

Research on the Public's Awareness of ESG Investing of Pension Funds

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Introduction

As part of the "Research project on policies for ESG Investment of Japanese pension funds" (supported by Grants-in-Aid for Scientific Research, Ministry of Education, Culture, Sports, Science and Technology, Japan²) which was conducted from fiscal year 2011 to 2013, we carried out a survey in March 2012 among the Japanese public who are under the universal pension coverage. The purpose of the survey was to acquire basic information that can be used to consider the future role of ESG Investment in Japan by researching the level of interest of the public towards the environment, society and corporate governance (ESG), as well as people's opinion on ESG investing in the management of pension funds³.

Since then, circumstances surrounding ESG investing have changed significantly, such as the signing of the PRI by the GPIF and the establishment of Japan's Stewardship Code as well as Japan's Corporate Governance Code. In the management of public pension reserve funds, there has been a more active engagement in ESG investing. Pension funds are people's funds for living in old age contributed by the people, so the funds' management should in principle also require the understanding and support of the people.

Further, in the legislation passed in December 2016 to reform part of the National Pension Law in order to improve the sustainability of the public pension system, it is stated that "The government will consider the management situation of GPIF, the enforcement status of the GPIF law, the people's awareness of its management, the managing corporations' Stewardship activities and other, and where necessary implement necessary measures over the next 3 years"⁴. People's

¹ Opinions and assessments in the report are the researchers' own and do not reflect the view of the Institute.

² JSPS KAKENHI 23530532

³ The results are released as "Results from the Survey on ESG Investing among the General Public" on the website of the Research Institute for Policies on Pension & Aging under "FY2014 Pension Research Survey Report" [in Japanese].

⁴ A summary of Article 2 paragraph (2) of the Supplementary Provisions. Underline by the author.

awareness has been addressed, but to date the government has not conducted any research on public awareness.

Thus with the aim of acquiring basic information to further ESG investing in Japan by looking at the current situation of public awareness, we have conducted a follow-up survey on March 2017, 5 years since the previous survey of March 2012 (henceforth called “previous survey”). This report is a summary of the survey results. It is our hope that this report will contribute to the development of ESG Investment in Japan.

[This report is an English translation of “Introduction” and “Part 1 Summary of Survey Results”. The parts parenthesized with [] are added for the English translation.]

Chapter 1 Summary of Survey Results

1 Summary of Survey Results

The aim of the present survey is to research the people's opinion on ESG investing, but [because ESG investing is relatively new in Japan], meaningful answers may not be obtained through asking direct questions. Therefore, as with the last survey, respondents were encouraged to form an image of ESG investing through repeatedly being asked questions on specific examples of environment, society and corporate governance factors. The respondents were also asked about recent developments in ESG investing and with this awareness of current circumstances, they were then questioned about ESG Investing of the pension funds.

Like the previous survey, the present survey was conducted online among those registered with a research firm. [The respondents were 4,500 people over age 20, and using the results of the 2015 Population Census of Japan, they were separated by sex, area (Tokyo and its suburbs, Nagoya, Kyoto, Osaka and their suburbs, and other), and age (ten-year groups, with over 70 year-olds as one group.) Generally, online questionnaires are said to have an education bias. Therefore, we compared the respondents' educational backgrounds against the recent Population Census⁵. As a result, as detailed in chapter 3 section 1, we found considerable education bias and this has been weight adjusted in the survey results. The numbers in the following sections are those after being adjusted for education bias.

1-1 Awareness of ESG Investing, SRI, CSR and Corporate Governance

We asked the respondents how aware they are about ESG investing, Socially Responsible Investing (SRI), Corporate Social Responsibility (CSR) and corporate governance (Question 15). If we combine the response "Very aware" and "Somewhat aware", they add up to 5% for ESG investing, 9% for SRI, 16% for CSR, and 20% for corporate governance. Also, if we include "Have heard the term before", it becomes 14% for ESG investing, 22% for SRI, 34% for CSR, and 42% for corporate governance.

ESG investing is a relatively new investment method and it is not necessarily surprising that the majority of the people are still unaware of it. However, the situation where ESG investing is underway without the public being aware calls for urgent attention.

Also, even for corporate governance which had the highest level of awareness, those who have heard of it amounted to less than half. From the perspective of public awareness, this is not nearly enough.

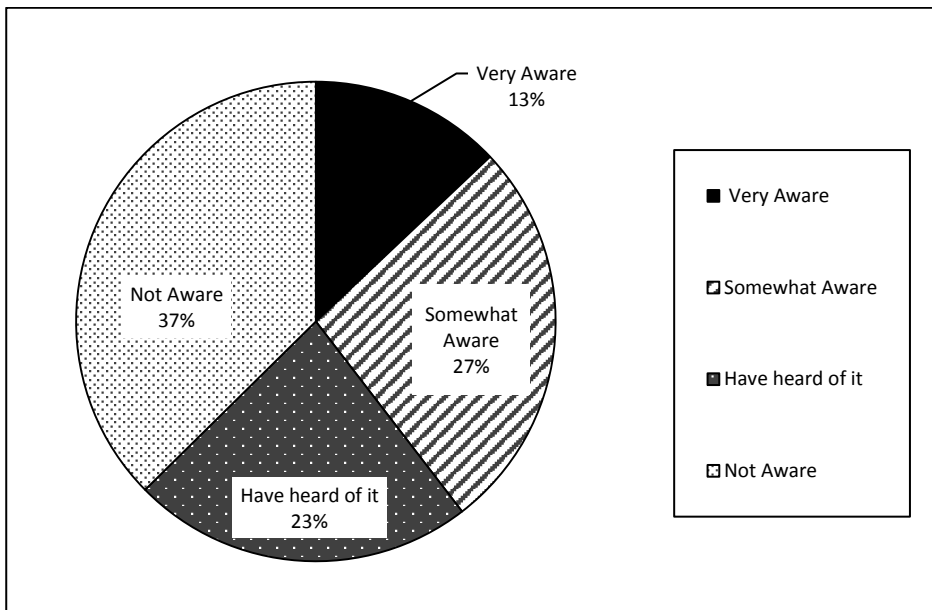
1-2 Awareness of Investment of Public Pension Funds in the Financial Markets

The awareness of public pension funds being managed by investing in stocks and bonds (Q.17) is shown in graph 1-1. "Very aware" and "Somewhat aware" together made up 40%. When "Have heard of it" was added, it became 63%, and 37% answered that they were "Not aware" that public pension funds are being invested in the financial market.

⁵ 2010 Population Census. The Population Census asks about the type of school graduated/currently enrolled in every ten years, and this is the most recent.

Also there was a large gender disparity. For men, the total of “Very aware” and “Somewhat aware” was 48%, whereas it was 32% for women.

(Graph 1-1) Awareness of Investment of Public Pension Funds in the Financial Markets

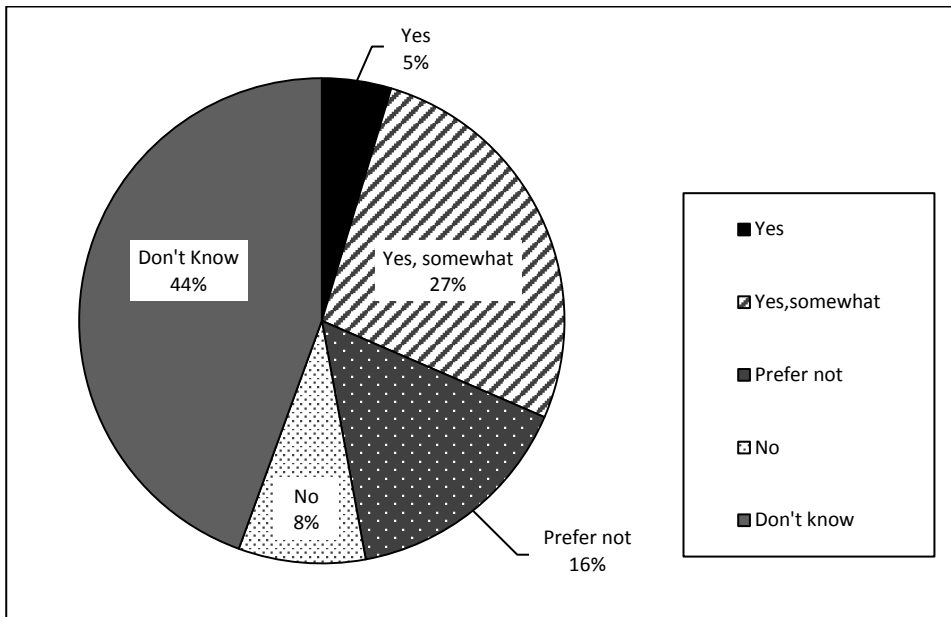


1-3 Public Opinion towards ESG Investment of Pension Funds

The results of whether people want ESG Investing of public pension funds (Q.24) are shown in Graph 1-2.

If we count “Yes” and “Yes, somewhat” as positive and “Prefer not” and “No” as negative, positive responses exceed negative responses, with 32% answering positively and 24% negatively. However, 44% were ambivalent, answering “Don’t Know”.

(Graph 1-2) Public Opinion towards ESG Investing of Pension Funds



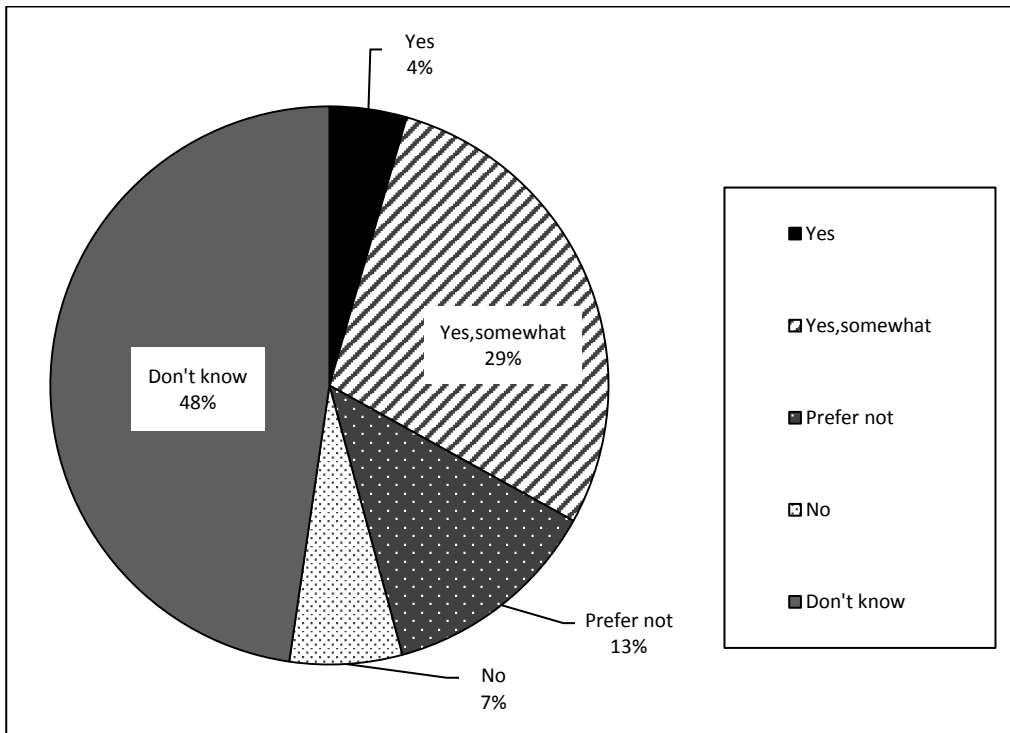
The results of whether the public wish for ESG investing of corporate pension funds (Q.26) are shown in graph 1-3. ⁶

When we added up the positive and negative responses as we did for public pensions, 33% were positive and 21% were negative⁷, with the positive exceeding the negative even more so than for public pensions. However, 48% were unsure which is more than for public pensions.

⁶ Fractions are rounded off. For this reason, some graphs don't add up to 100%.

⁷ Numbers are added including fractions then rounded off. For this reason, some numbers in the graph do not match the numbers in the report.

(Graph 1-3) Public Opinion on ESG Investing of Corporate Pension Funds



1-4 Issues in ESG Investing of Pension Funds

We asked the people's opinion on ESG investing of public pension funds from various angles (Q.23). While for Q.23-1 to 3, "Agree" shows a positive attitude towards ESG investing, from Q.23-4 onwards, reversely, "Agree" shows a negative attitude towards ESG Investing. The results of the survey are as follows if we assume "Agree" and "Somewhat agree" to be positive responses, and "Somewhat disagree" and "Disagree" to be negative responses.

First, for the statement "I want contributions paid by myself or my family to be invested in a way that supports the environment, society, and corporate governance" (Q.23-1), the responses were 35% positive and 20% negative. For "I don't want contributions paid by myself or my family to be invested in companies that have a backwards stance towards the environment, society and corporate governance" (Q.23-2), the responses were 40% positive and 18% negative. For "In long-term assets such as pension funds, it makes sense to consider the environmental, social and corporate governance factors in choosing investment destinations" (Q.23-3), the responses were 34% positive and 20% negative.

For the following questions, the positive and the negative are reversed. For the statement, "Pension contributions should be managed with only future pension payouts in mind and as environmental, social and corporate governance factors are irrelevant to this, we should be prudent" (Q.23-4), the responses were 28% positive and 28% negative. For "Even if we choose investment destinations with consideration to environmental, social and corporate governance factors, it does not correlate with successful performance" (Q.23-5), the responses were 24% positive and 26% negative. For "Public pension funds should not affect the management of an enterprise" (Q.23-6), the responses were 32% positive and 24% negative.

On the whole, the results showed that there were more favorable than unfavorable responses towards ESG investing. However, as pointed out in (3), each had over 40% who answered “Don’t know”. Further, the situation remains that many are “somewhat” leaning towards one side.

1-5 Issues in ESG Investment of Corporate Pension Funds

We asked the people’s opinion on ESG investing of corporate pension funds from various angles (Q.25). As with the questions on public pensions, if we assume “Agree” and “Somewhat agree” to be positive, and “Somewhat disagree” and “Disagree” to be negative, the results are as follows.

For “We should support the environmental, society and corporate governance through the management of corporate pensions as well” (Q.25-1), the responses were 34% positive and 20% negative. For “Investing corporate pension funds in corporations that have a backwards stance towards the environment, society and corporate governance should be avoided” (Q.25-2), the responses were 37% positive and 18% negative. For “Corporate pension funds are paid mainly by the companies and thus they should be managed along the company’s CSR (corporate social responsibility) principles” (Q.25-3), the responses were 36% positive and 18% negative.

For “Corporate pension funds should be managed with only the future pension payouts in mind, and they should be wary of considering the environment, social and corporate governance factors without the expressed will of labor and management” (Q.25-4), the responses were 31% positive and 24% negative. For “Corporate pension funds are funds for old-age living of the companies’ employees so how they are managed should also be decided by listening to the employees” (Q.25-5), the responses were 41% positive, 16% negative. “Corporate pension funds are private funds so the government should not interfere in their management” (Q.25-6), the responses were 36% positive and 21% negative.

For corporate pensions, positive responses exceeded the negative responses in all of the questions. However, for each question, over 40% answered “Don’t know” and many were “somewhat” leaning towards one side.

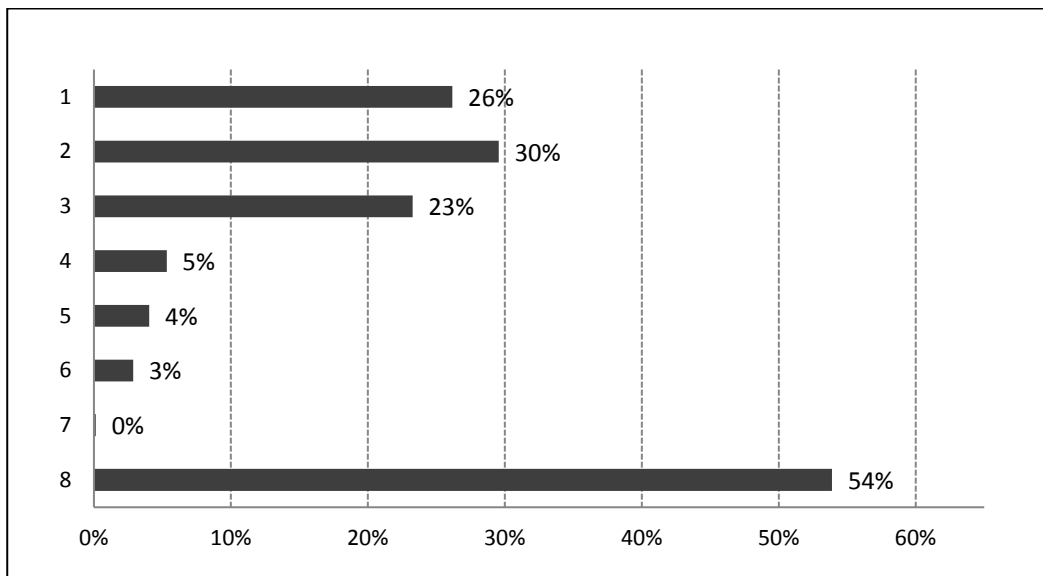
1-6 Assessment of CSR, Principles of Responsible Investment of Workers’ Capital and More

We asked about the people’s opinion on CSR (Q.16). The results are shown in graph 1-4.

Of the answer choices, 1, 2 and 3 are favorable towards CSR, and 4,5 and 6 are unfavorable. When we compared them, there were considerably more positive responses than the negative. It can be said that CSR is received favorably by the Japanese public.

However, 54% answered “I am unsure about CSR”. We must keep in mind that over half neither agree nor disagree with CSR. Also these were multiple-answer questions, and a few (0.1%) showed some kind of opinion on CSR even though they answered that they were unsure about CSR.

(Graph 1-4 Opinion on CSR)



1 CSR is the basis for appropriate corporate management, and companies should actively engage in it.

2 Companies that actively engage in CSR give a good impression.

3 If many companies engage in CSR, it will lead to the growth and development of the entire economy.

4. The aim of a company is to pursue profit, so companies should engage in CSR only as far as laws and regulations demand it.

5. CSR is merely a way to improve corporate image, so it should not be rated highly.

6. If a company has resources to engage in CSR, it would be better to lower product and service prices.

7. Other

8. I am unsure about CSR.

We asked about the “Guidelines on Responsible Investment of Workers’ Capital” drawn up by the Japanese Trade Union Confederation (RENGO) in December 2010 (revised September 2015) (Q.18). The results are as shown in graph 1-5. 40% gave favorable responses (total of “Very good” and “Somewhat good”) and 10% gave negative responses (total of “Somewhat poor” and “Very poor”) to RENGO’s efforts. Further, 49% responded as “Don’t know” and so on.

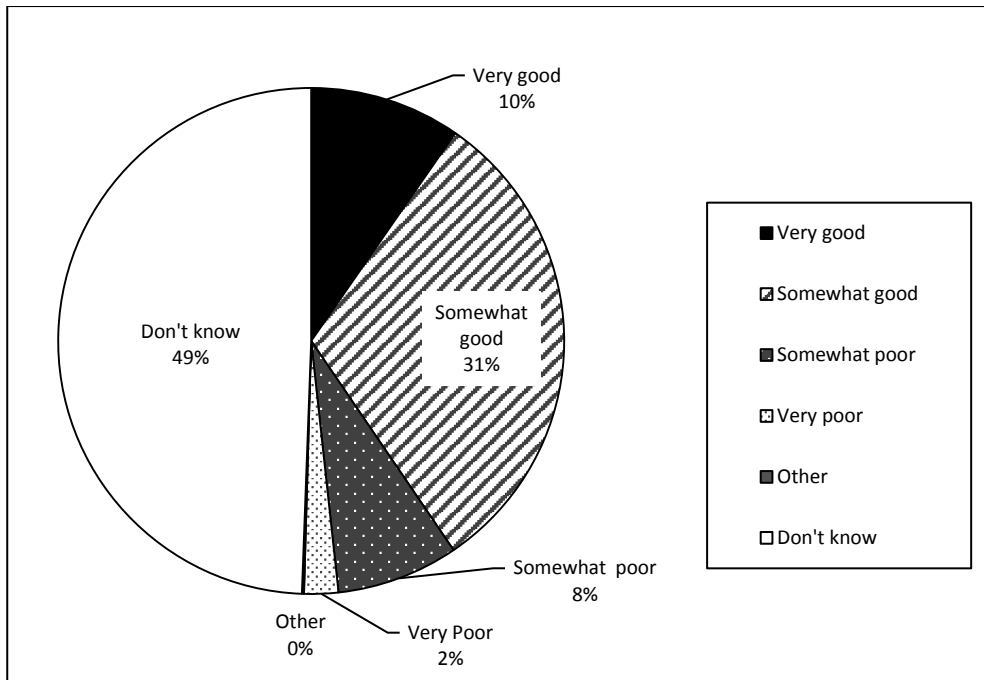
We asked about the idea and practices of Japan’s Stewardship Code (Q.20). 34% were positive, 9% were negative and 56% answered “Don’t know”.

We asked about the development of ESG Investing which focuses on the promotion of increased workforce participation. 40% were favorable, 12% were unfavorable, and 49% were “Don’t know”.

We further asked about the ideas and practices of PRI (Q.22). 34% were favorable, 12% were unfavorable, and 55% answered “Don’t know”.

For the above, favorable responses largely exceeded unfavorable responses. However, roughly half answered “Don’t know”.

(Graph 1-5) Assessment of the Guidelines on Responsible Investment of Workers’ Capital



1-7 Awareness of Stewardship Code and More

We asked about people's awareness of Japan’s Stewardship Code, Corporate Governance Code and the Ministry of the Environment’s ESG Working Group Report (Q. 19). The total of “Very aware” and “Somewhat aware” was 4% for the Stewardship Code, 8% for the Corporate Governance Code, and 4% for the ESG Working Group Report. When we include “Have heard of it”, the total becomes 12% for the Stewardship Code, 24% for the Corporate Governance Code and 14% for the ESG Working Group Report.

These were established or announced relatively recently, so it can't be helped that they are not highly recognized among the general public. However, these are matters which affect the management of funds paid for by the people, so efforts should be made to promote awareness.

1-8 Future Direction of ESG Investing of Pension Funds

We asked if the respondent would practice ESG investing under a hypothetical situation where s/he is in a position to direct investment under the DC [defined contribution pension plan](Q27). 31% responded positively, such as “Yes, actively” and “Yes, somewhat”. 23% responded negatively, such as “No” and “Rather not”, and 46% answered “Don’t know”.

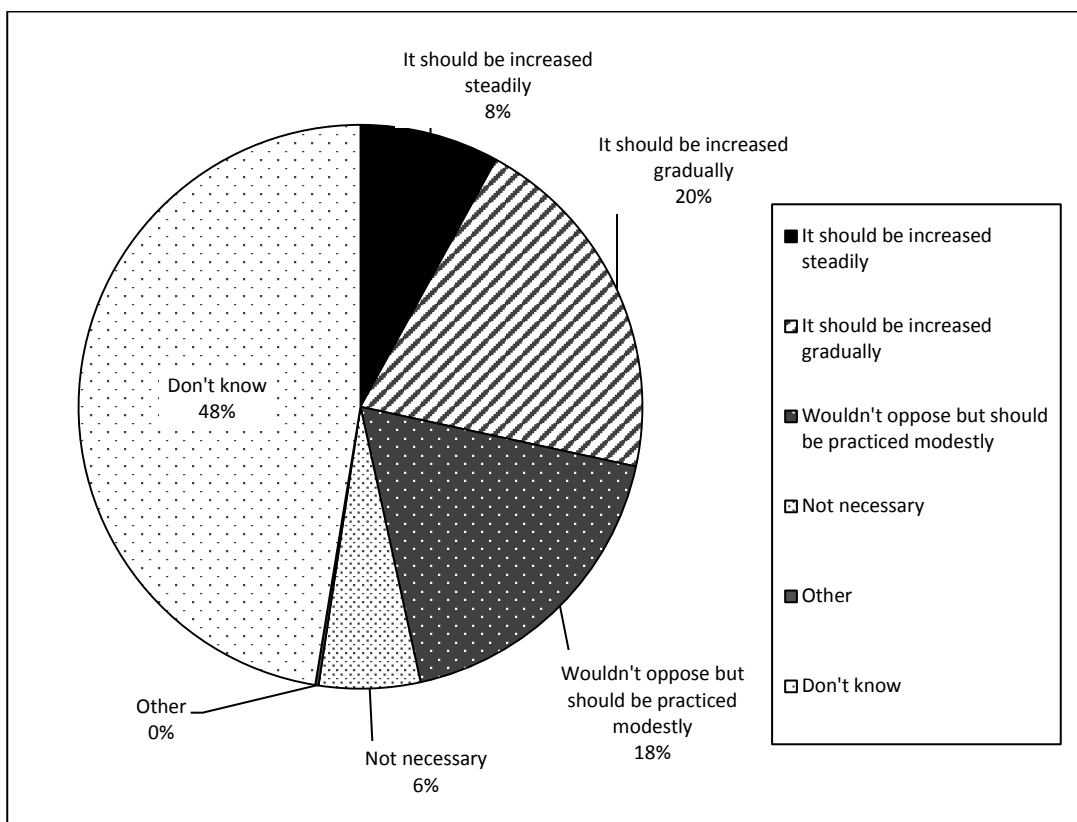
Finally, we asked how ESG investing of Japan's both public and corporate pension funds should be (Q.28) in the future. The results are shown in graph 1-6.

Positive responses such as "It should be increased steadily" and "It should be increased gradually" made up 28%, while negative responses such as "Wouldn't oppose it but should be practiced modestly" and "Not necessary" made up 24%, and 48% answered "Don't know".

In addition, we asked people to comment freely on the reason for their responses. Most answers were "No reason" or left blank. Others answered that "It's difficult" or "Unsure", but a significant number of respondents wrote some kind of opinion.

These are valuable fresh voices and should be read carefully to be used in future discussions.

(Graph 1-6 Future Directions of ESG Investing)



2. Summary of Comparison with the Previous Survey

The present survey is a follow up to the previous one and the two share many questions. We compared and studied the results of some of the main questions.

The previous survey targeted those between ages 20 and 59 who are at the pension enrollment age. Therefore, we extracted those between ages 20 and 59 from the present survey for comparison. For this reason, the following numbers from the present survey in this section differ from the numbers in the previous sections which included respondents who are over age 60.

Because the amount of education bias is not so prominent up until age 59, the results have not been weight adjusted for it. ⁸

For the previous survey, we assigned target participants based on the number of public pension enrollees from the *Annual Actuarial Report on the Public Pension System in Japan FY2010* (Actuarial Subcommittee, Social Security Council) [which is an official government document]. Further, we refined target participants through preliminary research to reflect the public pensions' enrollment situation [that is to say, those who didn't know which pension plan s/he is enrolled in were excluded from the target pool]. This was not done for the present survey.

Thus, we considered the public pension enrollment situation of the present survey respondents. We will get into more details in Part 3 Section 2, but it has been suggested that such design differences may have contributed to there being more respondents with a vague understanding of pensions in the present survey. Also, as mentioned in the next section, a backwards shift can be observed for many of the questions, but this is likely due to the same reason. Further, the present survey which assigned participants based only on age and area of residence can thought to be a better representation of the actual situation of the general public.

2-1 Awareness of ESG Investing, SRI, CSR and Investment of Public Pension Funds in the Financial Market

Concerning the public's awareness of ESG investing, SRI and CSR, if we look at the total of "Very aware" and "Somewhat aware", it decreased from 8% to 6% for ESG investing, 12% to 11% for SRI and 22% to 18% for CSR respectively. If we include "Have heard the term before," it decreased from 24% to 15% for ESG investing, 29% to 24% for SRI, and 40% to 35% for CSR. It appears that there is a setback in awareness, but as mentioned in the beginning of this part, this can be attributed to the differences in survey design.

Concerning the people's awareness of public pension funds being managed through investments in stocks and bonds, where previously "Very aware" and "Somewhat aware" made up 45%, it decreased to 32%. Even if we include "Have heard of it", the total has decreased significantly from 73% to 54%. Responses of being "Unaware" of public pension funds being invested in the financial market have increased from 27% to 46%.

Thus we can see that the awareness of funds' being managed through financial market investments has significantly regressed. Compared to 5 years ago, the assets were overall pretty well managed under the backdrop of Abenomics, so it may not have demanded as much attention. However, during this period GPIF reviewed its basic portfolio and subsequently there has been a lot of media exposure. Thus, it is unlikely that the actual level of awareness has regressed so much. It is possible that this is also affected by the differences in survey design.

2-2 The public's Will Concerning ESG Investing of Pension Reserve Funds

⁸ In the previous survey, respondents weren't asked about their educational backgrounds, so if we do weight adjust, it would be only for the present survey which could cause an imbalance.

Let's look at the opinion of the general public on whether they want ESG investing of pension funds. In the previous survey, a choice of writing free comments under "Other" was given, but in order to get a more direct response from the people under the current situation where ESG Investing is taking shape, we did not do that this time. Instead, we examined each opinion under "Other" from the previous survey and assigned them to the closest answer choices.

The total of people who answered "Yes" to ESG Investing of public pension funds, clearly wishing for active engagement was 4% and remained the same. On the other hand, people who answered "No", displaying a clearly negative opinion decreased from 13% to 7%.

Further, if we assume "Yes" and "Yes, somewhat" as positive, and "Rather not" and "No" as negative, positive responses decreased from 32% to 29%, and negative responses from 35% to 22%. Those who didn't know increased from 33% to 50%.

Next, on ESG investing of corporate pensions, "Yes" remained almost the same with 4%, but "No" decreased from 12% to 6%. For positive-negative, the positive decreased from 33% to 29%, and the negative from 32% to 18%. Those who didn't know increased from 36% to 52%.

For both public pensions and corporate pensions, the positive decreased somewhat, the negative decreased considerably, and those who were unsure increased significantly. In the previous survey, the positive, the negative and the unsure were comparable with about one-thirds each. However, in the present survey, although there were more positive responses than the negative, half the people were unsure.

If there are considerably more people who are unaware in the present survey than in the previous, it may not be appropriate to compare the overall percentage. Thus, we excluded those who answered "Unsure" and used that number as the denominator. As a result, if we assume those who answered "Yes" and "Yes, somewhat" as positive and "No" and "Rather not" as negative, and compare, those who were supportive increased from 47% to 57%, and those who were against decreased from 53% to 43%.

2-3 Issues in ESG Investing

In the following points about different aspects of ESG investing of public pension funds, we made the comparison by using the number of respondents excluding those who answered "Unsure" as the denominator and considering those who answered "Agree" and "Somewhat agree" as being supportive and those who answered "Somewhat disagree" and "Disagree" as being against. When we compared the supportive and the against, we got the following results.

First, for investment supporting ESG (in the previous survey, to be useful for the environment and social issues), the supportive increased from 48% to 60%, and the against decreased from 52% to 40%, and the supportive and the against were reversed. For refraining from investing in companies that are backwards towards ESG, the supportive increased from 51% to 65%, and the against decreased from 49% to 35%. For choosing investment destinations with ESG in mind as being reasonable, the supportive increased from 43% to 59%, and the against decreased from 57% to 41% reversing the supportive and the against.

In the following, the questions reversely asked about negative statements. Regarding the point that pension contributions should only be managed with future pension payouts in mind and considering ESG and such are irrelevant, 49% were supportive and 51% were opposed, showing

little change. Regarding the point that choosing investment destinations based on environmental and social factors does not lead to high performance, there was a slight increase in the supportive from 45% to 47%, and a slight decrease in the against from 55% to 53%. Regarding the point that public funds should not affect company management, the supportive increased from 45% to 54% and the against decreased from 55% to 46% reversing the supportive and the against.

If we exclude those who were unsure and look only at those who expressed some kind of opinion, more people were supportive of a positive attitude towards ESG Investing, and the opinion on negative statements remained almost the same. It can be observed that the Japanese are gradually moving towards supporting ESG Investing. However, regarding the statement that public funds should not affect company management, which can also be seen as being against engagement, people who agreed exceeded those who didn't.

2-4 Issues in ESG Investing of Corporate Pensions

We did the same for corporate pensions as we did with the public pensions and made a comparison using the number of respondents excluding those who answered "Unsure" as the denominator and considering those who answered "Agree" and "Somewhat agree" as being supportive and those who answered "Somewhat disagree" and "Disagree" as against.

Regarding supporting ESG-investing, those who are supportive increased from 51% to 59%, and who are against decreased from 49% to 41%. Concerning refraining from investing in ESG-backwards companies, the supportive increased from 53% to 63% and the against decreased from 47% to 37%.

As for the point that pension contributions should be managed with only the future pension payouts in mind and ESG is irrelevant to this, those who agree increased from 46% to 54% and who disagree decreased from 54% to 46% reversing the number of those who agree and disagree. However, unlike the previous survey, the present survey included the phrase "unless there is a clear declaration of intention by the labor and management", which likely made it easier to agree. On the point that the funds are intended for supporting company employees in old age, so the decision should be made by listening to the opinion of the employees, those who agree decreased from 70% to 67% and those who disagree increased from 30% to 33%.

It can be observed that also for corporate pension funds, overall the public is gradually moving towards supporting ESG investing.

2-5 Assessment of CSR and the Guidelines on Responsible Investment of Workers' Capital by RENGO

There has also been a setback in the way people think about CSR.

The following are statements that are supportive of CSR. For "CSR is the basis of appropriate corporate management and companies should actively engage in it," those who agree decreased from 37% to 20%, for "Companies that actively engage in CSR give a good impression," those who

agree decreased from 47% to 25%, and for “If many companies engage in CSR, it will lead to the growth and development of economy as a whole,” those who agree decreased from 33% to 19%.

For the following unsupportive statements, “The goal of a company is to pursue profit, so it should engage in CSR only within what is deemed necessary by laws and regulations“ remained the same at 6%, “CSR is merely a way to improve company image and should not be rated highly“ decreased from 6% to 5%, and “If a company has resources to engage in CSR, it would be preferable to lower product and service prices instead“ decreased from 4% to 3%.

Thus, positive opinions about CSR decreased and in their place, “I don't know about CSR” increased significantly from 31% to 57%. However, positive opinions largely exceed negative opinions, and the situation that the public at large holds favorable attitudes towards CSR remains consistent.

For the Guidelines on Responsible Investment of Workers' Capital, “Don't know” increased from 39% to 53%. However, the situation where positive responses (“Very good” decreased from 9% to 7%, “Somewhat good” from 40% to 29%) largely exceeds negative responses (“Not very good” decreased from 9% to 8%, “Not at all good” increased from 2% to 3%) remains consistent.

3. Overall Summary of the Present Survey

3-1. Awareness of ESG Investing and the Management of Public Pension Funds through Financial Market Investments

Compared to 5 years ago, the circumstances surrounding ESG investing have changed significantly, and positive policies have been clarified in the management of public pension funds. However, only 5% knew about ESG investing, and even if we include those who “Have heard the term before”, the total came up to only 14%. The results of the present survey shows that the general public who are the actual concerned party as enrollees or recipients of pensions, are not keeping up with the changes.

ESG Investing is a recent investment method and it is not necessarily unnatural that a large part of the general public are still unaware of it. Rather, the problem is that close to 40% of the people are not aware that pension reserve funds are being invested in the financial market. If we limit it to those in the pension enrollment ages of 20 to 59 years, the number becomes close to half. Pension reserves are saved from contributions paid by all Japanese citizens enrolled in the public pension system, and it is a grave issue that people are unaware of how they are being managed.

At the time of the survey, it had been 31 years since the market investment of public pension funds begun in 1986 and about 16 years since the management of the reserve funds was directly entrusted to the GPIF in 2001. Yet, the situation remained as such.

The management of pension funds is long-term. However, if the majority of the citizens do not understand and support market investment of pension funds, an environment where sustainable long-term investment is possible will never be realized. The results of the present survey strongly suggest the necessity of promoting public awareness of the market investment of reserve funds.

Being an investment, ESG investing also aims to secure a profit. It is an investment strategy aiming to improve long-term returns by investing in companies that engage in environmental, social and corporate governance issues. Alternatively, it is an investment strategy that minimizes risks by excluding those companies that do not actively engage in these issues and only pursue short-term profit. Behind it is the principle of improving the environment, society and corporate governance through investment.

For the average Japanese, “investment” carries an image of being difficult, risky, and similar to gambling, and people may not be eager to actively think about it. However, if it is understood that there is a side of it that relates to improving the environment, society and corporate governance, the image may also turn positive.

Stock Investment of public pension funds still brings about allergic reactions from various quarters but ESG investing may help lessen such reactions. Also, in the management of reserve funds, short term investment performance tends to get all the attention, including by the media, but more attention may be given to long-term performance as well. In this sense, ESG investing has the possibility of becoming a strong foothold for the promotion of public awareness of market investment of public pension reserve funds.

In order to increase people’s interest in the management of funds paid for by the people, first and foremost the Japanese government and the GPIF should raise awareness of market investment of reserve funds. In the Basic Policy for Reserve Funds, it has been specified that “The competent minister and the operation and management body should actively engage in information disclosure and publicity activities in order to promote the understanding of the insured.”⁹ ESG investing would be a perfect subject matter.

At the same time, active participation of a wide variety of professionals from various related fields is indispensable in order to promote public awareness. It is hoped that researchers from educational institutions such as Universities, financial sector employees from for example asset management companies, people who work in the media, research institutions, NGO and other, debate and discuss management of pension funds and ESG investing, each from their own respective standpoints. Then we can expect a healthy public opinion on the management of pension funds to develop.

3-2 Public Opinion on ESG Investing based on Comparison with the Previous Survey

Concerning the comparison of public opinion on ESG Investing in the two surveys, although the survey design differences make them not entirely suitable for comparison, it turned out that whereas the positive, negative and unsure were about the same with one-thirds each in the previous survey, in the present survey, even though the positive exceeded the negative, half the people were unsure. Thus, even though it may not in itself be an ideal situation, one of the significance of the survey is that it revealed that overall, most of the public are still unaware.

⁹ Ministry of Internal Affairs and Communications, Ministry of Finance, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Health, Labour and Welfare, Notification No.1, (July 3, 2014) “Basic principle to ensure safe and effective management of reserve funds from a long-term perspective” Article 4,3.

Further, if we exclude those who answered “Unsure” and look at the relative relationship between the positive and the negative, overall those who responded favorably increased and unfavorably decreased. It is indicative that we could observe that the public is gradually moving towards supporting ESG investing.

Since we conducted the previous survey, the GPIF has reformed its Basic Portfolio and signed the PRI, and Japan’s Stewardship Code and Corporate Governance Code have been established. Also, in 2015 the Paris Agreement was reached at COP21 in Paris to combat climate change, and there was a huge surge of refugees from the Middle East and Africa to Europe. Both in and outside the country, there have been movements that heightened interest towards ESG. It can be said that public opinion has also been showing a certain shift in response to these changes.

3-3 Changes in Awareness of ESG Investing through the Present Survey

We have already mentioned that only 5% were aware of ESG Investing and 14% even if we include those who have “heard of the term before”. 86% of the people were totally unaware.

In the present survey, the flow of questions was to first get the respondents to form an image of ESG Investing through repeatedly asking questions that presents specific examples of environmental, social and corporate governance factors, as well as to get the respondents to be aware of the current circumstances surrounding ESG investing by asking about recent developments. Finally then we asked about ESG investing of pension funds. Consequently, 44% of the respondents answered “Don’t know” but 56% expressed some form of opinion.

If one knows nothing about ESG investing, one can only answer “Unsure” about the direction of the investment. However, through the process of completing the survey, a kind of knowledge or image of ESG investing must have formed and those who would have otherwise answered “Don’t know” decreased by half.

This shows that the present survey had a kind of “educational effect” about ESG investing.

Also for the last question which asks about the future direction of ESG investing, over half answered that they “Don’t know”. When asked to comment freely on the reason for their response, many who answered “Don’t know” left it as blank, wrote “None” or “It’s difficult”, but some wanted further information or showed interest in learning more. Even within the same “Don’t know” answer group, the reasons are manifold: some do not understand the term in the first place, some have formed an image but are unsure how to think about it, and some simply have not made up their minds.

ESG investing of the reserve funds paid by contributions from the people has already begun. The situation that the majority of the citizens are unaware is worrying. We hope that as many Japanese people as possible will deepen their understanding.

Chapter 2 Overview of the Research Plan [omission]

Chapter 3 On the Present Survey Data [omission]

Chapter 4 The Results of the Present Survey [omission]

Chapter 5 Comparison with the Previous Survey [omission]

Chapter 6 Main Comments from the Free Comments Section on the Future Direction of ESG Investing [omission]