Nomura Group believes that the social mission of the financial services sector is to contribute to economic growth and sustainable social development by facilitating the appropriate flow of funds in the capital markets through products and services that are pro-environmental and socially responsible. In addition, to fulfill our responsibility as a company in states globally, we offer financial services that contribute to addressing climate change and social issues and promote initiatives aimed at achieving the Sustainable Development Goals (SDGs).

Toward developing the ESG bond market

Corporate management efforts in E (Environment), S (society), and G (Governance) are closely watched by institutional investors, and ESG elements are seen as essential for the enhancement of corporate value. In FY2018/19, the number of green bonds and social bonds issued increased significantly in the domestic market. There has also been diversification in terms of issuers, including FII agencies, companies, and REITs. As a result, FY2018/19 was an active year for ESG investment in the bond market. The International Capital Market Association (ICMA) has released a mapping that links ESG investments with the achievement of Sustainable Development Goals (SDGs), which is expected to further promote sustainable finance in the market. Nomura Group is engaged in sustainable finance in Japan and overseas, and is contributing to the promotion of green bonds in the domestic market as well. In 2017, Nomura Group established a team dedicated to working on ESG bonds in the Debt Capital Markets Dept., and in 2018 the team got stronger by establishing a global structure. Since February 2018, the Nomura Institute of Capital Markets Research (NICMR) has been holding a series of research meetings comprising outside experts from the public sector, academia, and the private sector to study on the sustainable development of ESG bonds and its market. Following a year of research, the research group released a book entitled “The Era of Sustainable Finance – ESG/SDGs and the Bond Markets” (in Japanese) from Kinzai Institute for Financial Affairs in June 2019. Nomura Group will continue to contribute to the development of the ESG bond market.

Examples of sustainable finance underwriting

First green bonds offering for major general construction company in Japan

In October 2018, Obayashi Corporation became the first major general construction company to issue green bonds, and Nomura acted as bookrunner for the offering. The proceeds from the offering will be used for the construction of Solar Elevating Platform vessels for solar power generation facilities, onshore wind power generation facilities, and environmentally-friendly buildings (Green Buildings). Obayashi will use the funds to promote its renewable energy business and its environmentally-conscious development business.

Sustainability bond offering for the German state of North Rhine-Westphalia

The German state of North Rhine-Westphalia (NRW) issued a 2.25 billion euro (Approximately 300 billion yen) sustainability bond in March 2019. Nomura acted as bookrunner for the offering. The JHF Green Bond was selected for the “FY2018 Pilot Project for Green Bond Issuance” by Japan’s Ministry of the Environment (MOE), and was awarded the “Minister of the Environment Award” (Japan Green Innovation Category) at the Japan Green Bond Awards held by MOE.

Contribution through research

The Nomura Institute of Capital Markets Research (NICMR), an independent research institute in Nomura Group, aims to contribute to the development of financial and capital markets and the financial services sector through the research and analysis of markets, systems, and trends, and by disseminating its highly specialized outputs. NICMR has also been bolstering its research on ESG- and sustainable finance-related topics, and publishing analysis and commentary in the quarterly magazine “Nomura Journal of Capital Markets.” (in Japanese) Nomura Securities’ Fiduciary Service Research Center, which provides asset management consulting services to institutional investors such as corporate pensions and public pensions, also issues reports on ESG investment, both in Japan and overseas. Going forward, as part of our pension investment management consulting, we will continue to provide information that focuses on ESG. Also, in collaboration with Nomura Research Institute, Index Operations Dept. is considering the development and provision of an index that is composed of green bonds, social bonds, and sustainability bonds as a new sub-index for NOMURA-BPI (Nomura Bond Performance Index). The index is scheduled to be released sequentially starting around autumn 2019.
As a responsible institutional investor, Nomura Asset Management, aims to support clients in their asset formation and to contribute to the development of a prosperous society. In 2011, we signed onto The United Nations-backed Principles for Responsible Investment Initiative (UN PRI), which provides a framework to incorporate environmental, social and corporate governance (ESG) issues into institutional investors’ decision-making processes. We accepted Japan’s Stewardship Code in 2014 and expressed our support for the Task Force on Climate-related Financial Disclosures (TFCD) in 2019, and are promoting initiatives on issues related to ESG. In order to provide more insight into Nomura Asset Management’s stewardship activities, we also publish a Responsible Investment Report.

Establishment of ESG Statement

In March 2019, Nomura Asset Management published its ESG Statement, clarifying its efforts to promote initiatives related to Environmental, Social and Governance (ESG) issues. We recognize that moves toward addressing ESG-related issues are becoming increasingly important in supporting the virtuous cycle of the investment chain. As a responsible investor, we expect the companies in which we invest to manage their operations with an appropriate emphasis on material ESG-related issues, while we ourselves also conduct our own business activities with a focus on ESG. More specifically, we are stepping up our initiatives to address issues related to climate change, natural capital and corporate social responsibility, based on the understanding that these are key long-term challenges.

Responsibilities of institutional investors to achieve the SDGs and ESG integration

With the rise in ESG investment around the world, including Japan, corporate activities aimed at achieving the United Nations’ Sustainable Development Goals (SDGs) have become a major focus of attention. We consider corporate activities that contribute to solving the environmental and social issues indicated in the SDGs as new business opportunities and expect portfolio companies to reflect these activities in their management strategies. We believe that the supply of funds to companies from institutional investors will help resolve social problems and generate investment returns at the same time, thereby creating a virtuous cycle in the investment chain and helping to build a sustainable society.

Meanwhile, Nomura Asset Management’s investment division is working to enhance integration, which is the incorporation of non-financial information in the investment process. This is based on our belief that a portfolio company’s management performance from a financial perspective and its approach to ESG, which is non-financial information, are closely related and impact one another. With respect to ESG assessment, which is the criteria for this, we give our own ESG ratings to portfolio companies based on ESG issues identified by our corporate analysts by individual sector and/or individual companies, as well as information on evaluation results from several external sources. We use these ratings in product origination and management.

Support for “Taking-over Family Business as a Startup”

Nomura Group supports the activities of “Taking-over Family Business as a Startup” (Representative directors: Chie Yamano and Tsukasa Horio). This organization was established in June 2018 to support the development of new businesses for young successors of companies across Japan with the aim of “Creating a culture in which young people can think ‘Entrepreneurs are cool, but business successors are also cool.’” The name “Taking-over Family Business as a Startup” refers to the creation of new value in society through the pursuit of sustainable management by a successor who boldly confronts risks and barriers while challenging new areas such as new business, business transformation, and entry into new markets by utilizing tangible and intangible resources inherited from the previous generation. By collaborating with various organizations in the public and private sectors, the organization aims to create an “Ecosystem for taking-over start-up businesses” that supports the viability of companies that form the foundation of Japan’s competitiveness. At present, Nomura provides venues in Osaka and Tokyo for seminars planned and managed by Atotsugi (the Japanese term for a family business successor), who are members of the organization’s online forum.

SME Agency-commissioned project: National Secretariat for push-type project for supporting business succession

The Business Succession Plan of the SME Agency defines its goal in five years as “Establishment of a regional platform through which local supporters can work together to support individual companies.” In order to achieve this goal, the National Secretariat for push-type project for supporting business succession has been working to build a network (Business Succession Network) to undertake “business succession diagnosis” as part of its support for business succession in regional areas. The network is designed to facilitate “awareness” by corporate executives in preparation for business succession in an early stage. Furthermore, we are strengthening our support system for business succession by providing thorough support, including the formulation of succession plans and the assignment of experts to resolve issues, in response to the needs identified in the business succession diagnoses. The National Secretariat, whichNomura Securities is serving as, has established a business succession network for each prefecture, and is carrying out activities such as activity monitoring and evaluation, strengthening cooperation across a wide area, and sharing information. In addition, we provide support to ensure smooth operations by subcontracting to regional secretariats that are engaged in business succession support on a regional basis.