



*APEC Life Sciences Innovation Forum*

*Enhancing Innovative Healthcare Financing in Pursuit of Strong and Resilient Health Systems: Health Impact Bonds and Blended Financing*

## **Promoting ESG in the Asia Pacific and Incorporating Health into ESG Finance**



**Makoto Okubo 大久保 亮**

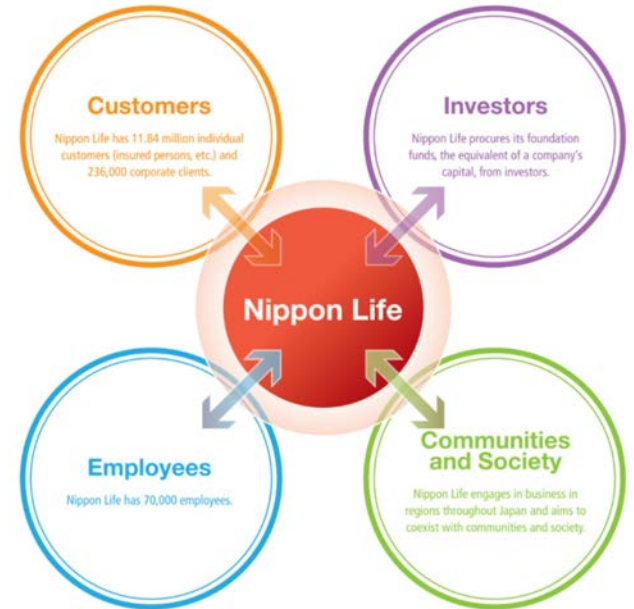
*General Manager, International Affairs,  
Nippon Life Insurance Company*

*Sherpa, APFF ESG Finance Working Group*

*Project Director, Music for SDGs Project*

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- 2019 Progress Report to APEC Finance Ministers
- ABAC 2020 & APFF ESG Finance Working Group
- Approaches to sustainable finance and “health” implications
- Key challenges and possible solutions
- Nippon Life Group Examples
  - ❑ ESG/SDGs investment and financing (social areas)
  - ❑ Equity performance of ESG rated stocks
- Some words from Taoism – Yin and Yang
- Music for SDGs Project



(Source – KEY STAKEHOLDERS  
Nippon Life Insurance Company Annual Report 2018)

**APFF** is a regional platform for **collaboration among public sector, private sector and multilateral institutions** to help accelerate the development and integration of financial markets and services in the APEC region, and is an official policy initiative under the **APEC Finance Ministers' Process**, tasked to support the implementation of the Ministers' **Cebu Action Plan** (a 10-year roadmap for the development and integration of financial markets in the region). The management of APFF has been entrusted by the Finance Ministers to the private sector through the **APEC Business Advisory Council (ABAC)**, which reports its progress to APEC senior finance officials and ministers throughout the year.

Activities aligned with the priority issues announced by Chile as 2019 APEC Host, and **10 of the 17 UN Sustainable Development Goals (SDGs)**. These are (a) No poverty (SDG#1), (b) Zero Hunger (SDG#2), (c) Good Health and Well-Being (SDG#3), (d) Quality Education (SDG#4), (e) Gender Equality (SDG#5), (f) Affordable and Clean Energy (SDG#7), (g) Decent Work and Economic Growth (SDG#8), (h) Industry, Innovation and Infrastructure (SDG#9), (i) Reduced Inequalities (SDG#10), (j) Sustainable Cities and Communities (SDG#11), (k) Climate Action (SDG#13), and (l) Partnership for the Goals (SDG#17).

## I. Access to Finance

## II. Financial Market Development

## III. Financial Resilience and Sustainability

- Disaster Risk Financing and Insurance
- Microinsurance
- Circular Economy Infrastructure
- Health Financing
- Expanding the Region's Long-Term Investors' Base
  - Sustainable and ESG Investing
  - Regulation and Accounting



(Photo source:  
APEC)

## 2020 ABAC Priority: “Promoting ESG finance in APEC developing economies”

- Facilitate and encourage ESG finance (addressing taxonomy, tools, framework and criteria)
- Promote responsible banking/rise ESG awareness

## Asia-Pacific Financial Forum (APFF) ESG Finance Working Group

- **APFF ESG Finance Working Group** (Sherpa Makoto Okubo) was established in March 2020 to deepen the footprint of ESG Investment and responsible banking in developing economies.
- **APFF aims to provide input to ABAC, policymakers and stakeholders on ESG Finance:**
  - Developing guidance on taxonomy, tools, framework and criteria that offers progressive pathway to align with global norms
  - Developing APEC-related scenarios to aid and disclosure of climate-related risks
  - Identifying practical approaches to align business practice with ESG goals
  - Identifying high-level recommendations on policies, regulations and actions that the government and regulatory agencies may undertake
- **Provide forum that brings to together governments, regulatory agencies, private sector and civil society** to provide guidance on implementing the recommendations, in collaboration with other international and regional bodies

## 5 main approaches to sustainable finance by institutional investors

- Negative screening
  - Exclusion
- Positive screening
  - Selecting best in class
- Thematic investments
  - Green bonds, Social bonds, etc.
- Active Ownership
  - Stewardship
- ESG Integration
  - Multi-factor across the firm



(Photo: Sydney, Australia)

# Key challenges and possible solutions

Challenges	Possible Solutions
<b>① <u>ESG Rating and evaluation</u></b>	<ul style="list-style-type: none"><li>✓ Enhancing reliability of ESG Rating</li><li>✓ Separating “ES” from “G” in rating to better reflect different nature</li></ul>
<b>② <u>Investment selection</u></b>	<ul style="list-style-type: none"><li>✓ Ensuring long-term profitability and assessing sustainability impact</li><li>✓ Providing useful information for investors in those areas per projects/companies</li></ul>
<b>③ <u>Stakeholder education</u></b>	<ul style="list-style-type: none"><li>✓ Educating all stakeholders not just investors</li><li>✓ Establishing a knowledge system and providing learning opportunities</li></ul>
<b>④ <u>Investment vs capital rules and regulations</u></b>	<ul style="list-style-type: none"><li>✓ Working toward a goal of balancing long-term investments, risks and regulation</li><li>✓ Promoting regulations and accounting which would not disincentivize long-term investments</li></ul>

- Invest in social bonds, healthcare bonds and water desalination project, thereby contributing to improve healthcare access and longevity, and providing safe water.

## Social bonds by JICA



Funds are utilized by enterprises which contribute to solve social issues (reduce poverty, sustainable economic growth, etc) in developing countries

(September 2016)



photo : Kenshiro Imamura/JICA

## Healthcare bonds by BPCE S.A.



It contributes to improve medical services in France through providing financial services for regional medical institutions, health facilities and social accommodation.

(July 2017)



## Financing for hospital development project in Turkey



This Loan was utilized to develop large-scale hospitals in Istanbul city. It helps alleviate shortage of hospital beds in Turkey.

(July 2017)



## Financing for seawater desalination plants in Australia



Finance for the project which operates seawater desalination plants in Melbourne city. Loan is utilized to deal with droughts in Australia, where serious droughts have repeatedly occurred.

(October 2017)



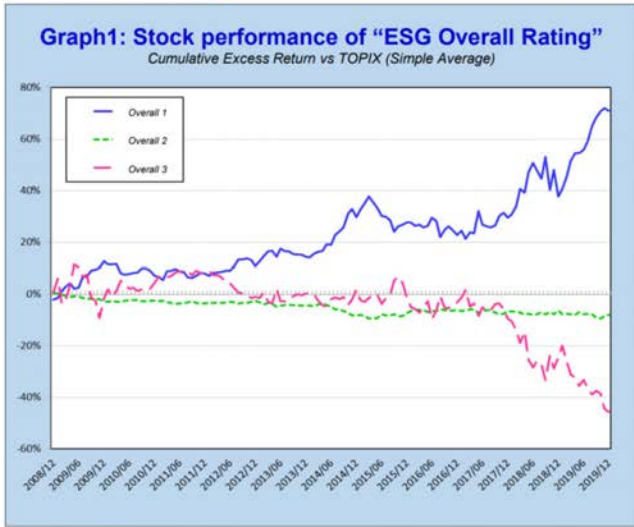
source : AquaSure PtyLtd.

# Examples: Equity performance of ESG rated stocks

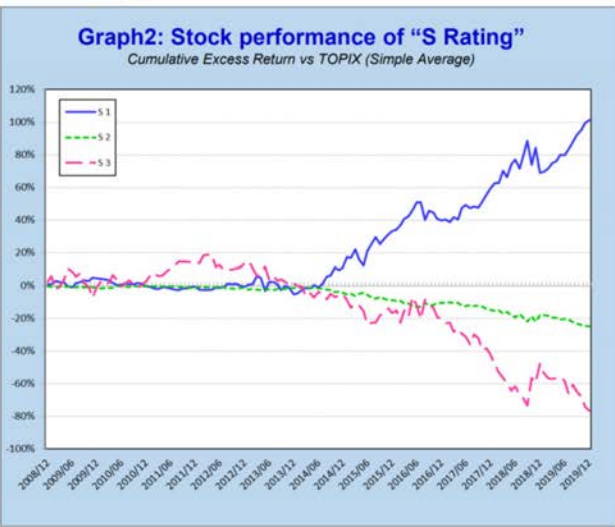
- Integrating ESG factors into Japan equity investment since 2008, and conducting ESG evaluations on approximately 800 companies (Japan and Global).
- Stock performance of ESG-rated stocks (based on our internal research analysis) has outperformed since 2008, and especially social factors have worked well.

## Japan Equity Investment: Stock performance of ESG Overall Rating and S Rating

ESG Overall Rating

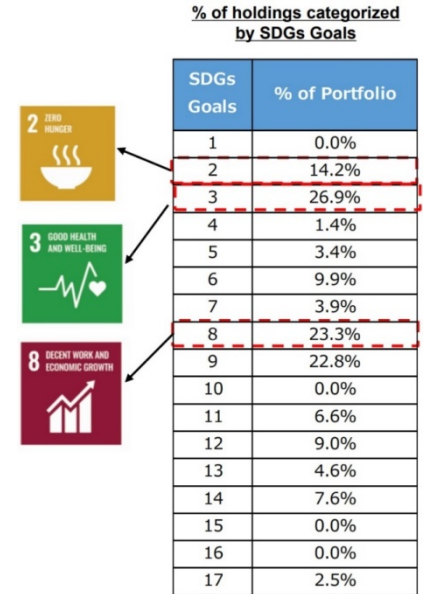


S Rating



Source: G. Iguchi, Nissay Asset Management  
 Note: Graphs are for illustration purposes. Past results are no guarantee of future performance

## SDGs Global Select Funds



Note: Double counting in case each holding meets two or more targets



## Some words from Taoism - yin and yang

- **Bring the balance of yin and yang to the universe**
- **Be aware that the world is cyclical**
  - *Investors should be encouraged to make decisions to **be good in the long run** rather than **looking good at a given moment***
- **Don't go to the extreme, otherwise you will fall**
  - *Balance **risks and rewards** so that Investors should be allowed to invest in assets **with long-term growth opportunities***
- **To manage the world, you should control yourself**
  - *Avoid "**One size fits all**" and take into account diversity*

**Crisis 危機 = 危(danger) + 機 (opportunity)**



(Photo – Tao Garden, Chang Mai, Thailand)



## Music for SDGs Project

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Under the slogan of **No one will be left behind!** aiming to provide opportunities for general public to deepen understanding of SDGs in an easier and enjoyable way through music events integrating entertainment and education



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**SDGs Collaboration Contest & Seminar @ Rough Labo**