

SDG Impact Japan Leverages Fund ID to Deepen Engagement and Enhance Sustainability Practices

SDG Impact Japan leverages BlueMark's Fund ID framework to amplify the impact of its portfolio companies while reinforcing industry standards and best practices.

PROBLEM

SDG Impact Japan (SIJ) is committed to driving measurable impact in public markets by investing in—and actively engaging with—companies to strengthen sustainability performance. Its listed equity strategy focuses on transforming corporate operations to become more sustainable and equitable, including efforts to reduce carbon emissions, promote gender equality, and improve supply chain practices. A key challenge lies in adapting impact approaches to listed equities and effectively measuring progress.

SOLUTION

BlueMark's Fund ID assessment evaluated the strength of SIJ's impact strategy, governance, management, and reporting practices—validating their alignment with leading ESG and impact investing standards. The assessment confirmed the robustness of SIJ's engagement-driven approach and its ability to catalyze operational sustainability improvements across portfolio companies. The recognition reinforces SIJ's position as a pioneer in bringing rigorous impact management to public equities and advancing sustainability through high-quality corporate engagement.

Rapid growth in Japan's impact investing market

Impact investing has gained significant momentum in Japan in recent years, with nearly 40% of Japanese businesses expressing commitment to responsible practices. The most recent survey on impact investing in Japan shows that impact AUM grew by 197% between 2022 and 2023. These trends demonstrate growing interest in Japan to tackle global social and environmental issues such as climate change. However, interest has also been uniquely focused on domestic challenges such as gender equality and healthcare for the country's aging population.

The impact investing market in Japan has gained momentum thanks to supportive government policies encouraging pension funds to consider impact, the Financial Services Authority's release of impact investing guidelines in March 2024, and a growing number of large institutional investors adopting impact strategies.

Aligned with this momentum, SIJ is working to drive measurable impact by engaging with public companies to strengthen their sustainability performance. By encouraging shifts in corporate practices—such as reducing carbon emissions, promoting gender equality, and improving supply chain practices—SIJ is helping to establish standards of behavior that reduce negative impacts, enhance positive outcomes, and ultimately strengthen companies' contributions to a more sustainable and equitable world.



Funds receiving a **Gold** rating implement most to all fundamental best practices across the four key pillars of the Fund ID assessment.

Shifting corporate behaviors through engagement

SIJ engaged BlueMark to conduct a Fund ID assessment of its listed equity strategy. By verifying its impact management practices, SIJ aims to enhance accountability, identify opportunities to align with global standards, and contribute to the growth of Japan's impact investing market. The Fund ID evaluation rated SIJ's impact credentials across Four Pillars of Impact Accountability: Strategy, Governance, Management, and Reporting. This review included an analysis of relevant policies, processes, and tools, as well as interviews with SIJ's staff.

The listed equity strategy is based on the belief that ESG factors are inextricably linked to the overall financial value of the companies, so as companies improve ESG factors, they can decrease risk and increase corporate value. Therefore, SIJ takes an engagement-centric approach, leveraging in-person meetings, site visits, industry conferences, expert discussions, and more, to identify the most material ESG factors for improvement.

SIJ received a Gold rating, reflecting the implementation of most to all fundamental best practices across the Four Key Pillars of Impact Accountability. The strategy clearly articulates impact objectives while managing material ESG risks/issues. The assessment highlighted especially strong performance in impact reporting, while also identifying opportunities to further strengthen impact governance. These results affirm SIJ's robust foundation in impact management and point to areas where continued refinement could enhance alignment with leading practices.

BlueMark's recommendations included documenting key roles and responsibilities for impact and ESG management across various teams to ensure consistent integration throughout the investment process. Additionally, BlueMark recommended expanding SIJ's screening and due diligence assessments to include additional dimensions of impact, in addition to ESG factors. Through these improvements, SIJ will be able to more holistically assess the impact and ESG performance of a company, identify areas for engagement and improvement, and assess how those improvements are aligned with SIJ's impact objectives.

Using impact ratings to drive industry best practices

Through the Fund ID assessment, SIJ gained actionable insights to enhance its approach, particularly related to the integration of impact considerations alongside ESG factors. SIJ's engagement with BlueMark reinforces its leadership in corporate engagement and its interest in advancing the field of impact investing in Japan. SIJ is committed to sharing best practices in impact measurement and management with its peers to help scale industry efforts to address global and domestic social and environmental challenges.

“It was a valuable opportunity to review our approach in collaboration with BlueMark. We are honored to be recognized as a high-integrity public equities strategy that delivers measurable social and environmental outcomes while pursuing robust financial returns. As one of the few impact funds globally—and in Japan—focused on listed equities, we take this evaluation seriously and remain committed to continuously enhancing our practices.”

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