

sustainable japan

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Exploring Japanese companies from ESG perspective

ESG Talk

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In this first ESG Talk, Japan Times publisher Minako Suematsu interviews Nissay Asset Management Corp. President and Chief Executive Officer Hiroshi Ozeki, a business leader actively involved in efforts to achieve a sustainable society in Japan. She asks him about the current state of ESG (environmental, social and governance) investing in Japan and aspects of it that Japanese companies excel in.

Public-private efforts

Were there any major changes in ESG investing trends in 2020?

Since 2008, Nissay Asset Management has taken ESG ratings of companies into account in managing Japanese stock portfolios. I think we are the only company in Japan that has a track record of managing ESG funds for over a decade. In 2020, Prime Minister (Yoshihide) Suga said Japan aims to become a carbon-neutral society by 2050 in his first policy speech. I can directly perceive that moves to promote ESG investing are accel-



Nissay Asset Management Corp. President and Chief Executive Officer Hiroshi Ozeki is actively involved in efforts to achieve a sustainable society. HIROMICHI MATONO

erating in all industries, driven by efforts in both the private and public sectors.

Now that Suga has made the pledge, business executives who have hesitated to make a long-term, large-scale investment have no choice but to accept that they must do it. So I think signs of a significant change are clearly visible.

There is a view in the international community that Japan is lagging in taking ESG measures.

In Japan, the share of coal thermal power was large, and the country had yet to have a definitive (energy) policy. This was a key reason why Japan had been exposed to criticism from the international community. But in reality, the levels of Japanese companies' efforts are at the vanguard of global moves.

To give you one example, as of the end of December 2020, the number of Japanese companies recognized by the international nongovernmental organization CDP with a rating of "A" totaled 66. That is the highest number for any country. The number of Japanese companies that have endorsed the information disclosure recommended by the Task Force on Climate-related Financial Disclosures, an international framework, totals 329. Again, it is the highest figure for any country. Forty-six Japanese companies, or the second-highest number for any country, support the RE100, a global initiative encouraging businesses to transition to 100 percent renewable electricity.

Tailwind from Japanese tech

What about examples of Japanese companies' technologies contributing to ESG performance?

Awareness of the need to conserve energy and resources has been high for many years in Japan, and so we have many outstanding fundamental technologies. For example, one home builder sells "net zero energy houses," which are detached homes with



Hiroshi Ozeki and Minako Suematsu before the ESG Talk HIROMICHI MATONO

solar panels installed on the roof. In addition to featuring the capability of generating their own power as a selling point, the company paid attention to their design. It also buys surplus power (from these houses) as part of its efforts to achieve the RE100 goal. It's an initiative that has a significant impact on saving energy and saving resources.

Japanese companies are good at reducing energy consumption of white goods such as air conditioners. Some of them have deals with regulatory authorities to help promote (energy conservation). There are many examples of companies that have achieved success in using energy-saving products to develop overseas markets and help conserve the environment.

As energy prices are high in Japan compared to European countries and the U.S., Japanese awareness of the need to save energy has been high since a long time ago. As carbon pricing is introduced in Europe and the U.S. and even emerging economies, and energy prices go up in some way or

other, awareness of conserving energy will grow among consumers because they will now have to think of higher energy costs, not just the need to protect the environment. I think the global market is becoming right for (energy-saving) Japanese products to be accepted.

So the timing will soon be right for Japanese companies to showcase their technologies.

I think there are many things companies and the government can do for that. Japan has strong fundamental technologies for generating and storing electricity. Technologies for lithium-ion (batteries), hydrogen batteries and LEDs are examples.

Japan's solar panel technologies are also advanced, including for cutting-edge thin-film solar cells. Using this technology, it is possible to generate power in a car from film affixed to the surface of the roof or a window, and there are people actually working to develop such products.

ESG activities and profit

Discuss your criteria for ESG investing.

I think there's still no established consensus in the industry as to what exactly ESG investing is. For example, ESG index providers give varied ratings on the same companies, and there is almost no correlation among their assessments.

Nissay Asset Management assesses companies on their efforts on the "E," "S" and "G" and the impact on their earnings from such efforts. We don't give a high rating to a company, even if it's doing great from the ESG perspective, unless such efforts have helped improve earnings or have a significant bearing on its corporate value. ESG investing assesses what kind of ESG activities a company is committed to and how they have led to improved earnings. In that respect, ESG investing is different from (the concept of) corporate social responsibility, which does not necessarily pursue profit.

Whether they pursue ESG activities, CSR

or (U.N.) sustainable development goals, companies need to generate profit to sustainably maintain such efforts. The key is for them to incorporate environmental goals, such as carbon neutrality and plastic reduction, into their business and nurture and increase germs of businesses that they can commit to, using in-house technology where possible.

Discuss Nissay Asset Management's stewardship reports, which first came out in 2020.

The reports outline our stewardship activities for investors and customers. Our aim is to send a message to investors, as well as consumers behind them, that asset management companies are interested in promoting ESG efforts by encouraging ESG initiatives through engagement, which I mentioned earlier. I think it will be great if we can serve as a catalyst, providing moral support to business executives (starting or continuing activities) or giving them opportunities to realize what they should be aware of.

It is easy to find ways to improve (what you need to improve), but it takes time to take action and achieve actual improvement. To assist them in that process, on our part, we must continue to say the things we should say and praise commendable efforts to, for example, maintain a sustainable management structure or build a viable business model. They may face issues that won't change in two or three years, but it is important for executives to work steadily on each of them to show that they have the grit to achieve the goals. By doing so, they may come up with innovations in the process or realize that technology they need exists right near them, so that they can reach their goals dramatically sooner.



The ESG Talk series are interviews to business leaders who are active proponents of ESG investing and practices in Japan.

Supporting efforts toward a sustainable society through crowdfunding



The Moment, a gift for the future

Join us to support people who take on the challenges of inheriting traditions and passing them along to future generations. Following the first project of The Moment, which introduced Obata Sake Brewery (Sado, Niigata Prefecture), the second project features Joboji Urushi Workshop (Morioka, Iwate Prefecture), Jisedai Urushi Kyokai (Morioka, Iwate Prefecture) and Urushi Next (Akita, Akita Prefecture).

Urushi Next received the Excellence Award in the Japan Times Satoyama and ESG Awards 2019 in the *satoyama* category for its efforts in increasing, utilizing and preserving Japanese *urushi* (lacquer). This award was established by The Japan Times to highlight companies, organizations and individuals who have taken outstanding initiatives in satoyama and ESG (environmental, social and governance) activities and to contribute to society by disseminating their successes in Japan and abroad.



Widely promoting the benefits of urushi

Urushi has other benefits that many people don't know about. Since urushi can enhance the strength of materials when applied to the surface, it is sometimes used for musical instruments and fishing tackle. Urushi is also durable, although vulnerable to damage from ultraviolet rays, and environmentally friendly when it decomposes. And above all, it is an incredible renewable resource that will not be exhausted if grown and managed steadily.

About The Moment by The Japan Times

Since 2018, The Japan Times has been distributing information in English about the activities of The Japan Times Satoyama/ESG Consortium, with the aim of supporting efforts toward a sustainable society in Japan. In crowdfunding, the emphasis is on the project owners' stories. The Moment by The Japan Times works in collaboration with The Japan Times, and the visions of the project owners can be fully conveyed by referencing articles and special features in The Japan Times about the consortium and related activities.



※ Utilize the crowdfunding platform provided by Campfire Inc.

How the pandemic will change artists' spaces, choices and voices

ESG/SGDs

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On Jan. 28, the final part of a webinar series on contemporary art after the coronavirus was hosted by the Bunka-cho Art Platform Japan, a project started by Japan's Agency for Cultural Affairs aimed at confronting the issues faced by artists in the post-pandemic era. The webinars collectively hope to "establish a foundation for the sustainable development of the contemporary art scene in Japan" by bringing together an international group of voices from the art world. The webinar titled "Art After COVID-19: Navigating the New Critical Ecology" was moderated by Andrew Maerkle, a member of the Contemporary Art Committee Japan, and comprised of presentations by each of the three panelists and a follow-up Q&A session with discussion.

The panelists included Jeebesh Bagchi, a founding member of the Raqs Media Collective, based in New Delhi; Tzu Nyen Ho, an artist in Singapore; and Hito Steyerl, a filmmaker and theorist from Germany. All three are well-known artists, educators and critical theorists in their respective fields.

The webinar opened with the question "How has the COVID-19 pandemic affected the critical ecology of contemporary art?" and the panelists' talks focused on three major themes: art spaces, funding and criticality.

Art spaces

While going to an art gallery may have been mainstream before the pandemic, things are changing rapidly. Online venues for art exhibitions using digital spaces like Zoom



Ho Tzu Nyen, Jeebesh Bagchi and Hito Steyerl joined a webinar hosted by Bunka-cho Art Platform Japan and moderated by Andrew Maerkle. KOZO KANEDA



In cooperation with Mitsubishi Estate, the webinar was held at SAAI Wonder Working Community, a community space in Tokyo's Yurakucho area. HIDEYUKI SHIMABAYASHI

have become more commonplace, including a part of the Yokohama Triennale held in 2020. Bagchi, who was an artistic director for the Triennale, compares artists to lines converging in a digital space within which their further trajectories may be redirected due to the novel ways their art influences each other. He sees the post-pandemic era as a "shift in how education, art and economies will be practiced."

During the height of the pandemic in Singapore, an outbreak among migrant workers living in overcrowded dormitories caused the state to quarantine the workers. Ho, himself from Singapore, introduced a video called "Waiting" he produced in collaboration with a migrant worker called Ripon Chowdhury. Lamenting the conditions there through poetry, the video is filmed in long, uninterrupted shots in an extremely confined space due to the lockdown. "Confinement is not the only subject in the video, but it did determine its form," Ho explained. "What interests me the most is that we transformed the limitation of space into a parameter for making the final video."

The pandemic has forced artists to grapple with new limitations and consider how they can be leveraged toward creative and critical endeavors.

Art and funding

To what degree should artists rely on external funding, and in what ways can this affect an artist's expression?

Public and private funding of art institutions is another important topic. For example, Steyerl supposes that the fire damage to the Notre Dame Cathedral in 2019 may have been partially attributable to an imbalance in proper funding.

Problems exist within the digital land-

scape as well. Steyerl asserts that digital spaces are "feudal" in the sense that private enterprises are in complete control of information and spaces in which artists can find a voice. Specifically, she calls for their "decolonization," which means that public digital infrastructure needs to be created as well as guaranteeing individual sovereignty over personal data.

Bagchi echoed this view and claimed that the pandemic has confronted artists with new realities about ownership. "Twenty years ago, owning a server was central despite its high cost to maintain... but now we rely on big tech companies, and it is important to get back to the conversation of owning our own infrastructure."

Art and criticality

"Artists do not accept institutions as they are. They are up for rethinking continuously," Bagchi said. On criticality, he suggested that one of art's core functions in the new ecology is to help remind us that the humanist language of continuous progress through technology has shortcomings; that "toxicity" (manifested presently as COVID-19) is and always has been an inseparable part of the human condition, whether we like it or not. At the same time, because of the pandemic and the horrors it has wrought globally, he observed, "We speak with concern for each other's lives in a much more interesting way than I've ever seen before."

Going forward, Ho warned artists against simply speaking about digital infrastructures and their problems, saying they rather should learn how to effectively use those systems to continue to speak critically.

