What Financial Institutions Need for Sustainable Development

In order to achieve the SDGs and the “2°C target,” which are international goals, financial institutions need to create a flow of funds that will contribute to the formation of a sustainable society. Initiatives for E (Environment), S (Society), and G (Governance) in corporate management have become essential for improving enterprise value. Supported by growing recognition of SDGs in recent years, initiatives to address environmental and social issues, such as green bonds, social bonds, and sustainability bonds (hereinafter collectively referred to as “SDG bonds”) are attracting international attention, and the amount of SDG bonds issued worldwide continues to increase. The Principles for Responsible Investment (PRI), which stipulates the consideration of ESG issues in the decision-making process of institutional investors, highlights ESG issues and the responsibilities of financial institutions, and promotes the creation of a framework that contributes to the establishment of a stable and sustainable financial system through global partnerships. Since the establishment of the PRI in 2006, the number of signatories has increased globally, and ESG investments have become mainstream. In Japan, the Japanese version of the Stewardship Code was revised in March 2020 to require institutional investors to make investment decisions taking sustainability into consideration and to engage in dialogue with companies.

Nomura Group’s Achievements

In light of the growing interest in ESG among issuers and investors both in Japan and abroad, Nomura Group established a team dedicated to working on ESG bonds globally, and has built up a track record of underwriting SDG bonds.

In Japan, we underwrote Sustainability Bonds issued by Obayashi Corporation and Japan Railway Construction, Transport and Technology Agency, and Green Bonds issued by Shimizu Corporation and the Japan Housing Finance Agency. In 2019, and Green Bonds issued by Asahi Kasei Homes Corporation and NTT Finance Corporation in 2019. We actively underwrite SDG bonds not only in Japan but also overseas to share market conditions and provide customers with useful information and proposals.

Nomura Asset Management regards engagement as an important activity for the improvement of enterprise value of portfolio companies. In addition to regular dialogue, Nomura Asset Management engages in dialogue aimed at resolving ESG issues with key companies that need to be further examined out of approximately 2,400 portfolio companies (as of December 31, 2019). In 2019, Nomura Asset Management engaged in ESG-related dialogue with a total of 400 companies, and approximately 850 topics were discussed.
Leveraging the Group’s comprehensive strengths to meet clients’ sustainable needs

Nomura Group is strengthening ESG management under the Mission of “We help to enrich society through our expertise in capital markets.” Group companies will continue to work together across the board with their respective expertise to maximize the collective strengths of the Group to meet the needs of investors and clients and realize a sustainable society.

Nomura Securities was allotted the world’s first Sustainable FITs (stock acquisition rights). Aittech Japan’s stock acquisition rights are the first in the world in the form of equity financing to receive a second opinion from an evaluation organization from the perspective of ESG and SDGs, in the belief that the use and significance of the funds will contribute to the reduction of environmental impact through energy conservation and the resolution of social problems such as infectious disease countermeasures.

Establishment of the Nomura Research Center of Sustainability

In December 2019, Nomura Institute of Capital Markets Research (NICMR), an independent research institute in Nomura Group, established the Nomura Research Center of Sustainability. The new research center focuses on objective and practical research. The center strategically identifies and conducts research into areas of sustainability closely related to the financial and capital markets and provides value-added information and proposals to clients. Specifically, NICMR creates an open platform to connect people within Nomura Group with people outside, including through collaboration between external advisors and specialists at the firm. NICMR will also collaborate with relevant international organizations in order to broaden the themes and scope of its research.

Nomura Asset Management Initiatives

In FY2019/2020, in addition to the previous Governance initiatives, we strengthened our Environment and Society initiatives. For the environment, we identified climate-related risks and opportunities in our investment portfolio, used these analyses in engagement with portfolio companies and in the management of our investment portfolio, and worked to improve investment quality so that it is more resilient to climate change issues and leads to higher added value. With respect to Society, in addition to the traditional concept of risk-return, we incorporated the 3rd axes of “social impact” into the process and promoted the development of new investment methods with higher sustainable growth while linking to social development. In the PRI assessment, which was granted in 2019, a rating of A or higher was received in all categories, indicating that external evaluations are steadily improving.