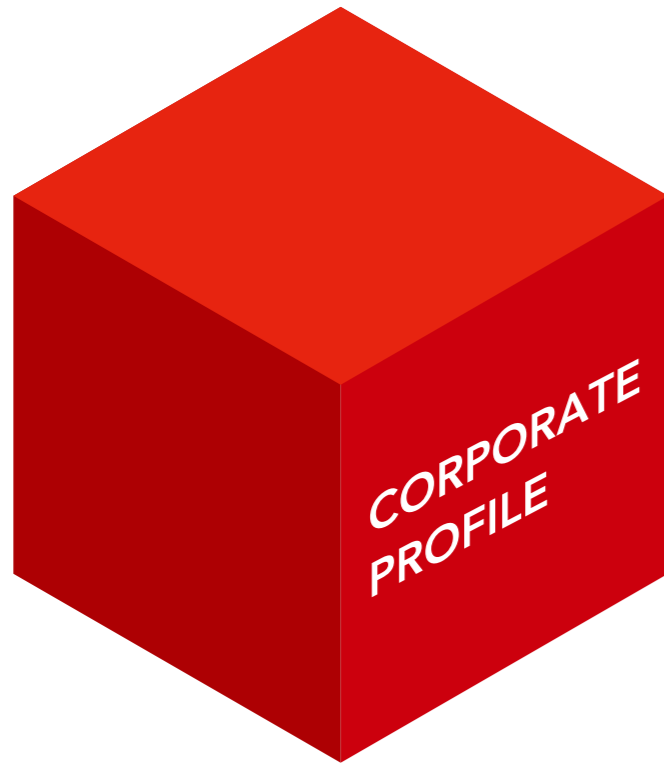


# ESG Investment and Finance Report 2022





Name	Nippon Life Insurance Company	
Locations	Osaka Head Office: 3-5-12, Imabashi, Chuo-ku, Osaka 541-8501, Japan Tokyo Headquarters: 1-6-6, Marunouchi, Chiyoda-ku, Tokyo 100-8288, Japan	
President	Hiroshi Shimizu	
Established	July 4, 1889	
Offices	●Branches .....	108
	●Global representative offices .....	4
	●Sales offices .....	1,510
	●Agencies* .....	18,771
Group Companies	●Insurance and insurance-related businesses .....	21
	●Asset management-related businesses .....	57
	●General affairs-related businesses .....	11

\*Agencies include agencies at banks and other financial institutions.

(As of the end of March 2022)

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## TOP MESSAGE

# We will help realize a sustainable society from a medium- to long-term perspective.

### The significance of ESG investment and finance initiatives

While our Fundamental Management Principles is to contribute to the stability and improvement of people's lives, our medium-term management plan launched last fiscal year sets customer-oriented business operations and sustainability management as the core principles of our business operations, and we have accordingly been pursuing initiatives that help resolve social issues to realize safe, secure, and sustainable societies. As an institutional investor, we are stepping up our ESG investment and finance, a form of asset management that takes environmental, social and governance issues into consideration, and encouraging efforts by our investee companies to resolve social issues. This will also lead to increased corporate value for investees and enable us to secure stable investment return. We believe that ESG investment and finance is meaningful to our customers because they help ensure that we fulfill our responsibility to provide security to our policyholders.

### Realizing a decarbonized society

To address the important and urgent issue of climate change, we have set a target of net-zero greenhouse gas (GHG) emissions for our investment portfolio by FY2050 as well as an interim target for FY2030 to ensure that we are on the path to achieving this goal. More specifically, we aim to reduce our total emissions by 45% or more from FY2010 levels and our intensity, which is the amount of emissions per unit of investment, by 49% or more from FY2020 levels. To achieve these challenging goals, it is critical that we continue the engagement and financing with a long-term perspective. This is because decarbonization is an issue that needs to be resolved by society as a whole, and selling off assets from a short-term perspective just to achieve our own investment portfolio's emission reduction targets will only serve to clean up our own backyard and not contribute in resolving society-wide issues. Moreover, a decarbonized society cannot be achieved in the short run. It is essential that we take a long-term perspective and support companies' phased transition to a business model based on a decarbonized society as well as decarbonization-related technological innovation in a variety of areas. We are supporting companies and the broader society in their efforts to decarbonize through attentive engagement with high carbon emitting companies on climate change as a major topic, the integration of ESG issues,

including climate change, into investment and finance decisions, and financing through ESG-themed investment and finance that support environmentally-friendly initiatives. In March of this year, we raised the target amount of ESG-themed investment and finance to 1.7 trillion yen, within which we established a Decarbonization Financing Facility of 500 billion yen to support transition and innovation initiatives in addition to our existing green investments. We will continue to support the efforts of companies and society as a whole from the long-term perspective we hold in our capacity as a life insurance company offering long-term guarantees.

### Disseminating our views as one of Japan's leading financial institutions and institutional investors

The social and economic situation worldwide is changing dramatically against the backdrop of Russia's invasion of Ukraine among other events, and ESG initiatives for achieving sustainable societies are becoming increasingly complex. At the same time, there is a growing movement to crack down on sham ESG initiatives, with regulations and standards around ESG being created at a rapid pace not only in Europe but globally as well.

Under these circumstances, we believe as a leading Japanese financial institution and institutional investor that it is important to evaluate diverse ESG initiatives from a long-term perspective and support the sustainable growth of our investees, and we are actively disseminating our views globally. Specifically, our executives serve as directors or other key officials in the United Nations Principles for Responsible Investment (PRI) and the Net-Zero Asset Owner Alliance (NZAOA), which play a leading role in ESG investment and finance and asset owners' actions to climate change, participate in global ESG discussions and communicate our opinions. We will continue actively contributing to the realization of sustainable societies together with other financial institutions around the world.

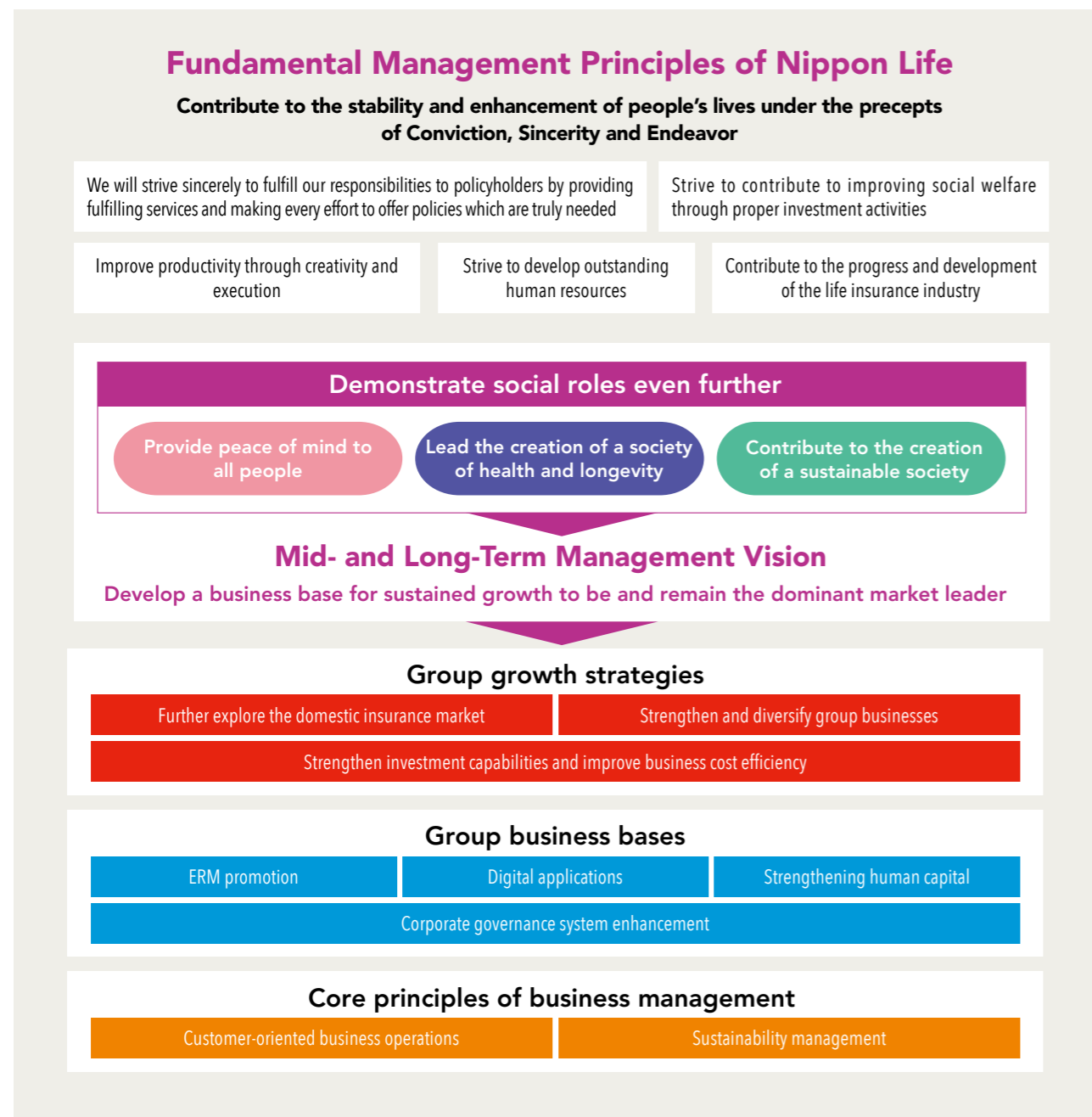
We published our ESG Investment and Finance Report 2022 this year with the aim of reporting to our stakeholders in greater detail our approaches and initiatives regarding ESG investment and finance. We will continue making efforts to enhance our ESG investment and finance activities, aiming to both realize sustainable societies and secure stable investment return, thereby helping fulfill our responsibility to provide security to our policyholders.

**Hiroshi Shimizu**  
President



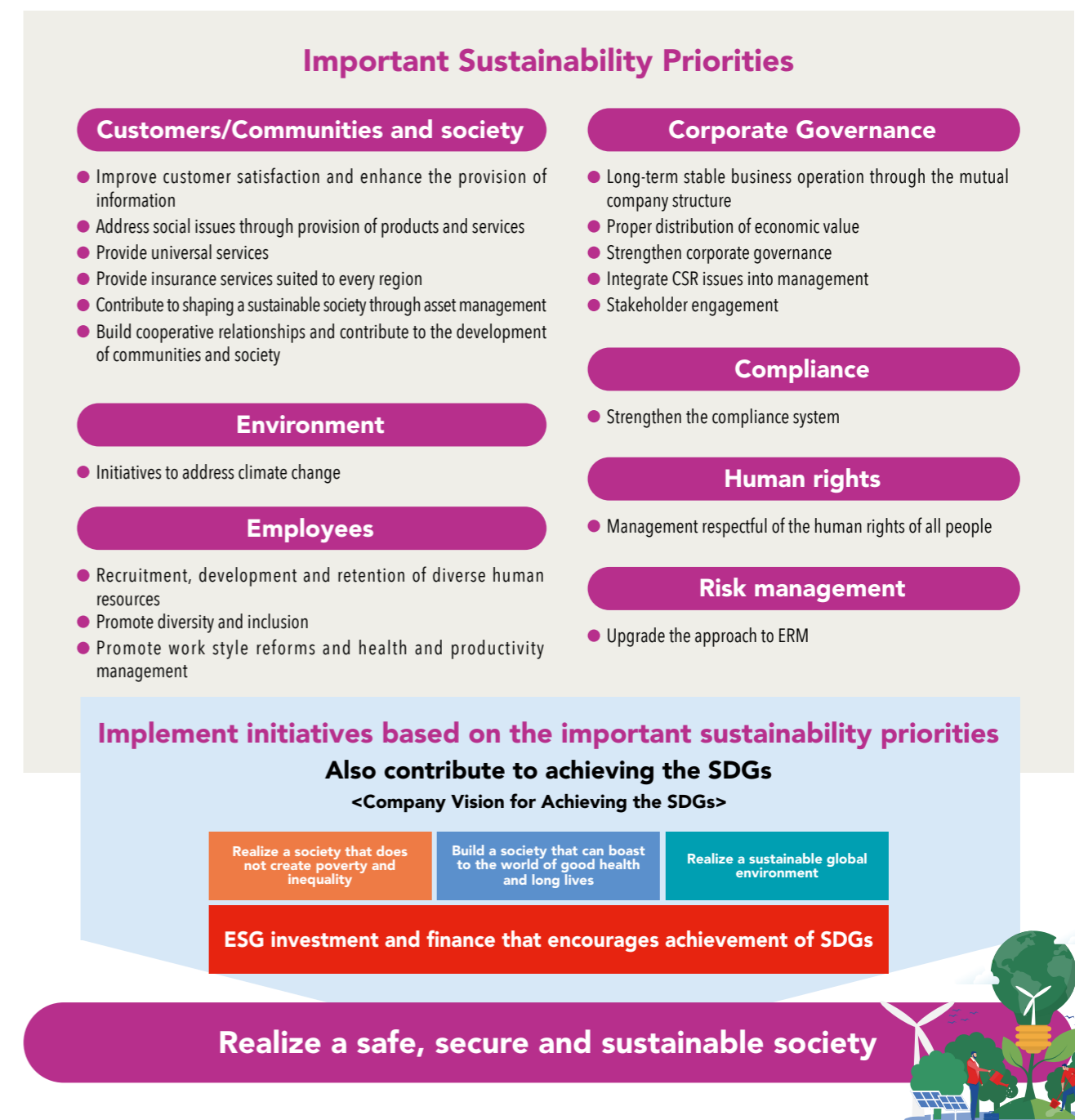
# Nippon Life's Fundamental Management Principles and Mid- and Long-Term Management Vision

Guided by the Fundamental Management Principles of Nippon Life that commit us to contribute to the stability and enhancement of people's lives, we will strive to further fulfill our role in society of providing peace of mind to all people, leading the creation of a society of health and longevity, and contributing to the creation of a sustainable society. Through this, we aim to develop a business base for sustained growth to be and remain the dominant market leader, as defined in our mid- and long-term management vision. To achieve our mid- and long-term management vision, we have designated customer-oriented business operations to continue being selected by large numbers of customers and sustainability management to support the sustainable growth of society as the core principles of business management. We will engage in the life insurance business with the three growth strategies of further exploring the domestic insurance market, strengthening and diversifying our group businesses, and strengthening our investment capabilities and improving business cost efficiency. Through this business model, we intend to deliver value including providing products and services that meet the diverse needs of customers, contributing to the development of investees and borrowers, communities, society and environment, and encouraging diverse human resources to thrive in many ways.



# Sustainability Management at Nippon Life

In striving to realize a sustainable society, companies must fulfill their responsibility to society by working to solve social challenges such as climate change and human rights issues. Contributing to the security and welfare of the public is part of the Fundamental Management Principles of Nippon Life, and we practice sustainability management in all of our business activities, aiming to increase our corporate value through contributions to realizing a safe, secure and sustainable society. In our Mid-Term Management Plan (2021-2023), we have positioned sustainability management as a core principle of business management to better meet the diverse needs of customers over the long term amid the major changes to social structures and lifestyles that will take place. Based on 18 important sustainability priorities, we will steadily implement initiatives related to sustainability management and further demonstrate our role in society to contribute to realizing a "safe, secure and sustainable society." Through these initiatives, we will also contribute to achieving the globally adopted, shared Sustainable Development Goals (SDGs) to be achieved by FY2030.

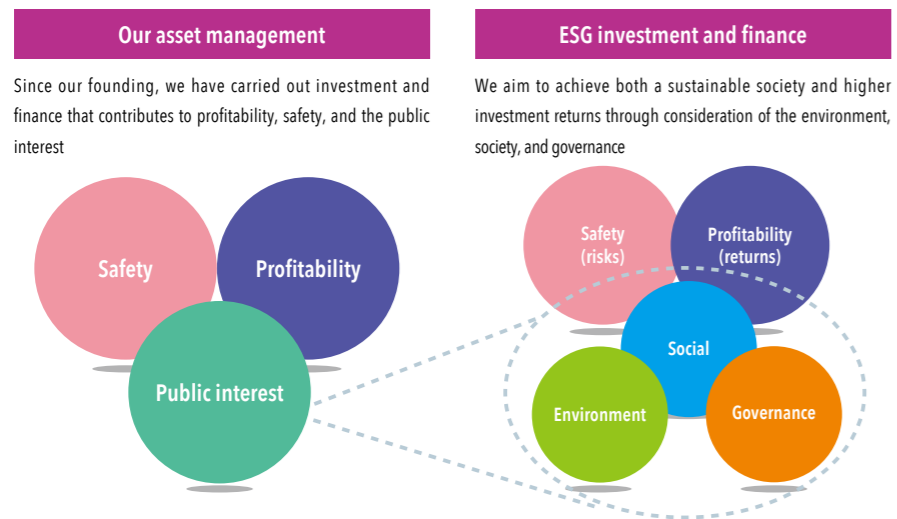


## SIGNIFICANCE

# Significance of Nippon Life's Commitment to ESG Investment and Finance

Since its founding, Nippon Life has carried out investment and finance that contributes to public interest even in the field of asset management while working on solid management from a long-term perspective with customers' interests as our top priority, based on the fundamental mentality of "co-existence, co-prosperity and mutualism" in a life insurance business. ESG investment and finance, which supports sustainable growth of investees and borrowers from a mid- and long-term perspective, are fundamentally rooted in the same principle as the mid- and long-term investment and finance policy considering a balance between profitability, safety and public interest emphasized by Nippon Life.

### Nippon Life's ESG investment and finance

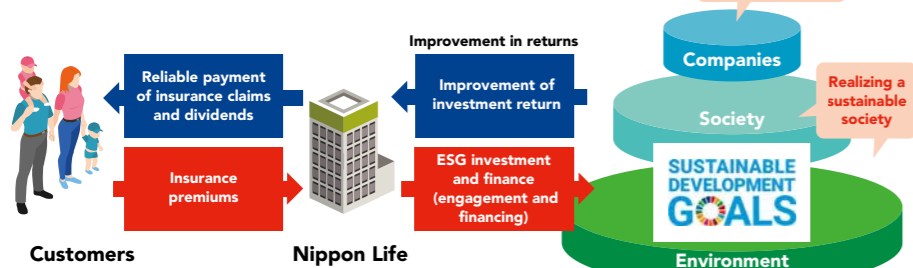


ESG investment and finance can also contribute to investment returns because, by considering environmental and social factors in investment and financing decisions, the sustainability of the global environment and society, which is the foundation of all companies' business activities, can be improved.

In addition, investees aim to solve environmental and social issues and seize revenue opportunities that capture social demand, thereby increasing their corporate value.

In this way, ESG investment and finance contributes both to realizing a sustainable society and to increasing the corporate value of investee companies, and the resulting improvement in investment returns leads to greater customer benefits, such as the reliable payment of insurance claims and benefits along with the stable payment of policyholder dividends.

### Customer benefits from ESG investment and finance



## POLICY

# ESG Investment and Finance Policy and Basic Stance

### Basic approach for management of general account assets

- We conduct asset management placing the highest priority on fulfilling our financial obligations to our policyholders.
- We endeavor to increase long-term, stable investment returns by implementing consistent investment strategies.
- Taking into account the mission and public nature of the life insurance business, we conduct asset management to meet the needs of our policyholders.

### ESG investment and finance policy

In light of its social responsibilities as a life insurance company, Nippon Life will conduct asset management based on consideration for environmental, social and governance issues across all assets from the medium- to long-term perspectives, according to asset and regional characteristics. By conducting such asset management, Nippon Life will work to coexist with the environment, communities and society, and to share sustainable growth with the global economy and other companies along with striving to secure long-term, stable investment returns.

- 1 Nippon Life will consider ESG perspectives in investment and finance processes across all assets, as it strives both to contribute to the realization of a sustainable society and secure long-term, stable investment returns. Moreover, in bond investments, financing, and related activities based on ESG themes, Nippon Life will confirm whether the use of funds will help to solve environmental or social issues. In addition, Nippon Life will make environmentally and socially considerate real estate investments.
- 2 As part of constructive dialogue with investee companies, Nippon Life will conduct dialogue based on ESG themes, along with implementing appropriate stewardship activities. In the process, Nippon Life will support the sustainable growth of investee companies.
- 3 As part of dialogue with investee companies, Nippon Life will request improvements in disclosure of not only financial information but also non-financial information, including ESG perspectives. In parallel, Nippon Life will conduct surveys and research on how information should be disclosed appropriately.
- 4 Nippon Life will make efforts to enhance and share its investment process through sharing ESG investment and finance expertise with its subsidiaries and information exchange with signatory companies, industry groups, and so on, as well as studying advanced cases of ESG investment and finance.
- 5 Nippon Life will contribute to stimulating activity in the ESG investment and finance market by publicly disclosing the status of its ESG investment and finance and proactively communicating opinions related to ESG investment and finance through participation in international conferences and so on.

### Our Basic Stance on ESG Initiatives

Through investments and financing that take advantage of the long-term capital characteristics of life insurance, we aim to both solve social issues and strengthen investment returns.

Our initiatives are characterized by three points. The first is that we take a medium- to long-term perspective and respect the diversity of goals and processes in each country, industry, and company. For example, negative screening conducted solely from an ESG perspective may result in a one-size-fits-all approach in the short term, so we limit the scope of negative screening to a limited number of targets.

The second is that we evaluate and support

ESG initiatives not for a superficial focus on ESG for its own sake, but as a means to both increase corporate value and solve social issues.

The third is our approach. We have positioned "integration," which we introduced in all asset classes in FY2021 to evaluate the ESG initiatives of our investees, and "engagement," in which we engage in dialogue based on these evaluations, as the cornerstones of our efforts to address social issues by influencing the company as a whole.

Based on this basic stance, for example, in addressing climate change, we have emphasized a medium- to long-term strategy of improving corporate value over the medium to long term by encouraging companies to decarbonize through dialogue, rather than a short-term strategy of withdrawing or banning investments and financing in high-emitting industries. In the past, there was a tendency to focus on risks such as stranded

<b>Perspective</b>	Emphasizing diversity by country, industry, and company over the medium- to long- term, rather than a one-size-fits-all approach in the short term
<b>Evaluation criteria</b>	Evaluating ESG initiatives that contribute to increasing corporate value, rather than ESG for its own sake
<b>Main approach</b>	Working together with companies to solve social issues through both engagement (dialogue) and integration (investment and financing)

assets in high-emitting industries, which in some respects contributed to the withdrawal or banning of investments and financing. With Russia's invasion of Ukraine and other developments, there is a growing global awareness of the importance of transitioning to cleaner fuel sources, and attention is being paid to capturing opportunities through financing for companies engaged in transitioning

and innovating with the intention of decarbonizing and increasing corporate value. We have already established a 500 billion yen Decarbonization Financing Facility for transitions and innovation in addition to green investments and financing, and we are working to support the decarbonization efforts of companies and society in terms of both risk and opportunity.

# HISTORY

## History of Nippon Life and ESG Investment and Finance

Since its founding, Nippon Life has based its life insurance operations on the fundamental mentality of "co-existence, co-prosperity, and mutualism." With this in mind, we have made efforts to conduct sound management from a long-term perspective while giving the highest priority to maximizing benefits for our customers. In the asset management field, we have carried out investment and finance that contributes to the public interest.

By pushing ahead with ESG investment and finance activities, we aim both to contribute to the realization of a sustainable society and to improve investment returns.



● Since its establishment, Nippon Life has carried out investment and finance that contribute to the public interest, including Japan's first corporate bonds of Osaka Railway.

- Formulated the ESG investment and finance policy
- Set targets for ESG-themed investment and finance (700 billion yen as the numerical target for FY2017 to FY2020)

Implemented investment and finance of approx. 1 trillion yen, exceeding the target

- Signed Principles for Responsible Investment (PRI)



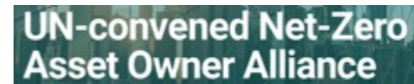
- Endorsed the TCFD
- Introduced negative screening



- Adopted the Equator Principles

- Started impact investment

- 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 the Net-Zero Asset Owner Alliance (NZAOA)



- Set midterm 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 and CA100+



- TCFD disclosure becomes mandatory for prime segment listed companies following the TSE market restructuring

- Japan's Corporate Governance Code revised again
- Glasgow Financial Alliance for Net Zero (GFANZ) established

- Japan's Stewardship Code revised again
- Goal of net zero GHG emissions by 2050 declared by the Japanese government

Nippon Life founded

1889

2006

2014

2015

2017

2014

2017

2018

2018

2019

2020

2021

2022

- Principles for Responsible Investment (PRI) formulated

- Global trends

- Paris Agreement adopted
- SDGs adopted
- Japan's Corporate Governance Code released

- Japan's Stewardship Code released

- TCFD recommendations
- Japan's Stewardship Code revised

- Japan's Corporate Governance Code revised

### Recent track record

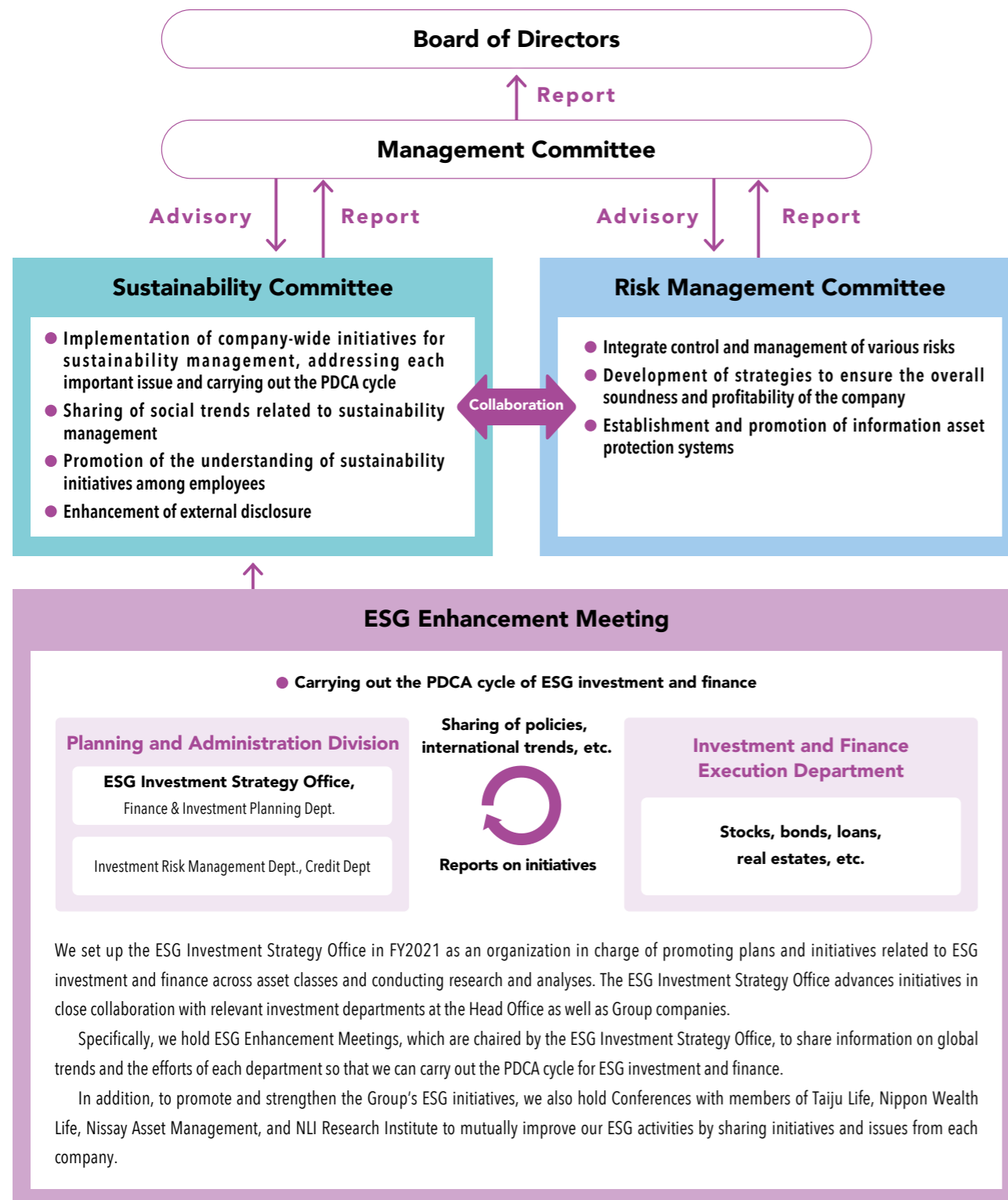
Dialogue		Investment and finance	
<b>Total companies</b> <b>749</b> <small>(July 2021 to June 2022)</small>	<b>Number of companies for dialogue on climate change as a major theme</b> <b>74</b> <small>(They account for about 80% of GHG emissions from investments in domestic listed equities and domestic corporate bonds)</small>	<b>ESG-themed investment and finance</b> <small>Goal</small> <b>1.7 trillion yen</b> <small>(April 2017 to March 2024)</small>	<small>Result</small> <b>Approx. 1.6 trillion yen</b> <small>(April 2017 to September 2022)</small>
<b>Total rate of important issues solved later</b>	<b>29%</b> <small>(Rate of important issues that existed in 2021 and have been resolved)</small>	<b>68%</b> <small>(Rate of important issues that existed in 2017 and have been resolved after five years)</small>	<b>Decarbonization Financing Facility</b> <small>Goal</small> <b>500 billion yen</b> <small>(April 2021 to March 2024)</small>
<b>Total emissions</b> <b>Approx. -41%</b> (compared with FY2010)		<b>Intensity</b> <b>Approx. -15%</b> (compared with FY2020)	

Covers Scope 1 and 2 emissions for investments in domestic and foreign listed equities, domestic and foreign corporate bonds, and real estate.

# Governance System for ESG Investment and Finance



Each committee is assigned the task of addressing important sustainability priorities and promotes specific initiatives. We have strengthened our governance by establishing a system in which the status of deliberations and initiatives by each committee are reported to the Sustainability Committee, an advisory organ to the Management Committee, and then to the Management Committee and the Board of Directors.



We set up the ESG Investment Strategy Office in FY2021 as an organization in charge of promoting plans and initiatives related to ESG investment and finance across asset classes and conducting research and analyses. The ESG Investment Strategy Office advances initiatives in close collaboration with relevant investment departments at the Head Office as well as Group companies.

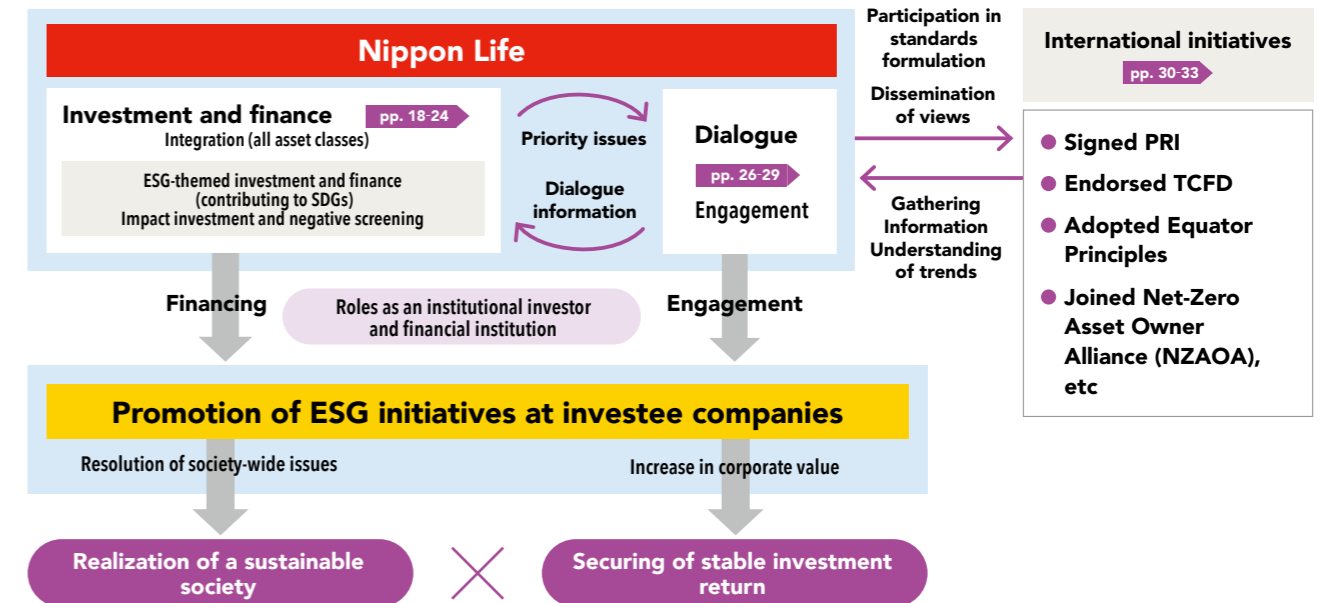
Specifically, we hold ESG Enhancement Meetings, which are chaired by the ESG Investment Strategy Office, to share information on global trends and the efforts of each department so that we can carry out the PDCA cycle for ESG investment and finance.

In addition, to promote and strengthen the Group's ESG initiatives, we also hold Conferences with members of Taiju Life, Nippon Wealth Life, Nissay Asset Management, and NLI Research Institute to mutually improve our ESG activities by sharing initiatives and issues from each company.

# Overview of ESG Investment and Finance Initiatives

We are supporting the ESG initiatives of investee companies primarily through investment and finance as well as through dialogue. We are also gathering information and stepping up our participation in international discussions through the various initiatives of which we are a member.

## Overview of initiatives



## Topics garnering worldwide attention

ESG-related social issues encompass a variety of topics, and global discussions are progressing on these topics' relevancy to corporate value and to information disclosure. We are closely monitoring trends and strengthening our efforts in the areas of climate change, which is becoming ever more important due to the frequency of extreme weather events, and of human rights and human capital, on which regulations are being tightened and disclosure made obligatory, particularly in Europe and the US. We will continue to consider adding key topics in our ESG investment and finance activities as needed.

### Domestic and international trends for each topic of interest

#### Climate change (pp. 14-15)

- 2015 COP21 approved Paris Agreement
- 2017 TCFD published final report
- 2018 IPCC released 1.5°C Special Report
- 2020 Japanese government set net-zero greenhouse gas emissions target for 2050
- 2021 GFANZ established
- Japanese government upwardly adjusts 2030 interim target
- 2022 IPCC released its Sixth Assessment Report

#### Human rights (pp. 16)

- 2011 United Nations established Guiding Principles on Business and Human Rights
- 2011 OECD revised Guidelines for Multinational Enterprises to include provisions on human rights due diligence
- 2015 Legislation requiring companies of a certain size to carry out, disclose and report human rights due diligence processes were established in the U.K., France, the Netherlands, and other countries
- 2019
- 2022 Ministry of Economy, Trade and Industry established Guidelines on Respecting Human Rights in Responsible Supply Chains

#### Human capital (pp. 17)

- 2018 ISO published Guidelines for internal and external human capital reporting
- 2020 SEC mandated disclosure of human capital
- 2021 Revised Corporate Governance Code recommends disclosure of human capital
- 2022 Ministry of Economy, Trade and Industry released the Ito Report on Human Capital Management 2.0
- 2022 Cabinet Secretariat released "Guidelines for Human Capital Visualization"

# Climate Change

## Importance of climate change issues

Climate change is recognized as one of the most urgent and significant of the various social issues confronting the world. The Sixth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC), a panel of scientists from around the world, states that the global average temperature increased by 1.09°C from 2011 to 2020 compared to pre-industrial levels, and that the temperature rise could reach 1.5°C over the next 20 years even in a scenario in which climate change responses are implemented. In a scenario without climate change action, the report predicts a temperature increase of 3.3–5.7°C by the end of the century. Furthermore, the report warns that if temperatures rise 2°C above pre-industrial levels, 800 million to 3 billion people will suffer chronic water shortages due to drought and other causes by the end of the century, and that the adverse effects on food production, health, and species will grow more serious as temperatures continue to rise. The scientific evidence shows how urgently crucial it is to address climate change.

The 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) held in 2015 approved the Paris Agreement with the goal of keeping the global average temperature increase from pre-industrial levels below 2.0°C and striving to keep it below 1.5°C. The 26th Conference of the Parties (COP26) held in the UK last year also confirmed that countries will be pursuing efforts to keep the global temperature increase within 1.5°C. Due to the urgency and significance of responding to climate change, both the public and private sectors are accelerating their efforts globally. Countries and regions around the world are taking steps such as setting greenhouse gas emission reduction targets and enacting laws. Private companies and organizations are increasingly working together, and last year about 450 institutions, mainly banks, insurance companies, and asset management companies, launched the Glasgow Financial Alliance for Net Zero (GFANZ), a voluntary global alliance of financial institutions committed to achieving net-zero emissions by 2050, and issued a strong statement of intent.

## Our approach

We recognize the impacts of climate change on both our life insurance and asset management businesses, and we are undertaking initiatives to control risks and enhance resilience.

With regard to our asset management business, we as an institutional investor investing in numerous assets view climate change issues as an important risk in asset management and we are thus bolstering our responses.

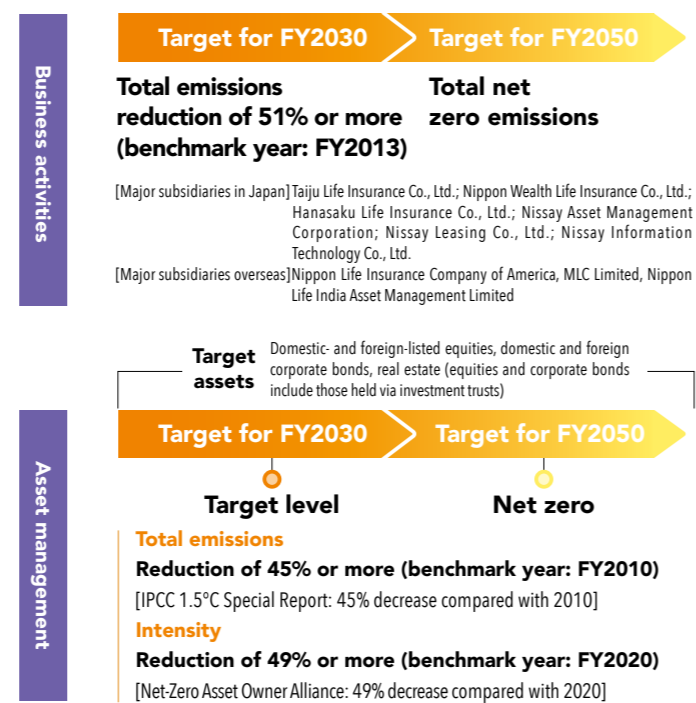
If the global environment is harmed by rising temperatures, the foundations of the business activities of our life insurance business as well as investee companies will be undermined, and the impact will be enormous. Our investee companies are facing the risks of higher regulatory compliance costs (transition risk) and deterioration of financial condition due to storm and flood damage to assets (physical risk), which may lead to a decline in our portfolio's value.

To address these climate change risks, we recently set a target of net-zero greenhouse gas emissions in our asset management portfolio for FY2050 and an interim target for FY2030. We have also joined the Net-Zero Asset Owner Alliance (NZAOA)\*, a global initiative of asset owners aiming to achieve net-zero greenhouse gas emissions from their investee companies by 2050.

To achieve our goals, we will pursue both financing and engagement with companies. We will strive through these efforts to generate positive impacts and mitigate the negative impacts of climate change issues on the global environment as well as to secure stable long-term investment return.

\*Please see page 32 for specific NZAOA initiatives.

### Establishment of GHG emission reduction targets for business activities and asset management



## Encouraging companies through engagement

As part of our approach for companies, we have promoted two initiatives through engagement with our investee companies: (1) quantitative and qualitative analysis and disclosure of business risks and opportunities associated with climate change, and (2) disclosure of the direction of greenhouse gas emission reductions toward the goal of net-zero emissions by 2050. We have also conducted climate change-focused dialogue with about 70 companies, many of which have high greenhouse gas emissions, and we will continue to carefully engage in dialogue with these companies in keeping with their circumstances, asking them to formulate and disclose reduction roadmaps toward net-zero emissions by 2050 and confirming their progress in reducing emissions toward that goal. Since circumstances differ by industry and company, we will not engage in one-size-fits-all dialogue focused solely on numerical values but will instead encourage companies to reduce emissions as best suited to their situations from a medium- to long-term perspective.

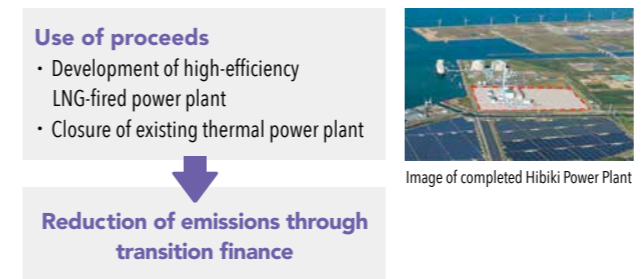
\*Please see pages 28–29 for examples of these dialogue.

## Financing through Decarbonization Financing Facility

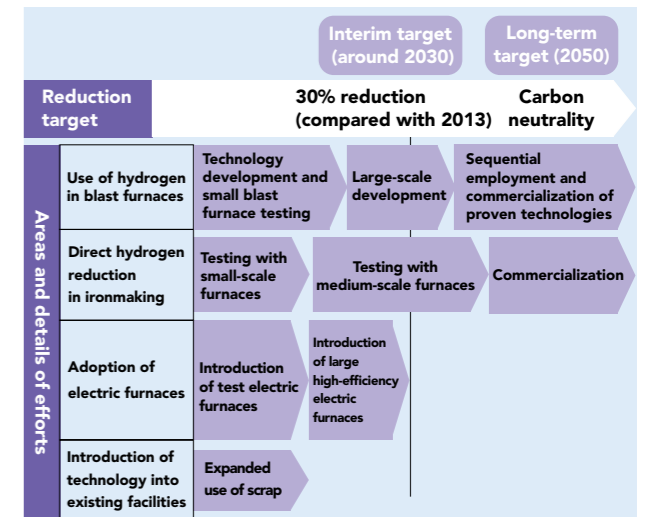
In terms of financing, the cumulative amount of ESG-Themed Investment and Finance exceeds 1.6 trillion yen, with approximately 70% of investment and financing in the environmental area. We recognize the importance of promoting transitions through which companies that emit a large amount of greenhouse gases make step-by-step reduction efforts toward decarbonization, as well as innovations in CO<sub>2</sub> capture and storage technologies and other decarbonization-related technologies to achieve net-zero emissions. Accordingly, we established a new Decarbonization Financing Facility in FY2021 (500 billion yen for FY2021–FY2023) to cover transition and innovation as a supplement to our existing green finance endeavors.

### Investment in transition bonds issued by Kyushu Electric Power CO., INC

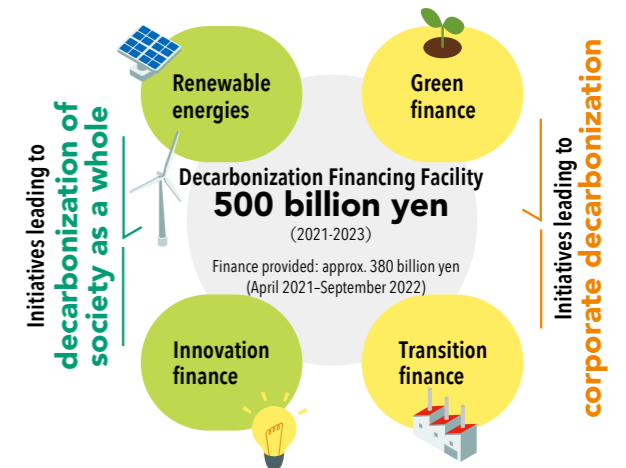
In May 2022, we invested in a transition bond issued by Kyushu Electric Power CO., INC. The proceeds from the bond issue will be used to develop a high-efficiency LNG-fired power plant and decommission an existing thermal power plant.



## Example of a reduction roadmap proposed to a steel manufacturer

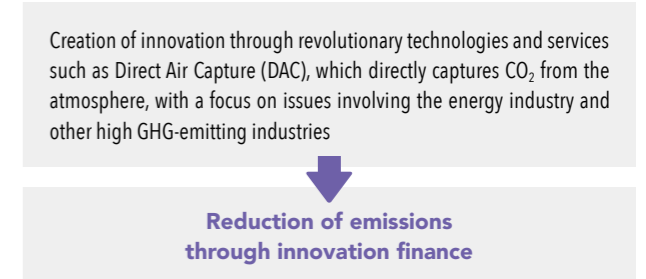


## Establishment of Decarbonization Financing Facility



### Investment in a decarbonization venture investment fund

In March 2022, we invested in a decarbonization venture investment fund managed by SVB CP CLIMATE IMPACT GP, LLC. The fund invests in venture companies that create innovations in new technologies and services that address climate change issues.







# Human Rights

## Importance of human rights issues

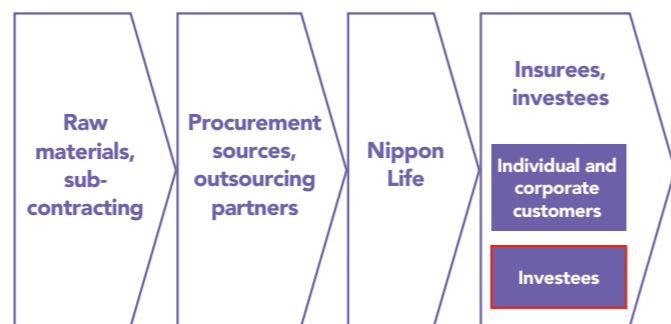
"Human rights issues" refer to actions that violate the human rights with which all people are inherently endowed, and these include forced labor, discrimination and harassment, and infringements on the lifestyles and cultures of local residents. Since the United Nations formulated its Guiding Principles on Business and Human Rights in 2011, there has been an international outcry for human rights-conscious corporate management, and governments around the world are working to establish standards. In the EU, for example, laws and regulations are being developed that impose an obligation on companies to conduct human rights due diligence to identify and prevent human rights risks. In September 2022, Japan also formulated Guidelines on Respecting Human Rights in Responsible Supply Chains, requiring companies to draft human rights policies and perform human rights due diligence.

Given these global trends, it is vital that companies prepare against human rights risks by conducting human rights due diligence in their own supply chains and those of their business partners. A company that fails to act could face the risk of strikes by employees and the loss of human resources as well as reputational risk and difficulty in raising funds, all of which could have a significant impact on the company's business performance and finances.

## Our approach

We acknowledge that respect for human rights is one of the most important issues to be addressed in management, and we perform human rights due diligence to prevent or mitigate any negative impacts that various aspects of our business activities could have on human rights. We also recognize that among the potential human rights risks in our business model is the risk of being held liable for human rights violations by the companies in which we invest or to which we lend. To address such risks, we incorporate the perspective of respect for human rights and other ESG factors into our investment and finance decisions and we engage in dialogue with companies. Going forward, we are stepping up our efforts to obtain the latest information on developments regarding human rights issues and to consider the human rights risks of the companies in which we invest.

### Human rights due diligence



# Human Capital

## Importance of human capital

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 the medium to long term. As the environment surrounding companies changes—driven by the aging of societies and declining birth rates, century-long lifespans, changes in lifestyle-related attitudes stemming from the COVID-19 pandemic, and digitalization—it is becoming increasingly important in corporate management to link management strategies with human resource strategies.

The Japanese government is also pursuing a variety of initiatives. In May 2022, the Ministry of Economy, Trade and Industry (METI) released the Ito Report for Human Capital Management 2.0, which encourages companies to manage human capital in conjunction with their management strategies. In addition, the Cabinet Secretariat in August published the Guidelines for Human Capital Visualization to deepen mutual understanding among stakeholders on corporate investment in human capital.

Depending on the human capital management approaches they adopt, companies can expect to be affected by both risks and opportunities. For example, a company that does not invest enough in human capital and does not pay enough attention to employee job satisfaction and proper working conditions may face the risks of greater inefficiency and the loss of human resources due to stunted employee growth. On the other hand, a company that actively invests in human capital can expect to increase its corporate value over the medium to long term by improving employee productivity and attracting excellent human resources.

## Our approach

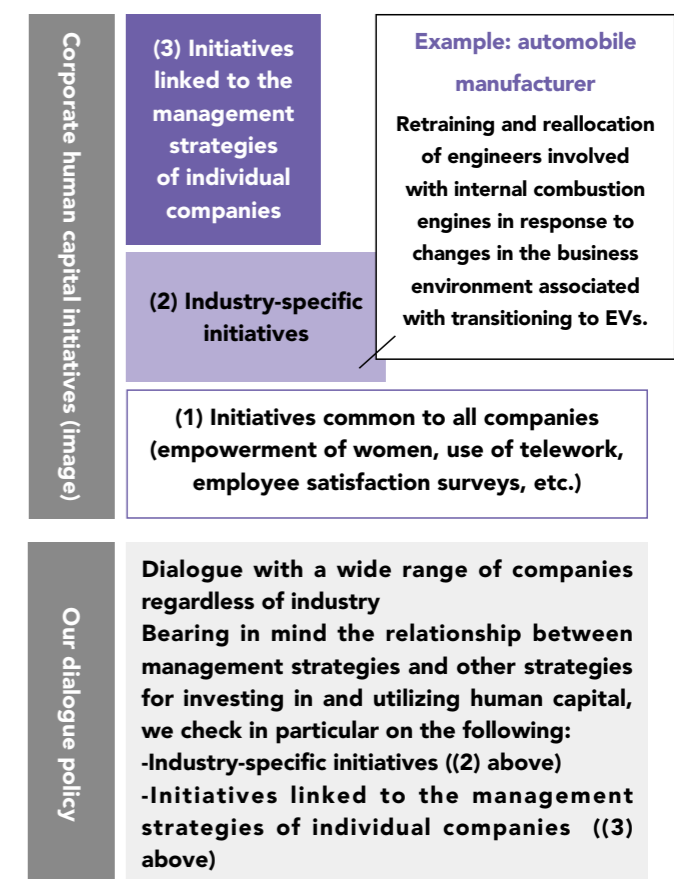
We regard human capital as an important topic from the perspective of improving corporate value, and we engage in dialogue with many companies regardless of industry. Specifically, we interview companies about their advanced initiatives in areas such as diversity, workstyle reform, and employee engagement, and conduct dialogue activities while considering how these human capital investment and utilization strategies can help improve corporate value. We also encourage other companies to pursue their own human capital management initiatives by introducing them to these advanced examples.

We believe that human capital initiatives leading to increased corporate value can be categorized into three types: (1) initiatives common to all companies, (2) industry-specific initiatives, and (3) initiatives linked to the management strategies of individual companies. Since human capital disclosure is often limited to (1), we deem it important to be aware of its relationship to management strategies and to confirm (2) and (3) through dialogue.

In future, we will bear in mind the relationship between management strategies and strategies for investing in and utilizing human capital and confirm the status of corporate initiatives through dialogue, particularly with regard to (2) (industry-specific initiatives) and (3) (initiatives linked to the management strategies of individual companies).

\*Please see pages 28-29 for examples of these dialogue.

### Corporate human capital initiatives and our dialogue policy



# Integration

Incorporating ESG factors into all asset management processes



Nippon Life implements "integration," a method which incorporates ESG factors in our investment and financing processes for all asset classes.

Specifically, the ESG initiatives of investee companies are evaluated in an appropriate manner to their asset characteristics, and investment and financing decisions are made by incorporating these evaluations into traditional analyses such as financial analysis.

When conducting ESG evaluations for investments in stocks and corporate bonds, for example, we use a well-balanced variety of

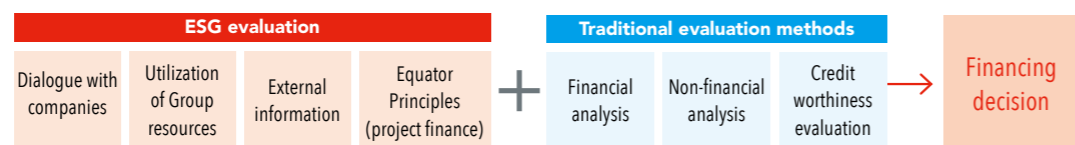
information from different sources, including information obtained through engagement with companies, information from Nissay Asset Management, a group company that has been conducting ESG evaluations for more than 10 years, information disclosed in integrated reports and other documents, and information from ESG data providers.

For important issues identified through the ESG evaluations, we confirm the situation and encourage the investee to take measures through dialogue. In this way, we aim to reduce portfolio risks and improve returns through the enhancement of investees' corporate value by linking "integration" and "engagement."

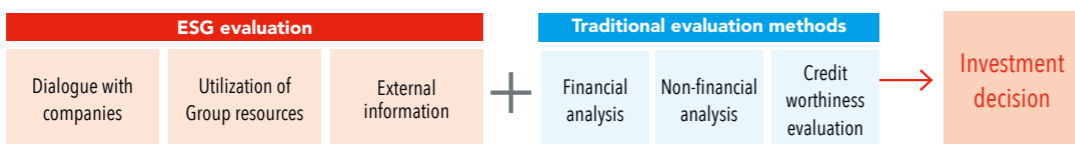
**Stocks**  
We evaluate the ESG activities of investee companies based on factors such as information obtained from dialogue with investee companies and information from ESG ratings agencies. We make investment decisions by incorporating ESG evaluations into qualitative evaluations of corporate analysis based on whether they will impact the corporate value of investee companies, together with performing quantitative evaluations of earnings projections and valuations.



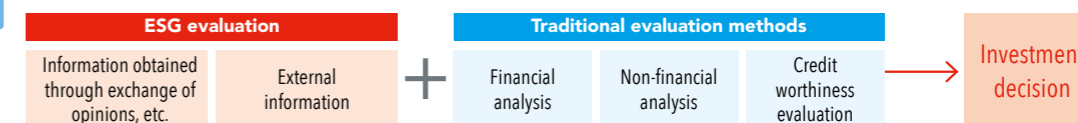
**Loans**  
We evaluate the ESG activities of borrower companies based on factors such as information obtained through on-site visits. We conduct credit assessments by incorporating ESG evaluations into qualitative evaluations of corporate analysis based on whether they will impact the creditworthiness of borrower companies, together with performing quantitative evaluations of financial analysis and other factors. In project finance, we conduct credit assessments by considering factors such as environmental and social risks and refer to standards such as the Equator Principles. We also consider ESG factors in the credit assessments of individual projects, in addition to assigning internal ratings based on ESG factors.



**Corporate Bonds**  
We evaluate the ESG activities of investee companies based on factors such as information obtained from dialogue with investee companies. We incorporate ESG evaluations into qualitative evaluations of corporate analysis based on whether they will impact the repayment ability of investees, together with performing quantitative financial analysis, assessment of interest rate levels and other factors.



**Sovereign Bonds**  
We evaluate the ESG activities of investees based on international statistics, information from ESG ratings agencies, and other data. We make investment decisions by incorporating ESG evaluations into qualitative evaluations of investment targets, based on whether they will impact the creditworthiness of investees, together with performing quantitative evaluations of the fiscal and economic conditions, interest rate levels, and other factors.



**Real Estate**  
We proactively acquire environmental and social certifications for investment property by setting environment-friendly building standards, along with pushing ahead with the introduction of equipment to conserve energy and reduce CO<sub>2</sub> emissions. In the process of selecting real estate contractors, we confirm the status of their environmental and social activities in construction work and the procurement of materials.



\*With regard to indirect investment, we confirm external managers' policies on ESG and the status of activities such as ESG integration, while considering investment strategies and asset characteristics. We take these factors into account when making investment decisions.

## Comments by personnel in charge



**Yusuke Sorita**  
Manager, Stock Section,  
Equity Investment Dept.

Today, ESG has become an important factor that influences corporate value in terms of both growth potential and risks. In conducting ESG analysis, we not only assess whether a company proactively engages in ESG activities but also analyze and evaluate how such activities will influence the business performance and corporate value of the company in the medium to long term, and incorporate the results of such evaluation in our investment decisions.

When conducting ESG analysis, in addition to various sources of information, such as the information released by the companies themselves or by ESG ratings agencies, we also place priority on dialogue with our investee companies on themes related to the

environment (E) and society (S). We promote initiatives to link "integration" and "engagement" by setting priority themes (climate change, human capital, supply chain management, etc.) for each industry, holding dialogue based on social trends, and reflecting the results in the mid- to long-term performance forecasts to evaluate their impact on corporate value.

We do not just provide our evaluation results but also aim to build a "relationship of co-existence and co-prosperity," in which our company and investee companies maintain good and sincere relations and grow together, while contributing to the realization of a safe, secure, and sustainable society by supporting the ESG initiatives of our investees.



**Daisuke Kawaguchi**  
Credit Investment Dept. Manager,  
Credit Investment Section,  
Nissay Asset Management

For investing in corporate bonds, it is particularly important to reduce downside risks, since the upside return is limited compared to stocks.

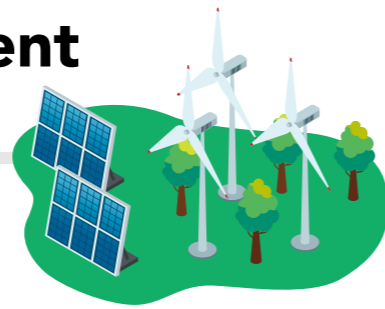
Our Credit Investment Dept. employs the ESG evaluation know-how that Nissay Asset Management has accumulated over the years and combines ESG evaluations with existing financial and business analyses to enhance the accuracy of creditworthiness assessments and assess the sustainability of companies. By doing so, we are able to reduce downside risks such as credit deterioration or default of investee companies.

Nissay Asset Management's analyses show that companies with high ESG evaluations are less likely to have their credit ratings downgraded by external rating agencies than companies with low evaluations. This also suggests that ESG integration is useful in reducing downside risks.

In addition, by incorporating the perspectives gained through constructive dialogue with investee companies into ESG evaluations, we can better reflect the conditions of individual companies.

# ESG-Themed Investment and Finance

Investment and financing that help resolve ESG issues

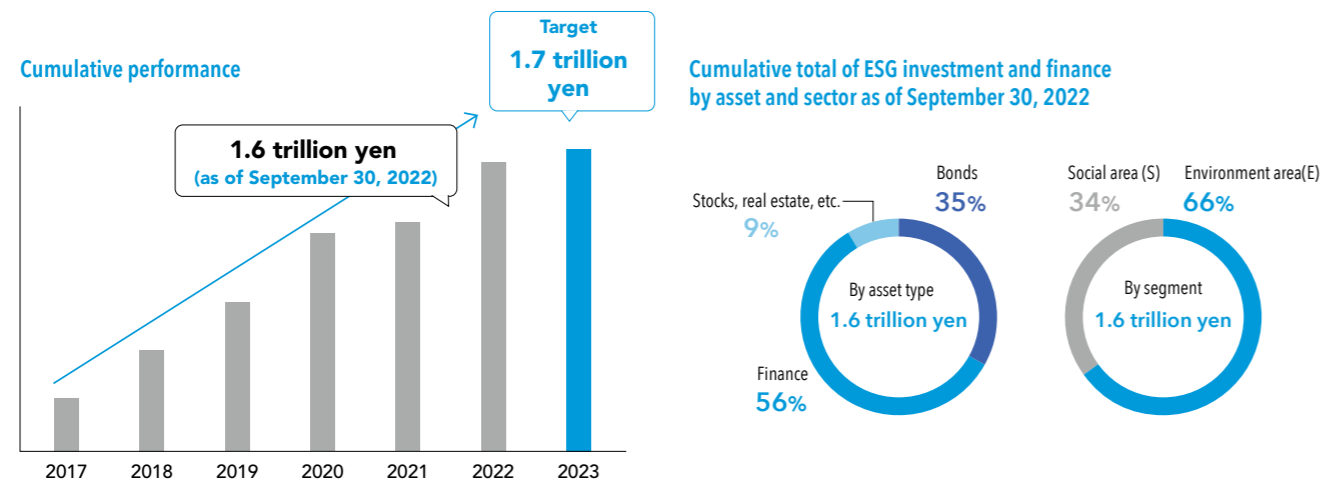


The 2015 United Nations Summit adopted the Sustainable Development Goals (SDGs) as international goals to solve global social issues and realize a sustainable world, and 17 goals and 169 targets were set with 2030 as the deadline for their achievement. Companies around the world are integrating the SDGs into their management and working toward common goals to be achieved by 2030. In our asset management activities, we aim to help bring about sustainable societies by supporting corporate initiatives through financing and other means.

Accordingly, we have set a target of 1.7 trillion yen in cumulative investment

and finance (FY2017-FY2023) where the funds are to be used to address SDG themes, and have made a variety of investments and financing, including green bond/loans and transition finance. As of the end of September 2022, the cumulative amount of investment and financing has exceeded 1.6 trillion yen.

We will continue identifying investment and finance projects that both help resolve social issues and improve asset management risk/return, and pursuing ESG-themed investment and finance initiatives.



## Examples of previous investment and financing



### Investment in social bonds issued by East Nippon Expressway Company Limited

In November 2020, we invested in social bonds issued by East Nippon Expressway Company Limited. The proceeds from the bonds will be used for new construction, reconstruction and repair of expressways, contributing to the development of local communities and the improvement of people's lives.



Image



### Investment in social bonds issued by The University of Tokyo

In October 2020, we invested in social bonds issued by The University of Tokyo. The proceeds from the bonds will be used for various research and education projects that contribute to the achievement of SDGs, including the development of an expansive state-of-the-art research facility for research based on a new global strategy for the post-pandemic era.



Photo courtesy of The University of Tokyo's TAO Project



### Financing for an international interconnected transmission line project between the UK and Germany

In July 2022, we signed a financing agreement for an international interconnected transmission line project connecting the United Kingdom and Germany with a 720 km undersea power line. This is the first international interconnected transmission line project between the UK and Germany, and completion of this project will help ensure a stable supply of electricity to both countries and support the expanded use of renewable energies.

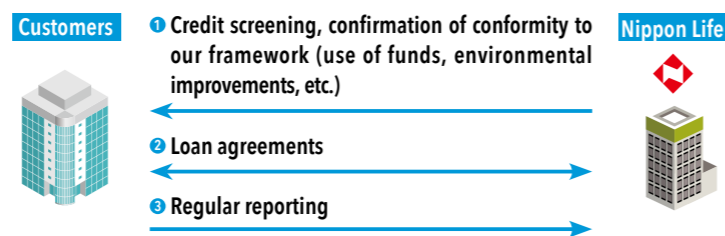


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## COLUMN

### Nissay Green Loans

In August 2022, we began offering Nissay Green Loans as financing to corporations seeking to decarbonize their operations. These loans are intended to finance green projects recognized as having the potential to improve the environment, and their conformity with international principles and guidelines is evaluated based on the Green Loan Framework ("the Framework") that we have formulated. We also obtain independent opinions from the Japan Credit Rating Agency, Ltd., on the conformity of the Framework to the relevant principles and guidelines.



**JCR** Obtained a third-party opinion on the Framework from Japan Credit Rating Agency, Ltd.



### Execution of Nissay Green Loan

In September 2022, we extended a Nissay Green Loan to Mitsui Fudosan Private REIT Inc. This was the first loan assessed for conformity with international principles and guidelines based on the Green Loan Framework we have developed. The proceeds from this loan will be used to refinance the acquisition of the Green Building.



Photo courtesy of Mitsui Fudosan Private REIT Inc.



**Hiroaki Inomata**  
Manager  
Structured Finance Dept.

### Comments by personnel in charge

In Europe, where offshore wind power generation is becoming increasingly popular, efforts are underway to efficiently utilize renewable energies by connecting countries with power lines and sharing electric power in both directions.

Since this was our first international interconnected transmission line project, we had some difficulties in analyzing

institutional aspects in the UK and Germany, but we used the knowledge we had gained from a previous seabed transmission line project to carry out our assessments.

We will continue actively supporting decarbonization efforts through ESG investment and finance.

# Impact Investment

Aiming to generate returns and environmental and social impacts



An impact investment is an investment that meets the following three criteria: (1) investment that is intended to create environmental and social impacts, (2) investment that is aimed at earning an economic return, and (3) investment that is accompanied by impact measurement and reporting. In identifying impacts, it is necessary to evaluate and measure both the positive impacts to be created by the investment and the negative impacts to be mitigated and managed.

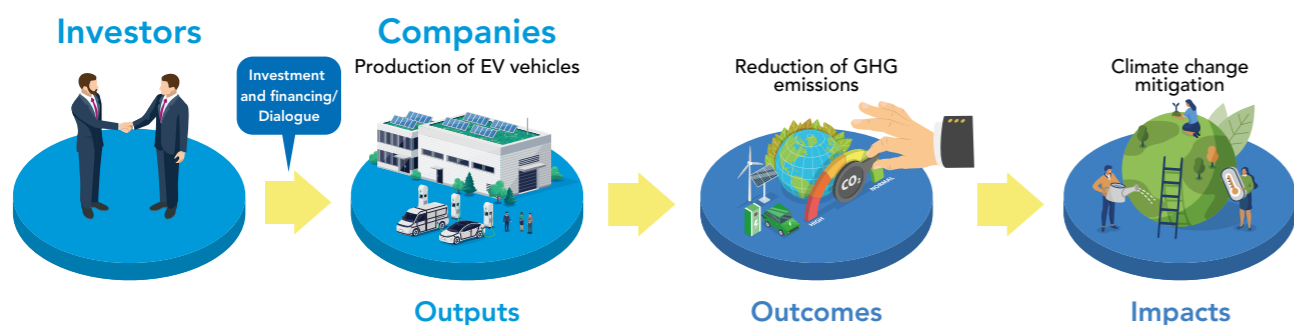
We began impact investing with an investment in a fund managed by an

affiliate of TPG Capital L.P. in July 2020 and, as of the end of September 2022, we had built up approximately 154 billion yen\* in investment.

We receive reports from investee funds on the outcomes generated by their investees as well as on their returns, and we monitor them regularly to absorb their knowledge and expertise on impacts.

\*Impact Funds, Sustainability Linked Bonds/Loans, and Positive Impact Finance Loans  
\*Private equity funds are calculated based on the amount of investment commitment.

## Flow of outcome generation for achieving impacts



### COLUMN

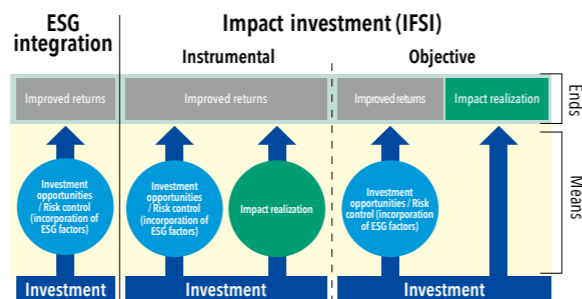
## From ESG integration to impact investing

One widely known call for ESG investments to be interpreted in terms of fiduciary responsibility is the 2005 report jointly published by UNEP FI and the law firm of Freshfields Bruckhaus Deringer ("Freshfields") and entitled "A Legal Framework for the Integration of Environmental, Social, and Governance Issues into Institutional Investment." Based on the view expressed in this report that consideration of ESG factors in investment decisions is necessary from the perspective of fiduciary responsibility, the Principles for Responsible Investment (PRI) advocating the integration of ESG issues into investment decision-making were established the following year (2006), so this report had a significant impact on the tide of ESG investment and finance.

In 2021, Freshfields, in collaboration with PRI, UNEP FI, and others, published a new report entitled "A Legal Framework for Impact". The report divided investing for sustainability impact (IFSI) into two categories—instrumental IFSI aimed at increasing returns and ultimate ends IFSI pursuing impact itself—and discussed interpretations of fiduciary responsibility. While it varies by jurisdiction and investor context, in general, the report suggests that when considering sustainability impact as a fiduciary responsibility is important to improving financial returns (instrumental IFSI), or when sustainability impact and financial returns are pursued in parallel, as in the case of mutual funds explicitly designed to generate a specific sustainability impact (objective IFSI), appropriate consideration and action regarding sustainability impact is necessary. In light of this report, it is expected that more attention will be paid in future to investments that consider impact from the viewpoint of improving financial returns.

We are accumulating expertise in measuring outcomes that lead to impacts (the environmental and social benefits of investment and financing) through our investments in leading funds, and we are working with other investors via initiatives such as NZAOA to create outcomes that reduce greenhouse gas emissions in our portfolio. However, creating impact and outcomes through ESG investment and finance presents a variety of challenges, including developing measurement and evaluation methods, ensuring their validity and transparency, and coping with data limitations, so we will continue studying ways of upgrading our efforts, all the while taking into account trends in domestic and international discussions.

### Investing For Sustainability Impact: IFSI



## Examples of investment and financing

### Investments in private equity funds

- In July 2020, we invested in The Rise Fund II, L.P., a fund managed by an affiliate of TPG Capital L.P., a leading impact investment manager, through a fund managed by one of our US subsidiaries. The fund aims to help achieve SDGs by evaluating and measuring both the positive impacts that aid in resolving environmental and social issues as well as the negative impacts of the activities of investee companies.
- In March 2022, we invested in a decarbonization fund of funds managed by our subsidiary Nissay Asset Management. This fund of funds invests in private firms and other companies working to realize decarbonized societies.

In September 2020, we invested around 100 million US dollars (approximately 10.5 billion yen) through a fund managed by our subsidiary Nissay Asset Management in a fund managed by an affiliate of Grove Street Advisors, LLC. This was followed by an additional investment of about 80 million US dollars (approximately 9 billion yen) in April 2022. The fund invests in companies that aim to create social impacts in the areas of health and medicine. To date, the fund has invested mainly in companies in Europe, the US, and Asia, primarily in drug discovery companies working on treatments for intractable diseases such as cancer, healthcare service companies using IT technology, and companies developing advanced medical devices, and is thereby helping people worldwide improve the quality of their lives and achieve healthy longevity. Grove Street Advisors is an American management firm specializing in investments in private equity funds. It has a good long-term track record of investing in venture funds, particularly in the health and medical sectors. The fund is designed to secure economic returns, generate and measure social impacts, and contribute to the achievement of SDGs. By working with investee companies to measure impacts, Grove Street Advisors expects to help permeate the concept of social impacts among its investee companies.

The investee companies in which we have invested through the fund have achieved the following social impacts through their business activities.

#### Creation of jobs for professionals working in investee companies

More than **3,000** people



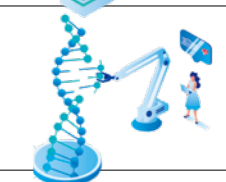
#### Drugs/medical devices undergoing clinical trials

**86**



#### Drugs/medical devices in Phase 3 of clinical trials (final stage before approval)

**13**



Realizing affluent lifestyles by extending people's healthy life expectancy through the development of pharmaceutical products



Achieving sustainable economic growth through job creation



### Comments by personnel in charge



**Takako Nakata**  
Senior Portfolio Manager (Private Equity)  
Foreign Equity & Alternative Investment Dept.,  
Nissay Asset Management

Nippon Life and Nissay Asset Management are actively pursuing impact investing to realize positive social and environmental impacts as part of our ESG investment and finance from the perspective of coexisting with the environment, local communities, and society and steadily growing alongside the economy and other companies. We recognize that achieving SDGs requires innovation to resolve social and environmental issues through revolutionary technologies and business models. The Foreign Equity & Alternative Investment Department invests in organizations and companies that create innovation via its

investments in private equity funds. In March 2022, we decided to invest in funds set up on the investment theme of resolving climate change issues in order to encourage decarbonization efforts by society as a whole and by individual companies. Expectations for impact investment are growing year by year due to the global dissemination of SDGs and the increasing severity of social issues. We will continue through impact investing to work toward sustainable societies and to further benefit our policyholders.

# Negative Screening

Prohibiting investing in and financing specific companies or projects



In line with our basic stance of ESG investment and finance, which is to work together with investees to solve social issues from a medium- to long-term perspective, we aim to solve social issues as a whole by reaching out to the entire company with a focus on engagement and integration. Negative screening is conducted with a limited target because it is also a uniform response from a short-term perspective and does not lead to the realization of a truly sustainable society.

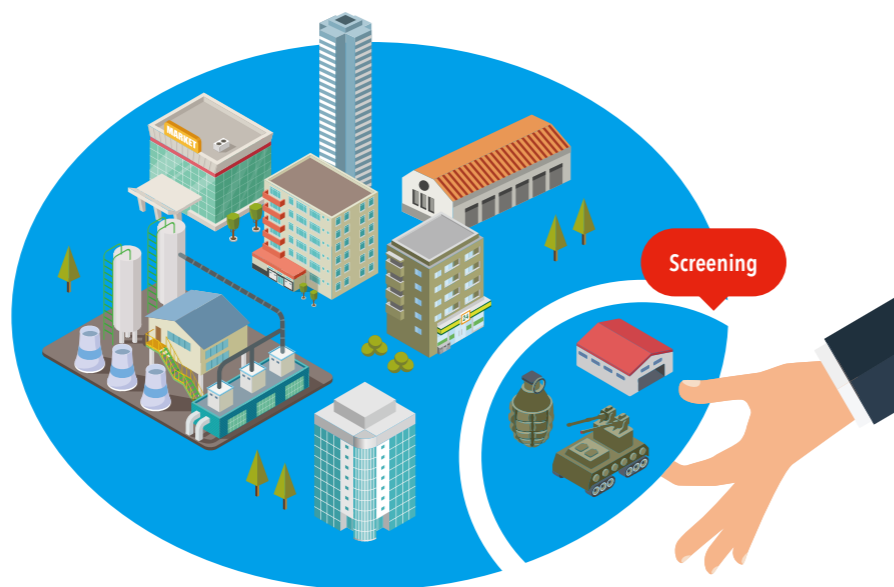
## Target of negative screening

In light of the mission and public nature of the life insurance business, we prohibit investing in and financing companies that manufacture Cluster Munitions and Antipersonnel Landmines, etc.

In addition, there has been rapidly growing international interest in climate change in response to initiatives such as the SDGs and the Paris Agreement adopted by the United Nations. With this in mind, we have embraced a policy, not to engage in new investing in and financing coal-fired power generation projects anywhere in Japan or overseas.

As to investing in and financing projects that may have a significant impact on the environment or society, such as oil and gas, we will carefully examine and decide on investing in and financing after confirming the status of consideration on the impact on the environment/society and risks.

Target companies for investment and financing



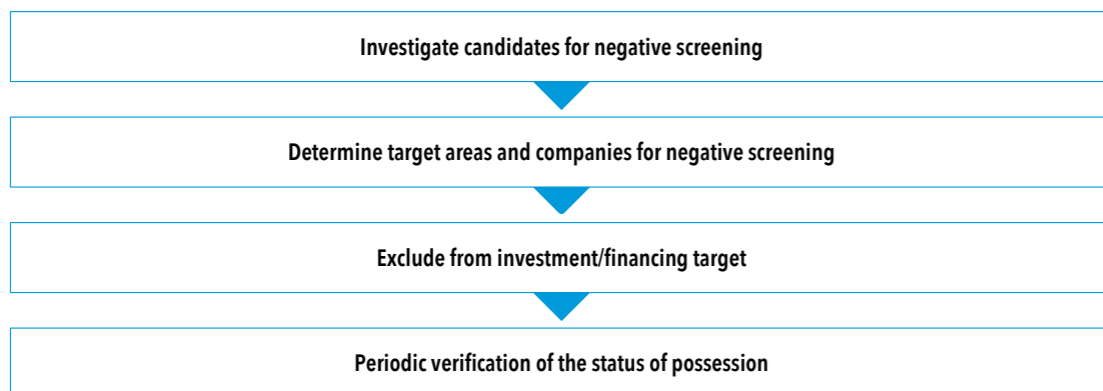
Suitable companies for investment and financing

### Screening target areas

Investing in and financing companies manufacturing specific weapons (cluster munitions, biological weapons, chemical weapons, antipersonnel landmines, etc.)

New investing in and financing coal-fired power generation projects both inside and outside Japan

## Negative screening processes

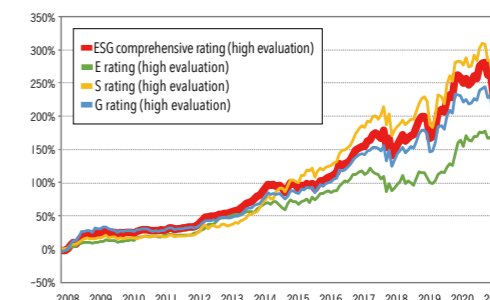


## Initiatives of the Nippon Life Group (Nissay Asset Management)

### Building a good performance since the introduction of ESG evaluation

Nissay Asset Management (hereafter referred to as "Nissay Asset") signed the Principles for Responsible Investment (PRI) in 2006 when it was launched, and has worked on ESG management for over 10 years since 2008. Since its establishment, ESG evaluation has outperformed the Tokyo Stock Price Index (TOPIX). In addition, companies with high ratings in each evaluation of E, S, and G also have superior performance. We believe that one of the reasons for the outperformance is that in conducting ESG evaluation, our analysts identify ESG factors that affect corporate value.

Relationship between ESG rating and cumulative excess returns (Compared with TOPIX, period 2008/12/1-2022/3/31)



\*Cumulative excess returns are compared with TOPIX (calculated based on simple average). The figure shows the performance of a group of companies with high ESG ratings, which are assigned independently by Nissay Asset. The data listed represents past results, which may fluctuate depending on market conditions, and does not guarantee future yields. \* Source: Compiled by Nissay Asset based on data from the Tokyo Stock Exchange.

### Nissay Asset's own evaluation items and evaluation criteria

We conduct ESG evaluation of Nissay Asset based on our own evaluation items and criteria. For example, the evaluations are conducted from the perspective of whether products and services contribute to the environment and lead to corporate value in terms of the environment (E); whether management and employees are integrated in terms of society (S); and whether governance is effective in terms of governance (G).

### Nissay Asset analysts conduct qualitative evaluations based on dialogue and other factors

The evaluations are conducted by analysts of Nissay Asset based on qualitative evaluations through interviews and dialogue with companies, in addition to analyzing public information of companies.

The evaluation categories are divided into three levels: positive, neutral and negative for the company's ESG initiatives in relation to each evaluation item (Rating 1 is the highest and Rating 3 is the lowest). In addition, if ESG initiatives

are expected to significantly damage corporate value, it is usually excluded from the investment universe and excluded from the ESG rating, but if it continues as an investment universe due to large market capitalization or other reasons, it can be given a Rating 4.

### Concept of the weight of evaluation items

There is no specific evaluation weight for each evaluation item E, S, and G. Since the importance of each company's value depends on the business model and environment of each company, analysts make individual judgments for each company and reflect them in the evaluation (for example, if a company receives a high rating in an item with high materiality, the overall evaluation will be higher). Moreover, this ESG evaluation framework applies not only to stocks but also to corporate bonds.

### Utilizing the Group's overseas bases

Nissay Asset conducts ESG assessment management in collaboration with the Nippon Life Group's overseas subsidiaries in the U.K., the U.S., and Singapore. Moreover, Nippon Life uses the ESG evaluation of Nissay Asset to evaluate the ESG initiatives of its investees. We will continue to push ahead while making effective use of the resources within the Group.

### Concept of ESG funds

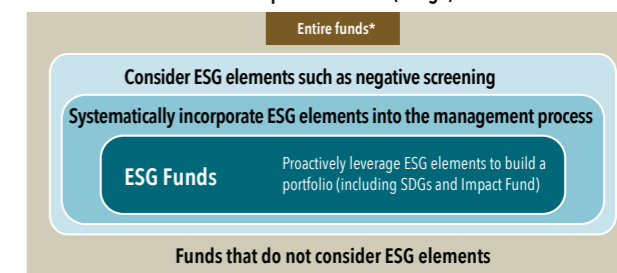
Amid concerns over issues such as green washing and ESG wash, Nissay Asset believes it is important to demonstrate its approach to ESG management in order to fulfill its accountability to customers, and has clarified and disclosed the definition of ESG funds.

ESG funds are defined as active funds that actively utilize ESG elements to build a portfolio. The management that actively utilizes ESG refers to the selection of stocks with a relatively high ESG rating or those that can create impact from the ESG perspective. Non-ESG funds include funds that systematically incorporate ESG elements into the management process, funds that take ESG elements into account such as negative screening, and funds that do not take ESG elements into account.

Among ESG funds, the SDGs Fund is a fund that builds a portfolio with excellent

investment stocks that are particularly outstanding from the perspective of achieving SDGs goals, and the Impact Fund is a fund that plans to create an impact on the environment and society and reports its effects. The definition of ESG funds may be revised in accordance with the circumstances surrounding ESG in the future.

<Concept of ESG funds (image)>



\* excluding index funds



# Dialogue Engagement

Encouraging improvement in enterprise value through dialogue

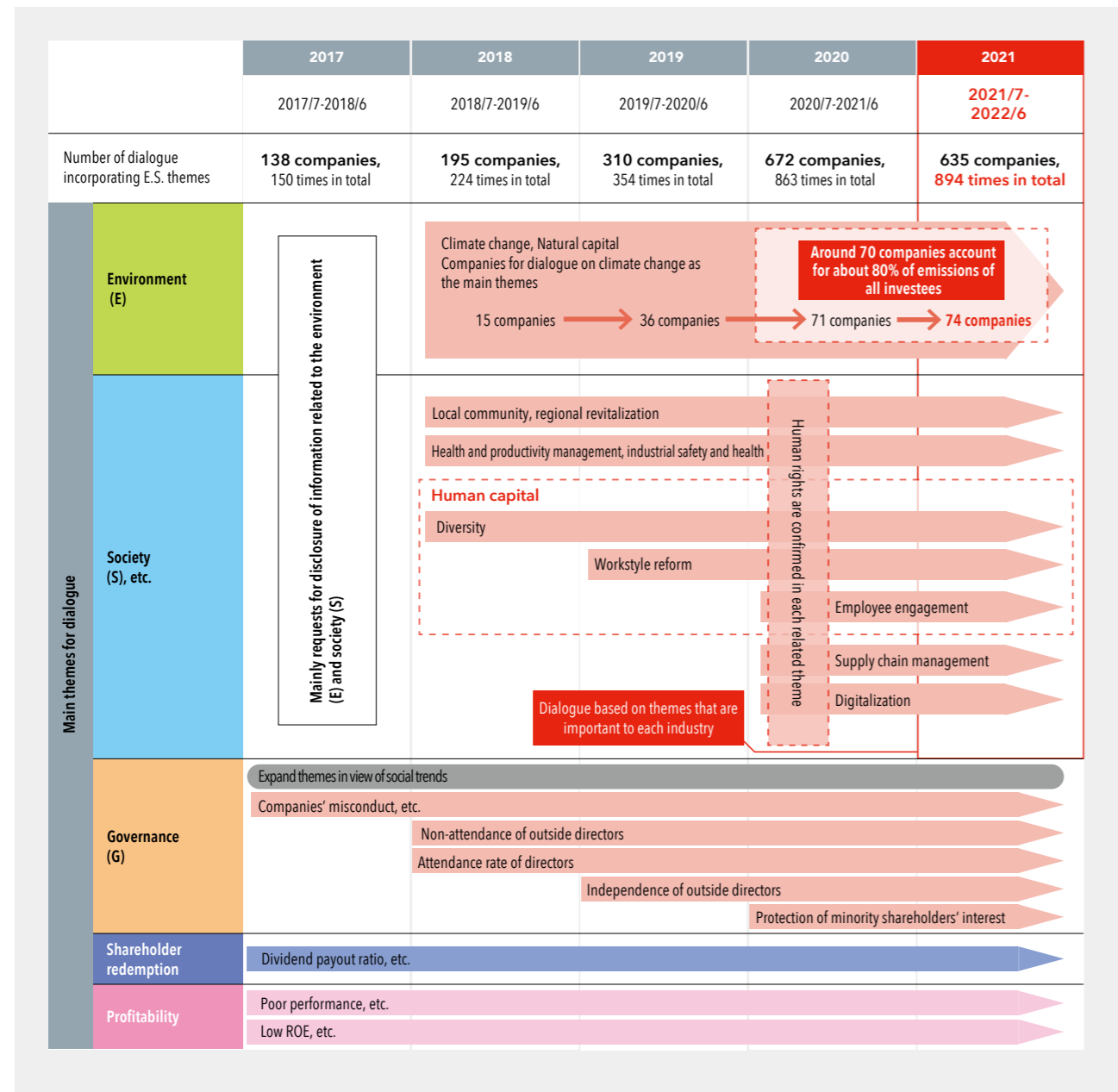


As an institutional investor that makes long-term investments, Nippon Life aims to enhance the corporate value of the investee companies over the medium to long term and realize a safe, secure, and sustainable society through constructive dialogue with investee companies that also take environmental and social factors into consideration.

We have placed emphasis on governance (G) in dialogue with

investee companies, along with shareholder returns and profitability since before the establishment of the Japan's Stewardship Code in fiscal 2013. In addition, as companies and investors become more aware of the themes of the environment (E) and society (S), we have enhanced dialogue on themes related to the E and S from fiscal 2017, and have gradually expanded important themes for dialogue from the perspective of enhancing corporate value.

## Continue to enhance dialogue on ESG-related themes



## Status of dialogue by theme of environment (E) and society (S)

In particular, Nippon Life holds dialogue with many companies regarding "climate change," "human capital," and "supply chain management," taking into account the themes and world trends that we place importance on each industry.

As the theme of climate change is particularly important, we started dialogue on climate change as the main theme in 2018, and since 2020, we have been conducting dialogue with around 70 companies\*, which account for about 80% of emissions of all investees.

On the theme of human capital, we conduct dialogue with many companies in various sectors regarding diversity, workstyle reforms, employee engagement, and other initiatives aimed at

\* Investees of domestic listed equities and domestic corporate bonds

increasing corporate value.

For the theme of supply chain management, from the perspective of risk management, we conduct dialogue with companies mainly in the manufacturing industries such as automotive and trading companies that are expanding globally, and regularly check the progress of the construction and management of supply chain management.

We will continue to review themes that we place importance on in each industry from the perspective of enhancing corporate value, based on trends in society and the status of corporate initiatives.

		More than 70%	More than 30% to less than or equal to 70%	Less than or equal to 30%	Categorize the percentage of companies that conducted dialogue on the theme (white background is no place to implemented)					
					Environment (E), Society (S), etc.					
		Climate change	Human capital*1	Supply chain management	Local community Regional revitalization	Health and productivity management Industrial safety and health	Digitalization (DX)	Other E and S themes (natural capital, etc.)**2		
Total										
Manufacturing industry	Foods									
	Paper and glass									
	Chemicals and textiles									
	Pharmaceuticals									
	Energy									
	Steel and non-ferrous metal									
	Electrical machinery									
Non-manufacturing industry	Automotive									
	Other manufacturing industry									
	Construction and real estate									
	Electricity and gas									
	Transportation and logistics									
	Information and Communications									
	Trading and wholesale									
Retail										
Finance										
Services										

(2021/7-2022/6)

\*1 Human capital includes themes such as diversity, workstyle reform, and employee engagement.  
\*2 Other E and S themes include biodiversity, circular society, water resources, waste plastics, and food loss, etc.

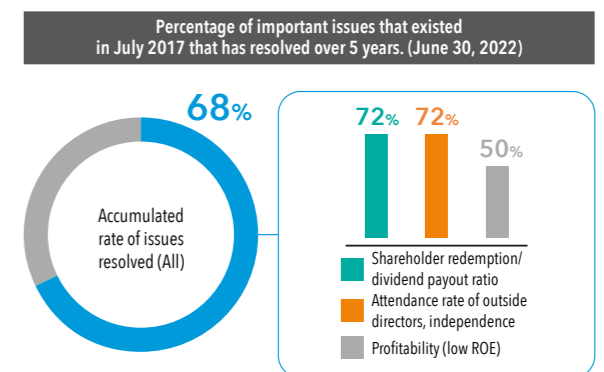
## COLUMN

### Continuing engagement over several years to resolve important issues related to exercise of voting rights\*

In stock investment, we continue to conduct engagement with companies that have important issues related to the exercise of voting rights (companies conflicting with the guidelines for exercise of voting rights) with the aim of resolving the important issues through engagement. As a result of continuing engagement with companies that had important issues as of July 2017, around 70% of the issues in total were resolved five years later.

Similarly, it is important to continue dialogue on ESG themes over several years from a medium- to long-term perspective. Based on this belief, we will support the initiatives of companies by making full use of the experience and know-how of engagement we have accumulated.

\* To "resolve important issues related to exercise of voting rights" refers to ensuring that a company is no longer in conflict with the guidelines for exercise of voting rights.

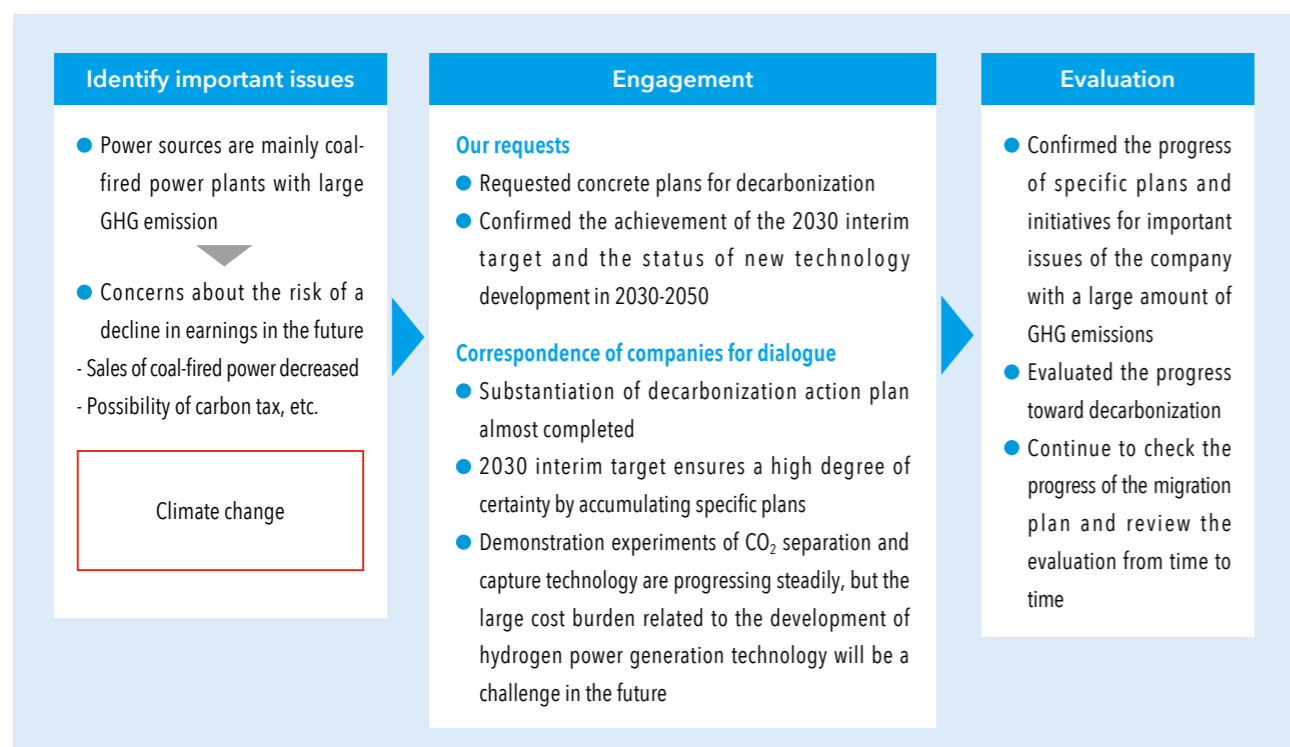


## Dialogue examples

In addition to common themes such as management stance, business policies, and the status of initiatives for the environment (E) and society (S), we are conducting individual dialogue on governance (G) and initiatives for decarbonization based on the circumstances of each company. In this section, we introduce specific examples of dialogue with ESG as the main theme in our dialogue activities.

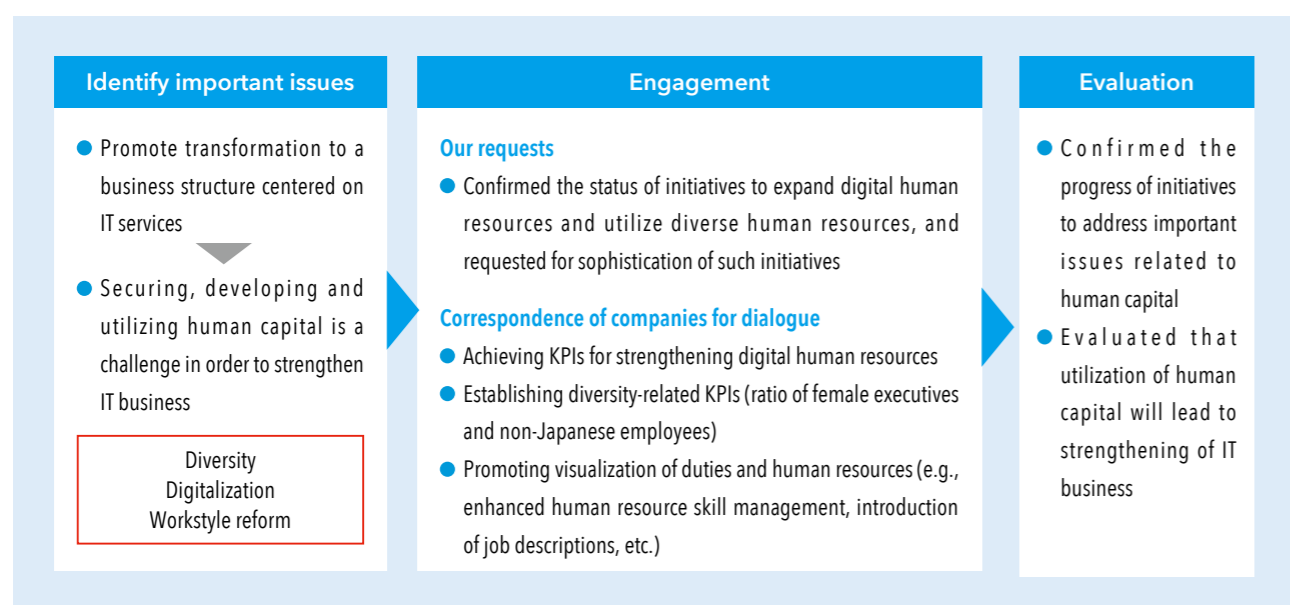
### Example of dialogue on the theme of Environment (E)

#### Example of dialogue with an electric power company on the theme of climate change

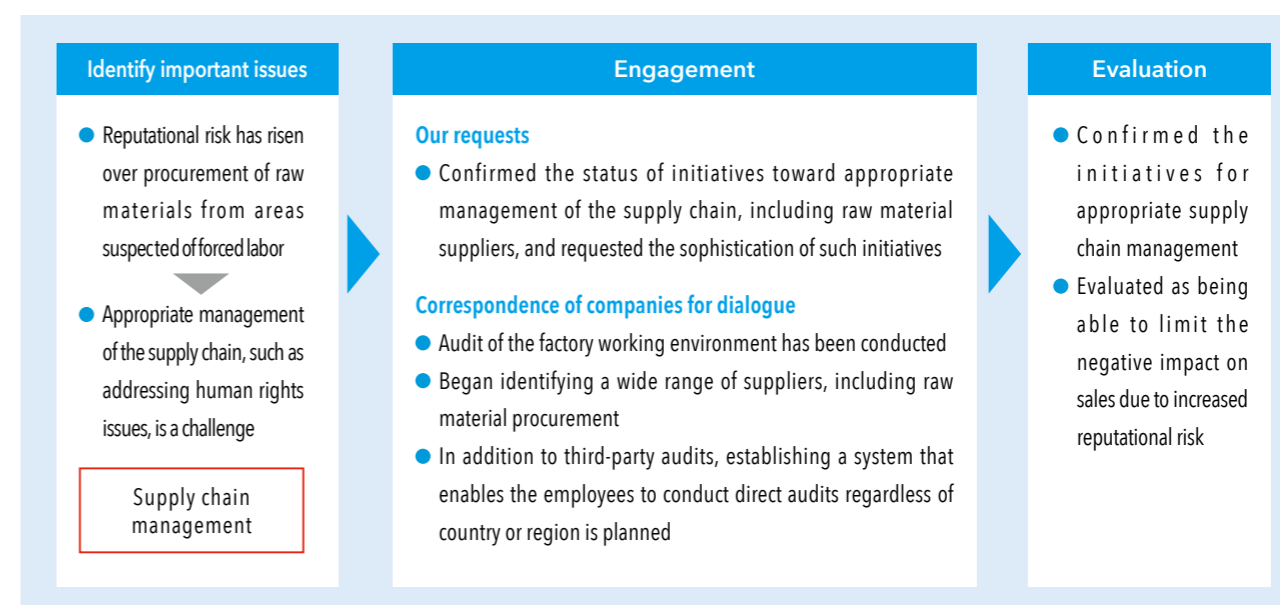


### Example of dialogue on the theme of Society (S)

#### Examples of dialogue with a general electronics manufacturer on the theme of human capital

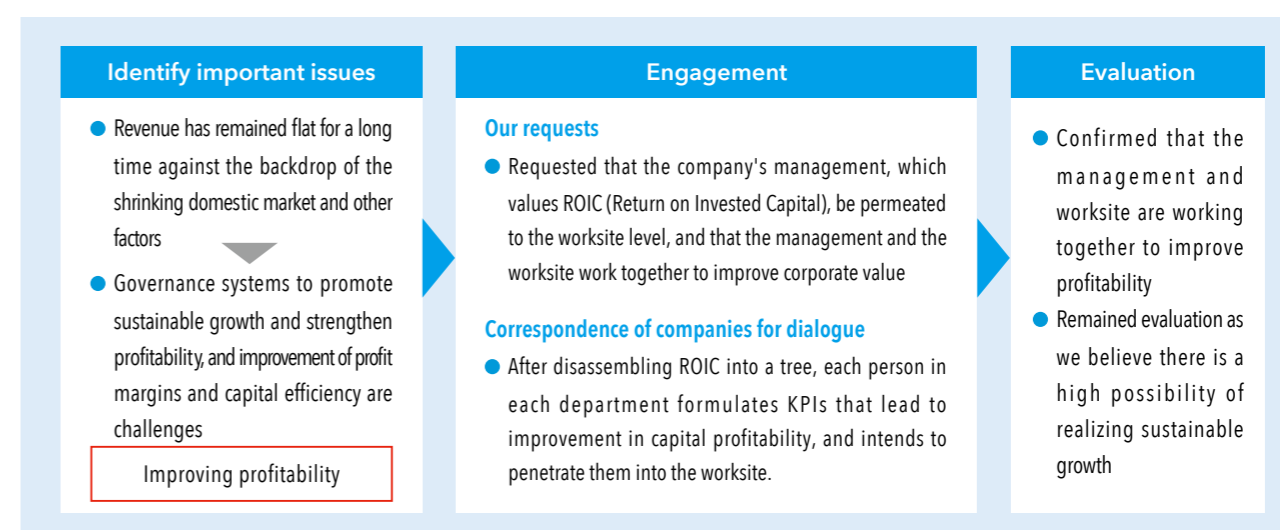


#### Examples of dialogue with an apparel manufacturing and retail company on the theme of supply chain management



### Example of dialogue on the theme of Governance (G)

#### Examples of dialogue with a food manufacturer on the theme of governance

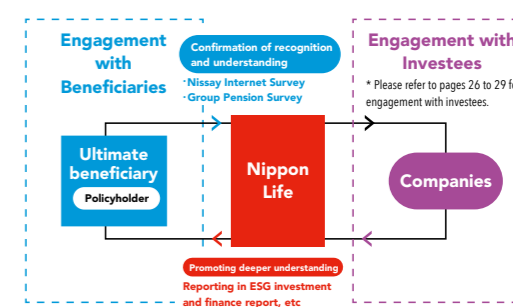


## C O L U M N

### Engagement with ultimate beneficiaries in ESG investment and finance

As part of our customer-oriented business operations, we place importance not only on engagement with investees, but also on engagement with customers (policyholders) as the ultimate beneficiary. As a background to this, from the perspective of the investment chain, we believe that understanding the perceptions and values of the ultimate beneficiaries regarding sustainability and ESG will lead to building trust with them and strengthening their competitiveness.

As an initiative for engagement with the ultimate beneficiaries in ESG investment and finance, we strive to understand the beneficiaries' perceptions and values through the Nissay Internet Survey, etc. In addition, we are working to further promote understanding of our ESG investment and finance initiatives through ESG investment and finance reports and others.



# Participating in Initiatives

Our company participates in various initiatives to collect information about domestic and global trends in ESG investment and finance and to participate in international discussions. We serve as a member of representative groups and boards of directors for major initiatives to make suggestions as a leading Japanese institutional investor.

## ESG

### Principles for Responsible Investment (PRI)

**Fiscal Year of participation: 2017**

- An initiative created in 2006 by then UN Secretary General Kofi Annan.
- The PRI is a set of principles aiming to realize a sustainable society by proposing that institutional investors incorporate ESG issues in their investment decisions.
- One of our executive officers was appointed a member of the PRI Board in 2021.



### Equator Principles

**Fiscal Year of participation: 2019**

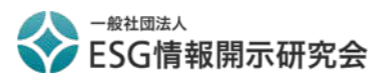
A framework developed in 2003 by a group of financial institutions to identify, assess, and manage the environmental and social impacts of projects when providing finance for large-scale development and construction.



### ESG Disclosure Study Group

**Fiscal Year of participation: 2020**

A study group established in 2020 to examine the framework of ESG information disclosure from the perspectives of various stakeholders, including companies, investors, and auditing firms.



## COLUMN

### Response to overseas discussions for sustainability

It is not uncommon for sustainability trends to begin with discussions at international organizations or initiatives. As a leading Japanese institutional investor, we have recently established a cross-divisional international team to engage in discussions with various international organizations and initiatives related to sustainability management from the opinion-forming stage and enhance sustainability management by including surveys and hearings on advanced overseas case studies.



## Environment

### Task Force on Climate-related Financial Disclosures (TCFD)

**Fiscal Year of participation: 2018**

A task force on disclosure of climate-related financial information established under the FSB in 2015. It recommends that companies and organizations voluntarily identify and disclose the impact of the "risks" and "opportunities" posed by climate change on their financial status.



### Partnership for Carbon Accounting Financials (PCAF)

**Fiscal Year of participation: 2021**

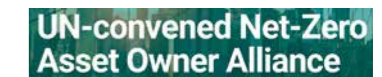
An initiative established in 2015 with the aim of standardizing measurement and disclosing methods of GHG emissions in asset management portfolios.



### The Net-Zero Asset Owner Alliance (NZAOA)

**Fiscal Year of participation: 2021**

- An international initiative of asset owners established in 2019, which is committed to transitioning asset management portfolios to net zero greenhouse gas emissions by 2050 in order to achieve the Paris Agreement's 1.5°C target.
- One of our executive officers was appointed a member of the Steering Group in 2022.



### Glasgow Financial Alliance for Net Zero (GFANZ)

**Fiscal Year of participation: 2021**

- A global financial coalition committed to the realization of carbon neutrality by 2050. It was officially established at COP26 in Glasgow in 2021.
- GFANZ is composed of seven global financial alliances in different industries, including NZAOA and NZBA (Net-Zero Banking Alliance).



### Japan Hydrogen Association

**Fiscal Year of participation: 2022**

- A cross-industrial organization established in 2020 to work on the social implementation of hydrogen-related technology.
- The organization's mission is to offer research and policy proposals for reducing the costs of hydrogen technology and facilitate the provision of financing to the companies involved.



### Climate Action 100+

**Fiscal Year of participation: 2022**

- An international initiative established in 2017 with the aim of solving climate change through dialogue with companies that emit a lot of GHG emissions.
- It requires the companies being engaged to improve their governance for climate change, reduce GHG emissions to the levels of the Paris Agreement, and enhance information disclosure in line with TCFD recommendations.





# Activities in Global Initiatives

NZAOA Steering Group Member

**Akiko Osawa**

Director and Managing Executive Officer



## Listen to investee's challenges and drive smooth transitions

Addressing climate change is an extremely important issue related to the sustainability of the global environment, and global initiatives are underway to achieve net-zero greenhouse gas emissions by 2050. In order to reach net zero, we have moved from the stage of simply setting targets to the stage of taking concrete actions. We have invested in many industries that have historically supported Japan's infrastructure activities, such as steel, chemicals, and electric power, which emit large amounts of greenhouse gas, and we see it as our mission to listen to the challenges these companies face and drive smooth transitions. I am also responsible for stewardship activities, and dialogue with Japanese listed companies on various themes, including climate change. From this standpoint, we feel it is our mission to continue to encourage not only front runners but also laggards to make changes and help society as a whole to achieve decarbonization.

## How to effectively engage emerging economies

Since becoming a member of the NZAOA in October 2021, we have been exploring with member institutions around the world how we can contribute to climate change issues as an asset owner. Through discussion with them, I felt the importance of disseminating opinions in a global

forum. Under such circumstances, this spring, I learned of an amazing opportunity. Elections were to be held for the Asia-Pacific seat of NZAOA's Steering Group, and I decided to run for the position. I was elected based on my strong drive to effectively involve Asia and other emerging countries, my respect for diversity and my belief in the spirit of "No One Left Behind" to achieving this goal.

NZAOA encourages member institutions to address climate change issues through 4 approaches: (1) GHG reduction in asset management portfolios, (2) implementing engagement with investees, (3) promoting transition finance, and (4) emission reduction by sector. Based on the general direction of the NZAOA, the Steering Group will discuss themes such as what climate change-related disclosure regulations companies should be required to comply with, and what is needed to make transition finance permeate the world. Especially in transition finance for emerging markets, it is necessary to devise ways to attract private risk money. We believe that it is necessary to contribute to the creation of investment platforms and its financing in cooperation with public institutions.

## Flexibility is important to tackle climate change

As we discussed with other regional representatives of the Steering Group, given that companies are located in different environments around the world, and the perspective of securing energy stability, I have realized once again that it is important to be flexible to accept diverse initiatives over the long-term, rather than short-term or uniform in tackling climate change issues. While emphasizing the approach advocated by NZAOA, we aim to achieve both a truly sustainable environment and society and improvement of investment profits, taking into account the diversity of companies and society from the medium to long-term perspective.

### Our target setting

Portfolio GHG reduction targets	Engagement targets	Transition finance targets
<p>Set interim targets for 2030 for domestic and foreign listed equities, domestic and foreign bonds, and real estate assets</p> <p>[Total emissions] 45% or more reduction (compared to FY2010)</p> <p>[Intensity] 49% or more reduction (compared to FY2020)</p>	<p>Plan to hold dialogue on climate change as a main theme with about 70 investee companies, including top emitters</p>	<p>Set quantitative targets for the Decarbonization Financing Facility (500 billion yen for FY2021-FY2023) as part of the target amount for ESG-themed investment and finance of 1.7 trillion yen from FY2017 to FY2023</p>

PRI Director  
**Takeshi Kimura**  
Executive Officer



## The challenge for Japan is the lack of number of PRI signatories

Initiatives on ESG investment and finance by investors and the disclosure of ESG information by investee companies are progressing at a rapid pace worldwide, and it is very important to accurately grasp these trends. Since becoming a PRI Board member last July, I have been engaged in discussions with overseas investors and others on various global ESG investment and finance through the PRI Board, and have been working to proactively share the information obtained from such discussions with many institutional investors, including PRI signatories. The number of PRI signatories worldwide has increased significantly to over 5,000. On the other hand, the number of PRI signatories in Japan is inferior to other developed countries. We feel that if Japan falls behind in terms of the depth of the investor base that engages in ESG activities, it could lead to a decline in the vitality of Japan's financial and capital markets.

## Employee engagement is key

One of the reasons why the PRI signature has not spread among Japanese investors is that the signature of pension funds has not progressed. In

Japan, many companies, especially large corporations, have signed the UN Global Compact, but there is a challenge that the commitment to sustainability of the parent company is not always shared and integrated with its affiliated corporate pension fund. Since the members of a corporate pension plan are not only indirect shareholders of the company, but also employees, consumers, and community members of the company, they should ideally be involved in corporate governance as representatives of the stakeholders of the company in which they invest. We believe that asset owners on the investment chain can improve the medium- and long-term returns of corporate pension plans and the sustainability of their business activities by engaging their employees who are also the ultimate beneficiaries, in addition to engaging and monitoring their outsourced asset management institutions.

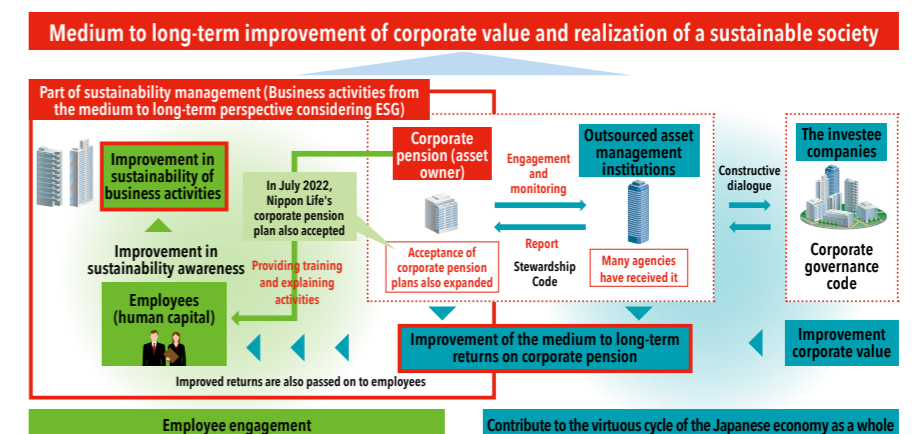
## PRI conducts awareness activities to establish best practices

Engagement by institutional investors often refers to dialogue with companies, but originally includes dialogue with ultimate beneficiaries. The dialogue with the beneficiaries is the starting point of the investment chain, but if the asset owner does not understand the preference of sustainability and ESG, the relay of the investment chain will not start. In Europe, major pension funds are working to strengthen beneficiary engagement. PRI conducts awareness activities to establish best practices by introducing advanced cases of responsible investment. We will continue to contribute to the advancement of ESG investment and finance in Japan as a whole by learning a lot from leading cases through the activities of the PRI Board and other activities.

### COLUMN

## Acceptance of the Stewardship Code for Nippon Life's corporate pension plan

Based on the content of the Japan Stewardship Code revised in 2020, we announced that we accept the Stewardship Code as a contract-type corporate pension in July 2022. We will continue to hold dialogue with outsourced asset management institutions, disclose the results of our activities to our employees who are our subscribers, and work to spread understanding of sustainability through employee training and other means.



# Response to the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations

Our company endorsed the TCFD's recommendations in December 2018 and has been working to disclose its climate change-related initiatives. Here, we explain our initiatives of the asset management division in line with the framework of the TCFD Recommendation. (Please refer to our website for details on initiatives in the insurance business.)

## Core Elements of the TCFD\* Recommendations and Status of Principal Measures

Core elements of the TCFD recommendations	Status of principal measures
<b>Governance</b>	Based on the details of the study of climate change strategies and risk management by the Sustainability Committee and the Risk Management Committee, the Management Committee and the Board of Directors deliberate on and pass plans for business strategies, including the impact of climate change on the management of Nippon Life
<b>Strategies (risks and opportunities)</b>	Conduct scenario analysis of both the life insurance business and asset management and assess the impact from climate change
<b>Risk management</b>	Integrated management of the overall impact of the various types of risks, including climate change risks, on operations
<b>Indicators and targets</b>	Set a net-zero target for fiscal 2050 and an intermediary target for fiscal 2030, for both the life insurance business and asset management

\*Task Force on Climate-related Financial Disclosures. Recommends disclosure of the financial impacts of the risks and opportunities created by climate change.

## Governance

The Management Committee and the Board of Directors deliberate and decide on the management strategy and future response policies, recognizing that addressing climate change issues is one of the important management issues.

The Sustainability Committee and the Risk Management Committee have been established as advisory bodies to the Management Committee. The Sustainability Committee implements setting targets and developing policies for addressing climate change issues. In addition, the Risk Management Committee and its advisory body, the Dedicated

Management Committee for Investment Risk, conduct risk recognition, assessment, and scenario analysis related to climate change.

The results of these deliberations are reported to the Management Committee and the Board of Directors. The Management Committee controls business execution, and the Board of Directors decides and supervises important business execution. In addition, the Outside Directors Meeting, an advisory body to the Board of Directors, deliberates on the status of promotion of overall sustainability management.

## Strategies (Risks and Opportunities) and Risk Management

We make a wide range of investment and financing to society as a whole from the medium to long-term perspective in line with insurance contracts. For this reason, we believe that the risks and opportunities associated with climate change in our asset management portfolio are

consistent with the risks and opportunities facing our investees, i.e., society as a whole. Specifically, we consider risks and opportunities, and the timeline in our asset management portfolio as follows.

### Identify risks and opportunities in our asset management portfolio

Risks and opportunities		The time axis of the impact		
		From present (short-term)	Around 2030 (medium-term)	Around 2050 (long-term)
Transition risks	Policy	Lower profitability due to the introduction and strengthening of carbon-related regulations (carbon tax and emissions trading)	●	→
	Technologies	Decline competitiveness of existing technologies and assets due to the rise of new technologies		●
	Market	Decrease in demand for goods and services due to changes in consumer behavior and preferences	●	→
Physical risks	Acute	Increased damage due to increased frequency and severity of natural disasters	●	→
	Chronic	Increased damage due to extreme fluctuations in weather patterns		●
Opportunities	Resource Efficiency	Improvement of production capacity and reduction of costs through efficient use of resources	●	→
	Technologies	Improvement of competitiveness through the development of new technologies		●
	Market	Increased demand for products and services due to changes in consumer behavior and preferences	●	→

As for quantitative analysis of climate change risks, we are working on research and analysis for advancement, since no standard method has been established at this point.

In 2021, we conducted an analysis using "Climate Value at Risk," a risk index provided by MSCI, to measure policy risks, technology opportunities, and physical risks under multiple climate change scenarios

for 4 assets: domestic equities, foreign equities, domestic corporate bonds, and foreign corporate bonds, and compared them to the index. The qualitative assessment is as follows. We recognize the data limitations and calculation process issues regarding these results and will continue to investigate and analyze risk assessment methods.

## Scenario analysis of asset management portfolio (Qualitative Assessment)

Risks and opportunities if the temperature rise scenarios change [Usage scenario: 1.5°C/2°C/3°C rise scenario]	<b>Policy risks</b> [Costs associated with policy changes and tightening regulations]	The lower the temperature rise scenario, the stronger the policies and regulations, and the greater the risks of loss
	<b>Technical opportunities</b> [Revenue opportunities associated with low-carbon technologies, etc.]	The lower the temperature rise scenario, the greater the use of low-carbon technologies and other technologies, and the greater the profit opportunities
Risks of continued temperature rise [Usage Scenario: 4 to 6°C rise scenario]	<b>Physical risks</b> [Costs and opportunities associated with natural disasters, etc.]	The risks of losses due to heat waves, coastal floods, typhoons, etc. increase.

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If the global environment, which is the foundation of all companies' business activities, is damaged by climate change, the impact will be significant. For this reason, we have positioned climate change as one of the most important social issues. Through various ESG investment and

finance methods\*, we take measures that take into account risks and opportunities related to climate change.

\*For specific measures for ESG investment and finance, please refer to pages 18 - 29.

## Indicators and Targets

Regarding the greenhouse gas emissions in asset management portfolios, we aim to achieve net zero in FY 2050. And in order to steadily promote our efforts, we have set interim targets in FY 2030. Total emissions in FY 2021 are approximately 15.3 million t CO<sub>2</sub>e (41% reduction compared

to FY 2010). Intensity is approximately 61 t CO<sub>2</sub>e / 100 million yen (15% reduction compared to FY 2020). We will continue to work to reduce emissions.

\*Please refer to pages 14 - 15 for information on our initiatives to reduce emissions in asset management.

### Greenhouse gas emissions reduction targets in asset management portfolios

	FY 2030	FY 2050
[Total emissions] 45% or more reduction (Base year is FY 2010)		[Total emissions] net zero
[Intensity] 49% or more reduction (Base year is FY 2020)		

- Covers Scope 1 and 2 emissions of domestic and overseas listed equities, domestic and overseas corporate bonds, and real estate. Equities and bonds include investment via mutual funds.
- Measurement employs figures announced by companies, data provided by MSCI and Bloomberg and estimated figures. The emissions figures may be recalculated in the future to reflect factors such as revisions in the figures announced by companies and other data and changes in calculation methods.
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### About reduction indicator

$$\text{Total Emissions: Greenhouse gas emissions from investees belonging to the portfolio, the unit is tCO}_2\text{e. (CO}_2\text{ equivalent)} = \sum_{i=1}^n \left[ \text{Emissions of the investees } i \times \frac{\text{Investment amount } i}{\text{Corporate value } i} \right]$$

(Market capitalization + interest-bearing debt)

$$\text{Intensity: Greenhouse gas emissions per unit of portfolio. The unit is tCO}_2\text{e/100 million yen} = \frac{\text{Total emissions}}{\text{Total investment amount}}$$

# External Evaluation

Our company's ESG investment and finance initiatives have received positive evaluations.

## Awards received

Period	Evaluation
August, 2022	Awarded an "Excellence Award" in the ESG category of the Sustainable Japan Awards organized by The Japan Times, Ltd.
January, 2022	Awarded the "Grand Prize" at the 2021 Sustainable Finance Awards (7th).
February, 2021	Received a "Bronze Award" in the Asset Owner Category of the Ministry of the Environment's ESG Finance Awards Japan (2nd).
February, 2020	Received a "Bronze Award" in the Investor Category of the Ministry of the Environment's ESG Finance Awards Japan (1st).
March, 2019	Received the "Minister of the Environment Award" in the Japan Green Investment Category of the Japan Green Bond Awards.
January, 2019	Awarded the "Grand Prize" at the 2018 Sustainable Finance Awards (4th).
October, 2017	Received the "Grand Prize and the Minister of the Environment Prize" at the Green Purchasing Awards (18th) for the expansion of the green market.
January, 2017	Awarded the "Excellence Prize" at the 2016 Sustainable Finance Awards.

## 2021 PRI annual assessment

Nippon Life acquired the highest assessment grade "5 stars", in the four modules for "Investment & Stewardship Policy", "Direct - Fixed Income - SSA", "Direct - Fixed Income - Corporate" and "Direct - Real Estate" in the 2021 PRI assessment targeting 2020 activities. In addition, Nippon Life obtained "4 stars" in the remaining four modules.

Module	Details	Grade
Investment & Stewardship Policy	Overall policy, purpose, goals and governance in regard to responsible investment and stewardship policy	★★★★★ (5 stars)
Direct - Listed Equity - Active Fundamental - Incorporation	Incorporation of ESG factors into the process of listed equity investment selection	★★★★ (4 stars)
Direct - Listed Equity - Active Fundamental - Voting	Engagement and voting	★★★★ (4 stars)
Direct - Fixed Income - SSA	Incorporation of ESG factors into the process of Fixed Income- SSA investment selection	★★★★★ (5 stars)
Direct - Fixed Income - Corporate	Incorporation of ESG factors into the process of Fixed Income - Corporate investment selection	★★★★★ (5 stars)
Direct - Real Estate	Responsible property policy strategy, investment processes, and monitoring	★★★★★ (5 stars)
Indirect - Listed Equity - Active	Manager selection, appointing and monitoring	★★★★ (4 stars)
Indirect - Fixed Income - Active	Manager selection, appointing and monitoring	★★★★ (4 stars)

# Dissemination of Ideas to Outside the Company

Our company shares and improves the management process of ESG investment and finance through sharing ESG investment and finance know-how with Group companies, exchanging information with signatory companies and industry organizations, as well as through studying advanced case studies. In addition, our company also actively communicates our activities related to ESG investment and finance, such as publishing the status of ESG investment and finance and disseminating our opinions through participation in international ESG-related conferences. In this way, we are contributing to the revitalization of the ESG investment and finance market.



Period	Sponsor and cosponsor	Name of conference, etc.
May, 2022	NZAOA	"NZAOA Steering Group"
February, 2022	Financial Services Agency, GSG (The Global Steering Group for Impact Investment)	"Impact Investing Roundtable"
July, 2021	PRI	"PRI Board /Committee"
March, 2021	Financial Services Agency	"Working Group on Social Bond"
January, 2021	Ministry of Economy, Trade and Industry, Financial Services Agency, Ministry of the Environment	"Task Force on Preparation of the Environment for Transition Finance"
November, 2020	Nagano Prefecture	Nagano Prefecture "2050 Zero Carbon Roundtable"
October, 2020	RI	"RI Digital: Japan 2020"
July, 2020	The Organization of Global Financial City Tokyo	"FinCity. Tokyo Mid-term Business Plan Study Working Group"
March, 2020	The Organization of Global Financial City Tokyo	"FinCity Global Forum"
September, 2019	AIGCC	"CEO/CIO Asset Owner Roundtable" (Singapore)
September, 2019	ICMA, JSDA	"Green Bond Conference"
July, 2019	Ministry of the Environment	"Review Committee on Green Bonds/Green Loans, etc." Following the formulation of the green bond guidelines, we participated in the study group for the revision of the green bond guidelines as an investor representative.

# Future ESG Investment and Finance Initiatives

## Promoting ESG investment and finance that aim to realize a sustainable society and secure investment returns

**Toshinori Kurisu**  
General Manager of the ESG Investment Strategy Office



### Significance of ESG investment and finance for policyholders

This report consistently communicates that ESG investment and finance contributes to enhancing the sustainability of the global environment and society, which form the foundation of all corporate activities. In addition, we aim to contribute to the stable improvement of returns from our investment and finance by helping companies to solve environmental and social issues, capture social demand, and obtain revenues. This will lead to reliable payment of insurance claims and benefits and stable payment of policyholder dividends, which will contribute to the expansion of customer profits.

### Initiatives to realize a sustainable society and the business environment surrounding the company

Efforts are being made throughout society where the government is introducing regulations and designing support systems to change consumer behavior toward the realization of a sustainable society. In addition, the business environment surrounding companies will change drastically. As shown in the figure below, decarbonization not only covers CO<sub>2</sub> emissions from production activities (Scope 1 and 2), but also for CO<sub>2</sub> emissions from the use of manufactured products after sales (Scope 3). In light of the

introduction of government regulations and frameworks for support and the changes in consumer behavior that accompany this, it is an important factor that affects company revenue. Unless products are energy-saving and CO<sub>2</sub>-free, price competitiveness will be lost, and the risk of sluggish revenue will increase. In fact, in the development of regulations and standards in Europe and other countries, there are discussions that CO<sub>2</sub> emissions throughout a company's supply chain, including post-sales products, should be measured and monitored as a risk.

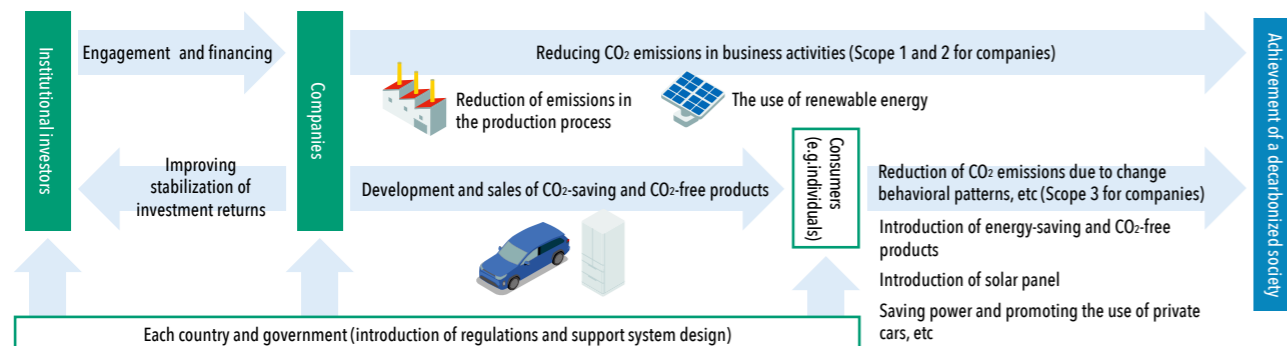
### ESG is not limited to some global companies, and the range of initiatives will continue to expand in the future

Addressing climate change is not limited to some global companies that emit a large amount of CO<sub>2</sub>, but involves the entire supply chain of companies, and it is expected that the range of initiatives will continue to expand in the future. In addition, it can be said not only for climate change but also for all initiatives toward the realization of a sustainable society, and such trends have the potential to revolutionize the entire industrial structure through such as the introduction of government regulations and frameworks for support and changes in behavior patterns of consumers. This is one of the reasons why ESG investment and finance are an important factor affecting investment performance.

### Supporting corporate initiatives from a medium- to long-term perspective, which is unique to life insurers, will lead to stabilization of investment returns

The initiatives to realize a sustainable society vary from company to company, and there is a limit to evaluating them on a short-term and uniform criteria. Supporting corporate initiatives through engagement and financing from a medium- to long-term perspective, which is unique to life insurers, is an initiative that will lead to stable improvement of the company's investment returns, and we will continue to promote it.

### The initiatives to spread throughout society for decarbonization and the business environment surrounding companies



# Glossary

### Intensity (emissions intensity)

Refers to the amount of emissions per investment balance or sales amount. We use the amount of emissions per investment balance as an indicator for emission reduction targets.

### Task Force on Climate-related Financial Disclosures (TCFD)

Established by the Financial Stability Board (FSB) to review climate-related information disclosures and financial institutions' responses. It calls on companies and others to disclose governance, strategies, risk management, indicators and targets related to climate change.

### Intergovernmental Panel on Climate Change (IPCC)

An intergovernmental organization established in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) to provide a scientific basis for each country and governments' climate change policies. With the cooperation of scientists from around the world, it regularly produces reports and provide an assessment of the latest scientific findings on climate change.

### Green Finance

A financing method for companies and local governments to raise funds for green projects. A characteristic of the issuer/borrower is that limiting the use of financing to green projects, managing the tracking of financing, and periodic reporting.

### Conference of the Parties to the United Nations Framework Convention on Climate Change (COP)

A meeting that is held between the signing parties of The United Nations Framework Convention on Climate Change, which entered into force in March 1994 with the aim of stabilizing the concentration of greenhouse gases in the atmosphere. In this meeting, measures to address climate change issues are evaluated and discussed.

### Corporate Governance Code

Code of conduct on corporate governance outlining behavioral standards to be followed by listed companies. Established in 2015, it provides guidelines for securing shareholder rights and equality, ensuring appropriate information disclosure and transparency, and the responsibilities of the board of directors.

### Supply chain

A series of processes from procurement of main materials and parts for a product to sales.

### Scope 1, 2, and 3

The classification of emissions in the GHG Protocol which is an international standard for calculating and reporting greenhouse gas emissions. Scope 1 refers to direct emissions from our own facilities, Scope 2 refers to indirect emissions from energy sources purchased from the outside, and Scope 3 refers to all indirect emissions related to our business other than Scope 1 and 2.

### Stewardship Code

Code of conduct of institutional investors to promote the sustainable growth of companies. Established in 2014, it provides guidelines for the formulation of stewardship policies, development of structures for conflict of interest management, exercise of voting rights, and other efforts.

### Transition finance

A financing method aimed at supporting companies that are making steady efforts to reduce GHG emissions in line with long-term strategies toward the realization of a decarbonized society. Fundraisers are specifically required to strategies to achieve long-term goals that are consistent with the Paris Agreement.

### Net Zero

It means offsetting greenhouse gases emitted into the atmosphere with greenhouse gases removed from the atmosphere, thereby reducing total greenhouse gas emissions to zero. Synonymous with Carbon Neutral.

### Paris Agreement

Adopted at COP21 in 2015 instead of the Kyoto Protocol as an international framework for reducing greenhouse gas emissions from 2020 onwards. It has set a global long-term target of 2°C or less, and pursues efforts to limit the temperature increase to 1.5°C.

### ESG

Refers to the three important perspectives of Environment(E), Social (S), and Governance (G) to realize a sustainable society.

### GHG

Acronym for greenhouse gases, which include carbon dioxide, methane, dinitrogen monoxide, and chlorofluorocarbons.

### SDGs

The 17 international goals adopted at the "United Nations Sustainable Development Summit" held in September 2015 to aim for a sustainable and better world by 2030.

## C O L U M N

### The relationship between ESG and SDGs

The relationship between SDGs and ESG can be thought of as "goals" and "means" respectively.

The SDGs are goals that all people, including governments, businesses, communities, and individuals, should address toward achieving them. On the other hand, ESG refers to the perspectives and ideas of corporate managers and investors when conducting management and investment. ESG is one of the means to achieve the SDGs because management and investment that takes ESG into consideration leads to the achievement of the SDGs.

Through ESG investment and finance, which is asset management that takes ESG into consideration, we are promoting initiatives aimed at both securing long-term stable revenues and realizing a sustainable society that achieves the SDGs.

