

The global race to net zero

Leading global asset managers aiming to achieve net zero greenhouse gas emissions by 2050



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Asset Management One Co., Ltd (AMO) is a founding member of the “New Zero Asset Managers” (NZAM) initiative. Established in December 2020 the initiative is composed of leading, global asset management companies aiming to achieve net zero GHG emissions. AMO is one of six asset managers, and the only signatory from Asia to be a member of the “Advisory Group” which play a consultative role to the Steering Committee in support of the management of NZAM.

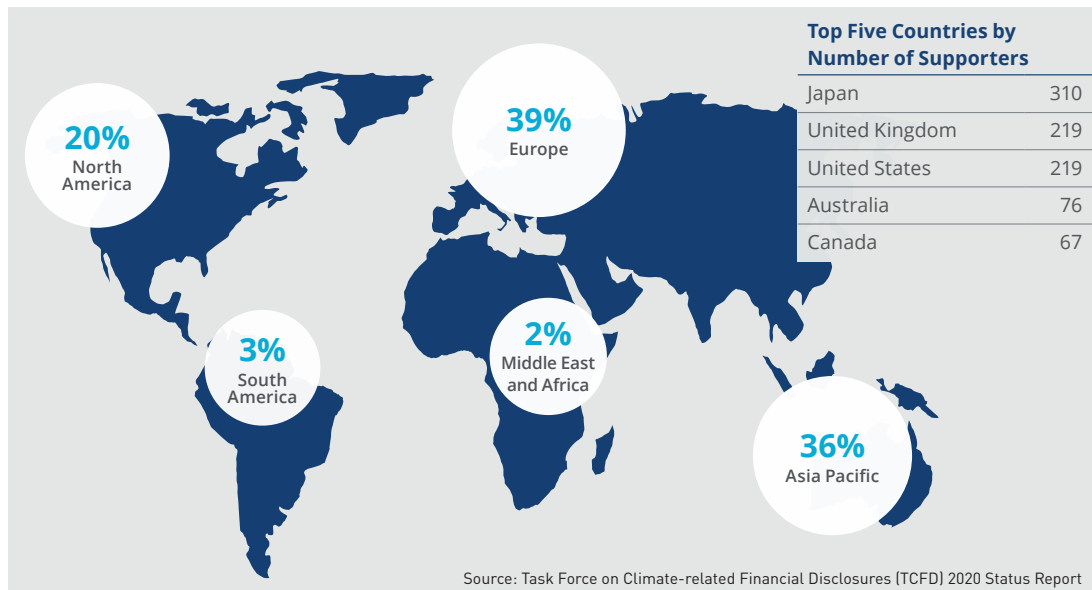
Since its founding with 30 signatories and after a mere seven months, the number of asset managers has dramatically increased to 128 as of July 2021 representing approximately US\$43 trillion in assets under management.

Signatories to the NZAM have committed to supporting the goal of net zero greenhouse gas (‘GHG’) emissions by 2050, which aligns with global efforts to limit warming to 1.5C. These global asset managers also have committed to setting an interim target for the proportion of their assets to be managed in line with the attainment of net zero emissions by 2050 or sooner, by working with asset owners and clients on decarbonization goals. AMO has stated an interim target for 2030; aiming to commit 30 trillion yen (\$273 billion) worth of investment assets out of our total AUM (57 trillion yen as of the end of March 2021) to align with the net zero scenario.

Climate change is an urgent global issue and a complex challenge interconnecting multiple issues across a spectrum of disciplines. It is essential for all stakeholders, including governments, companies and consumers, to work in cooperation towards resolving this ever-changing issue. As an asset management company, AMO is committed to collaborating with all constituents in the investment chain to accelerate the transition of society towards net zero, in particular in the following three areas.

1. We will strive to increase the amount of assets managed that align with the net zero initiative. This includes offering active strategies which invest in companies possessing the ability to increase their enterprise value whilst working toward the aim of net zero goals. From the quantitative and qualitative perspectives, we will assess investee companies and direct capital to support those companies that demonstrate an active commitment and make solid progress in achieving net zero. For passive strategies, in addition to index tracking funds, we are planning to launch passive products with a focus on engagement to encourage a wider range of companies to act and make the transition towards net zero. This approach will enable AMO to raise awareness and drive action across the entire market, including companies that have not yet taken the necessary steps, as well as those companies that are already working towards net zero goals.

Geographic Distribution of TCFD Supporters



2. Through engagement with investee companies, the firm is a proactive proponent of encouraging companies to transform their business models towards increased sustainability and decarbonization. Rather than simply divesting from the companies that are not yet fully aligned with the net zero scenario, our priority is to actively engage with these companies. Our goal is to gain a holistic understanding of the company which allows us to have a constructive dialogue that will bring about improvement and positive changes. Where there is no evident progress despite this engagement, we will consider opposing the proposed election of board directors at the respective companies when exercising our voting rights.
3. We will continue working with policy makers and other related organizations to strengthen ongoing efforts towards achieving net zero goals by 2050. This is exemplified by AMO’s participation in climate change and environment-related study groups and initiatives established by the Ministry of Economy, Trade and Industry and the Ministry of the Environment.

Another climate change initiative having an impact on the marketplace is the Task Force on Climate Related Financial Disclosures (TCFD). Created in 2015 by the Financial Stability Board (FSB) the Task Force states its remit is “to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.”¹

Japan has the largest number of TCFD supporters in the world. According to last year’s task force Status Report, the number of supporting companies and organizations is 310 in Japan, compared to 219 in the UK and the US respectively. One of the reasons for this, we believe, is engagement by asset managers like us. When we seek investee companies to take action on climate change, we encourage them to consider TCFD as a starting point. AMO is not only an advocate for firms to support

TCFD but we are a contributing member to the TCFD Consortium in Japan as a member of the steering committee. The TCFD Consortium in Japan is a unique initiative that brings together various companies from across industries e.g., financial institutions, banks, academics and government agencies.

The TCFD disclosure is a positive framework, and although there are some implementation challenges it is a forum for companies and investors to work together and share their views. Because some companies may find climate change reporting daunting, the Consortium has published guidance for investee companies in some industries and investors.

Japan’s Corporate Governance Code was revised in June of this year. It states that companies should disclose climate-related information based on TCFD recommendations, although not for all listed companies but for companies listed on the Prime market. As the Tokyo Stock Exchange will restructure its market into three new markets in April next year, companies should comply with the new Corporate Governance Code in order to stay within the top tier of the market. It is a case for a company to either disclose climate related information based on TCFD or explain to the regulators. This new Code is expected to have a significant impact on the Japanese market as most companies will follow the disclosure recommendations.

These are dynamic climate change initiatives with lasting impact, and there is no room for ambiguity or inaction. AMO will continue to engage, advocate and challenge in collaboration with our clients, investee companies, policy makers and global organizations as we strive to be an asset management company that contributes to creating a sustainable future.

FOOTNOTE

1 TCFD <https://www.fsb-tcfid.org/about/#our-goal>

