
KEYNOTE INTERVIEW

A new lens on life



The pandemic has served as a reminder that simple pleasures and rights should not be taken for granted, and that has fundamentally changed perceptions of ESG, says Jun Tsusaka at Japan's NSSK

Q What impact has the pandemic had on Japan and how has that affected attitudes towards ESG?

Covid-19 has impacted Japan in the same way it has many other parts of the world. The hardest hit sectors have been hospitality, travel and tourism – all those industries that rely on people going out and engaging with services. However, the pandemic has also had a profound impact on people's attitudes towards life. It has made them realise that so many of the things that they previously took for granted – spending time with friends and family, and travel, for example – are no longer a given. They are wary to visit relatives or gather in large numbers. That has created a greater appreciation of some of the simple things in life. And that, in

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turn, has made it abundantly clear how important ESG really is.

There is a recognition now that achieving carbon neutral objectives is paramount and that any delay is going to impact those simple pleasures that we have taken for granted for so long, such as swimming in a river or enjoying nature – all those things that are being so heavily affected by what mankind has done to the planet. At the same time, people have also recognised that the rights and freedoms they take for granted are not enjoyed by everyone. We live in a world where there is pervasive injustice and inequality, and it is incumbent on us all to close those

gaps and to make a better society. All these things have come to the fore, in part due to covid, and that has changed perceptions about ESG in Japan, and I would think, right across the world.

Q How has NSSK stepped up its ESG efforts in response to some of those challenges?

For us, stepping up is probably not the right term because, as a firm, we have been advocating ESG from the outset. It is part of our mission statement, alongside generating superior financial returns. We have an explicit objective to pursue and promote ESG principles in everything that we do. In fact, I would say the biggest change has been less in our actions and more in the accelerated acceptance of what we are trying to achieve. Prior to covid,

when we entered into dialogue with the management teams of portfolio companies regarding key ESG-related KPIs, we would often need to explain the importance of these initiatives and deliver educational seminars to support those talks.

Today, the level of acceptance and prioritisation among management teams is far higher. Not only is there a recognition that this is the right thing to do, there is also a recognition that ESG leads to higher revenues and higher market values. As a result of the pandemic, all these things that we have been preaching about since the day we launched NSSK – protecting the environment, gender equality and empowerment, and good governance and transparency – are now accepted as key contributors to business outcomes. Financial returns are the direct result of solid and committed targets around ESG.

Q How has the discourse around DE&I evolved and how is that manifesting itself in your investment approach?

Diversity, equity and inclusion, or what we call gender-lens investing, is something that we decided to target very early on. Japan is significantly behind its developed country counterparts around the world when it comes to gender equality. The World Economic Forum publishes a gender equality index and Japan ranks disappointingly low – around 120th out of the 150 or so nations that are tracked.

That is concerning and so we felt, as a firm, that we could use our ability to impact the governance and strategic direction of a company, to impact HR policies and practices, specifically with the objective of promoting equality in the workplace, with regards to gender, disability and ethnicity, for example. We make it clear that a key target for



Q What would your advice be for anyone looking to accelerate progress against their ESG objectives?

One thing that we are often asked is how we have been able to generate these ESG outcomes in such a relatively short period of time. There are no short cuts in terms of having effective ESG policies and practices, of course, but what we have found is that it all starts with the way in which an organisation is set up. It starts with the leadership team. It is also important that ESG committees meet regularly and are truly empowered, staffed not only by ESG specialists but by key team members from across the business.

Next, it is critical to think carefully about portfolio construction. You need to think about which sectors and companies are most amenable to ESG change – where can the improvement or implementation of ESG really help drive the financial or business outcomes? Yet it is the organisational structure that ultimately drives performance and so I think organisational structure and culture must be the number one priority.

“There is a recognition now that achieving carbon neutral objectives is paramount”

us in every investment that we make is to increase not only overall employment levels, which has clear benefits for society in itself, but also to increase the number of women in the workforce and the number of women in managerial positions in particular. That is an absolute priority for us.

At NSSK’s annual meeting last year, we were able to report that 40 percent of our portfolio company chief executives and chief operating officers were women, 79 percent of all employees were women and that 49 percent of all managerial jobs were held by women.

Q You were also an early mover in the impact space, especially in the context of the Japanese market. What is your approach and how is it developing?

For us, impact is about helping and promoting local communities in Japan that have been left behind economically, for whatever reason. Many of the regional markets outside of Japan's first and second cities, Tokyo and Osaka, have experienced slow economic growth, as well as a brain drain. Meanwhile, ageing populations are exacerbating the situation. At the same time, around 70 percent of employment resides in those regional markets and in SMEs, according to the Ministry of Economy, Trade and Industry.

So, our thesis is that if we are going to truly help revitalise and reenergise the Japanese economy through private equity, we need to help revitalise and reenergise those regional markets, starting with SMEs.

To that end, in addition to our core private equity fund, where around 80 percent of commitments have come from overseas investors and where we are looking to generate superior financial returns as well as deliver on ESG objectives, we decided to launch a family of regionally focused funds looking at more micro-cap equity investments in those local regions. We have structured those funds in such a way that we work in partnership with the local communities and local financial institutions with specific, quantifiable and measurable impact targets around employment, diversity, the environment and community activity.

Q What would you cite as your biggest achievements in relation to ESG and impact to date? What are you most proud of?

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We published our first ESG annual report in 2021, and that makes us the first GP in Japan to have published such a document. As we were compiling the information for that report, getting input from management teams and employees, one thing that impressed us was how wide and how deep our ESG message has been able to penetrate, to the extent that a lot of employees are now coming to us asking for more information, and bringing their own suggestions with them. I consider that a real achievement.

It is also wonderful to hear individual anecdotes from within our portfolio companies. For example, there is a mother who started her career working part time in one of our portfolio companies – a marine park. At that time, it was not an easy place to work and also raise children. Today, however, that marine park is one of the leaders in

ESG and DE&I. The work environment has become far more supportive of women and today that employee is a full-time worker with a very fulfilling career, doing what she has always wanted to do and working every day with the animals she loves. In fact, she is the number two person in the whole organisation, having started out as a part-time worker many years before.

Thanks to some significant changes that we and the company targeted and then delivered upon, that company is now a better and easier place to work, with clear career paths for people seeking more and policies and practices designed to identify talented women and minorities that want to get ahead. Those are the types of stories that I love to hear.

Q What is next for NSSK when it comes to ESG and impact? What are your ambitions?

Thanks to the initiatives of our management teams and employees, our portfolio companies are now leaders when it comes to female empowerment. We now want to place an even greater emphasis than we do already on reaching environmental objectives. That brings with it additional challenges, because every company has different profiles when it comes to environmental impact and so each one requires a different approach.

However, thanks to a number of international organisations that have set standards of excellence and best practice, we are now working very hard to establish our own data-driven and science-based environmental targets at a firm level and at an individual portfolio company level. ■

Jun Tsusaka is a founding partner, CEO and CIO of Nippon Sangyo Suishin Kiko. He is also chairman of NSSK's ESG, diversity and inclusion committee