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 Technology Agency, and Green Bonds issued by Asahi Kasei Homes Corporation and NTT Finance Corporation in 2020. 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.

Research

Advisory/Financing

Underwriting

Financial products

Nomura Securities began joint research with Nomura Research Institute in April 2019, and has published Nomura-BPI SDGs (this index) since that November as a new sub-index to the Nomura Bond Performance Index (NOMURA-BPI). This index will select green bonds, social bonds, and sustainability bonds (SDG bonds) from a universe of NOMURA-BPI constituents, and reflects the overall performance of the secondary market for SDG bonds. The index value is calculated based on certain internal rules and has transparency and continuity. Through this index, we support issuers in the formulation of bond issues and investors in the decisions on investment. In addition to contributing to the sustainable development of the entire SDG bonds market, we will promote initiatives to achieve the SDGs.

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 axis 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.

Underwriting and sales of SDG bonds

Nomura Group established a team dedicated to working on ESG bonds in Japan in Investment Banking, Wholesale in 2017. In 2018, the team was transformed into a global organization to support the structuring of sustainable finance projects in Japan and overseas. In October 2019, Nomura Securities was elected as the only Japanese company in the Green Bond Principles and Social Bond Principles Advisory Council of the International Capital Market Association, and participated in the formulation of international standards for SDG bonds and activities for market development on behalf of Japan.

Nomura distributes Inter-American Development Bank’s coronavirus mitigation bond

In April 2020, Nomura supported the Inter-American Development Bank (IDB) on its Sustainable Development Bond (SDB), which aims to provide assistance to countries facing coronavirus. IDB is the largest government-owned regional source of development finance for Latin America and the Caribbean. The proceeds from this SDB, the Development Bank’s coronavirus mitigation bond, aim to provide support to countries, and are targeted at fighting and mitigating the impact of the outbreak in IDB’s member states.