

August 7, 2023

Nippon Life Insurance Company

Enhancing ESG Investment and Finance

Nippon Life Insurance Company (President: Hiroshi Shimizu, hereinafter “Nippon Life”) has published “Enhancing ESG Investment and Finance,” a disclosure document that summarizes information on Nippon Life’s enhancement of ESG investment and finance initiatives.

Globally, the environment for ESG investment and finance has changed dramatically. Until now, the dominant approach has been to assume actual society as a given and then contemplate incorporating the risks and opportunities arising from actual society into the investment process. In contrast, the approach of integrating perspectives on solving environmental and social issues (shaping outcomes) into the investment process, rather than treating actual society as a given, is currently expanding in society.

Nippon Life aims to realize a safe, secure and sustainable society by promoting ESG investment and finance in a well-balanced manner through various approaches, based on ESG investment and finance including “integration”, a method which incorporates ESG factors in our investment and financing process as well as dialogue. Recognizing the need to continuously enhance ESG investment and finance initiatives while identifying global trends, we will contribute to secure investment incomes by continuing to promote outcome-oriented investing, based on the belief that these efforts will lead to the fulfillment of Nippon Life’s responsibilities to policyholders over the long-term.

Nippon Life has been selected by PRI (Principles for Responsible Investment) as the lead sponsor for the annual conference PRI in Person* to be held in Tokyo in October 2023. As the lead sponsor, Nippon Life will promote outcome-oriented investing, thereby contributing to the growth of ESG investment and finance around the world including Japan.

(*Ref.)

<Appointment as the lead sponsor of PRI in Person Tokyo 2023>

<https://www.nissay.co.jp/global/news/pdf/20230306a.pdf>

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Retracing Nippon Life's steps



Retracing Nippon Life's steps

■ Since its founding, Nippon Life has based its life insurance operations on the fundamental mentality of "co-existence, co-prosperity and mutualism". With this mind, we have made efforts to make investment and finance from perspectives of public interests in addition to safety and profitability

2019

- Adopted the Equator Principles



1889

- Since its founding, Nippon Life has carried out investment and finance that contribute to the public interests, including Japan's first corporate bonds of Osaka Railway



2018

- Endorsed the TCFD



- Introduced negative screening

2014

- Accepted Japan's Stewardship Code

2021

- Established the ESG Investment Strategy Office
- Set targets for ESG themed investment and finance
- Set target for net zero GHG emissions in 2050
- Appointed as a PRI Board Director
- Joined NZAOA

UN-convened Net-Zero Asset Owner Alliance

2020

- Started impact investment

2023

- Raising numerical targets for themed investment and finance and decarbonization financing facility
- Joined Impact-driven Financing Initiative
- Nippon Life has been selected as the lead sponsor for the annual conference PRI in Person



2022

- Set mid-term target for GHG reductions in 2030
- Established Decarbonization Financing Facility
- Appointed as a member of the NZAOA's Steering Group
- Accepted stewardship code for corporate pensions
- Joined PCAF, CA100+ and Advance



2017

- Formulated policy on ESG investment and finance initiatives
- Set targets for ESG-themed investment and finance (700 billion yen as the numerical targets for FY2017 to FY2020)
→ Implemented investment and finance of approx. 1 trillion yen, exceeding the target
- Signed Principles for Responsible Investment

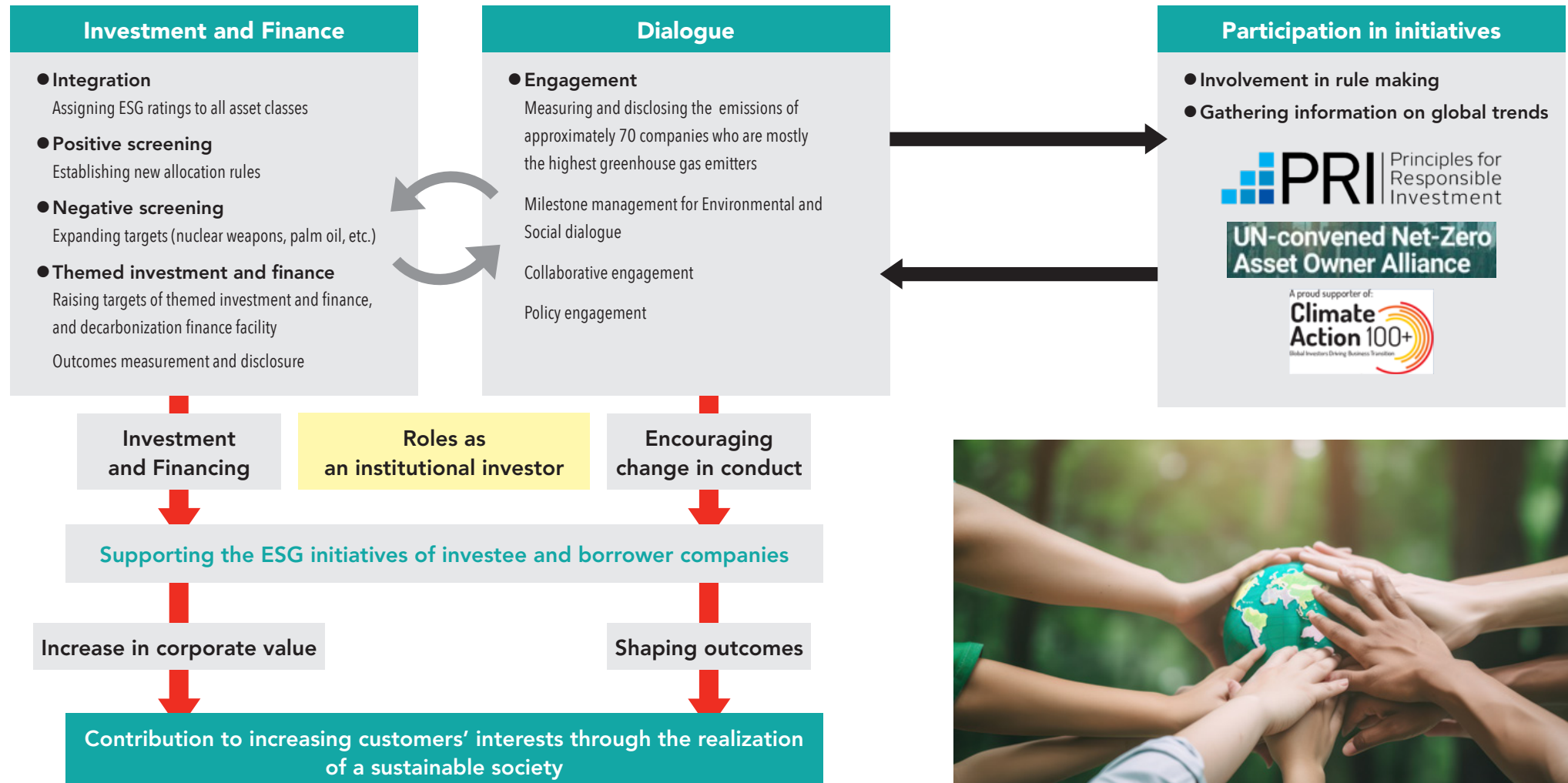


A close-up photograph of several hands of different skin tones working together to assemble white puzzle pieces. The puzzle pieces are interlocking and form a circular shape in the center. The background is blurred, showing more hands and puzzle pieces, suggesting a collaborative effort.

Details of Enhancing ESG Investment and Finance

Overview of ESG Investment and Finance

■ Contribution to expanding customers' interests through the realization of a sustainable society based on investment and finance as well as dialogue



Strengthening Integration

- Assigning proprietary ESG ratings to all asset classes and strengthening integration of ESG factors into investment decisions
- Clarifying the definition of ESG ratings and applying it to allocation rules* which, create a consistent evaluation system across all assets (positive screening)

Assigning ESG ratings to all asset classes



Definition of ESG ratings

Definition	
1	The ESG-related initiatives of companies and other business enterprises will be positive for corporate value and other factors (sustainable growth potential / creditworthiness) over the medium to long-term.
2	The ESG-related initiatives of companies and other business enterprises will be neutral for corporate value and other factors (sustainable growth potential / creditworthiness) over the medium to long-term.
3	The ESG-related initiatives of companies and other business enterprises will be negative for corporate value and other factors (sustainable growth potential / creditworthiness) over the medium to long-term.
4	The ESG-related initiatives of companies and other business enterprises will be significantly negative for corporate value and other factors (sustainable growth potential / creditworthiness) over the medium to long-term.

Applying to allocation rules (Introduction of positive screening)

- For indirect investment, the state of the ESG activities of third-party investment funds and other partners will be evaluated on a four-tier scale.

*Setting portfolio weight standards for each ESG rating in the investment portfolio

Expanding the Target Scope of Negative Screening

- Historically, Nippon Life has prohibited investment and finance as well as related activities in specific weapons manufacturing companies (cluster munitions, biological weapons, chemical weapons, and anti-personnel mines) and coal-fired thermal power generation businesses in Japan and overseas
- The scope of screening will be expanded from the perspective of fulfilling our mission as a life insurance company and strengthening our response to important social challenges

	Screening areas	Screening assets	Rationale for additional screening
Non-humanitarian	<ul style="list-style-type: none"> ■ <u>Specific weapons manufacturing companies</u> (Cluster munitions, biological weapons, chemical weapons, anti-personnel mines, <u>nuclear weapons</u>) 	<ul style="list-style-type: none"> ■ Equity investments ■ Bond investments ■ Corporate loans 	<ul style="list-style-type: none"> ■ Response in light of the non-humanitarian nature of these areas
Biodiversity and human rights	<ul style="list-style-type: none"> ■ <u>Palm oil-related companies*</u> *Excluding companies which are 100% RSPO certified 		<ul style="list-style-type: none"> ■ Response in light of environmental destruction and human rights problems (such as child labor)
Health	<ul style="list-style-type: none"> ■ <u>Tobacco-related companies</u> 		<ul style="list-style-type: none"> ■ Response in light of health effects
Climate change	<ul style="list-style-type: none"> ■ <u>Coal-related projects(excluding brownfield projects aligned with 1.5°C pathways)</u> ■ <u>Oil and gas-related projects</u> (1)<u>Greenfield exploration projects</u> (2)<u>Related projects except resource explorations(excluding gas-related projects aligned with 1.5°C pathways)</u> 	<ul style="list-style-type: none"> ■ Project finance (New financing) 	<ul style="list-style-type: none"> ■ Response in light of climate change problems

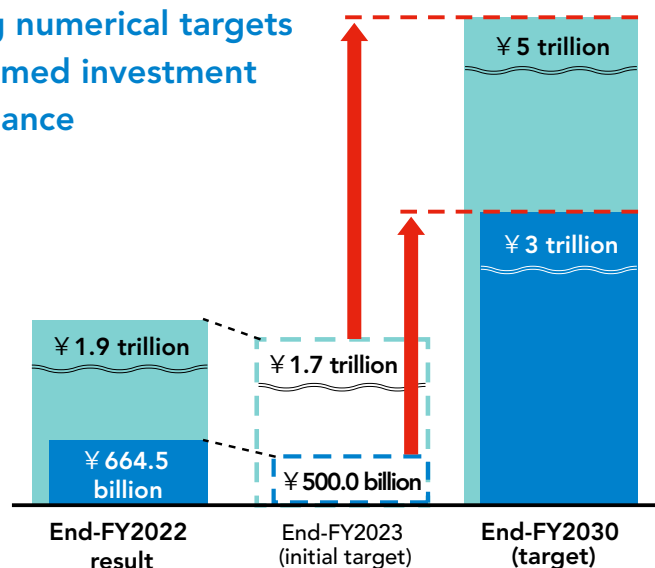
*Underline refers to additional screening by the enhancing ESG investment and finance

Promoting Themed Investment and Finance: Strengthening the Creation of Sustainability Outcomes

■ Raising the numerical targets for themed investment and finance to ¥5 trillion, and the sub-target for decarbonization financing to ¥3 trillion (2017-2030) (targets raised in March 2023)

■ Strengthening the measurement and disclosure of sustainability outcomes shaped by financing for investee and borrower companies

Raising numerical targets for themed investment and finance



Major examples of decarbonization financing facility



Renewable energy



Green finance



Innovation finance



Transition finance

Examples of outcomes shaped through themed investment and finance

Contribution to the amount of greenhouse gas
emission reductions

Approx. 3.35 million tons / year

Amount of greenhouse gas emissions reduced by companies
through their businesses with the financing



Supply of water essential to daily life (people) ^{*1}

Approx. 1.40 million people / year

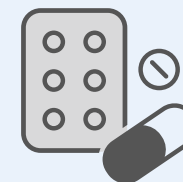
The number of people who can now be supplied with water essential to
daily life through the financing for desalination plants and other projects



Supply of medical services (people) ^{*2}

Approx. 950,000 people / year

The number of people who can now receive medical services
through the financing for medical facilities



^{*1} The number of people supplied with water is calculated on an annualized basis as the capacity of desalination plants and other projects to supply household water divided by the average global annual water usage (per person).

^{*2} The number of people supplied with medical services is calculated as the annualized number of patients per day.

Promoting Themed Investment and Finance: Clarifying definitions

■ Nippon Life defines finance below as ESG Investment and Finance

Area	Eligible finance		Target amount
Environment	Finance that complies with international principles	<ul style="list-style-type: none"> ■ Finance that complies with the principles announced by the International Capital Market Association (ICMA), Loan Market Association (LMA) and other international organizations <ul style="list-style-type: none"> ● Green bonds and loans ● Transition bonds and loans ● Sustainability bonds and loans, sustainability linked bonds and loans, positive impact finance 	Decarbonization financing facility ¥3 trillion*
	Real estate	■ Finance for environmentally friendly real estate	
	Projects	■ Project finance for offshore wind farms and other related projects	
	Funds	■ Funds that contribute to the achievement of the SDGs	
	Others	■ Other (finance other than those listed above that are expected to benefit the environment)	
Society	Finance that complies with international principles	<ul style="list-style-type: none"> ■ Finance that complies with the principles announced by the International Capital Market Association (ICMA), Loan Market Association (LMA) and other international organizations <ul style="list-style-type: none"> ● Social bonds and loans ● Sustainability bonds and loans, sustainability linked bonds and loans, positive impact finance 	—
	Real estate	■ Finance for real estate with high value of public interests	
	Projects	■ Project finance for infrastructure-related businesses with high value of public interests	
	Funds	■ Funds that contribute to the achievement of the SDGs	
	Others	■ Others (finance other than those listed above that are expected to benefit society)	
Total			¥5 trillion

* Investment and finance that will support decarbonization initiatives in the environmental sector are managed separately as the decarbonization financing facility.

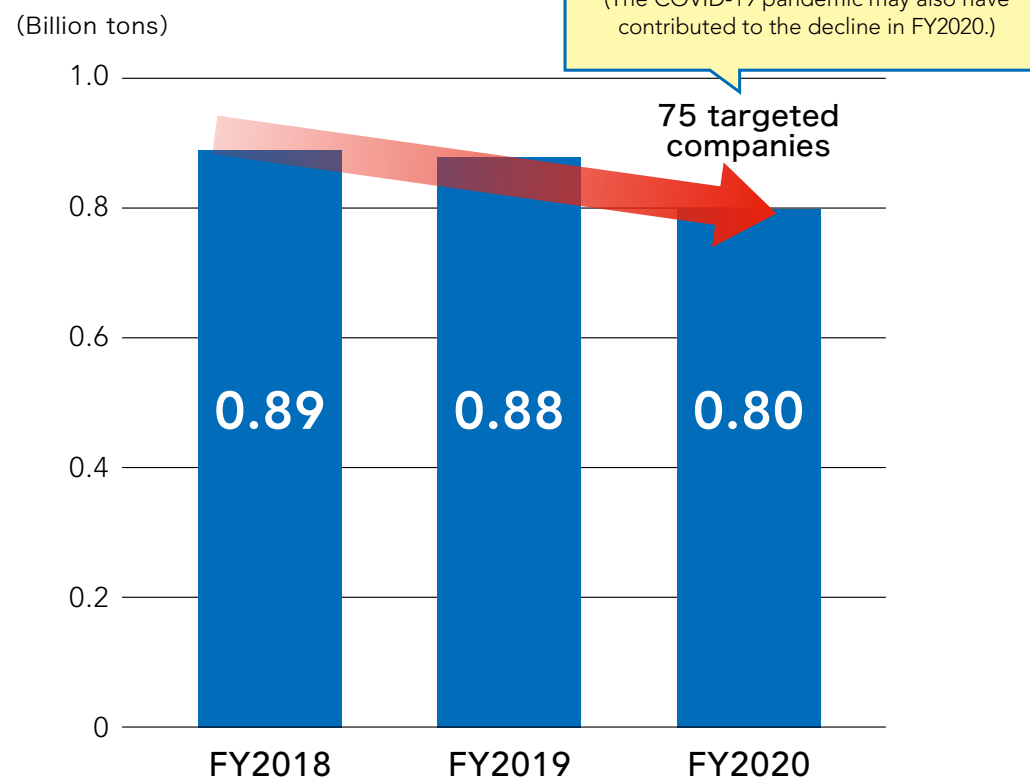
Strengthening Engagement: Dialogue with the Highest Greenhouse Gas Emitters

- Requests for the formulation and disclosure of an emissions reduction roadmap to achieve “net zero” emissions in 2050 by implementing dialogue focused primarily on climate change with approximately 70 companies that account for approximately 80% of emissions from investees
- Confirming the status of emissions reductions by measuring and disclosing the greenhouse gas emissions of approximately 70 companies who are mostly highest emitters

Status of disclosure of reduction roadmap



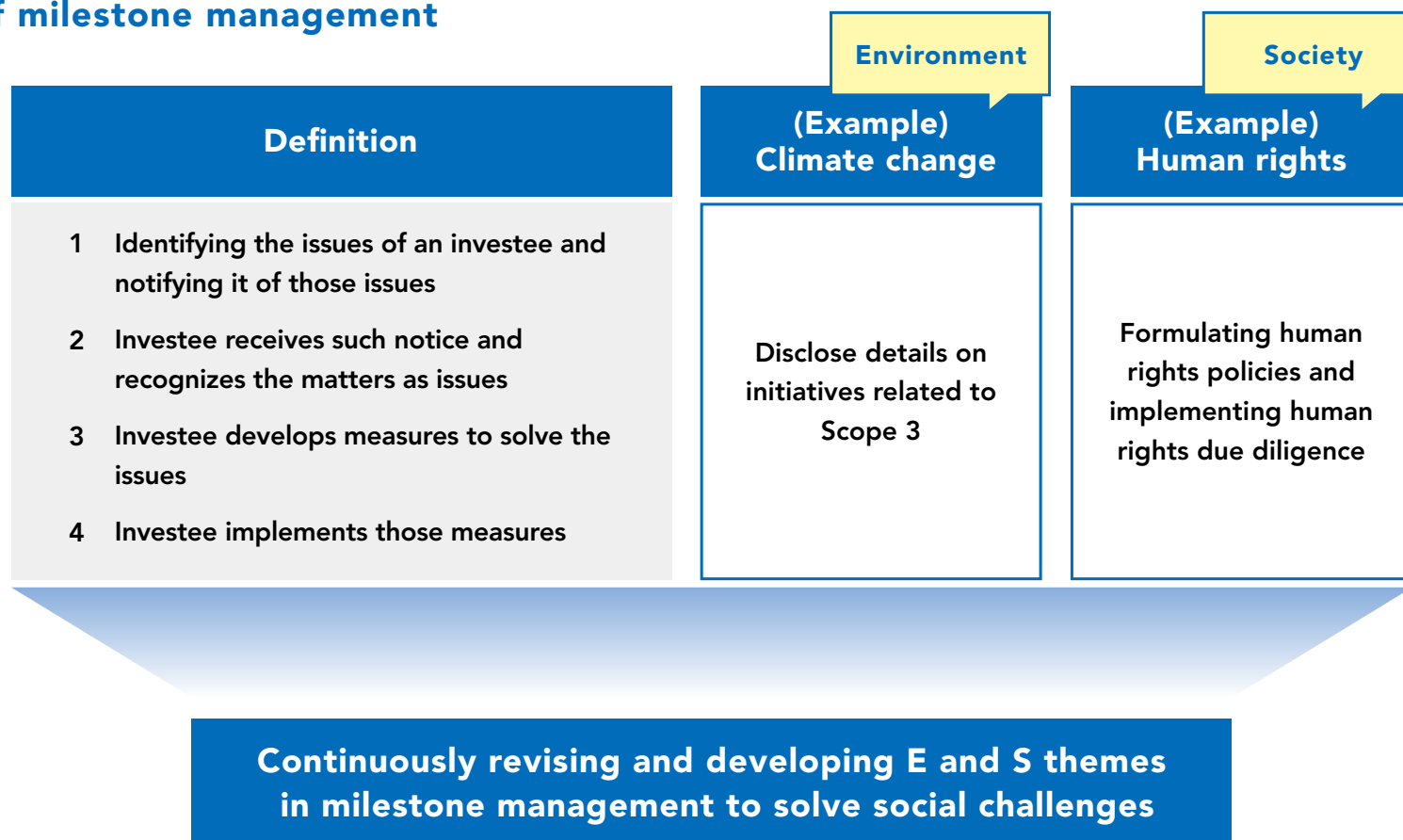
Status of greenhouse gas emissions reductions



Strengthening Engagement: Conducting Milestone Management

- Defining issues to present to investee companies based on key Environmental (E) and Social (S) themes, Nippon Life manages changes in corporate conduct in four stages through engagement* (milestone management), and provide future disclosure

Definition of milestone management



*In situations where the investee company cannot be expected to solve issues, Nippon Life proceeds with escalation to exercising voting rights, selling off assets, etc.

Revision of ESG Investment Policy

■ Renaming of “ESG Investment Policy” as “ESG Investment Guidelines”

In light of our social responsibilities as a life insurance company, we will manage all asset classes in our portfolio taking into account adequate asset class characteristics and regional specificities. We will also take mid-to long-term approach considering environmental, social and governance perspectives (*). Taking into consideration the mission and public nature of life insurance business, as well as our approach to important social challenge, we do not invest into certain companies and businesses. Through our investment and stewardship activities, we will seek to shape sustainability outcomes to realize a sustainable society, while also strive to secure long-term stable investment returns.

*ESG themes (including stewardship activities)

Climate change is one of the priority issues that we must confront globally. According to research by the Intergovernmental Panel on Climate Change (IPCC), which consists of scientists from around the world, and other studies, a significant reduction in greenhouse gas emissions will be required. In order to achieve our 2030 GHG emission reduction target as well as to achieve net zero by 2050, Nippon Life will provide finance to business that supports decarbonization and also engage with high emitting companies to encourage their decarbonization effort.

Human rights issues refer to actions that violates the human rights with which all people are inherently endowed, and these include forced labor, discrimination, and harassment. Since the United Nations formulated its Guiding Principles on Business and Human Rights in 2011, there has been an international outcry for human rights conscious corporate management and government around the world are working to establish standards. In Japan, the government published guidelines for respecting human rights in 2022. In Nippon Life's investment activity, initiatives reflecting those guidelines will be implemented.

Human capital management is a management approach that views human resources as capital and seeks to maximize their value for the sake of enhancing corporate value over mid-to long-term. In particular, we recognize the importance of linking corporate strategy and human resource strategy, regardless of industry sector, and will support efforts related to corporate human capital management.

Other ESG topics includes nature & biodiversity, sustainable well-being, diversity, local communities, executive remuneration, minority interests, takeover defense measures, and independence of directors. Nippon Life provides regular updates on these topics through our ESG Investment Report, website and other disclosure material.

1. Nippon Life integrates ESG factors into all asset classes in order to contribute to solving social issues. Specifically, we conduct proprietary ESG evaluation (assignment of ESG ratings) for all asset classes and use it for investment decisions.
2. For equities, corporate bonds, loans, and real estate, we apply proprietary portfolio allocation rule which limits the investment into lower rated investments. The rule aims to prioritize capital allocation to higher rated investments as well as to encourage positive ESG developments through engagements to companies that has greater room for improvement.
3. ESG-themed investment, which we define as investments which the use of proceeds contributes to the attainment of SDGs goals, Nippon Life will prioritize investment opportunity that will deliver superior sustainability outcomes.
4. In our engagement activity, Nippon Life requests disclosure of non-financial information encompassing ESG perspectives and conduct dialogue with a focus on the ESG topics we deem important, as well as implementing appropriate stewardship activities. Through these efforts, we support the sustainable growth of investee and the creation of sustainability outcomes. In addition, we also participate in ESG initiatives including collaborative engagement initiatives. In cases when engagement is unsuccessful after multiple years, we consider options such as voting against the company's proposals in accordance with the Guidelines for Exercise of Voting Rights, as well as revisiting our investment view which may trigger reduction of investments.
5. Nippon Life's basic stance of ESG investment is to take a mid-to long-term perspective as well as to respect the diversity of country, industry sector, and company. We are generally not in favor of taking a short-term, one size fit all approach. However, from the perspective of the mission and public nature of the life insurance business, and our responses to important social issues, we do not invest in certain companies and businesses (Negative screening). Considering factors such as trends in international treaties, and standards formulated by various initiatives both domestic and international, we will continue to revise the target scope regularly update through our ESG Investment Report, website and other disclosure material.
6. As part of our customer-centric business operation, Nippon Life will engage with our customers (policyholders) to grasp awareness and values around ESG. This will allow us to reflect our beneficiaries' view into our ESG investment and strengthen the customer's confidence.
7. Nippon Life participates in various ESG related initiatives as well as government sponsored committees and working groups, both domestic and international. We provide feedback reflecting the regional specificities of Japan when adequate. We also conduct policy engagement so that there is an alignment between our sustainability outcomes goals and the policy actions.
8. Nippon Life actively builds relationships and communicates about its ESG activity with a wide range of stakeholders around the world, including financial institutions, governments, and local communities so that we contribute to the expansion of ESG investment and furthermore the sound development of financial markets.
9. In order to enhance ESG investment and create synergies within the Group, Nippon Life actively shares ESG expertise and challenge throughout the Group.
10. From the standpoint of preventing conflicts of interest, Nippon Life has implemented a structure of splitting sales unit and investment management unit. Regardless of business relationships, investment management unit can make an independent decision in proxy voting.

Notes on Forward-looking Statements and Related Matters

Although Nippon Life (the Company) makes every effort to provide accurate information in these disclosure materials, but the accuracy, validity, reasonableness, and completeness of all of the information contained in these disclosure materials cannot be guaranteed. Therefore, readers shall use the information contained in these disclosure materials at their own discretion. The Company shall bear no responsibility for any losses arising from the use of these materials by readers.

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