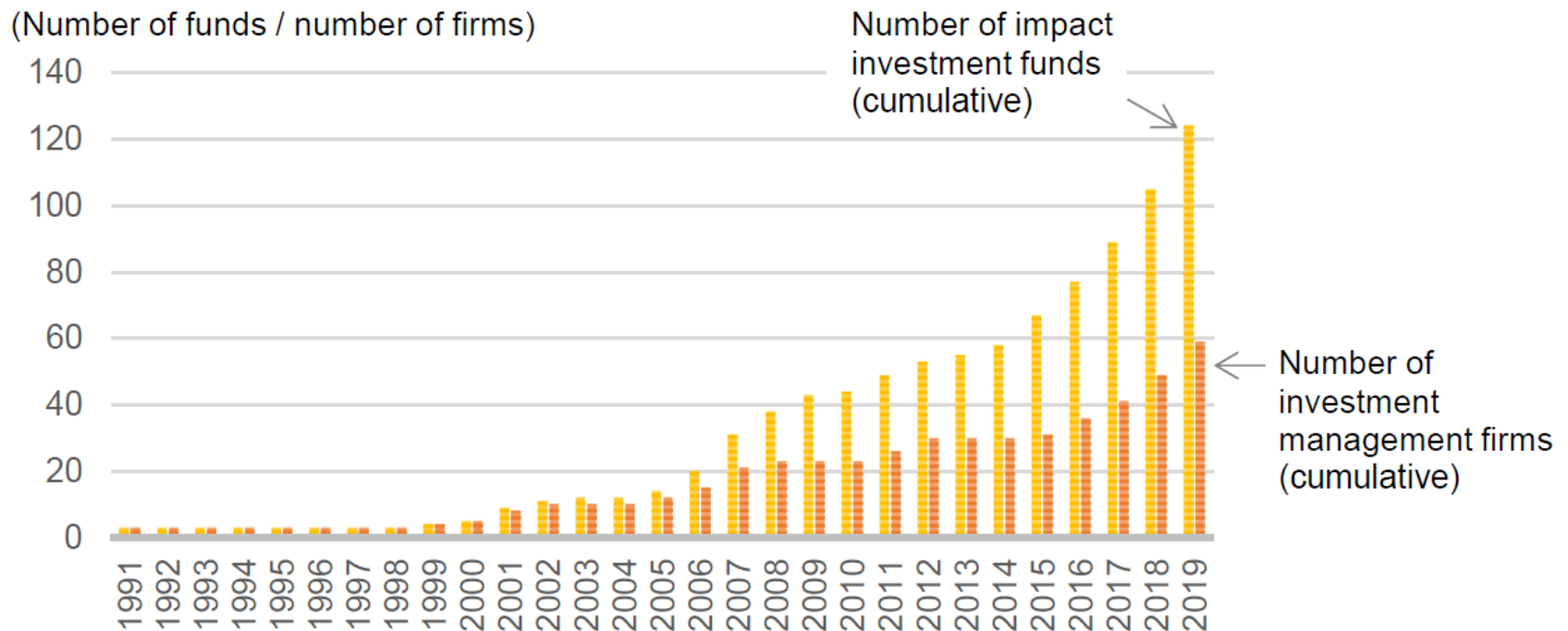
Asset class	2015	2019	CAGR
Public equity	6,420	19,968	33%
Real assets	4,532	9,762	21%
Publicly traded debt	2,513	4,476	16%
Private debt	18,851	27,600	10%
Private equity	9,938	13,831	9%
Deposits & cash equivalents	1,204	1,148	-1%
Equity-like debt	4,355	1,294	-26%
Other	137	1,884	93%
Total	47,948	79,963	14%

Note: Excludes one large outlier that significantly grew allocations to publicly traded debt (including this respondent, allocations to publicly traded debt increased by 72% CAGR). The 2016 Survey included a category for 'pay-for-performance instruments,' which have been included in 'other' for this analysis.

Source: GIIN, 2020 Annual Impact Investor Survey

Key trend 1: Growing Impact Investing in Public Equities

- Some data show that as of the end of 2019, around 60 investment managers globally offered more than 120 impact investment funds in listed equity.
- Some of the challenges in impact investing activities in listed equity investments are 1) lack of information disclosure necessary for impact measurement, 2) measuring impact on large, diversified companies, 3) engaging in impact creation, etc.



Source: Prepared by Nissay Asset Management based on the Global Impact Platform by the Phenix Capital
<<https://www.globalimpactplatform.com/>>

BlackRock Global Impact Fund was launched in March 2020 to maximize long-term total returns through active investment in global companies whose core business products or services are addressing the world's greatest social and environmental problems.

Universe Construction
(over 600 companies)

Portfolio Construction
(40-50 companies)

Engagement

Report

Impact criteria

- 1. Materiality:** A majority (greater than 50%) of revenues or business activity advances one or more of the UN SDGs or targets.
- 2. Additionality:** A company's offerings will help address a specific need that is unlikely to be met by other agents.
- 3. Measurability:** The company's impact must be quantifiable.

TOP HOLDINGS (%)

SAFARICOM PLC	3.79
BOSTON SCIENTIFIC CORPORATION	3.59
KONINKLIJKE PHILIPS NV	3.07
BANK RAKYAT INDONESIA (PERSERO) TBK PT	3.05
DANAHER CORPORATION	2.96
SUN COMMUNITIES INC	2.91
NUANCE COMMUNICATIONS INC	2.88
RAPID7 INC	2.71
TRANSALTA RENEWABLES INC	2.69
XYLEM INC (INDIANA)	2.64
Total of Portfolio	30.29

Holdings subject to change

Source: BlackRock Global Impact Fund Class Z USD July 2020 Factsheet
Portfolio breakdown information at 31 July 2020

Distribution of strategy holdings across SDGs



* Not applicable for portfolio inclusion but covered by our partnerships and engagement with impact industry practitioners, academia, and companies.
Source: BlackRock, as at 30 March 2020. Allocation ranges are subject to change. For illustrative purposes only.

Source: BlackRock (<https://www.blackrock.com/uk/intermediaries/products/313457/blackrock-global-impact-fund>)

By Eric Rice, BlackRock portfolio manager of the Global Impact Fund and Head of Active Equities Impact Investing

“A common question in the industry is: ***How exactly can investing in public equities create impact? ...***

... Through a long-term, ownership mindset, we believe impact investors in public equities create impact by:

1. providing an exit pathway for private enterprises pursuing impact;
2. supplying the capital needed for impact companies to grow;
3. engaging with companies to enhance impact outcomes;
4. increasing the visibility of undervalued impact companies, and
5. democratizing access to impact investing.”

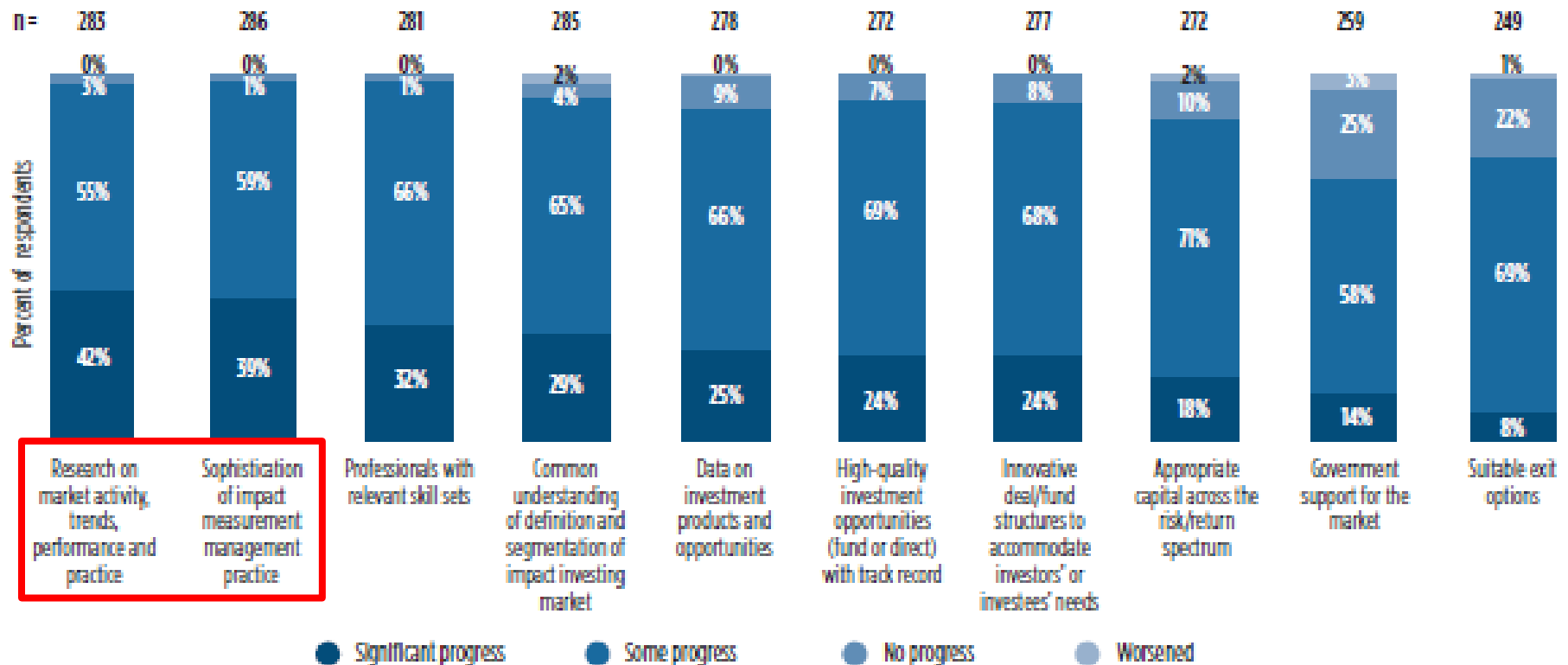
(Source: IMPACT ALPHA “BlackRock: The case for impact in public equities” September 2, 2020)

Key trend 2: Global standard setting of Impact Measurement & Management (IMM) practices

- There has been substantial progress in industry research & impact measurement and management (IMM) over the last decade.
- In GIIN's 2010 Annual Impact Investor Survey, 85% of respondents used their proprietary framework to measure impact. In 2020, 89% of respondents use external resources.

Progress over the past decade on indicators of market growth

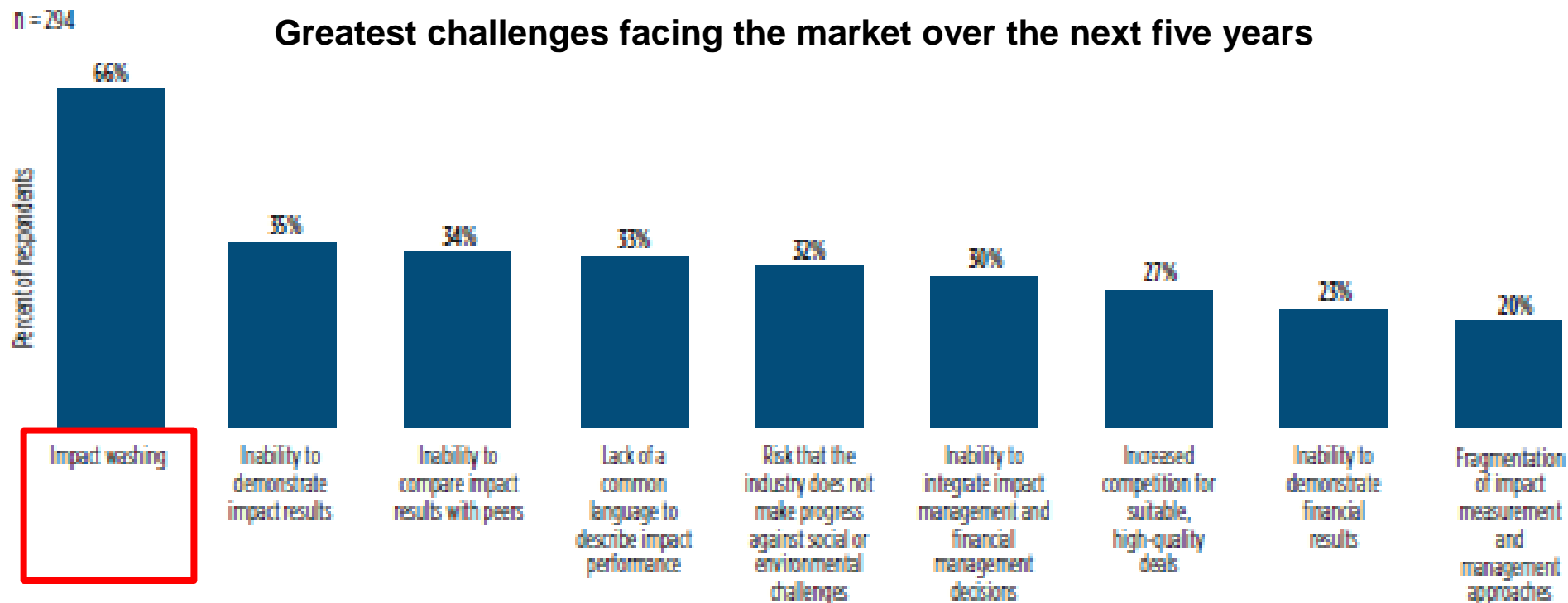
Number of respondents shown above each indicator; some respondents chose 'not sure / not applicable' and are not included. Ranked by percent selecting 'significant progress.'



Key trend 2: Global IMM standard setting

– Growing concerns about “impact washing”

- While the expansion of impact investing is welcomed, there are growing concerns about so-called "impact-washing".
- To promote sound development of impact investing, there is a movement to clarify impact investing principles as well as to develop IMM tools and frameworks.



Note: Each respondent selected three challenges. Indicators are ranked in order of the number of respondents that selected each as a challenge.

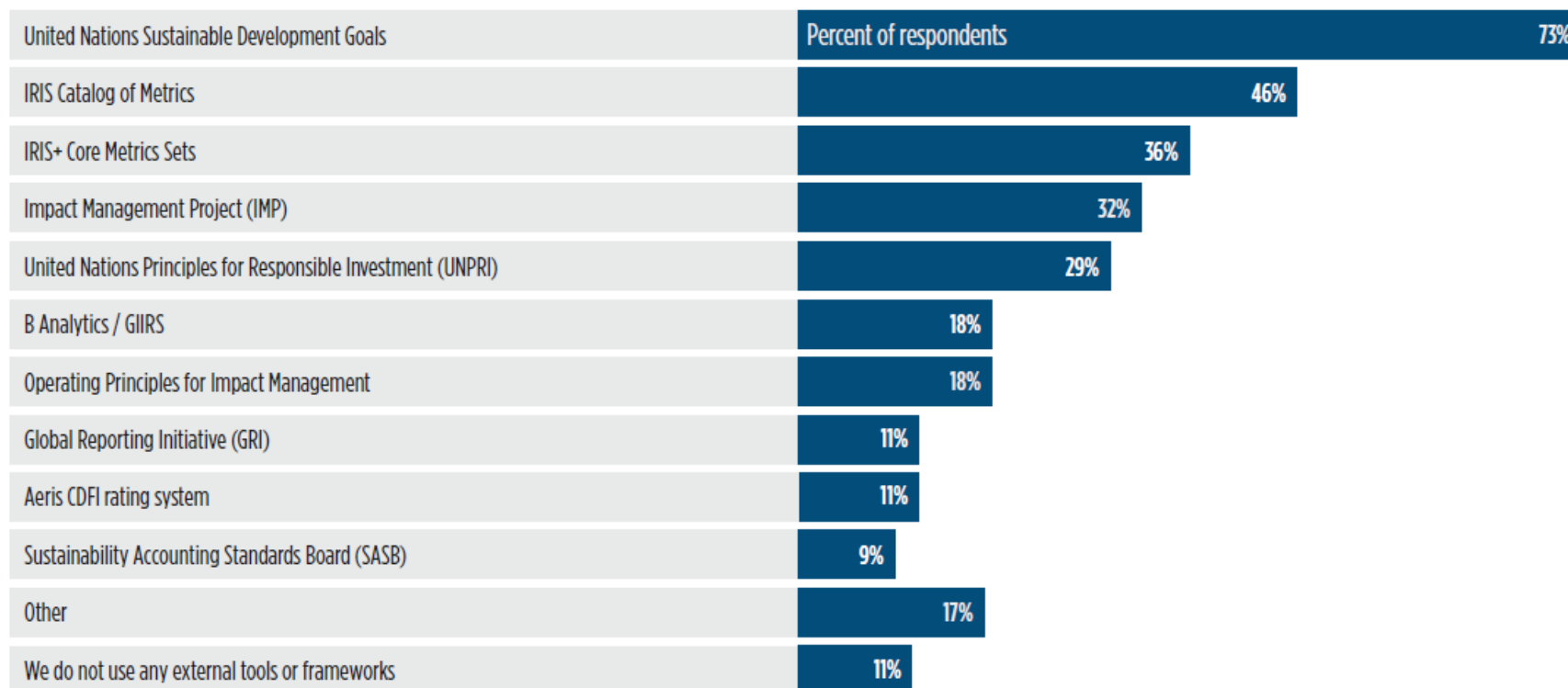
Source: GON, 2020 Annual Impact Investor Survey

Key trend 2: Global IMM standard setting

- Overall use of tools, frameworks and systems

- Most respondents (72%) use the UN SDGs, followed by GIIN's IRIS/ IRIS+ to measure and manage impact.
- The average investor uses at least three external tools and frameworks to fulfill complementary purposes (set impact goals, measure and report impact results).

Overall use of tools, frameworks and systems



Note: 'Other' includes various external tools and frameworks, both broad and sector-specific, including the Impact Multiple of Money, CERISE-SPI4, SPI4-Alinus, GRESB, TruCost, HIPS0, Lean Data's 60 Decibels, Progress out of Poverty Index, GOGILA, IPAR, and MESIS. Some respondents also described general frameworks such as theory of change or logic frameworks as well as various proprietary measurement and management systems.

Source: GIIN, 2020 Annual Impact Investor Survey

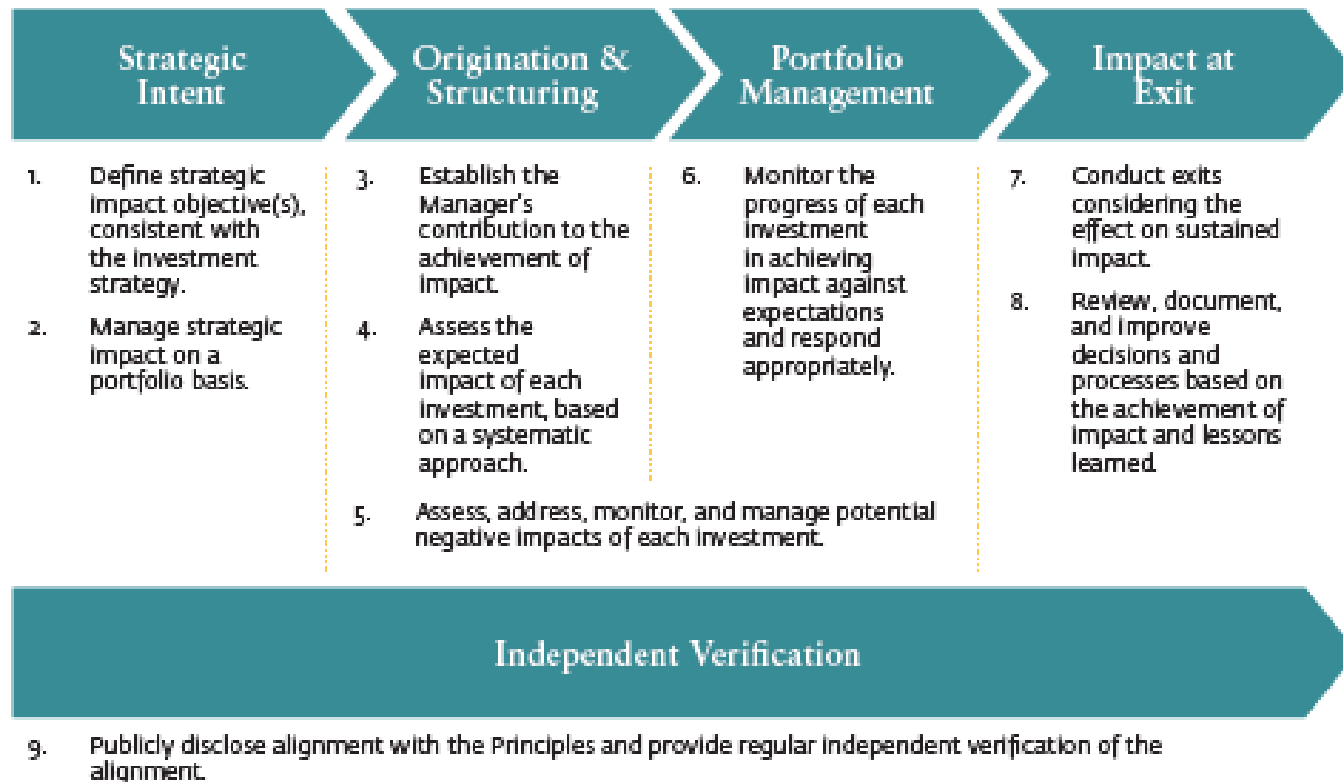
Key trend 2: Global IMM standard setting

– IFC Operating Principles for Impact Management

- The Operating Principles for Impact Management, developed by IFC and external stakeholders in 2019, establish a common discipline around the management of investments for impact.
- As of August 2020, there are 102 signatories.



INVESTING FOR IMPACT: OPERATING PRINCIPLES FOR IMPACT MANAGEMENT



Source: IFC "Investing for Impact: Operating Principles for Impact Management"

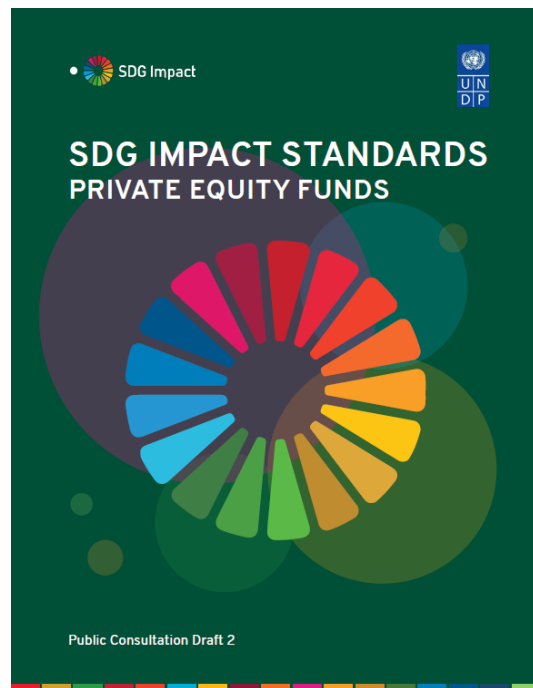
(<https://www.impactprinciples.org/signatories-reporting>)

Copyright© 2020 SIIF All Rights Reserved.

Key trend 2: Global IMM standard setting

– SDG Impact

- SDG Impact is a UNDP initiative that aims to provide investors, businesses and others with unified standards, tools, and services required to authenticate their contributions to achieving the SDGs and to identify SDG investment opportunities.



Key trend 2: Global IMM standard setting

- IRIS+ (Impact Reporting and Investment Standards)

- IRIS+ is a system for measuring, managing, and optimizing impact developed by GIIN.
- As of the end of March 2020, IRIS+ lists 594 metrics by impact theme and SDGs.



Targets 4.2

SDG Target	Aligned IRIS Metrics	IRIS+ Impact Category	IRIS+ Impact Theme
4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education	71	Education	Access to Quality Education

Sources: GIIN "IRIS+ Thematic Taxonomy" May 2019, GIIN "IRIS+ and the SDGs"

6. EDUCATION



THEME(S)

- Access to Quality Education (focus: social)

Aligns to:

- UNPRI Market Map
- IFC
- Sustainable Development Goals
- Tonic Impact Themes Framework
- WEF Dakar Framework for Action
- Navigating Impact project

Also known as:

- Quality education
- Access to education
- Education systems and upskilling
- Learning outcomes improvement

DELIVERY MODELS

Businesses or projects for the themes in this category include the following

- Early childhood development and education
- Primary and secondary schools
- Tertiary education or university
- Postgraduate, professional, and doctoral programs
- Technical and vocational education and training (TVET)
- Special education services
- Alternative schools, tools, platforms, and training programs (including employment-readiness training and services)
- Preparation for admission (e.g., exams)
- Educational materials, tools, and platforms (including ed-tech and self-teacher technologies)
- After-school and extracurricular programs
- Educational financing and scholarships
- Information and communications technology (ICT) training programs and tools (including Education Management Information Systems, or EMIS)
- Teacher training programs

DELIVERY MODELS NOT INCLUDED

- Health education (see Health)
- Agricultural technical assistance, training, or extension services (see Agriculture)
- Financial literacy (see Financial Services)

STRATEGIC GOALS

Strategic Goals under the Access to Quality Education themes are planned for future development.

Key trend 2: Global IMM standard setting

- Impact Management Project (IMP)

- IMP is a forum for building global consensus around standards in three areas:
 - 1) Processes for managing impact (practice)
 - 2) Frameworks and indicators for measuring and reporting impact (performance)
 - 3) Valuation for comparing impact (benchmarking)

16 structured network organizations



30 Advisor organizations

2000+ Practitioner Community organizations

Five dimensions of impact

Enterprises and investors can assess their impact performance by assessing and reporting 15 categories of data

IMPACT DIMENSION

IMPACT CATEGORY

WHAT

1. Outcome in period
2. Importance of the outcome to stakeholder
3. Outcome threshold
4. SDGs and SDG targets

WHO

5. Stakeholder
6. Geographical boundary
7. Baseline
8. Stakeholder characteristics

HOW MUCH

9. Scale
10. Depth
11. Duration

CONTRIBUTION

12. Depth
13. Duration

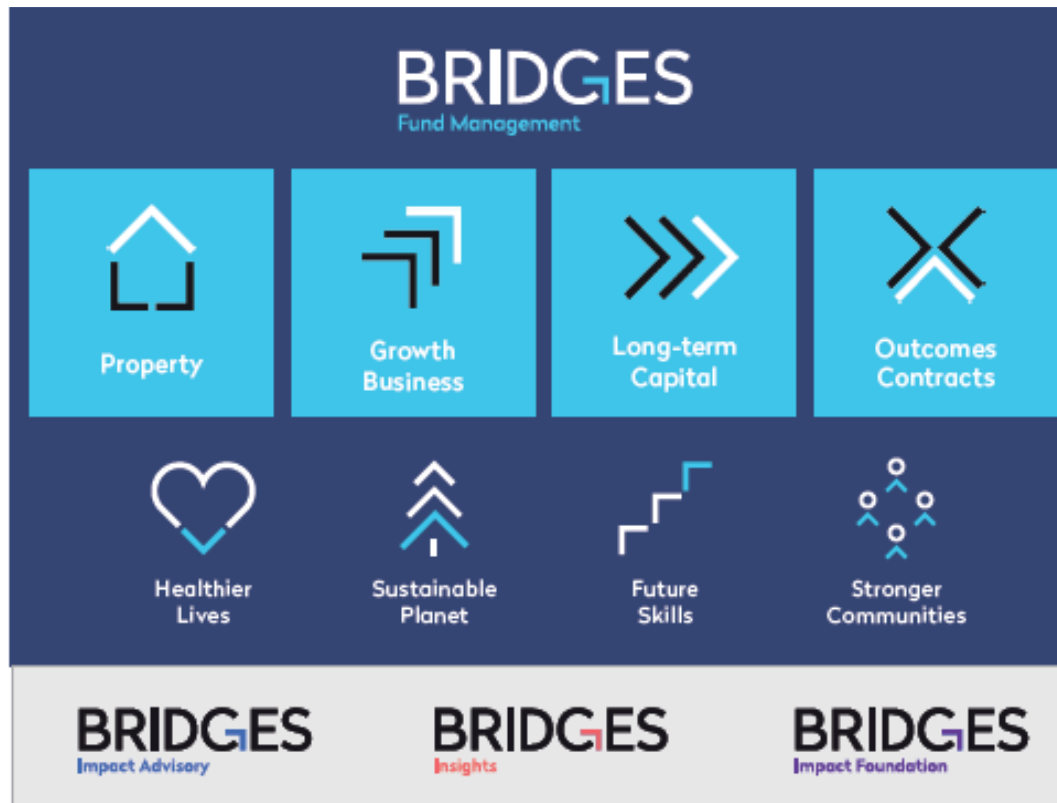
Accounting for the counterfactual

RISK

14. Type of risk
15. Level of risk

Case Study (Private Equity): Bridges Funds Management (1)

- A pioneering impact investment management firm founded in the UK in 2002.
- An extensive track record of achieving both financial returns and impact.
- Raised £1 billion from pensions, banks and other financial institutions.



£1bn
Capital raised

160+
Portfolio
investments

Source: Bridges Funds Management “Annual Report 2018-2019”

Case Study (Private Equity): Bridges Funds Management (2)

The company manages portfolios under four investment strategies, with different investment schemes and target financial returns, etc.

Fund name	Bridges Sustainable Growth Fund I - IV	Bridges Property Funds I - II	Bridges Evergreen Holdings	Social Outcomes Fund I - II
Capital raised	£ 321m	£ 508m	£ 51m	£ 32m (committed in projects)
Investment schemes	Private equity	Private equity	Private equity/ debt (flexible long-term investment)	Working capital for social outcomes contracts commissioned by the government
Investees	41 growth companies with a positive impact e.g. Affordable gym, healthy school meals	50 property investments e.g. Accommodation for the elderly, small offices on flexible terms	4 social mission-led businesses e.g. Employee-owned elderly care provider, affordable housing	Over 40 projects e.g. Children's services, homelessness, youth employment and health care etc.
Exit	Trade sales, secondary buyouts, IPO	Trade sales, secondary buyouts, IPO	Dividends, loan interests etc.	Outcome-based payment by the government

Bridges Funds Management made improvements to their impact measurement and management methodology by incorporating the norms agreed via IMP.

1. Fund-level outcome goals

Based on **IMP's impact classifications framework**, Bridges clarified its Sustainable Growth Fund IV's goal to focus on investees with businesses that "Contribute to solutions" for society and/or the planet while engaging actively and participating in new or previously overlooked opportunities.

2. Targeted outcome-based sourcing

Bridges developed thematic sourcing by reviewing **169 SDG targets** and identifying the areas where the private market solutions were most likely to generate positive change.

3. Common impact criteria

Bridges uses **IMP's five dimensions of impact and 15 data categories** to score each investee for making investment decisions and engaging actively during their holding period.

		IMPACT OF UNDERLYING ASSETS / ENTERPRISES			
		A	B	C	
		Act to avoid harm	Benefit stakeholders	Contribute to solutions	
INVESTOR'S CONTRIBUTION	1	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Ethical bond fund	E.g. Positively-screened / best-in-class ESG fund	E.g. Sovereign-backed bonds (secondary market) funding vaccine delivery to understand people or renewable energy projects
	2	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Shareholder activist fund	E.g. Positively-screened / best-in-class ESG fund using deep shareholder engagement to improve performance	E.g. Public or private equity fund selecting and engaging with businesses that have a significant effect on education and health for underserved people
	3	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Anchor investment in a negatively-screened real estate fund in a frontier market	E.g. Positively-screened infrastructure fund in a frontier market	E.g. Bond fund anchoring primary issuances by businesses that have a significant effect on environmental sustainability, access to clean water and sanitation
	4	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Investment archetypes not yet defined	E.g. Positively-screened private equity fund making anchor investments in frontier markets	E.g. Private equity fund making anchor investments in businesses that have a significant effect on income and employment for underserved people
	5	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Investment archetypes not yet defined	Investment archetypes not yet defined	E.g. Below-market charity bonds, or an unsecured debt fund focused on businesses that have a significant effect on employment for underserved people
	6	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Investment archetypes not yet defined	Investment archetypes not yet defined	E.g. Patient VC fund providing anchor investment and active engagement to businesses that have a significant effect on energy access for underserved people

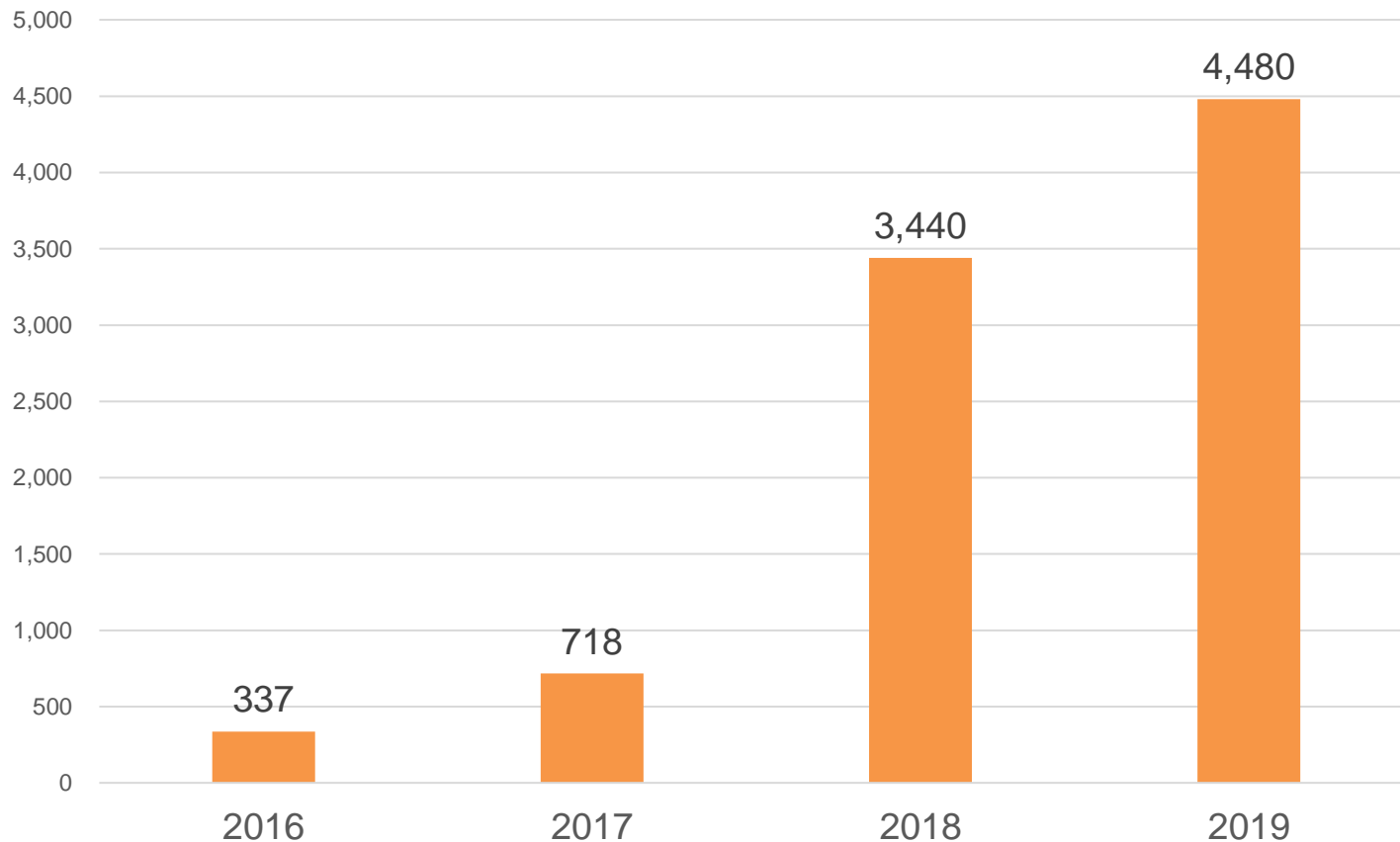
1. What is impact investing?
2. Global impact investing trends
- 3. Japan specific impact investing trends**
4. Way forward

The Current State of Impact Investing in Japan

A 2019 survey by the GSG Japan National Advisory Board confirmed that respondents collectively managed USD 4,480 million impact investing assets.

(JPY 100 million/
approx. USD million)

Impact investing assets managed by the respondents



Source: GSG Japan National Advisory Board “The Current State of Impact Investing in Japan”
(http://impactinvestment.jp/doc/State-of-Impact-Investing-Japan_GSG-2019_0611.pdf)

Key trend 1: Further participation by mainstream financial institutions (1)

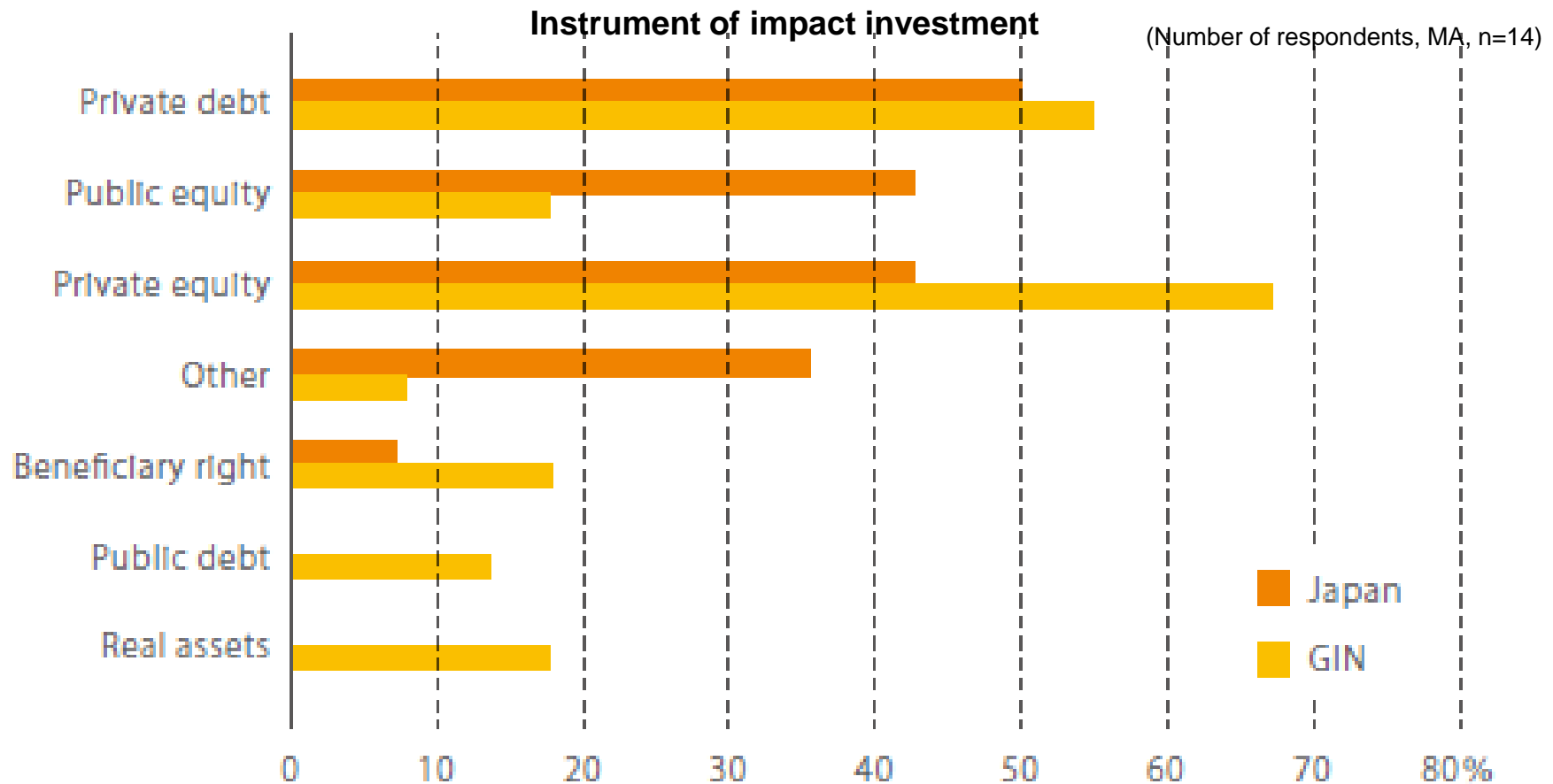
Impact Investors in Japan confirmed through the 2019 GSG Japan NAB investors' survey

*Green: new from 2019

Type	Organization Name	Examples of Impact Investing (not exhaustive)
Governmental fin. institutions	Japan International Cooperation Agency	Investments and loans to overseas microfinance and other projects, Japan ASEAN Women Empowerment Fund
Asset Managers	Asset Management One	Japan Equity Impact Investing
	Sumitomo Mitsui Trust Asset Management	Japanese equity SRI Fund
	Kamakura Investment Management	Publicly Offered Investment Trust "Yui 2101"
	Nomura Asset Management	Nomura ACI Advance Medical Impact Fund
Banks	Mizuho Bank	Social Impact Bond (SIB) for colon cancer screening promotion, Japan Impact Investment II Limited Partnership
	Sumitomo Mitsui Banking Corporation	SIB for severe diabetic nephropathy prevention
Regional fin. institutions	Hida Credit Association	Loans to companies which aim to solve social issues
Insurance companies	The Dai-ichi Life Insurance Company	Investments in renewable energy projects, ventures which aim to solve social issues and SIB
Venture Capitals	Shinsei Corporate Investment	Japan Impact Investment I & II Limited Partnership
	Digisearch and Advertising	SIB for colon cancer screening promotion, revenue share fund
Foundations	Japan Social Innovation and Investment Foundation (SIIF)	Japan Impact Investment II Limited Partnership, SIBs, impact investing intermediaries
	Sasakawa Peace Foundation	Investments in Blue Orchard Micro Finance Fund, Japan ASEAN Women Empowerment Fund
Impact investing firms	KIBOW Foundation	Investments in ventures which aim to solve social issues through KIBOW Shakai Toshi Fund
	Plus Social Investment	SIBs
Others	Hitachi Capital Corporation	Green bond
	Nanto Lease	Nanto Regional Vitality Creation Support Investment Limited Partnership

Key trend 1: Further participation by mainstream financial institutions (2)

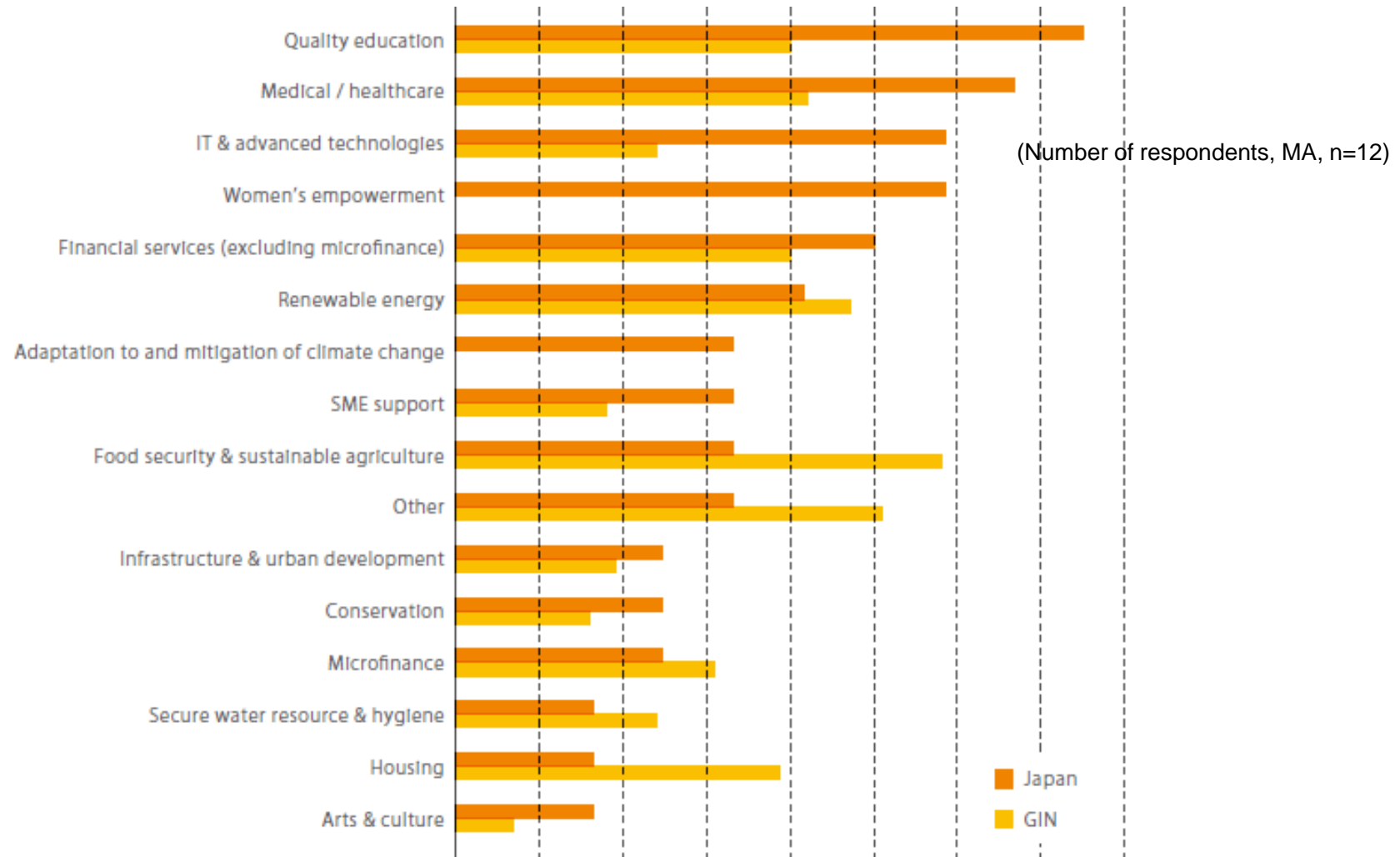
- Compared to global investors, % of Japanese investors who invest in public equity is much higher while % of Japanese investors who invest in private equity is much lower.
- This may be because in Japan, mainstream asset managers are developing their interests faster than VCs given the continued growth of ESG investments.



Source: GSG Japan National Advisory Board "The Current State of Impact Investing in Japan"

* The GIIN survey allowed for multiple answers, n=261

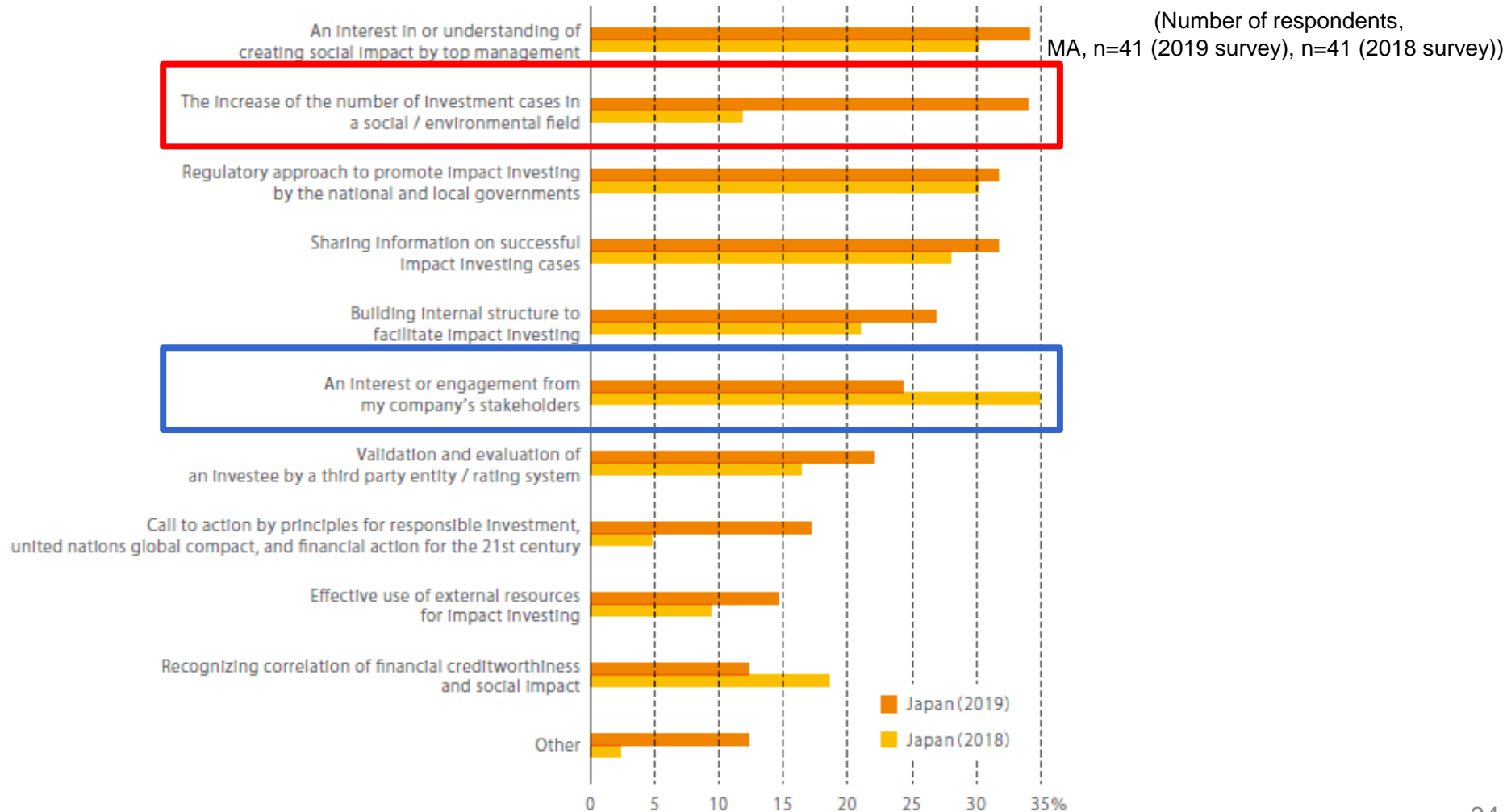
- The majority of investments are in education, health care, IT and women's empowerment.
- Compared to global investments, there are fewer investments in agriculture and housing.



Source: GSG Japan National Advisory Board "The Current State of Impact Investing in Japan"

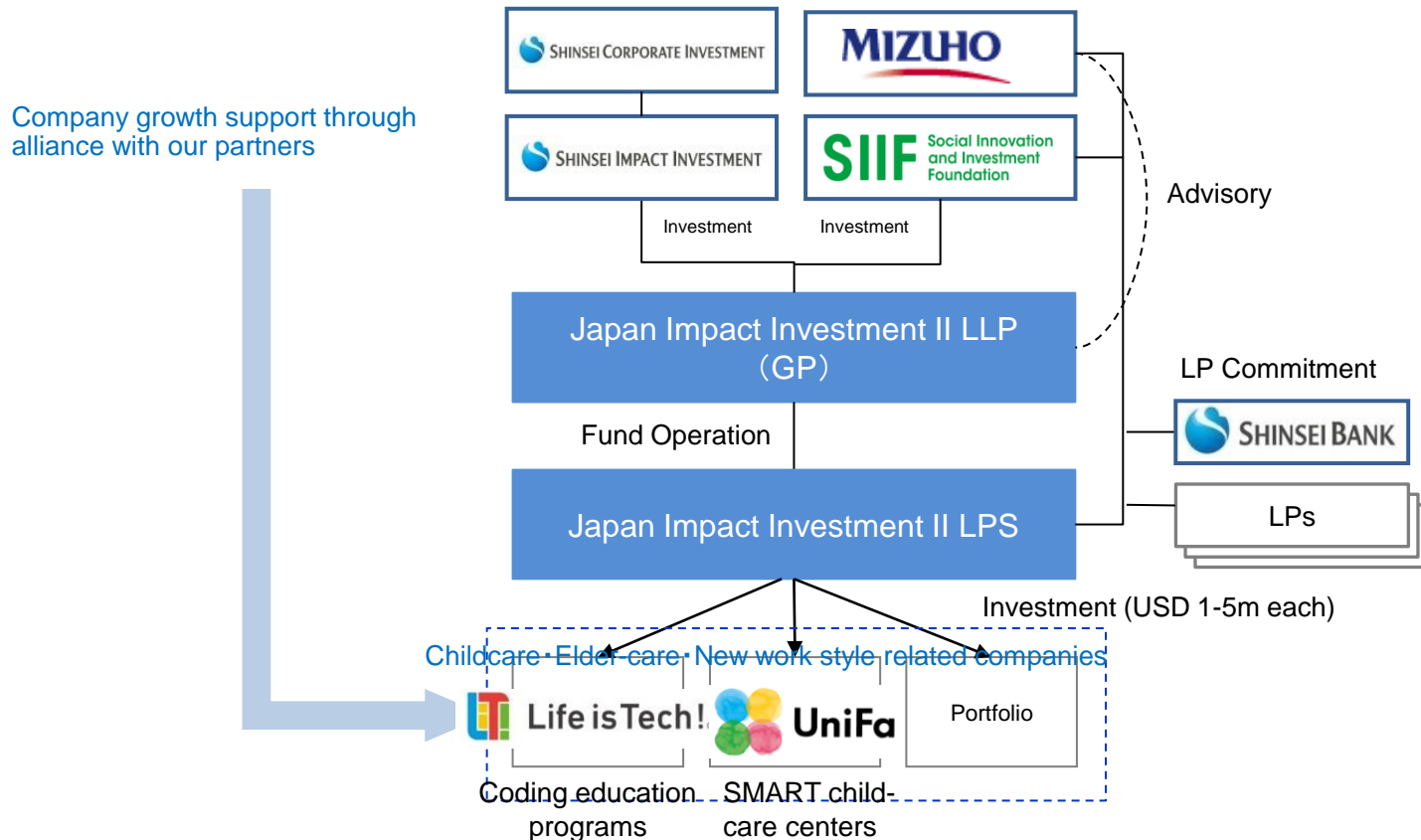
Conditions to engage more in impact investing

- “Increase in investment opportunities” became the highest by significantly increasing from 2018.
- “Engagement from my company’s stakeholders”, the highest in 2018, significantly decreased.
- Japanese investors may be moving from the awareness-raising phase to implementation phase.



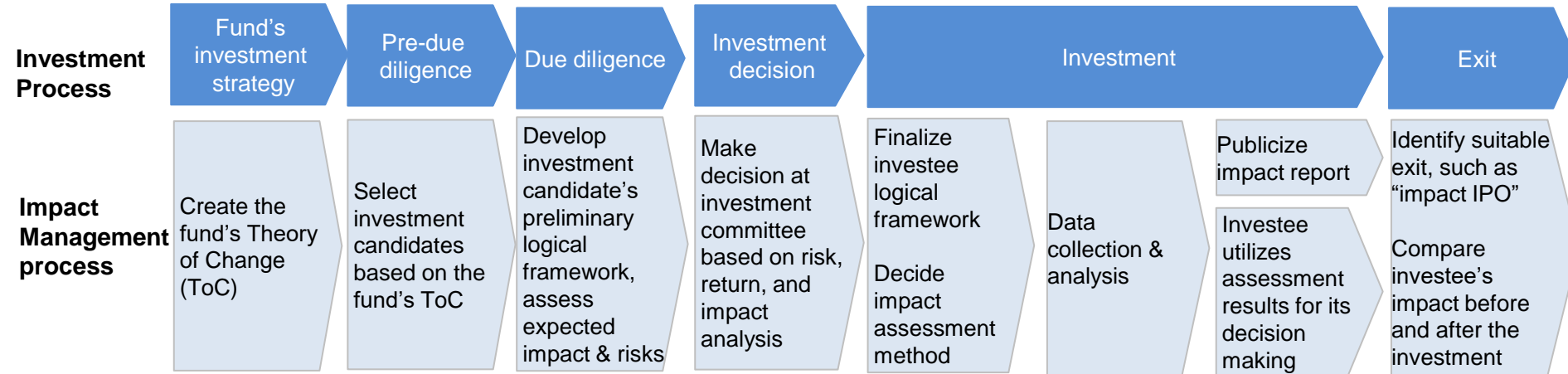
Case Study (Private Equity) : Hataraku Fund (Japan Impact Investment Fund II)

- Hataraku Fund is the only impact investment fund (private equity) in Japan managed and invested by mainstream financial institutions.
- Establishment: June 2019
- Fund size: 2nd close about USD 24m*
*JPY to USD conversion rate = 0.0094 (As of 24 June 2020)
- Investment scope: Early-to-later stage companies engaged in **childcare, elder-care, new work style** etc.

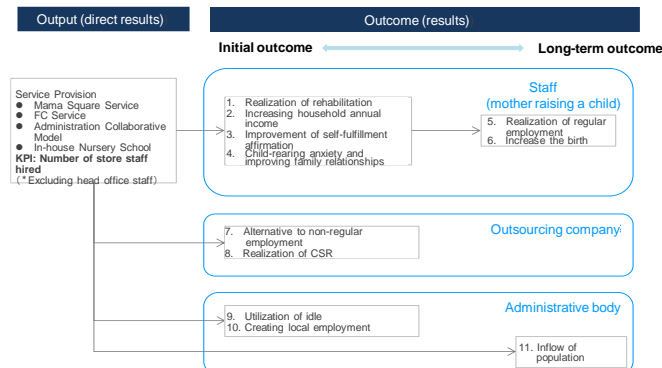


Case Study (Private Equity) : Hataraku Fund – Impact Management Process

- Impact measurement and management (IMM) is integrated into the fund management through out the investment process.



(Theory of Change of the fund)



(Image of logical framework of investee)

【2019 activity highlights】








	Fund total of approximately 2.6 billion yen		More than 22 media listings
	8 Limited Partnership (LP) investors		Event sponsor on 3 occasions
	Setting a fund change hypothesis (Theory of Change)		On 17 Occasions
	2 Investee Companies		Participating in an impact investment promotion group
	480,000 main beneficiaries through the businesses of the companies in which they invest		1 award

(Image of an impact report)

Case Study (Public market): Nomura Asset Management's Impact Investment Funds

Nomura Asset Management is promoting product development using pilot funds and improve access to impact investment.

An example of Nomura Asset Management's impact investment fund

Classification	Topic	Fund Name	Contribution to SDGs
	Domestic Stocks	Nomura Social Value Creation Corporate Fund	
	Foreign stocks	Nomura Global Sustainable Equity Strategy	
	Bonds	Bond ESG Investment Fund	
	Advanced Medicine	Nomura ACI Advanced Medical Impact Fund	
	Active participation by women	NEXT FUNDS MSCI Japan Empowering Women (Select) Index ETF Fund <<nicknamed>> Japan Empowering Women ETF	
	Working environment (Improving work environ)	Nomura Japan Workable Company Strategic Fund	
	Blue Economy	Blue economy fund (plan)	

Source: Toshiyuki Imamura, Responsible Investment Research Department, Nomura Asset Management “CFA Society Japan 5-part Lecture Series 3rd Lecture: Impact Investment from the Perspective of the Capital Market” July 14, 2020

Case Study (Public market): Nomura Asset Management's Impact Investment Framework

Setting Definable Impact Goals in line with NAM's ESG statement	Environment		Society			
	Climate change	Natural capital	Healthcare problems		The basic rights that should be guaranteed to people	
Impact goal defined	Mitigate Climate Change: Keep global warming to below 2°C	Mitigate Natural Capital Depletion	Mitigate the Obesity Epidemic	Eliminate Communicable Disease	Global Access to Basic Financial Services	Global Access to Clean Drinking Water
Monitorable indicators	Global Renewable Energy Output Atmospheric CO ₂ Levels Global Carbon Emissions per Capita	Material Consumption per Capita Global Annual Tree Cover Loss	Obesity related Death Rate (CV, cancer, diabetes or chronic respiratory)	Deaths due to HIV, TB and Malaria	Percentage of Low Income Population with Access to Banking	Percentage of Global Population with Access to Safe Drinking Water
Identifying the investment areas	Renewable plant developers	Achieve the sustainable management and efficient use of raw materials	Pharmaceutical business		FinTech payment businesses	Providing water and sewage businesses
	Technology manufacturers		Healthcare value chain including MedTech Companies		Lenders to lower socio economic	
	Electric vehicle OEMs					
	Construction and management of efficient building					
Link with SDGs topics						
Individual companies' KPI						
Engagement with portfolio companies	Portfolio companies					

Nonmuta Asset Management's approach to Impact Investing

Portfolio construction/Investment process

Source: Nomura Asset Management

Source: Toshiyuki Imamura, Responsible Investment Research Department, Nomura Asset Management “CFA Society Japan 5-part Lecture Series 3rd Lecture: Impact Investment from the Perspective of the Capital Market” July 14, 2020

1. Establishing "Impact Goals":

- Define desired social and environmental outcomes, and share with stakeholders (investors)

2. Establishing main impact monitorable indicators:

- Simplify quantitative measurement of progress toward “impact goals”

3. Identifying the investment areas:

- Clarify the relationship between impact goals and investee companies

4. Relate with SDGs topics:

- Reaffirm its connection to international goals

5. Establishing individual companies' KPI (CPI):

- Quantitatively measure the contribution of each company

6. Engagement:

- Work with corporations to strengthen their efforts and ensure that CPI is achieved

7. Issuing Impact Report:

- Visualization of overall progress

Key trend 2: The Japanese Government's Rising Interests

The Japanese government is starting to promote impact investing under various context.

	Prime Minister/ Cabinet Office	Ministry of Foreign Affairs	Financial Services Agency	Ministry of Environment
	For Japan's international leadership, especially in achieving SDGs		For Japan's sustainable growth	For tackling climate and other environmental issues
2019	Osaka G20 “impact investing” for SDGs in PM's speech, the Final Declaration (June)	Innovative Financing for SDGs Committee (tentative) launched (July)	(Has been actively promoting ESG and SDGs investments)	(Has been actively promoting ESG investments, especially green bonds)
2020		The Committee made policy recommendations for the government to promote impact investing (July)	FSA and GSG Japan NAB co-launched “ Impact Investment Roundtable ” with 35 representatives from various financial institutions and others (June)	Launched Positive Impact Finance Taskforce (April) Issued “Basic Principles of Impact Finance (tentative)” (July)



1. What is impact investing?
2. Global impact investing trends
3. Japan specific impact investing trends
- 4. Way forward**

- The GSG Japan National Advisory Board (NAB) proposes the following 8 actions as efforts necessary to realize an impact investing ecosystem in Japan.



Efforts necessary to establish an ecosystem for impact investing

- 1 Improving investment literacy
- 2 Expanding financial products and financing channels
- 3 Enhancing the provision of information to investors and promoting changes in investors' behavior
- 4 Creating opportunities for entities to grow and enhancing organizations and institutions that support them
- 5 Establishing and spreading methods of social impact measurement
- 6 Enhancing conceptualization of impact investing and maintaining its quality
- 7 Creating a framework for social implementation and dissemination
- 8 Enhancing links among various players and promoting community building

Discussion Purpose Only

【CFA Society Japan 5-serial Webinar】

Impact Investing～

The New Financial Paradigm of Risk・Return・Impact

The 2nd Session: Impact Investment Techniques and Case Studies
～Social Impact Bond～



June, 2020

Mizuho Bank

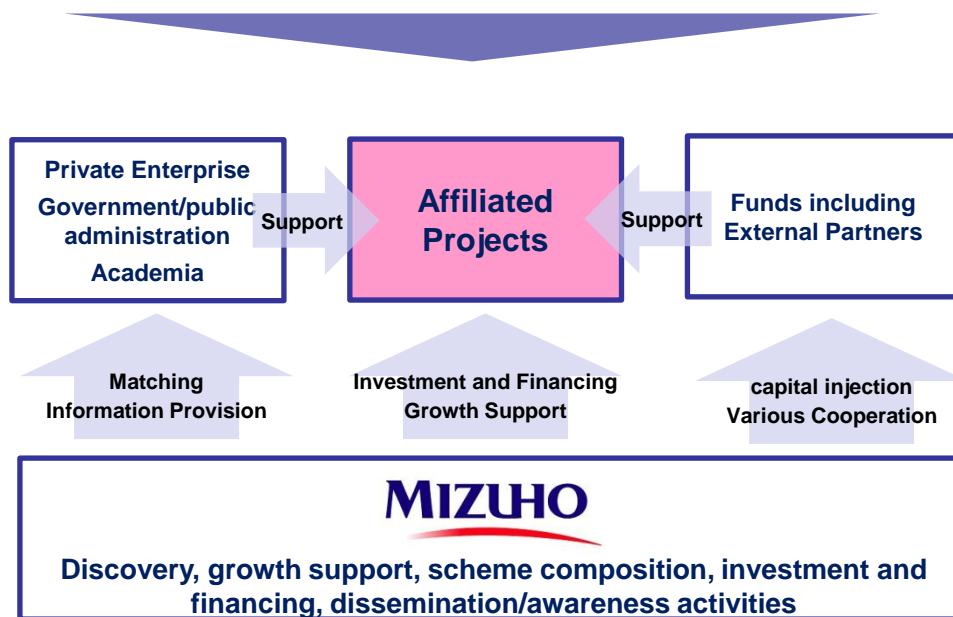
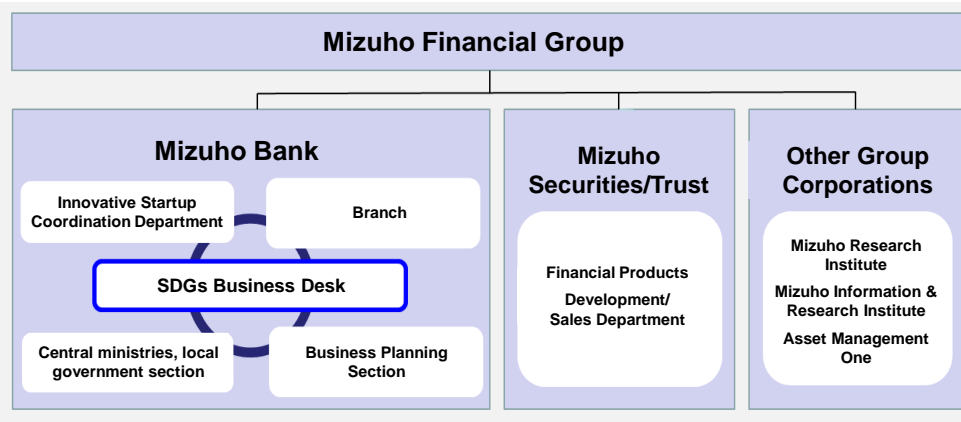
SDGs Business Desk



Introduction: SDGs Business Desk



Japan's first one-stop service function



Forbes Japan, June 2019 Issue

To build an ecosystem for the realization of SDGs

Mizuho Bank established the "SDGs Business Desk" with the goal of utilizing innovation to promote economic growth and resolve social issues. In July 2017, it was motivated by the participation in Japan's first "Social Impact Bond (SIB)," which is the project to improve the consultation rate for colorectal cancer screening in Hachioji.

"We observed the creation of social impact through an innovative social problem-solving business while utilizing private-sector funding and know-how. We're convinced that innovation can solve both economic growth and social activities," said Desk Manager Mr. Sueyoshi. For this reason, it is necessary to build an ecosystem that provides support and funds necessary for discovering, training, and problem solving of social innovators to address social issues, and returns the social benefits generated from it to fund providers.

Even in Japan, due to the spread of the Sustainable Development Goals (SDGs) defined by the United Nations, there is an increasing number of businesses and initiatives aimed at solving social issues through various business formats, such as the promotion of SDGs by entrepreneurs and large corporations engaged in social businesses, and the efforts of governments, ministries, and local governments to coordinate public and



private sectors. Accordingly, each business is accumulating knowledge and experience. When considering "market expansion" to address social issues and economic growth due to the expansion of social impact, it is critical to create a more collaborative network and ecosystem.

Business Desk aims to build an "SDGs/Social Industry Development Ecosystem" that is dedicated to entrepreneurial growth support, provision of funding, and public-private partnerships to increase the number of people who can sympathize with "the idea of an ecosystem that solves social issues" as "your own".

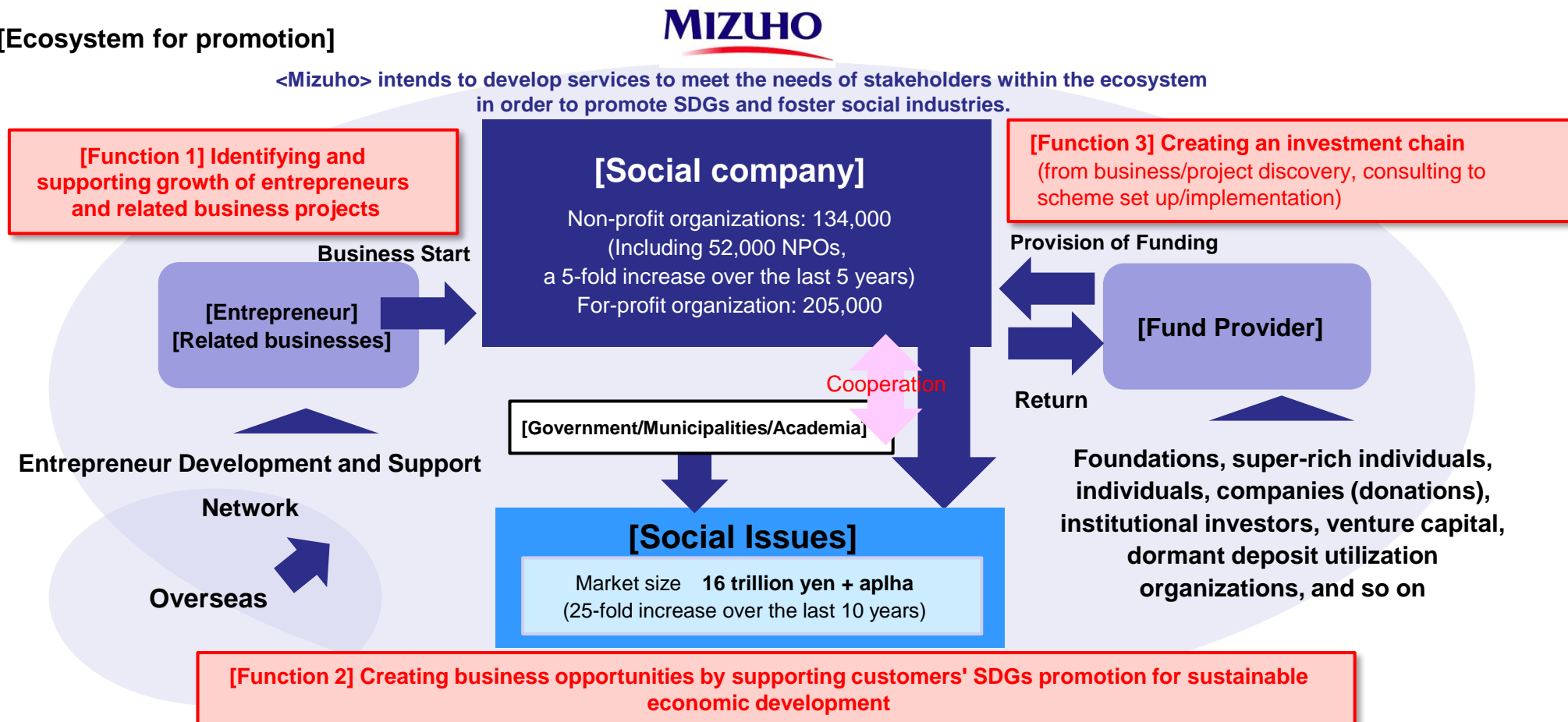
"We would like to contribute to the creation of an ecosystem by utilizing the trust and networks that we have cultivated as a bank for 150 years." (Sueyoshi)

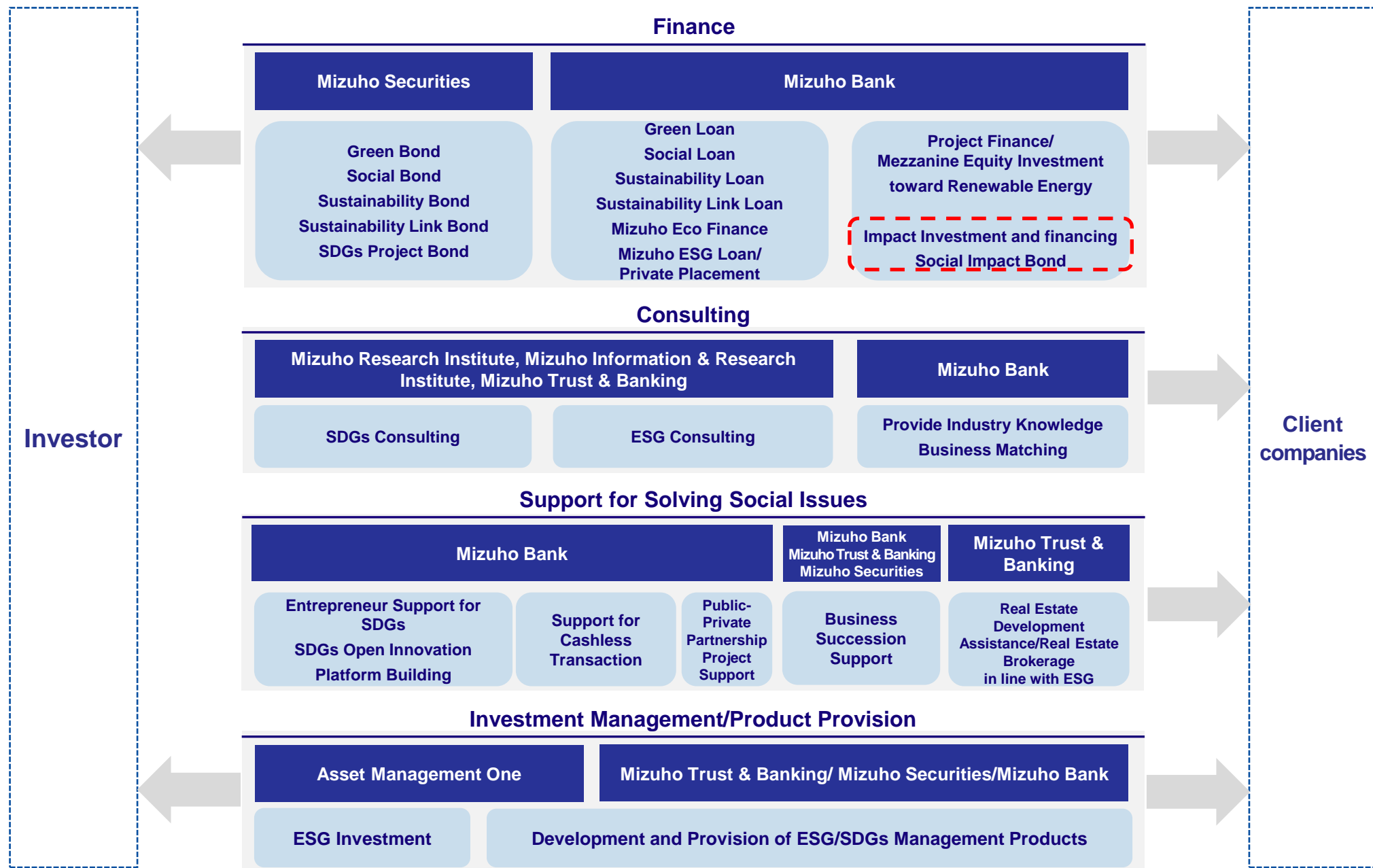


- Traditionally, there has been minimal funding for efforts related to SDGs/ESG at each stage, and it is limited to donations and ESG investment for listed companies.
- Established a support system covering the entire ecosystem and started efforts to promote SDGs/ESG for customers and support for social enterprises

Desk Function

1. Identifying and supporting growth of entrepreneurs and related businesses
2. Creating business opportunities by supporting customers' SDGs/ESG promotion
3. Creating an investment chain (from business/project discovery, consulting to scheme set up/implementation)

[Ecosystem for promotion]





Social Impact Bond (SIB) Case Example



1. Overall Scheme

2. Issues in Investment

3. For the Future: Impact and Implication of COVID-19 Catastrophe



1. Overall Scheme

2. Issues in Investment

3. For the Future: Impact and Implication of COVID-19 Catastrophe



Past Cases in our Bank



Case 1: Hachioji City (Mizuho)

Project

Project for improving the rates of residents receiving colorectal cancer screening and precision examinations

Objective

Increase in the number of early detections of colorectal cancer

Project Description

- Target group of 12,000 residents who have not been screened for colorectal cancer in the previous fiscal year, a group for whom the rate of colorectal cancer examinations is particularly low.
- AI is used to analyze the medical information of the target group, and customized postcards are sent to recommend medical consultation according to the resident's risk factors.
- A commission is paid based on outcome indicators such as rate of receiving colorectal cancer examinations, rate of residents screened and those who underwent precision examination, and the number of people detected with early cancer.

Project Cost

* Amount raised

8.87 million yen (maximum payment amount: 9.76 million yen)

Project Period

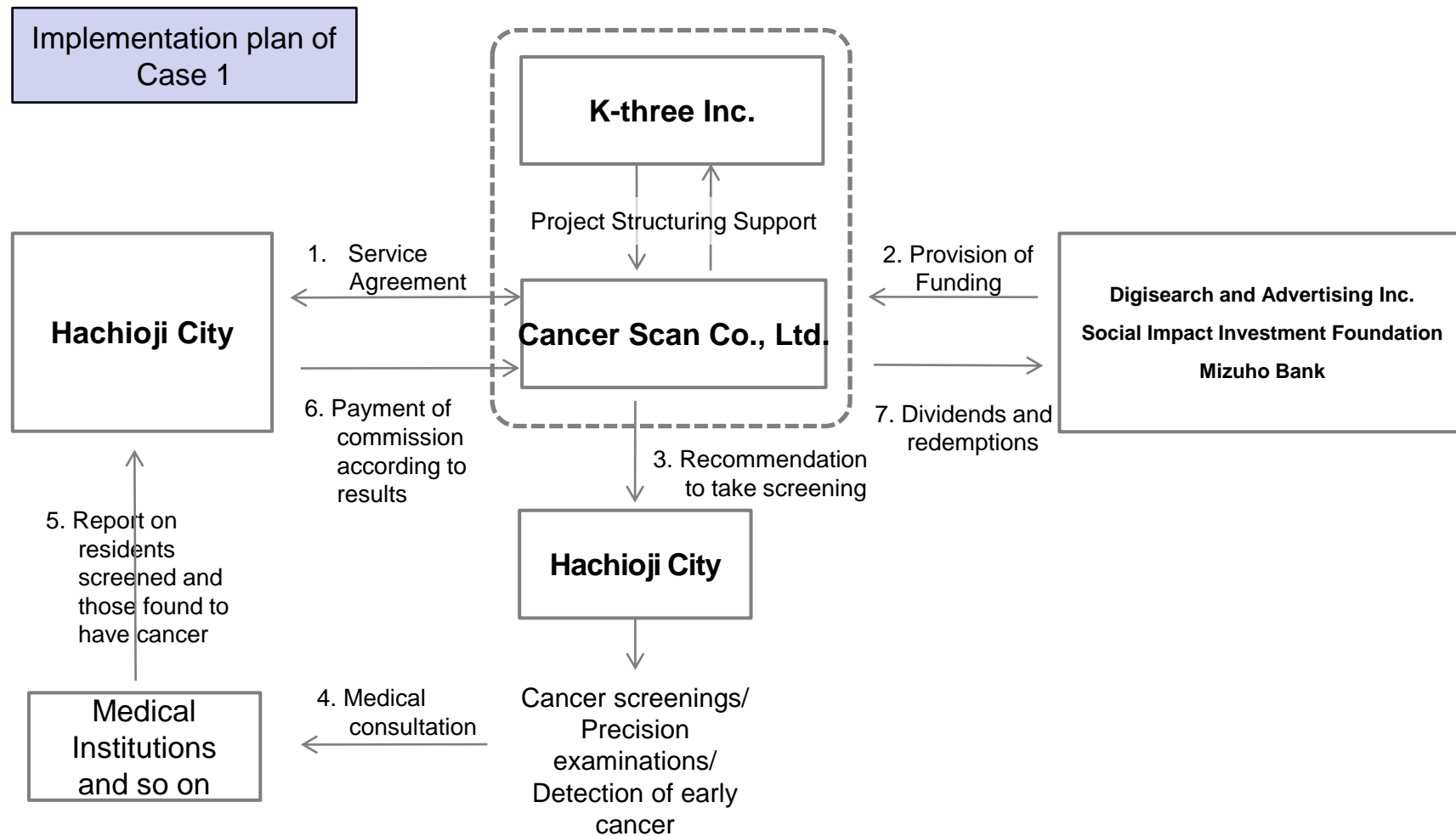
May 2017 - August 2019

May 2017 - March 2018: Period for sending recommendation to residents

April 2018 - August 2019: Period for evaluating outcomes

Expected Benefit

- Improvement of residents' life expectancy and quality of life
- Moderation of healthcare costs





Case 2: Hiroshima prefecture + 6 prefectural municipalities (Mizuho)

Project Project for improving the rates of residents receiving colorectal cancer screening and precision examinations

Objective Increase in the number of early detections of colorectal cancer

Project Description

- The target group for this project are those selected from the among national health insurance members and who have not been screened for colorectal cancer in the previous fiscal year, and so on.
- AI is used to analyze the medical information of the target group, and customized postcards are sent to recommend medical consultation according to the resident's risk factors.
- A commission is paid based on outcome indicators such as the number of patients receiving colorectal cancer examinations, and the rate of residents screened and those who underwent precision examination.

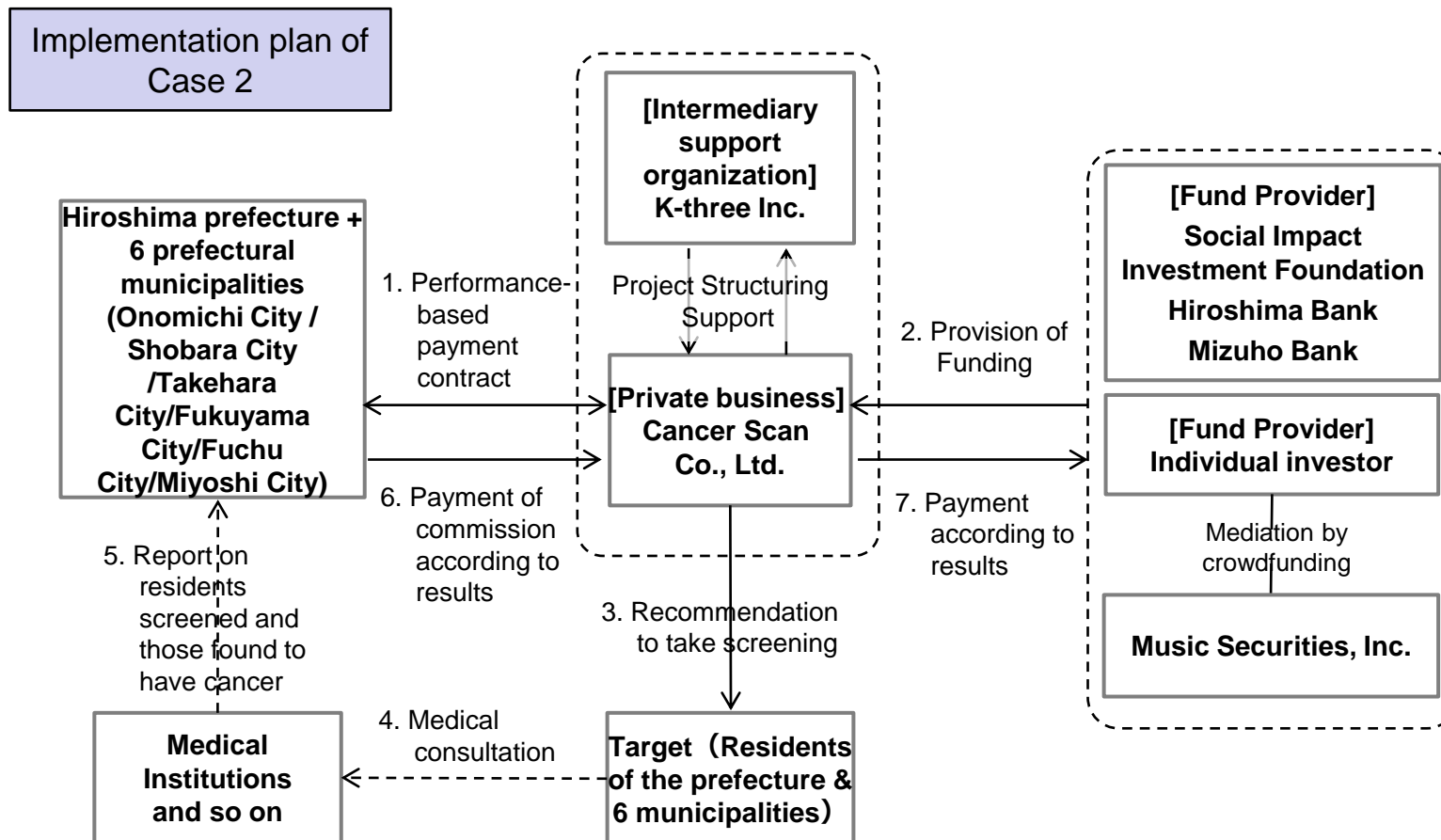
Project Cost
* Amount raised 3.88 million yen (maximum payment amount: 22.29 million yen)

Project Period

October2018 - July 2020:
October 2018 - July 2019: Period for sending recommendation to residents
August 2019 - July 2020: Period for evaluating outcomes

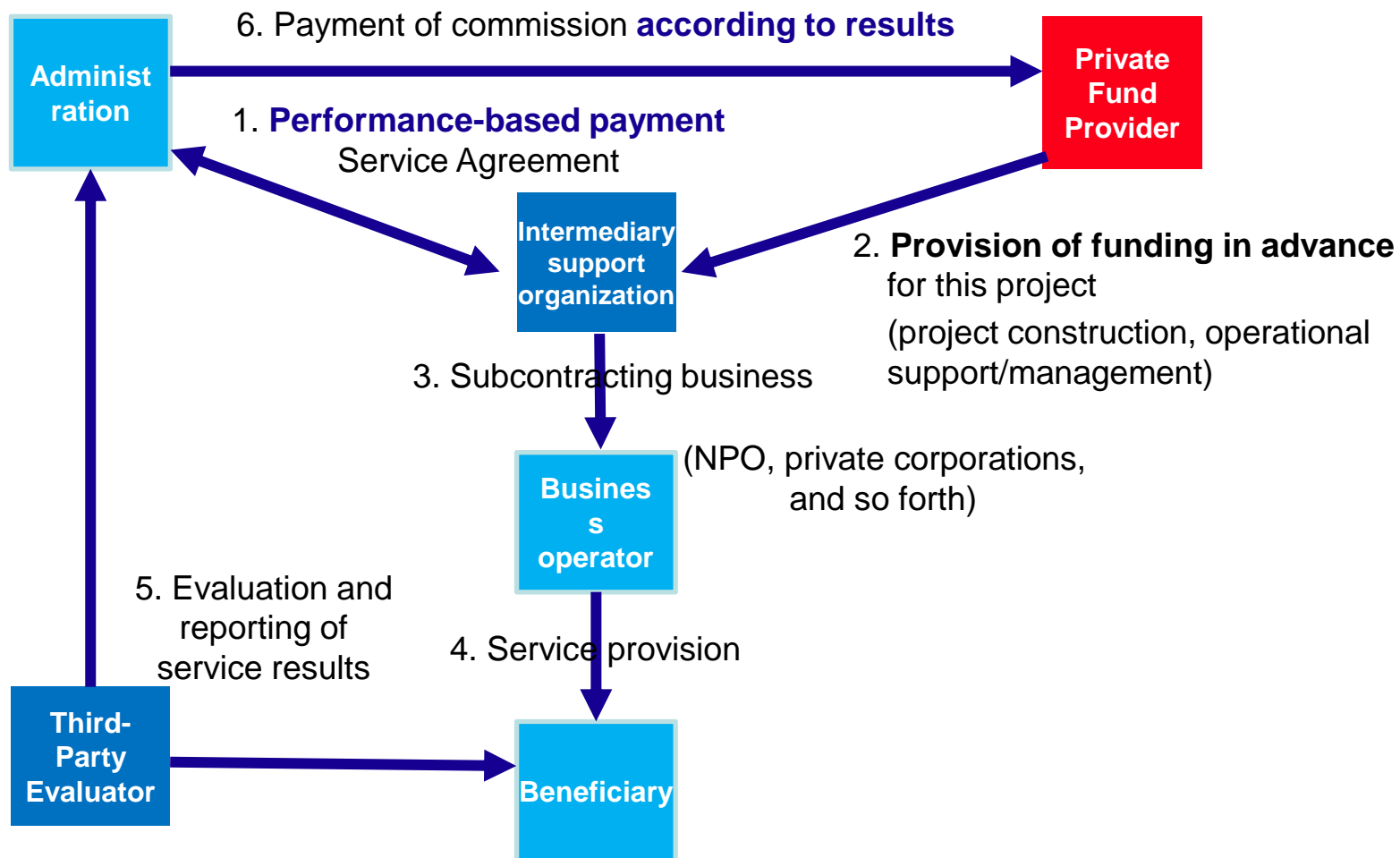
Expected Benefit

- Improvement of residents' life expectancy and quality of life
- Moderation of healthcare costs





Overall image of general scheme





Issues facing stakeholders (which have started to become apparent)

S I B ?

I am interested in solving issues, but I do not know who to consult or how to find the candidate service providers.

I do not know the appropriate business cost.

Cannot subcontract the work.

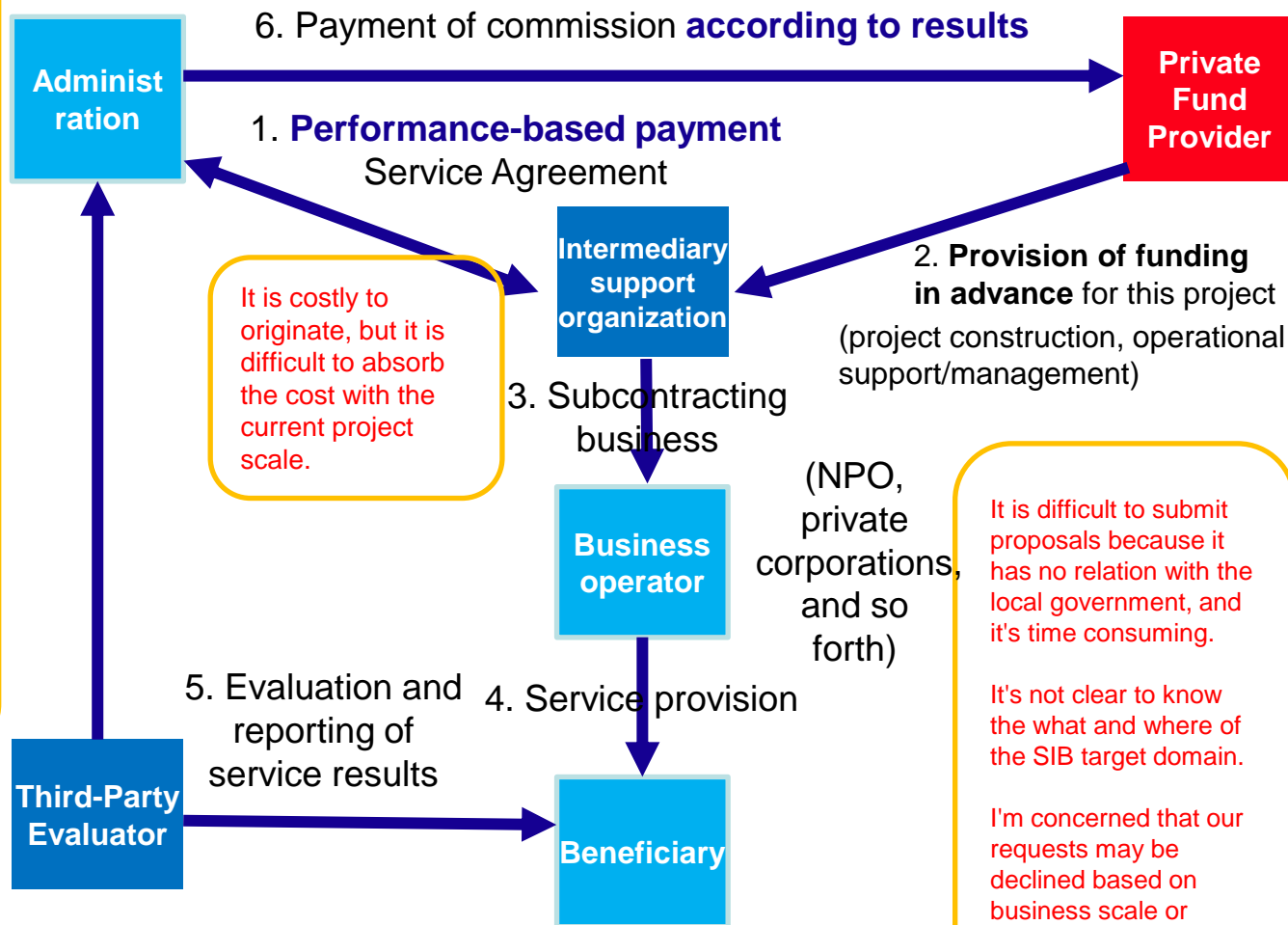
Budget required even for success-linked payment.

Single-fiscal-year budgeting.

It is a new initiative and it takes time for the local government and the parliament to comprehend.

There is no evaluation index (comparative verification is not possible).

Expensive to use.





Sense of Direction

○ SIB is still in its infancy, and **there are many challenges to be addressed in each value chain**. If the aim is to expand the market in view of the significance of SIB/PFS, the following aggressive efforts are necessary

Value chain	Project sourcing	Project Structuring	Financing	Implementation/monitoring
Driving force	Intermediary support (hereinafter, intermediary)	Local government/business/intermediary	Investors	Intermediary/Evaluation Organizations
Issues 1	Local government/business Awareness/Comprehending Needs	Rule development (contract template, risk evaluation rules and so on) 2	Cost/scale risk assessment Accounting, tax benefits, and so on 3	Data construction/Business accompaniment 4
Issues Behind the Driving Force	Local government, business corporations	Local government/business Intermediary support organizations	Business/intermediary support organizations Investors	Business, intermediary support organizations, third-party evaluation

■ Issue: There are tasks that are difficult to develop by the private sector alone (outline)

Issues/Points in Question			Overview	Solution (plan)
Task 1	Project sourcing	Awareness of local government/business Converting issues to needs	<ul style="list-style-type: none"> Demand for social impact investment is strong, but there is little systematic information, and no discussion is made as to which issues shall be subject to the project (significant influence of the will/intention of the leader ⇒ systematization), and so forth 	<ul style="list-style-type: none"> Awareness Activities Development of intermediary support organizations
Task 2	Project Structuring	Rule development that facilitates contracting with confidence	<ul style="list-style-type: none"> Develop rules including the removal of business consignment contracts (conditions for SIB projects) (e.g. PFI method) Creation of contract templates (e.g. anonymous partnership investment) 	<ul style="list-style-type: none"> Lead by government Create jointly by the public and private sectors
Task 3	Financing	Establishing a system in which investors can invest with confidence	<ul style="list-style-type: none"> Presentation of evaluation criteria and data (cost, KPI, and so on) Rule development on tax and accounting matters Introduction of tax benefits 	<ul style="list-style-type: none"> Establishment of a promotion group by utilizing dormant deposits Large-scale projects such as wide area cooperation and PFI x SIB
Task 4	Business implementation Monitoring	Data collection and analysis for monitoring and future projects	<ul style="list-style-type: none"> Standardization of third-party evaluation Collection, analysis and disclosure of project data 	<ul style="list-style-type: none"> In addition to the above, data management by application of digital shift (AI/IoT technology) (smart contract by block chain, promotion of open data conversion, and so on)



1. Overall Scheme

2. Issues in Investment

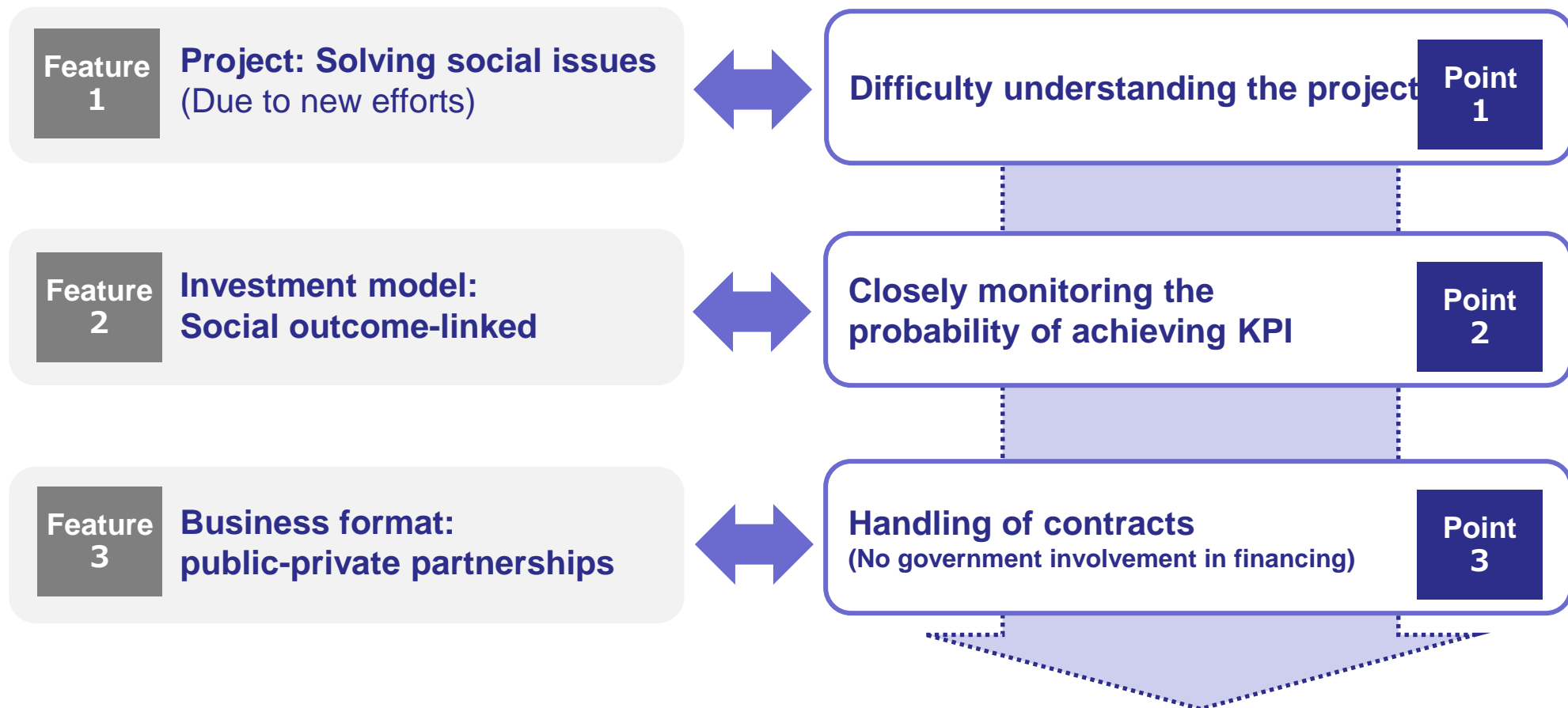
3. For the Future:

Impact and Implication of COVID-19 Catastrophe



■ SIB: Points and issues due to the social investment model of public-private partnerships

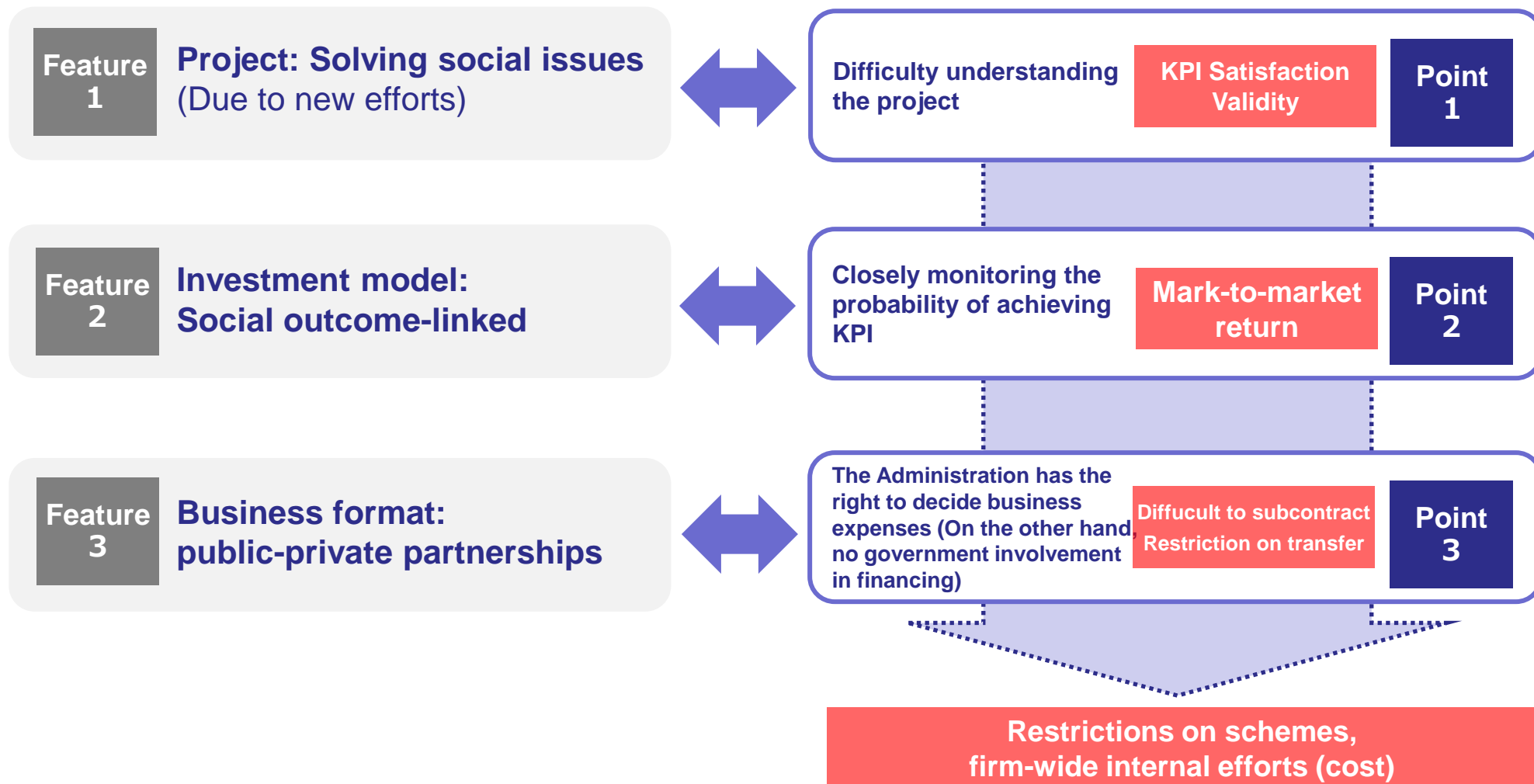
- The following are the characteristics of SIB = points to investment





■ SIB: Points and issues due to the social investment model of public-private partnerships

- The following are the characteristics of SIB = points to investment





1. Overall Scheme

2. Issues in Investment

**3. For the Future:
Impact and Implication of COVID-19 Catastrophe**



Implication: Rebuilding social infrastructure

Prior norms:

Values

Social system (administration)

Industrial structure/economic model

Lifestyle/consumption structure

Investment and financing model
(Risk-Return)

**Review and
re-question
everything**

Science-Based Approach

Digitalization

Inclusiveness

Global Solidarity

Youshquake

Risk-Return-**Impact**

Impact: Expansion of Issues

1. Poverty



4. Education



8. Growth/employment



10. Inequality





Direction of the initiative

■ Achieve deepening of SIB to support innovation for solving social issues

Overview

■ Our initiatives as a private financial institution:

1. (Financial) cost reduction = efficiency improvement/scale expansion
2. Risk reduction/diversification = Diversification of finance methods
3. Cost/Risk sharing = Recommendations for regulations and policies

1. (Financial) cost reduction

- **Efficiency improvement/scale expansion**
 - Expand business itself
 - Fund pool

2. Risk reduction/diversification

- **Diversification of finance methods**
 - Blended Finance
 - Funding
- **Review risk allocation**
 - Performance linked interest rate
- **Profit share**
 - Business expansion

3. Cost/Risk sharing

- **Proposals for regulations and policies**
 - Examples from other countries
 - Tax incentive
 - Mandatory
- **Grant/Guarantee**
 - Dormant deposit utilization

Understanding of the impact



- The SIB should be a mechanism to promote **open innovation that promotes the emergence of "innovation" in administrative activities.**
By incorporating the idea and energy of "innovation" into society, we shall achieve economic growth and solve social problems.
- **Japan is a "a front runner of global challenges", and it is critical to accelerate the use of innovation to respond to various issues caused by structural changes such as the low birthrate and aging of the population in Covid-19 catastrophe.**

Realizing further growth of the Japanese economy

Solving social issues

Challenge of SDGs Business Desk: Accelerating realization by supplying risk money and supporting growth of innovative companies





Thank you for listening

【CFA Society Japan 5-serial Webinar】

Impact Investing～ The New Financial Paradigm of Risk・Return・Impact

The 2nd Session: Case Study of Impact Investment Fund

Shinsei Corporate Investment Limited
Chunmei Huang, CFA, CPA

June 18, 2020

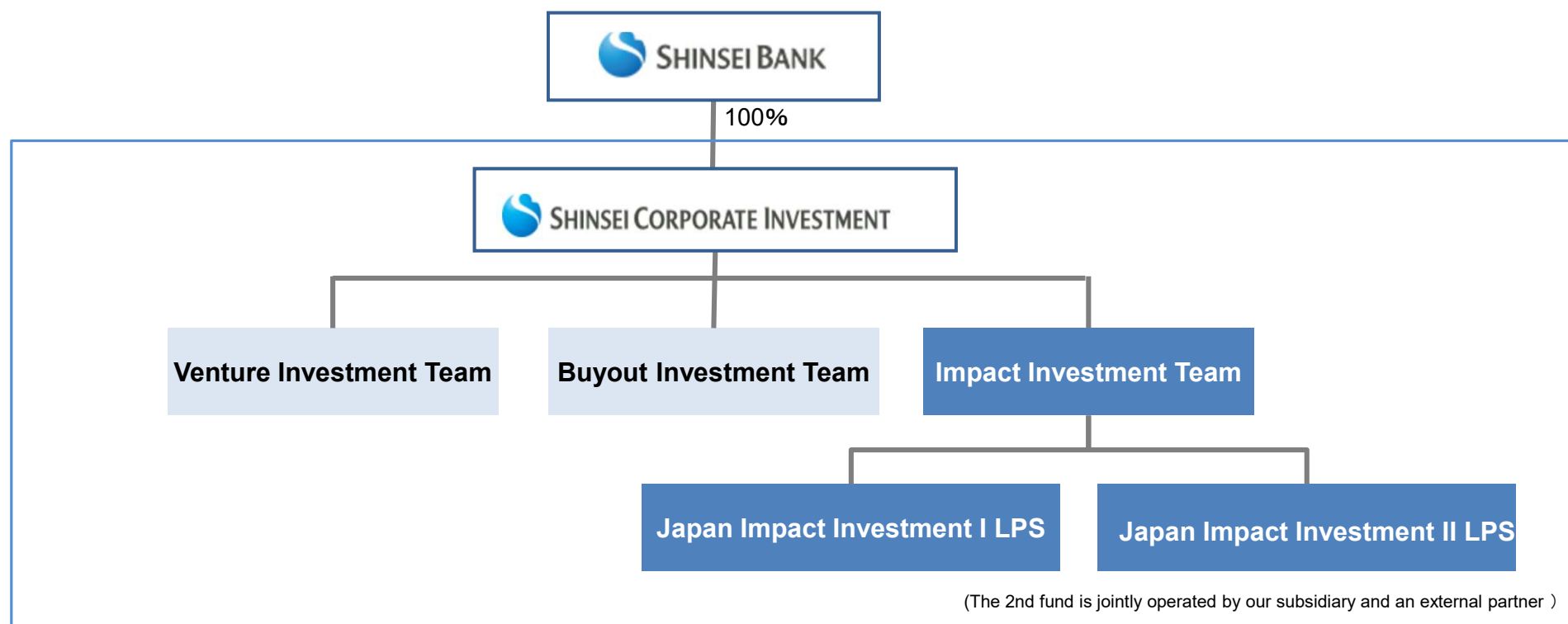


Agenda

- Introduction of Shinsei Corporate Investment
- The Birth Story of Shinsei's Impact Investment Funds
- Fund Structure and Portfolios
- Differences from Traditional Venture Investments
- Social Impact Measurement and Management
- Building up Impact Investing Ecosystem

Introduction of Shinsei Corporate Investment

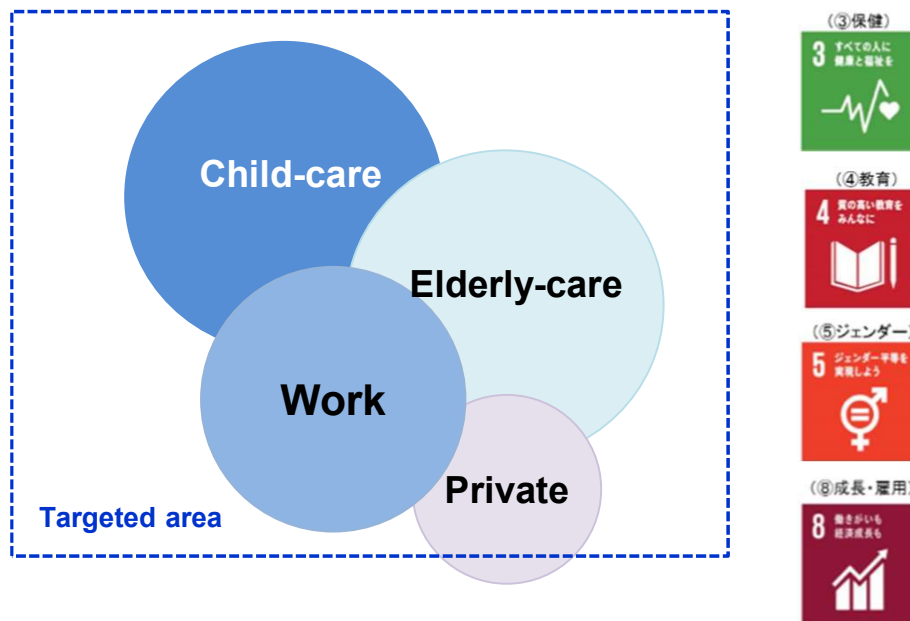
- 100%-owned subsidiary of Shinsei Bank
- Established in November 2012 with more than 15 years of team's equity investment track record including the predecessor private equity department of Shinsei Bank.
- "Impact investment" is an investment style that aims to generate both "economic returns" and "social returns".
- Impact Investment Team, set up in January 2017, established the first impact investment fund (Child-care Support Fund) for a Japanese bank group and a second fund in June 2019, aiming to support growth of the businesses related to child-care, elderly-care and a new working style.



The Birth Story of Shinsei's Impact Investment Funds (Focused issues)

- The Impact Investment Team pays attention to “workers”, focuses on social issues, such as declining birthrate and population, aging, and labor.
- We aim to provide investment support for child and elderly care that allows working age adults to continue to work.

Investment Policy and Social Issues in Japan



Japan's increasing social issues:

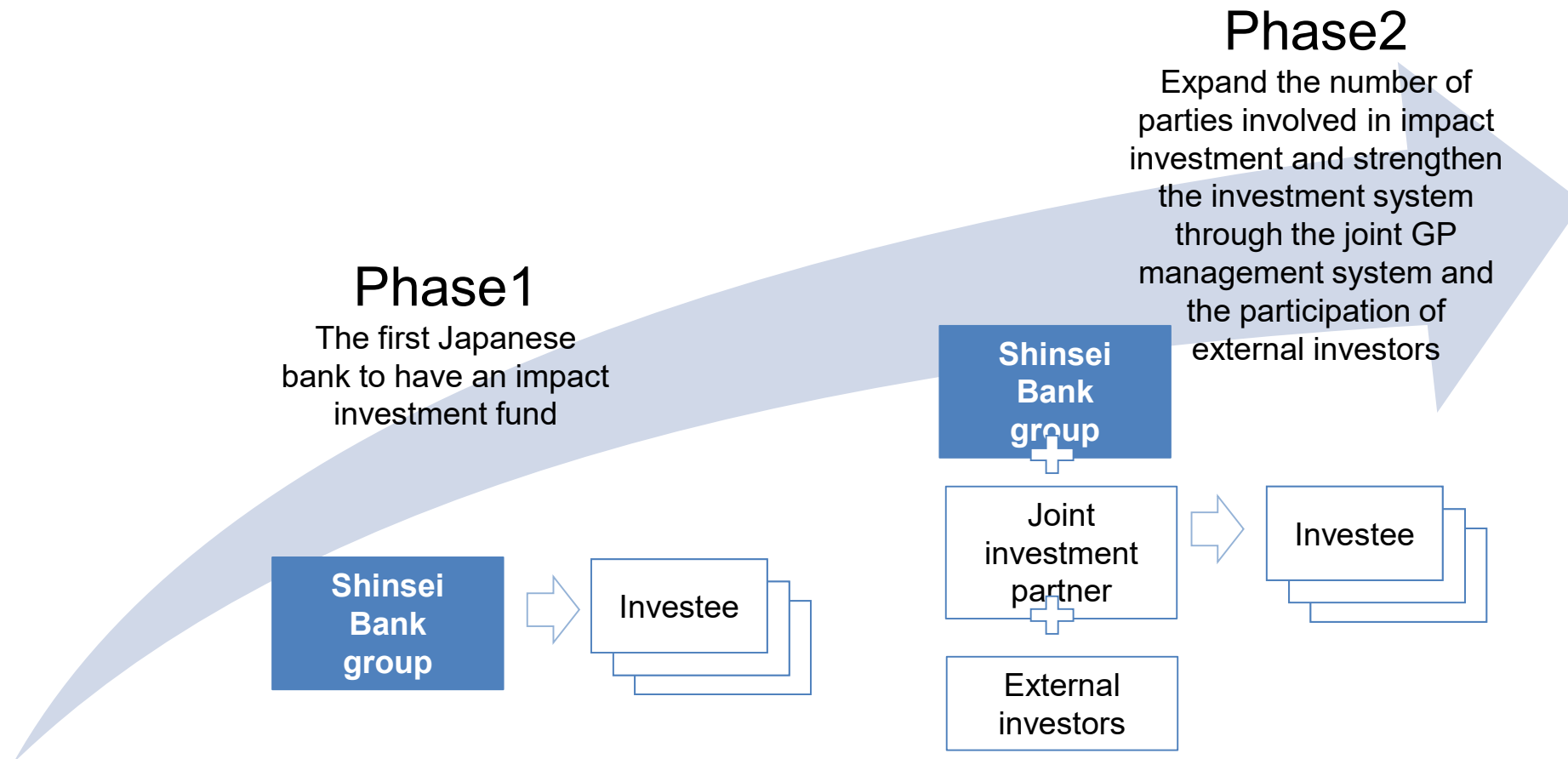
- Environment
- Aging
- Birthrate declining
- Population decline
- ...etc.

National issues related to work-style reform and work-life balance

Companies and society are required to deeply understand and reduce burden of “Child-care” “Elder-care”, in order to keep work-life balance and/or foster a better working environment for women

The Birth Story of Impact Investment Funds (2 Phase approach)

- Phase 1 : The first impact investment fund by a Japanese bank, which was launched by Shinsei Bank Group alone.
- Phase 2 : The second fund launched involving co-operating investment partners and third-party investors including major financial institutions.

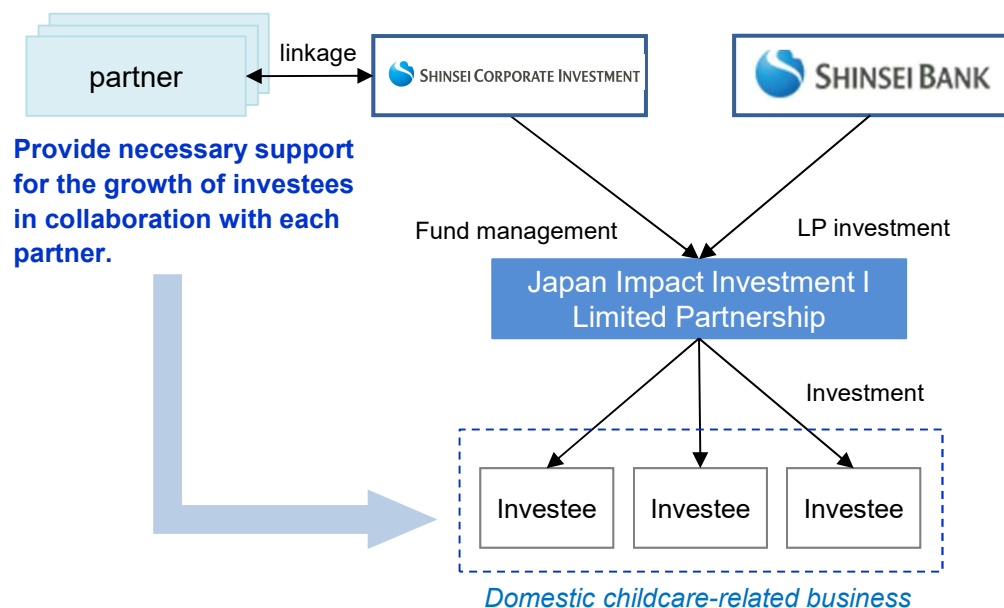


The Structure of Impact Investment Fund

Overview of No. 1 fund

- Investment Targets: Domestic Child-care Related Business
Early-to-later stage corporations
- Investment amount: 70 million yen on average (actual)
- Type of investment: Utilizing common stock and preferred stock
- Investment period: Approximately 3 to 5 years per investment
- Target IRR: 15% to 25%

Investment structure

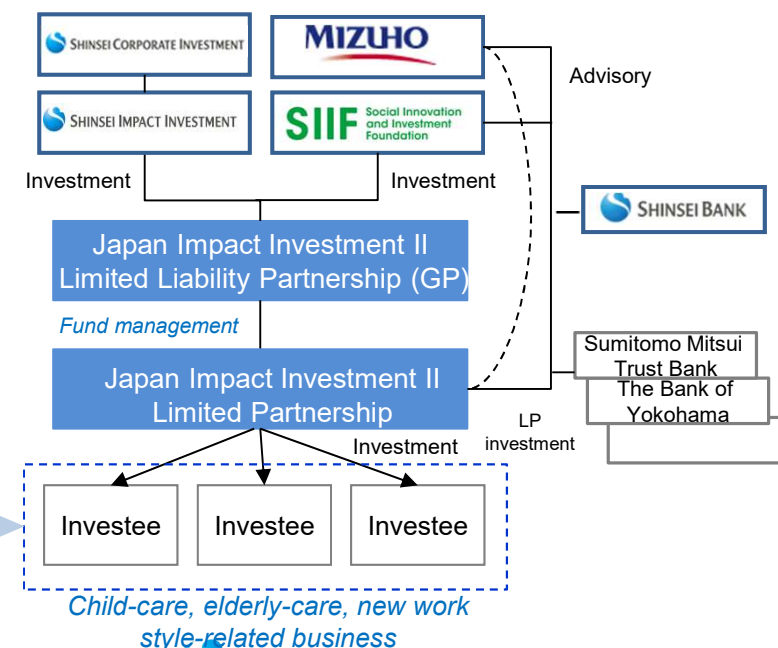


Overview of No. 2 fund

- Investment Targets: Child-care/ Elderly-care/new work-style related businesses
Early-to-later stage corporations
- Investment amount: 100-500 million yen
- Type of investment: Utilizing common stock and preferred stock
- Investment period: Approximately 3 to 5 years per investment
- Target IRR: 15% to 25%

Investment structure















Provide necessary support for the growth of investees in collaboration with each partner.



Impact Investing Fund's Portfolio Companies

- Impact Investment Team has invested into 6 social startups

Social Issues that investee companies seek to solve

	Company	Business Summary	Targeted Social Issues	
	Mama Square	Manages working office with a day care function	Support for child caring women; regional revitalization	 
	Unifa	Provides IoT solutions for nurseries	To reduce the work burden of childcare workers and improve the quality of childcare	
	Wisdom Academy	Manages private after-school care centers with pick-up and learning services	Double-income couple support; provide value-added education opportunities	 
	COMPASS (Trade Sale in 2019)	Develops and deploys AI tablet teaching materials	To provide active learning, and eliminate regional educational disparities	
	CLEAR	Manages learning notebook sharing platform	Educational disparity elimination	
	Life is Tech	Provides programming education services	Digital human resource development	

Differences from Traditional Venture Investment

- In selecting investment targets and executing investment, the rationality and risk of each investment from both economic and social aspects are evaluated and judged.
- The investment targets are those businesses and business models that have a positive correlation between economic and social performances, rather those that have a trade-off between them.

Economy



Sociality

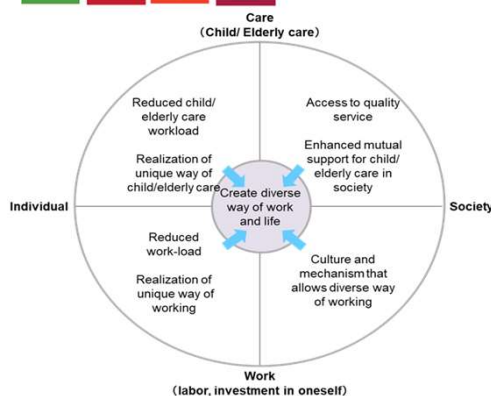
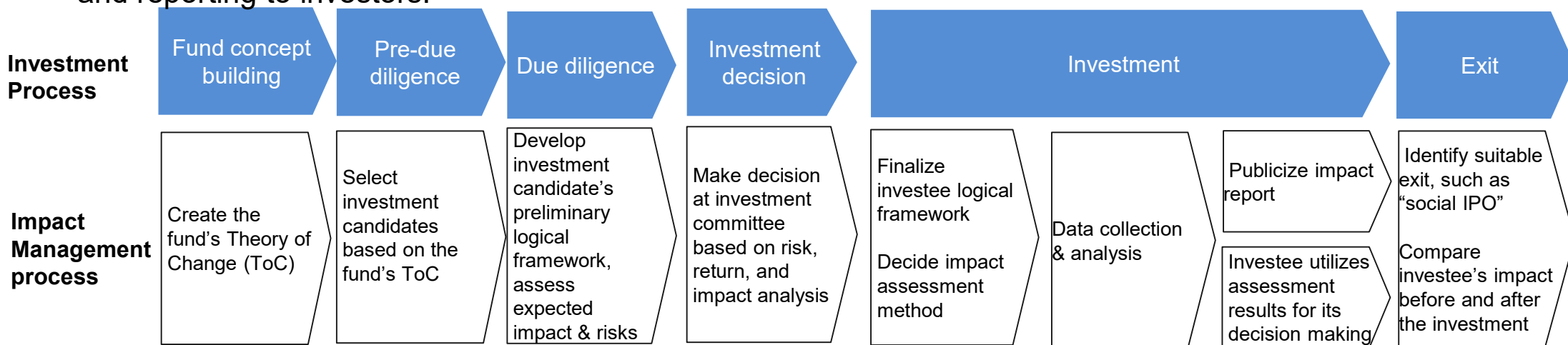
- **Qualities of management**
 - Management experience and team balance
 - Long-term vision and willingness to overcome challenges
- **Uniqueness and innovation of business model and technology**
 - Service/product uniqueness, competitive advantage
 - Contributing to solving social issues through innovative effort
 - Business model with expected profitability
- **Market with strong demand**
 - Focus on business model development
 - Potential market size
 - Identification of factors that may hinder expansion
- **Investment scheme and EXIT strategy**
 - Investment scheme to reduce downside risk
 - Existence of EXIT options other than listing

- **Industry focus**
 - Companies that operate child-rearing, nursing care, and new work-style related businesses
- **Management's commitment to the social solutions(INTENTION)**
 - Long-term commitment to solve social issues through business
 - Passion for impact investment and attitude of acceptance to impact investors
 - Agreement to measure impact with impact investors during the investment period
- **Prior confirmation of social impact (OUTCOME)**
 - At the DD stage, ascertain the existence of social impact and create a simple impact evaluation model
- **Measurement of the impact during the investment period (MEASUREMENT)**
 - Measurement and visualization of the degree to social issues and the level of resolution provoked from the investee's business
 - Utilization of Measurement Results for Management's PDCA Cycle (Impact management)

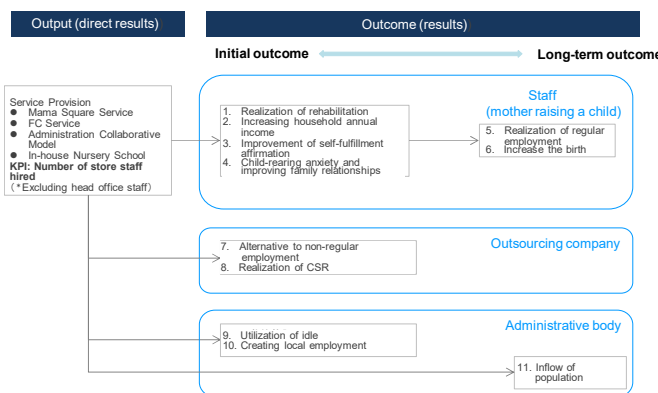
Impact investment requirements and differences from traditional venture investment

Social Impact Measurement and Management (Implementation step)

- By selecting investees that contribute to the social impact that the fund aims to create, formulating the outcomes of the investee's business and strategies for achieving them, and assessing the progress quantitatively and qualitatively, the Fund is able to utilize the measurement for decision-making by investees and reporting to investors.

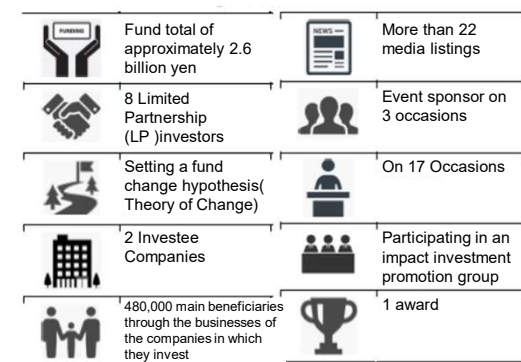


(Theory of Change for the Fund)



(Image of logic model of investee)

[2019 activity highlights]



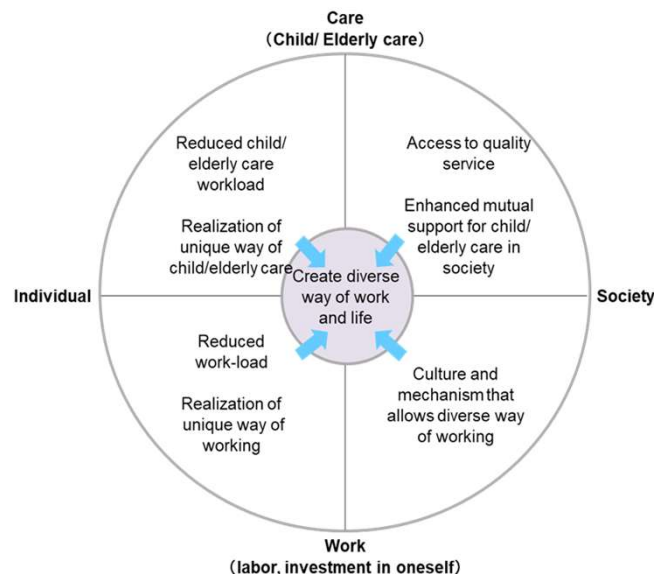
(Social Impact Report)

Social Impact Measurement and Management (Fund design)

- With a focus on "workers", we aim to support creating a "working environment" that incorporates child and elderly care.

The Fund's Change Hypothesis / Theory of Change (ToC)

- The social change (impact) aimed at long-term creation through the Fund is defined as "creation of diverse work styles and ways of life", and in order to realize it, through the business of the investee, the aim is to improve the system in society by reducing the burden on individuals and diversifying options, ie.
 - Care areas such as child-rearing and elderly-care
 - Work areas such as work styles and next-generation human resource development.

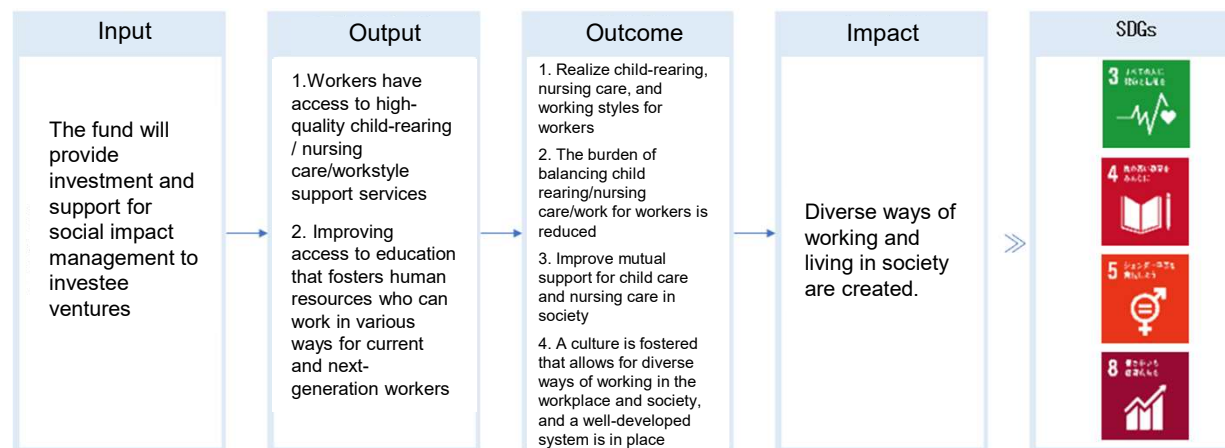


Social issues addressed by the Fund

- Aging/declining working population
- Difficult to balance child-rearing and work, nursing care and work
- Issues of conventional Japanese style employment / necessity of work style reform
- The need for next-generation education

Contribution to SDGs by the Fund

- Through fund activities (input), by realizing direct results (output), effects on beneficiaries and related parties in the medium term (outcome), and changes that affect society in the long term (impact), we mainly aim to contribute to SDGs "3 Health and Welfare", "4 Education", "5 Gender", and "8 Job Satisfaction"



Social Impact Measurement and Management (Tools and methods)

- Carrying out social impact measurement and management by using the following measurement tools and methods in two stages: individual investee and the entire fund.


Social impact measurement and management (individual investee level)

■ Business evaluation

- Utilize the framework of IMP⁽¹⁾ "Five Dimensions" in order to ascertain the impact (outcome) created by the business from a multifaceted perspective when considering the investment

Specifically, ascertain the business of the investee quantitatively and qualitatively through the following five aspects:


- **What:** What kind of outcome? • **Who:** To what beneficiaries? • **How Much:** How much depth, breadth, and time length results in outcomes? • **Contribution:** Do investees and investors contribute to outcome generation? • **Risk:** What is the risk of deviating from the expected outcome?

- Creation and updating of logic models (systematically illustrating the causal relationship between the investee's intended impact and their business activities)
- For setting indicators for social impact assessment, refer to GIIN (the Global Impact Investing Network) ⁽²⁾  and the guidelines of the country and government of the related industries, and so forth
- Conduct social impact assessment and management, create impact report

■ Organizational evaluation

- Confirm both negative and positive impacts when considering the investment. If a significant negative impact is confirmed and no corrective action is undertaken, investment won't be pursued. In addition, according to ToC of the fund, "workers" at the firm shall be the focus and evaluated, such as the employees.
- Encourage appropriate mitigation and management of identified major negative impacts after investment

Social impact measurement and management (fund level)

- Formulation of Change Hypothesis/Theory of Change (ToC): Formulate and Update ToC of the fund, taking into account its contribution to the SDGs 
- Structural analysis of social issues: Analyzing the structure of social issues that the fund shall address and extracting those areas to be worked on
- Investment implementation: Selecting investees that contribute to the essential solution of social issues, executing management support and monitoring, and creating impact reports

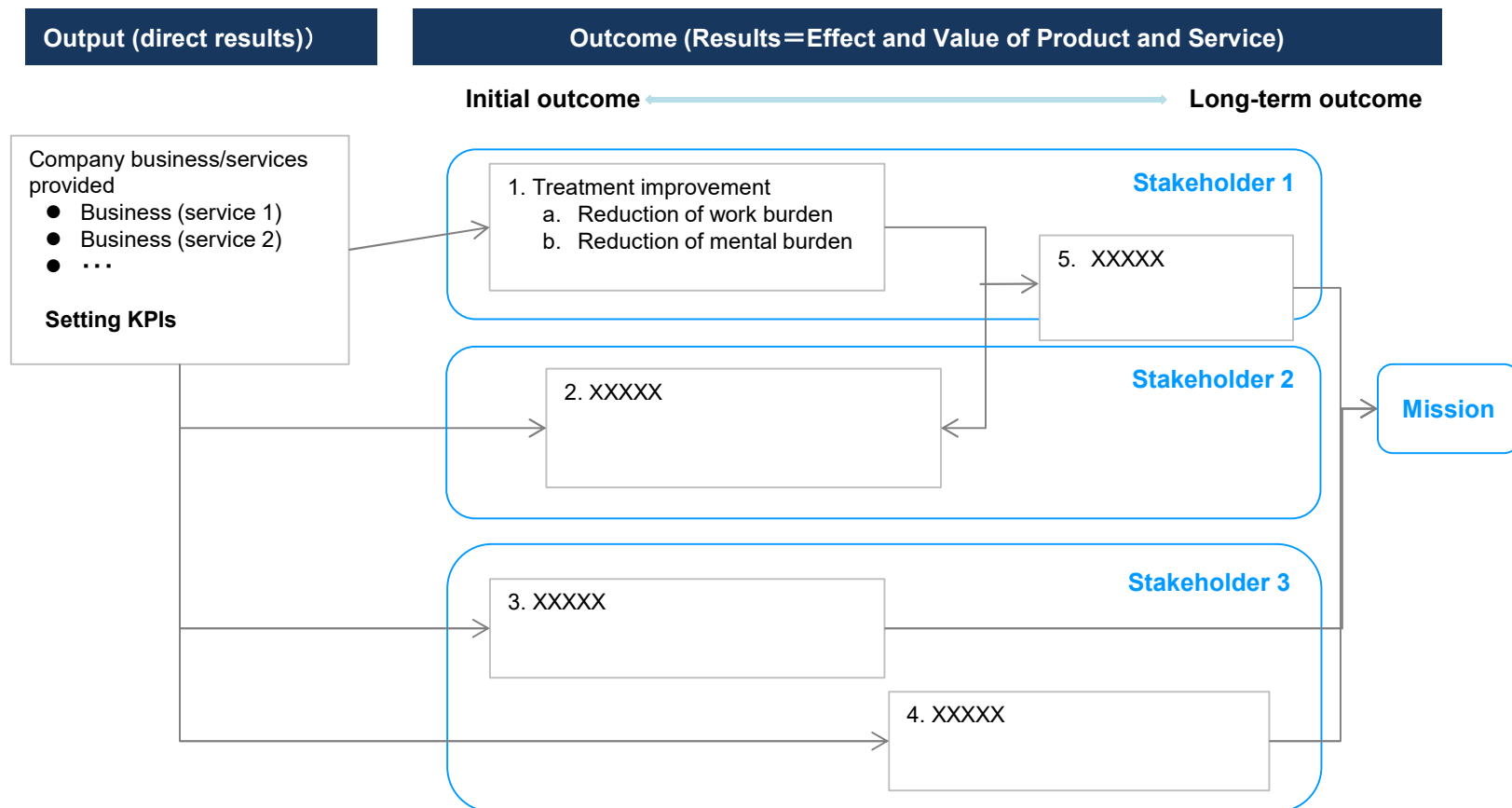
(1) IMP is an initiative to promote the formulation of international principles for social impact assessment, management and reporting. More than 2000 organizations including GIIN, IFC, GSG, OECD, PRI, GRI, SASB, SVI, UNDP participated and are promoting standardization globally.

(2) IRIS : Impact Reporting and Investment Standards

Social Impact Measurement and Management (Logic model)

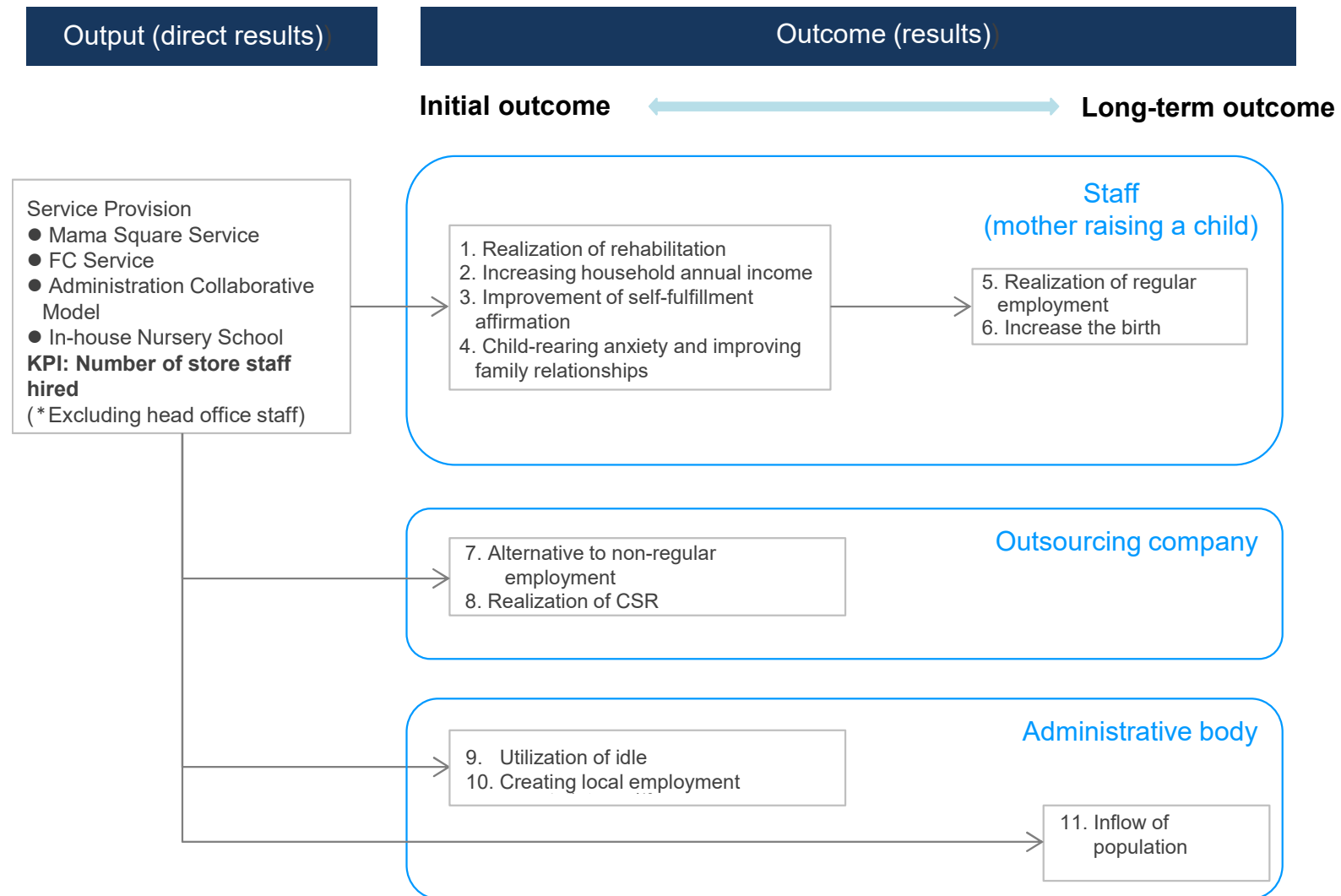
- In order to evaluate the degree of impact and solution to the social issues created by the investee through the business, a logic model is created for joint evaluation by the investee management and impact investors. In the logic model, the expected outcomes (results) are confirmed along the time axis for each stakeholder, and based on this, indicators are set that can be visualized in the short and medium to long term and measured quantitatively and qualitatively.

[Image of logic model for assessing social impact]



Social Impact Measurement and Management (Logic model case)











【Logic model of social impact in the Mama Square business】

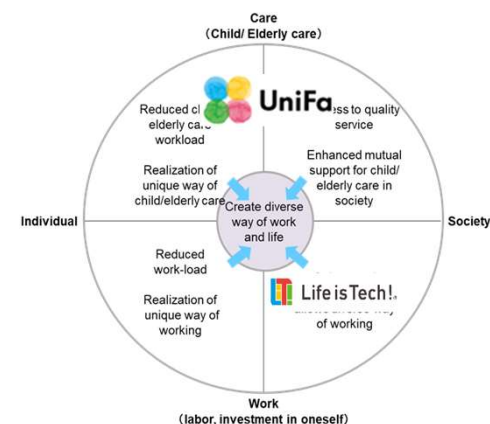


Social Impact Management and Measurement (Impact report)






Table of Contents

1. Executive summary
2. Growth potential of impact investment
3. Introduction of the fund
4. Impact the fund aims to achieve (social issues and theory of change)
5. Social impact measurement and management of the fund
6. Progress of social impact management of the fund
7. Introduction of investees
8. Feedback from investees
9. Voices from experts

	Fund total of approximately 2.6 billion yen
	8 Limited Partnership (LP) investors
	Setting a fund change hypothesis (Theory of Change)
	2 Investee Companies
	480,000 main beneficiaries through the businesses of the companies in which they invest
	More than 22 media listings
	Event sponsor on 3 occasions
	On 17 Occasions
	Participating in an impact investment promotion group
	1 award



【投資先の事業活動が貢献し得るSDGsターゲット】

SDGs	投資先	該当するターゲット
	ユニファ社	3.2 全ての国が新生児死亡率を少なくとも出生1,000件中12件以下まで減らし、6歳以下死亡率を少なくとも出生1,000件中25件以下まで減らすことを目指し、2030年までに、新生児及び5歳未満児の予防可能な死亡を排除する。
	ライフイズテック社	4.4 2030年までに、技術的・職業的スキルなど、雇用、働きがいのある人間らしい仕事及び起業に必要な技能を備えた若者と成人の割合を大幅に増加させる。 4.5 2030年までに、教育におけるジェンダー格差を無くし、障害者、先住民及び脆弱な立場にある子供など、脆弱層があらゆるレベルの教育や職業訓練に平等にアクセスできるようにする。
	ユニファ社	4.2 2030年までに、全ての子供が男女の区別なく、質の高い乳幼児の発達・ケア及び就学前教育にアクセスすることにより、初等教育を受ける準備が整うようにする。
	ユニファ社	5.4 公共のサービス、インフラ及び社会保障政策の提供、並びに各国の状況に応じた世帯・家内における責任分担を通じて、無報酬の育児・介護や家事労働を認識・評価する。
	ライフイズテック社	8.6 2020年までに、就労、就学及び職業訓練のいずれも行っていない若者の割合を大幅に減らす。

(Source: Excerpt from the Japan Impact Investment No. 2 Fund, 2019 Impact Report)

Social Impact Measurement and Management (Measurement result utilization)

■ Intentionality

- Investment that aims to generate social returns by the investee
- Prior to investment, check the social impact created by the business of the target company using a logic model, and so forth
- Agreed with management of the target company to carry out impact assessment of the Fund and during the investment period

■ Measurement/Management

- Continuing sequels regarding the details of the logic model with the target company's management team (PDCA)

■ Disclosure

- Awareness that it shall contribute to the investee corporation in addition to the Fund as an investor

Investor accountability

- As an impact investment fund, the accountability of the fund to Limited Partnership (LP) investors

Report progress toward social impact creation by issuing impact assessment reports

 ファンド総額約26億円	 メディア掲載22件以上
 LP投資家8社	 イベント主催3回
 ファンドの変革仮説 (Theory of Change) の設定	 登壇17回
 投資先2社	 インパクト投資の推進団体に参画
 投資先の事業を通じた主な受益者48万人	 受賞1件

(Source: Japan Impact Investment No. 2 Fund, 2019 Impact Report)

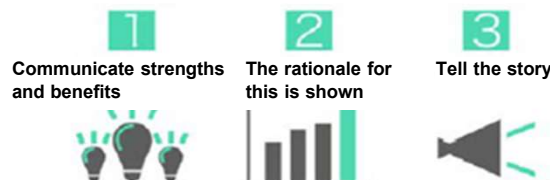
Utilization by investees

- Managerial reference materials

- In-house mission sharing



- Sales materials to support business growth



Social IPO

- Role model creation challenge

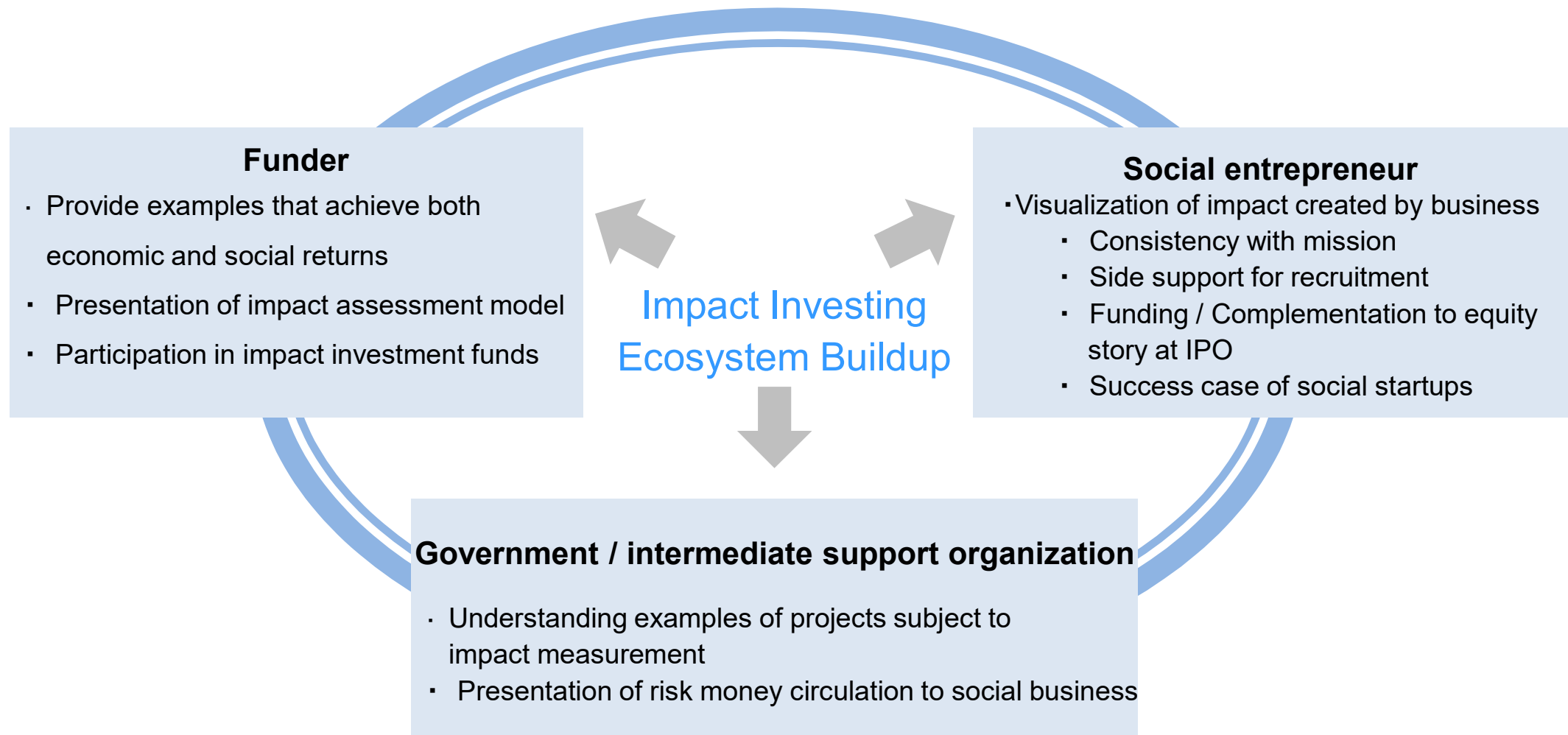
- In particular through social IPO efforts, the aim is to transform the accumulation of social evaluation into economic efficiency in the capital market



Source: May, 2019. "The state of capital markets in the age of social impact"

Building up Impact Investing Ecosystem (3 Players)

- We believe that our impact investing practices will provide a good example of what impact investments into social sector can do, leading to an increase in the number of players in each market and the creation of an impact investing ecosystem.

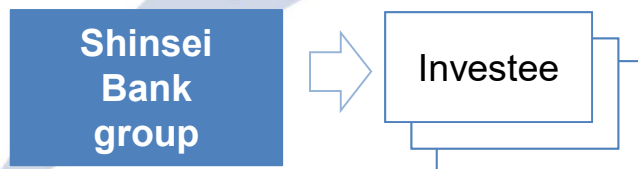


Implementing Impact Investment and Building an Ecosystem

- Phase 1: The first impact investment fund by a Japanese bank, which was launched by Shinsei Bank Group alone in 2017, investment activities have been finalized by March 2019.
- Phase 2: Based on the achievements of first fund, the 2nd fund launched in 2019 involving co-operating investment partners and third-party investors including major financial institutions.
- Phase 3: Expand the number of parties involved in impact investment

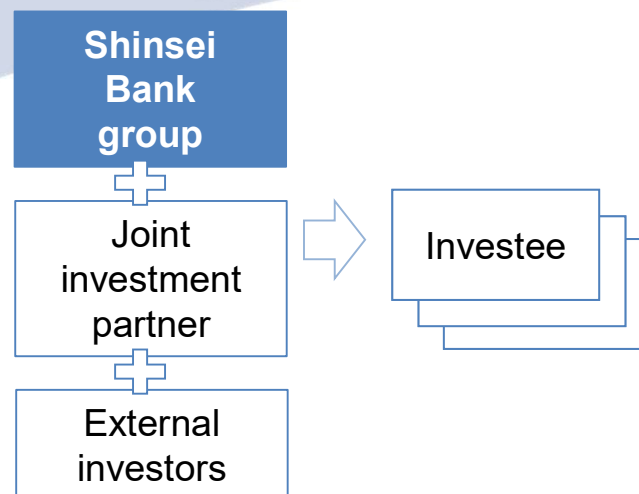
Phase1

The first Japanese bank to have an impact investment fund



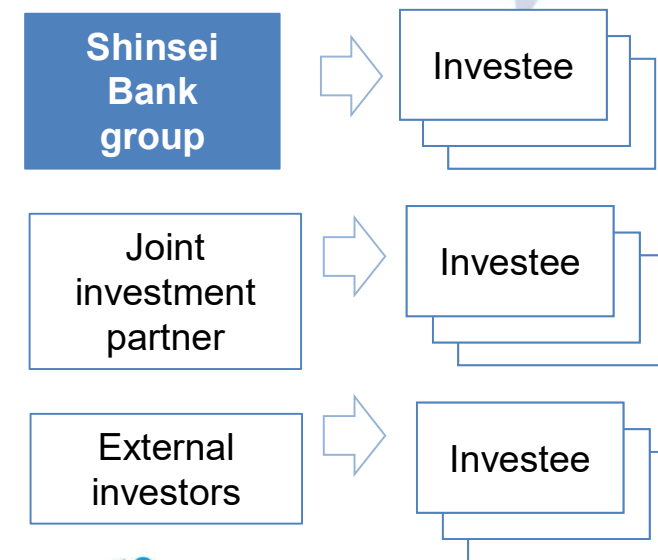
Phase2

Expand the number of parties involved in impact investment and strengthen the investment system through the joint GP management system and the participation of external investors



Phase3

Building an ecosystem and expanding the impact investment market through the action of each party





Thank you for listening

Purpose and Limitations of this Document

- This document is prepared for CFA Society Japan Webinar on June 18th, 2020 and cannot be disclosed to any third parties.
- Information herein is under as of today and may change without notice.
- This document is prepared based on internal information and general information, and other information that we have determined to be reliable. This document may also contain our subjective opinions. We may change the contents of this document without prior notice.
- This document is intended to be for discussion purposes and is not intended as an offer or solicitation for the purchase or sales of any financial instrument. And information herein is not a reliable indicator of future performance.
- Past performance, including one with the private equity department of Shinsei Bank, is not a reliable indicator of future performance.
- Please use this document as reference purposes only.
- We are not liable for any disputes, losses or damages arising from the use of part or all of this material by the recipient of this document.
- When conducting actual transactions, please check with your company's legal counsel, accountant, or tax accountant for legal, accounting, or taxation aspects and make your own decisions.

Contact information

SHINSEI CORPORATE INVESTMENT LIMITED

2-4-3 Nihombashi Muromachi, Chuo-ku, Tokyo 103-0022, Japan
Nihombashi Muromachi Nomura Building

TEL: 03-6860-9660 (Representative) / E-mail: info@shinsei-ci.com

【CFA Society Japan 5-serial Webinar】

Impact Investing～

The New Financial Paradigm of Risk・Return・Impact

The 3rd Session:

Impact Investment from the Perspectives of the Capital Market

Toshiyuki Imamura

Nomura Asset Management

Responsible Investment Department

July 14, 2020

Some of the contents in this Document are the views of the speakers themselves, and do not purport to being the assertions of any relevant organizations. It is not intended for the purpose of soliciting investment.

STRICTLY PRIVATE AND CONFIDENTIAL

© Nomura

Introducing Nomura Asset Management

- An asset management company under the Nomura Group, which celebrated its 60th anniversary on December 1, 2019
- Having AUM of approximately 50 trillion yen, it serves the diverse asset management needs such as stocks, bonds, multi-asset, of retail customers through to large institutional investors

Nomura Asset Management by numbers

Founded in

1959

In December 2019

60th

anniversary

Assets under management

49.3

trillion yen

Global Base

13 Locations

Number of Employees

1,472

Equity analyst,
ESG Specialist and
Credit Analyst (Tokyo)

40 employees

Asset management-related business
Average years of experience of employees

12.8 years

5th largest

ETF investment balance
in the world

Domestic Share

45.0%

Market share
in the domestic public
investment trust market
of 113 trillion yen

Top **28.6%**

Number of
Japanese investee
companies

Approx. **2,400**

Meetings with investee
companies (2018)

Approx. **5,500**

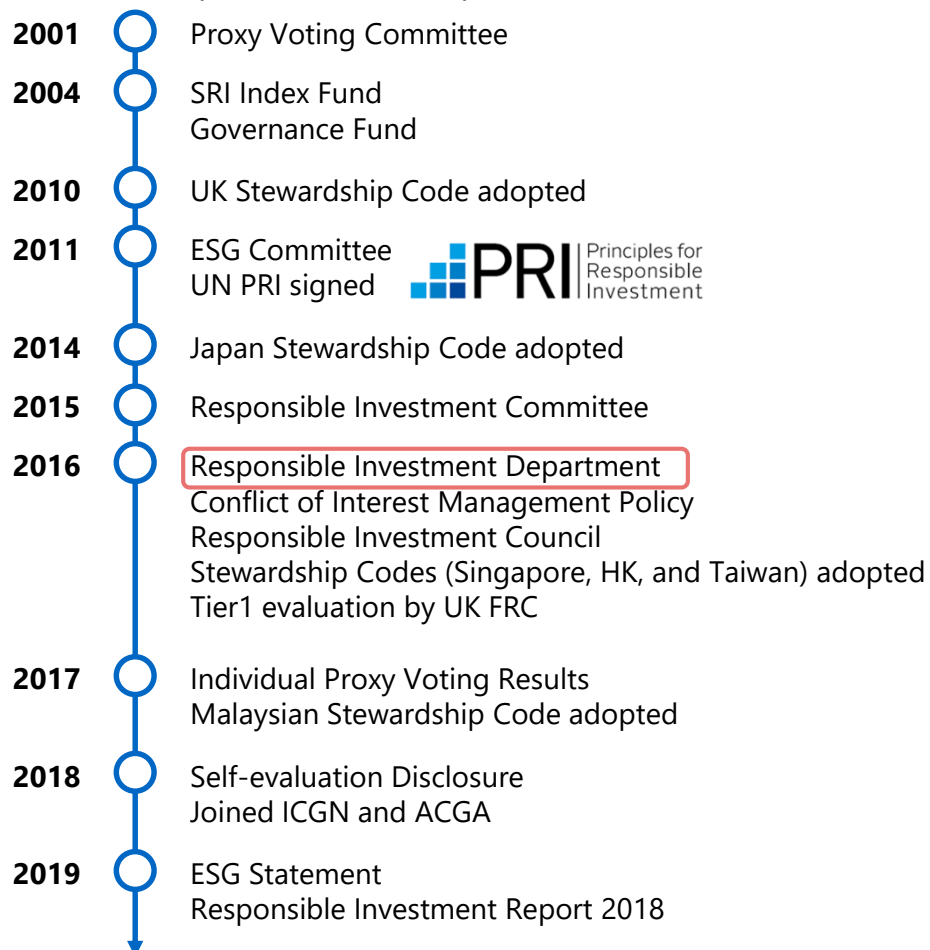
UN PRI Evaluation
Stocks/Bonds (2019-2020)

A+ for all items

NAM's History of Responsible Investment and External Assessment

NAM's History of Responsible Investment

- Since the establishment of the Proxy Voting Committee in April 2001, we have been working on the important ESG issues and stewardship activities as a responsible investor



External Assessment

- UN PRI Assessment
 - Assessments of NAM on both listed stocks and bonds have improved, and all are A+ in 2019-2020

	Nomura AM 2019-2020	Median of Competitors
Strategy and governance	A+	A
Incorporation for listed stocks	A+	A
Active ownership for listed stocks	A+	B
Engagement	A+	—
Proxy Voting	A+	—
Fixed Income (SSA)	A+	B
Fixed Income (Financial and Non-Financial Corporate)	A+	B

- UK Financial Reporting Council (FRC) Assessment
 - FRC started assessing reports on stewardship activities in November 2016. Target of the assessment is about 160 companies
 - NAM is assessed as Tier1 (Tier1: 100 companies, Tier2: 60 companies)

- 1 . The Environment Surrounding Impact Investment ... slide 4
- 2 . The Trend toward Creating Impact Investment Ecosystems ... slide 15
- 3 . Implementation of Impact Investment in Nomura Asset Management ... slide 27
- 4 . The Promotion of Impact Investment on Listed Markets ... slide 36

The Environment Surrounding Impact Investment

What is Impact Investment?

- Impact investment is an investment strategy that achieves both economic and social returns.



Figure 4: Difference between general investment and social impact investment ³

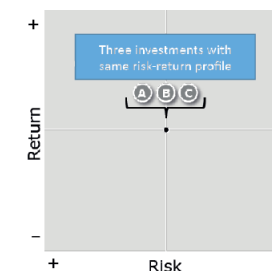
	Economical	Society
Risk	Uncertainty about whether an investment will perform as expected or whether the investment principal will be recovered	Uncertainty about whether a social business shall provide a certain social return or whether the business shall have a negative impact on society
Return	Economic return on funds contributed by investors (dividends, gain on sale, and so forth)	Benefits to project beneficiaries and society at large

Source: "How the Capital Market Should Be in the Age of Social Impact" GSG National Advisory Board

- In addition to the conventional two axes of risk/return, a third axis of social impact can be added that is attracting attention as a new investment strategy.
- Impact investment focuses on **business models, and products and services created by these companies** (a significant difference from general ESG investment methods)

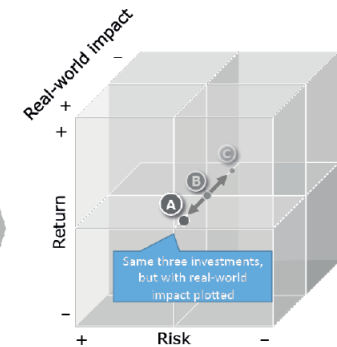
ESG integration:

How E, S and G factors affect the risk-return profile of an investment



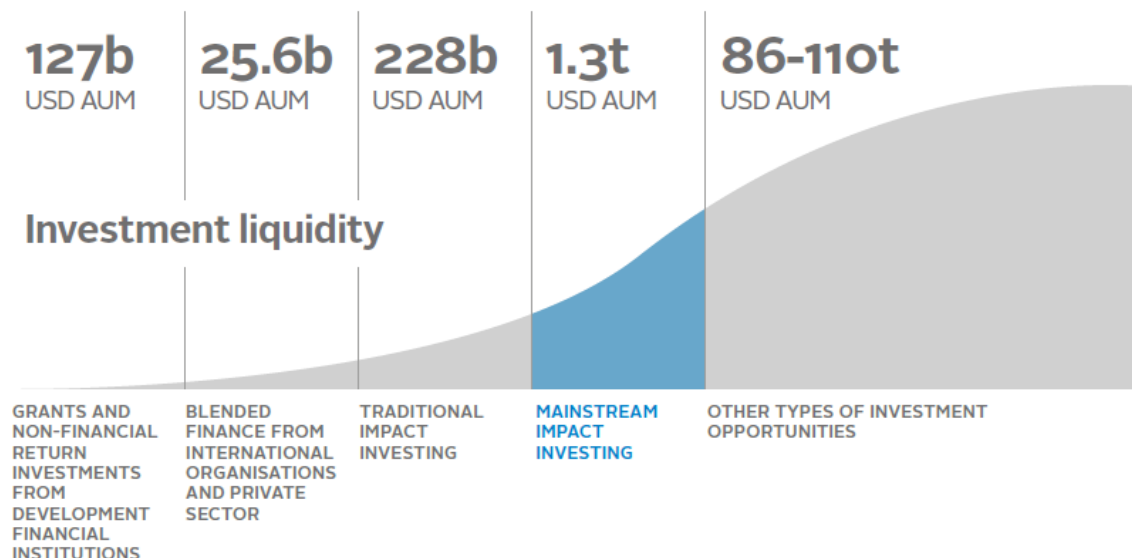
SDG incorporation:

A third dimension of how investments impact the society and environment



Source: PRI

The Market Size of Impact Investment



- The market is shifting from low liquidity small and medium-sized/unlisted markets to high liquidity listed/large corporations
- **Expanding the definition** of impact investment accelerates the mainstreaming of impact investment targeting large companies pursuing asset size (There are pros and cons of expanding the definition)

Source: Prepared by PRI based on GIIN's 2018 report

	Market Size of Impact Investment	Target	Characteristics
Traditional Impact Investment	228b USD	<ul style="list-style-type: none"> Low liquidity impact corporations Innovative corporations 	<ul style="list-style-type: none"> Theory of Change Additive concept Purpose-driven corporations
Mainstream Impact Investment	1.3t USD	<ul style="list-style-type: none"> Large listed stock Large private corporations 	<ul style="list-style-type: none"> Products and services that benefit society and the environment Liquid and mature business

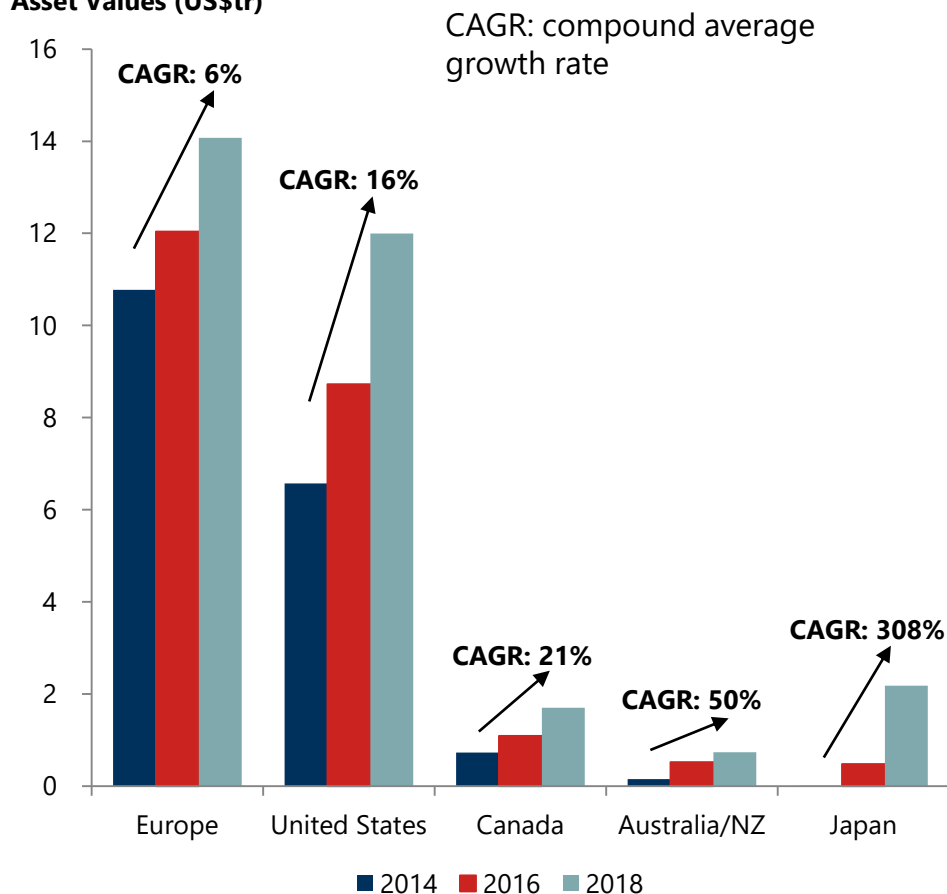
Source: Prepared by Nomura Asset based on PRI information

Percentage of impact investment in total ESG investment

- Global ESG investment balance at the end of 2017 was \$31 trillion, up 34% from \$23 trillion in the previous survey (end of 2015)
- On the other hand, **there are precious few investment methods that are explicitly stated as impact investment**, and a majority of the ESG investment is conducted as part of conventional investment methods.

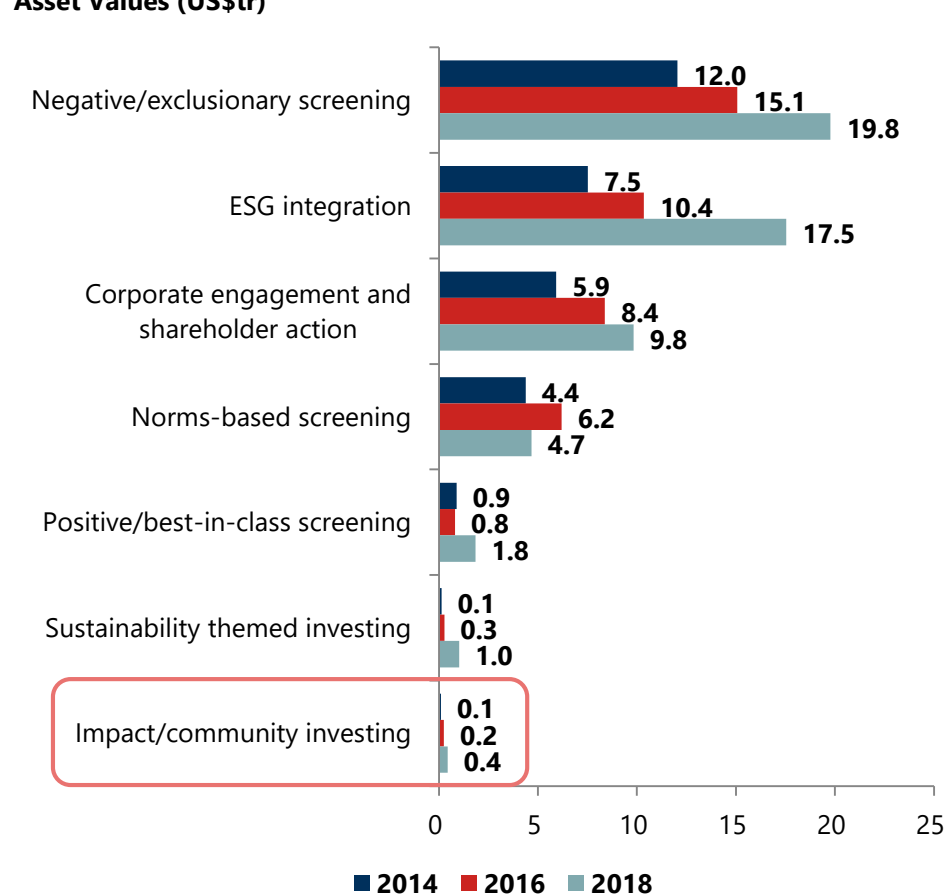
Global Sustainable Investing Assets by Region

Asset Values (US\$tr)



Global Sustainable Investing Assets by Investing Strategies

Asset Values (US\$tr)

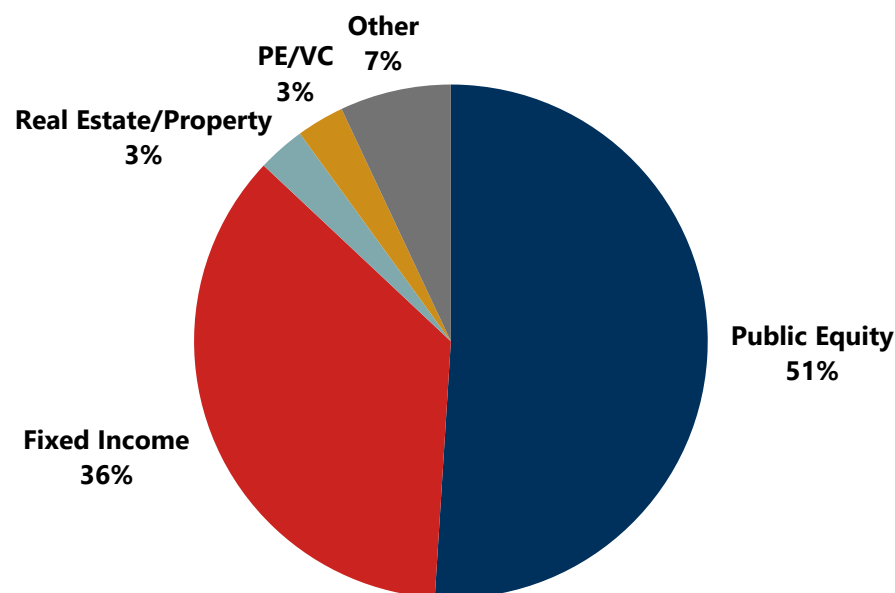


Global ESG investment balance ratio by investor and asset

- From the perspective of the size of funds, **listed stocks have enormous potential**. Therefore, expectations are high
- In the ESG investment balance by investor, the ratio of individual investors is on the rise. **Those Millennials/Generation Z** highly interested in ESG **is one key**.

Ratio of Global Sustainable Investing Assets by Asset Allocation

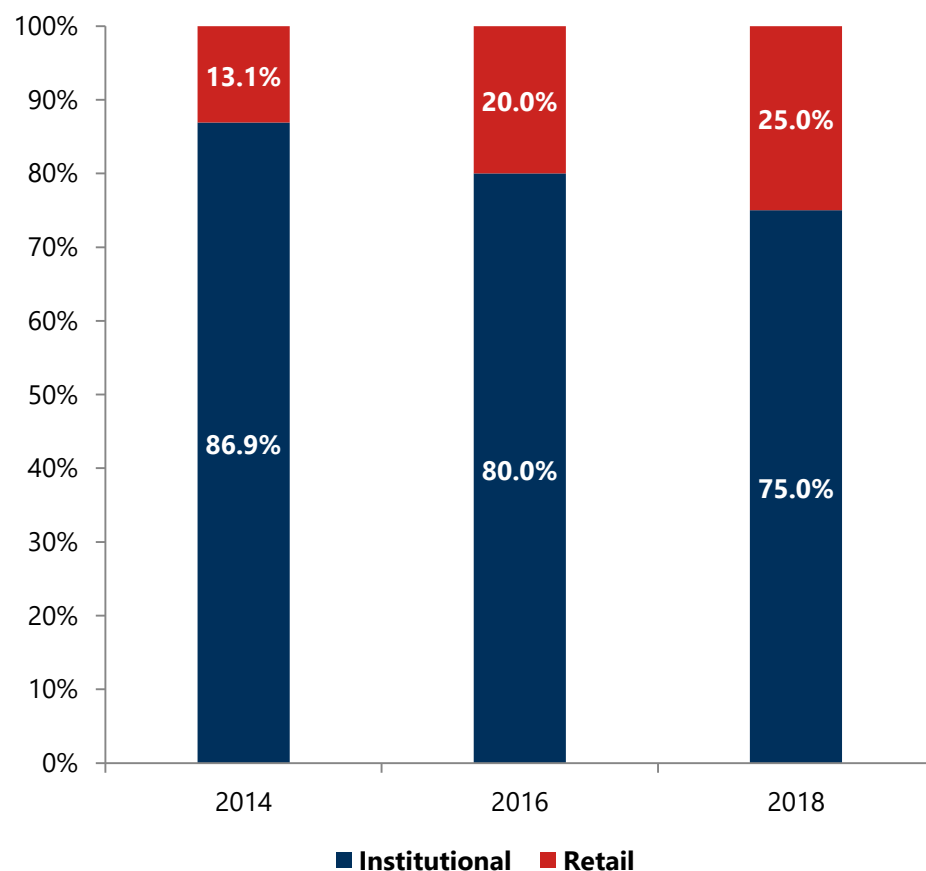
Ratio



2018

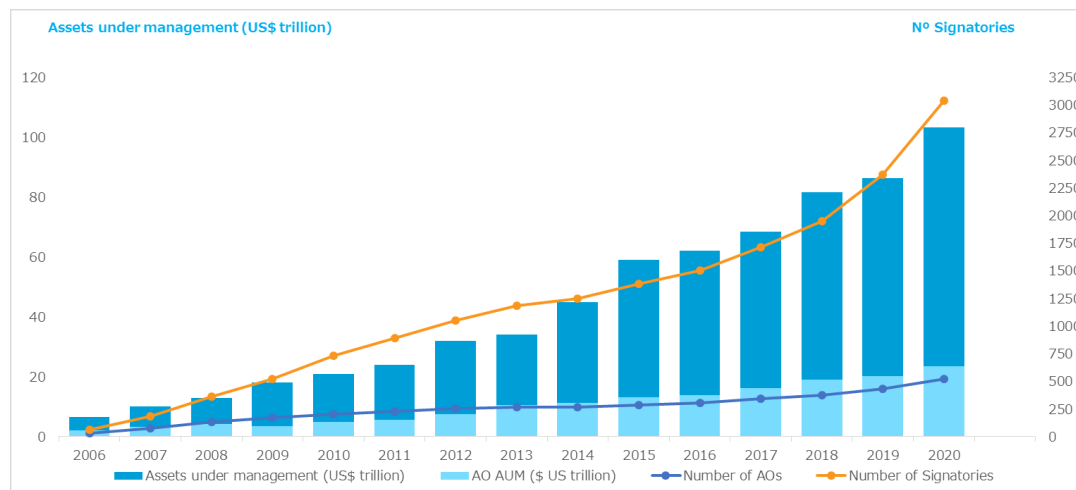
Ratio of Global Sustainable Investing Assets by Investors

Ratio



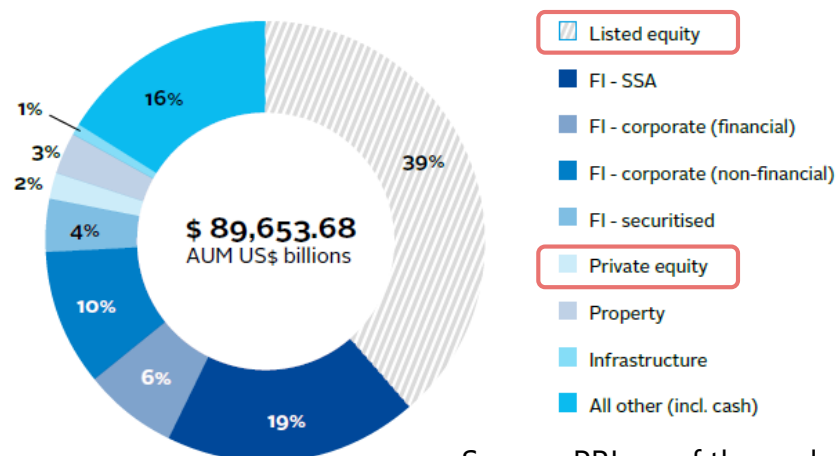
The expanding PRI signatory

Changes in the number of PRI signatories



Source: PRI, figures are as of the end of March of each year

Signatory breakdown by asset and AUM*



Source: PRI, as of the end of 2018

*Includes double counting

	Country	Number of signatories
1	United States	602
2	United Kingdom	481
3	France	258
4	Australia	167
5	Canada	165
6	Germany	140
7	Netherlands	129
8	Switzerland	127
9	Sweden	111
10	Spain	83
11	Japan	82
	Total	3,190

Source: PRI, as of July 7, 2020



Impressive points:

- ✓ Climate change remains the most critical issue, TCFD and CA100+ are major pillars
 - ✓ In social issues, the focuses are on human rights issues of workers (modern slaves)
 - ✓ Shift from divestment to engagement
 - ✓ Role of the Government and the Transition to Private Sector
 - ✓ *Outcome focus, growing demand for KPI and measurement (effect measurement)*
 - ✓ *The rise of impact investment in the public market and the SDGs*
- ➡ Movement in Impact Investment Practices

Positive Impact Initiative Policy Statement and Call for Action

- UNEP FI and the Positive Impact Initiative made a policy statement and called for action in November 2018 to reconsider the financial impact toward meeting the SDGs



1. The SDGs financing gap is symptomatic of a **business model gap**
2. Utilizing "Impact" as a core of the strategy can reduce costs of achieving the SDGs and catalyze solutions in the private sector
3. The financial sector has a critical role to play in the process of achieving "impact"
4. The Principles of Positive Impact Finance is a global framework in the process of identifying "impact"
5. **An impact ecosystem** is needed to accelerate positive impact and achieve the SDGs

Perception changes by global business leaders

Business and Sustainable Development Commission



- A group of global business leaders gathered in Davos in January 2016
- According to a report released in January 2017, achieving the SDGs (Global Goals), could
 - ✓ open up an estimated US\$12 trillion in market opportunities
 - ✓ see the economic value in 60 major markets potentially grow 2-3 times



➔ **SDGs are widely recognized as business opportunities in corporate strategy**

Source: Business and Sustainable Development Commission

SDGs and Business Opportunities in 60 Areas

	Food and Agriculture	Cities	Energy and Materials	Health and Well-Being
1	Reducing food waste in value chain	Affordable housing	Circular models - automotive	Risk pooling
2	Forest ecosystem services	Energy efficiency - buildings	Expansion of renewables	Remote patient monitoring
3	Low-income food markets	Electric and hybrid vehicles	Circular models - appliances	Telehealth
4	Reducing consumer food waste	Public transport in urban areas	Circular models - electronics	Advanced genomics
5	Product reformulation	Car sharing	Energy efficiency – non-energy intensive industries	Activity services
6	Technology in large-scale farms	Road safety equipment	Energy storage systems	Detection of counterfeit drugs
7	Dietary switch	Autonomous vehicles	Resource recovery	Tobacco control
8	Sustainable aquaculture	ICE vehicle fuel efficiency	End-use steel efficiency	Weight management programs
9	Technology in smallholder farms	Building resilient cities	Energy efficiency - energy intensive industries	Better disease management
10	Micro-irrigation	Municipal water leakage	Carbon capture and storage	Electronic medical records
11	Restoring degraded land	Cultural tourism	Energy access	Better maternal and child health
12	Reducing packaging waste	Smart metering	Green chemicals	Healthcare training
13	Cattle intensification	Water and sanitation infrastructure	Additive manufacturing	Low-cost surgery
14	Urban agriculture	Office sharing	Local content in extractives	
15		Timber buildings	Shared infrastructure	
16		Durable and modular buildings	Mine rehabilitation	
17			Grid interconnection	

Trends of Overseas Players

[FT] “Activist Investor” ValueAct founder, focuses on impact investments

Moral Money The latest news on sustainable capitalism

The Forefront of Finance FT 2020/6/25 2:18 Nihon Keizai Shimbun Electronic Edition

In the June 24 issue of the Financial Times (FT) newsletter, **Moral Money, activist investor, Jeffrey Ubben, the founder of ValueAct Capital, a well-known activist hedge fund, discussed the shift to focus on impact investing.** The main content is as follows.

Activist investor Jeff Ubben delivered shockwaves through the investing world on the 23rd by suddenly announcing his departure from his own hedge fund, ValueAct Capital. Together with Lynn Forester de Rothschild and others, he shall start a brand-new investment fund that promotes economic activities that have a positive impact on the environment and society. The new fund is called "Inclusive Capital Partners (ICP)". Hedge resources have already been dipping their particular toes into accountable investing. Mr. Ubben himself has actually managed an "Impact Investment Fund" at ValueAct since 2017 that focuses on social impact. However, this ICP initiative should be at a level that is completely different in scale and influence from the impact investments that have previously been seen.

The asset under management of ValueAct is up to \$20 billion in total (approx 2.1 trillion yen). It invests in more than a dozen companies and it is known for forcing them to change in management and management strategies. Ubben is now trying to recreate the successful experiences of ValueAct with his impact investment. However, the focus shall shift from "returns to shareholders" to "returns to a wide range of stakeholders." "We will aim to make capitalism part of the answer, as opposed to the supply of a number of the worlds biggest dilemmas," Ubben explained the purpose of the ICP's creation in his mission statement. His objective is "to help make the markets work in a means that general public plan and philanthropy have been unable."

One of Ubben's investment strategies is to actively support companies developing environmentally friendly technologies. An example is the investment in US venture company Nikola Corp, which develops heavy-duty fuel cell trucks. However, Ubben's method is to invest in projects that would ordinarily be avoided by conventional environmental funds. Indeed, he's already begun buying stakes in British oil giant BP and US energy producer AES. What's important here is that he doesn't see ICP as a charitable venture. He is willing to create a lot of money. The ICP plans to reduce the fees it collects from investors, but still expects to make profit.

Ubben believes that **successful ICP efforts shall trigger a virtuous period that brings more money to impact trading, thus increasing people capability to develop good modification to society.** "If you can prove that it is possible to make a return from investing in companies that emphasize the interest of stakeholders, you'll be able to change the market system ." (Ubben)

Some may dismiss Ubben's argument as wishful reasoning. However, some market participants warn that Ubben's moves should not be underestimated. In response to his ICP launch announcement, Marty Lipton, one of the nation's leading corporate lawyers, immediately blogged to his customers. He warned, "Companies that do not buy into the ICP's strategies or objectives will need to review their plans. A new breed of activism is emerging."

In other words, put simply, Mr. Lipton's legalese warning is as follows. "Dismiss ESG (environment, society, corporate governance) at your danger."

The Trend toward Creating Impact Investment Ecosystems

Building a Legal Framework for Impact Investment



- Project launched by PRI, UNEP FI, The Generation Foundation in January 2019
- The project collaborated with multinational law firm Freshfields Bruckhaus Deringer to better understand how investors in major jurisdictions can manage their sustainability impact across the major markets
- Plan to launch the project "A Legal Framework for Impact investment" in 3Q 2020

2000s~



Begin to integrate financially material ESG issues that are "clearly acceptable and almost certainly required" (Freshfields report, 2005)

2010~



Awareness increases, but there is a gap in implementation (Fiduciary Duty in the 21st Century, 2015)

ESG requirements by national financial authorities

At present

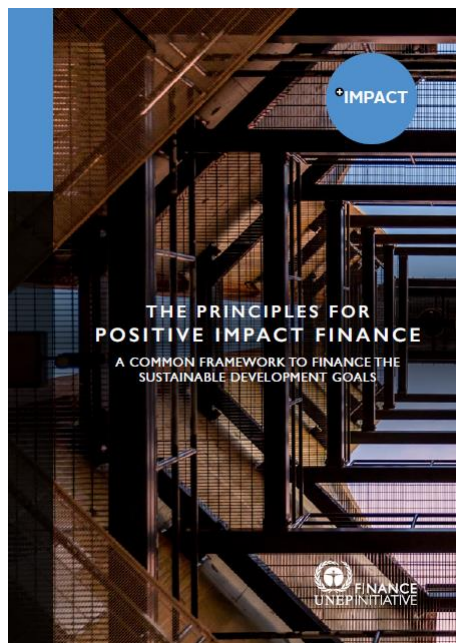


Investors are beginning to measure and integrate real-world sustainability impacts in their investment activities

Main Points:

- Are there legal obstacles to investor's investment behavior in adopting an "impact target"?
- Are investors legally required to integrate the sustainability impact of their investment behavior into investment decisions?
- On what legal basis can or should investors integrate the achievement of the SDGs into investment decision making?

Principles for Positive Impact Finance



※Established in October 2015

1. 【Definition】

- Positive Impact Finance is that which serves to **finance Positive Impact Business**. It is that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the Sustainable Development Goals (SDGs).

2. 【Framework】

- To promote the delivery of Positive Impact Finance, entities (banks, investors, etc.) need **adequate processes, methodologies, and tools, to identify and monitor the positive impact** of the activities, projects, programs, and/or entities to be financed or invested in.

3. 【Transparency】

- Entities (banks, investors, etc.) providing Positive Impact Finance should **provide transparency and disclosure** on:
 - The activities, projects, programs, and/or entities financed considered Positive Impact, the intended positive impacts thereof (as per Principle 1);
 - The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2);
 - The impacts achieved by the activities, projects, programs, and/or entities financed (as per Principle 4).

4. 【Assessment】

- The Positive Impact Finance delivered by entities (banks, investors, etc.) should **be assessed based on the actual impacts achieved**.

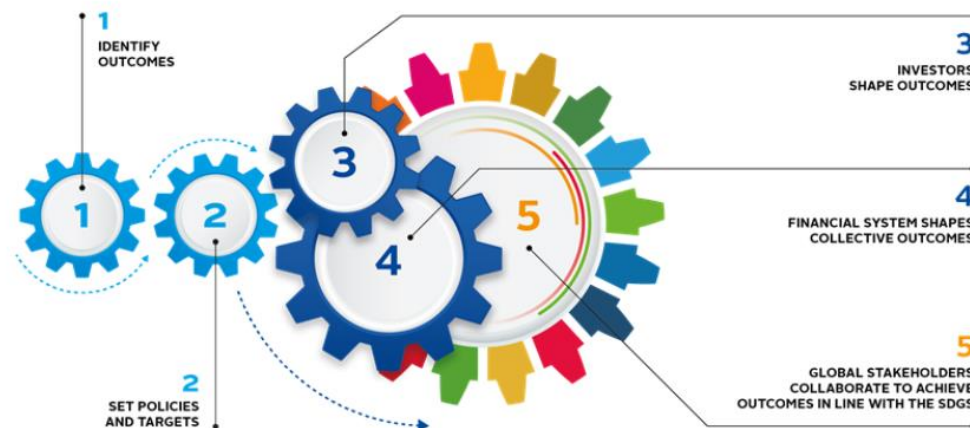
Framework of Impact Investment for SDGs Outcomes

- PRI announced impact investment framework for SDG outcomes in June 2020
- Stated the importance of building an **ecosystem** in addition to the impact investment **framework**



A five-part framework for investors

The PRI proposes a five-part framework for investors that are seeking to understand the real-world outcomes of their investments, and to shape those outcomes in line with the SDGs.



1. Identify outcomes

2. Set policies and targets

3. Investors shape outcomes

4. Financial system shapes collective outcomes

5. Global stakeholders collaborate to achieve outcomes in line with the SDGs

Need to Create a Globally Accepted Framework

- IMP: Impact Management Project provides an international forum that presents standards for impact measurement, operation, reports, and so forth, with over 2000 participating organizations.
- It is difficult to attract foreign investment funds without international standards

Enterprises and investors can assess their impact performance by assessing and reporting 15 categories of data

IMPACT DIMENSION

IMPACT CATEGORY



WHAT

1. Outcome in period
2. Importance of the outcome to stakeholder
3. Outcome threshold
4. SDGs and SDG targets



WHO

5. Stakeholder
6. Geographical boundary
7. Baseline
8. Stakeholder characteristics



HOW MUCH

9. Scale
10. Depth
11. Duration



CONTRIBUTION

12. Depth
13. Duration

Accounting for the counterfactual



RISK

14. Type of risk
15. Level of risk

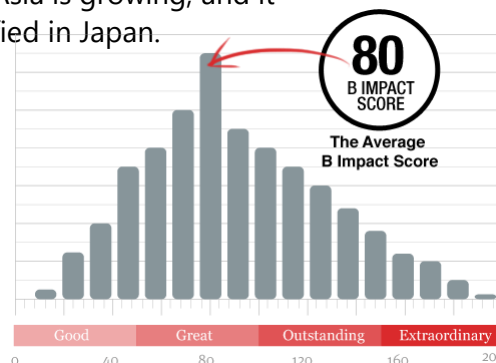
- **What** tells us what outcomes the enterprise is contributing to and how important the outcomes are to stakeholders.
- **Who** tells us which stakeholders are experiencing the outcome and how underserved they were prior to the enterprise's effect.
- **How Much** tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome for.
- **Contribution** tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.
- **Risk** tells us the likelihood that impact will be different than expected.

It is Crucial to Determine What Kind of Assessment Framework to Create

- BIA: B Impact Assessment has strong CSR-like elements, take precautions when utilizing it for investment

What is B Impact Assessment?

- Private certification system by U.S. non-profit organization "B Lab". Commercial enterprises are assessed, and certified corporations are referred to as "Certified B Corporations".
- Based on the following 5 categories, an assessment is conducted on the performance of a company toward society and the environment.
 - ✓ Governance
 - ✓ Workers
 - ✓ Community
 - ✓ Environment
 - ✓ Customer
- In order to be certified, a company conducts a self-assessment using a tool called B Impact Assessment and apply to B Lab, based on which B Lab decides whether or not to certify.
- Today there are more than 2,700 certified companies across more than 150 industries and 60 countries. Outside the US, the number of companies that are certified in Europe and Asia is growing, and it seems that several companies are also certified in Japan.



Source: Prepared by Nomura Asset based on BIA information

they compare

107 B IMPACT SCORE

2011 Patagonia, Inc. B Impact Report		
Impact Area	Average score of other businesses	Company score
Governance	20	32
Accountability	12	6
Transparency	3	3
Workers	25	22
Compensation, Benefits & Training	17	15
Worker Ownership	2	2
Work Environment	6	4
Community	20	32
Community Products & Services	0	15
Community Practices	20	15
Suppliers & Distributors	9	4
Local	1	5
Diversity	N/A	2
Job Creation	1	2
Civic Engagement & Giving	N/A	4
Environment	9	47
Environmental Products & Services	4	4
Environmental Practices	6	43
Land, Office, Plant	4	6
Energy, Water, Materials	2	11
Emissions, Water, Waste	1	2
Suppliers & Transportation	N/A	7
Overall B Impact Score	80	107

Trends in Japan

- The key is to create a framework that can be accepted internationally

Figure 5: Global social impact investment balance Social impact investment balance in Japan

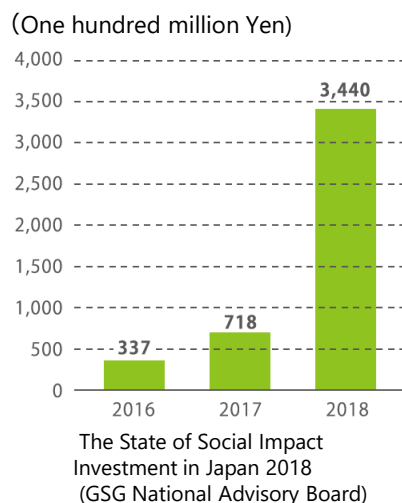
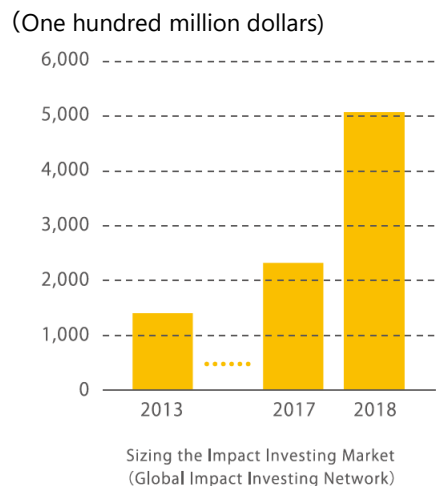


Figure 15: Image of demonstration project

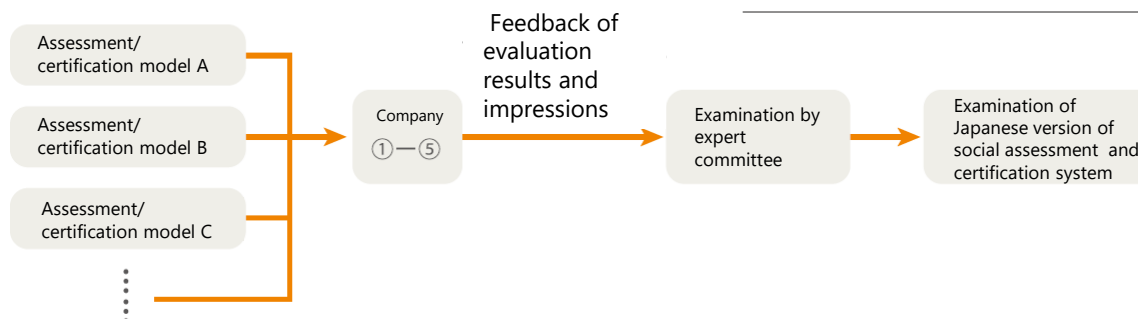


Figure 7: Outstanding Issues and Recommendations

Outstanding Issues	Recommendations
"Social business readiness" corporations Support is needed to increase profits, but it is difficult to meet investors, supporters, and successful people who can share our values of resolving social issues.	Recommendation I Create a comprehensive support community
"Social PE" Corporations Even for investors with a strong tendency to emphasize sociality, it is hard to invest risk money because of the difficulty in providing capital in the form of investment if there is no exit opportunities.	Recommendation II Develop a market where both "social PE" corporations and impact investors can safely invest
Common to "Social PE" corporations and "Social IPO" corporations Lack of information for investors, including governance mechanisms and social impact assessments.	Recommendation III Introduce a social assessment and certification system that is useful to both impact investors and corporations
"Social IPO" corporations A face-to-face dialogue with individual investors is desired, but doesn't occur.	Recommendation IV Improvement of environment for individual investors

Identifying Impact Investment Targets #1

- PRI created an impact investment market map in August 2018 with the aim of clarifying the process of identifying impact investment corporations and investment themes and improving impact investment opportunities.



Source: Prepared by Nomura Asset based on PRI information

- Impact investment areas were identified for the following 10 themes:



Energy efficiency



Water



Green buildings



Affordable housing



Renewable energy



Education



Sustainable agriculture



Health



Sustainable forestry



Inclusive finance

Market map content:

- Definition of investment theme: Making impact investment a common language
- Criteria for identifying target corporation: Providing a practical method for identifying impact investment corporations
- Criteria for identifying target corporation: Providing a practical method for identifying impact investment corporations
- KPIs for evaluation: Support for creating impact reports
- Consistency with SDGs

Identifying Impact Investment Targets #2

Sustainable Development Investments (SDIs)

Taxonomies

May 2017



- Major Dutch institutional investors PGGM and APG jointly organized a taxonomy for identifying investment targets tied to SDGs.



SDG 5: Gender equality

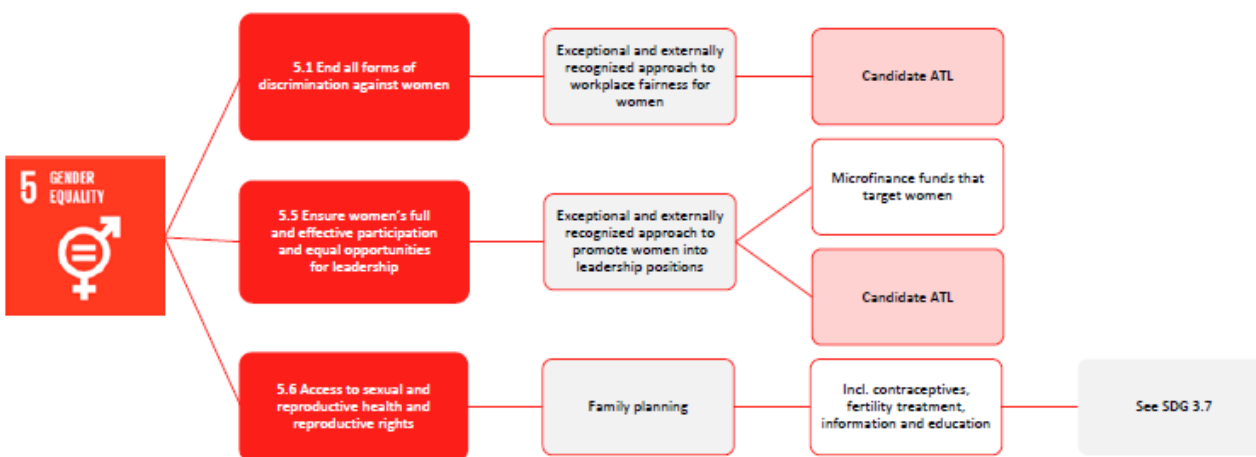
Achieve gender equality and empower all women and girls

Investable and acknowledged transformational leadership sub-goals

5.1: End all forms of discrimination against women

5.5: Ensure women's full and effective participation and equal opportunities for leadership

5.6: Access to sexual and reproductive health and reproductive rights



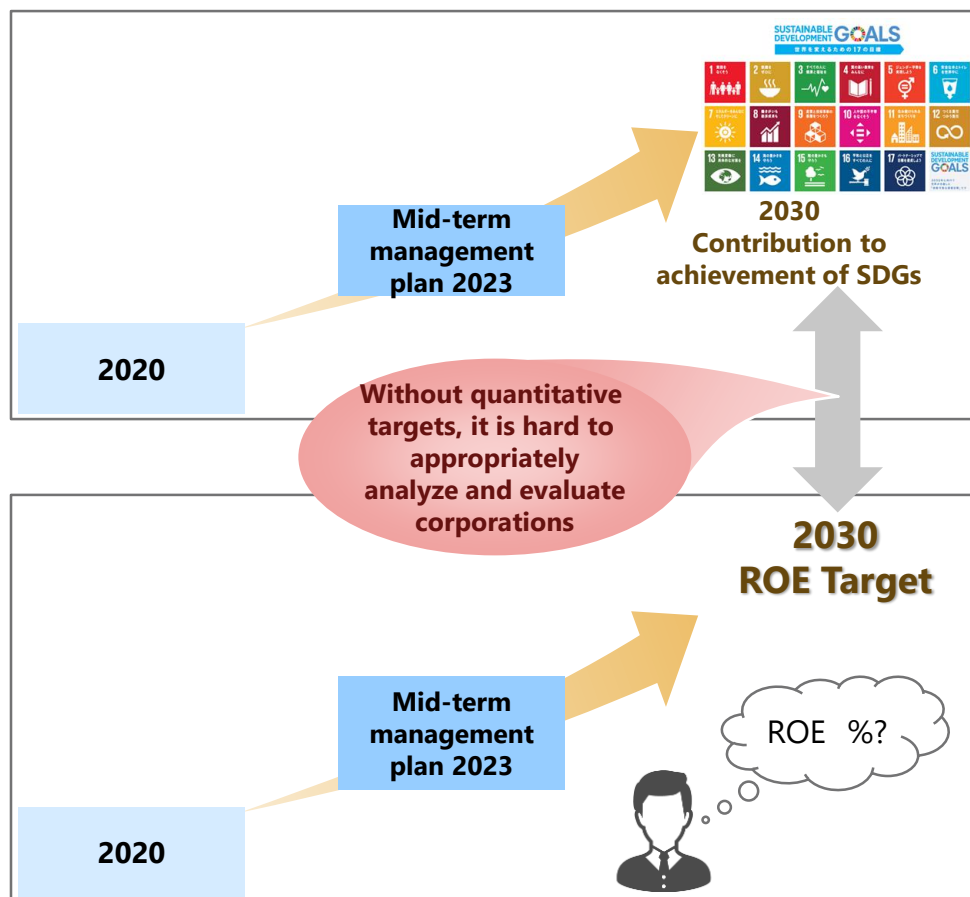
Source: PGGM, apg

Assessment and Investment Promotion: Enhancing Corporate Disclosure

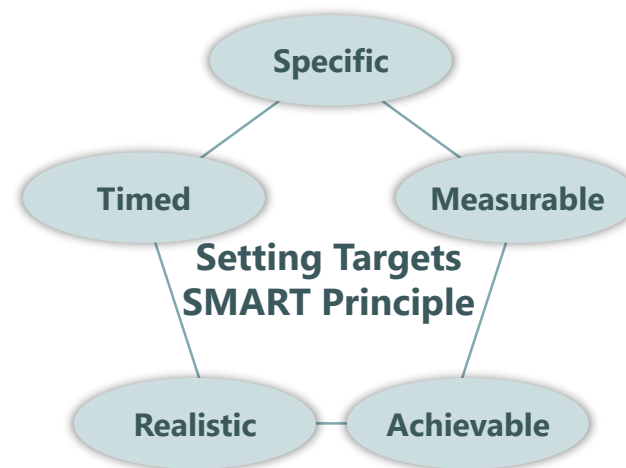
NOMURA

- Although the SDGs logo is posted in integrated reports, there are cases where specific quantitative targets are not stated.
- **Appropriate company disclosure leads to appropriate evaluation and attracts impact investment capital**

Diagrams seen in integrated reports, and so forth



Disclosure contents of SDGs expected in integrated reports, and so forth



ESG Issues	Related goals, targets and indicators of SDGs	Measures	KPI	Standard Value	Impact (actual value)	Target value	(Economic) return, financial indicators that affect
Contagious disease, transmittable disease	Target 3.3	Drug development, sales area expansion	Number of patients	~ People Decrease	~ People Decrease	~ People Decrease	amount of sales ~% increase
Renewable Energy	Target 7.2	Private solar power generation	Home Power generation capacity	~kW	~kW	~kW	Cost of sales Selling, general and administrative expenses ~% decrease
Resilient infrastructure	Target 9.1, 11.1	Earthquake-resistant/smart building construction	No. of Buildings	~ Buildings	~ Buildings	~ Buildings	amount of sales ~% increase

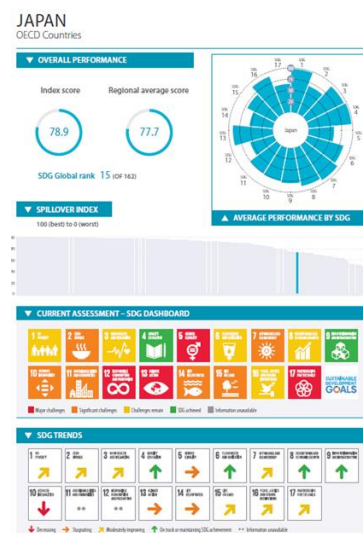
Assessment and Investment Promotion: Movement Toward Indexing

- WBA plans to develop benchmarks by 2023 to assess the performance of 2,000 leading companies required to achieve the SDGs
- Creating an appropriate index leads to evaluation of impact investment, attracts investment capital and becomes an incentive for companies**

SDG Index & Dashboards

- Since 2016, the index has been jointly published by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Foundation in Germany. It is a compilation of achievements and progress of SDGs by a private organization that is not the United Nations.
- In the 2019 edition, which is the fourth report released in June 2019, 162 countries are analyzed. Japan was ranked 15th as in the 2018 edition, with a "green" rating for SDG 4 Education, and SDG 9 Innovation, but with the lowest "red" rating for SDG 5 Gender Equality, SDG 12 Responsible Consumption and Production, SDG 13 Climate Action, and SDG 17 Partnerships to Achieve the Goal.

Rank	Country	Score
1	Denmark	85.2
2	Sweden	85.0
3	Finland	82.8
4	France	81.5
5	Austria	81.1
6	Germany	81.1
7	Czech	80.7
8	Norway	80.7
9	The Netherlands	80.4
10	Estonia	80.2
11	New Zealand	79.5
12	Slovenia	79.4
13	U.K.	79.4
14	Iceland	79.2
15	Japan	78.9
16	Belgium	78.9
17	Switzerland	78.8
18	South Korea	78.3
19	Ireland	78.2
20	Canada	77.9



World Benchmarking Alliance (WBA)

- In September 2018, the United Nations Foundation, the UK insurance giant AVIVA, and the Dutch NGO Index Initiative announced that they would launch a new ranking, the World Benchmarking Alliance (WBA), to evaluate the contribution of the world's leading corporations to achieving the SDGs. WBA is funded by the United Nations Foundation, the UK, the Netherlands and Danish governments.
- In the future, the WBA shall identify 2,000 leading companies that will be major players in the areas where structural change is necessary in achieving the SDGs and realizing change for a sustainable society, and they plan to develop a benchmark index to assess their performance by 2023. The seven areas where WBA thinks structural changes are needed are (1) Society, (2) Agriculture/Food, (3) Decarbonization/Energy, (4) Circular, (5) Digital, (6) Urban City, (7) Financial system.
- The first announcement shall be made in 2020. The policy is to develop five benchmarks by 2020 to measure corporate performance: (1) climate change/energy, (2) gender equality/empowerment, (3) seafood stewardship, (4) digital inclusion, and (5) agriculture/food.

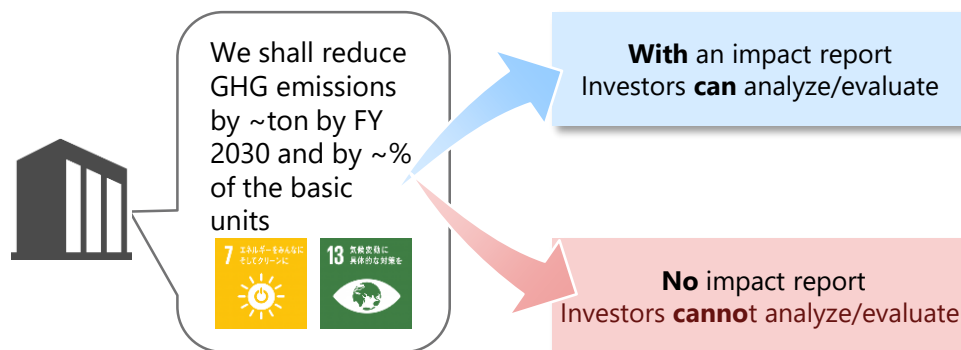


Assessment and Investment Promotion: Impact Report

- When disclosing impact KPIs and target values, it is imperative to make impact reports on actual values and progress rates in integrated reports
- **Creating impact reports will improve transparency, which in turn promotes understanding of impact investment**

Need for Impact Report

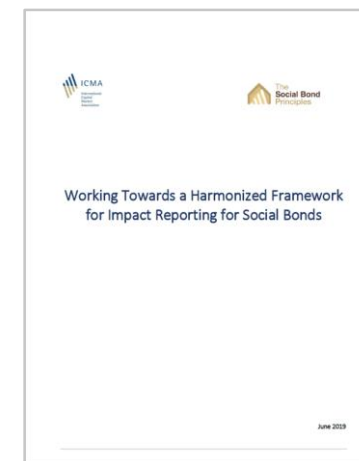
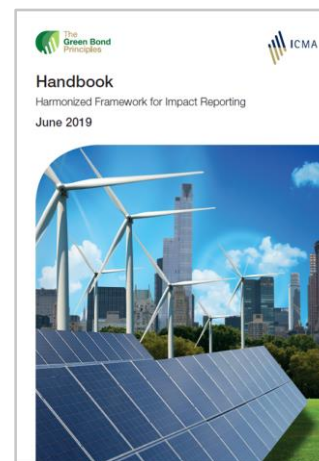
- Disclosure of KPIs and target values for impact (ESG outcomes resulting from corporate activities) will require impact reporting to provide investors with the opportunity to analyze and evaluate corporate ESG initiatives.
- While impact reports are actively prepared by public sectors such as international organizations and non-profit organizations, there are also cases in the private sector where they are prepared in integrated reports, as ESG investment expands.
- There are two methods for preparing an impact report: one by the implementing agency of the ESG project, and one by an external assessor. It is expected that the number of cases utilizing external assessor shall increase in the future.
- The Green Bond Principles of the International Capital Market Association (ICMA) require ex post facto reporting on the uses of funds raised by ESG bonds. ICMA also publishes a framework for ESG bond impact reporting



World Bank Green Bond Impact Report, ICMA Framework

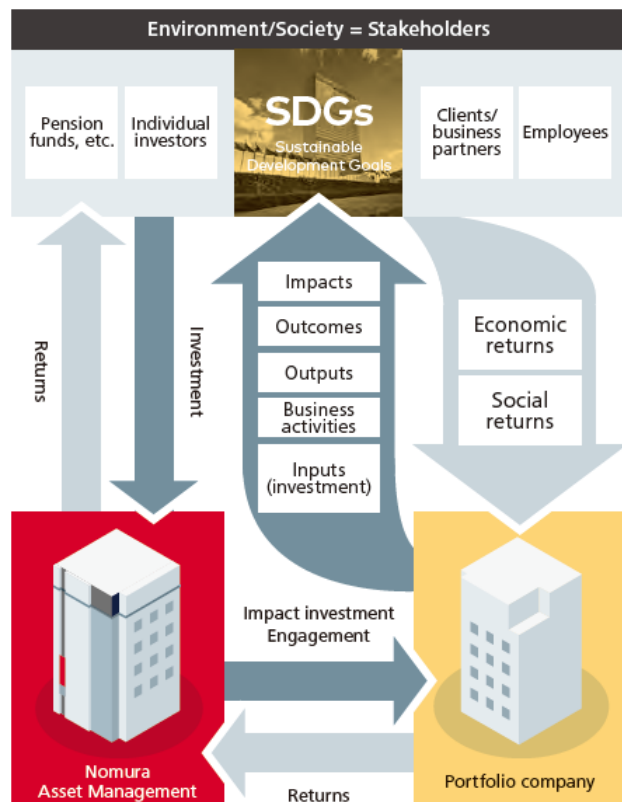


#	Link to More Information	Project Name, Number, Years Loans Approved, and Description	Appraised	Annual Energy Savings (MWh)	Annual Energy Produced (MWh)	Renewable Capacity Added (MW)	Target Results *				Actual	Actual
							Annual Carbon Emissions Avoided (Tons of CO ₂ e)	Other Results	Carbon Saved (Tons of CO ₂ e)	Carbon Saved (Tons of CO ₂ e)		
1		Bolivia - Greater District Heating (P147414) FY14: increase energy efficiency in district heating system and replace natural gas with wood biomass as a renewable energy source.	M	20	236,000	1,400,000	100	Cumulative over 5 years: 1,100,000 MWh energy savings from efficiency investments. 2,100,000 tons of CO ₂ e emissions reduced.	90.0	100%	40.2	
2		China - Heating Rooftop Solar Photovoltaic Scale-Up (P126222) FY13: promote renewable energy in 1,000 schools and other educational institutions.	M	20	na	100,000	89,500	10 to 15% of the schools' annual power use provided by renewable sources. 400,000 students in 1,000 schools benefit.	100.0	60%	24.9	
3		China - Eco-Farming Project (P106550) FY13: promote sustainable farming systems and reduce greenhouse gas emissions from fertilizer and farming coal and fertilizer blending total consumption with biogas systems.	M	20	na	na	900,000	400,000 - 500,000 metal household benefit with cleaner biogas cooking and heating systems. Updated for actual results of project completion.	110.0	27%	119.0	
4		China - Energy Efficiency Financing (P144424) FY13: promote energy conservation in China's industrial sector supporting intermediary loans for energy efficiency projects in medium and large-sized manufacturing companies.	M	20	21,807,000	na	na	2,600,000 tons of coal eq. from annual energy savings (assuming 100 subprojects). Updated for actual results of project completion.	300.0	40%	300.0	
5		China - Financing for Air Pollution Control (P144424) FY13: reduce air pollutants and carbon emissions through lending for energy efficiency and clean energy with a focus on the Jing-Jin-Ji and neighboring regions.	M	20	3,125,000	na	na	3,000 tons of particulate emissions from air pollution reduced by EE and RE subprojects. Updated for actual results of project completion.	907.0	100%	107.4	
6		China - Energy Efficiency Financing (P144424) FY13: promote energy conservation in China's industrial sector through intermediary loans to energy efficiency projects.	M	20	25,200,000	na	na	4,000,000 tons of coal eq. from annual energy savings (assuming 100 subprojects). Updated for actual results of project completion.	45.0	60%	45.0	
7		China - Green Energy Scheme for Lian-yun City in Shanghai (P127000) FY13: promote power sector development with energy efficiency and renewable energy installation in commercial and government buildings.	M	20	621,700	na	na	100,000 tons of CO ₂ e emissions reduced by EE and RE subprojects. Updated for actual results of project completion.	100.0	41%	75.0	



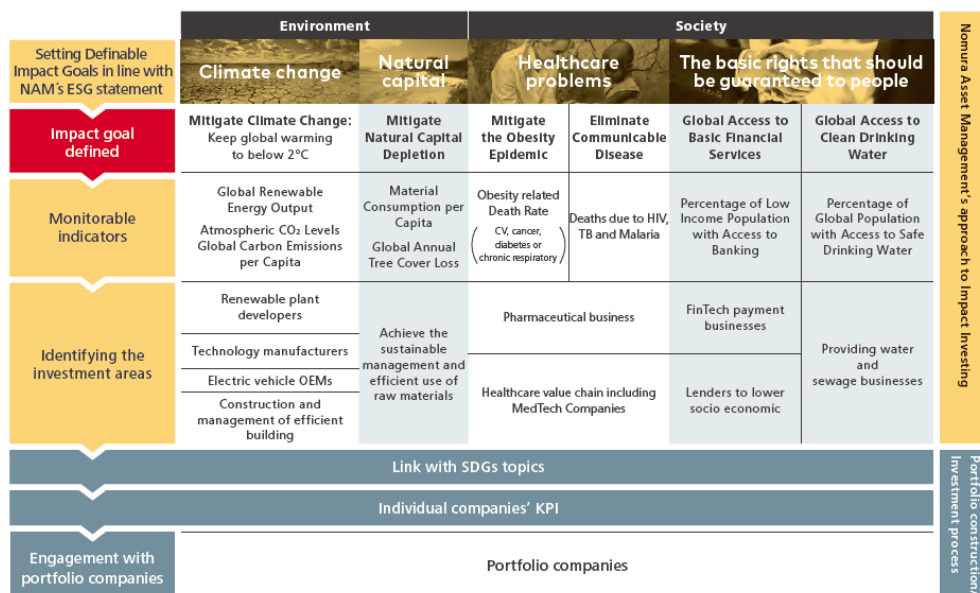
Implementation of Impact Investment in Nomura Asset Management

Nomura Asset Management's Initiative to Promote Impact Investment



- It is crucial not only to create impacts on the environment and society, but also to generate cash flows from investee companies through impacts and **return them to stakeholders as investment returns.**
- In addition to analyzing the impact of investee companies on the environment and society, as well as the cash flows generated by those impacts, **it is also essential to support investee companies in setting and achieving KPIs that lead to impact creation through engagement.**
- **Create a framework for impact investment that is globally unified,** with our "ESG statement" as a common value

Nomura Asset Management's Impact Investment Framework



Source: Nomura Asset Management

1. Establishing "Impact Goals":

- Define desired social and environmental outcomes, and share with stakeholders (investors)

2. Establishing main impact monitorable indicators:

- Simplify quantitative measurement of progress toward "impact goals"

3. Identifying the investment areas:

- Clarify the relationship between impact goals and investee companies

4. Relate with SDGs topics:

- Reaffirm its connection to international goals

5. Establishing individual companies' KPI (CPI):

- Quantitatively measure the contribution of each company

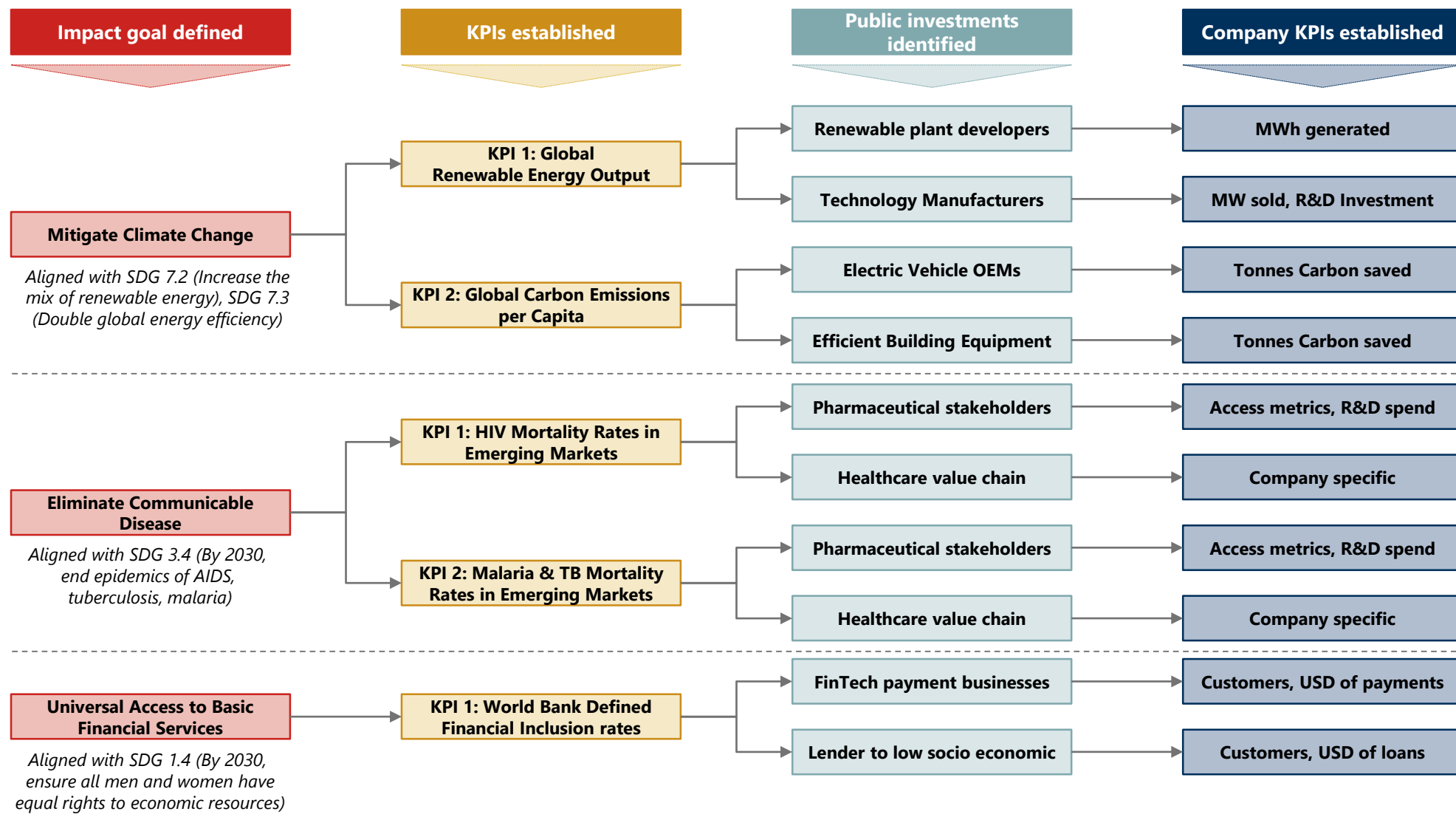
6. Engagement:

- Work with corporations to strengthen their efforts and ensure that CPI is achieved

7. Issuing Impact Report:

- Visualization of overall progress

Impact Goals and Defining Credible KPIs



Breaking Down Investment Targets into KPIs and Engagement

Impact goal and KPIs

- Improve access to healthcare to ultimately end the epidemics of communicable diseases (primarily AIDS, TB, Malaria)
 - KPI1: Global HIV Mortality Rates (WHO)
 - KPI2: Global Malaria Mortality Rates (WHO)

The role of public companies in achieving these goals and how we can track this

Company	Impact thesis	Company performance indicators	Engagement objective
Primary role: Gilead	<ul style="list-style-type: none"> ■ World leader in the development of HIV Treatment ■ First pharmaceutical partner of the Medicine Patent Pool 	<ul style="list-style-type: none"> ■ Patients receiving Gilead based HIV treatment in low/middle income countries ■ Investment in R&D 	<ul style="list-style-type: none"> ■ Expand access planning across full range of drugs within portfolio
Primary role: GlaxoSmithKline	<ul style="list-style-type: none"> ■ Largest vaccine manufacturer globally (2mm doses daily). Forefront of Malaria and TB vaccine development ■ Leading global pharmaceutical company in 'Access to Medicine' rankings 	<ul style="list-style-type: none"> ■ Number of underserved patients receiving treatment through access programme ■ EM patients reached through partnerships for increased Healthcare Service Access 	<ul style="list-style-type: none"> ■ Expand non-voluntary licensing of HIV drugs to include Brazil, China, Mexico ■ Establish access strategies at an earlier stage of R&D process
Support role: Waters	<ul style="list-style-type: none"> ■ Leading pharmaceutical product purity testing company. Critical to the drug development process 	<ul style="list-style-type: none"> ■ Investment in R&D ■ Market share within pharmaceutical testing end markets 	<ul style="list-style-type: none"> ■ Improve disclosure of ESG metrics ■ Expand reporting on specific company impact

Source: Nomura Asset Management

Example of Engagement for Impact

Access to Medicine Foundation (ATMF):



Access to Medicine Foundation
Access to Medicine Index

- The Access to Medicine Index (ATMI) is published every other year, by an independent nonprofit research foundation funded by the UK Government, the Dutch Ministry of Foreign Affairs, the Dutch Ministry of Health, Welfare, and Sport, and the Bill & Melinda Gates Foundation.
- The ATMF has partnered with the pharmaceutical industry for over a decade, with a primary goal of improving access to healthcare for billions of people in low- and middle-income countries who do not benefit from modern healthcare progress. The ATMI ranks the level of support and achievements by 20 of the world's largest pharmaceutical companies with respect to global access to medicine.
- Nomura Asset Management joined in July 2019

Access to Medicine Index 2018 Rankings

Rank	Company name	ATM Index score	Rank	Company name	ATM Index score
1	GlaxoSmithKline plc	4.01	11	Pfizer Inc.	2.34
2	Novartis AG	3.21	12	Merck & Co., Inc.	2.32
3	Johnson & Johnson	3.05	13	Gilead Sciences Inc.	2.29
4	Merck KGaA	2.90	14	Boehringer Ingelheim GmbH	2.11
5	Takeda Pharmaceutical Co. Ltd.	2.75	15	Bristol-Myers Squibb Co.	2.03
6	Novo Nordisk A/S	2.68	16	Bayer AG	1.88
7	Sano	2.49	17	AbbVie Inc.	1.88
8	Eisai Co. Ltd.	2.48	18	Daiichi Sankyo Co. Ltd.	1.77
9	AstraZeneca plc	2.48	19	Astellas Pharma Inc.	1.46
10	Roche Holding AG	2.38	20	Eli Lilly & Co.	1.27

(出所) Access to Medicine Index 2018

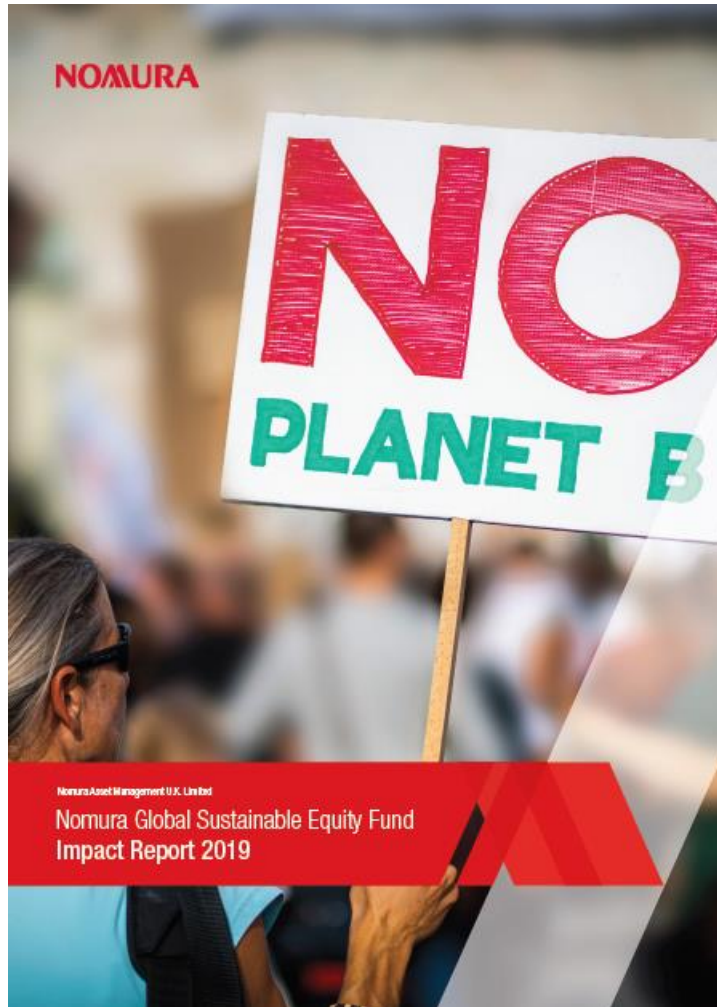
Source: Nomura Asset Management based on ATMI information

Impact creation for GlaxoSmithKline (GSK):

- Nomura Asset Management took on the role of co-lead investor in collaborative engagement with GlaxoSmithKline on behalf of ATMI and its signatories. Nomura Asset Management is engaging in an ongoing dialogue with the company to push for even better drug access outcomes.
- In December 2019, while serving as chair of collaborative engagement call with GSK, alongside with 13 other global asset managers, Nomura discussed strategies for drug access to emerging countries.



Preparing an Impact Report



- Periodically report impact goals, monitoring indicators, investee company status and KPIs, engagement activities, and so on
- **However, monitoring indicators and corporate KPIs are also major obstacles to preparation**

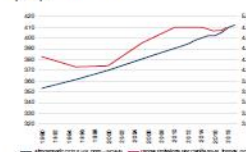
Page 4

Nomura Asset Management

Tracking Progress Towards our Environmental and Social Goals

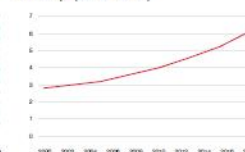
Mitigate Climate Change

Atmospheric CO₂ Levels and Emissions per Capita



Progression towards our Goal and KPIs
Global Renewable Energy Output continues to grow rapidly rising to 6.6 million GWh in 2018. Wind has been the primary driver of growth (+14% pa 2015-2018).
Global Carbon Emissions per Capita Carbon Intensity per Capita has plateaued, having peaked in 2008, but this is not enough given our rapidly growing population.
Atmospheric CO₂ Levels continue to increase at just under 1% per annum driven by global population growth.

Global Renewable Energy Generation Annual Output (million GWh – IEA)



Examples of Our Investments

Nordex Energy: World's largest onshore wind energy generator
Eversource Energy: Network investments facilitate the renewables transition
National Grid Network: Investments enable renewable transition
Johnson Controls: Efficient HVAC and control systems reduce building emissions
AO Smith: Efficient water heaters reduce emissions
Microsoft, MasterCard, Visa, SAP, Cisco, Apple, Intel: Companies have shown industry leading commitment to being powered by carbon free energy

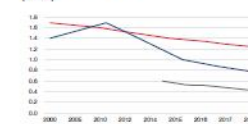


Global Sustainable Equity Fund Impact Report 2019

Page 5

Eliminate Communicable Disease

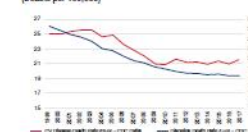
Global Deaths from HIV, TB and Malaria (millions)



Progression towards our Goal and KPIs
Deaths due to HIV, TB and Malaria: Deaths from communicable diseases are falling steadily, however much remains to be done with almost 800,000 deaths from HIV/AIDS in 2018 and the number of deaths from TB is not coming down fast enough – there were more than 1.2 million in 2018. Malaria in particular is in desperate need of a more effective TB vaccine.
Examples of our investments
Gilead: The world's leading HIV treatment pharmaceutical company
GlaxoSmithKline: Largest vaccine manufacturer globally with leading Access strategies
Johnson and Johnson: Pharmaceutical with strong HIV and vaccine franchises

Mitigate The Obesity Epidemic

US Obesity Related Death Rates (Deaths per 100,000)



Progression towards our Goal and KPIs
Obesity Related Death Rate: Within the United States the diabetes death rate has plateaued having been in steep decline whilst cardiovascular death rates are now rising. Medical advancements are being more than offset by the growing obesity epidemic.
Examples of our investments
Novo Nordisk: Leading diabetes treatment manufacturer
Becton Dickinson: Medical equipment applications across diabetes and cardiovascular diseases
Medtronic: MedTech company with large cardiovascular and diabetes businesses



ACI Impact Ecosystem

Nomura ACI Advanced Medical Impact Fund

- Focusing on the fields of medicine and biotechnology, this fund invests in companies that take on the challenge of artificial intelligence (AI)-based medical care, robotic-assisted surgery, telemedicine systems, genomic drug discovery, regenerative medicine, and so forth
- It is possible to contribute to the development of advanced medical care on a global scale while earning income from the investments.

American Century Investments (ACI) Business Model

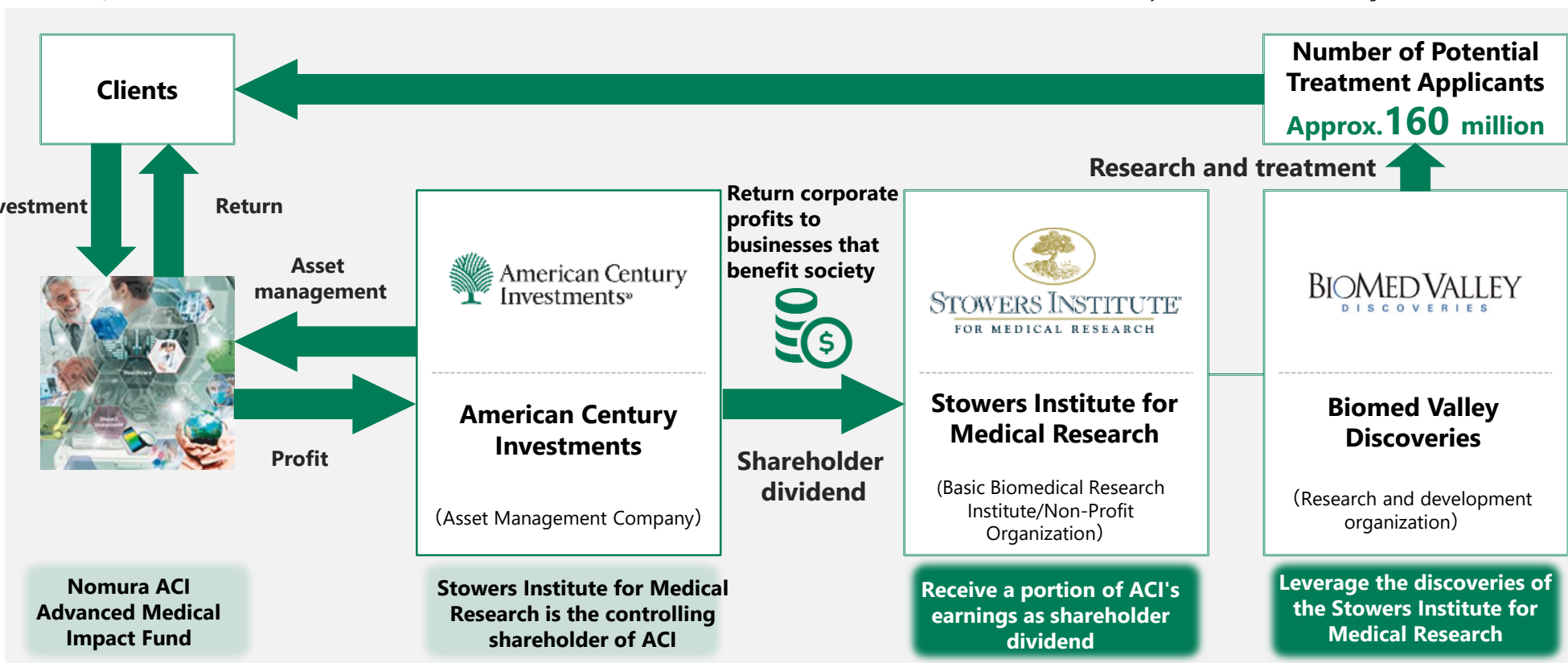
- Funding medical research through dividend distributions by providing investment benefits to customers
- Distributing more than 40% of profit every year to operating funds of Stowers Institute for Medical Research (a non-profit biomedical research institution)



Stowers Institute for Medical Research
Kansas City, Missouri, USA




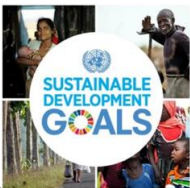







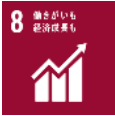


James E. Stowers Jr. (right),
Virginia G. Stowers (left)



Development of Impact investment fund

- Promote product development using pilot funds and improve access to impact investment

An example of Nomura Asset Management's impact investment fund

Classification	Topic	Fund Name	Contribution to SDGs
  Diversified	Domestic Stocks	Nomura Social Value Creation Corporate Fund	
	Foreign stocks	Nomura Global Sustainable Equity Strategy	
	Bonds	Bond ESG Investment Fund	
    Theme Type	Advanced Medicine	Nomura ACI Advanced Medical Impact Fund	
	Active participation by women	NEXT FUNDS MSCI Japan Empowering Women (Select) Index ETF Fund <<nicknamed>> Japan Empowering Women ETF	
	Working environment (Improving work environ)	Nomura Japan Workable Company Strategic Fund	
	Blue Economy	Blue economy fund (plan)	 

The Promotion of Impact Investment on Listed Markets

New Proposed Rule from US Department of Labor (DOL)

Notice of Proposed Rulemaking on Financial Factors in Selecting Plan Investments Amending “Investment duties” Regulation at 29 CFR 2550.404a-1

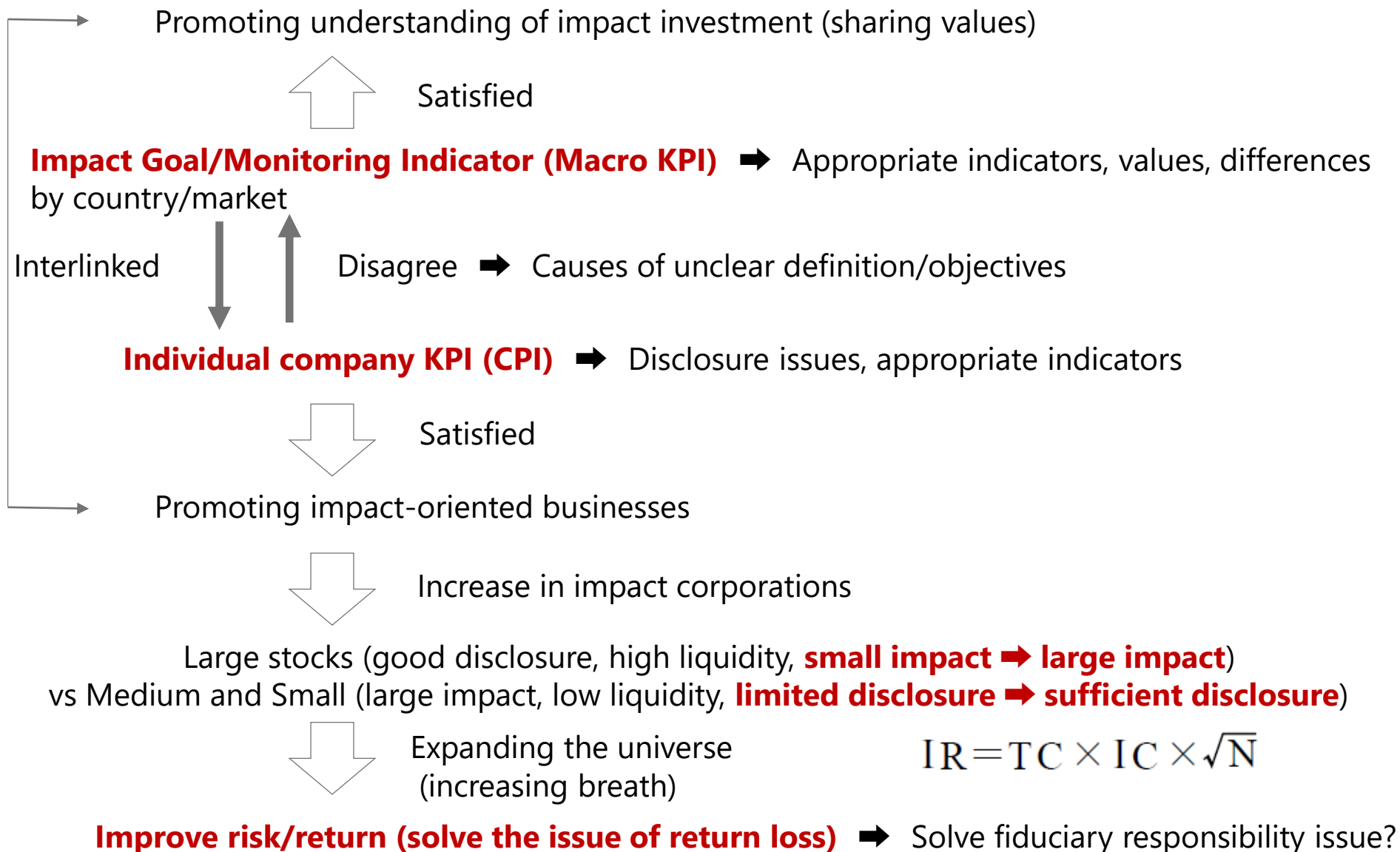
June 23, 2020

Overview of Proposed Amendments to “Investment duties” Regulation

•The proposal makes five core additions to the regulation:

1. New regulatory text to codify the Department’s longstanding position articulated in interpretive bulletins (IBs) published in 1994, 2008, and 2015 that ERISA requires plan fiduciaries to select investments and investment courses of action based on financial considerations relevant to the risk-adjusted economic value of a particular investment or investment course of action.
2. An express regulatory provision stating that compliance with the exclusive purpose (loyalty) duty in ERISA section 404(a)(1)(A) prohibits fiduciaries from subordinating the interests of plan participants and beneficiaries in retirement income and financial benefits under the plan to non-pecuniary goals.
3. A new provision that requires fiduciaries to consider other available investments to meet their prudence and loyalty duties under ERISA in furthering the purposes of the plan.
4. The proposal acknowledges that **ESG factors can be pecuniary factors, but only if they present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories.** New regulatory text sets forth required investment analysis and documentation requirements in the rare circumstances when fiduciaries are choosing among economically “indistinguishable” investments (related to the so-called “tiebreaker rule” in the 1994, 2008, and 2015 IBs). The documentation requirement is intended to provide a safeguard against the incentive for fiduciaries to improperly find economic equivalence and make decisions based on non-pecuniary benefits without a proper analysis and evaluation. Fiduciaries already commonly document and maintain records about their investment selections. The provision in the proposal would make that general practice required where a fiduciary determines that alternative investment options are economically indistinguishable and where the fiduciary chooses one of the investments on the basis of a non-pecuniary factor.
5. A new provision on selecting designated investment alternatives for 401(k)-type plans. The proposal states the Department’s view that the prudence and loyalty standards set forth in ERISA apply to a fiduciary’s selection of an investment alternative to be offered to plan participants and beneficiaries in an individual account plan (commonly referred to as a 401(k)-type plan). The proposal describes the requirements for the selection of investment alternatives for such plans that purport to pursue one or more environmental, social, and corporate governance-oriented objectives in their investment mandates or that include such parameters in the fund name.

Issues to be solved in the practice of impact investment



Relationship between ESG and financial performance

Figure 1 - Relationship between KLD and ROA

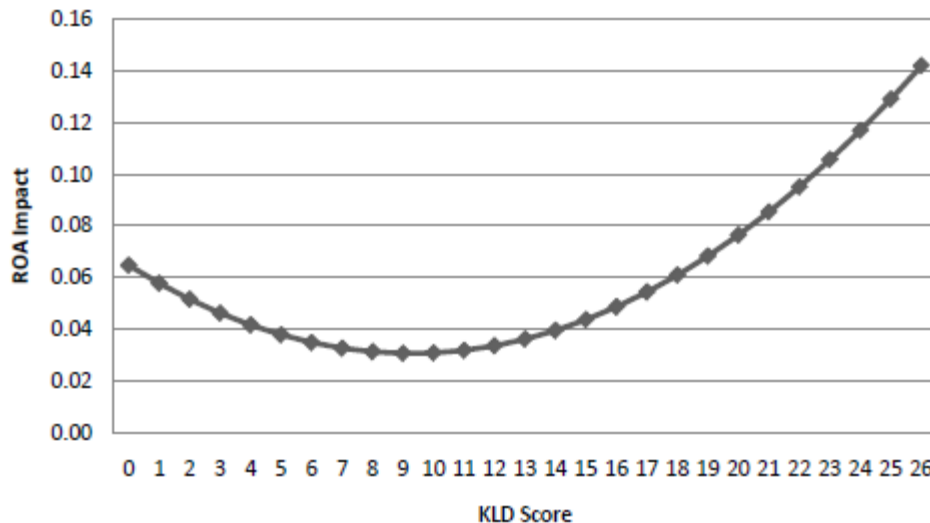
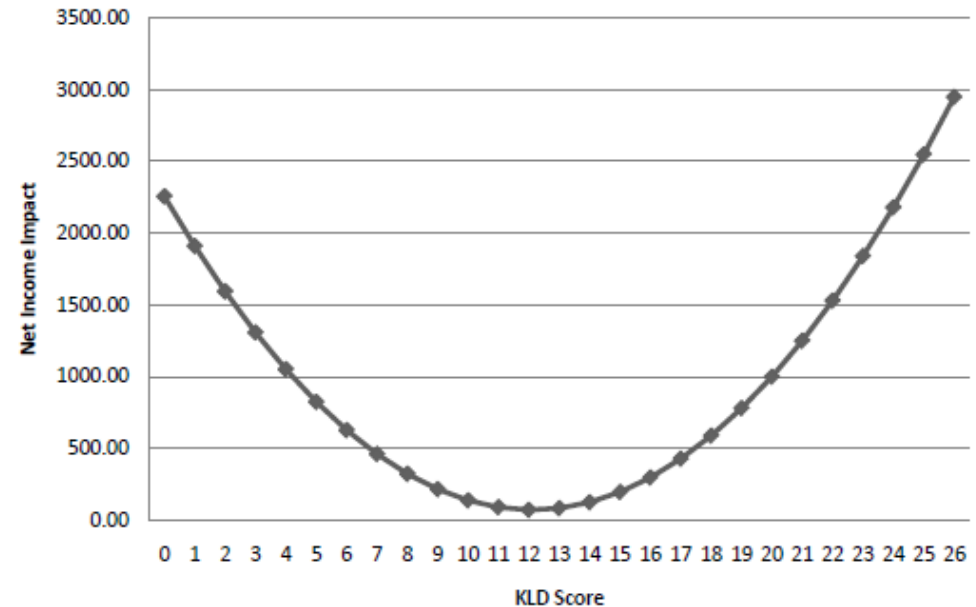


Figure 2 - Relationship between KLD and Net Inc



(Source)

"Does it pay to be *really* good? Addressing the shape of the relationship between social and financial performance"

MICHAEL L. BARNETT (University of Oxford), ROBERT M. SALOMON (New York University), June 2011

Management mind leading to J-curve effect

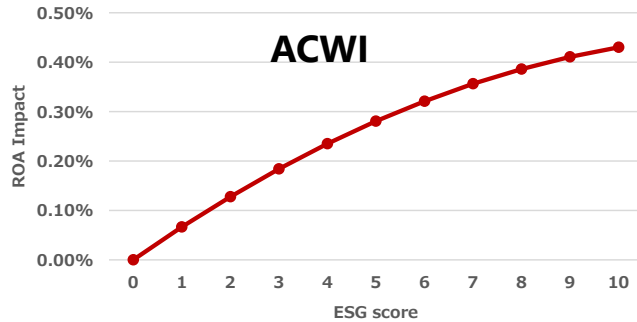
➡ Improving corporate value and investment return

According to our verified results...

No consideration for the constant term. Created from the regression coefficients of the primary and secondary terms of the ESG score.

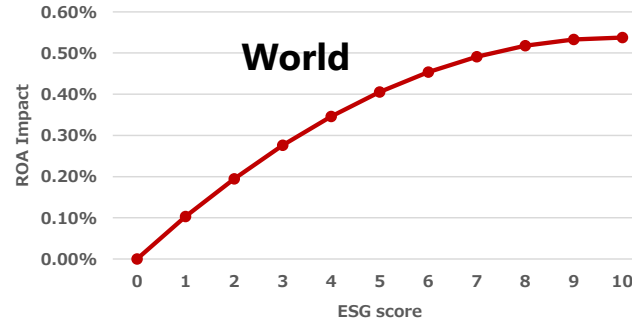
MSCI_ACWI

ACWI



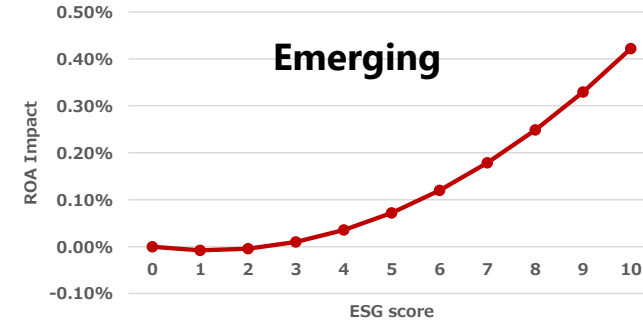
MSCI_WORLD

World



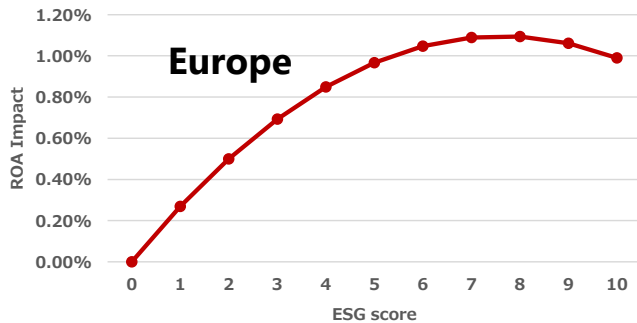
MSCI_EM

Emerging



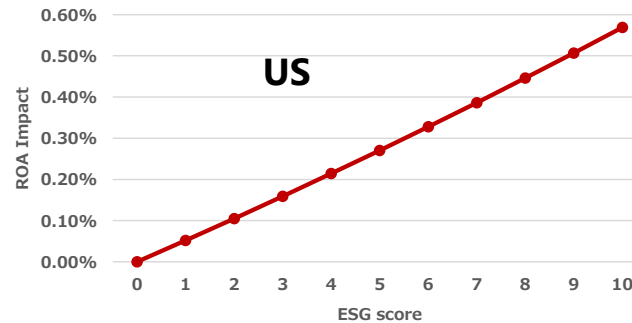
MSCI_EUROPE

Europe



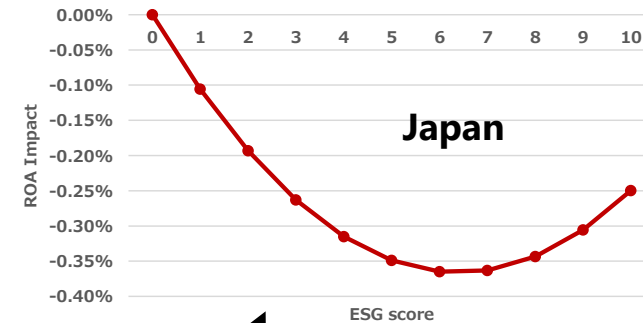
MSCI_US

US



MSCI_JP

Japan



Possible context and factors:

- ① Stage differences in ESG efforts
- ② Cost factors are considered but it did not result in better business or profits
- ③ Distortion of evaluation due to insufficient information disclosure

The Upsurge in ESG Investment is not the First Time

Inception Year	Fund Name	Asset management company (at that time)	Base price	Assets under management ('000 million yen)
1990	Global Environment Fund	Nomura Asset	2014 redemption	
1999	Nikko Eco Fund	Nikko Asset	10,164	67
	Sompo Japan Green Open (Buna no Mori)	Sompo Japan	10,413	207
	Eco Fund	Industrial Bank Dai Ichi	2009 redemption	
	UBS Japan Equity Eco Fund	UBS Global Asset	2009 redemption	
2000	Eco Partners (Midori no Tsubasa)	UFJ Partners Investment Trust	8,838	9
	Asahi Life Socially Responsible Investment Fund (Asunohane)	Asahi Life	9,405	38
	Eco Balance - (Umi to Sora) Fund	Mitsui Sumitomo Asset	2014 redemption	
	Nikko Global Sustainability Fund	Nikko Asset	2010 redemption	
	Global Eco Growth	Daiwa SB Investment Advisor	2008 redemption	
2003	SRI Japan Open (Good Company)	Sumishin Asset	9,839	67
2004	Nomura Global SRI 100 (Nomura Global Social Responsibility Investment)	Nomura Asset	21,028	29

Note: Base price and AUM are as of July 10, 2020

Interest in SDGs in Japan

The third Consumer Survey on the Sustainable Development Goals Findings Report

April 27, 2020

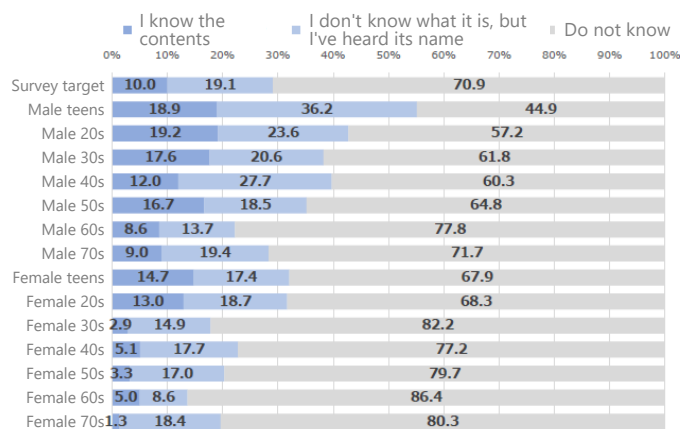
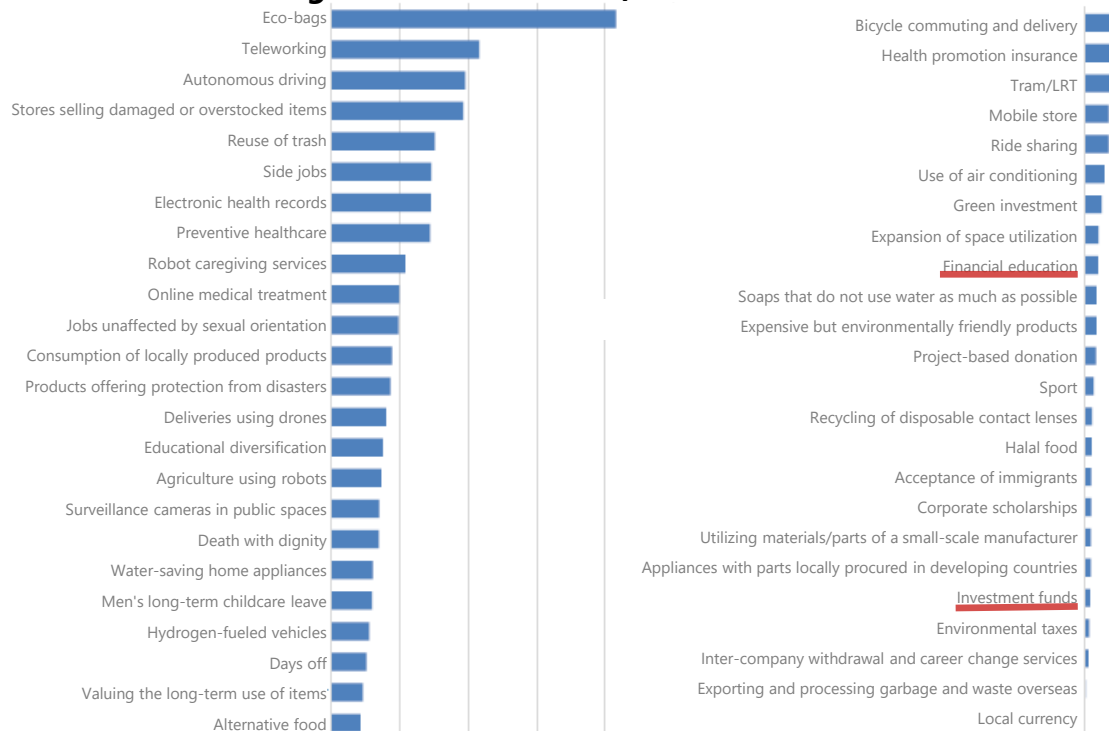


- Survey method: Internet-based survey
- Survey area: Nationwide in Japan
- Respondents: General target (10-79 years old nationwide) excluding survey and advertising agency businesses
- Sample size: 1400 samples
- Collection allocation: Each cell (14 cells) x 100 samples for men and women in their 10s to 70s; WB aggregation according to population composition ratio
- Survey period: January 18-19, 2020
- Implementing body: Dentsu Team SDGs/Dentsu Macromill Insight Inc.

- Awareness of SDGs is still low
- Low understanding of the importance of financial education and investment funds

■ SDGs Name Recognition Rate

■ Blue list (Consciousness of sustainability among ordinary people: What is thought to be sustainable)



Interest in Impact Investment in Japan

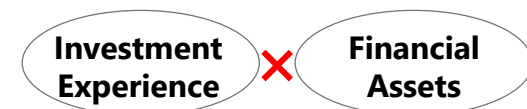


General Consumer Awareness Survey on Social Impact Investment

2019/10/4

Research objectives:	Identifying the actual conditions of recognition, understanding, and interest regarding "social impact investment" in Japan
✓ Survey area:	Nationwide in Japan
✓ Outsourcing:	Macromill Co., Ltd.
✓ Respondents:	General consumers nationwide
✓ Sample size:	2071 (number of respondents)
✓ Extraction method:	Stratified two-stage random sampling from the population of Macromill registrants to approximate the nationwide gender and age population ratios
✓ Survey method:	Internet-based survey
✓ Survey period:	August 19-21, 2019

- **Less than 60%** have no investment experience, **about 50%** have no interest in future investment
- **6.8%** of cognitive people know the meaning of impact investment to some extent, high awareness of those in their 20s and 30s with investment experience
 - Higher household income increases awareness of impact investment
- Purchase interest in impact investment (overall): **about 20%**
 - No investment experience: **10%**
 - Investment experience: **30%**
 - People with investment experience who know the meaning of impact investment: **more than 70%**
 - 20s to 30s with investment experience: **approx. 50%**
 - Households with annual income of 8-15 million yen with investment experience: **over 40%**



- How to increase your successful investment experience

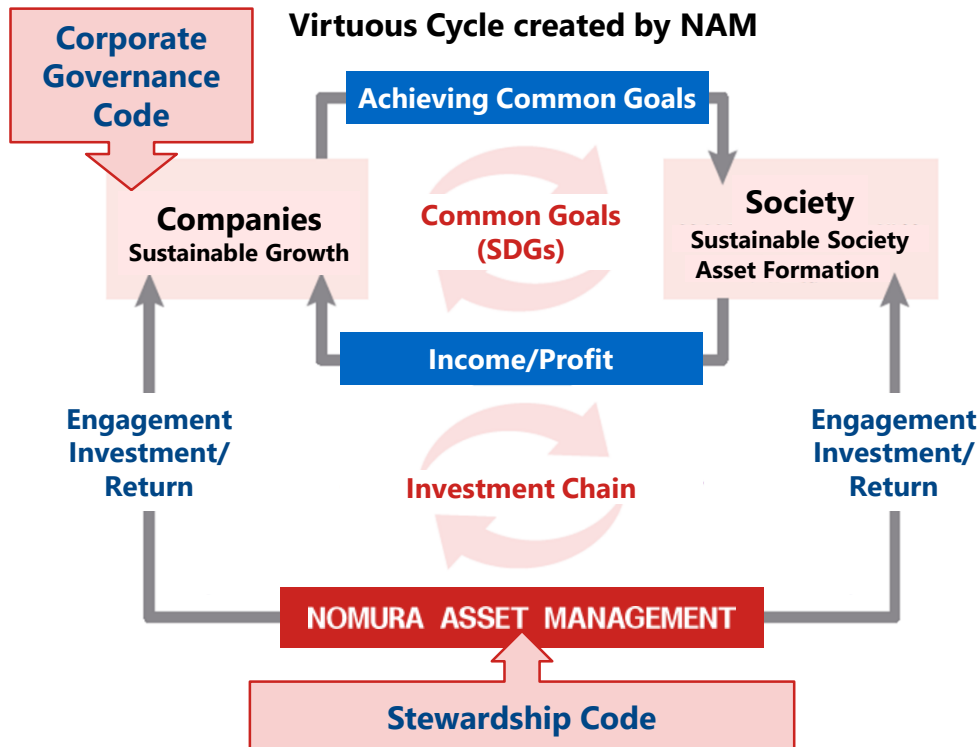
Lastly:

A Social Impact that Nomura Asset Management Aims to Create

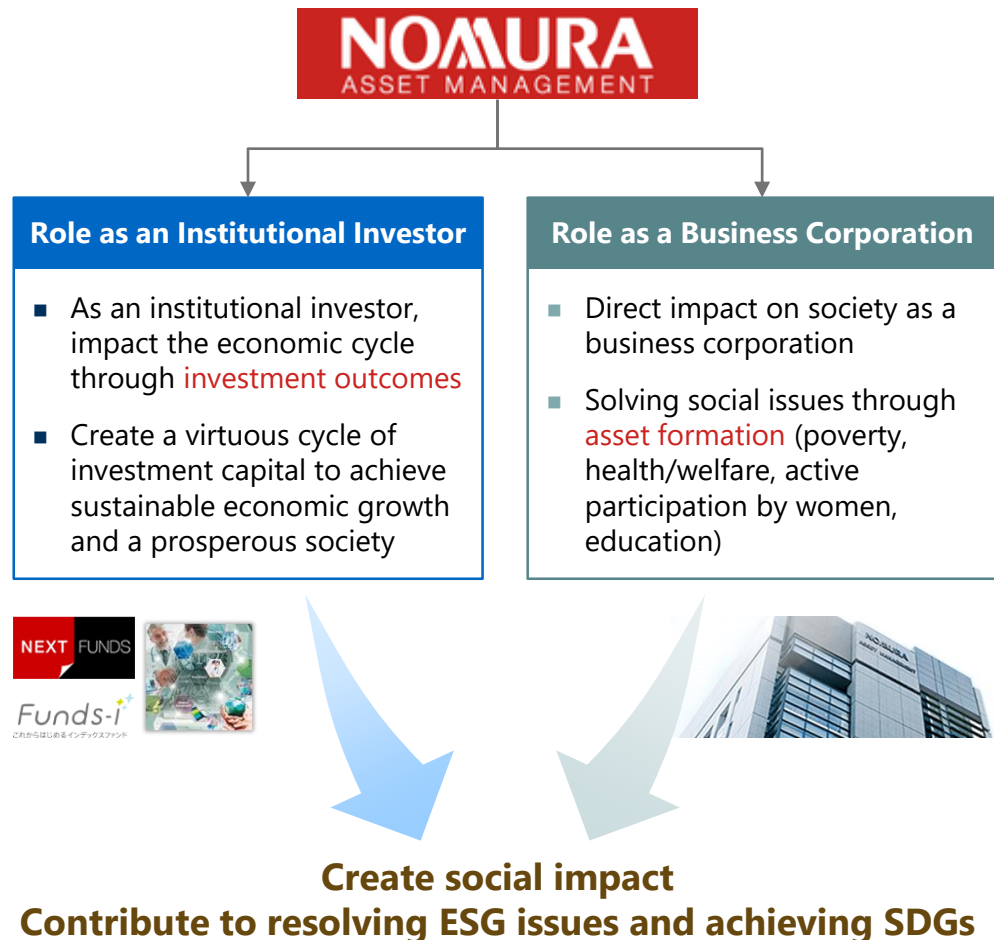
NOMURA

- It is vital to play the two roles of "institutional investor" and "business corporation" and contribute to the creation of social impact, the resolution of ESG issues, and the achievement of SDGs.

A Virtuous Cycle that Nomura Asset Management Aims for



Role of Nomura Asset Management in ESG investment



Nomura Asset Management Co., Ltd.

2-2-1, Toyosu, Koto-ku,

Tokyo 135-0061 Japan

Registration Number: Director-General of the Kanto Local Financial Bureau No.373


Membership: The Investment Trusts Association, Japan

Japan Investment Advisers Association

Type II Financial Instruments Firms Association

IMPORTANT INFORMATION

This report was prepared by Nomura Asset Management Co., Ltd. for information purposes only. Although this report is based upon sources we believe to be reliable, we do not guarantee its accuracy or completeness. Unless otherwise stated, all statements, figures, graphs and other information included in this report are as of the date of this report and are subject to change without notice. The contents of this report are not intended in any way to indicate or guarantee future investment results. Further, this report is not intended as a solicitation or recommendation with respect to the purchase or sale of any particular investment. This report may not be copied, re-distributed or reproduced in whole or in part without the prior written approval of Nomura Asset Management Co. Ltd.



【CFA Society Japan 5-serial Webinar】
Impact Investing～
The New Financial Paradigm of Risk・Return・Impact

**The 4th session:
Spurring Impact Investment
Social Impact Evaluation
/Management Techniques**

24 August 2020

Blue Marble Japan, Inc.
Naoki Chiba

Blue Marble

Self Introduction/Organizational Introduction

Naoki Chiba

Blue Marble Japan, Inc. CEO

(General Incorporated Association) Co-Director,
Impact Management Lab

(General Incorporated Foundation) CSO Network
Evaluation Advisor

Blue Marble

[Recent Evaluation/Social Impact Management Roles]

- Management Team Member, Social Impact Management Initiative Japan (SIMI)
- Evaluation Advisor, Japan Network for Public Interest Activities (JANPIA), the Designated Utilization Organization for Dormant Deposits
- Cabinet Office 2019-2020, Research Member of Research Project Related to Social Evaluation and Certification
- GSG National Advisory Board, Research Member of Social Certification/Evaluation PJ
- Member, the American Evaluation Association (AEA)

Blue Marble Evaluation

The origin of the company name of Blue Marble Japan derives from the Blue Marble Evaluation advocated by our guru Michael Quinn Patton.



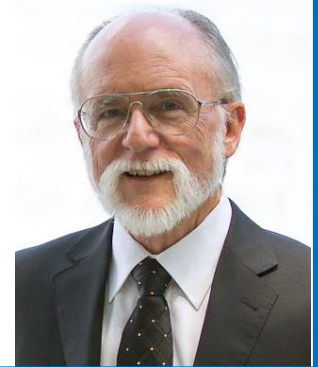
Blue Marble Evaluation is an approach to evaluating global efforts aimed at transforming systems towards a more sustainable world. It is an initiative, with a global network of evaluators working in the field of complex, dynamic and interconnected global systems transformation.



Michael Quinn Patton

Advocate and leader in practical evaluation and developmental evaluation. He has held important evaluation-related positions, including president of the American Evaluation Association (1988).

Served as the general adviser for the "Accompaniment Evaluation Specialist Training Project" (The Japan Foundation Grant) sponsored by the General Incorporated Foundation "CSO Network Japan".



Agenda

- 1 . Introduction, Definition of Terms, Background**
- 2 . Basics of "Social Impact" and "Evaluation"**
- 3 . Cabinet Office "Survey / Demonstration Project Pertaining to the Social Evaluation / Certification System"**
- 4 . Conclusion**

Other important content not mentioned in the presentation is displayed at the end of the booklet.



1. Introduction

Definition of Terms

In this Document, terms are defined and used as follows.

Term	Definition
Social Impact (For convenience, some are also referred to as impact)	Social and environmental outcomes (results, changes, benefits) resulting from the business or activity, including short-term and long-term changes * Adopted from Cabinet Office / SIMI (Social Impact Management Initiative) / GSG National Advisory Board
	Changes that appear with positive and negative outcomes for people and the planet * Adopted from Impact Management Project
Outcome	Changes and benefits brought about by the output of businesses and initiatives
Output	Direct consequences, including products and services of the activities of the organization or business
Social Impact Evaluation	Understanding social impact through quantitative and qualitative approaches and make a value judgment of specific projects or activities. * SIMI defines it as an "evaluation for practicing social impact management" * In the Cabinet Office demonstration project, this corresponds to "project evaluation"
Social Impact Management	Management that aims to improve social impact by conducting business improvements and decisions based on information about the social effects and value of the business obtained through the business operations. * Adopted by SIMI
Impact Investing	Investment behaviors which attempt to solve social and environmental issues while seeking economic returns * Adopted by the GSG National Advisory Board. All forms of financial transactions that seek financial returns including equity/bond investment, loans, and lease are considered investments. Donations, subsidies and grants are excluded.

Background in the Investment Field ①

Investing elements include "intentionality" and "measurement and reporting of impact", but the methods have not been established and are currently under development.

Figure 9: GIIN's Definition, Elements and Core Characteristics of Impact Investing

[Definition]

"Impact investment is investment made with the intention to generate positive and measurable social/environmental impact while seeking financial returns"

[Four Key Elements]

■ **Intentionality:**

Investment that intentionally contribute to solve social and environmental issues

■ **Pursuit of Financial Returns:**

Investment that seeks a financial return. However, the targeted return level varies

■ **Range of Asset Classes:**

Can be made across a variety of asset classes

■ **Impact Measurement/Reporting:**

Commitment of the investor to measure and report on the environmental and social performance of underlying investments

[Four Core Characteristics]

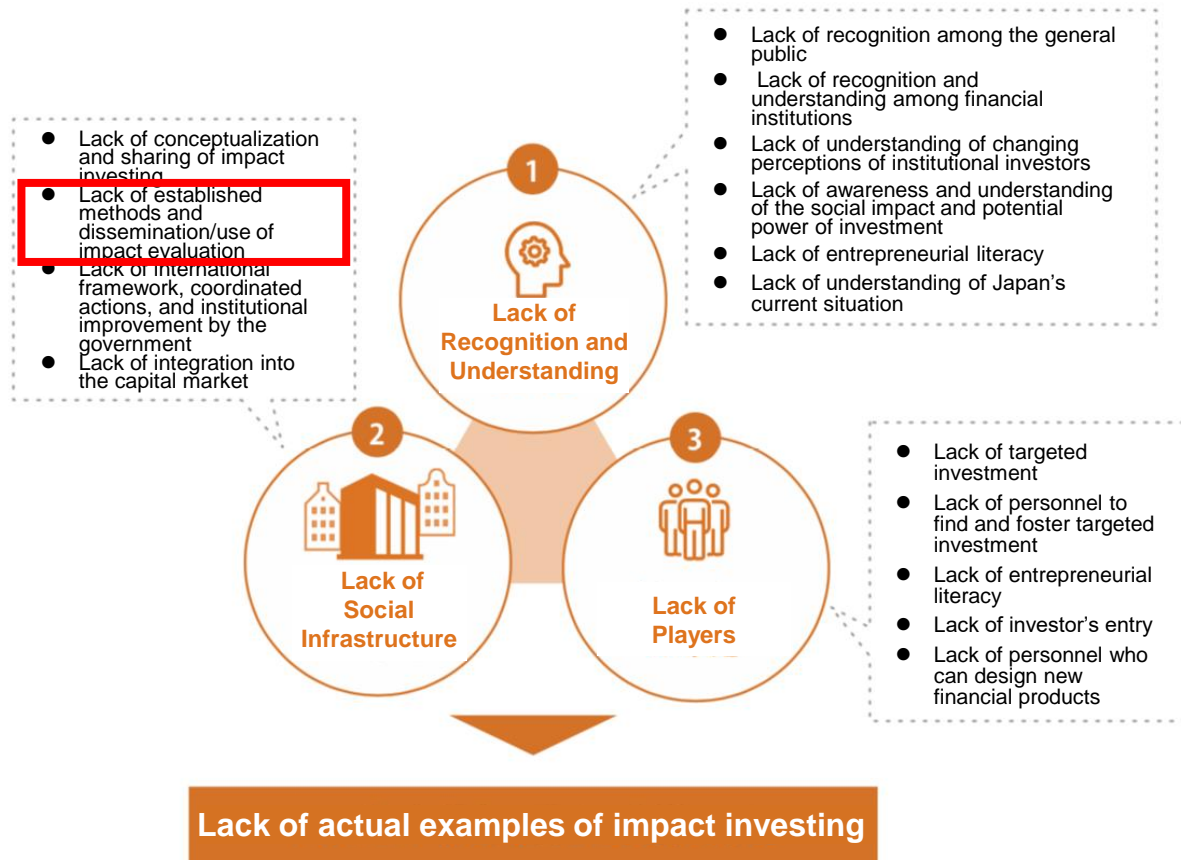
- ① Intentionally contributing to positive environmental and social impacts while seeking financial returns
- ② Using evidence and impact data in investment design
- ③ Managing impact performance
- ④ Contributing to the growth of impact investing

Source: Prepared by Nissay Asset based on GIIN (2019c) "Core Characteristics of Impact Investing"

Background in the Investment Field ②

According to the GSG National Advisory Board's proposal, as part of the specific detail on the lack of social infrastructure, there are a lack of established impact evaluation (measurement) methods

Three shortfalls around impact investing



Reference: Proposal for the Expansion of Impact Investing 2019 (GSG National Advisory Board)

Background in the Investment Field ③

The presence of social enterprises in the domestic market is by no means small. It can be seen that both the number of domestic corporations and the amount of added value have a great influence on macros. (Bottom left figure)

The consumer and investor behaviors of millennials tend to emphasize sociality (Bottom right figure)

(Millennials are twice as likely to invest in these corporations and funds as the overall investor population, according to the Morgan Stanley Institute for Sustainable Investing)

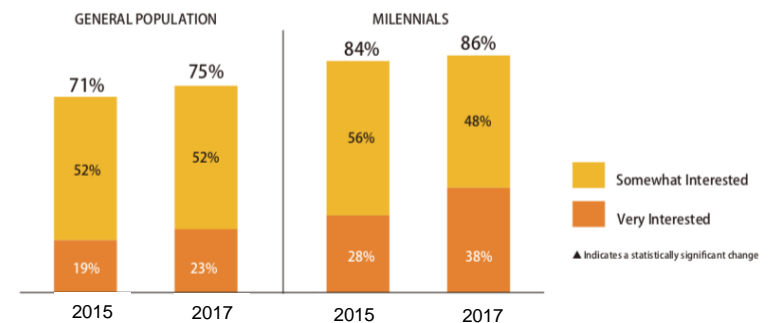
The transformation of the ultimate asset owner's values and behavior as an individual influences the behavior and values of the asset manager entrusted with asset management, as well as the role the corporation. This is because even for large pension funds, the fundamental source of funds is individuals. (Quoted from Proposal for the Expansion of Impact Investing 2019 (GSG National Advisory Board))

The number of social enterprises in Japan reached 205,000 (11.8%¹), the value added of social enterprises was 16.0 trillion yen (3.3% of GDP), and the number of paid employees was 5,776,000. In addition, the profit generated by social enterprises from social business was 10.4 trillion yen (17.1%²)

	Number of corporations ('0,000 corporations)	Value added ³ (trillion yen)	Number of paid employees ('0,000 people)
Social enterprise	20.5	16.0	577.6
Overall economy⁴	11.8%	3.3%	10.3%

Source: "Survey on the scale of activities of stakeholders of mutually assisting society in Japan" (Cabinet Office, 2015)

Q : Is there interest in sustainable investment?



(出典) Morgan Stanley (2017)

Source: Proposal for the Expansion of Impact Investing 2019 (GSG National Advisory Board)

Introduction - Handling Social Impact -

Former president of the American Evaluation Association, John Gargani, spoke at the Social Impact Day 2018 (sponsored by SIMI) and talked about the essence of "social impact evaluation/management."

SIMI

Social Impact Management Initiative

Social Impact Day 2018

Shift from Social Impact "Evaluation" to "Management"



Former president of the American Evaluation Association, John Gargani, was the keynote speaker at the 2018 Social Impact Day. According to Gargani, in the trend of solving social issues by utilizing the power of the market, in order not to end up as a transient trend or as a mere marketing tool, he pointed out the importance of impact management that maximizes the knowledge of "evaluation" and incorporates it into business management, and the importance of the impact manager who fulfills the role.

Mr. John Gargani, Ph.D

President of Gargani + Company, Inc, Former president of the American Evaluation Association


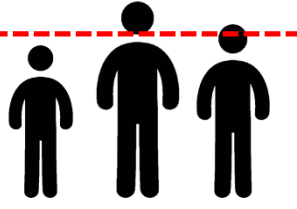

Has a career of over 20 years as an impact evaluation practitioner. He is an authority in social impact management, having taught social entrepreneurship and evaluation at Claremont Graduate University, and led a research group on impact investment and the formulation of evaluation methods for social enterprises.

Source: Social Impact Day 2018 Report (Social Impact Management Initiative)

Introduction - Handling social impact -

Understanding the weight of “handling social impact”

- ❑ The social impact is "For Everyone", not “On Average” or “In General.” In other words, it is unique to each person. Knowing the difficulty of attempting to measure different social values for each person with a common "measure" is the first step in dealing with social impact.
- ❑ “Social Impact Measurement” and “Evaluation” are different. The “impact evaluation” utilized in the investment world is purely “measurement”. Understanding this difference and incorporating the knowledge of “evaluation” shall lead to the treatment of essential social impact.
- ❑ We need to recognize the diversity of social values and at the same time create a common language of social impact. "Social impact evaluation / management" is a key concept for the shift to the "new paradigm" that Mr. Gargani explains.

In General (一般的に)	On Average (平均的に)	For Everyone (みんなが)
		



Reference: Social Impact Day 2018 Keynote Speech by Mr. John Gargani (Social Impact Management Initiative)



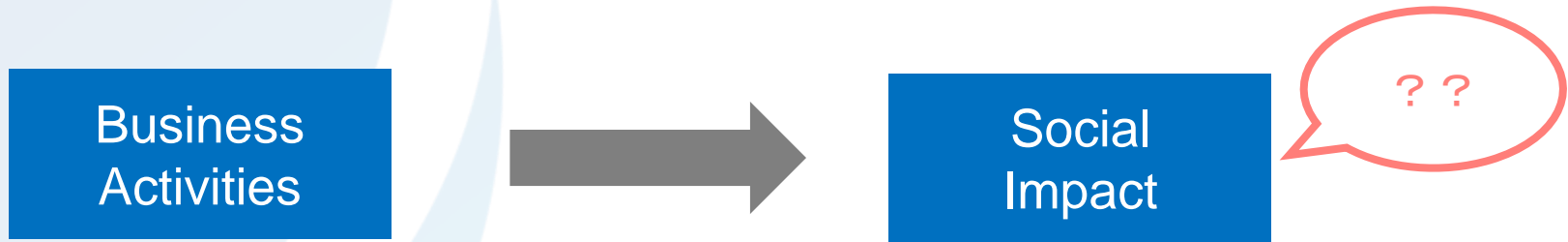
2. Basic

"E-commerce"

「電子商取引」

Common Misconceptions with Social Impact

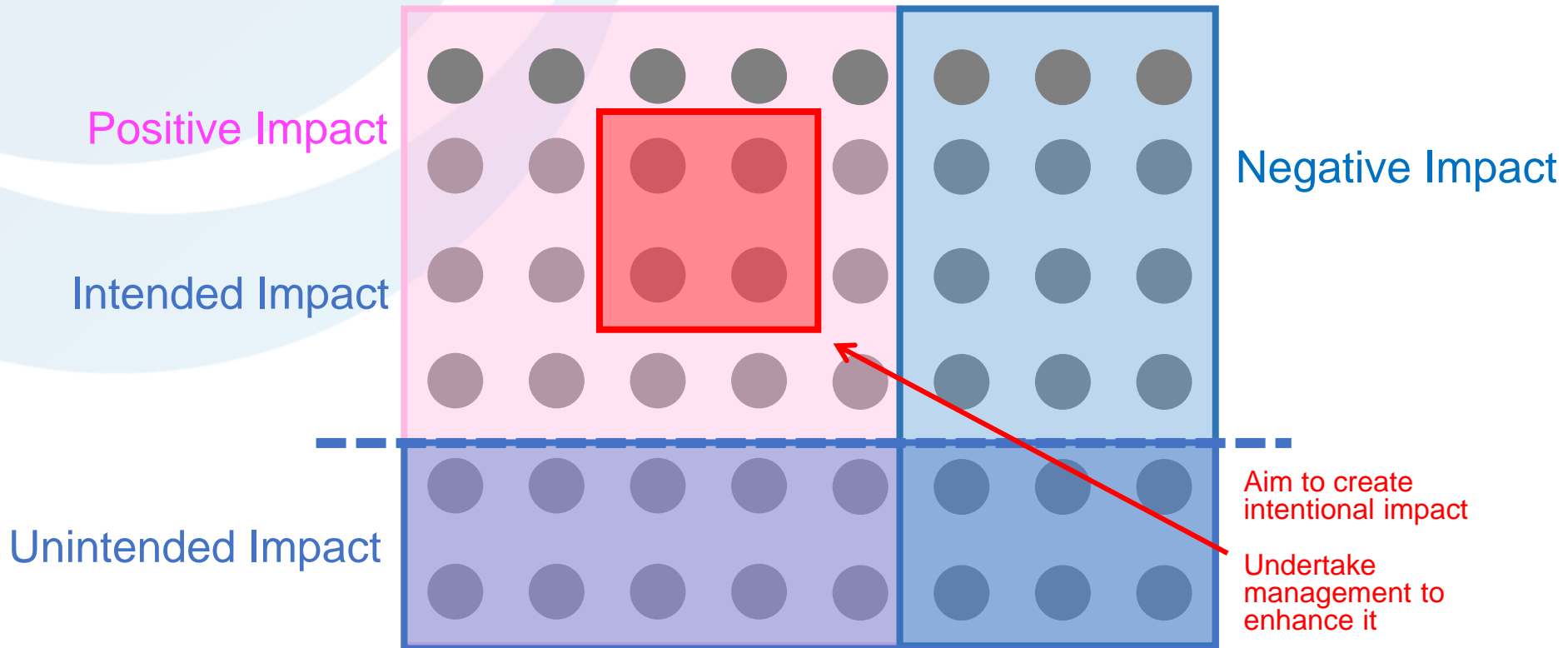
In regard to "social impact", the following four misconceptions are common.



Common Misconceptions		Response
1) Only long-term results	▶	Includes short-term changes
2) Only situations deriving from large-scale initiatives	▶	The Impact is not the "magnitude" of the derived situation
3) Only numerical (quantifiable) matters	▶	Also possible to express with qualitative information
4) Only interested in positive changes	▶	Negative changes are considered

Image of Social Impact

The source of social impact (indicated as impact in the figure) is "the total value of people". The following image illustrates the creation of social impact with such characteristics. In order to create favorable change and minimize adverse effects, it is essential to aim for the "intended impact". And it is critical to "utilize the measurement results for management" and "enhance the intended impact" instead of just ending with "measurement".



Source: Social Impact Day 2018. Prepared by the author based on the keynote material (Social Impact Management Initiative) by Mr. John Gargani

What is Evaluation?

❑ Original meaning of evaluation

It is to "**elicit**" the "**value**" of the evaluation target.

E (elicit)+ **VALU**(E) + **ATE** (verbing)

Evaluation = Fact Identification + Value Judgment

❑ Evaluation purpose and type

Evaluation has a "purpose". The evaluation approach and content differ depending on the purpose. In either case, it is essential that the parties concerned confirm and agree in advance on "what the evaluation is for". The following are three types of evaluation based on the purpose.

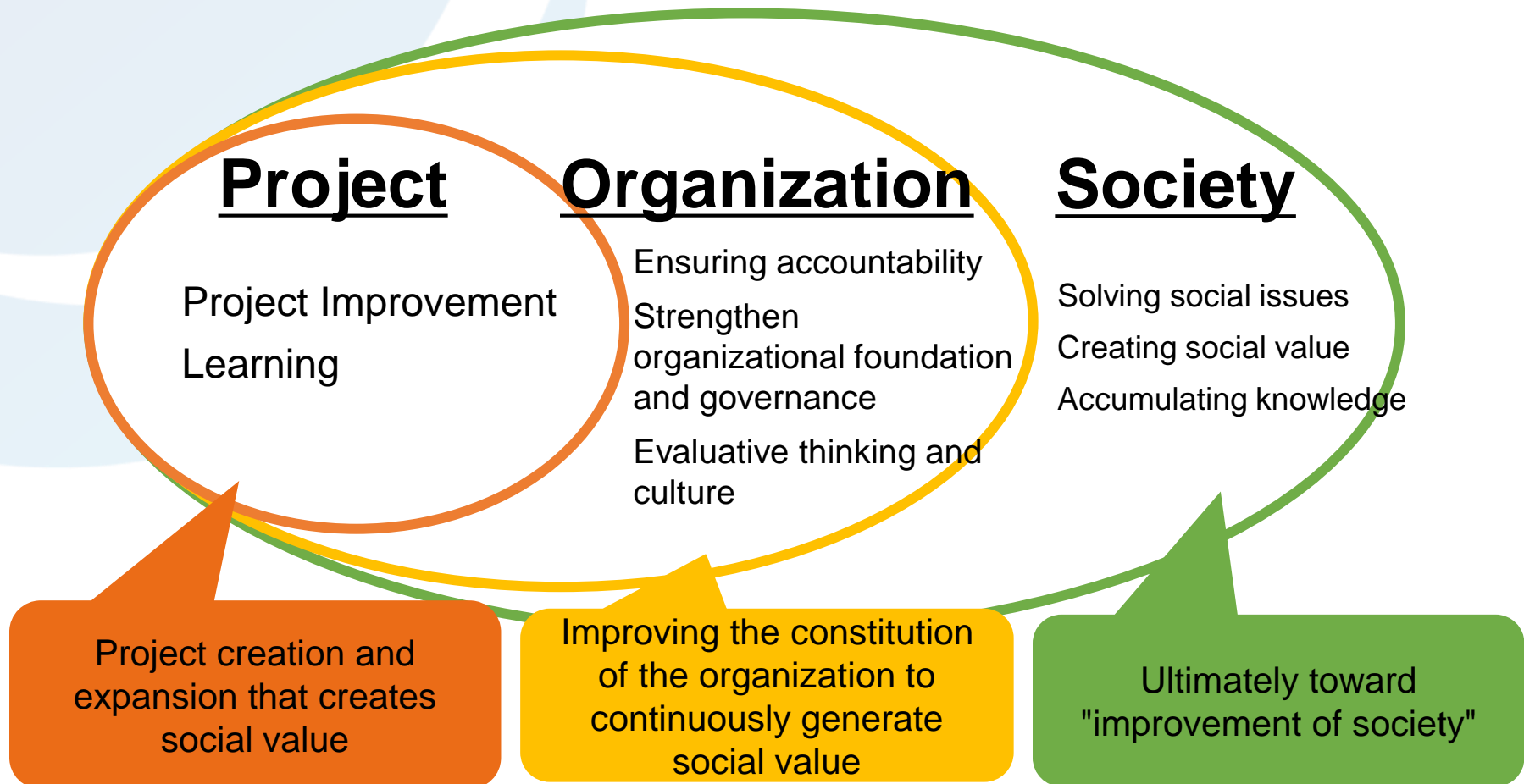
<i>Developmental Evaluation</i>	<i>Formative Evaluation</i>	<i>Summative Evaluation</i>
Design an adaptation of social interventions	Monitor and improve ongoing programs	Determine whether a program has achieved its objectives

Source: Measuring and Improving Social Impacts: A Guide for Nonprofits, Companies, and Impact Investors (Eiji Press)

Purpose and Effect of Evaluation

The purpose and effect of the evaluation is as follows.

In general, it is said to be "**learning / improving**" and "**ensuring accountability**", but ultimately it is aimed at "**improving society**".





Cabin
Proj
Ex

Outline of Cabinet Office Research Project (2019)

❑ Background / Purpose

Amid the diversification of issues faced by communities and society, expectations are high for the training and development of social enterprises that utilize the wisdom, know-how, and capital of the private sector to solve social issues in the region by opening some of the services conducted by public entities to the social enterprise arena. In order to construct a "social" evaluation / certification system for projects and enterprises that best match the Japanese perspective, the project submits a draft "social" evaluation framework for enterprises that includes both aspects of organizational and project evaluation. In the future, the project will identify those particular points deemed to require in-depth discussion, in order to disseminate and develop the "social" evaluation framework.

❑ Survey Method:

1. Survey Project: Create a draft evaluation framework through overseas research, literary research, and so forth
2. Demonstration Project: Demonstration utilizing the established evaluation framework for domestic social enterprises
3. Assemble a panel of experts

❑ Survey Period:

October 2019 – March 2020

❑ System:

Consignment: NPO Japan Fundraising Association (5 research teams including subcontracted parties)

For details, please refer to the survey / demonstration project reconnaissance report pertaining to the social evaluation / certification system (2019).

https://jfra.jp/wp/wp-content/themes/jfra2015/pdf/sic_pdf/202002.pdf

[Reference] GSG National Advisory Board Report

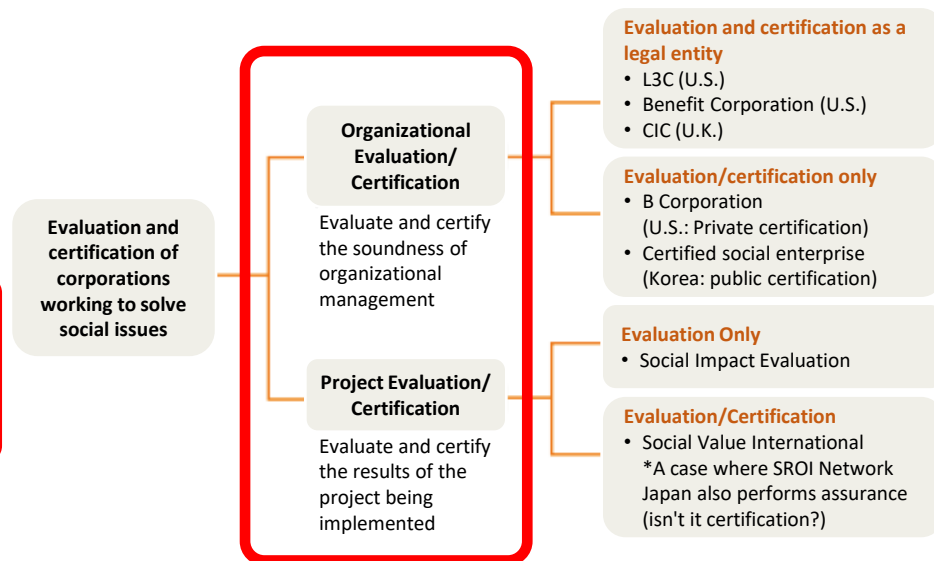
The report of the Social Equity Finance Subcommittee of the GSG National Advisory Board, "The Ideal Capital Market in the Age of Social Impact," provides the following "issues to be solved and recommendations."

<List of issues to be solved and recommendations>

■ **Recommendation III:** While considering the required social evaluation / certification system from the perspective of each of the two categories of social evaluation and certification, it is vital to create a hybrid model that integrates them (P.30).

Outstanding Issues	Recommendations
"Social business readiness" corporations Support is needed to increase profits, but it is difficult to meet investors, supporters, and successful people who can share our values of resolving social issues.	Recommendation I Create a comprehensive support community
"Social PE" Corporations Even for investors with a strong tendency to emphasize sociality, it is hard to invest risk money because of the difficulty in providing capital in the form of investment if there is no exit opportunities.	Recommendation II Develop a market where both "social PE" corporations and impact investors can safely invest
Common to "Social PE" corporations and "Social IPO" corporations Lack of information for investors, including governance mechanisms and social impact assessments.	Recommendation III Introduce a social assessment and certification system that is useful to both impact investors and corporations
"Social IPO" corporations A face-to-face dialogue with individual investors is desired, but doesn't occur.	Recommendation IV Improvement of environment for individual investors

Figure 11: Overview of the evaluation / certification system of corporations working to solve social issues



Source: "Report on Capital Markets in the Age of Social Impact" (GSG National Advisory Board, Social Equity Finance Subcommittee)

Survey Business: Highlights of Overseas Survey Results

Through the overseas survey, the following lessons were learned.

1. Focus on “impact”

- 1) Understand the depth of discussion on impact
- 2) Awareness of impact concept convergence and IMM consensus

2. Leverage by authentication

- 1) Don't authenticate for one's own purposes
- 2) Be aware that you shall be a principal in the formation of the ecosystem

3. Hybrid framework of organizational and project evaluations

- 1) Role of "organizational evaluation" covering the range of sociality
- 2) Role of "project evaluation" that questions the depth of impact

4. Importance of the role of an assistant

- The importance of the role of accurately guiding the practice of IMM to various key stakeholders (impact analysts, investors, businesses, and so forth)

Demonstration Project: Hybrid Evaluation Framework

- In order to properly evaluate the sociality of a corporation, the project performs "organizational evaluation" that evaluates and certifies the soundness of organizational management, as well as "project evaluation" that thoroughly examines specific social impacts.
- Prospective users are investors who are considering impact investment in unlisted companies. (Impact investors targeting listed companies shall be examined step by step in the future)


	Organizational Evaluation	Project Evaluation
Purpose / Role	Evaluate and certify the soundness of organizational operations	Thoroughly examine specific social impacts
Limit	It is difficult to ascertain if the corporation is actually making positive (or negative) changes in society.	No matter how much a specific social impact is created, it is difficult to evaluate it as a "highly social" company unless the organizational structure and management status of the company that is producing positive changes are sound and consistent.






A hybrid evaluation framework (draft) was constructed by combining evaluations of both organizations and projects while adopting norms and certification standards that are already widespread globally.

Demonstration Project: Hybrid Evaluation Framework

Organizational evaluation framework

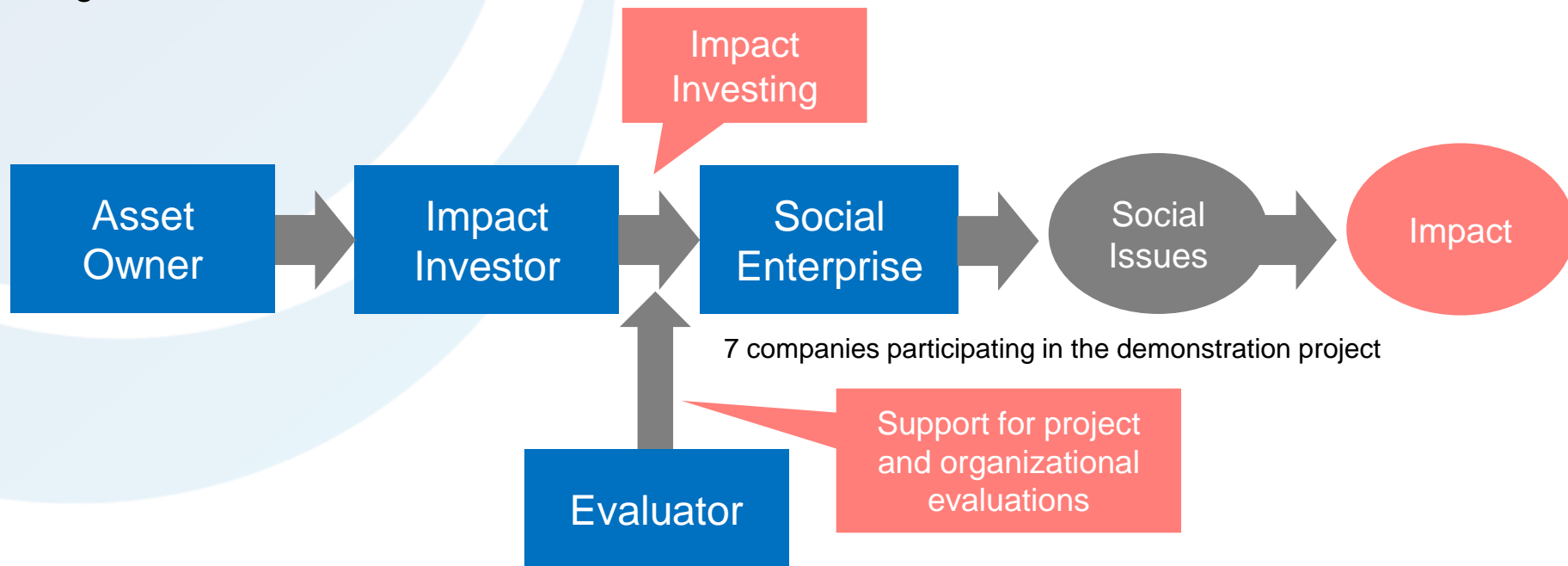
	Certified B Corporation (B Impact Assessment)
Country	United States
Background	<p>Private certification system by the American non-profit Organization "B Lab". For-profit companies are targeted, and certified companies are referred to as Certified B Corporations.</p> 
Requirements	<p>When viewing performance for society and the environment, the following five fields are the main axes. (200 items)</p> <ul style="list-style-type: none"> •Governance •Workers •Community •Environment •Customer <p>To be certified, a self-assessment is performed using an evaluation tool called B Impact Assessment, which measures performance in these five areas, and then an application is made to B Lab to decide whether or not to certify.</p>
No. of certifications	2,655 Certified Corporations across 150 industries in 60 countries. The number of certified corporations is increasing not only in the United States but also in European countries and some Asian countries, and currently there are 6 companies in Japan that have received B Corp certification (as of January 2019).

Project Evaluation Framework

	Norms	Guideline	Indicator metrics
Name	IMP norm 	Social Impact Management Initiatives 	IRIS+ SIMI Toolset 
Developments	Impact Management Project	Social Impact Management Initiatives	GIIN Global Impact Investor Network
Overview	International norms for impact measurement, reporting, comparison and improvement implemented by more than 2,000 organizations.	Guidelines for standardizing social impact management in Japan	It is currently the most influential impact evaluation index group in the world.

Demonstration Project: Related Parties and Schemes

- Seven companies participated in the demonstration project, and two of them are social enterprises that are actually receiving impact investment.
- Evaluators entered this scheme and provided support for "project evaluation" and "organizational evaluation".



Demonstration Project: Impact Norms (IMP)






Based on the results of overseas research, at the present stage, it was considered beneficial to set the Impact Management Project (IMP) as the core in a concept of impact that is convincing for both investors and enterprises.

- ❑ Fundamentally, "intentionality" is important.
- ❑ Impact is "changes that appear with positive and negative outcomes for people or the planet."
- ❑ Understanding impact requires all five dimensions of What, Who, How Much, Contribution, and Risk.
- ❑ It is necessary to consider the three categories: ABC (Act to avoid harm, Benefit stakeholders, Contribute to solutions).

Source: <https://impactmanagementproject.com/impact-management/what-is-impact/>

Demonstration Project: Impact Norms (IMP)

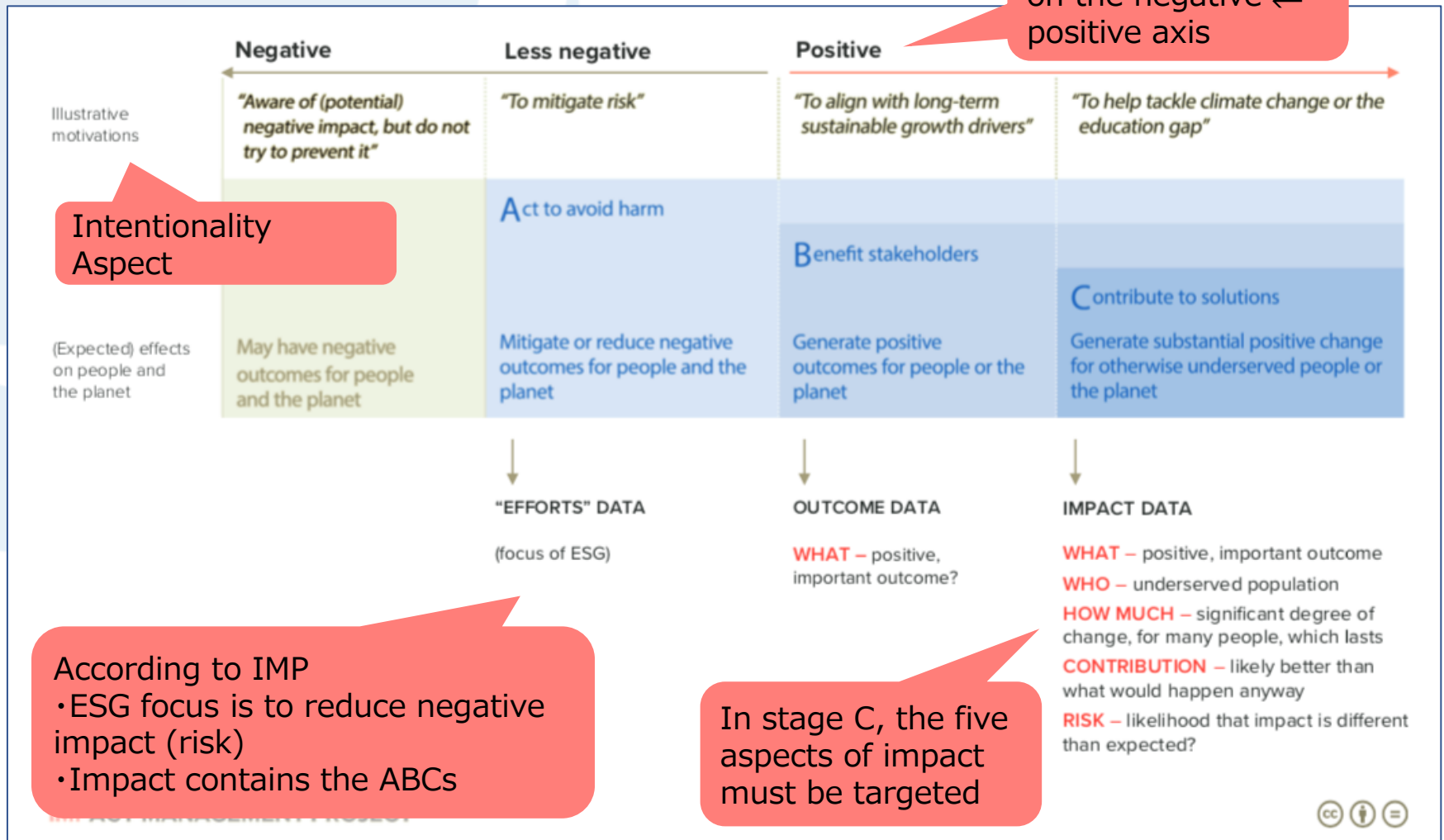
The five dimensions of IMP is useful for capturing the impact from multiple perspectives.

Impact Dimensions	Examples of questions to be considered
 WHAT	<ul style="list-style-type: none">● What kind of outcome is expected?● How important is that outcome to the person or planet experiencing it?
 WHO	<ul style="list-style-type: none">● Who experiences that outcome?● How undeserved are the stakeholders involved and affected by that outcome?
 HOW MUCH	<ul style="list-style-type: none">● How significant is that outcome? (Scale of impact, depth of impact, duration)
 CONTRIBUTION	<ul style="list-style-type: none">● To what degree did the enterprise's activities contribute to the outcome achieved?
 RISK	<ul style="list-style-type: none">● What is the risk to people and the planet that the impact shall differ from our expectation?

Source: <https://impactmanagementproject.com/impact-management/what-is-impact/>

Demonstration Project: Impact Norms (IMP)

The impact ABC's ideology for IMP is as follows.



Jo Fackler, Engagement Lead, Impact Management Project From the hearing material (12/2/2019)

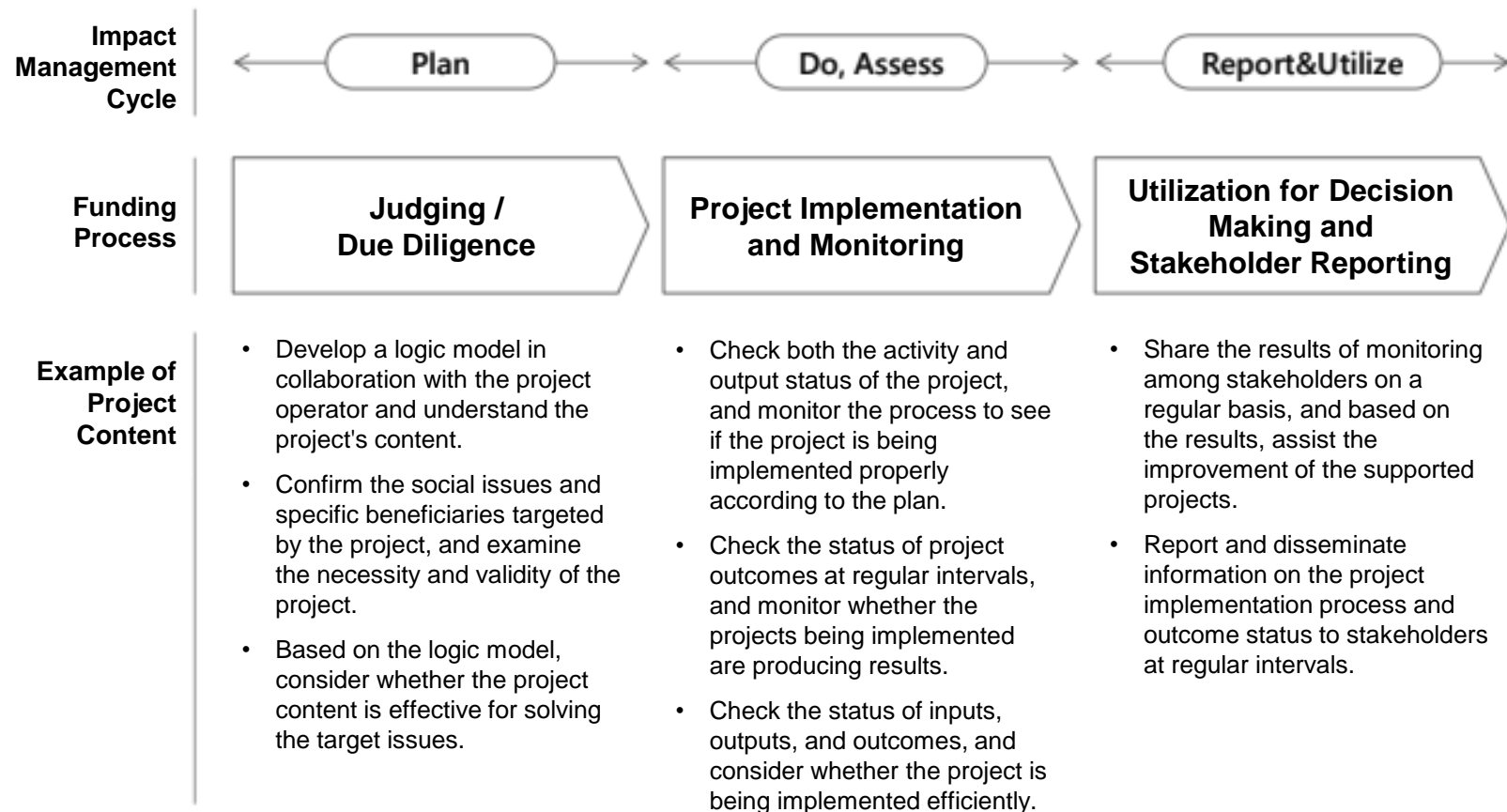
Demonstration Project: Fundamental Process of Social Impact Management



[Reference] Utilization of Funders

SIMI summarizes how funders can utilize the above-mentioned basic process for project operations as follows.

Figure 3: Impact Management Cycle and Funding Process



Source: A collection of examples of the use of social impact evaluation by funders in project operations (SIMI, 2018)

Principles to ensure "quality of evaluation"

The following principles guarantee the "quality of evaluation" in social impact management. The table below specifies which principles should be given particular attention at each stage.

	Principle	Contents (commentary)
Mandatory ↑	a Stakeholder participation / collaboration	Wide participation and collaboration of stakeholders of the target organization / project. In particular, aiming to reach consensus among stakeholders regarding the value to be attained and the purpose of the evaluation.
	b Materiality	Prioritize essential information for decision-making by projects (internal), project targets / beneficiaries, fund brokers, funders, and other stakeholders (external).
	c Reliability	Data collected and validated in a reliable manner. Avoid evaluation reports that claim excessive effects.
	d Transparency	Verifiability of the information on which it relies. Present and report the rationale for the accurate and truthful analysis.
	e Proportionality	The evaluation method and reporting / information disclosure method should be selected according to the size of the organization conducting the evaluation, the organization, available resources, and the purpose of the evaluation so as not to place an excessive burden on the organization or project.
Depends on the purpose ↓	f Comparability over time	It is desirable to report with the same subject and activity, the same evaluation method, and the same structure for the same period as the previous report so that comparison over time is possible.
	g Generalizability	Ingenuity to make the evaluation knowledge applicable to other businesses in the same field, other regions, targets, etc.

Reference: Social Impact Management Guidelines

Demonstration Project: IRIS / IRIS+ (GIIN)



- Developer: GIIN: (Global Impact Investing Network)
- Purpose: Establishing a common language, improving transparency, reliability, and comparability
- Main users: Investors, businesses
- Outline: Catalog of social impact indicators. Applicable in all processes from measuring, managing, optimizing and reporting social impact. Outcome evaluation indicators that are standardly used for social investment are organized by area and are consistently updated. The IRIS Catalog of Metrics has been updated year by year, and is currently developing into the most influential impact evaluation metric.



	IRIS	IRIS+
Overview	IRIS Catalog of Metrics	Core Metrics Sets
Summarization	Summary by industry	By industry, SDG-compatible, 5 Dimensions (IMP)
Primary Focus	Objectively ascertain the impact, based on the uniqueness of each organization, not by comparing with other businesses. (The latest IRIS 5.0 contains a total of 594 indicators)	<ul style="list-style-type: none"> • Can be utilized for all aspects of impact investing, including screening, due diligence, monitoring, engagement, and termination. • Consistency with SDGs is ensured. • Introduction of theme classification according to the actual situation of the impact investment area • Collaboration with more than 50 standardization organizations, including collaboration with IMP • High comparability of data
Target	Has a variety of impacts that are easy for businesses to utilize.	Evolved from an investor's perspective (metrics have been rearranged)

Reference : <https://iris.thegiin.org/>

Demonstration Project: IRIS / IRIS+ (GIIN)



Contribution of evaluation experts in IRIS revision

The main roles played are as follows:

1. Ask "why?"

- Why collect the data?
- Can you measure what you want to measure with that data?

2. Ask the context

- Is the question asked and logically structured in consideration of the cultural and geographical context?
- Are you considering sustainability rather than temporary impact?

3. Ask the beneficiary's voice

- Do you prioritize the interests of beneficiaries?

SUMMARY OF EVALUATOR ADVISORY GROUP FOR IRIS REVISION MEETING

09/20/18

Participants: Irene Basile, Victoria Carlan, Nirali Chkraborty, Karen DeMeester, Karla Feeser, Ben Fowler, Carter Garber, Ushnisha Ghosh, Tom Kelly, Tris Lumley, Plum Lomax, Nancy MacPherson, Leah Moses, Veronica Olazabal, David Pritchard, Deborah Rugg, Uma Sekar, Swapnil Shekar, John Sherman, Alyn Wyatt

Facilitators: Jane Reisman, Leticia Emme and Lissa Glasgo

Taking Stock

Part 1: The IRIS Revision Process (summarized by Lissa Glasgo and Leticia Emme)

The GIIN's IRIS initiative is currently undergoing a comprehensive revision process. Based on feedback received by 440+ investors and industry experts, the next version of IRIS will evolve from being a catalogue of standardized impact metrics to a dynamic and comprehensive IMM system. It will enable users to obtain the IMM resources that match their IMM needs and preferences, from core metric sets, to evidence, guidance, case studies, templates, research, etc. Specifically, the core metric sets provided by IRIS will enable performance comparability amongst investors that share common goals and expectations. These metrics sets will be:

- organized by impact investment theme and sub-theme and narrowed down by strategies (where developed by Navigating Impact),
- coordinated with the SDGs and aligned to the five dimensions of impact (Impact Management Project),
- supported by usage guidance, evidence maps, and relevant resources, and
- inclusive of pre-populated resources for using IRIS in practice.

As IRIS is used by the majority of impact investors (~ 60% based on recent GIIN surveys), the potential impact of the revised system is quite significant. More information can be found on the [IRIS website](#).

Part 2: Discussion Topics (summarized by Jane Reisman)

Three main topical areas emerged in first planning call and were explored further in follow-on conversations with members of the Evaluator Advisory Group. These areas are listed below along with key points raised during the meeting.

1. 'Why' Questions, and their importance to impact measurement and management. (1) The purpose question: Why are we collecting these data? and (2) The evaluative thinking question: Why do data patterns look this way?
 - *Feedback during 09/20 meeting:*
 - Asking evaluative questions does not probe data enough. Enterprises/Initiatives need to be budgeting for and planning special evaluation studies on key questions which warrant deeper thinking.

Summary of Evaluator Advisory Group 9.20 Meeting

Demonstration Project: Indicator Set / Outcome Database

SIMI currently publishes indicator examples of outcome indicator databases in 12 fields.

https://www.impactmeasurement.jp/tool/outcome_indicators_db

Narrowed down by field ▼

- ☐ All
- ☐ Sport
- ☐ Social Capital
- ☐ Health Care
- ☐ Homeless Support
- ☐ Community Development
- ☐ Child Care Support
- ☐ Employment Support
- ☐ Education
- ☐ Arts & Cultures
- ☐ Environmental Education
- ☐ Welfare (Care Prevention)

Search Results

Detailed Outcome	Outcome Category	Indicator
12.1 Outcome Increased connections and exchanges	Social Capital	Degree of daily interaction
● Refer to the measurement method		

Detailed Outcome	Outcome Category	Indicator
12.2 Outcome Increased connections and exchanges	Social Capital	Frequency of socializing with friends
● Refer to the measurement method		

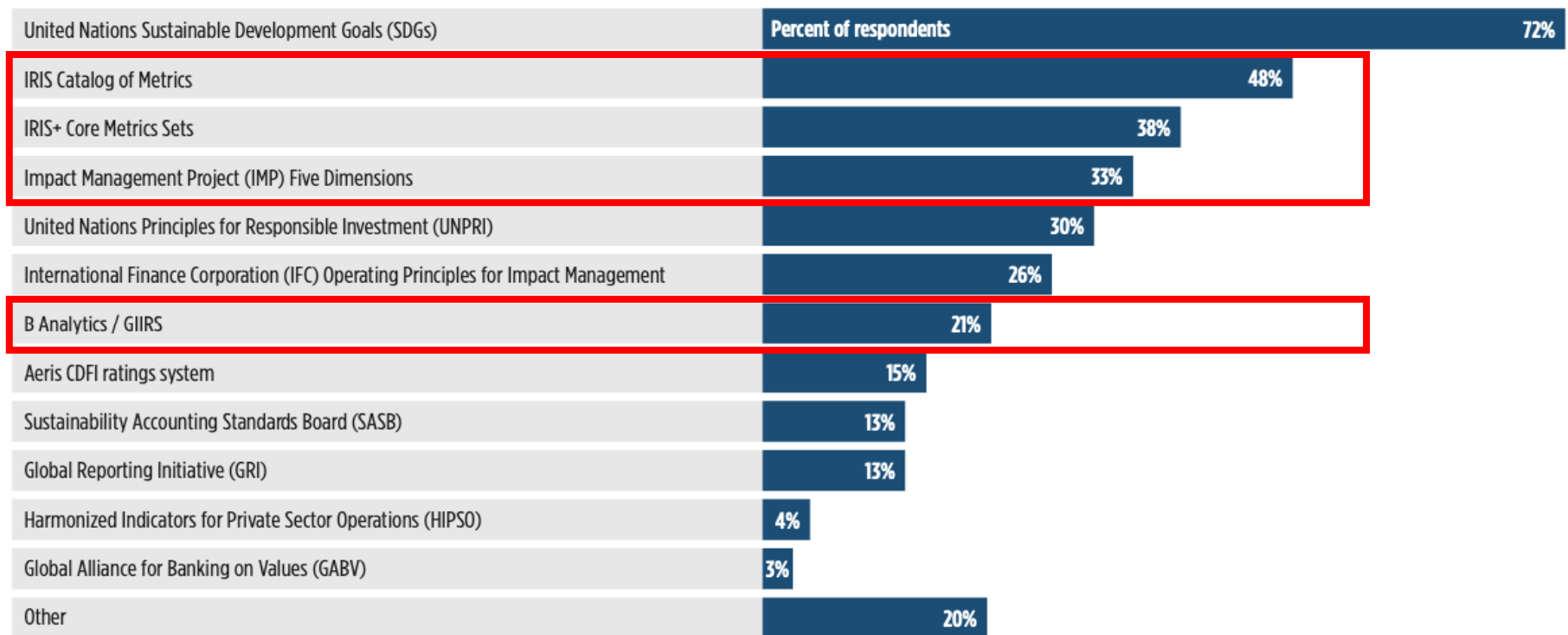
Detailed Outcome	Outcome Category	Indicator
------------------	------------------	-----------

[Reference] Survey Results for Impact Investors by GIIN

GIIN has confirmed the usage status of the following impact measurement tools and frameworks in a survey for impact investors.

Figure 26: Tools and frameworks used in IMM

n = 257; optional question. Respondents could select multiple tools and frameworks.



Source : GIIN_State of Impact Measurement and Management Practice_Second Edition

Demonstration Project: Business Evaluation Flow

Among the demonstration projects, the flow of business evaluation (social impact evaluation) is as follows.

Business Evaluation Flow	Description
1. Confirmation of purpose / schedule / scope	Decision of target project, purpose / scope of business evaluation, schedule consultation
2. Gathering information about the target project	Confirmation of various information and data collection regarding the target project Interview survey with management and stakeholders
3. Identifying outcomes, organizing logic models	Organize outcome impact information related to the target project (Specifically, organize the outcome impact information aimed at by the logic model / theory of change, utilize IMP, and organize from a comprehensive perspective based on impact management.) If there are existing logic models, outcomes, and past business evaluation results, organize them based on that.
4. Determining the impact to apply the IMP framework and organizing impact information	The project department interviews corporations regarding the feel, usefulness, and usage process of the organizational evaluation framework.
5. Indicator setting (IRIS, SIMI toolset, etc.)	Select indicators according to outcome / impact
6. Feedback regarding the evaluation process using IMP	Interviews with enterprises and investors regarding the usability and usefulness of the business evaluation framework that utilizes IMP
(7. Data Collection)	Conduct questionnaires and interviews for the purpose of collecting data according to the indicators
(8. Data analysis / value judgment)	Discussion for data interpretation

Demonstration Project: Verification Result

- By conducting a hybrid evaluation, a strategy for creating impact is formulated, and through ascertaining the strengths and weaknesses of the organization that embodies it, key stakeholders, and so forth, **the relationship between the impact strategy and stakeholders becomes more three-dimensional**. In addition, there **was much to learn from the process of dialogue with corporations and investors**.
- Comments (excerpts) from corporations participating in the demonstration project and investors are as follows.

Impact Investor

- ✓ As a common language, discussions from the perspective of impact are possible
- ✓ The process of project evaluation is appropriate, and **IMP is useful in the sense that the cut is hard to leak**.
- ✓ It is necessary to continuously confirm whether the **relationship between social and economic growth** is appropriate (corresponding to alignment risk and IMP's 5D Risk)
- ✓ Furthermore, by adding the following items, businesses and investors shall be able to share their perspectives.
 - **Consistency with Investor (Fund) Theory of Change**
 - **Commitment** to social impact creation and evaluation by management
- ✓ This evaluation frame focuses only on impact, and a separate economic analysis is required when making investment decisions.

Social Enterprise

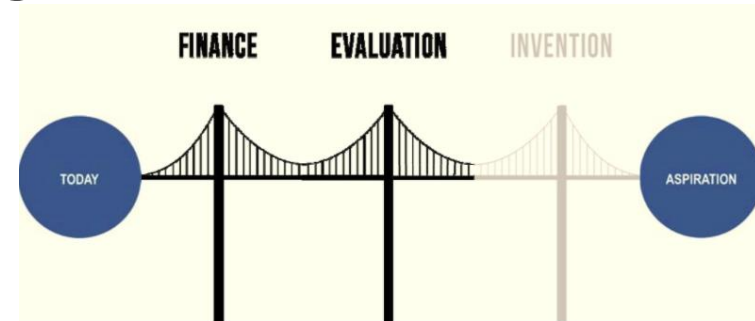
- ✓ By conducting a new stakeholder survey, identifying outcomes and organizing logic based on that, it was very useful as we were able to organize the value of the business we should create. (It was pleasing to be able to create a **measure of value on our own**, not a standard given from the outside.)
- ✓ By organizing the issue structure, we were able to **organize and identify issues that we should resolve**.
- ✓ With IMP, it was also useful to consider outcome thresholds and boundaries, and to **take risks into account**.
- ✓ I often consider projects in terms of strategies and plans on a daily basis, but it was pleasing that outsiders were able to organize and make new discoveries.
- ✓ The man-hours required for evaluation were not low



Conclusion ~Basis for further improving the world of impact investing ~

Contributing to the development of impact investment by continuing efforts to build "three bridges"

Both enterprises and investors shall solve social issues by appropriately measuring and increasing their social impact. Attempts to create this new paradigm are a universal challenge. Therefore, it is necessary to evolve social impact management according to the following points.



1 . Financial Bridge	2 . Evaluation Bridge	3 . Invention / Discovery Bridge
Make full use of the already established language of the "financial" world	Maximize the language of the "evaluation" world, which has a considerably subtle mechanism	Undertake "inventions / discoveries" that are still lacking in people and resources
<ul style="list-style-type: none">• Consensus building on Japan's impact goals and themes• Ensuring consistency with the global IMM• Creating an environment that can be practiced direct financed and indirect financed, and accumulating cases• Improving accuracy by sharing that knowledge, and so forth	<ul style="list-style-type: none">• Enrichment of outcome database that can accumulate evidence• Contribution to quality control of impact management on the financial side• Promoting accumulation and recirculation of knowledge in society, and so forth	<ul style="list-style-type: none">• Creating a system that reflects the values of diverse stakeholders• Fostering specialists (impact managers) who handle impact• Improving their social awareness• Construction of an accounting system that incorporates impact, and so forth

Conclusion ~Basis for further improving the world of impact investing ~

Looking back on the meaning of "social impact" (not "social return")

Until now, the financial world has been driven by "risk" and "return", but the quality of the result could be judged for ourselves.

However, dealing with social impact requires consideration **"For Everyone"**. The results of investment and corporate activities are not just for ourselves, but for many people (hence the term "social impact" and not "social return").

Since social impact has the above-mentioned properties, it is necessary to **involve as many people as possible to "form a consensus of value"**. This can be considered as the difficulty, responsibility, and great potential for improving the world in dealing with social impact.

I would like the financial world to make the most of the knowledge of "evaluation" so that the diverse interests of a variety of stakeholders can be met as much as feasibly possible by dealing with social impact. We hope that continuous discussions and practices can be conducted together in order to create an "invention / discovery bridge" and further evolve social impact evaluation / management.

Thank

Blue Marble Japan, Inc.

naoki.chiba@blue-marble.co.jp (email address)

<https://www.blue-marble.co.jp/> (Web site)

The following pages summarize useful evaluations as a "DE drawer collection".

<https://www.blue-marble.co.jp/docs-practice/>

Social Impact Management Initiatives

<https://www.impactmeasurement.jp/>

GSG National Advisory Board

<http://impactinvestment.jp/>


Blue Marble Japan

代表取締役
千葉 直紀
一般社団法人インパクト・マネジメント・ラボ 共同代表

株式会社 ブルー・マーブル・ジャパン
〒103-0027 東京都中央区日本橋2丁目2番3号 RISHEビル
UCF4階 ☎:03-6822-4960 携帯:090-4045-3293
E-mail:naoki.chiba@blue-marble.co.jp
<https://www.blue-marble.co.jp/>

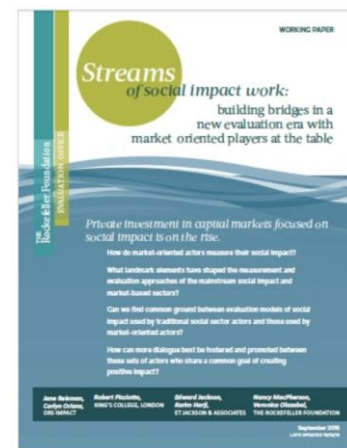


A

Comparison of “Evaluation” and “Social Impact Measurement”

Excerpt from the source article

“The two worlds co-exist and haven't intersected much. “Evaluation” is more academic, while “social impact measurement” is more practical, with the birth of impact investing. As a result, standardization and rating attempts have been enacted, and the system for distributing “evaluation” within the market mechanism has been enhanced, and the movement is accelerating.”



	Evaluation	Measurement / Assessment
Origin	Originating in the public sector, international cooperation and development, and foundation philanthropy.	It has its origins in the private sector (especially the investment and financial sector).
Implementation Purpose	There is a wide variety available, and it depends on what the evaluation user intends to use the evaluation for. The major points are (1) ensuring accountability, (2) learning and improving, and (3) creating knowledge.	To determine returns and utilize them for decision-making (mainly economic returns, but nowadays environmental and social returns are also taken into consideration)
Process characteristics	The series of processes (from how to collect, analyze, understand, and undertake value decisions from complex events) constitutes value. The evaluation process is just as vital as the evaluation results.	Complex events need to be as simple as possible so that decision makers (often investors) can make decisions with a sense of speed. The measurement results are valuable.
Set Values	We recognize the value of rendering data and information public and shared, freely available to various actors, and making it a shared property.	Since data and information have market value and can be bought and sold, there is a sense of resistance to sharing data and information.

Source: Social Impact (CSO Network) of Alternative Article "Handling Precautions!" <http://www.alterna.co.jp/24843>

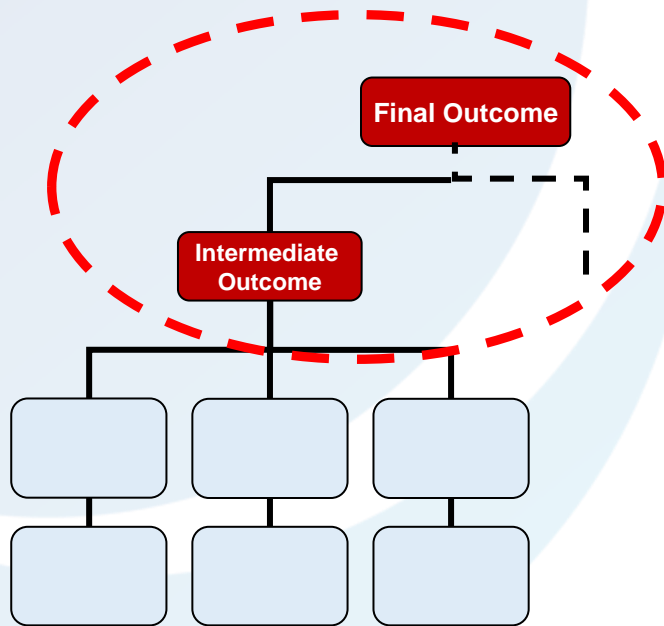
Jane Reisman, et al (2015) “Streams of Social Impact Work: Building Bridges in a New Evaluation Era with Market-Oriented Players at the Table,” The Rockefeller Foundation Evaluation Office <http://orsimpact.com/directory/streams2rev.htm>

5 Levels of Evaluation (Rossi, Lipsey and Freeman, 2004: 80)



1. Needs Evaluation: Evaluation to question the validity of "outcomes" *

* Outcomes: "Positive changes", "new values", "new situations" that we want to bring to society and organizations through some kind of activity (means)



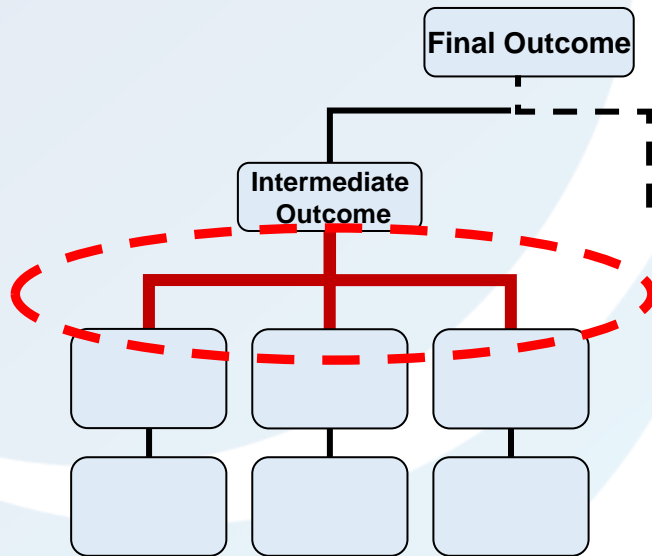
<Characteristics>
Meet "essential" needs

<Principal Questions>

- ✓ What kind of social change are you trying to bring about?
- ✓ What is the nature and scale of social issues to be solved?
- ✓ What are the characteristics of the group in need of assistance?
- ✓ Who is the target of the program?
- ✓ What factors are involved in the issue?
(Understanding the situation)
- ✓ Who are the key stakeholders?
What interests, expectations, concerns and characteristics does each stakeholder have?
- ✓ What are the strengths and weaknesses of stakeholders?
- ✓ What are the needs of stakeholders?
- ✓ Is it necessary to implement the program?
- ✓ Does the program deal with solving social issues?

2. Theory Evaluation:

Evaluation to question the validity of the relationship between outcomes and means



<Characteristics>

Consider what to do after clarifying the path (outcome) to follow

Fully comprehend the current situation and consider how to bridge the gap between needs and the current situation

For that purpose, consider that with related parties, utilizing both past evaluation and survey results.

Refer to the "plausibility" of the hypothesis

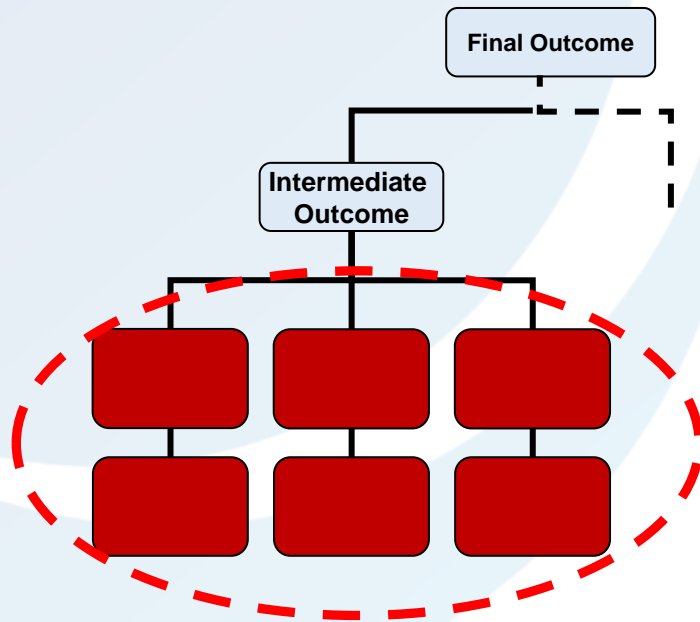
<Principal Questions>

- ✓ Is the purpose / aim well defined?
- ✓ What are the guidelines and strategies for making "positive changes"?
- ✓ Is this the way to achieve the goal?
 - Is the activity sufficient or feasible?
 - Is the causal chain between means and purpose logical or realistic?
 - Is resource allocation appropriate?
- ✓ Is the means to make a "positive change" reasonable?
Is there anything missing?
- ✓ Is there a more effective means?
- ✓ Have you fallen into precedentism?

Partially revised the figure created by Yuriko Minamoto (Meiji University)

3. Process Evaluation:

Evaluation to see what is happening during the program implementation



<Characteristics>

There is an abundance of qualitative information. So consider where and from whom to garner the information

Extract factors that hinder or contribute to the achievement of outcomes, and consider how to correct the trajectory

<Principal Questions>

- ✓ What is occurring during the activity?
- ✓ Is it implemented as planned? Is there an issue with the process?
- ✓ Has the service reached the intended target audience?
- ✓ Has the output been achieved?
- ✓ Is the implementation system appropriate?
- ✓ Is there sufficient cooperation with related organizations?
- ✓ What factors influenced the achievement of outcomes?

Image of data to be acquired

Quantitative data

Activity results (output index), amount of activity, recognition / behavior change of related parties (when quantified), and so forth

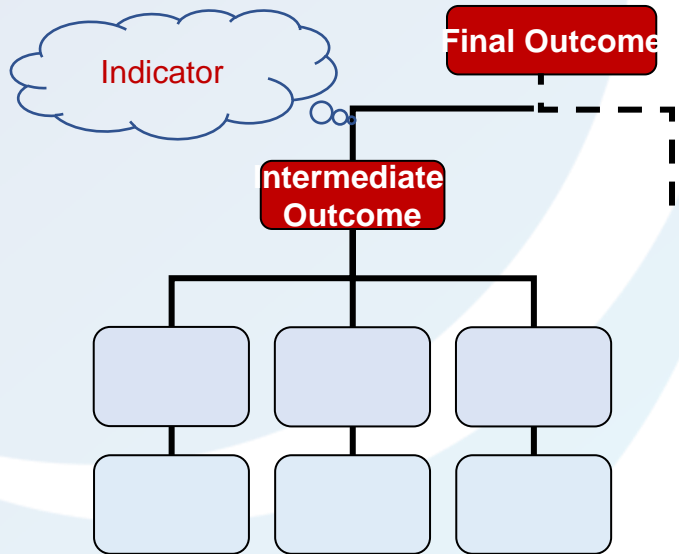
Qualitative data

What is occurring in the process of activities, recognition / behavior change of related parties, issues of implementation system, and so forth?

Partially revised the figure created by Yuriko Minamoto (Meiji University)

4. Outcome / Impact Evaluation:

Evaluation of program effectiveness and outcomes



<Characteristics>

Observe what positive social changes have been brought about by implementing the program

is vital to consider how to ascertain changes (indicators and data collection / analysis methods)

In many cases, it is often collected again in social research

<Principal Questions>

- ✓ Has the outcome (medium- to long-term goal) been achieved?
- ✓ Did the beneficiaries experience any changes other than outcomes (positive or negative impacts)?

Example

- ① Method of creating a comparison group and ascertain it strictly via the scientific method (experimental design, quasi-experimental design)
- ② Method of comparison within the implementation group (pre / post, time series, expert judgment, and so forth)
- ③ Method of setting target values at the time of planning and comparing with actual results (performance measurement)

"Is there actually a change brought about from implementing this program?"

➡ Analysis of aging comparison, causal relationship with activity (or result), comparison with target value, and so forth is required

➡ Consider the influence of external factors

Partially revised the figure created by Yuriko Minamoto (Meiji University)

5. Efficiency Assessment:

Evaluation to observe the cost-effectiveness of the program

$$\text{Efficiency} = \frac{\text{Results (program measurement results)}}{\text{Input}}$$

<Principal Questions>

- ✓ Is the program implemented efficiently? (Is the cost appropriate for the effect?)
- ✓ Is it more efficient than other programs?
- ✓ Can the same effect be achieved at less cost?

【CFA Society Japan 5-serial Webinar】
Impact Investing～
The New Financial Paradigm of Risk • Return • Impact

5th Session: The Frontline Movement of Global Impact Investing

24 September 2020

Matt Christensen

AXA Investment Managers

THIS DOCUMENT IS CLASSIFIED

CONFIDENTIAL

The recipient will not divulge any such information to any other party. Any reproduction of this information, in whole or in part, is prohibited without prior written consent of the sender.

The Big Picture

How much can change in 10 Years – World Events Shifting Societal Expectations

2010 ————— 2020

SHAPING - WORLD EVENTS

GFC -Madoff, Subprime



Arab Spring



Euro Crisis



Charlie Hebdo



Brexit



Gilets Jaune



CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

How much can change in 10 Years – Technology enables investing with meaning

2010 ————— 2020

SHAPING - WORLD EVENTS

GFC - Madoff, Subprime



Arab Spring



Euro Crisis



Charlie Hebdo



Brexit



Gilets Jaune



DISRUPTING - TECHNOLOGY

Uber founded 2009



Facebook a force for good



Tesla Model 3



Amazon everywhere



Automated Finance



CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

How much can change in 10 Years – Moving to a World of Risk/Return/Impact

2010 ————— 2020

SHAPING - WORLD EVENTS

GFC - Madoff, Subprime



Arab Spring



Euro Crisis



Charlie Hebdo



Brexit



Gilets Jaune



DISRUPTING - TECHNOLOGY

Uber founded 2009



Facebook a force for good



Tesla Model 3



Amazon everywhere



Automated Finance



SRI World AUM: \$7 bn



INVESTING – EVOLUTION TO IMPACT

SRI-ESG World AUM: \$20 bn



CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited



ESG–Impact World AUM: \$35 bn



2020 – And Covid-19 will push the change towards impact even faster



2020 –A Covid-19 World

Private investments

- ▶ Social issues attracting investment interest from growing group of institutional investors
- ▶ Climate change continues to attract attention as CO2 emissions have not been significantly altered even where the global economy stopped for months

Public investments

- ▶ Engagement gaining traction as the impact investment approach to address SDG issues
- ▶ Voting activity as an activist impact approach becoming a tool to address challenges

Societal expectations

- ▶ Regulation, Work From Home, Citizens – Stakeholder expectations have gained velocity

CONFIDENTIAL

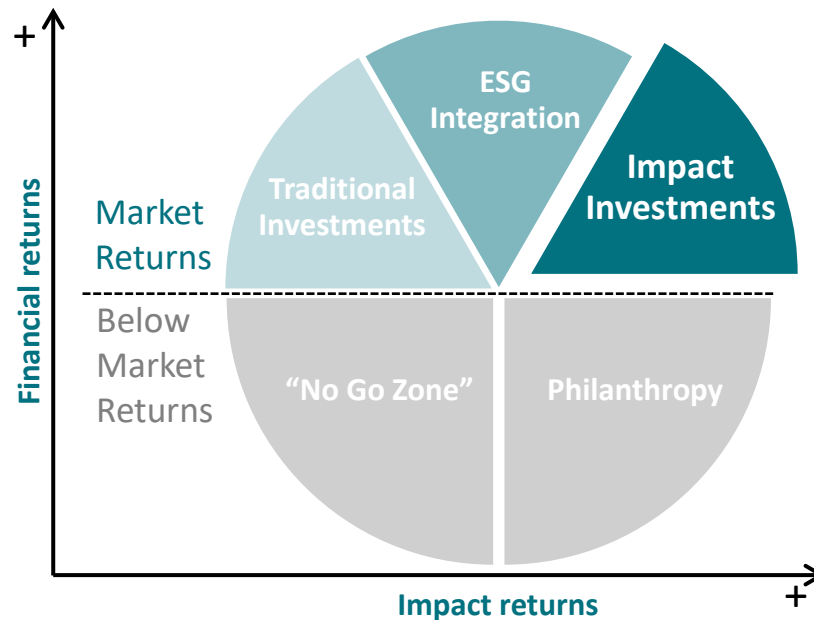
Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

What is Impact Investing?

What is impact investing? (1/2)

Impact Management

Our Impact Focus



Impact Investing
focuses on financing
businesses and projects
that are designed to have
intentional, positive,
measurable and
sustainable impacts on
society while
simultaneously delivering
financial market returns

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.

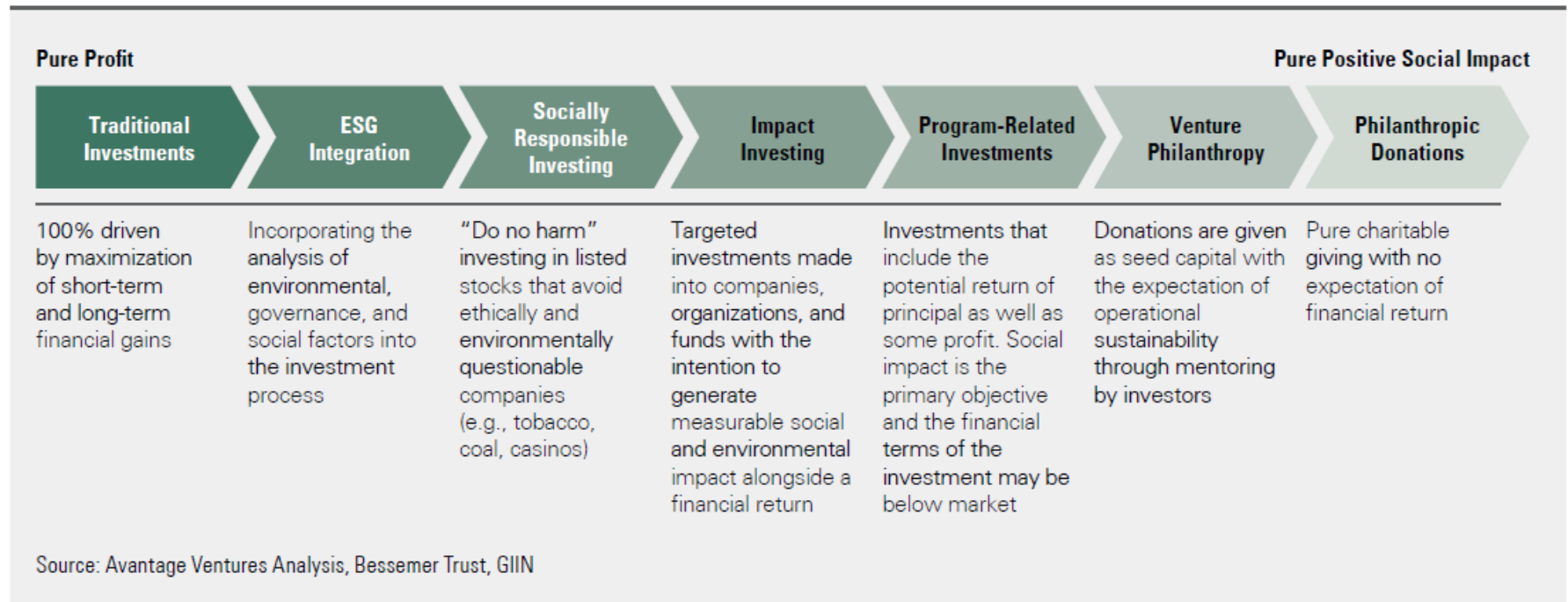
CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

What is impact investing? (2/2)

Spectrum of Social and Financial Objectives

- As investor interest has grown, so too have the number and variety of available investment solutions, as well as the terms associated with them — socially responsible investing, ESG investing, and impact investing, among others
- At the far left of the continuum are traditional investments, whose aim is simply financial return. At the far right is philanthropy, which is pure charitable giving with no financial return expectations. In the middle stands various forms of sustainable investing, however not exhaustive.



CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

How Large is the Market Today?

How large is the market today?

Measuring the size of the market is subject to several complications

There is considerable uncertainty about the size of the market for impact investment today

- Widely cited numbers range from \$228bn—the total assets managed by the 226 respondents to an annual survey by the Global Impact Investing Network (2018)—to as high as \$1.3tr.
- This includes direct and indirect investments by over 450 signatories to the United Nations' Principles for Responsible Investing (PRI).

BUT measuring the size of the market according to a consistent definition is subject to several complications

- On the one hand, **investor surveys include only those who chose to respond**. This suggests the universe of impact investments may be larger than the AUM of respondents to surveys such as those above.
- On the other hand, impact means different things to different people**. This element of subjectivity implies that different respondents may have classified their AUM as impact investments according to different interpretations of the definition, some of which are possibly more credible than others

Investors and types of assets, and whether they have the three distinctive attributes of impact investment

ASSET POOL	AUM US\$, billions (2018)	MARKET(S) OF OPERATION	DEFINING ATTRIBUTES OF IMPACT INVESTMENT		
			INTENT for social or environmental impact	Credibly established CONTRIBUTION to the achievement of Impact	MEASUREMENT of improvements in social or environmental outcomes
Outstanding Private Sector Operations Portfolio of 25 HIPSO Signatory DFIs	\$742	Private	YES, the investor has an explicit mandate to promote social and economic impact	YES, insofar as the investor can: (a) change the investee's cost of capital, (b) transfer knowledge or technology to investees, or (c) exert influence that induces investees to improve relevant outputs or processes	YES, the investor uses indicators to assess whether the investment contributes to improvement
Non-Treasury Assets of 81 Development Banks	\$3,083				
Private Investment Funds with Intent for and Measurement of Impact	\$71				
Green and Social Bonds Outstanding	\$456	Public and Private	POSSIBLY, one might purchase the product with intent to create social or environmental value The manager's marketing materials may emphasize "sustainable" or "responsible" investment, rather than "impact" Alternatively, one might purchase the product with a desire to gain (or reduce) exposure to ESG risk factors	NO, particularly in public portfolios, strategies are unlikely to (a) change investee's cost of capital in the presence of other investors indifferent to social or environmental impact. Further, limited direct relationship with investees precludes managers from (b) transferring knowledge or (c) exerting influence	POSSIBLY, to the extent indicators are reported by investees
ESG integration strategies*	\$10,369			NO, securities negatively screened may end up being held by those who would prefer to produce less social value	
Negative screening of securities (e.g., "sin" or "dirty" stocks)*	\$15,023			UNCERTAIN, given board members' fiduciary duty of obedience to shareholders who are indifferent to social value	
Corporate engagement and shareholder action*	\$8,365				YES, through reporting on whether engagements and actions are successful

Source: Creating impact: The promise of impact investing, World Bank Group, 04/2019

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

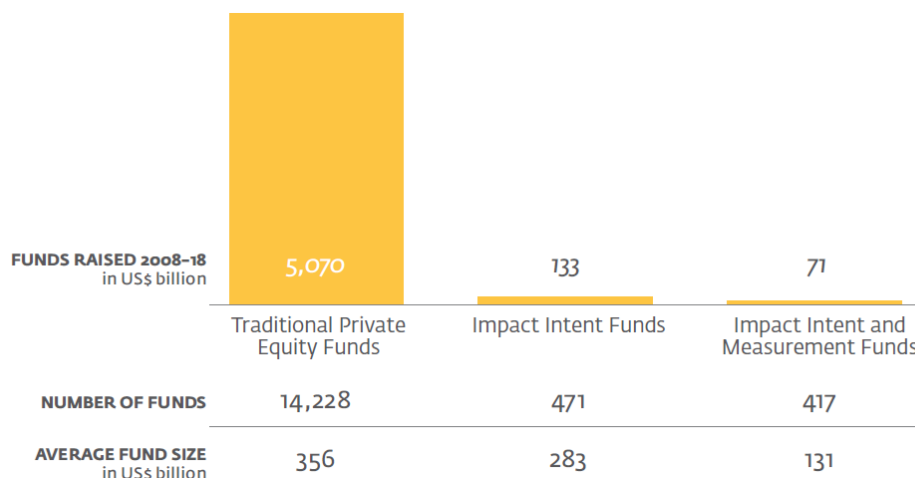
How large is the market today?

Private investment funds with intent for and measurement of impact: \$71bn

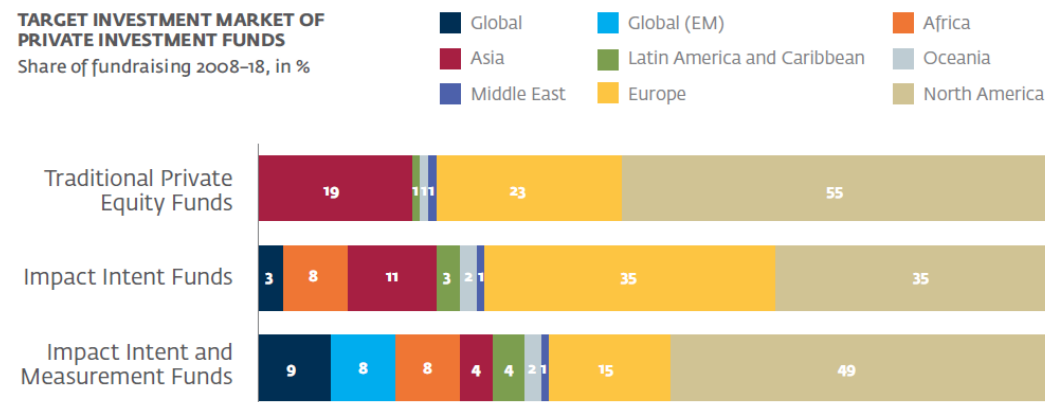
There is little public information available on direct impact investments by private investors

- Impact intent and measurement fund managers have raised approximately \$71bn dollars for 417 funds, in years 2008–18, which is just more than 1 % of all funds raised by traditional private equity funds over the same period (see chart on the right)
- An additional set of funds can be identified which can be called impact intent funds—those funds, for which measurement could not be verified, but the fund managers expressed a link related to economic development, microfinance, or social or environmental responsibility. **These funds have raised more—approximately \$133bn across 471 funds**
- For intent funds the average size was \$283m, while for intent and measurement funds the average was \$131m
- Impact funds have a higher proportion of their portfolios in regions outside of Europe and North America, or in emerging regions. **This suggests that impact investors have a special willingness to invest in locations that traditional investors may avoid**, and also where the investment needed to meet the Sustainable Development Goals (SDGs) is the greatest

Private Investment Funds Raised by Asset Managers Since 2008



Impact Intent and Measurement Funds Disproportionately Focus on Emerging Markets



Source: Creating impact: The promise of impact investing, World Bank Group, 04/2019 and Preqin, EMPEA, ImpactBase, ImpactAsset50, Symbiotics, IRIS, B-Analytics, and Gresb

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

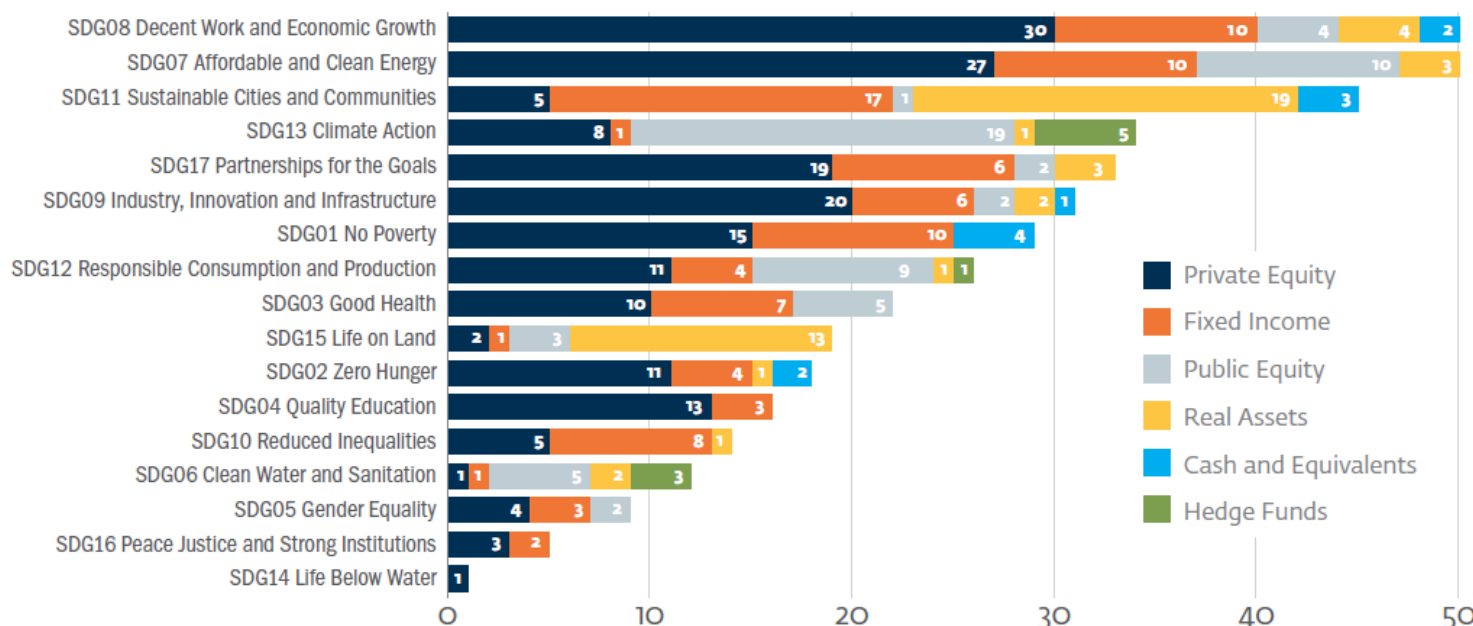
How large is the market today?

The supply of impact products currently in the market

- Toniic, a network of high-net-worth individuals, and their family offices and foundations, has compiled a database of the impact investments of its members, which are coded by asset class and have been aligned with specific UN Sustainable Development Goals (SDGs)
- The largest number of products available is tagged as private equity. Fixed income (loans and bonds) is a close second, reflecting individuals' demand for safer assets. Real estate also features prominently, especially in SDGs 11 and 15, which relate to land, cities, and communities.
- Public equity funds are held too, especially in SDGs 12 and 13, which concern climate action and responsible consumption and production—the two themes frequently emphasized by large public corporates. The most commonly aligned SDG is 8: Decent Work and Economic Growth, which is perhaps not surprising given the direct link between economic growth and investment.

INVESTMENTS IN MANAGED PRODUCTS BY TONIIC MEMBERS, BY ASSET CLASS

Number of funds aligned with each Sustainable Development Goal



Source: Creating impact: The promise of impact investing, World Bank Group, 04/2019 and Toniic, Prequin, EMPEA, ImpactBase, ImpactAsset50, Symbiotics, IRIS, B-Analytics, and Gresb

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Global Challenges Need Impact Capital

SDG's and challenges



Source: The Sustainable Development Goals Report 2018

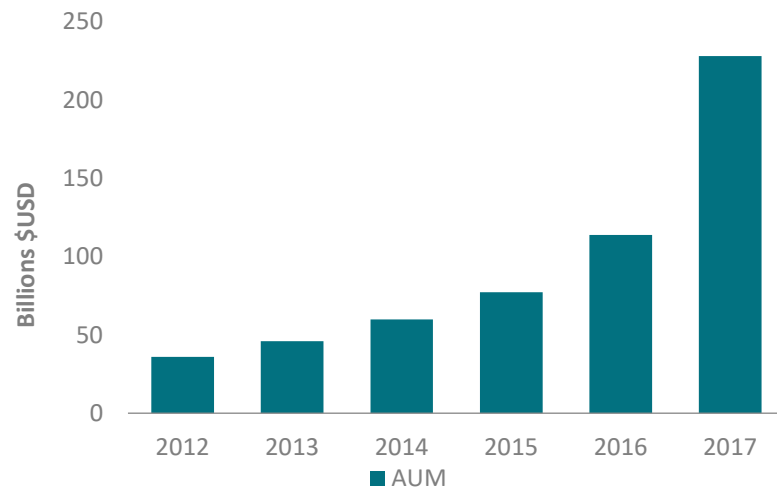
The Impact Investing Market

Breadth, Scale and Growth

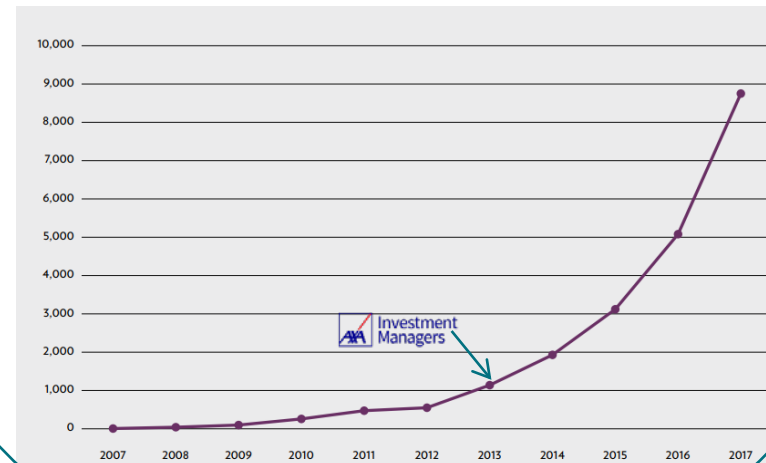
Market Data

Year	Market Size*	Annual Growth	Capital deployed	No. of deals	Avg. deal size
2016	\$114bn	~50%	\$22.1bn	7,591	\$2.9m
2017	\$228bn	~100%	\$35.5bn	11,136	\$3.2m

Impact Market AUM Growth**



News Articles Containing the Phrase “Impact Investing” Globally



*Source: The GIIN Annual Investor Survey 2018

**Source: GIIN Survey 2013-2018

The Impact Investing Market

Breadth, Scale and Growth

Social impact funds make an impression

Axa leads with €150m fund to improve access to financial services, healthcare and education

CRS launches water project at Vatican meeting on impact investing

Impact investors shoot for clearer goals

The popularity of the strategy has prompted some to define its aims more clearly

Zurich Plans \$5 Billion Allocation to Impact Investments

PRIVATE EQUITY

TPG to close impact investing Rise Fund at \$2 billion

Impact investing – make good intentions pay

Spending money to do good is great but defining the desired outcomes is important

'Millennial generation' most interested in investing to make a positive global impact

Sustainable investing assets reach \$12 trillion as reported by the US SIF Foundation's biennial Report on US Sustainable, Responsible and Impact Investing Trends

Partners Group launches \$1bn social impact fund to meet demand

Aim to invest in line with UN's sustainable development goals

The Debate About Impact Investing We Should Be Having

Axa and WWF call on G7 to act on biodiversity

Indian microfinance gives birth to smaller banking model

INVESTMENT

Impact Investing, Just A Trend Or The Best Strategy To Help Save Our World?

Making impact investing more 'mainstream'

Third of UBS Assets Are in Sustainable or Impact Investments

It's quite clear this is no longer a niche anymore, said Group CEO Sergio Ermotti.

Dutch institutions launch Sustainable Development Goals investing agenda

Impact investing deals soar

Impact investing offers a solution to the Davos debate

Impact investing shouldn't be confused with philanthropy — it must earn a good return as well

Insurance giant offers customers chance at impact investing

For illustrative purposes only. Sources: The Irish News, FT, The Straits Times, Forbes, Huffington Post, Financial News, Citywire, Not for Profit Quarterly, AP News, The Economist, ponline, nronline.org, Reuters, ABC News, BBC News, Institutional Investor, thisismoney.co.uk, Pensions and Investments, Think Advisor, IPE, Bloomberg, Environmental Finance, pioneerspost.com

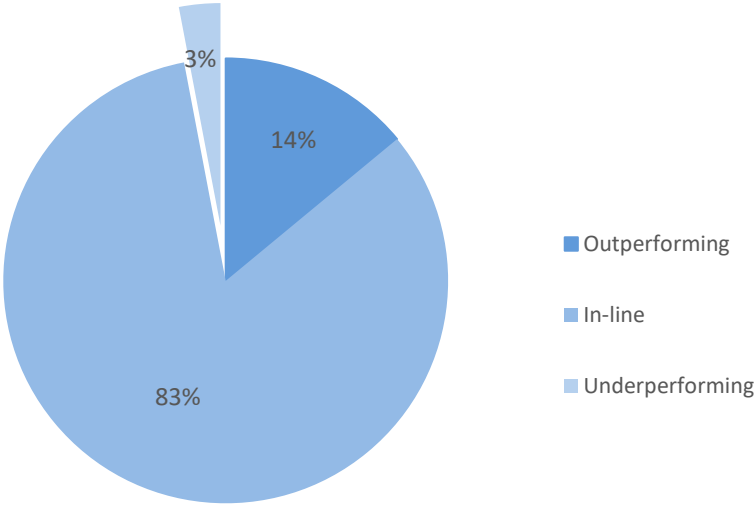
CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

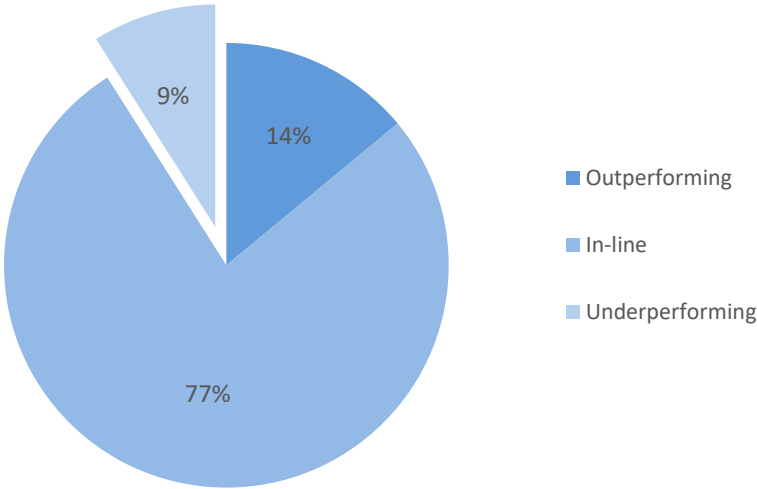
Impact investments performance expectations

Strong alignment of Impact and Financial Performance returns

97% of investors reporting **Impact Performance** had **met or exceeded** their expectations



91% of investors reporting **Financial Performance** was **in line with or exceeded** expectations



Lessons Learned

AXA IM Impact Investing

Lessons learnt through our deployment and evolution since 2012 (1/3)

Our investment process and portfolio construction today is the result of an evolution, driven by the learnings of the past 7 years

- **Access to investments**

- Constructing an investment universe is time consuming and can delay managers in deploying capital and ramping-up the portfolio which has a knock-on effect on the financial j-curve but also the impact outcomes
- Very important that primary funds have a mature pipeline and an efficient investment process to execute
- Blind pool risk can therefore be a significant detractor to returns

- **Dilution of impact definition**

- Most market participants have differing definitions of impact, so constructing a FoF portfolio will undoubtedly lead to a dilution or mission drift from the target impact objectives
- This can be mitigated through designing tailor-made Strategic Partnerships (segregated mandates) which are bespoke in nature and structured between investor and manager / advisor to ensure total alignment on impact

AXA IM Impact Investing

Lessons learnt through our deployment and evolution since 2012 (2/3)

- **Non-investment risks**

- In this market, covering multiple geographies sectors and manager profiles, of equal importance to the financial and impact due diligence is the operational due diligence looking at non-investment risks)
- Due to the integral nature of this function AXA IM has this resource in-house

- **Potential conflicts between LPs**

- Unlike traditional Private Equity, where most investors are aligned in achieving the maximum financial return, impact funds contain investors with differing motivations e.g. development bank vs. strategic vs financial investor
- AXA IM takes advisory board seats in every fund they invest in, and chairs them where possible, to ensure active management of the governance

- **The link between impact and financial return**

- In most optimal impact investment structures, there is not only non-trade off between financial return and impact, but the impact outcomes actually fuel the financial returns and vice-versa

- **Different return targets across impact themes / SDGs – but still “market-rate” for that asset / sector**

- There is a spread of return expectations depending on the target Impact themes, SDGs and of course geographies

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

AXA IM Impact Investing

Lessons learnt through our deployment and evolution since 2012 (3/3)

- **Importance of setting impact targets to align expectations and performance incentives**

- Not a common market practice pre-investment, but after the data points we have collected over the years we now ensure common targets are agreed prior to each investment. Typically the market only thinks about target financial returns – we are working to expand that to impact objectives also
- This framework also facilitates incorporating impact linked performance fees to investment structures

- **Post-investment monitoring**

- The importance of regular monitoring visits and ensuring access to the appropriate data to monitor KPIs upfront

- **Global portfolio construction**

- The optimum investment universe can be sourced with a diverse geographical exposure in mind. Care should be taken if constrained by geography e.g. bias towards local social entrepreneurs with lower financial return profiles

- **New large scale entrants and the risk of impact washing**

- Although large scale PE can have long-standing financial track-records, this is not always transferable to impact assets or the size of transactions associated with an impact portfolio. Large risk of impact washing as definitions are stretched to cover a broader investment universe, ending up very similar to traditional PE with new reporting

Impact Management at AXA IM Alternatives

Impact Management

Setting the Industry Standards

GIIN Investor's Council
Member



IFC Principles for Impact **Founding
Signatory** and Advisory Board
Member



Impact Management **Project
Sponsor** and Active Contributor



PRI Founding Signatory



IRIS+ Contributor



22 *Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.*

CONFIDENTIAL

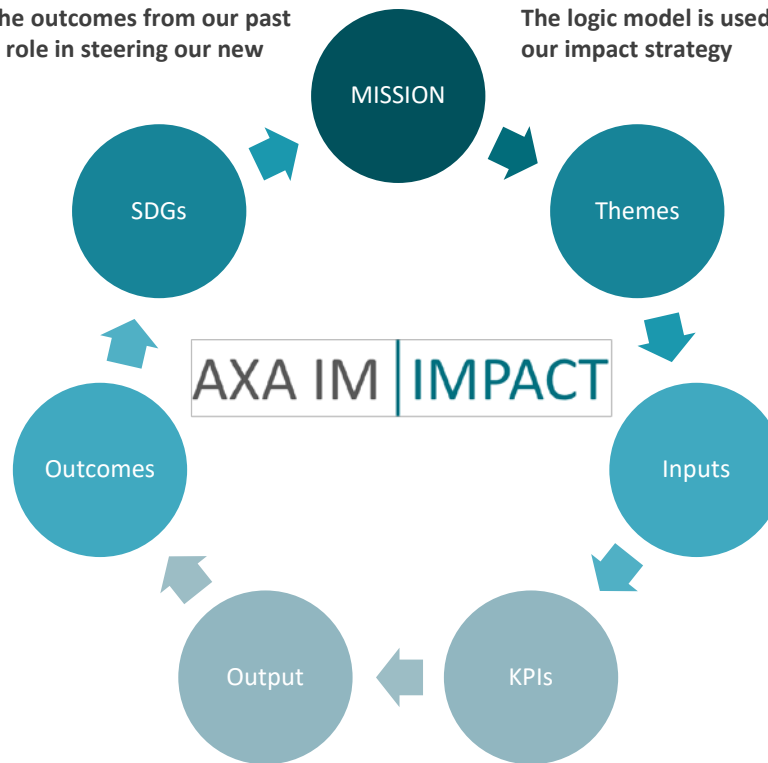
Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

From Mission to SDGs – our logic model, a reinforcing wheel

Our model is a feedback loop. The outcomes from our past Fund's have played a significant role in steering our new strategy & mission

The logic model is used in portfolio planning to build our impact strategy



Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

AXA IM Impact Investing Overview

Our Mission; Our Themes



Financial Inclusion



**Better Health
Outcomes**



**Access to Quality
Education**



Livelihood

**PROTECTING WHAT WE VALUE:
PEOPLE, PLANET, PROSPERITY**



**ACCESS TO CLEAN
ENERGY**



**PROTECTING
NATURAL CAPITAL**



**RESOURCE
EFFICIENCY**



CLIMATE CHANGE

Impact Management

Our Mission

WHO/WHERE

- Empower underserved and low-income beneficiaries
- in emerging economies



INVESTMENT CHARACTERISTICS

- High-growth late stage Venture and Growth Equity
- \$5-15m ticket size

FINANCIAL OBJECTIVES

- Target net IRR of 15-18%

Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.

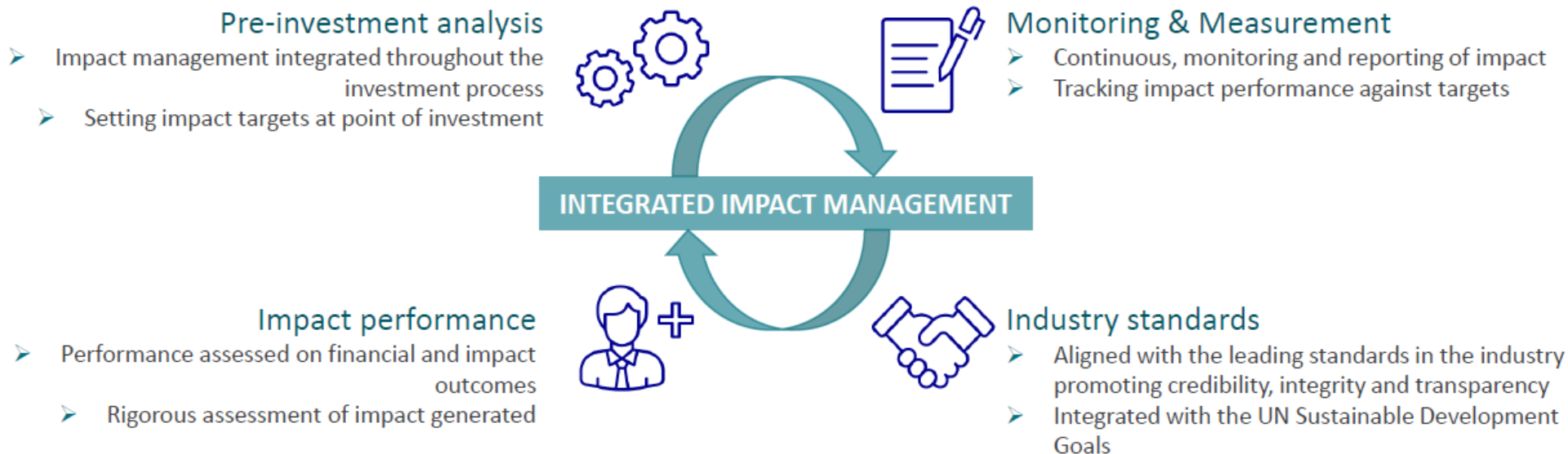
CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

Impact Management Overview - Credible, Rigorous and Transparent

Focused on the creation of intentional, positive and measurable solutions to relevant societal challenges



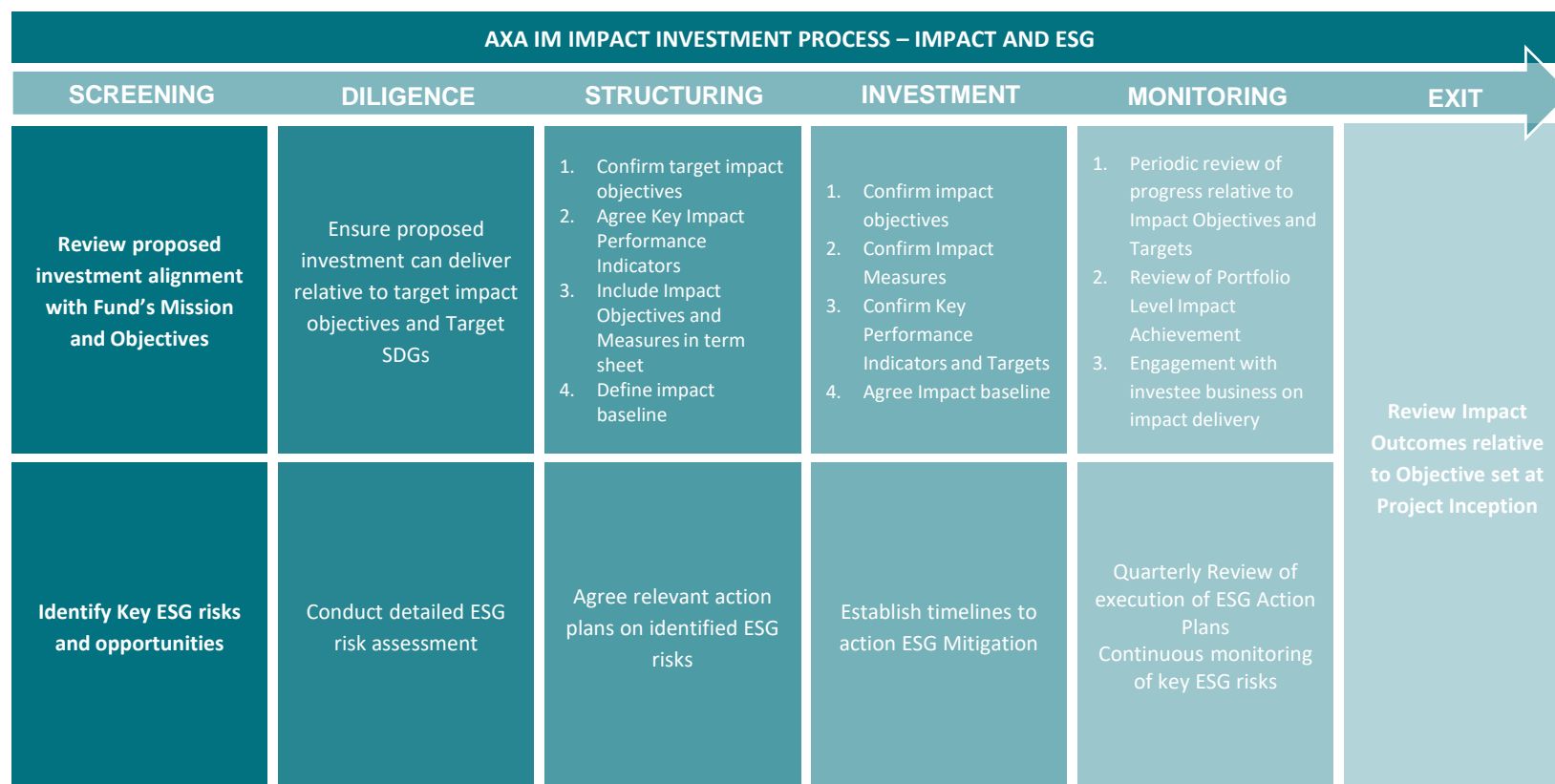
Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

Impact Integrated throughout our Investment Process



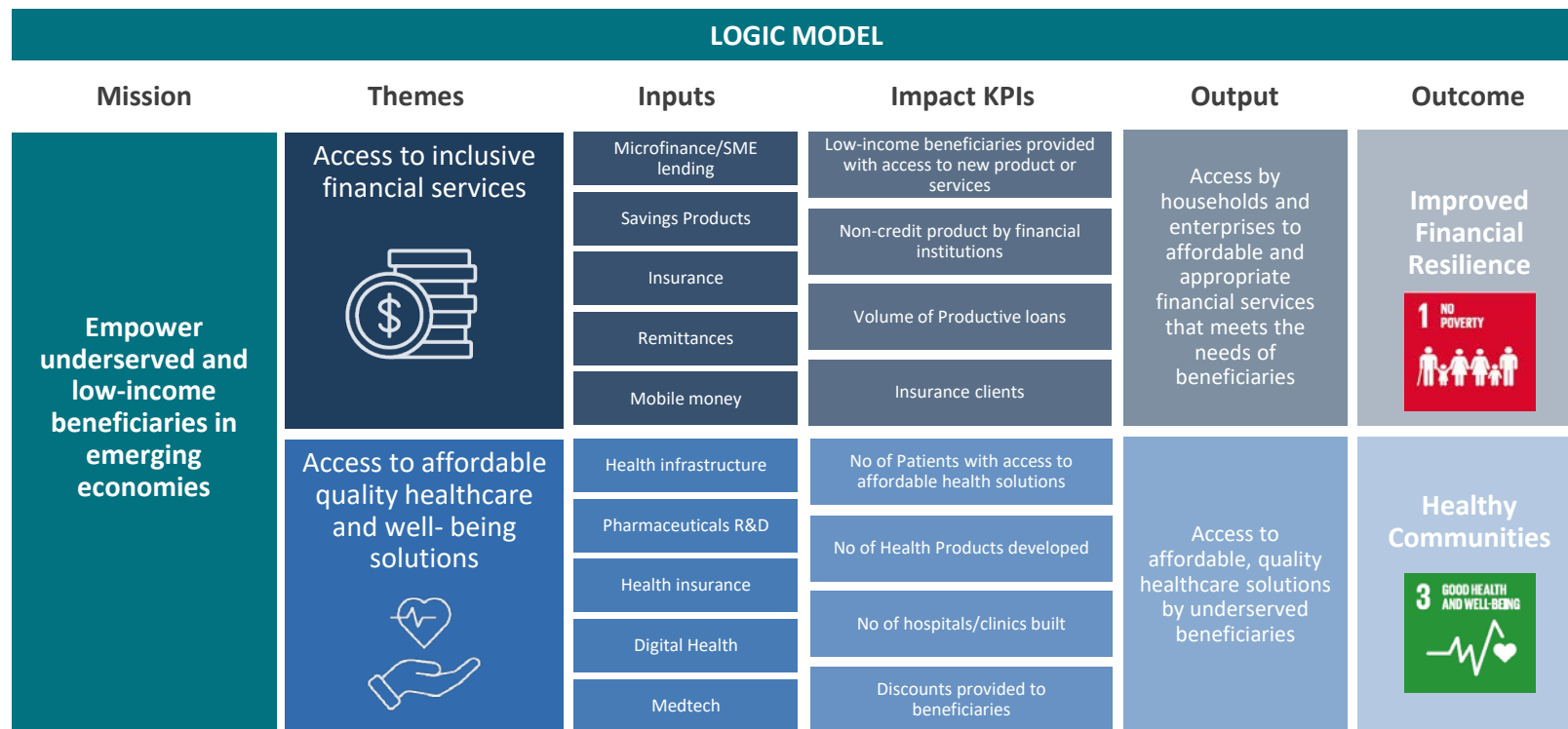
Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

Pre-investment: Logic model – defining our AXA IM Impact Strategy



Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

Pre-investment: Intentional Capital for the SDGs: SDG 3 – Ensure Healthy Lives and Promote Well-Being

UNSDGS	DESCRIPTION	AXA IM INPUTS ¹
Goal 3.1	By 2030 reduce the global maternity mortality ratio by less than 70 per 100,000 live birth	<ul style="list-style-type: none"> Maternal facilities providing access to quality and affordable pre and post natal maternal care Devices allowing early diagnoses of gestational diabetes and preeclampsia
Goal 3.2	By 2030 end preventable deaths of new-borns and children under 5 years, reducing neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to least as low as 25 per 1,000 births	<ul style="list-style-type: none"> Maternal facilities providing access to quality and affordable pre and post natal maternal care Affordable and accessible clinics and hospital units in underserved locations
Goal 3.3	By 2030 end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases, and combat hepatitis, water-borne diseases and other communicable diseases	<ul style="list-style-type: none"> Affordable and accessible vaccine for cholera Point of care and self testing device with improved accuracy for HIV, Malaria and Dengue Fever FDA approved treatment for River Blindness R&D for Drugs and Devices targeting Neglected Diseases
Goal 3.4	By 2030 reduce by one-third premature mortality from non-communicable diseases through prevention, and treatment and promote mental health and well-being	<ul style="list-style-type: none"> Health care infrastructure - hospital, clinics, pharmacies Speciality hospitals Affordable drugs for chronic diseases, including in-licensed, specialty drugs targeting cancer and cardiovascular diseases
Goal 3.8	Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	<ul style="list-style-type: none"> Health insurance, including micro-insurance Health care infrastructure - hospital, clinics, pharmacies

Source: UN Sustainable Development Goals website as of July 2019. AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. 1 – illustrative examples from existing Funds, managed by AXA IM, that are closed to new investors.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

Pre-investment: IMP Framework - application to our Strategy

- **AXA IM is a sponsor** of Impact Management Project (IMP)
- Endorse the 5 dimensions - **What, Who, How Much, Contribution and Risk** as an industry norm to understand impact performance
- IMP Framework applied to assessment of underlying investments

IMP FRAMEWORK - AXA IM Impact Fund		
WHAT	<ul style="list-style-type: none"> ○ What outcome occurs in period? ○ How important is the outcome to the people (or planet experiencing it)? 	<ul style="list-style-type: none"> ○ Access to Inclusive Financial Services ○ Access to affordable, quality healthcare and well- being solutions ○ Solutions that empower and provide access to basic needs and services
WHO	<ul style="list-style-type: none"> ○ Who experiences the outcome? ○ How underserved are the affected? stakeholders in relation to the outcome? 	<ul style="list-style-type: none"> ○ Underserved communities ○ Low-Income Beneficiaries ○ Emerging Economies
HOW MUCH	<ul style="list-style-type: none"> ○ How much of the outcome occurs – across scale, depth and duration? 	<ul style="list-style-type: none"> ○ Large Scale ○ Deep Impact ○ Mass Market application ○ Long-term change
CONTRIBUTION	<ul style="list-style-type: none"> ○ What is the enterprise's contribution to the outcome, accounting for what would have happened anyway? 	<ul style="list-style-type: none"> ○ Coverage at scale ○ Increase access ○ Reduce cost ○ New solutions
RISK	<ul style="list-style-type: none"> ○ What is the risk to people and planet that impact does not occur as expected? 	<ul style="list-style-type: none"> ○ Low to Medium ○ Risk mitigation

Source AXA IM 2019, Impact Management Project (IMP). The (IMP) is a forum for building global consensus on how to measure, report, compare and improve impact performance. all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

Monitoring and Measurement: IMP framework example

IMP FRAMEWORK - CHOLERA VACCINE			
DIMENSIONS	CHARACTERISTICS	ENTERPRISE	IMPACT SCALE
WHAT	<ul style="list-style-type: none"> What outcome occurs in period? How important is the outcome to the people (or planet experiencing it)? 	<ul style="list-style-type: none"> Increase availability, and affordability of cholera vaccines Provide solutions to Neglected Diseases 	HIGH
WHO	<ul style="list-style-type: none"> Who experiences the outcome? How underserved are the affected? stakeholders in relation to the outcome? 	<ul style="list-style-type: none"> 2-4 million cases of cholera annually 100,000 deaths annually Mainly in low-income countries and conflict zones 	HIGH
HOW MUCH	<ul style="list-style-type: none"> How much of the outcome occurs – across scale, depth and duration? 	<ul style="list-style-type: none"> 16.2 million of cholera vaccines delivered in 11 countries Will avert 8.3 million cholera cases and 100,000 deaths 	HIGH
CONTRIBUTION	<ul style="list-style-type: none"> What is the enterprise's contribution to the outcome, accounting for what would have happened anyway? 	<ul style="list-style-type: none"> Consortium to fund solutions to Neglected diseases Eliminate shortage of vaccine Cut cost of vaccines by 50% 	HIGH
RISK	<ul style="list-style-type: none"> What is the risk to people and planet that impact does not occur as expected? 	<ul style="list-style-type: none"> Investment focus on late stage R&D R&D risk mitigated through partnerships with Health Focused foundations, PDPs 	MEDIUM



The impact investment framework for cholera

Impact thesis	Impact metric	Description	Annual target by 2025*	WHO/Public health
Increase supply of more affordable cholera vaccines	Lives improved	Cases of cholera prevented	694,858	Submitted for WHO pre-qualification. Used by public health authorities to treat outbreaks in Haiti and Somalia.
	Lives saved	Deaths from cholera averted	8,130	

Source AXA IM. Initial investment made by AXA IM in 2014. *Annual target at outset of fund investment. . Past performance is not a guide to future performance.

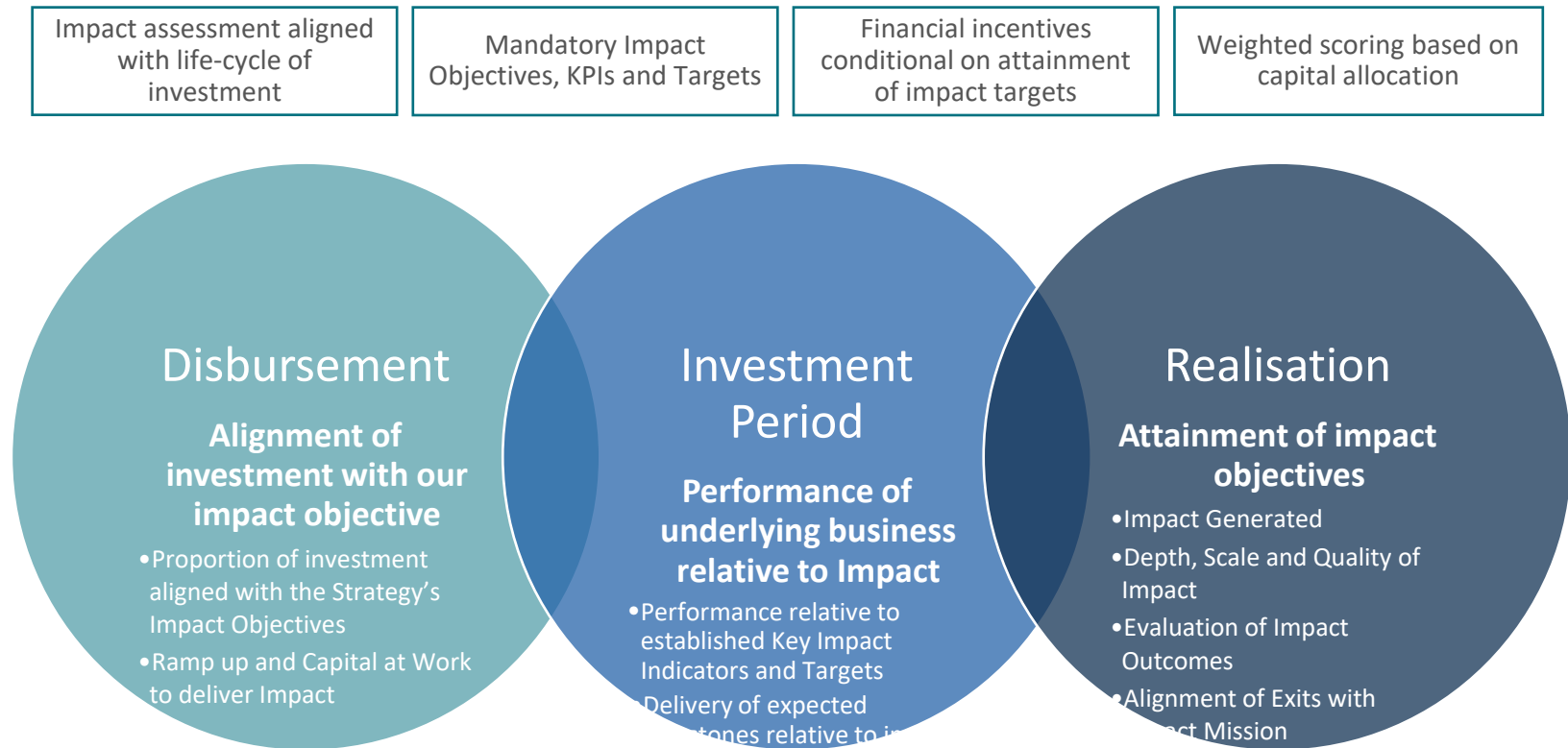
Source AXA IM 2019, Impact Management Project, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Past performance is not a guide to future performance.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

Monitoring and Measurement



32 Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Please refer to the final Fund documentation for further information on the impact objectives and targets.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Management

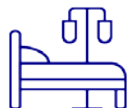
Impact performance: Financial Inclusion and Healthcare exits from our existing portfolio



>55 million underserved
banking clients



32 healthcare facilities in
underserved locations



2450 new hospital beds



>26 million underserved
insurance clients



>186,000 BoP patients



16 million doses of
cholera vaccine distributed



70% female financial
inclusion clients

*Source AXA IM 2019, all data and information displayed in this presentation is based on a model portfolio. For illustrative purposes only. Past performance is not a guide to future performance. *Results achieved and calculated at underlying investment level. Please refer to the final Fund documentation for further information on the impact objectives and targets.*

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact investing: Transforming tomorrow

Impact performance: Case study in Healthcare

Strategic Partner Profile: Healthcare



This potential Partner is addressing a significant supply gap in Asian healthcare. These markets encompass 31% of the population, 50% of the global chronic disease burden but receive only 5% of global healthcare spend.

Investing in high quality physical healthcare delivery, life sciences and medical technology across underserved regions in Asia.

Manager Overview

The Manager combines sector specialization and industry expertise both as investors and operators which creates a compelling competitive advantage in the healthcare sector. This Manager has raised 3 previous funds all focused on similar sectors and geographies. The senior team is stable having worked together for over 10 years with a solid track record and experience of executing exit plans behind them. The specialised healthcare team (one of the largest Healthcare teams in Asian PE) consists of 18 professionals across 2 regional offices who have invested over USD 1.1bn in 20 transactions to date.

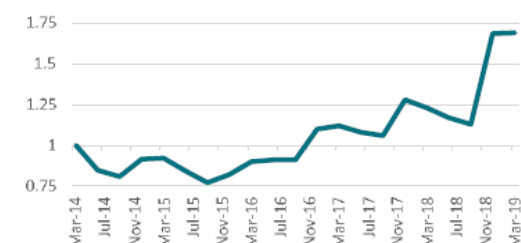
Key points

AUM	USD 1.5bn*
Team experience	Senior team consistent for 10 years, extensive experience in healthcare investing and operating.
Track Record	USD 1.1bn invested across 3 vehicles, AXA IM invested in 2014 vintage

Investment Opportunity

The demand for access to healthcare in the South and South East Asian markets is rapidly increasing (Asian demand is driving 60% of global healthcare growth) which is placing severe pressure on the existing healthcare infrastructure – which is already far behind global benchmarks. It is expected that the Asian healthcare market will be worth USD 4.2 trillion by 2024. As equity investors the team target companies they can manage through their growth and expansion stage to emerge as regional leaders with significant size and scale. The goal is for them to become attractive acquisition targets to global and other local players seeking strong foothold in the regional markets.

Figure 1: Track Record (TVPI Multiple) for Health Manager (2014 vintage)



Source: AXA IM, as of July 2019

Impact Thesis

The Manager seeks to create health impacts for underserved patient populations in South and South-eastern Asia by increasing healthcare investments in a region where healthcare penetration is lagging. In addition, it can improve accessibility and affordability of healthcare solutions for the underserved lower to middle income groups. The Manager's investments focus is on 4 key areas – Healthcare Delivery Services, Life Sciences, Medical Technology and Associated Healthcare.

Figure 2: Sample of Impact outcomes for 2014 vintage fund

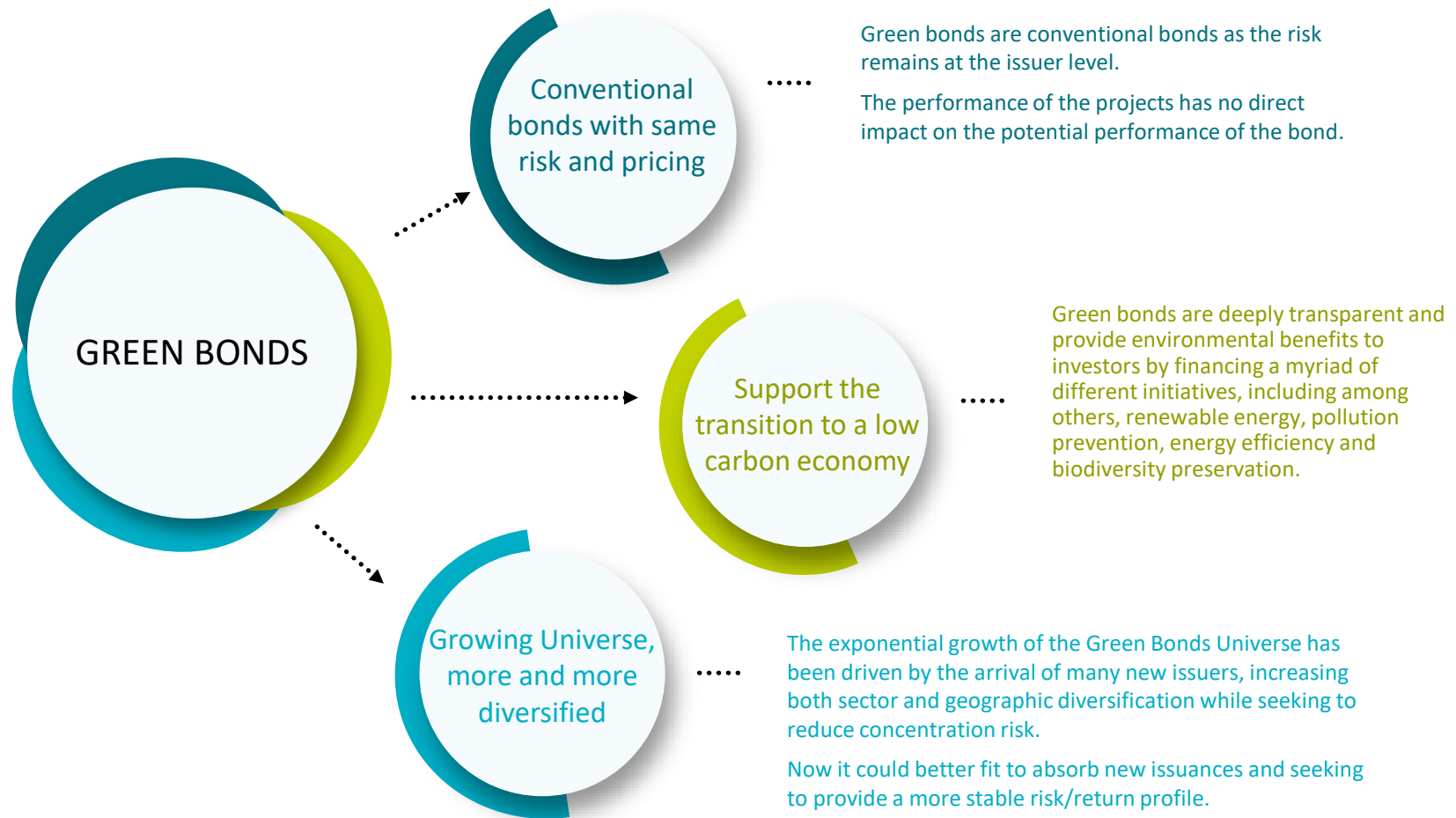
	Metric	Outcome
Portfolio Level	No. of medical facilities	10
Portfolio Level	Tests run annually	14 million
Portfolio Level	No. of hospital beds	2,450

Sources: AXA IM 2019, un-disclosed Fund Manager 2019, *aggregate commitments to manager, includes co-investments. Past performance is not a guide to future performance

Impact Fixed Income – Green Bonds

Why Green Bonds ?

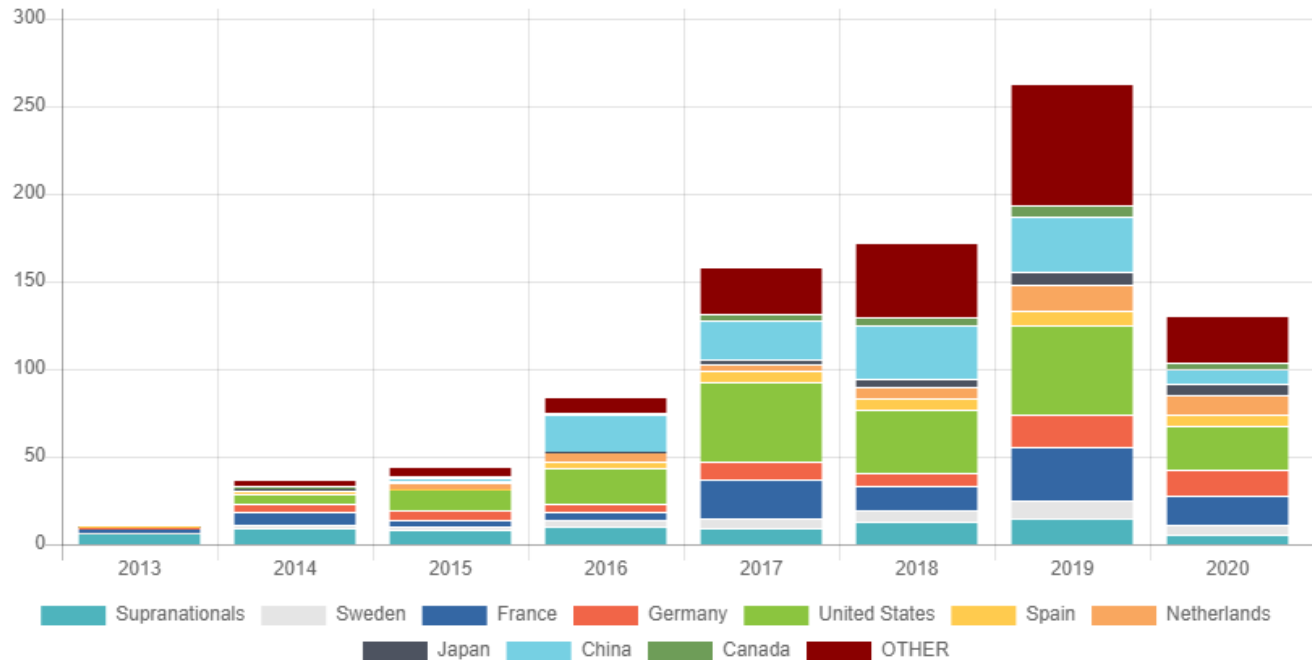
A transparent tool to finance sustainable and environmental-friendly projects at no additional cost



Green Bonds Market

Size and Trends

Green Bonds Market Size – in US\$, as of 11 September 2020



Source: Climate Bonds Initiative

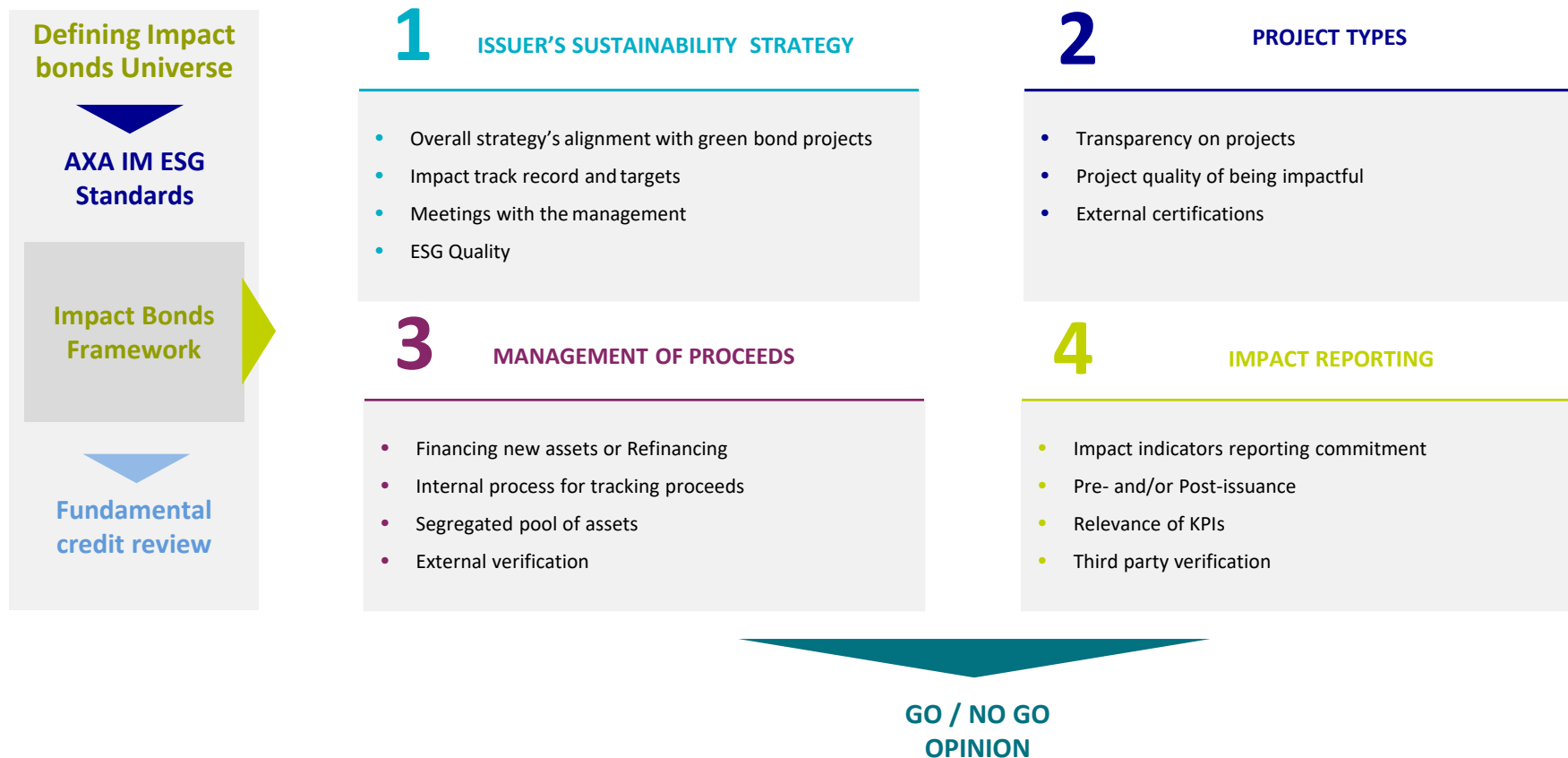
- Main issuer types: SSAs, Financials, Corporates
- 2019 was the record year in terms of volume – more than \$250bn
- 2020 could be another record year despite the Covid-19 context

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Our Dedicated Green Bonds Assessment Framework

A proprietary process handled by our Responsible Investment team



Source: AXA IM, for illustrative purpose only. These are internal guidelines which are subject to change without notice.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Green Bonds Impact

AXA WF Global Green Bonds Example

Key indicators based on AUM	Fund	Coverage	Source
Green Share	95,0%	100%	AXA IM

Key indicators based on Green Share	Fund	Coverage*	Source
tCO2 emissions avoided (per year)	99.945	42%	Carbone 4
tCO2 Avoided by MEUR invested in the Fund (per year)	265	42%	Carbone 4
% engagement	85%	100%	AXA IM
Renewable energy (in MWh per year)	108.037	42%	Carbone 4

* rebased on Green Share

Top 3 Direct + Indirect SDGs (rebased on Green Share)

1



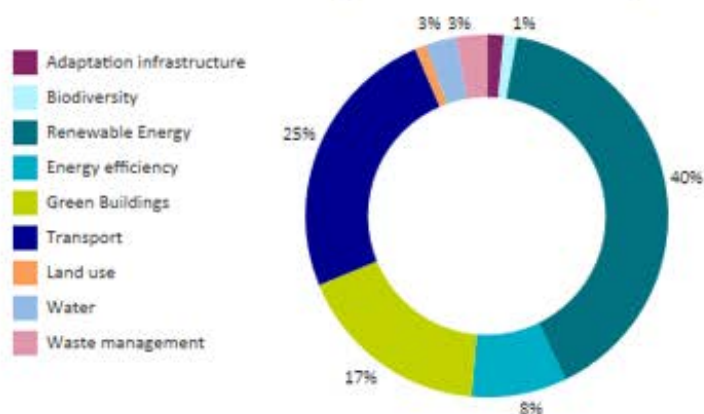
2



3



Breakdown by project
(rebased on Green Share)



Saving

99.945

metric tons of CO²-equivalent



Is equivalent of removing

22.210

cars off the road



Source: AXA IM, unaudited data sourced by our front office tool as of 31-07-20, for illustration only. The KPIs are related to the green bonds in direct line.

Green Bonds Selection

Iberdrola: a case study

1

IBERDROLA

ESG Score:
9,5

Environmental Strategy

This 100% renewable energy generation issuance is a great way to mitigate climate change. It is perfectly in line with Iberdrola's strong track record on RE investments and on the green bond market.

Eligible Projects

The proceeds will be used to refinance the East Anglia ONE project, an offshore wind farm located in the UK. The project consists in 102 wind turbines. It is currently under construction, and operations are expected to start in 2020.

Management of Proceeds

Iberdrola will track investments of the proceeds allocated to the selected Eligible Project and commits to avoid double counting with other green bond or loan proceeds.

Impact Reporting

The issuer will report on KPIs corresponding to the share financed by the green hybrid bond proceeds. Iberdrola will use both output and impact indicators. Output indicators: Installed capacity (in MW), Attributable capacity (in MW), Annual attributable renewable energy produced by the wind farm (in MWh). Impact indicators: Annual attributable GHG emissions avoided (in tCO2e).

2

Fundamental credit analysis

Our Positive view reflects the continuation of the improvement of Iberdrola's business mix to benefit from energy transition, its geographical diversification as well as the solid operating performance and financial profile (net debt to Ebitda of 3,7x in FY2018e). Iberdrola's ESG positioning is above peers.

KEY +

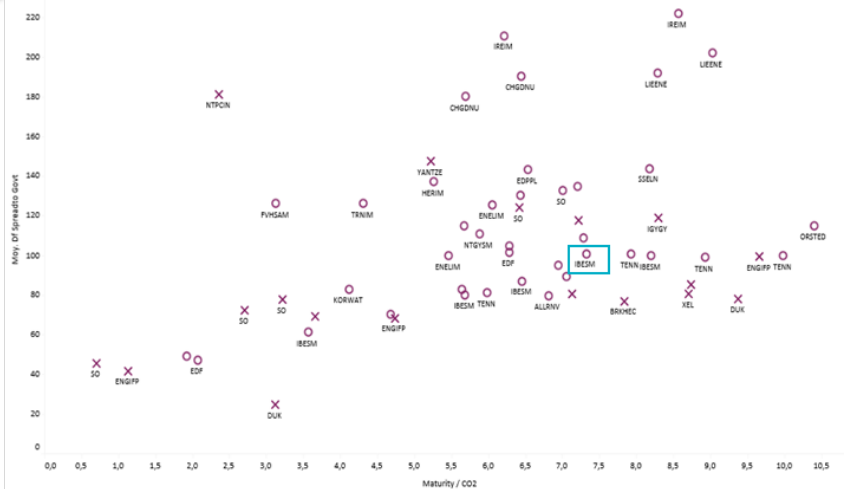
- 80% of Ebitda generated by regulated and quasi-regulated activities (Renewables)
- Good geographical mix (40% of Ebitda generated in Spain)

KEY -

- Exposure to regulatory and political risks
- Execution risks linked to EUR 32bn of capex over 2018-2022

3

Green RV – EUR Utilities



AXA IM ESG standards	
Climate Risk	✓
Tobacco	✓
Defence	✓
ESG Low Quality	✓
Controversies	✓

Source: AXA IM as at 31/03/2019 Quantitative ESG assessment. Scoring based on a scale from 0 to 10, 10 being the best scoring. Information included on this slide is provided in order to demonstrate the methodology/how RBC objectives are implemented into AXA IM analysis, is provided for illustrative purposes only and subject to change without notice. This does not constitute investment research or financial analysis relating to transactions in financial instruments as per MiF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

Public Equity Impact Investing Approach

Impact approach

AXA IM Impact Definition and Themes



Societal Challenges

Deliver on the United Nations' Sustainable Development Goals by 2030.



Financial Returns

A powerful way of seeking to deliver financial returns



Win-win concept

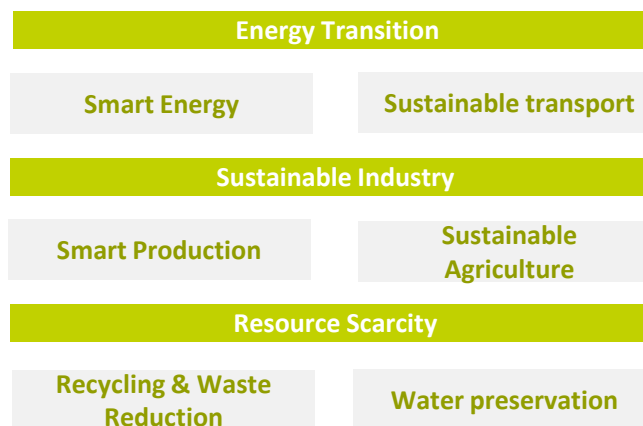
Enjoy potentially attractive financial returns while simultaneously having a positive outcome for society

In simple terms, it's about investing in **prosperity for people and prosperity for the planet**

Prosperity for people



Prosperity for the planet

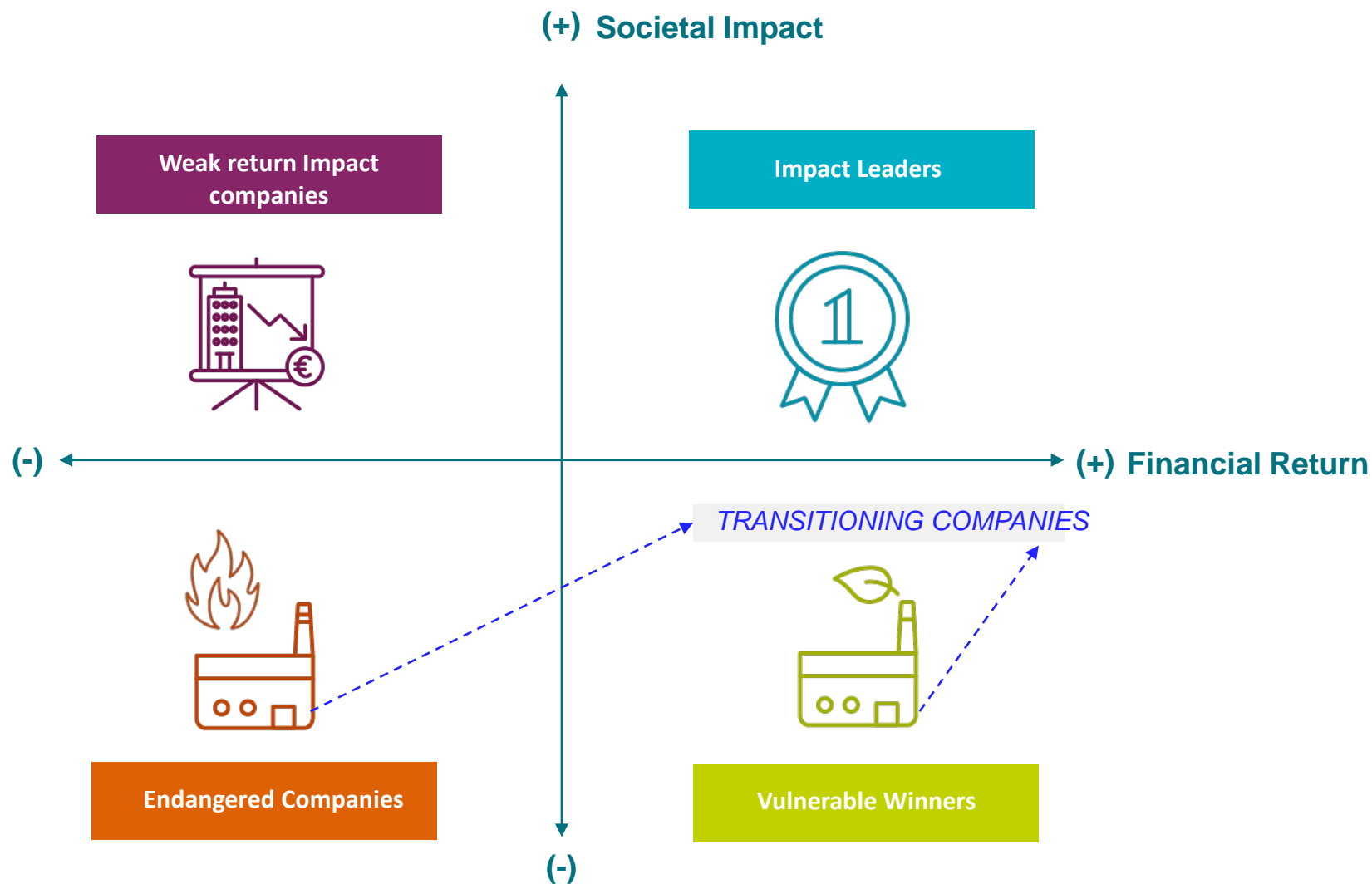


Source: AXA IM, for illustrative purpose only. These are internal guidelines which are subject to change without notice.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

What Types of Companies are we trying to identify?



CONFIDENTIAL

Source: AXA IM as at 30/09/2019. Information given for indicative purposes only. Any reproduction or disclosure of this document, in whole or in part, is prohibited.

Listed Impact framework

AXA IM's five pillars to impact investing

Five key pillars to characterize impact investing and differentiate it from other approaches to responsible investing



Intentionality

Investments should be made with an upfront objective of positive social or environmental outcomes. Companies can also demonstrate an intentional, strategic commitment to positive impact



Materiality

Invest in companies where the positive outcomes are of material significance to the beneficiaries, the company, or to both



Additionality

The extent to which a company is making its 'needed' products and services more accessible or commercially viable, for example through innovative new solutions or lower pricing.



Negative consideration

Company's corporate practices, or products and services, may significantly undermine the positive impact it is generating elsewhere



Measurability

There needs to be a clear methodology and commitment to measuring and reporting the social and environmental performance of investments.

Climate change example

Key Themes

- Smart Energy: Energy Efficiency, Renewable Energy
- Sustainable transport
- Sustainable agriculture
- Recycling & Waste Reduction
- Water Preservation

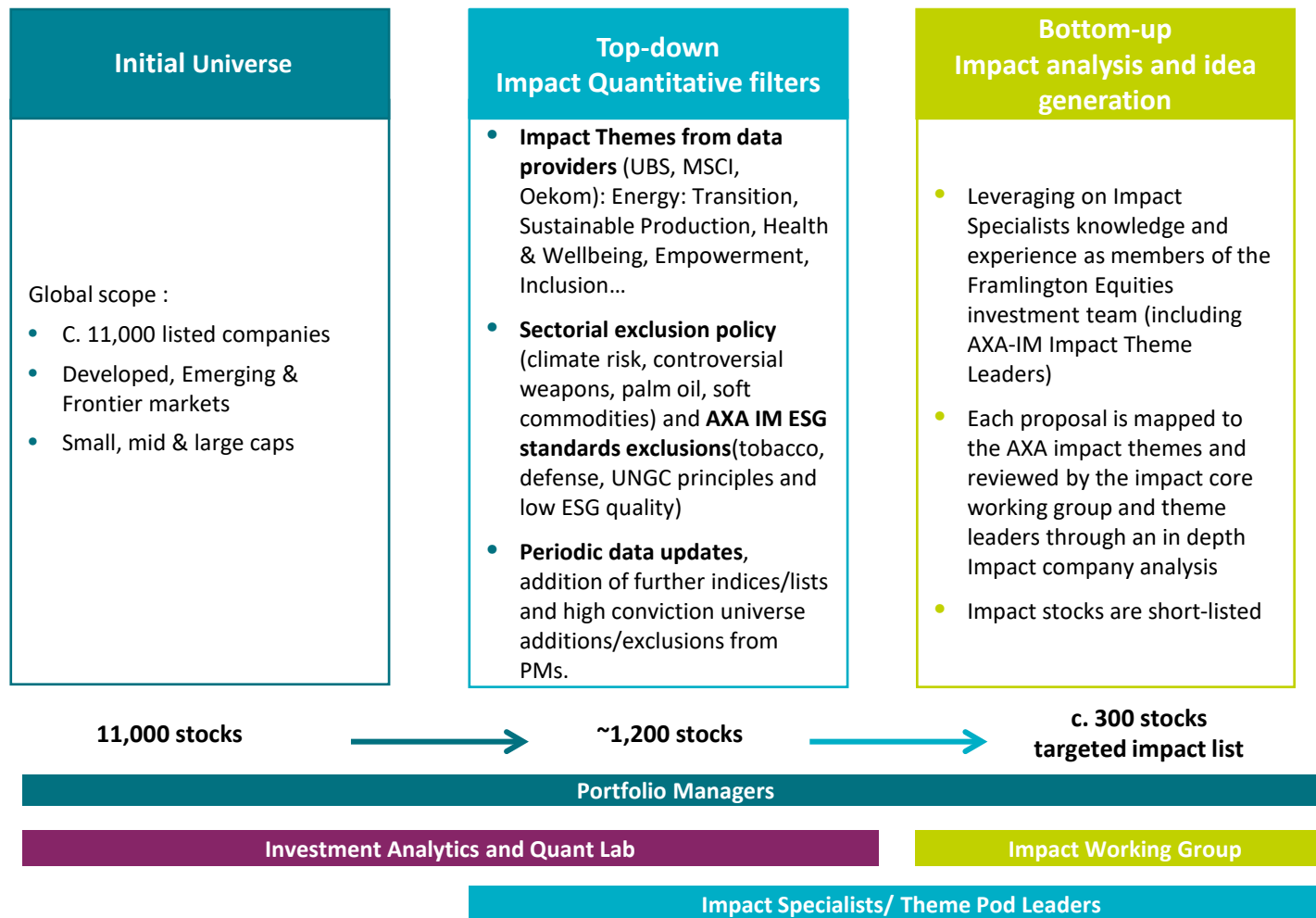
Key SDGs targeted



CONFIDENTIAL

Seeking Impact in Public Equities

A 3-step process



Source: AXA IM. For illustrative purpose only

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact Company Assessment and KPI monitoring

Identification of KPIs, and monitoring of trends and comparisons

Five areas of tracking

PRODUCTS & SERVICES	R&D	NEGATIVE EXTERNALITIES	OPERATIONS	CSR
<ul style="list-style-type: none">• Revenue Split• Geographical distribution• Product & Solution types / applications• Consumer base, including underserved• Quality & Pricing	<ul style="list-style-type: none">• R&D spend / Investments• Patents• Research Teams• R&D focus areas• Unique R&D Initiatives• Future impact	<ul style="list-style-type: none">• Controversies• Operations• Products & Services• Harmful impacts• Negative outcomes to consumers / society	<ul style="list-style-type: none">• Water• Energy & Emissions• Waste• Human & Social Capital• Supply Chain & Procurement	<ul style="list-style-type: none">• Philanthropic activities• NGO Partnerships• Internal / external campaigns• Donations / Non-revenue generating

MAIN FOCUS

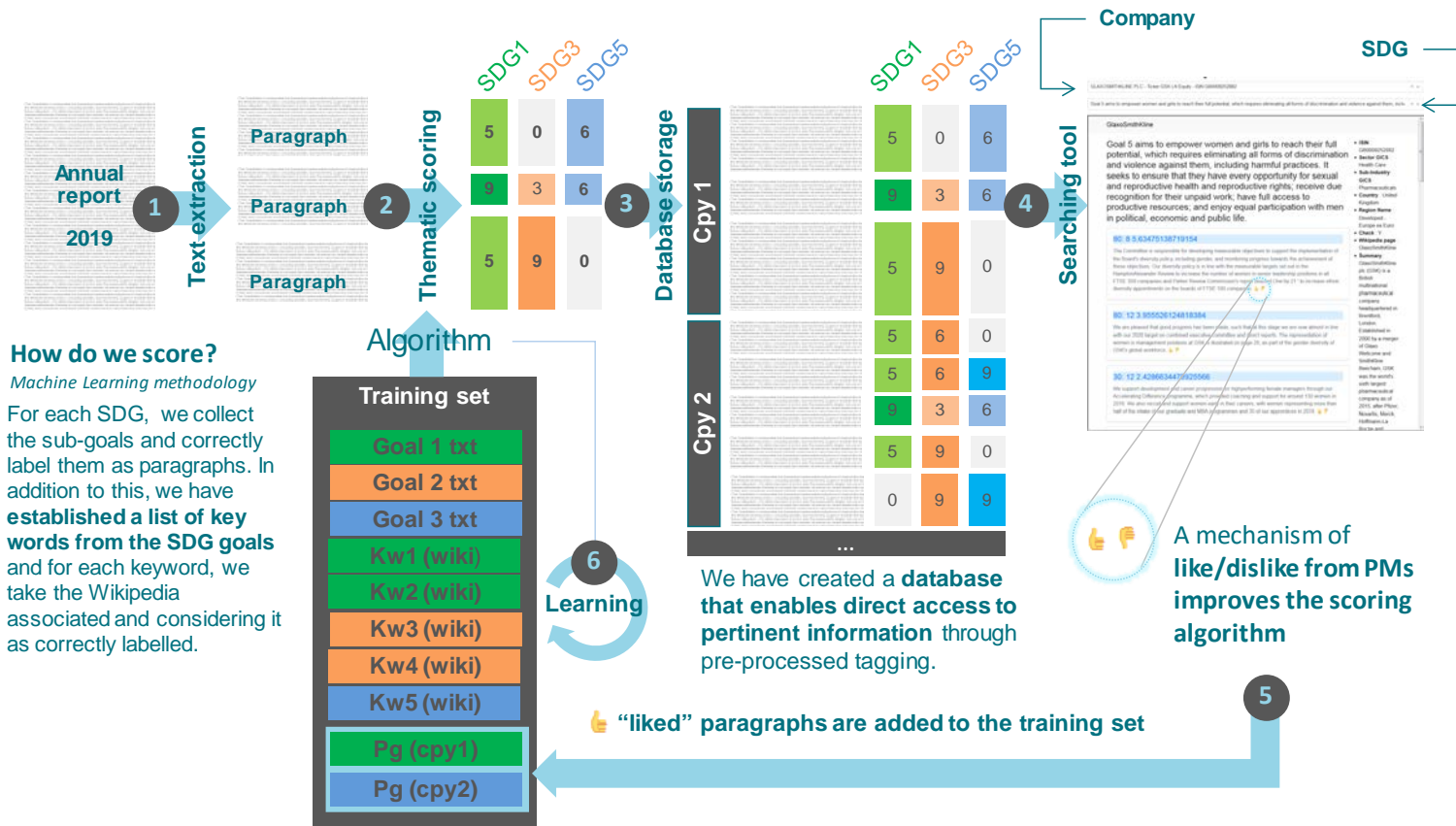
Source: AXA IM. For illustrative purpose only

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact search tool

Quick access to a multitude of documents analysing a company's commitment to a specific UN SDG



Source: AXA IM. For illustrative purpose only

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Impact search tool

New tool to broaden access to insightful impact information at company level



- Enhanced powerful search tool
- Quick access to analysis on companies' commitment to specific UNSDGs

GLAXOSMITHKLINE PLC - Ticker:GSK LN Equity - ISIN:GB0009252882

Goal 5 aims to empower women and girls to reach their full potential, which requires eliminating all forms of discrimination and violence against them, inclu...

GlaxoSmithKline

Goal 5 aims to empower women and girls to reach their full potential, which requires eliminating all forms of discrimination and violence against them, including harmful practices. It seeks to ensure that they have every opportunity for sexual and reproductive health and reproductive rights; receive due recognition for their unpaid work; have full access to productive resources; and enjoy equal participation with men in political, economic and public life.

80: 8 5.63475138719154

The Committee is responsible for developing measurable objectives to support the implementation of the Board's diversity policy, including gender, and monitoring progress towards the achievement of these objectives. Our diversity policy is in line with the measurable targets set out in the HamptonAlexander Review to increase the number of women in senior leadership positions in all FTSE 350 companies and Parker Review Commission's report Beyond One by 21 ' to increase ethnic diversity appointments on the boards of FTSE 100 companies. 🇺🇦 🇵🇸

80: 12 3.955526124818384

We are pleased that good progress has been made, such that at this stage we are now almost in line with our 2020 target on combined executive committee and direct reports. The representation of women in management positions at GSK is illustrated on page 28, as part of the gender diversity of GSK's global workforce. 🇺🇦 🇵🇸

30: 12 2.4286634478925566

We support development and career progression for highperforming female managers through our Accelerating Difference programme, which provided coaching and support for around 130 women in 2018. We also recruit and support women early in their careers, with women representing more than half of the intake of our graduate and MBA programmes and 35 of our apprentices in 2018. 🇺🇦 🇵🇸

- **ISIN :** GB0009252882
- **Sector GICS :** Health Care
- **Sub-Industry GICS :** Pharmaceuticals
- **Country :** United Kingdom
- **Region Name :** Developed - Europe ex Euro
- **Check :** Y
- **Wikipedia page :** GlaxoSmithKline
- **Summary :** GlaxoSmithKline plc (GSK) is a British multinational pharmaceutical company headquartered in Brentford, London. Established in 2000 by a merger of Glaxo Wellcome and SmithKline Beecham, GSK was the world's sixth largest pharmaceutical company as of 2015, after Pfizer, Novartis, Merck, Hoffmann-La Roche and

Source: AXA IM. For illustrative purpose only

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Engagement: proactive approach driven by thematic research linked to SDGs



Our Approach

Focus on encouraging companies to address strategic SDG issues

- Mitigating risks and maximizing opportunities
- Supporting the transition to a sustainable society



Proactive

Engage before risks materialise and harms investors

- ❖ Key areas of engagement driven by the findings of our thematic research
- ❖ Using quantitative tools and qualitative analysis to identify companies which most merit engagement effort
- ❖ Assess the potential for engagement and likelihood of engagement success/failure



Reactive

Engage before risks materialise and harms investors

Following major controversies, UNGC breaches, excluded products/services and issues arising out of the voting process

Engagement at AXA IM



- Define key themes for engagement on an annual basis through thematic research
- Identify risks and opportunities through research, quantitative tools and qualitative analysis



- Focus on strategic SDG issues to mitigate risks and maximise opportunities
- Prioritise AXA IM highest exposures
- Assess the likelihood of engagement success or failure



- Review of engagement progress on a quarterly basis
- 5-step system for tracking engagement progress
- Clear process for escalation where progress stalls

2019 engagement statistics



217

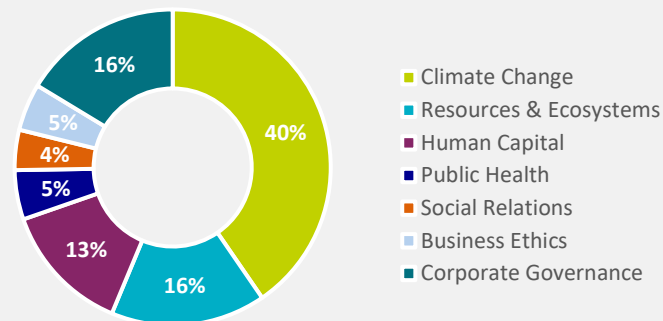
Companies engaged



56

Engagements with senior executives and board of directors

7 key themes



Source: AXA IM as of 31/12/2019.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Engagement in 2019

Examples of key areas of engagements



CA100+
Lead investor on a
number of companies

Small Caps
European industrials

State owned oil
Emerging market debt issuers

Transition bonds
Decarbonisation finance

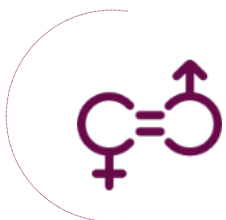


Business conduct
Regulatory breaches

Product quality

Drug pricing
Genetherapy and innovative
medicine

Access to medicine



**Germany, Japan,
India, China**

30% Club
French investor chapter lead

Media companies

Voting rules
Higher expectations for boards

Source: AXA IM as of 31/12/2019.

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited



An example of impact investment in public equities

"Food systems are global, the environmental challenges we face today are global, and so too must their solutions be global in scale. We are committed to doing our part to lead this change" Mauricio Graber, President & CEO of Christian Hansen

CHR HANSEN

- **Danish company, USD 10bn Market Cap.**
- Christian Hansen is a global bioscience company involved in food cultures and enzymes, developing natural extension of the shelf life of dairy products and increased crop yields.
- The company also helps reducing waste and increases stability in silage, improves animal welfare and yield with reduced antibiotic resistance.
- The drive to improve sustainability in the food supply chain is central to Christian Hansen's business.

IMPACT SUMMARY

Challenges:

A third of all food is wasted globally. There needs to be a >50% increase in food production to feed 9.8bn people in 2050. TQBIS showed that bio-protection can reduce annual yogurt waste by 30%. The #1 cause of death by 2050 will be antibiotic resistance. More than two thirds of global product launches are with natural colors or coloring foods. More than 10% of global crops are lost due to nematodes.

Company rating rationale:

82% of revenue contributes to the SDGs (certified by PwC)

The company contributes to sustainability by **reducing waste across the value chain**

Notably, CHR Hansen contributes to sustainable agriculture through natural plant health solutions. This improves yield while providing **an alternative to chemical pesticides**.

High levels of research and development in relation to peers (6.8% of total sales).

Operationally, CHR Hansen is sets targets to reduce its environmental impact in areas such as water and GHG efficiency, and the quantity of recycled biomass is increasing. 39% of managers are female. **Some tracked operational metrics have worsened recently**, e.g. wastewater generation has been increasing.

IMPACT ANALYSIS

Primary SDG:



Secondary SDG:



Other SDGs:



Company Ratings: Scale: 1-5

Solution Materiality	Products and Services	2
	Operations	1
Additionality	Products and Services	2
	Operations	2
Transparency & Commitment		1
Negative Externalities		1

KPIs

	2019	Target
Yogurt waste reduction	580000 tons	1.2m tons by 2022
Recycled biomass	103527 tons	N/A
Farmland treated with pesticides substitutes	10.4m hectares	25m hectares by 2025

Market Standards on Impact

Close up – Operating Principles for Impact Management

Operating Principles for Impact Management



- Launched on 12 April 2019
- 60 Early Adopters
- Range of investors including Development Finance Institutions, Mainstream Asset Managers and Asset Owners, Impact Only Fund Managers

Global Launch of the Impact Principles, April 2019



CONFIDENTIAL

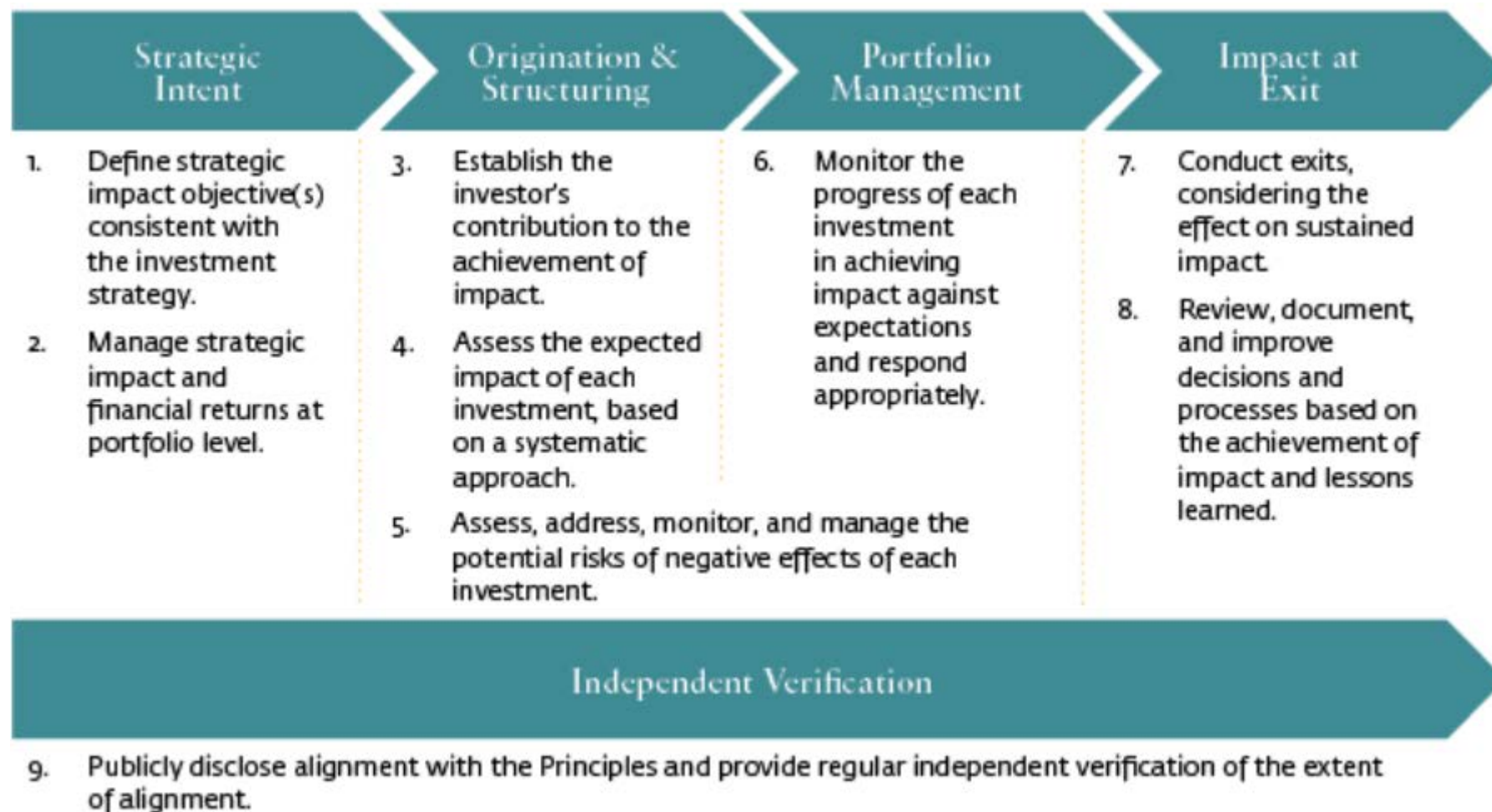
Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

The Principles – 9 Principles for Integrity and Credibility

A Robust Impact Management System

Transparency of Alignment with Principles

Verification



The Principles – 9 Principles for Integrity and Credibility

INTENT

- ✓ **Focused on the Impact Management Process and Systems**
- ✓ **Principles based approach to improve transparency and rigour**
- ✓ **Ensure impact considerations are integrated into investment life cycle**
- ✓ **Flexible to allow different implementation approaches**
- ✓ **Complement other industry initiatives such as Green Bond Principles**

NOT INTENT

- Does not prescribe what impact is
- Does not recommend a particular asset class
- Does not define how impacts should be measured or reported
- Does not prescribe specific tools or approaches
- Does not prescribe specific impact measurement frameworks

AXA IM – Implementation

- A Firm Wide Initiative
- Covering Specific Assets Proposed by Organization
- Annual Disclosure of Impact Management System and Alignment with the Principles
- Periodic Independent Verification
- First Movers: AXA Impact Strategy (Private Equity) and Global Green Bonds
- Other Funds/Strategies to Follow

CONCLUSION – CHALLENGES ON IMPACT INVESTING

Guideline on the Pitfalls to Impact Investing

Where do you draw the line?

- ▶ Impact investing demands financial performance while including intentional impact – not just a lucky by-product

Due diligence must be sincere

- ▶ If you don't find impact during the due diligence, don't expect impact to show up during the investment period

Impact and financial returns do not always align

- ▶ You will have to demonstrate your seriousness on the impact ambition in order to be credible

Don't reinvent the wheel on impact measurement

- ▶ Decide your strategy and differentiation but be mindful of creating another means to measure impact – instead, choose the best initiatives to harmonise impact measurement and reporting

Impact and financial incentives must be joined

- ▶ The future of impact investing will rely on impact KPIs that are integrated into financial performance – otherwise, it will suffer from 'impact washing'

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Appendix

What are we talking about?

Terms blur together, but bring important distinctions

- **ESG = Environmental, Social, and Governance (broadest term)**
 - Sustainable investing, responsible investing, alpha source, risk mitigation, integrated vs. post/pre-screened universes, best-in-class, positive/negative screens, key performance indicators (KPIs), ESG factor tilts
- **SRI = Socially Responsible Investing**
 - Ethically based (one's ethical framework is important), negative screens, divestment, religious/mission-based investors
- **Impact Investing = Environmental or Social return (financial returns too, but to differing degrees)**
 - Carbon reduction, renewable energy, obesity reduction, health care, gun violence
- **Negative screen (exclusion/divestment)**
 - Tobacco, "sin" stocks, fossil fuel, coal (thermal vs. metallurgical), Sudan, Iran, poor labor practices
- **Positive screen (inclusion/engagement)**
 - Best-in-class, positive impact (e.g., renewable energy, energy efficiency), conservation/recycling, non-GMO foods, community development, affordable housing (fixed income/private equity), redevelopment of distressed communities, access to financing
- **Integration of ESG factors**
 - Adjusts other metrics (e.g., valuation hurdles, growth hurdles)
 - Considers ESG factors among many others (e.g., valuation, growth rates, cost structures)

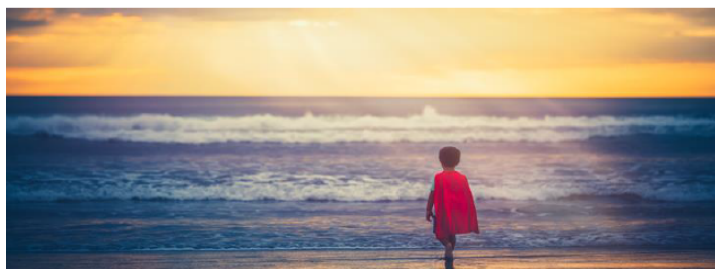
Impact investing: Transforming tomorrow

Impact performance: Case studies



For professional clients only
March 2019
Impact Investing
Private Markets Case Studies

Impact investing: A new Cholera vaccine



The objective of impact investing is to simultaneously deliver both financial and societal returns.

These two criteria are not conflicting but are both demanding. The financial targets are not token but competitive, market rate returns. The societal objectives require a demonstration of clear, intentional and measurable benefits. Our clients hold us to exacting standards on both.

Here we look at how one of our impact investment strategies works in practice – transforming tomorrow with a new generation of innovative private market projects.

Case study – Vaccines

Balancing the double objective of creating positive social impact and financial returns requires the ability to seek out innovative projects. A combination of innovation and investment can help generate more effective impact results.

Below we outline how we go about setting and measuring the positive social and financial outcomes of a project within one of our impact strategies.

Social impact requirements



Starting with the overall theme of Health and Well-being, this investment strategy centres around UN Sustainable Development Goal 3 – ensure healthy lives and promote well-being for all ages. Underlying this goal is a range of issues, including financial risk protection, access to quality essential healthcare services and access to safe, effective, and affordable essential medicines and vaccines.

As part of the investment framework, we identified the key impact objective:

To tackle global health challenges in developing countries

To meet this objective, we identified two specific impact targets, which were:

- To improve the lives of approximately 10 million people annually by 2025 through the provision of early diagnosis, vaccines, and drugs at accessible price points
- To save the lives of approximately 100,000 people annually by 2025



For professional clients only
June 2019
Impact Investing
Private Markets Case Study

Impact investing: Developing a drug to help eradicate River Blindness



The objective of impact investing is to simultaneously deliver both financial and societal returns.

These two criteria are not conflicting but are both demanding. The financial targets are not token but competitive, market rate returns. The societal objectives require a demonstration of clear, intentional and measurable benefits.

Here we look at how our impact investment platform is contributing to tackling global health challenges in developing countries – transforming tomorrow with a new generation of innovative private market projects.

Case study – Moxidectin

River Blindness is the world's second leading infectious cause of blindness. With 198 million people at risk in some of the poorest and most remote regions of the world it poses a serious public health problem and obstacle to socioeconomic development. Until recently, the main drug used to treat infections was cumbersome – requiring delivery of two doses a year for up to 15 years.

In May 2018, Medicines Development for Global Health (MDGH), a non-profit organisation in Australia dedicated to the development of affordable medicines and vaccines,

received approval from the US Food and Drug Administration (FDA) for a medication, Moxidectin, with the potential to eradicate onchocerciasis or River Blindness. This would not have been possible without the Healthcare-R&D-focused impact fund ('the Fund') featured in this case study, it played a catalytic role in financing MDGH and making this treatment a reality. The Fund was financed by investors including AXA IM which also chairs the Investor Advisory Committee. Adding to the story, the Fund's US\$13 million investment in the drug has now returned US\$60 million in gross value to the Fund.

Social impact requirements



Starting with the overall theme of Health and Well-being, this impact investment centres on UN Sustainable Development Goal 3 – ensure healthy lives and promote well-being for all ages. Underlying this goal is a range of issues, including financial risk protection, access to quality essential healthcare services and access to safe, effective, and affordable essential medicines and vaccines. This investment programme seeks to improve the health and well-being of underserved communities at scale by targeting neglected diseases.

Did you know?
1.6 billion people require mass or individual treatment and care for neglected tropical diseases

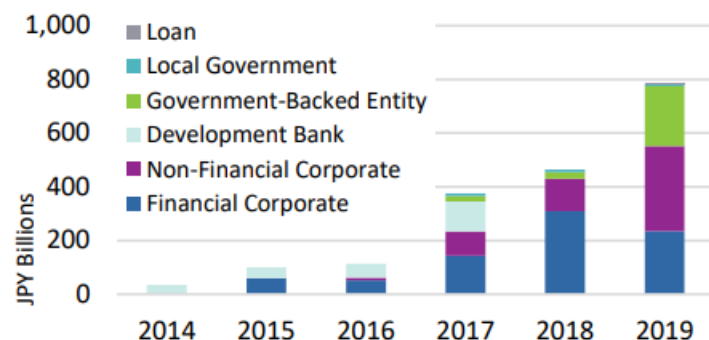
Source: AXA IM. For illustrative purposes only. Past performance is not a guide to future performance

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

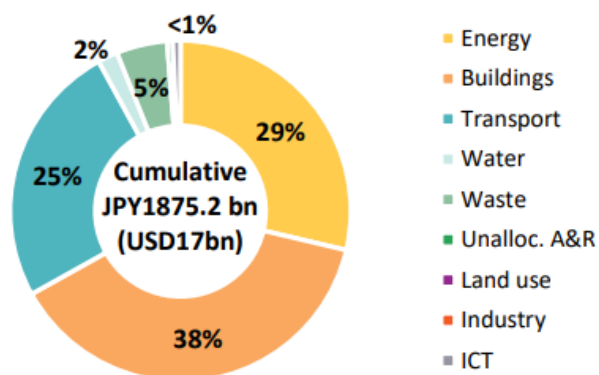
Green Bonds in Japan

State of the Market and Trends

2019 marks record issuance for Japan



Buildings dominate use of proceeds



Source: Climate Bonds Initiative

- Trends are similar to the overall market:
 - Continuous of Japanese Green Bond issuances over time – 70% growth in 2019 compared to 2018
 - Green buildings and Renewable energy are the main types of funded assets
- Japan ranks 9th in terms of cumulative green bond issuance globally, and 7th in 2019
- Key players of the Japanese green bond market:
 - Development Bank of Japan
 - Mitsubishi UFG
 - Sumitomo Mitsui Banking Corp
- Japanese green bond market should keep growing in the near future
 - Significant opportunities for scaling up the market – notably in the transportation sector
 - The Ministry of the Environment is highly supportive of green bonds – [Japanese Green Bond Guidelines](#) (2020), [Platform for Promoting Green Bond Issuance](#) (2018), [Financial Support Programme for Green Bond Issuance](#) (2018)

CONFIDENTIAL

Property of AXA IM and its affiliates – Any reproduction or disclosure of this document, in whole or in part, is prohibited

Important information

This document has been prepared and issued by AXA Investment Managers Paris a company incorporated under the laws of France, having its registered office located at Tour Majunga, 6, place de la Pyramide 92908 Paris – La Défense Cedex registered with the Nanterre RCS under number 353 534 506 a Portfolio Management Company, holder of AMF approval no. GP 92-08, issued on 7 May 1992.

Performance calculations are gross of management or distribution fees. Performance are shown as annual performance (365 days). Performance calculations are based on the reinvestment dividend. The value of investments can fall as well as rise and fluctuations in currency exchange rates may affect value. Investors may not get back the amount originally invested. Risk Ratios are calculated from gross performances

Investors must not rely on the data presented herein as this is subject to change at any time and without notice. Investors should consult professional advice in regards to their own personal, financial circumstances prior to making any investment decisions

In the case where the currency of investment is different from the Fund's reference currency the gains are capable of varying considerably due to the fluctuations of the exchange rate.

The tax treatment relating to the holding, acquisition or disposal of shares or units in the fund depend on each investor's tax status or treatment and may be subject to change. Any potential investor is strongly encouraged to seek advice from its own tax advisors.

Depending on the investment strategy used the information contained herein may be more detailed than the information disclosed in the prospectus. Any such information (i) does not constitute a representation or undertaking on the part of the investment manager; (ii) is subjective and (iii) may be modified at any time within the limits provided in the fund prospectus.

This document is for informational purposes only and does not constitute, on AXA Investment Managers Paris part, an offer to buy or sell or a solicitation or investment advice. Due to its simplification, this document is partial and the information can be subjective. AXA Investment Managers Paris may but shall not be obligated to update or otherwise revise this document without any prior notice. All information in this document is established on the accounting information or on market data basis. All accounting information is un-audited. AXA IM and/or its affiliates may receive or pay fees or rebates in relation to the Mutual Fund or investment vehicle. AXA Investment Managers Paris disclaims any and all liability relating to a decision based on or for reliance on this document. The most recent prospectus is available to all investors and must be read prior subscription and the decision whether to invest or not must be based on the information contained in the prospectus.

For Japanese clients: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.