

# Responsible Investment Report **2024**



**Nippon Life**  
Insurance Company

Outline of Nippon Life Insurance Company (figures as of March 31, 2024)

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	
	Sales offices .....	1,466	
	Global representative offices .....	3	
	Agencies* .....	19,162	
Subsidiaries and Affiliates	Insurance and insurance-related businesses .....	21	
	Asset management-related businesses .....	60	
	General affairs-related businesses .....	11	
	* Includes banks and other financial institution-related agencies.		



Head Office

Positioning of Responsible Investment Report

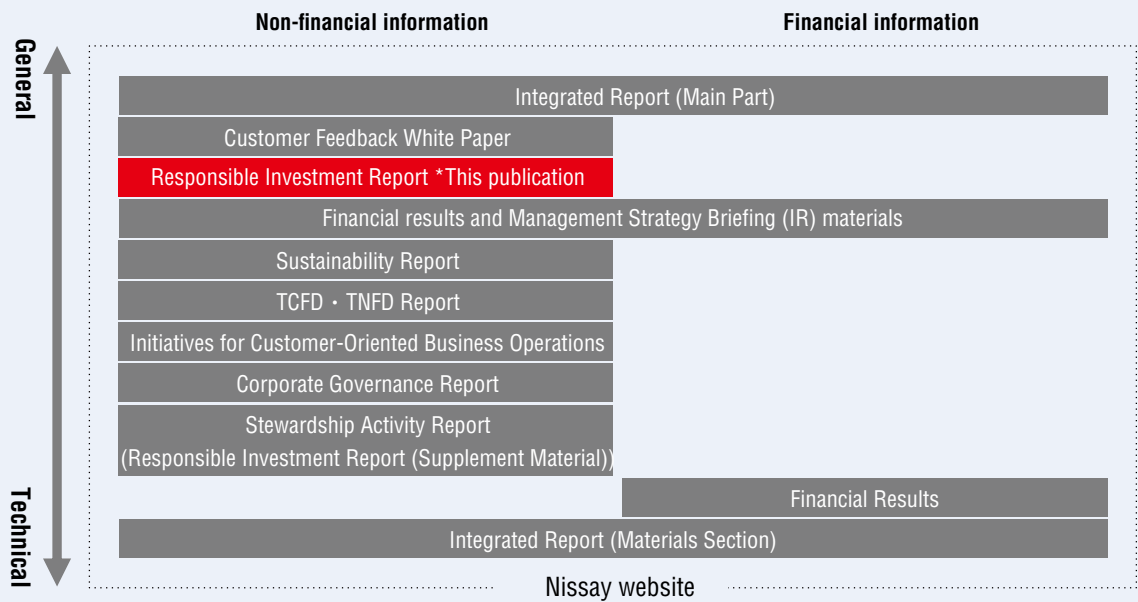
The Responsible Investment Report is printed to communicate our thoughts on and efforts in responsible investment, which are part of our sustainability efforts, in an easy-to-understand format.

Details on responsible investment, examples of them, and other sustainability examples are available on our website.

Responsible Investment  
<https://www.nissay.co.jp/global/sustainability/esg/>



Sustainability  
<https://www.nissay.co.jp/global/sustainability/>



To see a list of Nippon Life's main sources of disclosure, please access the following:  
<https://www.nissay.co.jp/global/report.html>



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# Realizing “a Society in Which Everyone Can Live Their Lives with Peace of Mind” Through Responsible Investment



**Hiroshi Shimizu**

President

## From ESG to responsible investment—Addressing social issues with a sense of responsibility

This year, as we launched our new Mid-Term Management Plan, we defined the society that the Nippon Life Group aims to realize as “a society in which everyone can live their lives with peace of mind.” This goal reflects our belief that by cherishing the society that forms the foundation of our corporate activities and contributing to the sustainable growth of local communities and Japan as a whole through addressing social issues, we will drive the growth of the Nippon Life Group.

In addition to our role as a provider of life insurance and other services, the Nippon Life Group also seeks to actively address social issues as an institutional investor through “investment” and “dialogue” to help realize “a society in which everyone can live their lives with peace of mind.” In line with this idea, this year we have renamed our report from the “ESG Investment and Finance Report” to the “Responsible Investment Report” to underscore our commitment to responsibly tackling social issues.

## Showing the way and expanding our network—Creating a large wave of change beyond our company

So, how can we actively address social issues through investment? The key is in “showing the way” and “expanding our network.” Simply investing large sums in necessary areas does not mean we are actively addressing social issues. It’s about showing guidelines on how and where money should be used to help solve these challenges and expanding our network of partners. By doing so, each investment becomes part of a coordinated effort that contributes to a larger wave toward resolving social issues. Financial institutions, including ours, invest across a wide range of sectors, giving us a broad perspective and the ability to take a leadership role in guiding these efforts.

In response to the urgent climate change issue highlighted by this year’s scorching summer, what kind of initiatives should society pursue? As one guideline, in June of this year, we published the Transition Finance Framework, which specifically outlines what appropriate transition finance should look like. However, even if we create guidelines, without partners who agree with them and are

willing to act together, we cannot create the large wave of change needed to transform society. Solving social issues is far beyond the capacity of a single company; it is crucial to build a network of partners both domestically and internationally, and to create a significant flow of funds through actions driven by shared values. In the Transition Finance Framework, we have disclosed specific procedures of evaluation, making it accessible not only to business corporations but also to other financial institutions.

Looking around the world, there are numerous social issues that urgently need to be addressed, not just climate change, but also the preservation of natural capital and more. Moving forward, by showing the way and expanding our network, we aim to create a large wave of change that goes beyond the efforts of just one company.

## Interconnected social issues—Integrating considerations for the global and social environments

As we strive to address various social issues, we must not forget that these issues are interconnected.

There is a concept called “Planetary Health,” which integrates considerations about the global environment and the social environment. This approach seeks to protect both the health of the planet and all aspects of human life, recognizing that issues such as climate change, food shortages, environmental pollution, public health, and social conflict are closely interconnected. For example, abnormal weather patterns caused by climate change can destabilize food production, leading to malnutrition and health problems. Additionally, air and water pollution can exacerbate respiratory diseases and increase the spread of infections. These food and health challenges can, in turn, contribute to social unrest and increase the risk of conflict and other adverse events. To solve these social issues, it is essential not only to manage resources sustainably and protect the environment but also to promote healthy lifestyles. We must take an integrated approach when considering these interrelated social challenges.

Going forward, we aim to deepen our collaboration with international organizations and academia, incorporating diverse perspectives from various stakeholders to accurately understand the issues at hand. By doing so, we will explore how we can contribute through investment and financing and continue our efforts to ensure that these initiatives lead to the realization of “a society in which everyone can live their lives with peace of mind.”



# Nippon Life's Commitment to Responsible Investment

The incorporation of environmental, social, and governance (ESG) factors into the investment decision-making process by institutional investors has become widespread in the global financial and capital markets. However, looking at the international society as a whole, there is still a long way to go before global goals such as the Sustainable Development Goals (SDGs) and the Paris Agreement are achieved. Against a backdrop of growing awareness and urgency regarding many sustainability issues, including climate change, income inequality, and human rights, beneficiaries, clients (policyholders), governments, and other stakeholders are increasingly placing higher expectations on institutional investors.

Now, we need to reconsider the meaning of the word “responsible” in “responsible investment.”

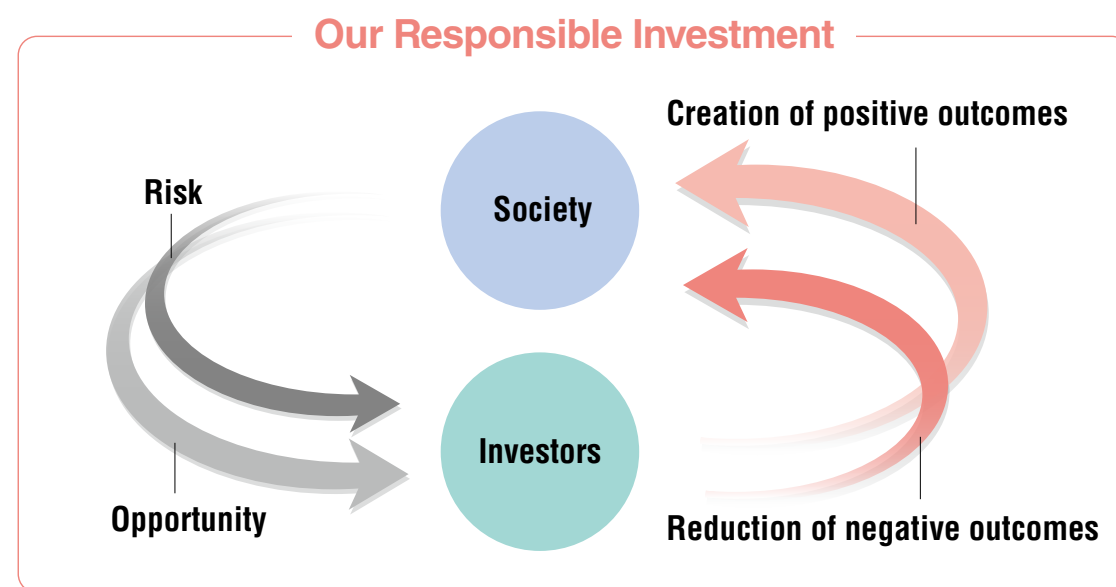
A typical approach of ESG incorporation is to reduce investments in companies with low ESG ratings and increase investments in those with high ESG ratings. Negative screening, such as divesting from the fossil fuel industry, is another example of ESG incorporation. Since companies with high greenhouse gas (GHGs) emissions risk being shunned by consumers and business partners in the future, or having their corporate value eroded by stricter government emissions regulations, it makes sense to reduce investments in such companies.

However, such a risk-management investment approach alone cannot sufficiently address system-level risks such as global warming. As investors, and as a “future maker” who makes society sustainable, we

need to be more proactive in engaging with companies.

For example, to address system-level risks of global warming, we need to encourage high-emitting companies to develop GHG emissions reduction plans (transition plans) and help them decarbonize by establishing practical guidelines for transition finance in line with the Paris Agreement. In doing so, it is important to visualize the impacts investee companies are having on the real world, to conduct milestone management toward their goals, and to clarify how investors will support investees in achieving their goals. The indicators that quantify and visualize the impacts on the real world (i.e., various stakeholders) are called “sustainability outcomes.”

There is a continuous feedback cycle between ESG-related risks and opportunities and sustainability outcomes (see diagram below): ESG issues create risks and opportunities for investors, whose actions contribute to shaping sustainability outcomes on the real world, which feed back into portfolios in the form of ESG risks and opportunities. This holistic investment approach improves not only the performance of investors' portfolios but also the robustness and resilience of the environmental, social, and financial systems that underpin the business foundations of all companies. This is the kind of responsible investment we strive for as a “future maker.” In order to fulfill our “responsibility to policyholders” of maximizing financial returns to them, we will simultaneously fulfill our “responsibility to society” of addressing sustainability issues through responsible investment and financing.



Please refer to page 52 for our responsible investment-related policies (Responsible Investment Guidelines).

# Addressing System-level Risks that Threaten the Business Foundations of All Companies

——“Systems Thinking” Required of Responsible Investors——



**Takeshi Kimura**

Special Adviser to the Board

## Building a sustainable financial system

Our assets under management span a variety of asset classes, creating a portfolio that covers the entire market. Therefore, if system-level risks that threaten the business foundations of any company, such as global warming and biodiversity loss, materialize, i.e., if the SDGs are not achieved, market returns will deteriorate on a global scale, so no matter how well we diversify our investments, we as investors will not be immune from the adverse impact of such risks.

While it is possible to earn excess returns (alpha) by investing in companies with innovative technologies through funds specialized in climate solutions, this alone is not sufficient to address system-level risks. If high GHG-emitting sectors are not decarbonized, their negative externalities will undermine the business foundation of many companies, and overall market returns (beta) will be greatly reduced.

Therefore, making the entire financial system sustainable is essential for institutional investors to improve the long-term investment performance of their overall portfolio. This is why “systems thinking” is required of responsible investors.

## The interconnectedness of sustainability issues

To build a sustainable financial system through achieving the SDGs, it is important to take into consideration the interconnectedness of sustainability issues from a systems thinking perspective. For example, as it is known as a “just transition,” the transition to net zero requires addressing the environmental (E) issue of decarbonization and social (S) issues in parallel. This is because if economic development is hampered by the lack of new employment opportunities for workers in areas affected by changing energy structure, momentum toward net zero will wane and the achievement of the SDGs will become more difficult.

To enhance the sustainability of the financial system, it is becoming increasingly important for us, as responsible investors, to consider how to address various sustainability issues, recognizing that many economic actors influence and depend on each other.

## Global progress toward achieving SDGs

The SDGs are global goals set to address global-scale issues, such as climate change and income inequality, and to realize a sustainable and better world. According to a survey we conducted with our policyholders, more than 60% of policyholders expect us to consider the achievement of the SDGs in addition to improving financial returns when it comes to our asset management. And, more than 30% of our policyholders expect us to prioritize the achievement of the SDGs over financial returns. However, as of 2024, less than 20% of the 169 targets based on the 17 SDGs are on track to be achieved by 2030, and the remaining 80% or more have made little or no progress or are even backsliding. In other words, if we stop at the current level of efforts, it will be difficult for the global society to achieve the SDGs, and we will not be able to meet the expectations of our policyholders.

# Sustainability Management at Nippon Life Group

Over the past 135 years since our founding, we have been practicing sustainability management through our main business, based on the Fundamental Management Principles of Nippon Life of contributing to the stability and enhancement of people's lives. The fact that we continue to place "sustainability management" at the core of our business management today demonstrates our intention to develop our main

business by earning even greater trust from our customers and resolving social issues. In line with this approach, the Group's goal in promoting sustainability management is to create "a society in which everyone can live their lives with peace of mind." Our goal is to improve the sustainability of both society and the Group by working to solve social issues in the three areas of "People," "Community," and "Environment."

Society the Nippon Life Group aims for

**A society in which everyone can live their lives with peace of mind**

Strive to help solve social issues in the three areas of People, Community, and Environment



## Measuring the level of contribution to society that we aim to achieve (outcome targets)

In our Mid-Term Management Plan, we have established outcome targets in the fields of "People," "Community," and "Environment" in order to measure the level of contribution to society that we aim to achieve as a Group. In the asset management field, under "Environment," we have set "GHG emissions" and "contribution to the amount of GHG emission

reductions" of our asset management portfolio as outcome targets. Going forward, we will aim to achieve the outcome targets by creating a virtuous cycle in which "each and every executive and employee thinks and acts" first, then "receives feedback from various stakeholders to further refine our efforts as a Group."

Value We Provide to Society

People / Community

Environment

Target

Number of customers (Domestic Group)

Number of corporate customers (Domestic Group)

Customer satisfaction (Nippon Life standalone basis)

Assets under management (Domestic Group)

Nissay version of healthy life expectancy (Nippon Life standalone basis)

2035 target

17 million

370,000 companies

90% or more

¥125 trillion

Extend by 2 years from 2023

Target

CO<sub>2</sub> emissions (Nippon Life Group / Business activities)

Scope 1 and 2 (Nippon Life standalone basis / Nippon Life's contracted electricity share)

Greenhouse gas emissions (Nippon Life standalone basis / Asset management)

Contribution to the amount of greenhouse gas emission reductions (Nippon Life standalone basis / Asset management)

2030 target

2050 target

Decrease of 51% or more from 2013

Net zero and 100% renewable energy ratio

Total emissions: Decrease of 45% or more from 2010

Intensity: Decrease of 49% or more from 2020

15 million tonnes per year

-

Net zero

## Promoting initiatives toward creating the society that we aim to achieve

In order to improve the sustainability of the Group and society, it is crucial that we conduct our main business with a greater awareness of social issues than ever before. Therefore, we have been advancing sustainability efforts, such as publishing our Sustainability Statement, which outlines our vision and actions toward creating the society we aim to achieve through

sustainability management, and launched the Nissay Sustainability Project "Nissay-no-se!" in May 2024 as a company-wide campaign. These initiatives aim to promote understanding, raise awareness, and drive behavioral changes both inside and outside the Company.

### Sustainability Statement



### Nissay Sustainability Project "Nissay-no-se!"



This project is a company-wide campaign in which we take pictures of approximately 70,000 executives and employees throughout Japan joining in **daily sustainability activities to "enhance today for your future"** and widely publicize them inside and outside the Company.



We will continuously share our sustainability initiatives on our company's dedicated website and official social media accounts.

### Message



**Shinichiro Kashima**  
Executive Officer  
Sustainability Management Dept.

In order for our Group to continue meeting the expectations of our customers and society, we believe that further advancing our sustainability management is essential. Up until last fiscal year, we spent a year aligning the broader framework our Group aims to achieve with the individual work of each employee and our sustainability management. We have positioned the current fiscal year and beyond as the execution phase of sustainability management, and will promote various initiatives to realize "a society in which everyone can live their lives with peace of mind." One such initiative is the "Nissay-no-se!" project, which was launched this year. Through this project, we will work to resolve various social issues together with local communities, helping all executives and employees

to understand the significance of sustainability efforts and take ownership of them. Additionally, as a member of the representative group of the NZAOA (UN-convened Net-Zero Asset Owner Alliance), I represent the Asia-Pacific region and promote transition finance tailored to the region's characteristics. I have been involved from the rule-making stage and have emphasized the importance of diversity and the principle of "No One Left Behind" throughout the process. Going forward, we will continue to develop initiatives to enhance the sustainability of "People," "Community," and "Environment," with the goal of realizing "a society in which everyone can live their lives with peace of mind."

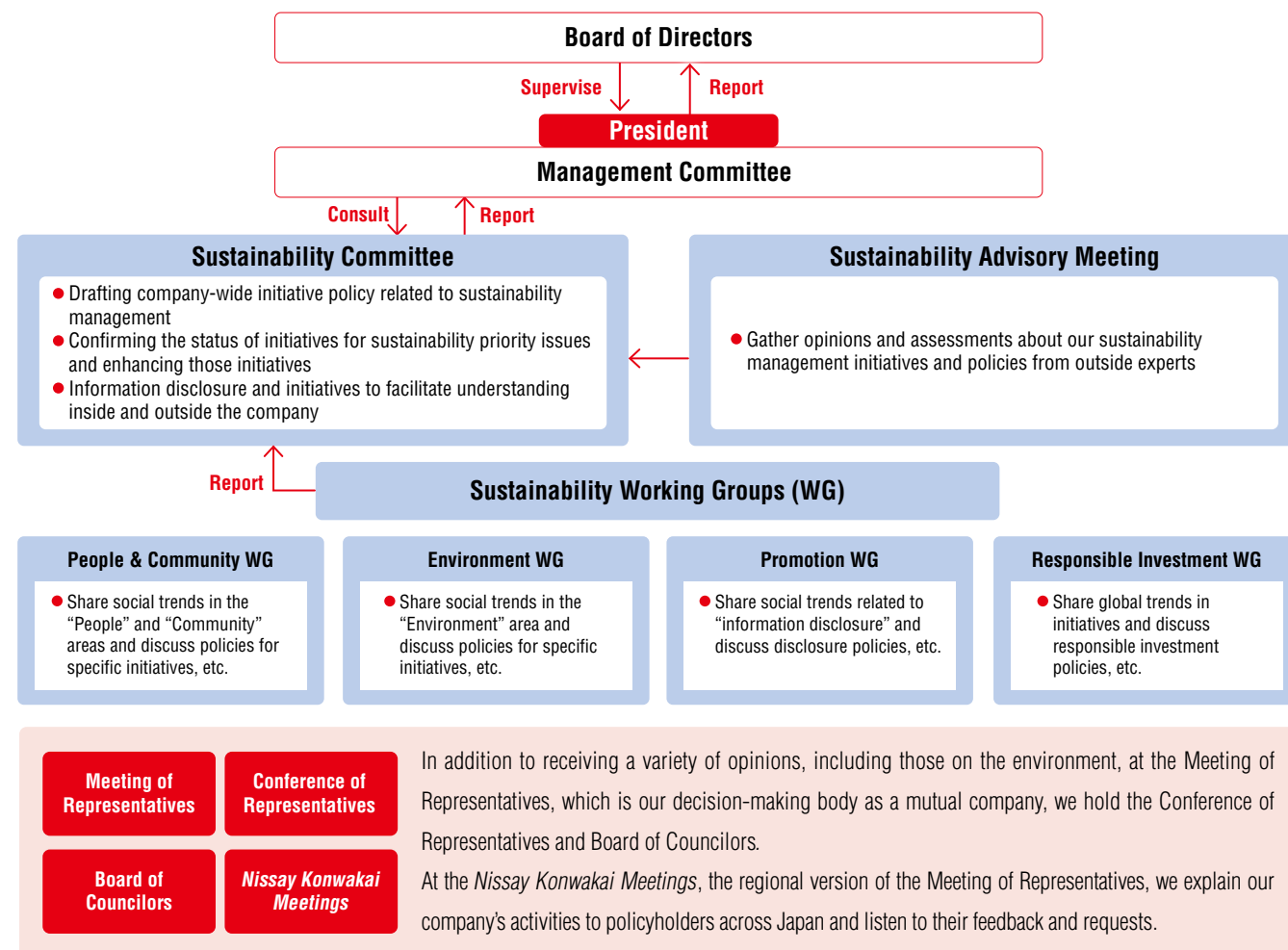


# Governance System for Responsible Investment Initiatives

We have established the Sustainability Committee as an advisory body to the Management Committee. The Committee discusses matters such as the drafting of a company-wide initiative policy, the status and enhancement of initiatives for sustainability priority issues, and information disclosure and initiatives to facilitate understanding inside and outside the Company. Additionally, the Committee meets four to five times a year, with core members consisting of the Executive Officer Responsible for Planning, executive officers responsible for each business unit, and executives from each domestic Group company responsible for sustainability. We have

also established Sustainability Working Groups under the committee's jurisdiction. One of these working groups, the Responsible Investment Working Group, shares global trends in initiatives and discusses responsible investment policies.

We also aim to further advance sustainability management through measures such as the establishment of the Sustainability Advisory Meeting, a forum for discussions with outside experts that had previously been held irregularly, in order to obtain their opinions and assessments on a regular basis.



## Sustainability Advisory Meeting

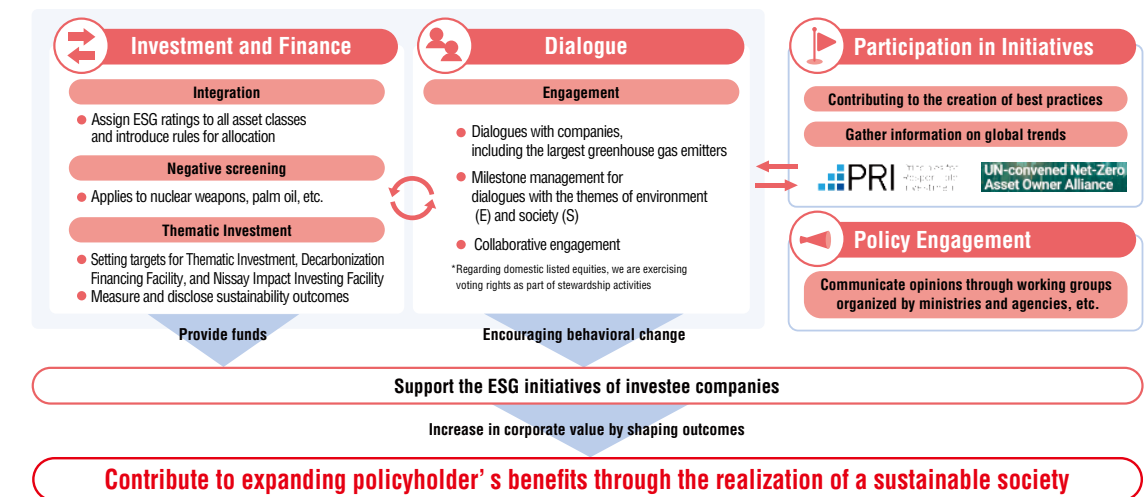


To further advance sustainability management, which is fundamental to our business operations, we host the Sustainability Advisory Meeting, inviting external experts to ask for relative and objective opinions. This fiscal year, we have been discussing themes related to the governance system of our sustainability management, climate change, and biodiversity. The experts have provided evaluations of our current sustainability management initiatives and feedback on a wide range of topics, such as the necessity of formulating a transition plan as a financial institution and the importance of promoting impact investments as a universal owner.

# Overview of Responsible Investment Initiatives

Our aim is to increase corporate value through the creation of outcomes by supporting the ESG initiatives of investee companies through the well-balanced promotion and enhancement of responsible investment using a variety of approaches. This support, in turn, leads to an improvement in corporate value by generating sustainability outcomes. Additionally, within international initiatives we participate in, our company's executives serve as directors and members of representative groups, actively contributing

our perspectives as a leading institutional investor in Japan to foster the broader adoption and expansion of responsible investments in society. Regarding funding for GHG reduction and addressing social issues within our asset management portfolio, we have established specific objectives and are diligently progressing with these initiatives. By realizing a sustainable society through these initiatives, we will contribute to the expansion of benefits for our policyholders.



## Responsible Investment Goals

### GHG reduction targets in asset management portfolio

Set a goal to be net zero in 2050 and interim targets in FY2030 for 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. <Interim Goals for FY2030> [Total GHG emissions] Decrease of 45% or more from FY2010 [GHG intensity] Decrease of 49% or more from FY2020

### Providing funds to address social issues

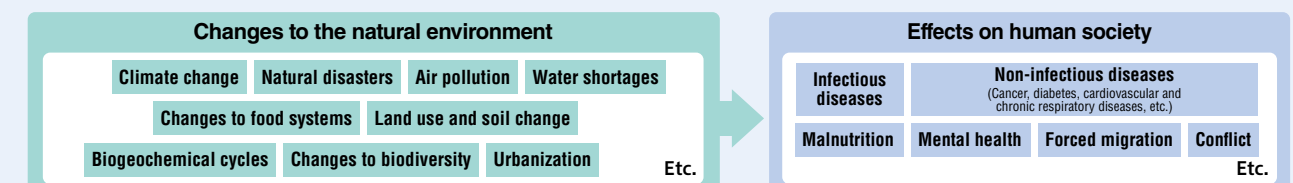
Thematic Investment: 5 trillion yen (FY2017–FY2030)  
Decarbonization Financing Facility: 3 trillion yen (FY2017–FY2030)  
Nissay Impact Investing Facility: 500.0 billion yen (FY2024–FY2030)

## Column

### Planetary Health

We think that the concept of planetary health will play an important role in promoting responsible investment from now on. Planetary health is the idea of striving for a sustainable society while considering the interconnectedness of global issues and social issues such as human health and conflict. The Earth is the foundation of our livelihoods, and changes to its environment could have various effects on our health. For example, if extreme weather patterns grow as a result of climate change,

resulting in natural disasters like floods and droughts, there will be heightened risks of food shortages and polluted drinking water, which could result in the spread of infectious diseases, malnutrition, and more. Environmental changes could also destabilize living conditions, including poverty and inequality, which could lead to issues including forced migration and conflict. To achieve sustainable coexistence between the Earth and humanity, we must address both global and social issues.



# Key Sustainability Themes

Based on the Nippon Life Group's three key areas of "People," "Community," and "Environment," we have established six key sustainability themes for our Investment Management Unit: "Respect for Human Rights," "Human Capital," "Regional Economies," "Global Health (Public Health)," "Climate Change," and "Natural Capital."



People

## Respect for Human Rights



### Current situation and trends

Human rights are the fundamental rights that all people inherently possess, yet issues arise from violations such as forced labor, discrimination, and harassment.

As exemplified by the release of the United Nations (UN) "Guiding Principles on Business and Human Rights" in 2011, organizations like the UN and OECD have urged companies to take action to respect human rights.

As an institutional investor, we recognize the importance of understanding and addressing the human rights risks of investee companies. At the same time, we believe that promoting respect for human rights and enhancing individuals' lives will help strengthen our customer base.

### Our efforts

Since September 2023, we have requested all investee companies to formulate a human rights policy and conduct human rights due diligence. We initially focused on investee companies where we have large holdings and where these initiatives have not yet been confirmed, asking them to take action and disclose their efforts. We have confirmed that all companies we have engaged with are open to implementing and disclosing their measures going forward.

## Human Capital



### Current situation and trends

The concept of human capital views human resource as a form of capital. Due to labor shortages in Japan stemming from a declining population, an aging society, and low birthrates, enhancing the value of each individual as a human resource and improving productivity are crucial obstacles to overcome. In August 2022, the Cabinet Secretariat published "Human Capital Visualization Guidelines," which outline key points for the disclosure of human capital information. Additionally, from the fiscal year ended March 2023 onward, the disclosure of human capital information in securities reports has been mandated, further encouraging companies to address human capital through increased transparency.

We believe that investee companies practicing management that is conscious of human capital and enhancing the value of each individual as human resources will help increase mid- to long-term corporate value.

### Our efforts

During dialogues with investee companies, we requested that they formulate and disclose a human resources strategy integrated with their management strategy. We confirmed "initiatives tailored to the industry and individual companies' management strategies" for approximately 60% of the companies with which we had dialogues regarding human capital.



Community

## Regional Economies



### Current situation and trends

In Japan, regional disparities and the economic decline of local industries, driven by an aging society, low birthrates, a declining population, and urban migration, are emerging as social challenges.

In 2019, the Cabinet Office revised the long-term vision for revitalizing towns, people, and jobs, originally formulated in 2014. The vision outlines the current state and future outlook of Japan's population and suggests directions for the future.

We believe that curbing urban migration and contributing to the development of regional economies will help strengthen our customer base, including in local areas.

### Our efforts

In addition to traditional loans, we offer sustainable finance options, such as Green Loans and Sustainability Linked Loans, for small and medium-sized enterprises that can impact regional development. We also contribute to the development of local economies around power stations through investing in renewable energy projects in Japan.

## Global Health (Public Health)



### Current situation and trends

Global health refers to issues that require international collaboration to address, as they impact people's health on a global scale. These include tackling infectious diseases like malaria, building and operating hospitals, and strengthening health systems. In Japan, the government disclosed the Global Health Strategy in May 2022, based on the belief that global health is essential not only for the stability of international society but also for the safety of Japan and its citizens.

As a life insurance company, we believe it is important to contribute to solving social issues, such as improving access to healthcare and extending healthy life expectancy.

### Our efforts

In September 2023, we joined "Triple I for Global Health," an initiative focused on mobilizing private capital for global health, including impact investing. Through this initiative, we will work to share knowledge with partner organizations and spread and expand impact investments in the global health field.



Environment

## Climate Change



### Current situation and trends

Climate change has become an urgent issue in recent years, with global warming frequently causing natural disasters and extreme weather events. Research by the Intergovernmental Panel on Climate Change (IPCC), which consists of scientists from around the world, along with other studies, underscore the need to significantly reduce GHG emissions in the future.

Climate change negatively impacts not only the environment but also the economy, including companies' business activities. To continue our business as a life insurance company in a sustainable economy, it is essential to tackle climate change. Additionally, the outbreak of infectious diseases due to climate change and the increase in natural disaster-related injuries are significant factors that impact the risk of insurance payout.

### Our efforts

We established the Decarbonization Finance Facility within Thematic Investment, and its value reached approximately 1.9 trillion yen as of the end of March 2024. In June 2024, we developed "Nippon Life Transition Finance Framework," which clearly indicates concrete evaluation criteria with reliable and transparent contents. This supports companies' decarbonization efforts from the mid- to long-term perspective.

## Natural Capital



### Current situation and trends

Natural capital consists of living organisms, water, the atmosphere, soil, minerals, and other resources. While people's lives have become materially prosperous and convenient, the loss of natural capital and biological species has become a growing problem. In 2022, COP15 resulted in a new global framework on biodiversity, and companies are now being asked to manage their businesses with consideration toward biodiversity, including improving information disclosure.

As a life insurance company, we believe that ensuring the sustainability of natural capital is important from the perspective of building a stable social infrastructure and providing security and trust to our customers.

### Our efforts

Initially, among the investee companies in which we have large holdings, we prioritize those with high dependencies or significant impacts on natural capital for dialogue, based on ENCORE, an analysis tool recommended by the TNFD. For the foreseeable future, we will encourage these companies to adopt a step-by-step approach and promote enhanced disclosure through dialogue, while collecting information and sharing best practices from other companies.

# The History of Nippon Life's Responsible Investment

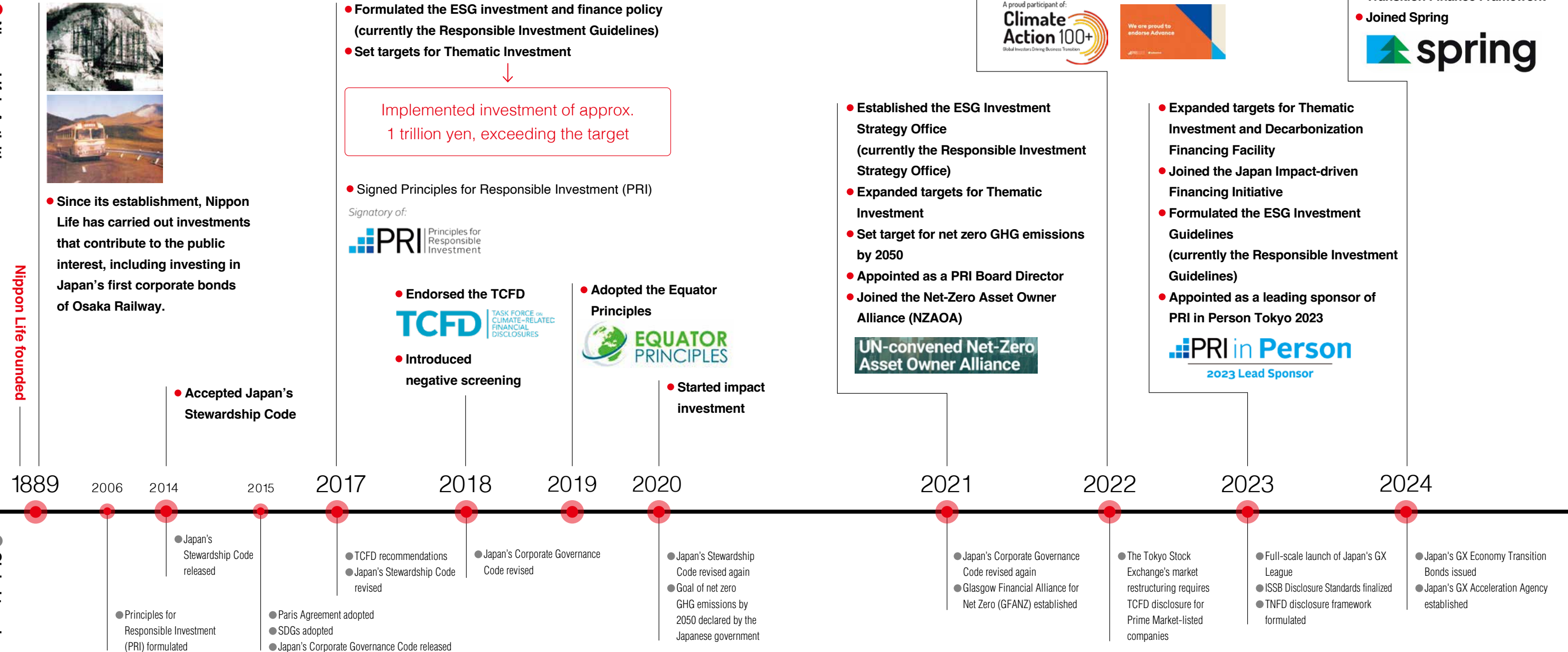
Since its founding, Nippon Life has based its life insurance operations on the philosophy of “co-existence, co-prosperity, and mutual aid.” With this in mind, we have made efforts to conduct sound management from a long-term perspective while giving the highest priority to maximizing benefits for our policyholders. In the asset management field, we have carried out investments that contribute to the public interest.

By pushing ahead with responsible investment activities, we aim to contribute to the realization of a sustainable society while enhancing investment returns.

● Nippon Life's Activities

Nippon Life founded

● Global trends



## Recent Track Record

### Stewardship activities

Total number of companies we held dialogues with	Number of companies we engaged in climate change-focused dialogues	Overall resolution rate of important issues identified	Reduction of GHG from top GHG emitters, etc.
<b>695</b> (July 2023 to June 2024)	<b>78</b> (They account for about 80% of GHG emissions from domestic listed equity and corporate bond investments)	<b>Approx. 31%</b> (Resolution rate of important issues identified in 2023) <b>Over 70%</b> (Cumulative resolution rate of important issues after five years of dialogue)	<b>Approx. -12%</b> (April 2018 to March 2023)

### Investment

Thematic Investment	Decarbonization Financing Facility	Contribution to GHG reduction
Result <b>Approx. 2.6 trillion yen</b> (April 2017 to March 2024)	Result <b>Approx. 1.9 trillion yen</b> (April 2017 to March 2024)	Result <b>Approx. 4.27 million tonnes</b> (April 2023 to March 2024)

### GHG emissions in asset management portfolio

Total emissions	Intensity
<b>Approx. -45.9%</b> (FY2030 mid-term target: reduction of over 45% (compared with FY2010))	<b>Approx. -20.0%</b> (FY2030 mid-term target: reduction of over 49% (compared with FY2020))
*Covers Scope 1 and 2 emissions of domestic and overseas listed equities, domestic and overseas corporate bonds, and real estate. (including equities and corporate bonds invested through mutual funds)	



# Integration

Integration is a responsible investment method aligned with one of the six Principles for Responsible Investment (PRI) published by the United Nations in 2006, which states, “We will incorporate ESG issues into investment analysis and decision-making processes.”

Nippon Life integrates ESG factors into our investment processes across all asset classes. Specifically, we make investment decisions based on ESG ratings, which are assigned by analyzing and evaluating companies’ ESG initiatives, their commitment to addressing issues, and the extent of risks that may impact their business.

By doing so, we make investment decisions by incorporating non-financial factors, such as their impact on corporate value and creditworthiness, into traditional analyses, including financial analyses. When integrating these non-financial factors, we leverage information from companies’ disclosures, insights gained through dialogues with them, expertise from our Group company Nissay Asset Management, and data from ESG vendors, tailored to the characteristics of each asset class. Additionally, ESG ratings are utilized for positive screening (see page 17 for details).



## Definition of ESG ratings

### Assigning ESG ratings to all asset classes and incorporating ESG factors in investment decisions



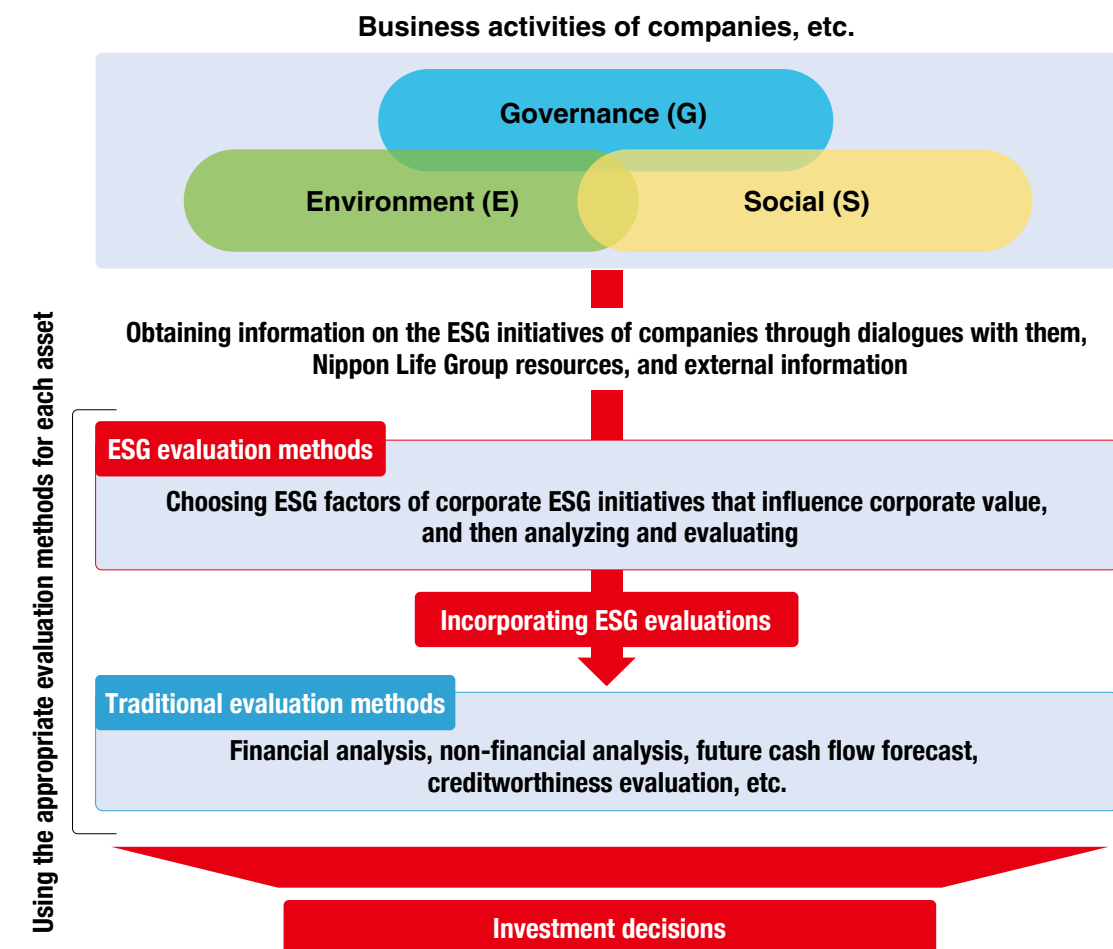
For indirect investment, the state of the ESG activities of third-party investment funds and other partners will be evaluated on a four-tier scale.

### Ratings

- 1 The ESG-related initiatives of companies are positive for corporate value and other factors (sustainable growth potential / creditworthiness) over the mid- to long-term
- 2 The ESG-related initiatives of companies are neutral for corporate value and other factors (sustainable growth potential / creditworthiness) over the mid- to long-term
- 3 The ESG-related initiatives of companies are negative for corporate value and other factors (sustainable growth potential / creditworthiness) over the mid- to long-term
- 4 The ESG-related initiatives of companies are significantly negative for corporate value and other factors (sustainable growth potential / creditworthiness) over the mid- to long-term

**Applying allocation rules**  
(Introduction of positive screening)

## Overview of Investment Decisions



### Comment



**Kyohei Fukada**  
Senior Portfolio Manager,  
Credit Investment Dept.,  
Nissay Asset Management

While corporate bond investments offer higher yields than government bonds, they also carry certain risks due to the potential deterioration in companies’ creditworthiness. Therefore, properly assessing a company’s sustainability is essential for securing stable, long-term returns. A key element in this process is integration—analyzing and making investment decisions based on non-financial information, including companies’ ESG initiatives, their commitment to addressing issues, and their exposure to business risks. In our dialogue (engagement) with companies, we promote two-way communication, not only to gather information on themes we consider important for assessing

ESG factors, but also to share our perspective as a long-term corporate bond investor, including both our investment needs and companies’ ESG bond issuance needs. By leveraging the investment opportunities created by these initiatives to provide mid- to long-term financing, we aim to support corporate ESG initiatives and enhance corporate value while mitigating the risk of credit deterioration. Furthermore, by securing long-term, stable profit margins through these efforts, we strive to contribute to a sustainable society and enhance returns for our policyholders.



# Positive/Negative Screening

## Positive Screening

In positive screening, we decide to invest in companies based on their practices like producing environmentally friendly products or contributing to the development of local communities. This approach differs from negative screening, where companies are excluded as investee companies. Unlike negative screening, which offers relatively clear criteria for excluding investment targets, positive screening requires more detailed research and analysis. It involves assessing whether initiatives related to climate change and natural capital positively influence the environment and society, and whether they ultimately contribute to the enhancement of corporate value. In general, asset management companies tend to implement positive

screening on a per-fund basis. However, as part of our positive screening approach, we have implemented allocation rules across assets, where ESG ratings are used as a criterion, specifically focusing on the proportion of holdings with high ESG ratings. For example, we have established a rule that the total market value of holdings with ESG rating 1 should be above a certain percentage of the overall portfolio and are monitoring the situation. In this way, we prioritize funding to investee companies with excellent ESG initiatives. For investee companies where we believe there is room for improvement in ESG initiatives, we encourage these initiatives through dialogue and other means.

## Negative Screening

In line with our basic stance of responsible investment—working collaboratively with investee companies to address social issues from a mid- to long-term perspective—we aim to solve social issues as a whole by reaching out to the entire company. However, we also conduct negative screening for some companies and businesses. Specifically, considering the mission and public nature of the life insurance business, we prohibit investing in companies engaged in the manufacture of weapons such as cluster munitions, anti-personnel mines, and nuclear weapons. Additionally, with the growing international interest

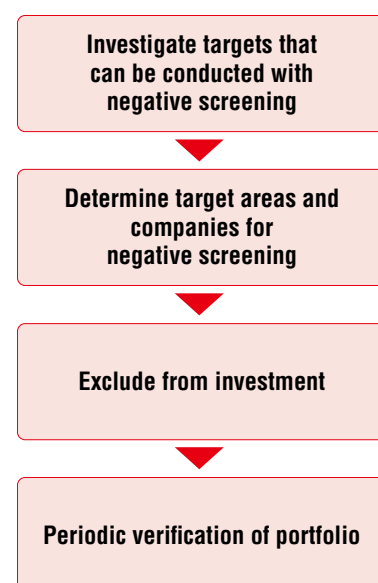
in climate change, spurred by initiatives like the UN-adopted SDGs and the Paris Agreement, we have adopted a policy to refrain from making new investments in coal, oil, and gas projects without measures to reduce greenhouse gas emissions. Furthermore, in light of environmental issues such as deforestation caused by palm oil production as well as human rights issues such as forced labor, the target scope of negative screening includes companies related to palm oil without RSPO\* certification. It also includes tobacco-related companies from the perspective of enhancing responses to health issues.

\* The Roundtable on Sustainable Palm Oil

### Negative screening targets

	Screening areas	Screening assets
Non-humanitarian	<ul style="list-style-type: none"> <li>Specific weapons manufacturing companies (Cluster munitions, biological weapons, chemical weapons, anti-personnel landmines, nuclear weapons)</li> </ul>	<ul style="list-style-type: none"> <li>Equity investments</li> <li>Bond investments</li> <li>Corporate loans</li> </ul>
Biodiversity / Human rights	<ul style="list-style-type: none"> <li>Palm oil-related companies</li> </ul>	
Health	<ul style="list-style-type: none"> <li>Tobacco-related companies</li> </ul>	
Climate change	<ul style="list-style-type: none"> <li>Coal-related projects (Excluding brownfield projects aligned with a 1.5°C pathway)</li> <li>Oil and gas related projects (1) Greenfield exploration projects (2) Related projects expect resource explorations (Excluding gas-related projects aligned with a 1.5°C pathway)</li> </ul>	<ul style="list-style-type: none"> <li>New project finance</li> </ul>

### Negative screening process



## Column

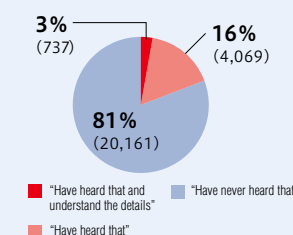
### Beneficiary Engagement

To fulfill our responsibilities as an institutional investor who manages insurance premiums entrusted by our policyholders (ultimate beneficiaries), we focus on engagement not only with investee companies but also with policyholders. As part of this effort, we have been conducting

surveys since FY2022 to understand our policyholders' perspectives and values regarding sustainability. Moving forward, we will continue to disseminate information about our approach to responsible investment as well as relevant efforts, contributing to the realization of a sustainable society.

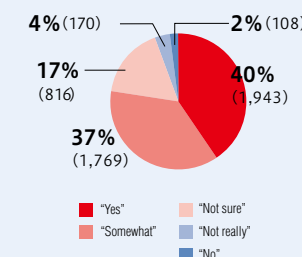
**Results of the Survey (FY2024)** \* Detailed results are available in our press release published on September 30, 2024.

Q Nippon Life aims to solve social issues (e.g., mitigation of climate change) in terms of investment and financing. Did you know that Nippon Life is involved in such efforts?  
(Respondents: 24,967)

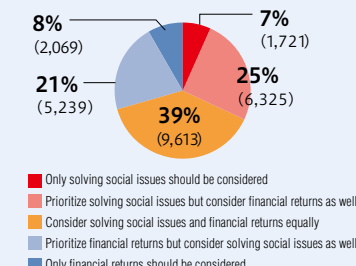


Q Do you expect Nippon Life to continue to implement these initiatives?  
(Respondents: 4,806\*)

\* For those who answered "Have heard that and understand the details" or "Have heard that"



Q Nippon Life aims to solve social issues and to create a society in which our customers can live in peace through investment and financing. What do you think about the balance between solving social issues (e.g., mitigation of climate change) and financial returns in our investment activities?  
(Respondents: 24,967)



## Column

### Communicating information internally and externally

We share information to promote a broader understanding of our sustainability efforts, including responsible investment.

#### Giving a lecture at a university



As part of the Nissay Sustainability Project "Nissay-no-se!" (see details on page 8), we were invited to Professor Uemura's seminar on "Risk and Insurance" at Fukuoka University's Faculty of Commerce, where our staff delivered a lecture on the characteristics of asset management in a life insurance company and the significance of responsible investment efforts.

Through interactive discussions, we deepened the students' understanding of the social issues affecting the world, the current situation in Japan, and how the insurance premiums we manage are being utilized to help address these social issues.

#### Engaging in a webinar

One of our staff members participated in the SDGs seminar "Dialogue with the Market through ESG," hosted by Daiwa Securities, where he shared our overall perspective on responsible investment and our integrated approach to addressing various issues, including natural capital. The webinar was attended by over 400 participants from various companies, where we shared our views as an institutional investor on information sharing and responsible investment.



#### Internal study session



In addition to external communication, we regularly hold internal study sessions with approximately 20 participants each, inviting employees engaged in asset management and sustainability initiatives. These sessions aim to disseminate and enhance understanding of sustainability-related information. In these sessions, we share information and discuss specific themes such as "planetary boundaries" and "impact investment" as well as the latest sustainability trends.

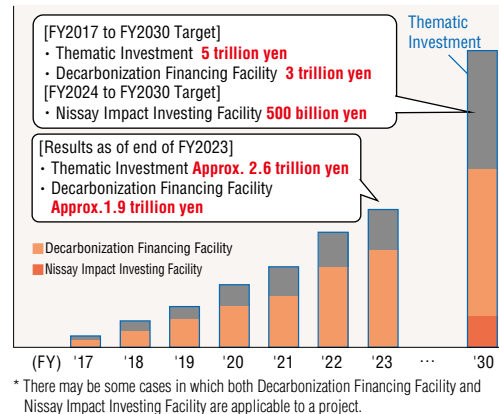


# Thematic Investment

To support corporate ESG initiatives by providing finance, we have set a target amount of 5 trillion yen (FY2017 to FY2030) for “Thematic Investment,” where the use of funds is linked to SDGs-related themes. In addition, as an internal target for this framework, we set a target of 3 trillion yen (FY2017 to FY2030) for “Decarbonization Financing Facility,” aimed at investments that contribute to the decarbonization of companies and society. Since FY2024, we have also set a target of 500 billion yen (FY2024 to FY2030) for “Nissay Impact Investing Facility,” aimed at investments in projects with a particularly strong intent to create outcomes.

Given the smooth progress of green finance and investments in renewable energy-related projects within the Decarbonization Financing Facility recently, as of the end of March 2024, Thematic Investment has reached approximately 2.6 trillion yen, while the Decarbonization Financing Facility has reached approximately 1.9 trillion yen.

## Cumulative totals of Thematic Investment



## Examples of Past Investments

### Investment in healthcare venture fund (Life Science Impact Program, L.P.)



We have invested in a fund that targets companies seeking to generate impact mainly in the area of healthcare. The fund will invest in companies that seek to generate impacts that will be useful in solving urgent social issues, mainly in fields such as the development of new drugs and medical equipment that aim to enhance the quality of life (QOL) and health life expectancy of people all over the world. Investments in the segment have included antibody research and development of an early vaccine against the COVID-19 pandemic.

### Financing of project that serves as a drought control measure (desalination project)



We have invested in a desalination plant as part of a Public Private Partnership (PPP) project for the City of Melbourne, Victoria, Australia. This is our first project finance transaction in Australia. The project was undertaken to serve as a drought control measure in a PPP project in Australia, which has experienced a number of severe droughts in its history, making it a socially significant initiative.

### Investment in Digitally Tracked Green Bonds (Hitachi, Ltd.)



We have invested in Digitally Tracked Green Bonds, which are green bonds that use block chain technology to improve the transparency of the data for green investments and the efficiency of collecting that data. The funds from this loan will be used for refinancing expenditures of the construction and refurbishment of Kyōsō-to of the Hitachi Central Research Laboratory (energy efficient building).

## Comment



**Narumi Furuhashi**  
Foreign Equity and Alternative Investment Department  
Nissay Asset Management

As social issues such as climate change intensify, the roles of institutional investors in realizing a sustainable society are expanding further. Amidst this, the Foreign Equity and Alternative Investment Department practices responsible fund investment. In March 2024, we invested in a transition fund that targets overseas listed stock with the intention to solve climate change issues and protect natural capital. The strategy of this fund is to create a sustainable society and enhance the corporate value of investee companies by investing in those expected to reduce GHG emissions and water usage,

while also advancing initiatives that address key global issues through engagement. For the investment decision, we carefully considered whether to invest not only by conducting standard performance analysis but also by reviewing the asset manager's sustainable investment structure and the investee companies' evaluation methods for ESG initiatives. Going forward, we will advance investments that emphasize outcome creation even more and contribute to expanding policyholders' benefits through the achievement of a sustainable society while refining our investment-related knowledge and skills.

## Examples of Outcomes Shaped through Thematic Investment

“Outcomes” refers to results or effects that indicate the creation of positive impacts or the reduction of negative impacts on society. They are also known as sustainability outcomes. We aim to solve social issues by

creating outcomes that resolve key sustainability themes through Thematic Investment. (Outcomes are calculated based on information provided by investee companies, taking into account the share of the investment amount.)

## People



[Human Capital] Job creation/human resource development	[Human Rights] Supply of housing <sup>*1</sup>
Approx. <b>120,000 people</b> The number of people who have been able to receive employment or other job-related support via financing	Approx. <b>15,000 people</b> The number of people who have been able to enjoy a comfortable living environment by taking out a home loan through financing

<sup>\*1</sup>: The number of people supplied with housing is calculated based on a two-person household if the number of households is disclosed.

## Community



[Regional Economies] Economic benefits <sup>*2</sup> from renewable energy power generation businesses	[Global Health] Supply of water essential for daily life <sup>*3</sup>	[Global Health] Provision of healthcare services <sup>*4</sup>
Approx. <b>25.8 billion yen</b> Economic benefits to regions through financing for domestic renewable energy businesses	Approx. <b>1,230,000 people</b> The number of people who can now be supplied with water essential for daily life through financing for desalination plants and other projects	Approx. <b>950,000 people</b> The number of people who can now have access to medical services through financing for medical facilities

## Environment



[Climate Change] Contribution to the amount of GHG emission reductions	[Natural Capital] Reduction in amount of water used
Approx. <b>4,270,000 tonnes</b> The amount of GHG emissions reduced by companies through their businesses via financing	Approx. <b>24.3 billion liters</b> The amount of water usage reduced by companies through their businesses via financing

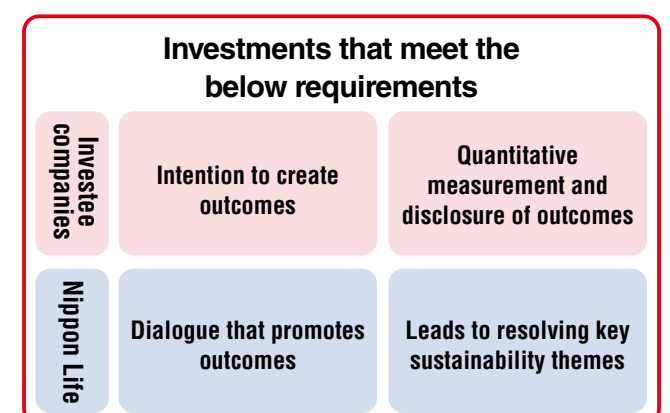
<sup>\*2</sup>: Economic benefits refer to benefits simulated using the Ministry of the Environment's Regional Economic Ripple Effect Analysis Tool Ver. 6.0.

<sup>\*3</sup>: The number of people supplied with water is calculated on an annualized basis as the capacity of desalination plants and other projects to supply household water divided by the average global annual water usage (per person).

<sup>\*4</sup>: The number of people supplied with medical services is calculated as the annualized number of patients per day.

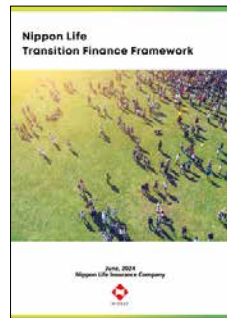
## Nissay Impact Investing Facility

As we work to create positive impacts on society through investment, we recognize that some projects within Thematic Investment have a particularly strong intention to create impacts, and there is no unified definition of impact investing in society. In response to this, as an internal target for “Thematic Investment,” we have established the Nissay Impact Investing Facility in FY2024. This facility aims to create outcomes more actively by establishing a generally recognized definition of impact investment, while also requiring our approach to focus on dialogue. This facility is aimed at investments that meet all of the requirements in the diagram on the right.





# Transition Finance Framework



Nippon Life Transition Finance Framework has been disclosed on our website.

<https://www.nissay.co.jp/global/sustainability/esg/>

In June 2024, Nippon Life published the Nippon Life Transition Finance Framework (hereafter “the Framework”), which provides a concrete definition of transition finance, a financing method that aims to support companies that work toward the realization of decarbonization.

Due to the difficulty of rapidly realizing a decarbonized society in Japan, efforts for transition are extremely important. However, the official definition of “transition” has not yet been clearly determined, so companies, especially commercial companies have difficulty with how to show their eligibility. Additionally, financial institutions have an issue that transition finance leads to a temporary increase in the GHG emissions of their portfolios.

In light of these circumstances, as an institutional investor, our company considered that it is necessary to identify what constitutes appropriate transition finance that is also acceptable globally for the healthy expansion of the transition finance market, which contributes to realizing a decarbonized society.

The Framework, which was established against this backdrop, ensures credibility and transparency by providing concrete evaluation criteria and methods based on scientific evidence for transition finance. Additionally, the Framework has been disclosed on our website to enable not only our company but also financial institutions and commercial companies to widely use it and contribute to the sound development of the transition finance market. Investments determined to be eligible for transition finance based on the Framework with scientific evidence are managed separately from our portfolio GHG emissions, as we determine if they are consistent with the Paris Agreement on an individual basis.

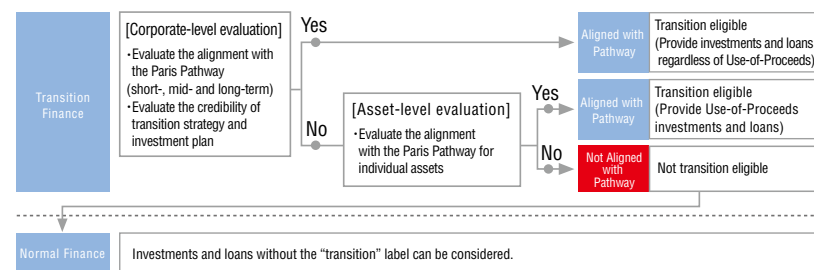
## Overview of Nippon Life Transition Finance Framework

**Transition finance refers to investments and loans for supporting a corporate's initiatives consistent with the Paris Agreement, under which a company's overall GHG emissions reduction plan is evaluated.**

- We have defined the basic principle of the Framework as “transition finance is investments and loans for supporting a corporate's initiatives consistent with the Paris Agreement, which pursues the achievement of the 1.5°C target.” For this reason, with a focus on the evaluation of a company's overall GHG emissions reduction plan, we evaluate whether the plans are in line with a science-based pathway (“Paris Pathway”) that is consistent with the Paris Agreement based on corporate-level short-, mid-, and long-term GHG emissions reduction goals.
- As long as a company's GHG emissions reduction plan is consistent with the Paris Pathway, we will support their activities with transition finance, regardless of individual assets (technologies) that they use. In other words, as long as a company's overall plan is aligned with the Paris Pathway, the transition eligibility of each technology in the plan would not be denied as the Framework does not employ any taxonomic criteria. This is because we prioritize the evaluation of a company's overall GHG emissions reduction plans before assessing individual technology chosen for use of proceeds.

## Overview of evaluation (corporate-level and asset-level evaluations)

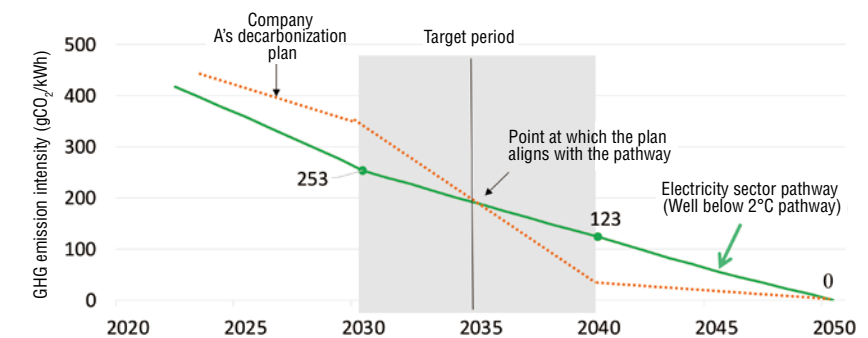
- First, we evaluate whether corporate-level GHG emissions reduction plans are aligned with the Paris Pathway. Specifically, we conduct evaluations based on corporate-level short-, mid-, and long-term GHG emissions reduction goals (2030, 2040, and 2050, respectively) provided by the company.
- For companies with plans that are not aligned with the pathway at the corporate level, we carry out evaluations at the asset level for which the use of proceeds is designated. We use this two-step alignment evaluation in order to decide funding availability in terms of transition finance.
- Even in cases where a company is neither eligible for transition finance at the corporate level nor at the asset level, we still consider our non-label corporate investments and loans.



## Evaluation of alignment with the Paris Pathway

For the evaluation of alignment with the Paris Pathway, we compare companies' GHG emissions reduction plans with 1.5°C pathways and the well below 2°C pathway. Even in cases where companies' planned figures are higher than the reference values of those pathways over the short term, we will determine their GHG emissions reduction plans to be aligned with the Paris Pathway if their cumulative emissions generated during the target periods will be lower than that of the pathways due to them focusing more on promoting GHG emissions reductions toward 2040 and 2050 in the mid- to long-term.

## Corporate-level evaluation example for electricity sector\* with the well below 2°C pathway



\* The Framework, which was published in June 2024, separately prescribes concrete evaluation methods for electricity and steel sectors, which have particularly high GHG emissions and for which financial support for decarbonization is important.

## Evaluating credibility and maintaining flexibility for decarbonization plans

To promote transition finance, it is very important to examine the credibility of companies' decarbonization plans. For this reason, to evaluate the credibility and feasibility of the plans, we examine companies' concrete transition strategies, investment plans for the strategies, and governance systems. Additionally, while the credibility of companies' decarbonization plans are properly verified and ensured, as mentioned above, the timing at which a company's decarbonization plan will align with the Paris Pathway is not specified, thereby making this a system that ensures flexibility for companies in formulating their plans while avoiding carbon lock-in (continuing to emit a certain amount of greenhouse gas).

## Engagement with Diverse Stakeholders

To realize the transition to net zero, it is necessary for many stakeholders to join and cooperate. With this perspective, we established the Framework with the aim of using it widely as criteria for not only our company but also financial institutions and other companies. In relation to the publication of the Framework, when holding discussions with public agencies, Japanese and overseas financial institutions, commercial companies, initiatives, and

academia, we received positive feedback and support for our approach saying that stakeholders using and referring to the Framework will lead to the growth of the transition finance market. We will continue to exchange opinions with various stakeholders and contribute to the sound development of the transition finance market.

## Comment



**Sean Kidney**  
CEO  
Climate Bonds Initiative

The transition framework from Nippon Life is a critically important contribution to investor understanding and guidance for corporate transition activity. We especially welcome the emphasis the Framework places on the need for transition aligned to a 1.5°C pathway. There is still much

work to be done to outline practical measures that will meet 1.5°C pathways; this framework will be a building block for such work, for example, the necessary raising of ambition in Japan's upcoming strategic energy review. We welcome and applaud Nippon Life's work.

\* Climate Bonds Initiative: An international non-governmental organization in the UK that promotes investment in projects and assets necessary for a rapid transition to a low carbon economy

# Stewardship Activities

## CIO Message

**Keisuke Kawasaki**  
Executive Officer (CIO)



### Activities based on social responsibility as an institutional investor providing long-term capital

#### Investments based on long-term holdings

Our company is committed to honoring the long-term promises made to our policyholders through life insurance contracts, with a mission to steadily increase dividends over the long term. The assets we manage are accumulated from the premiums entrusted to us by policyholders, and life insurance contracts typically guarantee policyholders a certain rate of return on these investments. Given these asset characteristics, along with the mission and public interest of the life insurance business, we take a long-term investment perspective, carefully balancing safety, profitability, liquidity, and public interest. In our equity and corporate bond investments, we take a long-term holding strategy with a strong emphasis on stewardship activities, recognizing our social responsibility as an institutional investor providing long-term capital. We engage in constructive dialogue with investee companies to enhance their corporate value while also considering environmental and social impacts.

### Contributing to “Policy Plan for Promoting Japan as a Leading Asset Management Center”

We consider it important to contribute to “Policy Plan for Promoting Japan as a Leading Asset Management Center” and have made stewardship activities a key pillar of our efforts. Our goal is to support the sustainable growth of investee companies, enhance their corporate value, and contribute to the sound development of Japan’s capital markets and society as a whole.

#### One of the largest dialogue efforts in Japan

A top priority in our stewardship activities is engagement, which involves promoting sustainable growth and enhancing corporate value over the mid- to long-term through thoughtful dialogue with investee companies. Through this dialogue, we aim to maintain win-win relationships based on mutual trust and support the efforts of the companies. To this end, we engage in dialogue with as many as 700 investee companies nationwide each year, representing one of the largest dialogue efforts in Japan.

#### Becoming the institutional investor chosen as a valuable dialogue partner

By engaging in dialogue with a large number of investee companies, we

accumulate information on best practices and specific examples that led to concrete improvements as organizational know-how and widely share it with other companies. Through these ongoing activities, we aim to maintain a virtuous cycle, positioning ourselves an institutional investor chosen as a valuable dialogue partner for our investee companies, which will further enhance the quality of our dialogues. There have also been many instances where our investee companies have expressed gratitude, noting that the insights we shared were helpful for improving their management.

### To realize “a society in which everyone can live their lives with peace of mind”

We have identified “People,” “Community,” and the “Environment” as three priority areas in our sustainability management, and in our Mid-Term Management Plan, we have defined our ideal society as “a society in which everyone can live their lives with peace of mind.”

In our stewardship activities in recent years, we have prioritized climate change, human rights, and human capital as key themes in our dialogues, placing greater emphasis on the perspectives of environmental (E) and social (S) responsibilities—that is, the impact of non-financial efforts by investee companies on corporate value.

#### Measures to enhance dialogue effectiveness (escalation)

As we review the progress of our dialogues, we implement various measures to enhance the effectiveness (escalation), such as sending letters to management and holding discussions with senior executives and independent directors.

Through these activities, we work to ensure that our approach is accurately communicated to the management of our investee companies, including both internal and external directors. Additionally, we exercise our voting rights as necessary when no improvement is expected or when there is no significant improvement over the mid- to long-term. For example, if, after several years of dialogue on climate change risks, we cannot confirm a concrete commitment to addressing the issue, we will consider voting against proposals concerning the election of directors.

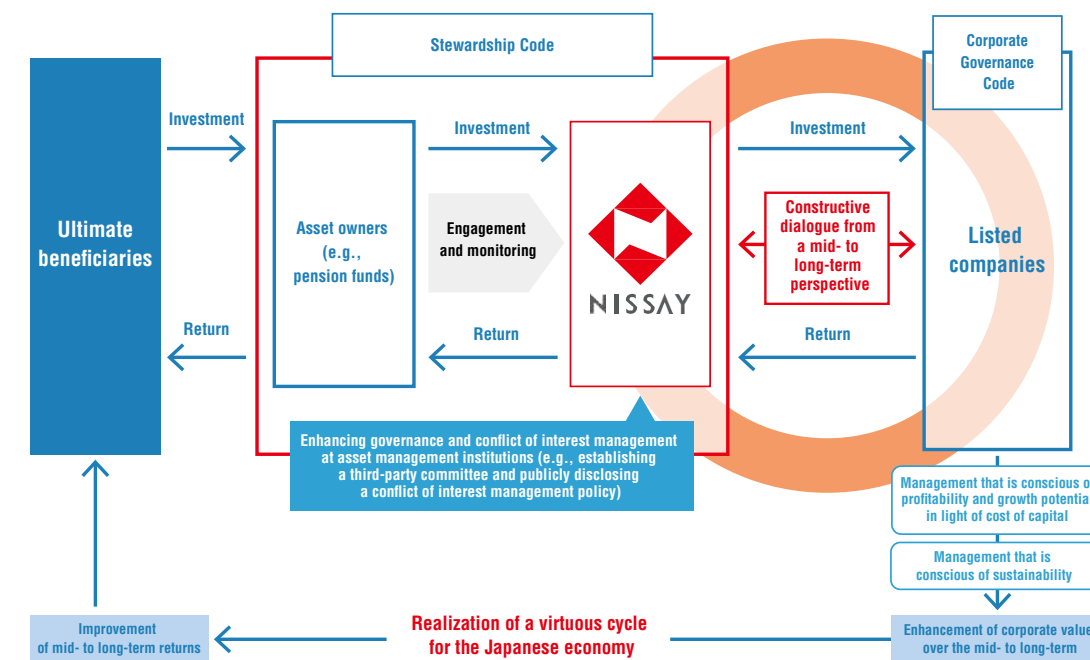
### Supporting companies at their own pace from a long-term perspective

We take a long-term approach to our stewardship activities, recognizing that some results may take more than three to five years to achieve. Accordingly, in our dialogues, we consider the unique circumstances of each investee company and support them at their own pace, helping them to respond to changes in their business environment and achieve sustainable growth. We have identified the promotion of responsible investment as a priority in our Mid-Term Management Plan, with stewardship activities at its core. Going forward, as a responsible institutional investor, we aim to benefit from the enhanced value of our investee companies as part of our returns, while contributing to the creation of a better society through our stewardship activities.

## Our Fundamental Philosophy on Stewardship

In accordance with Japan’s Stewardship Code, we engage in constructive dialogue with our investee companies in domestic listed equities and corporate bonds from a mid- to long-term perspective to enhance corporate value. Through these efforts, we aim to create a virtuous cycle that benefits the entire economy, including the ultimate beneficiaries.

### Creating a positive cycle for the economy as a whole by enhancing corporate value through constructive dialogue



### <Basic concepts of our stewardship activities>

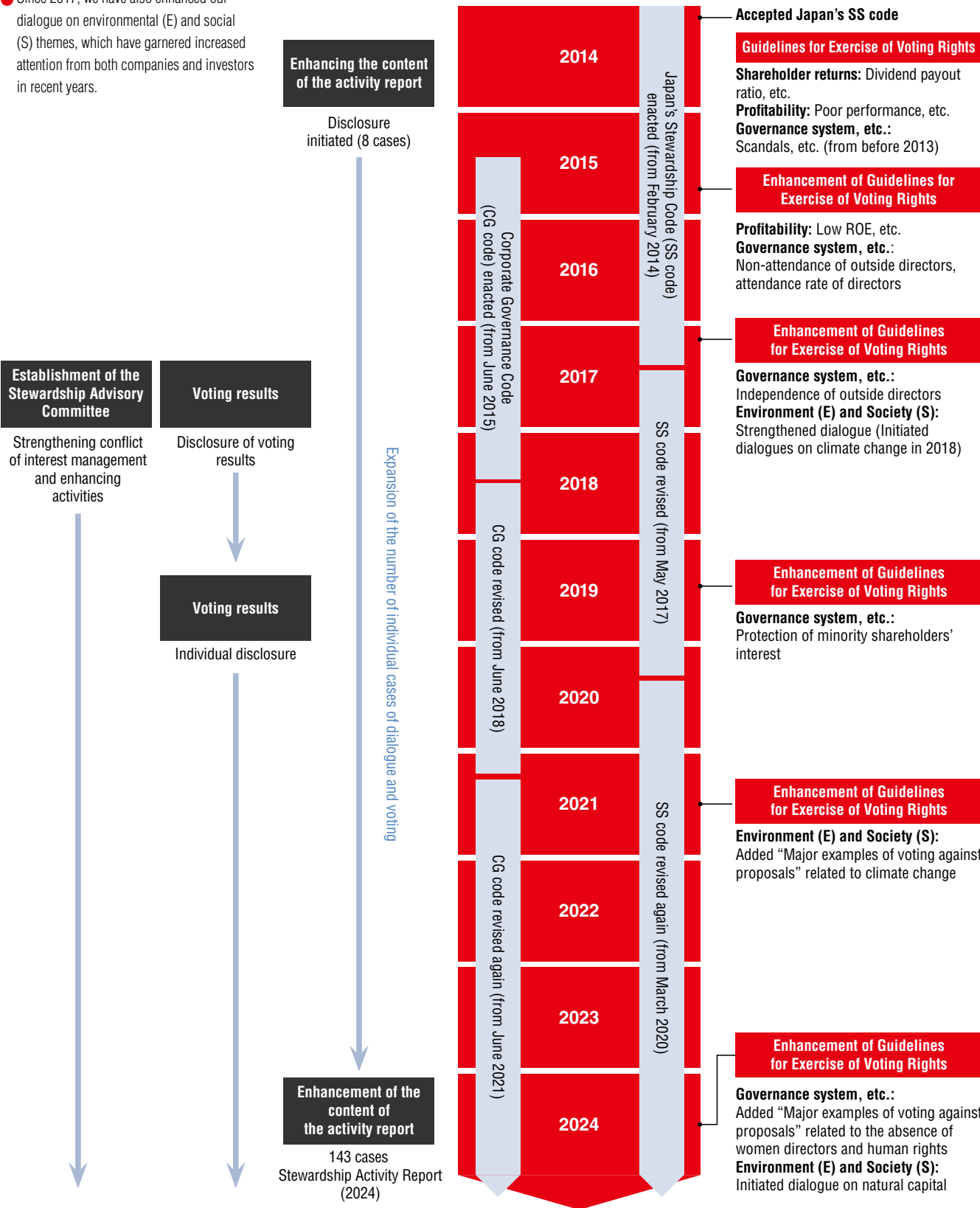
- 1 By engaging in constructive dialogue with investee companies while considering environmental and social factors, we aim to enhance their corporate value over the mid- to long-term. We will reap the benefits of these activities through shareholder returns, rising stock prices, and stable redemption of corporate bonds, ultimately striving for the realization of “a society in which everyone can live their lives with peace of mind.”
- 2 We continuously review the content of our dialogues from a PDCA perspective, monitor changes in the companies’ efforts, and implement measures to enhance dialogue effectiveness (escalation) as necessary.
- 3 Through ongoing dialogues with investee companies, we convey our ideas and awareness of issues. When exercising our voting rights, we conduct thorough assessments based on the unique circumstances of each company, rather than applying an one-size-fits-all approach for approval or rejection.
- 4 If improvements in the efforts of investee companies cannot be expected even after dialogue, we will consider actions such as voting against company proposals, supporting shareholder proposals, and selling equities and corporate bonds (divestment).
- 5 We strive to cultivate highly knowledgeable and skilled professionals who can support the sustainable growth of investee companies through constructive dialogues that consider the unique characteristics of the Japanese market, with a deep understanding of the investee companies and their business environments.

Our Activities over the Ten Years Since the Enactment of Japan's Stewardship Code

Summary of our activities

- Since the enactment of Japan's Stewardship Code (SS Code), we have been working to enhance the quantity and quality of dialogue and information disclosure while strengthening our structure.
- We are continuously strengthening our efforts by gradually adding themes related to shareholder returns, profitability, and governance, taking into account recent global trends.
- Since 2017, we have also enhanced our dialogue on environmental (E) and social (S) themes, which have garnered increased attention from both companies and investors in recent years.

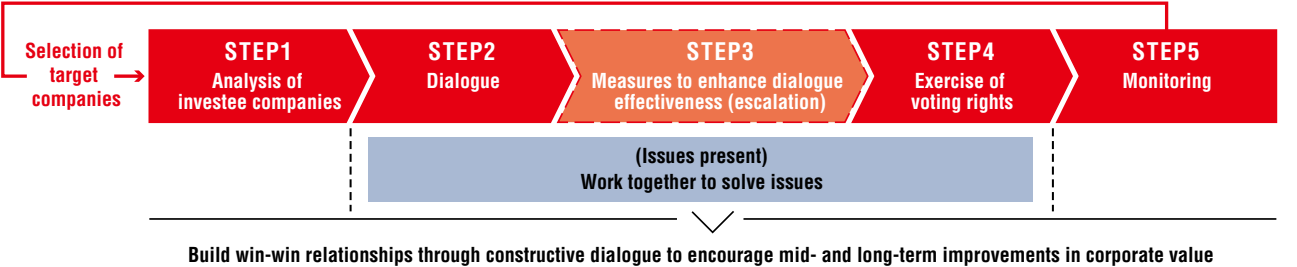
For details on information disclosure, please refer to the **Stewardship Activity Report (2024)**. \*Japanese only  
[https://www.nissay.co.jp/kaisha/csr/shisan\\_unyou/ssc/pdf/stewardship\\_hokoku2024.pdf](https://www.nissay.co.jp/kaisha/csr/shisan_unyou/ssc/pdf/stewardship_hokoku2024.pdf)



Stewardship Activity Process

We have defined our basic approach to stewardship activities in five steps: "analysis of investee companies," "dialogue," "measures to enhance dialogue effectiveness (escalation)," "exercise of voting rights," and "monitoring." Among these, the most important aspect of our stewardship activities is engagement, which involves promoting sustainable growth and enhancing corporate value over the mid- to long-term through thoughtful dialogue with investee companies.

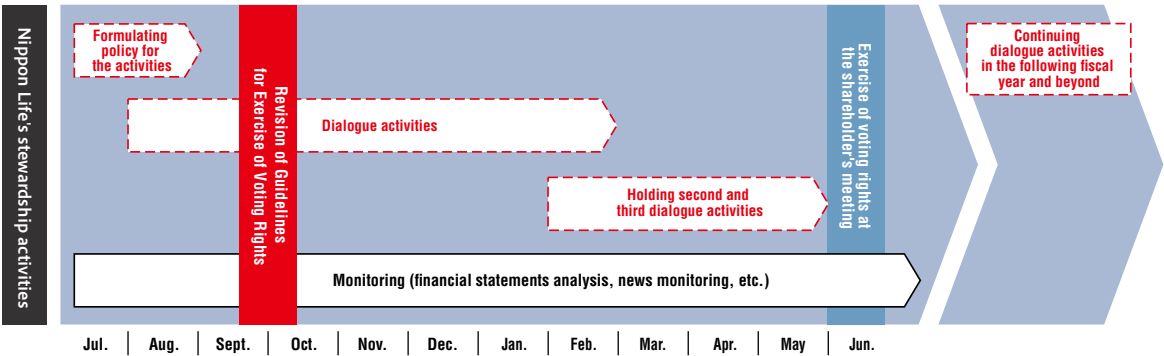
Basic Cycle of Stewardship Activities



- STEP 1** Our dialogue staff and analysts, who have extensive practical experience and advanced expertise in equity and corporate bond investments, gather information on corporate performance, financial conditions, and industry trends to analyze investee companies and identify important issues for dialogue.
- STEP 2** Through constructive dialogue that considers environmental and social factors alongside management and business strategies, financial strategies, and governance, we deepen our understanding of investee companies and communicate important issues to share our recognition of their current status, challenges, and future direction.
- STEP 3** If, through ongoing dialogues with companies, we are unable to share our awareness of the issues or expect no proactive actions, or if there is no significant progress over the mid- to long-term, we will continue to support efforts and implement measures to enhance dialogue effectiveness (escalation), such as sending letters to management and holding discussions with senior executives and independent directors.
- STEP 4** We exercise voting rights for all shares we hold, including those in companies without specific important issues related to voting rights. For companies with identified important issues, as specified in our Guidelines for Exercise of Voting Rights, we avoid a one-size-fits-all approach; instead, we make decisions based on an evaluation of past dialogues aimed at addressing these issues, the company's current situation, and its future direction.
- STEP 5** We review financial statements and monitor various indicators to confirm the progress of efforts aimed at enhancing the value of investee companies, assessing whether management is operating in line with the direction shared with the company.

We believe it is important to maintain a win-win relationship with our investee companies and support their mid- to long-term corporate value enhancement by repeating this basic cycle. In this process, if no change is observed despite efforts to encourage action through dialogue, or if we vote against a proposal, we will consider selling equities or corporate bonds (divestment) depending on the situation. In addition, to enhance the corporate value of our investee companies, we are committed to ensuring the quality of our stewardship activities by allocating the necessary human resources in line with the annual schedule outlined below. Going forward, we will continue to enhance the effectiveness of our dialogue by closely monitoring domestic and international trends and incorporating new perspectives into our dialogues.

Annual Schedule of Stewardship Activities (Example for a company with a fiscal year ending in March)





Results of Stewardship Activities in the Previous Period

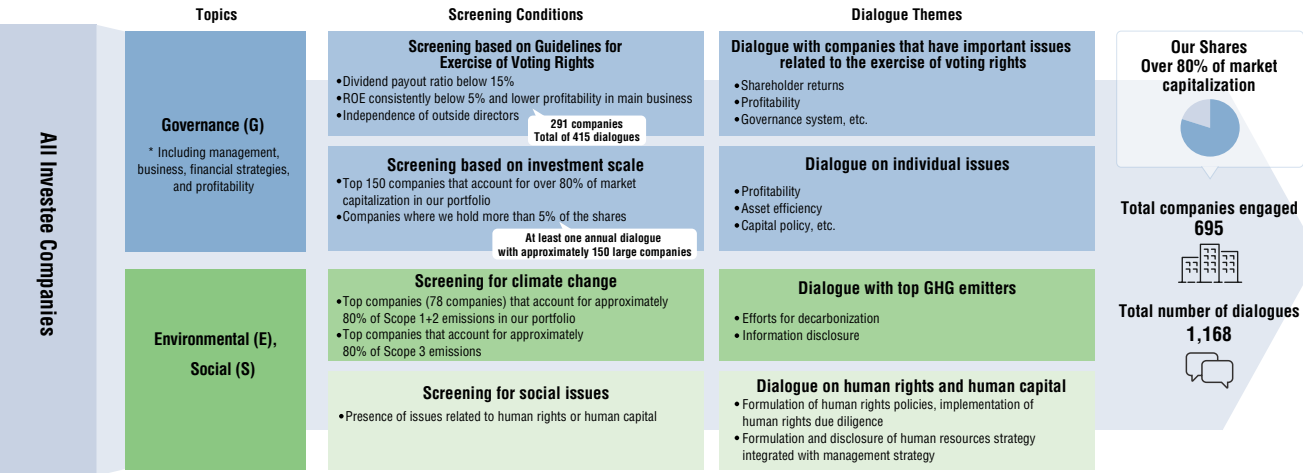
In 2023 (July 2023 to June 2024), we conducted a total of 1,168 dialogues with 695 investee companies, making it one of the largest dialogue efforts in Japan.

At Nippon Life, we have conventionally focused on dialogue regarding financial matters such as profitability, capital policies, and financial strategies, as well as governance-related issues. For governance (G), we have established the Guidelines for Exercise of Voting Rights and selectively engage with investee companies that we believe have important issues related to shareholder returns, profitability, governance systems, etc., regardless of their market capitalization, our holdings, or location. Through this approach, we aim to engage with mid-sized companies that play a crucial role in regional economies across Japan, supporting their efforts and contributing to society as a whole.

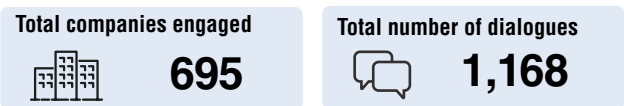
Additionally, when selecting companies for dialogue, we also consider the

proportion of their market capitalization in our asset management portfolio. The top 150 companies in which we have the largest holdings account for about 80% of the total market capitalization of our portfolio, and we engage in dialogue with these companies annually. Among these, we have in-depth discussions on individual issues such as profitability, asset efficiency, and capital policies with approximately 50 companies. Furthermore, in recent years, we have placed a greater emphasis on environmental (E) and social (S) responsibilities, strengthening our efforts by expanding engagement to include top GHG emitters or companies that may have human rights-related concerns. Through our stewardship activities, we engage in dialogue on these topics, believing that contributing to the resolution of social issues is an important role for institutional investors providing long-term capital.

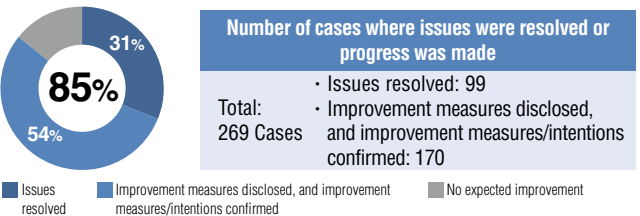
Selection of Investee Companies for Dialogue (Concept)



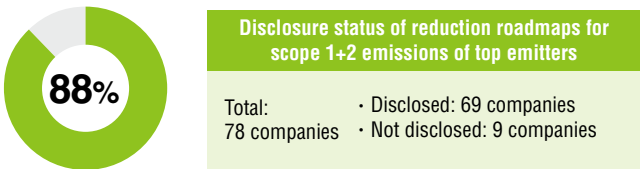
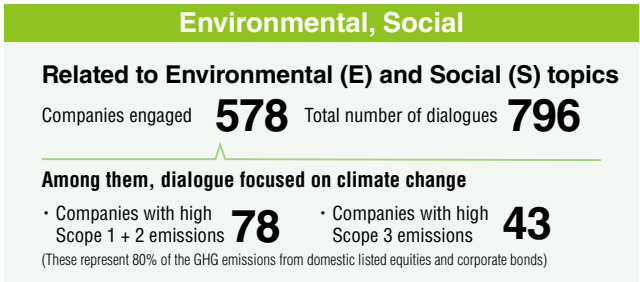
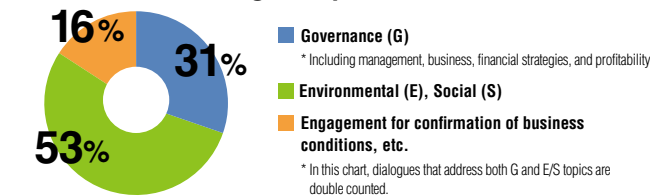
Dialogue Results of Previous Period



Main Activity Results



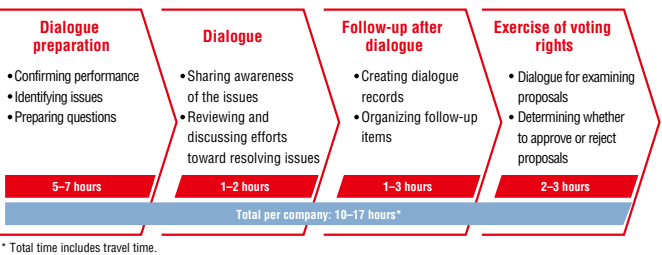
Breakdown of Dialogue Topics\*



Our Fundamental Principles on Engagement

The most important aspect of our stewardship activities is engagement, which involves promoting sustainable growth and enhancing corporate value over the mid- to long-term through thoughtful dialogue with investee companies. In our engagement approach, we focus on two fundamental principles: 1) promoting corporate development through constructive dialogue, and 2) verifying a company's efforts and, when necessary, providing additional support. In line with this philosophy, we invest significant human resources into our dialogue activities, using the information gathered from these dialogues to inform our investment analysis. At Nippon Life, we engage in dialogue with

Dialogue Flow and Estimated Time Per Dialogue



Dialogue Process

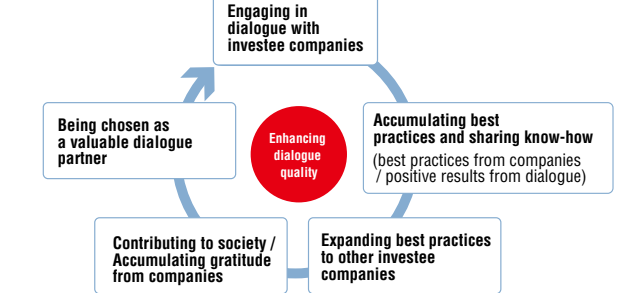
Approach to dialogue themes emphasizing corporate value enhancement

At Nippon Life, we consider governance (G) to be the most important element for enhancing the corporate value of investee companies. For management and business strategy, we examine factors such as the composition of the business portfolio and management that is conscious of asset efficiency and cost of capital. Regarding financial strategy and capital policy, we look at target equity ratio, investments for sustainable growth, and shareholder returns to confirm whether these factors are strategically considered and disclosed in alignment with the company's growth stage, management phase, and future business strategy (as indicated in point 1 of the figure on the next page). Based on our Guidelines for Exercise of Voting Rights, we select investee companies with important issues related to shareholder returns, profitability, governance system, etc. For all of these companies, we gather information on performance, financial status, and industry trends, conduct analyses to identify important issues, and then engage in dialogue. Additionally, every year, we engage in dialogue with the top 150 companies in which we have large holdings. With about 50 of these companies, we specifically engage in dialogues on issues such as profitability, asset efficiency, and capital policy.

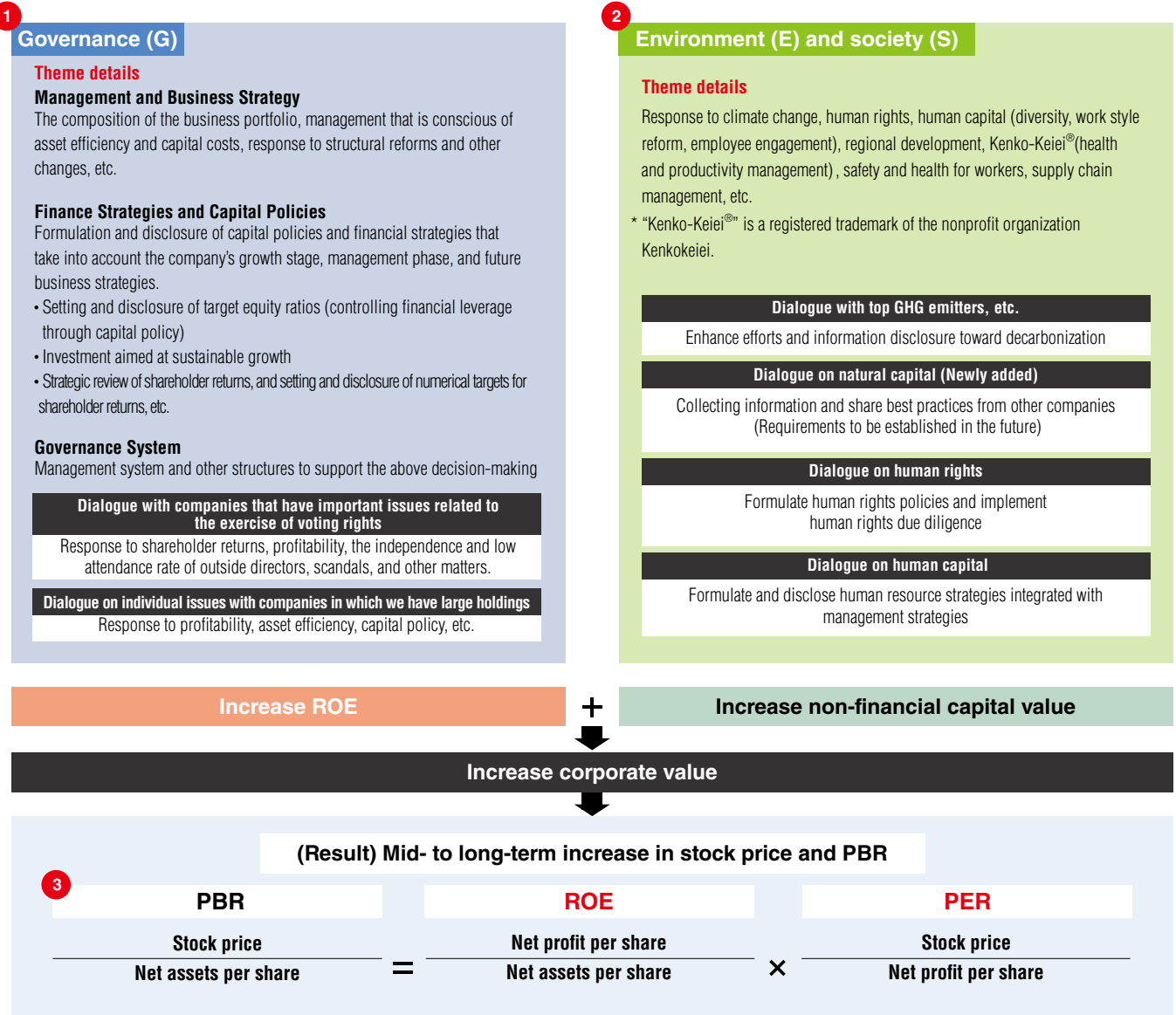
Additionally, in recent years, corporate social responsibility has become increasingly important and now also affects corporate value, including brand value. We believe that the corporate value attributable to shareholders includes not only the net assets shown in financial accounting but also non-financial capital, which is not reflected in financial accounting. Therefore, enhancing corporate value also requires investee companies to focus on increasing the value of their non-financial capital. As such, dialogue themes focusing on environmental (E) and social (S) responsibilities have become key components of constructive engagement.

approximately 700 investee companies annually. During this process, we accumulate information on best practices and specific examples of dialogue that led to concrete improvements as organizational know-how and widely share it with other companies. There have been many instances where our investee companies have expressed gratitude, noting that the insights we shared were helpful for improving their management. Through these ongoing activities, we aim to maintain a virtuous cycle, positioning ourselves as an institutional investor chosen as a valuable dialogue partner for our investee companies, which will further enhance the quality of our dialogues.

Building a Virtuous Cycle for Enhancing Engagement Quality



Key Issues and Dialogue Themes Prioritized to Enhance Corporate Value





Dialogues with Investee Companies

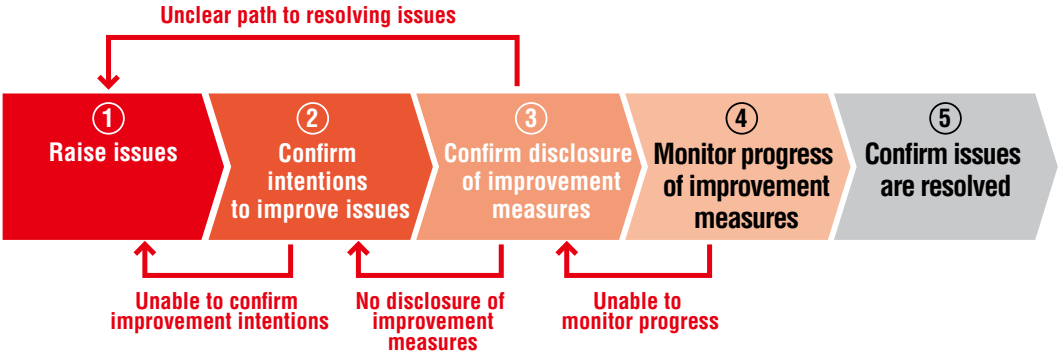
In our dialogues, Nippon Life supports the sustainable growth of our investee companies by gaining a deep understanding of their various initiatives, carefully monitoring the situation, and providing necessary information. In particular, for dialogues with the investee companies where we have identified important issues related to the exercise of voting rights, we promote initiatives from a mid- to long-term perspective, addressing not only issues that can be resolved quickly but also those requiring more time, such as improving the ROE level.

In contributing to the mid- to long-term corporate value of our investee

companies through our stewardship activities, we believe it is crucial to continuously review previous discussions and improve dialogue effectiveness.

To this end, we engage in dialogues with all investee companies where we have identified important issues related to the exercise of voting rights, conveying our views, sharing our awareness, and confirming their willingness to address the issues. We then continue to monitor their progress toward resolving the important issues.

Dialogue Management Flow



Examples of dialogue themes

G Governance

Profitability & capital efficiency, etc.

We confirm that our investee companies are working to sustainably enhance corporate value and achieve ROE that exceeds the cost of capital in the mid- to long-term by strengthening business competitiveness through the execution of their management strategies, while simultaneously creating value for a wide range of stakeholders and improving profitability. Specifically, after reviewing the investee companies' target equity ratio (or financial leverage), we assess their mid- to long-term policies and specific

efforts aimed at improving profitability relative to their capital. For investee companies that have not resolved important issues related to the exercise of voting rights over several years, we request initiatives to enhance ROE, focusing not only on profitability but also on asset efficiency (such as asset turnover and reduction of non-performing assets) and capital policy (including appropriate financial leverage).

Governance system

We confirm that the corporate governance of our investee companies functions as a solid foundation for enhancing their mid- to long-term corporate value. For example, as needed, we review the following aspects: the appointment of executives and directors, the status of discussions within the nomination and compensation committees and the board of directors regarding executive remuneration, the effectiveness of independent directors, and the composition of the board from a diversity perspective. Additionally, we examine whether their compliance with the Corporate Governance Code is not merely superficial, and if necessary, we request specific measures to establish a truly effective corporate governance structure.

Regarding scandals at our investee companies, we assess their response

through dialogue, focusing on both the evaluation of the incident itself and the post-incident actions. The evaluation of the incident considers quantitative aspects, such as the impact on profits, as well as qualitative aspects, including the presence of legal violations, the nature and severity of the incident, and whether it is a repeat occurrence. The evaluation of post-incident actions includes an investigation into the cause, clarification of accountability, and the progress of measures to prevent recurrence, along with transparency in disclosure and their approach to dialogue. Rather than uniformly opposing director appointment proposals, we prioritize whether the management team, including directors, responds sincerely, including their efforts in post-incident actions.

E Environmental responsibilities

Nippon Life believes that balancing economic growth with the global environment is necessary to maintain the sustainability of society, which serves as the foundation for corporate activities. We confirm our investee companies' awareness of environmental issues, which impacts their mid- and long-term corporate value, as well as their efforts to address risks and seize new business opportunities.

Going forward, we will continue to focus on the theme of climate change and begin new dialogues on the theme of natural capital, which has been receiving increasing attention due to the release of the TNFD disclosure framework and other developments.

### 1. Climate Change

#### Requests to companies

**Added in 2022** Target: 78 top emitters of Scope 1 and 2 emissions

- Formulation and disclosure of reduction roadmaps toward net-zero emissions by 2050

**Added in 2023** Target: 43 top emitters of Scope 3 emissions

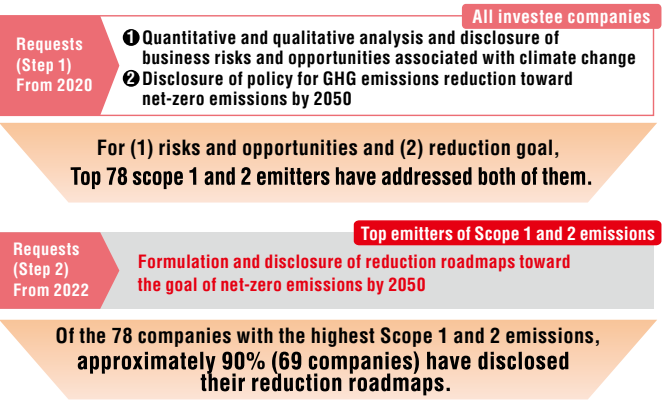
- Disclosure of efforts to reduce Scope 3 emissions

Dialogue with Top Emitters of Scope 1 and 2 Emissions (Direct Emissions)

Reinforcing the request for climate change-related disclosure

Regarding the theme of climate change, we have consistently strengthened our requests for disclosure from companies. Since 2020, we have asked all our investee companies to (1) analyze and disclose the business risks and opportunities associated with climate change, and (2) disclose their policy for GHG emissions reduction toward net-zero emissions by 2050.

In addition, since 2022, we have requested that the 78 top emitters of Scope 1 and 2, which account for approximately 80% of emissions from all investee companies, formulate and disclose reduction roadmaps toward net-zero emissions by 2050.

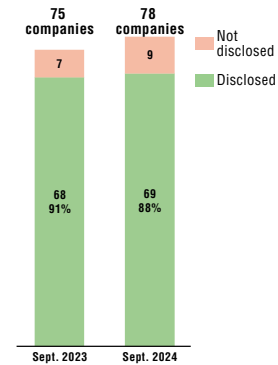


Status of corporate efforts and future dialogue policy: Top emitters of Scope 1 and 2 emissions

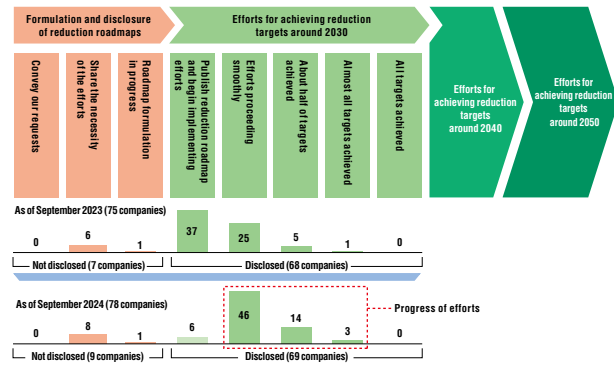
Currently, out of the 78 top Scope 1 and 2 emitters, approximately 90% (69 companies) have disclosed their reduction roadmaps. We believe this reflects both an increased awareness among companies and the results of our previous dialogues with them. For the remaining 9 companies that have not disclosed

their roadmaps, we have confirmed through dialogue that they are sincerely addressing decarbonization challenges and are positively considering the issue. We will continue engaging in dialogue with these companies and encourage them to disclose their roadmaps moving forward.

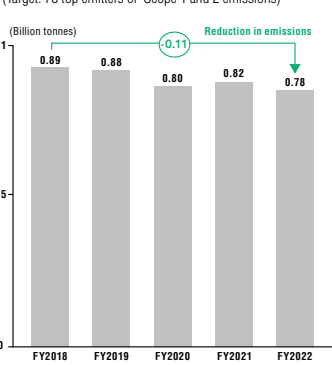
Disclosure status of reduction roadmaps



Status of initiatives by 78 top emitters (As of September 2024)



Progress of GHG emission reduction (Target: 78 top emitters of Scope 1 and 2 emissions)





Dialogue with Top Emitters of Scope 3 Emissions

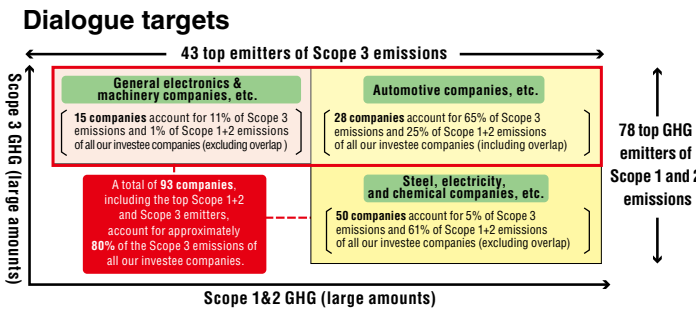
Requests

Requirement for disclosure of efforts to reduce indirect emissions that come from business partners but are related to own businesses (Scope 3)

Status of corporate efforts and future dialogue policy:  
Top emitters of Scope 3 emissions

Since September 2023, we have requested the top 43 emitters of Scope 3 emissions to disclose their efforts for reducing emissions that come from business partners but are related to their own businesses.

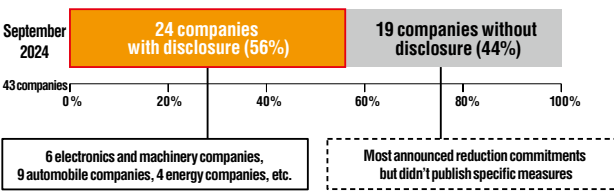
Currently, approximately 60% (24 companies) have disclosed their efforts for reducing GHG emissions. In particular, companies with high Scope 3 emissions in sectors such as electronics, machinery, automobiles, and energy have made significant progress in disclosing specific reduction efforts. We will examine their technological development efforts for energy-saving products and decarbonization (measures taken in the downstream of the supply chain), as well as the progress of efforts such as requesting their suppliers to set GHG



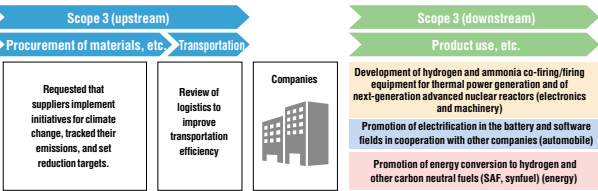
emission reduction targets (measures taken in the upstream of the supply chain). Additionally, we will support further refinement of their reduction efforts and continue to monitor the progress of these efforts.

As for the 19 companies that have not disclosed their Scope 3 emission reduction efforts, we are encouraging them to do so by sharing best practices from other companies.

Progress & Results of Disclosure for Scope 3 Emissions



Examples of Efforts for Reducing Scope 3 Emissions



Example of a Policy Aimed at Balancing Decarbonization Efforts with Improved Profitability

Step 1  
Raise issues

Step 2  
Confirm intentions to improve issues

Step 3  
Confirm disclosure of improvement measures

Step 4  
Monitor progress of improvement measures

Step 5  
Confirm issues are resolved

Background

Company B belongs to an industry with high GHG emissions and needed to undertake decarbonization efforts while maintaining profitability by transforming its business portfolio, shifting away from coal-fired power generation. Therefore, we initiated dialogues with the company toward achieving our goal of net-zero emissions in our asset management portfolio by 2050.

Progress of Dialogue

**FY2018–2019:** Our company requested that Company B analyze and disclose business risks and opportunities associated with climate change.

**FY2020:** In FY2020, Company B used its integrated report to disclose their business risks and opportunities associated with climate change, and set a goal of achieving carbon neutrality by 2050. They also announced their reduction target for 2030, mid- to long-term roadmap, and action plans. In subsequent dialogues, we confirmed their intention to sincerely advance these efforts in alignment with the government's 2050 carbon neutrality goal.

**FY2021–2022:** We confirmed that Company B steadily carried out efforts in line with the above roadmap and action plans. In particular, their renewable energy sector within the business portfolio showed consistent progress toward the target, making it highly likely they will achieve their goal.

**FY2023:** With the rise of renewable energy and the changing role of coal-fired power generation as a base load source, we pointed out the potential decrease in mid- to long-term profitability and urged the company to advance efforts that balance both decarbonization and profitability. Subsequently, Company B published its medium-term management plan, which outlined the transition strategies for each of its domestic coal-fired power plants, a target business portfolio (shift to CO<sub>2</sub>-free power, strengthening overseas business), and a capital return target, presenting their policy to balance decarbonization with improved profitability.

Result & Future Policy

Since decarbonization trends could significantly impact the profitability of companies with high GHG emissions, we will engage in dialogues with the company to monitor the progress of their efforts to balance decarbonization through business portfolio transformation and improved profitability.

Disclosure of policy aiming at both decarbonization and increased profitability

2. Natural Capital



Requests to companies

Added in 2024

► Through dialogue, we support each company in enhancing their step-by-step approach and disclosures while collecting information and sharing best practices from other companies. (In the future, we may consider requests that focus on enhancing corporate value.)

Trends surrounding natural capital

With UN-led efforts to conserve biodiversity advancing, global action targets were established at COP15 in 2022, and Japan revised the National Biodiversity Strategy and Action Plan in 2023. Companies are now expected to adopt management practices that prioritize biodiversity, including enhanced

information disclosure.

Since the establishment of the TNFD in 2021, discussions on natural capital disclosure have progressed and TNFD published the final version of its disclosure framework in September 2023.

Our views on the relationship between natural capital and the corporate value assessment of investee companies

We view natural capital as a crucial non-financial capital in corporate activities and a key element in corporate value assessment. Specifically, companies with high dependency on natural capital are important from the standpoint of sustainability and resilience within their value chains

(procurement and production). For companies that have a significant impact on natural capital, efforts to mitigate negative impacts are essential to reducing the risk of both direct and indirect impairment to their corporate value.

Status of corporate efforts

Companies that have already begun efforts analyze and disclose their dependencies, impacts, risks, and opportunities related to nature from the perspectives of sustainable product production and raw material procurement. However, there are currently no clear standards, and each company sets its own metrics and targets.

Future dialogue policy

Companies are currently at the stage of starting efforts and discussions on natural capital, and we expect these efforts to gradually advance. At Nippon Life, we will prioritize industries in which we have large holdings that appear to have a high dependency or significant impact on natural capital, based on ENCORE, an analysis tool recommended by the TNFD. In

the short term, we will engage in dialogue with these investee companies, supporting their step-by-step approach and enhanced disclosures while also collecting information and sharing best practices from other companies. Looking ahead, we plan to organize and systematize requests with a focus on enhancing corporate value.

Status of corporate efforts

Examples of companies that have already begun efforts related to natural capital (confirmed through dialogue)

Food Product Manufacturer A	They utilized the LEAP approach to assess nature-related dependencies and impacts and conduct risk analysis in primary cacao-producing regions necessary for chocolate production.
Automobile Part Manufacturer B	They identified high risks associated with natural rubber that could lead to tropical deforestation. To promote sustainable natural rubber sourcing, they shifted to alternative materials and conducted on-site audits of suppliers, including smallholder farmers.
Trading Company C	They used the natural capital analysis tool ENCORE to identify eight businesses with significant dependencies and impacts. For the aquaculture business, which has the highest dependency, they employed the LEAP approach to diagnose its dependencies and impacts.

Future dialogue policy

Dialogue targets (\*)

Industries with high dependency on natural capital

Foodstuffs Pulp & Paper Textiles

Electricity & Gas Trading Companies

Information/Communications

Industries with a significant impact on natural capital

Foodstuffs Pulp & Paper Textiles

Electricity & Gas Trading Companies

Construction Real Estate Chemicals

Machinery Nonferrous Metals

(\*) Selected industries for dialogue targets based on the analysis tool ENCORE recommended by the TNFD.

Through dialogue, we support each company in enhancing their step-by-step approach and disclosures while collecting information and sharing best practices from other companies.

Potential future requests

Identification of dependencies on natural capital, along with the quantitative and qualitative analysis and disclosure of business risks and opportunities, aimed at building a sustainable value chain (procurement and production) that contributes to the enhancement of corporate value

Identification of negative impacts on natural capital and disclosure of initiatives to mitigate them, aimed at eliminating the potential for direct and indirect impairment of corporate value

# Social responsibilities

In general, for companies to maintain mid- to long-term competitive advantage and sustainable business models, it is essential to build win-win relationships with all stakeholders, not just shareholders, but also employees, business partners, customers, and local communities. We require our investee companies to aim for coexistence with all stakeholders, with the expectation that their activities will directly or

indirectly contribute to solving social issues, thereby creating a positive cycle that provides value to society. From this perspective, we will assess how investee companies address social challenges, incorporate them into their management strategies, and build relationships with each stakeholder.

## 3. Human Rights



### Requests to companies

Added in 2023

- ▶ We request action and disclosure from companies without confirmed human rights policies or due diligence implementation.

### Trends surrounding human rights

In September 2022, the Japanese government published guidelines urging all companies to make an utmost effort to respect human rights. For companies to fulfill their social responsibilities, their commitment to human rights has become a significant factor that greatly influences corporate value.

### Our dialogue policy and status of investee companies

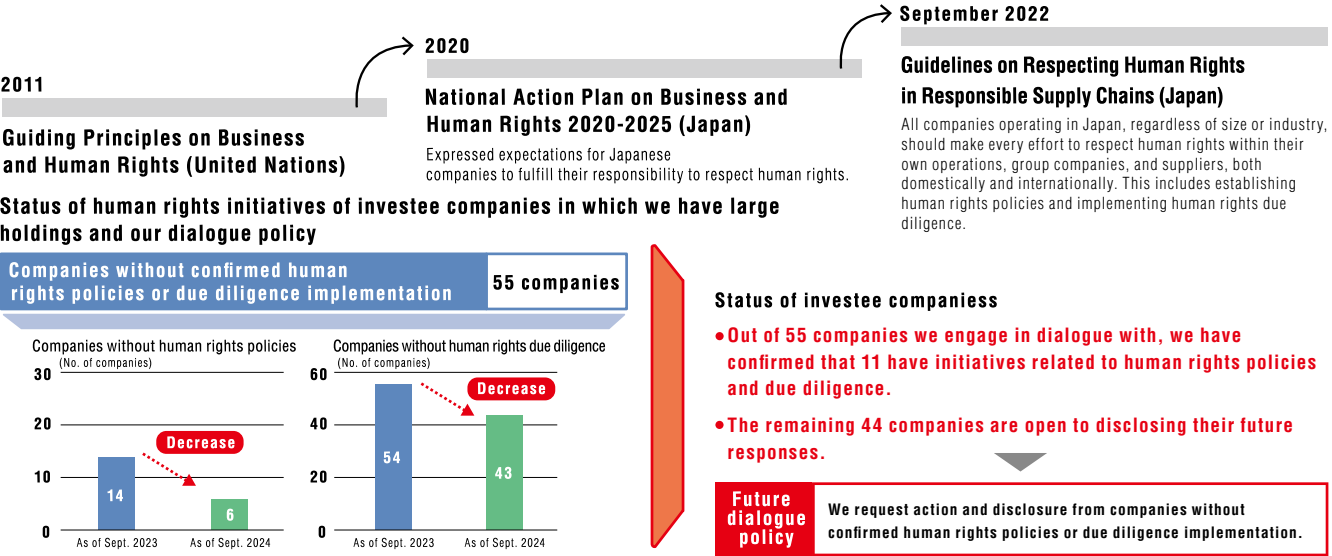
Since September 2023, we have requested all investee companies to establish human rights policies and implement human rights due diligence. Initially, we engaged in dialogue with 55 of the 150 companies in which we have large holdings and where we could not confirm their

actions or disclosures. As of September 2024, we have confirmed that 11 of these companies have implemented the necessary initiatives, and we have verified that the remaining 44 companies are open to future actions and disclosures through ongoing dialogue.

### Future dialogue policy

We will continue to request action and disclosure from companies in which we have large holdings when we are unable to confirm human rights policies or due diligence implementation. We will also monitor the progress of those investee companies taking action to encourage the further advancement of their initiatives.

### Status of Investee Companies on Human Rights and Our Dialogue Policy



## 4. Human Capital



### Requests to companies

Added in 2023

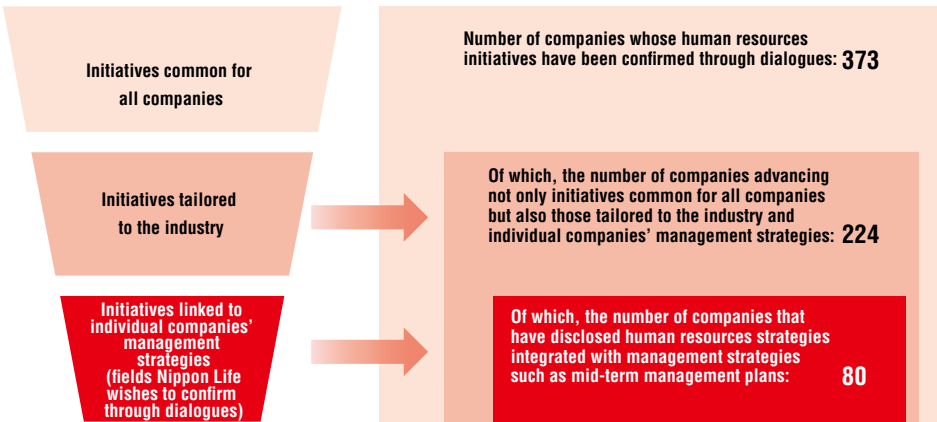
- ▶ We request that companies formulate and disclose a human resources strategy that is integrated with the management strategy (includes human resources development/acquisition, KPI setting, and human resources allocation/utilization methods) in the Mid-Term Management Plan or other documents.

### Our views

Human capital is a non-financial aspect that is not shown on financial balance sheets but is an important factor in assessing corporate value. Therefore, we believe that with proactive disclosure by companies, investors can also evaluate corporate value regardless of industry.

### Status of investee companies and future dialogue policy

We think of initiatives focused on companies' human capital as being separated into three parts—"initiatives common for all companies," "initiatives tailored to the industry," and "initiatives linked to individual companies' management strategies." We focus on "initiatives tailored to the industry and individual companies' management strategies" in particular and confirm them through dialogues. As a result, we were able to confirm "initiatives tailored to the industry and individual companies' management strategies" for approximately 60% of the companies with which we had dialogues regarding human capital. In particular, approximately 20% of those companies have disclosed the details of their human resources strategies integrated with management strategies such as mid-term management plans. Furthermore, we introduced best practices and gave other support, which led to us receiving positive comments such as, "We gained insights" and "We would like to utilize this to formulate and enhance our future human resources strategies." We will continue to gather and introduce best practices and request that all companies with which we have dialogues formulate and disclose a human resources strategy that is integrated with their mid-term management plan.



### Best practices in human resources strategy integrated with management strategy

A company that effectively integrates human resources strategy with management strategy typically discloses a strategy that includes: (1) alignment between the two strategies, (2) policies for development, acquisition, allocation, and utilization, and (3) setting and managing KPIs.

Finance Company C	
Status of the company	• Currently shifting away from low-profit businesses and reforming culture based on past misconduct
Major items in management strategy	• Review of business portfolio • Reform of corporate culture
Human resources strategy	• Strengthen development of human resources responsible for key businesses and allocate them flexibly across departments • Improve employee engagement and organizational strengths to reform corporate culture
(2) Development, acquisition, allocation, and utilization	• Identify vision for human resources responsible for key businesses based on business portfolio strategy and develop, acquire, allocate, and utilize them while also assessing the gap between the vision for human resources portfolio and the current situation • Gather employees' feedback through monthly dialogues between top management, including the president, and the employee working group. Directly receive proposals from the working group at management meetings.
(3) KPIs (for mid-term management plan)	• Increase in number of specialized human resources (global human resources, innovative human resources, etc.) • Employee engagement score, etc.

Collaborative Engagement

Activities at the Life Insurance Association of Japan

We regularly serve as the chair company of the Stewardship Activity Working Group of the Life Insurance Association of Japan and actively manage the collaborative engagement led by the working group, which started in FY2017. In the collaborative engagement, we are gradually expanding the themes we ask investee companies to address, based on changes in social demands, from the perspective of a life insurance company and an institutional investor. Having many discussions with other life insurance companies in the Association, we share our knowledge and experience and aim to broaden our horizons to have positive impacts on society. For example, for dialogue themes that we address independently but also have critical impact on society as a whole, we believe that encouraging other companies in the Association to collaborate and sending letters to investee companies under the name of the Life Insurance Association of Japan will more effectively support their initiatives.

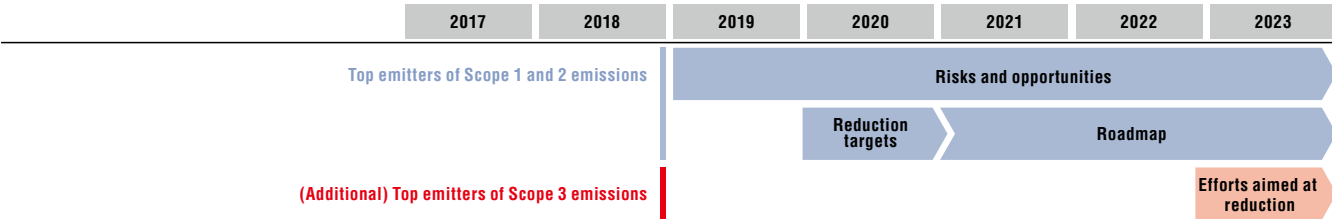
Currently, the collaborative engagement undertaken by the Life Insurance Association of Japan prioritizes three challenges: (1) enhancing shareholder returns, (2) promoting integrated disclosure, including ESG information, and (3) enhancing climate change-related information disclosure. This positioning is based on the gaps in recognition between companies and investors identified in the association's surveys for both parties.

In FY2022 (December 2022–November 2023), collaborative engagement dialogues on these three themes were conducted with 156 companies, and steady progress has been observed in all themes.

Progress of Collaborative Engagement

	2017	2018	2019	2020	2021	2022	2023
Shareholder returns	45 companies	48 companies	67 companies	64 companies	63 companies	57 companies	53 companies
Enhancing disclosure of ESG information	Integrated disclosure ---	64 companies	65 companies	64 companies	59 companies	47 companies	38 companies
	Enhancing disclosure of climate change-related information ---	---	17 companies	50 companies	52 companies	52 companies	64 companies
Total number of collaborative engagement sessions	45 companies	112 companies	149 companies	178 companies	174 companies	156 companies	155 companies

Expanding requested themes for enhancing disclosure of climate change-related information

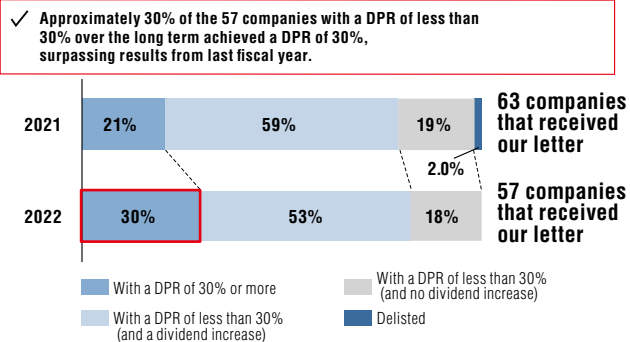


Initiatives in FY2022 (December 2022–November 2023)

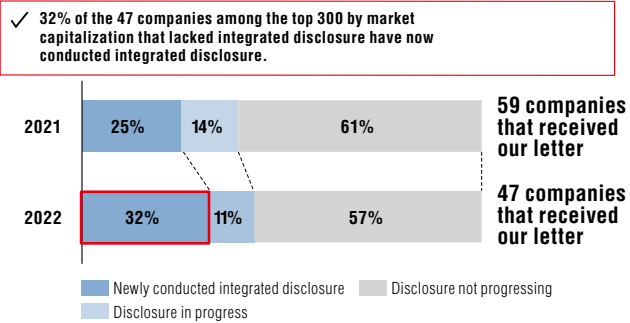
Discussion theme	Number of companies that received our letter	Target companies, requested content, etc.	Start of the theme
Enhancing shareholder returns	57	We requested companies with a dividend payout ratio (DPR) of less than 30% over the past 10 years, a high equity ratio, and poor investment performance to enhance shareholder returns, aiming for a DPR of 30%.	FY2017
Integrated disclosure	47	We requested companies among the top 300 by market capitalization that lack integrated disclosure, including ESG information, to provide such disclosure.	FY2018
Enhancing climate change-related information disclosure	52	We requested the top 50 GHG emitters to (1) disclose quantitative and qualitative analyses of business risks and opportunities associated with climate change and (2) formulate and disclose reduction roadmaps toward net zero emissions by 2050.	FY2019
Total	156		

Results of Initiatives in FY2022

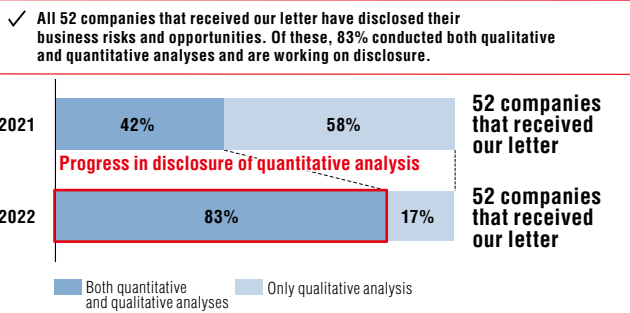
Enhancing shareholder returns



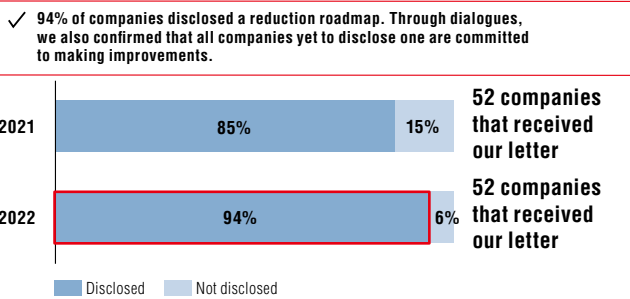
Integrated disclosure



Enhancing disclosure of climate change-related information (risks and opportunities)



Enhancing disclosure of climate change-related information (reduction roadmap)



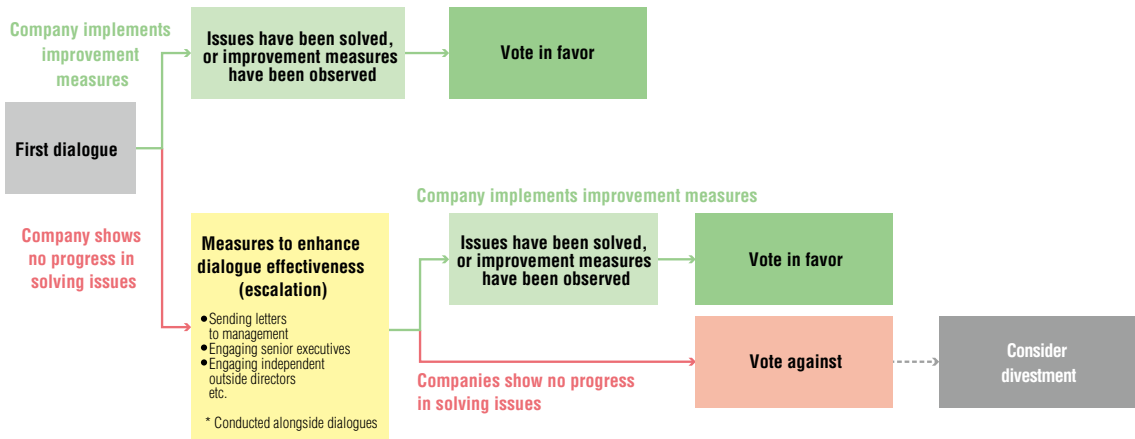
Measures to Enhance Dialogue Effectiveness (Escalation)

Our approach to enhancing dialogue effectiveness (escalation)

As we review the progress of our dialogues, we implement various measures to increase their effectiveness (escalation), such as sending letters to management and having discussions with senior executives and independent directors. Through these activities, we aim to ensure that our perspectives are effectively instilled in the management and directors responsible for governance at investee companies. If companies fail to respond or show no signs of improvement over the mid- to long-term, we may leverage our voting rights. For example, in the case of climate change risk-related themes, if companies do not take specific

actions to address these concerns despite multiple years of dialogue, we will consider voting against director appointment proposals. Through these escalation efforts to enhance dialogue effectiveness, we will support investee companies' initiatives as a responsible institutional investor, while maintaining a win-win relationship with them.

Flow of Measures to Enhance Dialogue Effectiveness (Escalation)





Measures to Enhance Dialogue Effectiveness (Escalation)

We primarily use the escalation methods outlined in the table below.

Examples of Escalation

Initiatives	Content
Sending letters to management	If there are important issues that conflict with our Guidelines for Exercise of Voting Rights, we will send letters to management.
Discussions with senior executives	Expanding dialogue to senior executives
Discussions with independent directors	Expanding dialogue to independent directors, who are part of the main governance body
Exercise of voting rights	If we are unable to share our awareness of issues and find that improvements are unlikely, or if there is no significant improvement over the mid- to long-term, we will vote against company proposals or support related shareholder proposals.
Divesting from equities and corporate bonds	If we determine that the important issues cannot be resolved, we will sell some or all of our holdings of equities, corporate bonds, etc.

Resolution Status of Important Issues Related to the Exercise of Voting Rights

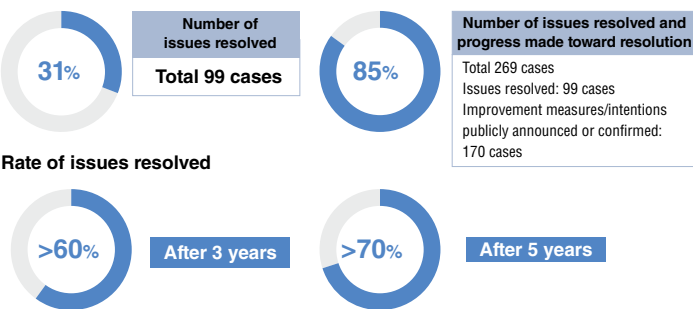
In order to monitor the effectiveness of dialogue and other stewardship activities, we continuously confirm the progress toward resolving important issues by categorizing cases as follows: (1) cases where important issues have been resolved through dialogue (including escalation efforts); (2) cases where companies have publicly announced improvement measures as a result of dialogue; (3) cases where we confirmed the company's improvement measures/intentions through

dialogue; and (4) cases where improvements are unlikely even after dialogue and we vote against company proposals.

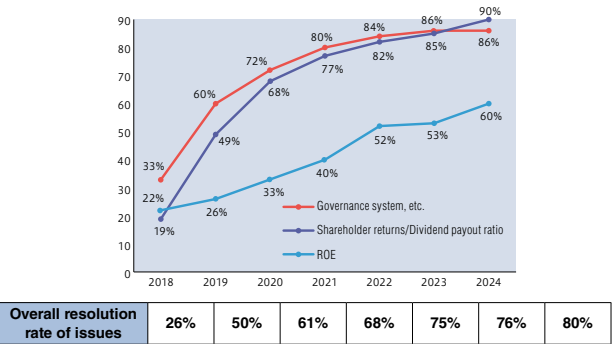
The important issues referred to here are themes selected in accordance with our Guidelines for Exercise of Voting Rights, including shareholder return and dividend payout ratio, profitability (low ROE), and governance system (independence and low attendance rate of outside directors, protection of minority shareholders' interests, scandals, policy for handling takeovers, etc.).

Status of Resolution of Important Issues

Resolution status of issues following dialogue in the previous fiscal year



Rate of Issues Resolved by Theme (Base year: FY2017)



Our Policy for Engagement in the Current Fiscal Year

We will continue to engage with our investee companies on the following themes in a proactive manner, while maintaining mutual trust—the cornerstone of our stewardship activities.

- As a responsible institutional investor, we will support efforts to improve corporate value as part of corporate governance reforms, by promoting “action to implement management that is conscious of cost of capital and stock price” as requested by the Tokyo Stock Exchange (TSE).
- Many companies with a high ratio of cross-shareholdings to net assets have important issues related to the exercise of voting rights, such as profitability (low ROE) and shareholder returns. As part of our dialogue with these companies focusing on asset efficiency and capital policies, we will request the disclosure of their policies and approaches toward reducing their cross-shareholdings.
- We are adding natural capital to our dialogue themes, as it will become an increasingly important aspect of corporate responsibility in the future. Using ENCORE, an analysis tool recommended by TNFD, we will prioritize dialogue with companies with which we have large holdings as well as those in industries that are either highly dependent on or have a substantial impact on natural capital. Through these dialogues, we will support each company in enhancing their step-by-step approach and disclosures while collecting information and sharing best practices from other companies.

We have positioned stewardship activities as a key pillar for achieving “Policy Plan for Promoting Japan as a Leading Asset Management Center.” Through engagement, we will support the sustainable growth of our investee companies and contribute to enhancing their corporate value. In doing so, we aim to strengthen our investment capabilities, increase the household assets of employees at investee companies, and attract foreign investors to the Japanese market.

Basic Philosophy on the Exercise of Voting Rights

Our Views on the Exercise of Voting Rights

When exercising voting rights, we do not apply a one-size-fits-all approach; instead, we engage in dialogue while thoroughly assessing each proposal based on the unique circumstances of each company. Our Guidelines for Exercise of Voting Rights are not criteria for uniformly approving or rejecting proposals but rather screening criteria to outline basic approaches and views for selecting companies with which to engage in dialogue. We engage in dialogue with all investee companies that have important issues related to

voting rights. If, after these dialogues, we are unable to share our awareness of issues or find that improvements are unlikely, or if there is no significant improvement over the mid- to long-term, we will vote against company proposals or support relevant shareholder proposals.

Even when we vote against company proposals, we continue to monitor the situation and engage in follow-up dialogue to resolve the important issues.

Voting Process and Guidelines

Voting Process

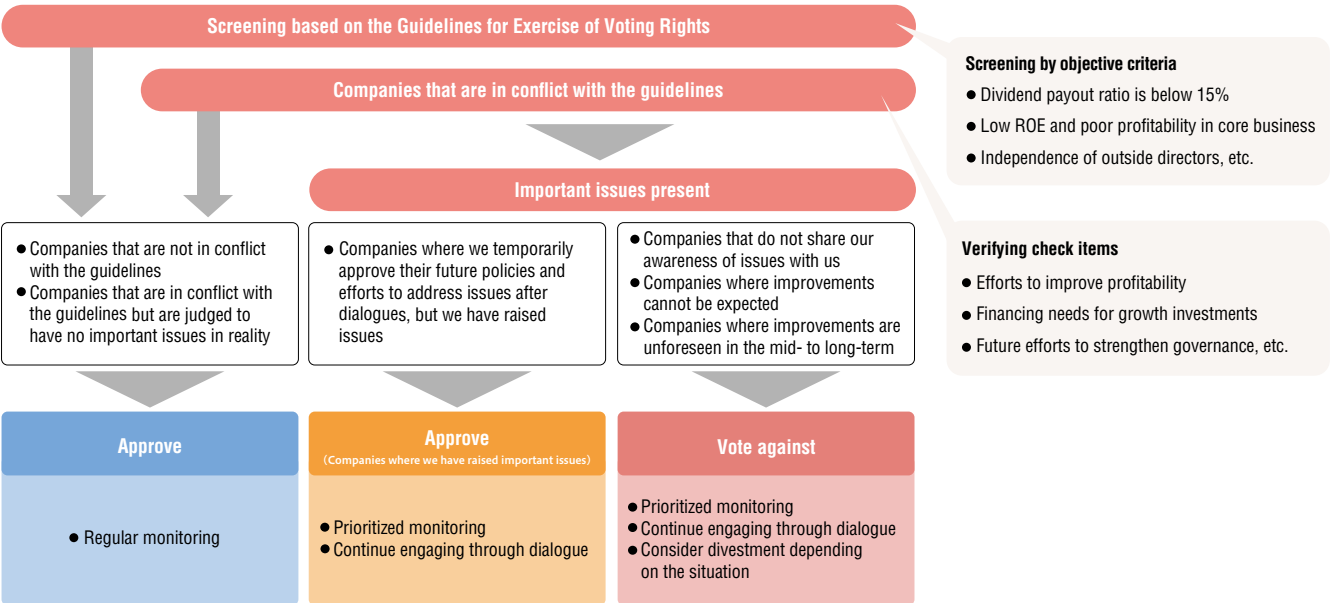
In order to practice effective stewardship activities, we exercise our voting rights for all investees through the following process without relying on proxy advisory firms.

Specifically, in relation to governance (G), we select investee companies that we think have important issues, such as shareholder returns, profitability, and governance systems based on the Guidelines for Exercise of Voting Rights. Examples of these important issues include capital policy (including shareholder returns), profitability, and governance systems (such as the independence and low attendance rate of outside directors, protection of

minority shareholders' interests, scandals, and policies for handling takeovers). We engage in dialogue with all companies facing such issues. When exercising voting rights, we do not apply a one-size-fits-all approach; instead, we engage in dialogue and thoroughly assess each proposal based on the unique circumstances of each company.

With regard to the themes of environment (E) and society (S), which we prioritize, if, after several years of dialogue, we are unable to confirm a concrete commitment to addressing these issues, we will consider voting against proposals concerning the election of directors, if necessary.

Voting Process and Decision Making



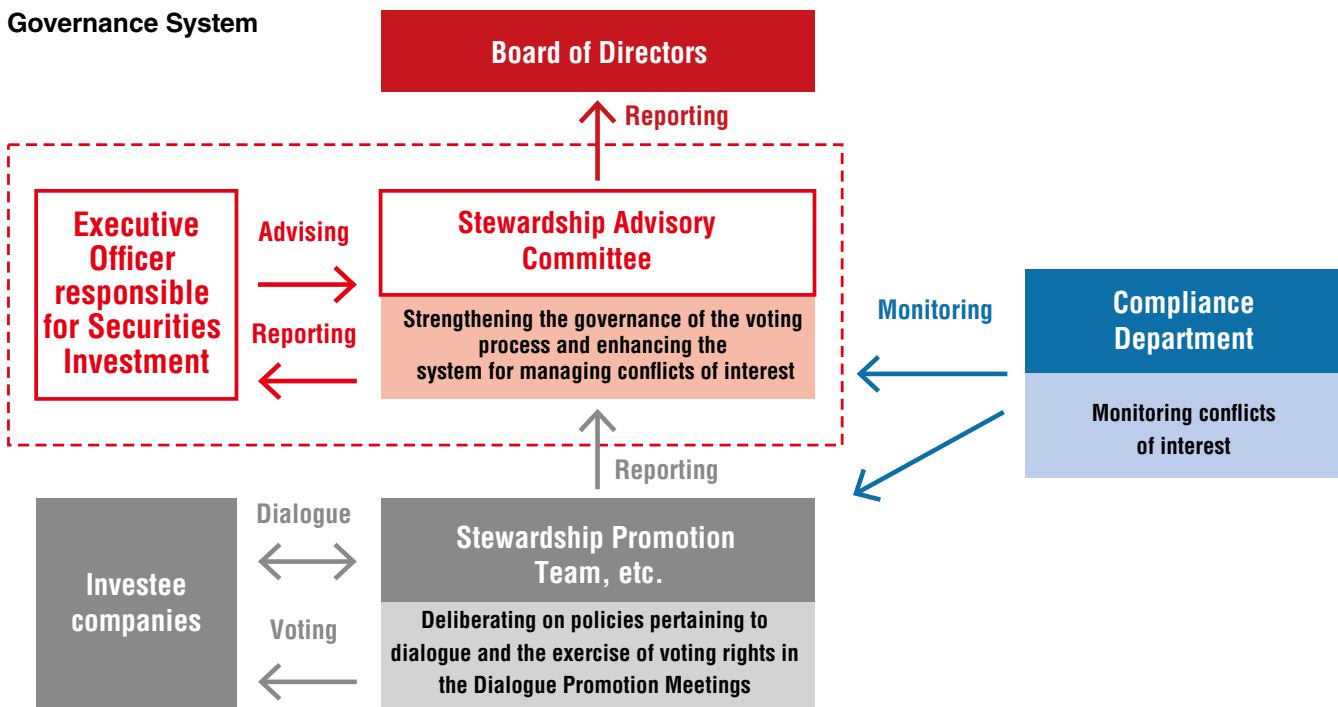
Views on Approval

For companies that are not in conflict with the Guidelines for Exercise of Voting Rights or, for companies that are in conflict with the guidelines but have shown promising progress based on our assessment of their situation through past dialogue and escalation processes, we will support proposals and then monitor their progress.

Views on Voting Against Proposals

If, through dialogue with companies, we are unable to share our awareness of the issues or expect no proactive actions, or if, despite sharing our awareness of the issues and the company expressing a commitment to action, no progress is observed over the mid- to long-term, we will oppose the company's proposals or support related shareholder proposals. If no promising progress is expected or observed, we will consider divestment depending on the situation.

Governance Structures in Our Stewardship Activities



Our Stewardship Promotion Team established within the Equity Investment Department takes a lead in our stewardship activities, engaging in dialogue with investee companies.

Specifically, we have a total of 19 people engaged in stewardship activities, consisting of a 12-member Stewardship Promotion Team, exclusively dedicated to stewardship, and a 6-member Voting Rights Exercise Team. Additionally, we hold Dialogue Promotion Meetings with the participation of analysts and others to deliberate on policies pertaining to dialogue with investee companies and the exercise of voting rights. In the case of

corporate bonds, we conduct stewardship activities while considering the perspective of dialogue on domestic stocks.

In addition, we have established a Stewardship Advisory Committee with a majority of outside members to provide advice on strengthening the governance of the voting process and overall stewardship activities. Its aim is to enhance the management system for exercising voting rights by having preliminary deliberations and reporting from the perspective of conflicts of interest. The results of the Stewardship Advisory Committee meetings are reported to the Board of Directors.

Stewardship Advisory Committee

We established a Stewardship Advisory Committee in May 2017.

In exercising voting rights, we emphasize the importance of proposals from companies who have many insurance contracts with us or those that handle large amounts of insurance-related money as agencies from the perspective of managing conflicts of interest. Among them, for proposals that are in conflict with the Guidelines for Exercise of Voting Rights, the

committee conducts preliminary deliberations (See the table on the right for details on the criteria for placing important proposals on the agenda).

The committee consists of a majority of outside members who are experts proficient in the theme, providing a variety of advice on our overall stewardship activities.

Overview of Stewardship Advisory Committee (as of September 1, 2024)

Objectives	1. Strengthening the governance of the voting process 2. Receiving advice and opinions on overall stewardship activities
Positioning	An advisory body to the Executive Officer responsible for Securities Investment
Outside members	<ul style="list-style-type: none"><li>Yasuhiro Osaki (Professor, School of Law, Waseda University)</li><li>Satoko Kuwabara (Lawyer, Gaiken Partners)</li><li>Kazuhiro Takei (Lawyer, Nishimura &amp; Asahi (Gaikokuho Kyodo Jigyo))</li><li>Noriyuki Yanagawa (Professor, Graduate School of Economics, Faculty of Economics, The University of Tokyo)</li></ul>
Internal members	<ul style="list-style-type: none"><li>Executive Officer responsible for Securities Investment (Chairman)</li><li>Executive Officer responsible for Compliance</li><li>General Manager of Finance &amp; Investment Planning Dept.</li></ul>
Advisory matters	<ul style="list-style-type: none"><li>Approval or rejection of important proposals in the exercise of voting rights (preliminary deliberation) – please see below.</li><li>The draft policy for amending the Guidelines for Exercise of Voting Rights</li><li>Stewardship activities policy draft</li><li>Results of stewardship activities (Report)</li></ul> <p><b>Criteria for placing important proposals on the agenda</b></p> <p>(1) Companies raising concerns about conflicts of interest from the perspective of insurance transactions (Top 100 companies which we conduct insurance transactions with or top 10 companies which conduct insurance sales)</p> <p>(2) Companies where our company's executives are concurrently employed (companies where our company's full-time executives serve as outside directors)</p> <p>(3) Other companies deemed necessary from the perspective of conflict of interest, etc. (companies facing high-profile scandals, such as fraudulent accounting practices and disputes among management)</p> <p>► Proposals that fell under one of the three above criteria and were in conflict with the Guidelines for Exercise of Voting Rights</p>
Frequency	Around three meetings per year

Main Discussion Topics at the Stewardship Advisory Committee (July 2023–June 2024)

During the Stewardship Advisory Committee meetings held from July 2023 to June 2024, we mainly discussed the themes listed below and received valuable opinions and advice from outside members. In the preliminary review of important proposals, we confirmed that there were no concerns about conflicts of interest in our exercise of voting rights.

Session 20 (Held in September 2023)

Main themes	<ul style="list-style-type: none"><li>The content of activity reports and the revision of the Guidelines for Exercise of Voting Rights</li><li>Stewardship activities for domestic corporate bonds</li><li>Disclosure of voting results</li><li>Verification of conflicts of interest</li></ul>
Main discussions	<ul style="list-style-type: none"><li>We discussed the draft of the Stewardship Activity Report 2023, the revision of the Guidelines for Exercise of Voting Rights, dialogues on environmental (E) and social (S) themes, and the progress on stewardship activities for domestic corporate bonds, receiving a wide range of opinions from outside members.</li><li>We scrutinized whether our voting impacts insurance and other transactions and reported the results from the perspective of managing conflicts of interest.</li></ul>

Session 21 (Held in March 2024)

Main themes	<ul style="list-style-type: none"><li>Our policy for responding to important proposals</li><li>Our policy for enhancing dialogues on environmental (E) and social (S) themes</li></ul>
Main discussions	<ul style="list-style-type: none"><li>We confirmed that our voting decisions were reasonable and that there were no votes suspected of involving conflicts of interest.</li><li>We discussed the policy for enhancing dialogues on environmental (E) and social (S) themes, receiving a wide range of opinions from outside members.</li></ul>

Session 22 (Held in June 2024)

Main themes	<ul style="list-style-type: none"><li>Our policy for responding to important proposals</li></ul>
Main discussions	<ul style="list-style-type: none"><li>We confirmed that our voting decisions were reasonable and that there were no votes suspected of involving conflicts of interest.</li><li>We discussed dialogues with companies involved in scandals and sectors facing issues, receiving a wide range of opinions from outside members.</li></ul>

# Response to the TCFD and TNFD Recommendations

As global warming continues, natural disasters are increasingly being observed around the world, making climate change an urgent global issue. At the same time, the need to address natural capital-related issues, such as plastic pollution in the oceans and the destruction of ecosystems, is becoming more pressing. This section will outline our approaches to climate change and natural capital within the asset management field, based on the frameworks and guidance of the Financial Institution Net-Zero Transition Plans published by the TCFD, the TNFD, and the Glasgow Financial Alliance for Net Zero (GFANZ). Incidentally, “Governance” and “Risk management” are described together at the beginning of this section, as our approaches to climate change and natural capital overlap in these two areas. “Metrics and Targets” is summarized afterwards. (Please visit our website to learn about our initiatives in the insurance business).

## TCFD/TNFD Disclosure Framework

Characteristics	TCFD		TNFD	
	Target	Climate change risks	Nature-related risks	
Disclosure framework items	Nature area	Climate change, especially atmosphere-related	Land, ocean, freshwater, atmosphere	
	Framework aspects	“Governance” “Strategy” “Risk management” “Metrics and Targets”	“Governance” “Strategy” “Risk and impact management” <sup>*1</sup> “Metrics and Targets”	
	Governance	Disclose organizational governance relating to risks and opportunities		
	Strategy	Risks and opportunities (single materiality <sup>*2</sup> )	● Risks and opportunities, dependencies and impacts (use of double materiality also possible <sup>*3</sup> ) ● LEAP Approach (location specification)	
	Risk management	Risk management	● Management of risks and impacts ● Priority setting	
	Metrics and targets	CO <sub>2</sub> /GHG emissions	● 18 core global disclosure metrics <sup>*4</sup> related to risks and opportunities (land, freshwater, and seawater use, pollutants, air pollution etc.) ● Additional global disclosure metrics (nature protection activities, etc.)	

Specialized for the financial sector

## GFANZ Net-Zero Transition Plan



<sup>\*1</sup> We focus on location-specific differences, as the nature and biodiversity situation varies depending on the location.  
<sup>\*2</sup> “Environmental impacts on companies” only  
<sup>\*3</sup> Recognizes the two aspects of “environmental impacts on companies” and “companies’ impacts on the environment”  
<sup>\*4</sup> By sector or by region (country, biome, ecosystem, etc.)

## Governance and Risk Management

Please see page 9 for details on governance. We take an integrated approach to risk management, comprehensively managing the impact that various risks, including climate change, could have on the company. For details on top risks and risk management, please see pages 110–111 and page 129 of our Nippon Life Integrated Report 2024.

[Nippon Life Integrated Report 2024] [https://www.nissay.co.jp/global/report/pdf/2024\\_Integrated\\_Report.pdf](https://www.nissay.co.jp/global/report/pdf/2024_Integrated_Report.pdf)

## Risk Analysis Related to Climate Change

We analyze the impacts of climate change on our business using the NGFS scenarios, which are designed for central banks, supervisory authorities, and financial institutions to assess the impacts of climate-related financial risks.

### NGFS scenarios

Category	Scenario name	Temperature targets	Scenario overview
Orderly	Net Zero 2050	1.4°C	Restrict temperature rises to 1.5°C or less with smooth emissions reduction policies and innovations
	Below 2°C	1.6°C	Restrict global warming to 2°C or less with increases in the stringency of emissions reduction policies
Disorderly	Divergent Net Zero	1.4°C	Assume that climate policies are different across sectors, resulting in inefficient decarbonization
	Delayed Transition	1.6°C	As annual emissions will not decrease until 2030, strict policies will be implemented to restrict global warming to 2°C or less
Hot house world	NDCs	2.6°C	Assume that policies committed to by each country under the Paris Agreement (including those not implemented at the moment) will be implemented

### Scope of scenario analysis

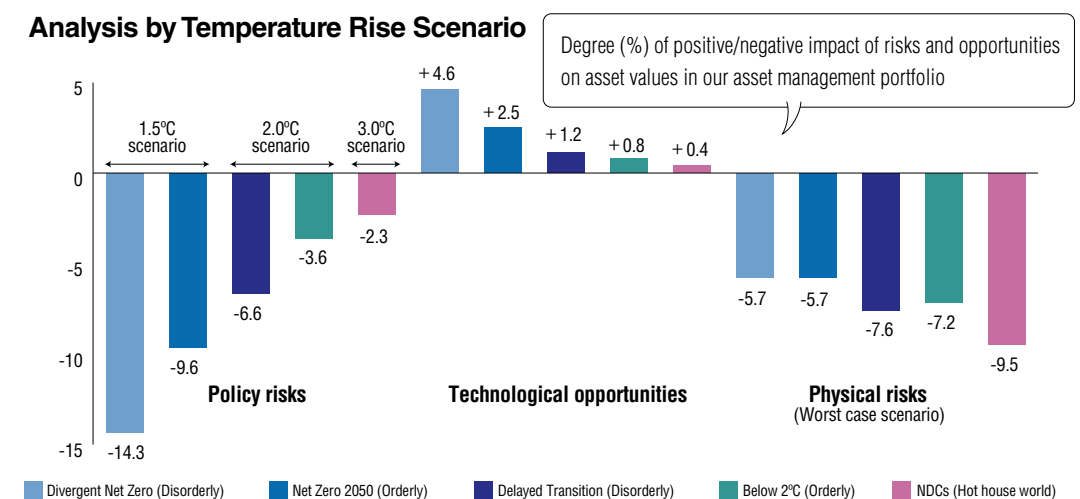
Risks		Overview	Measurement logic
Transition risks	Policy risks	Costs that come with policy changes and strengthened regulations	Estimates future costs for reducing GHG emissions based on carbon prices and makes a tentative calculation on the impact of the current value of these future costs on market value
	Technological opportunities	Income opportunities that come with emerging low-carbon technology and similar developments	Estimates future profit based on the company's low-carbon technology patents and other factors
Physical risks (opportunities)		Costs and opportunities brought about by natural disasters and similar incidents	Tentatively calculates the potential loss by considering the company's assets, location, probability of disaster occurrence, etc.

As a means of measuring the risks and opportunities in our asset management portfolio<sup>\*1</sup> brought about by climate change, we conducted analyses using Climate Value-at-Risk (CVaR)<sup>\*2</sup> provided by MSCI. Specifically, we analyzed the risks and opportunities shown in the “Scope of scenario analysis” table based on the NGFS scenarios.

<sup>\*1</sup>: Calculated for domestic and overseas stocks and domestic and overseas corporate bonds in the Nippon Life portfolio  
<sup>\*2</sup>: CVaR evaluates the impact (risks and opportunities) on the value of assets, such as each company's stocks and corporate bonds, due to climate change. Analyzing three factors, that is, “policy risks” (transition risks), which are the costs that come with policy changes and strengthened regulations relating to climate change, “technological opportunities,” which are income opportunities that come with emerging low-carbon technology and similar developments, and “physical risks,” which are the costs and opportunities brought about by natural disasters and similar incidents, makes it possible to quantitatively ascertain the risks and opportunities in our asset management portfolio that are brought about by climate change

## Analysis Using CVaR

We analyzed how climate change would impact our asset management portfolio by using CVaR. The analysis by temperature rise scenario showed that for policy risks and technological opportunities, there would be a greater impact on asset values in scenarios with limited temperature rise, while physical risks would tend to increase in scenarios with greater temperature rise.



Going forward, we will support investee companies through integration and engagement in order to address climate change-related risks and opportunities. Given that quantitative models for climate change, such as CVaR, are still evolving based on the latest research, we will continue to research and analyze risk assessment methods.

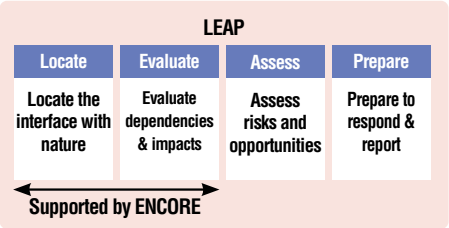


Risk Analysis Related to Natural Capital

In order to understand the relationship between investee companies and natural capital, we have utilized ENCORE, a nature-related risk analysis tool recommended for use by TNFD, to evaluate the degree of dependency and impact of each industry on natural capital.

(1) Overview

The TNFD framework introduces ENCORE as an analytical tool jointly developed by international organizations, such as the Natural Capital Finance Alliance (NCFA), the United Nations Environment Programme, and financial institutions to evaluate the dependencies and impacts of investee companies on natural capital. ENCORE covers the L (Locate) and E (Evaluate) phases of the LEAP approach, an integrative method for evaluating and managing nature-related issues.



(2) Analysis methods

We divided investee companies into 11 sectors and 139 sub-industry groups based on the Global Industry Classification Standard to analyze their dependencies and impacts on natural capital. Each sector's dependency and impact on natural capital is evaluated using a five-grade scale.

**Dependencies**

- The ecosystem services on which each sector depends is identified
- The extent to which each ecosystem service depends on natural capital is evaluated using a five-grade scale

**Impacts**

- The production process implemented by each sector is identified
- The extent to which each production process impacts natural capital is evaluated using a five-grade scale

The weighted average of each sector is calculated to evaluate the portfolio

Grade	Weight
Very High	5
High	4
Medium	3
Low	2
Very Low	1

Based on the above method, we conducted an analysis of Japanese stocks in our management portfolio according to sector ownership ratios. The results show that the natural capital with the highest dependencies are "Habitats" and "Water," while impacts were significant for "Solid waste," "Water pollutants," and "Soil pollutants." Moving forward, we will use these results to refine our identification and analysis of specific companies within sectors that have significant dependencies and impacts.

(3) Analysis results

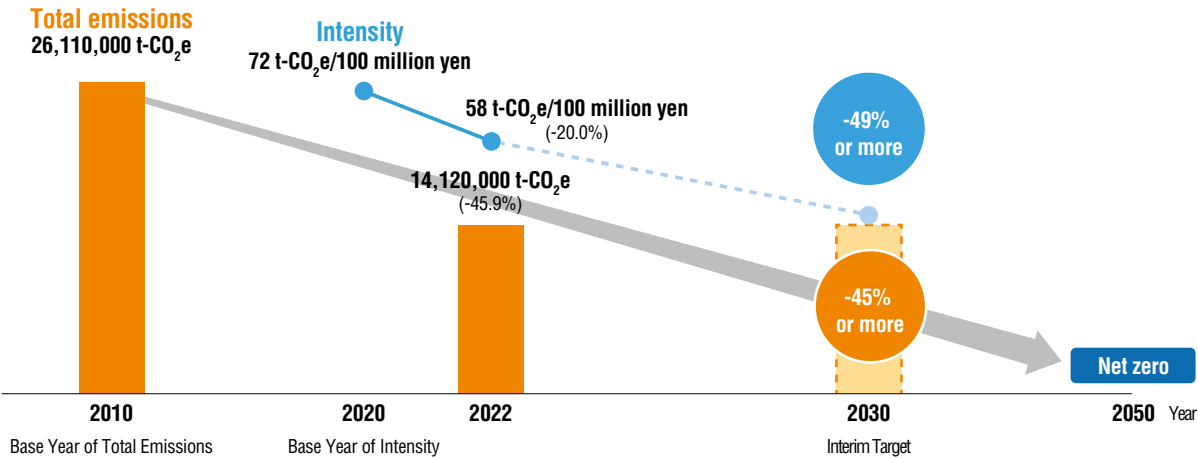
Dependencies		Atmosphere	Habitats	Land geomorphology	Minerals	Ocean geomorphology	Soils and sediments	Species	Water
	Consumer discretionary								
	Consumer staples								
	Energy								
	Financials								
	Healthcare								
	Industrials								
	Information technology								
	Materials								
	Real estate								
	Telecommunication services								
	Utilities								
	Total								

Impacts		Disturbances	Freshwater ecosystem use	GHG emissions	Marine ecosystem use	Non-GHG air pollution	Other resource use	Soil pollutants	Solid waste	Terrestrial ecosystem use	Water pollutants	Water use
	Consumer discretionary											
	Consumer staples											
	Energy											
	Financials											
	Healthcare											
	Industrials											
	Information technology											
	Materials											
	Real estate											
	Telecommunication services											
	Utilities											
	Total											

Red : Sectors with high dependencies or impacts  
Blue : Sectors with low dependencies or impacts

Metrics and Targets

We aim to achieve net zero greenhouse gas emissions in our asset management portfolio by FY2050 and have set interim targets for FY2030. Total emissions in FY2022 were approximately 14.12 million t-CO<sub>2</sub>e (45.9% reduction compared to FY2010), while intensity was approximately 58 t-CO<sub>2</sub>e/100 million yen (20.0% reduction compared to FY2010). We will continue to work on reducing emissions.



Total Emissions: Greenhouse gas emissions from investees belonging to the portfolio, measured in t-CO<sub>2</sub>e (CO<sub>2</sub> equivalent)

$$\text{Total emissions} = \sum_{i=1}^n \left[ \text{Emissions of the investees } i \times \frac{\text{Investment amount } i}{\text{Corporate value } i} \right]$$

(Market capitalization + interest-bearing debt)

Intensity: Greenhouse gas emissions per unit of portfolio. The unit is t-CO<sub>2</sub>e/100 million yen

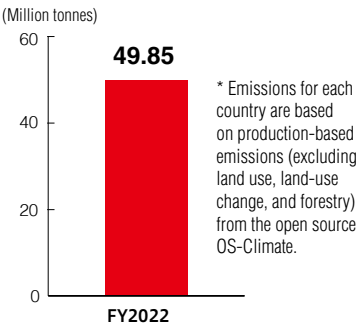
$$\text{Intensity} = \frac{\text{Total emissions}}{\text{Total investment amount}}$$

- Covers Scope 1 and 2 emissions of domestic and overseas listed equities, domestic and overseas corporate bonds, and real estate. Equities and bonds include those invested through mutual funds.
- The measurement is conducted in accordance with the methodology provided by PCAF.
- The 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.

GHG Emissions of the Government Bond Portfolio

In December 2022, the Partnership for Carbon Accounting Financials (PCAF) disclosed a method for measuring the GHG emissions of government bond. In response to this, we calculated emissions from government bond investments on the basis of the balance at the end of FY2022.

As the measurement method, we multiply each country's emission amount by the ratio of government bond investments against GDP after applying the country's Purchasing Power Parity (PPP) adjustment. Our emissions via government bond were approximately 49.85 million t-CO<sub>2</sub>e as of the end of FY2022. In addition, emissions reductions at the time of the production of goods and services that are handled by investee companies contributes to the government's emissions reductions, and thus open dialogue with investee companies continues to be important. However, the current issue is that the data of emerging countries, etc. has not yet been sufficiently disclosed, requiring further improvements in terms of disclosed data.



Measurement method  
Emissions =

$$\sum_{i=1}^n \left( \frac{\text{Investment amount } i}{\text{GDP after PPP adjustment } i} \times \frac{\text{GHG or CO}_2 \text{ emissions } i}{\text{emissions } i} \right)$$

# Participation in Initiatives

We participate in various initiatives to collect information about domestic and global trends in responsible investment and to engage in international discussions. Our company's executive officers serve as directors or members of representative groups in several major initiatives, where they express our perspectives as a leading institutional investor in Japan.

## Initiatives in Which Our Company's Executive Officers Serve as Steering Members

### Principles for Responsible Investment (PRI)

Year of establishment 2006 Year of participation 2017



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

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

Year of establishment 2021 Year of participation 2021



- A global financial coalition committed to the realization of carbon neutrality by 2050, composed of financial alliances in different industries, including NZAOA and NZBA (Net-Zero Banking Alliance, etc.).
- Our president was appointed a member of the Japan Chapter Consultative Group in 2023.

## International Initiatives

### TCFD

Year of establishment 2015 Year of participation 2018



- A task force on disclosure of climate-related financial information established under the Financial Stability Board. 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.

### Equator Principles

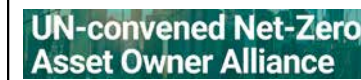
Year of establishment 2003 Year of participation 2019



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

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

Year of establishment 2019 Year of participation 2021



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

### TNFD

Year of establishment 2021 Year of participation 2022



- An international organization aiming to develop a framework for private companies and financial institutions to appropriately evaluate and disclose risks and opportunities related to natural capital and biodiversity.

### PCAF

Year of establishment 2015 Year of participation 2022



- An initiative aimed at standardizing measurement and disclosure methods for GHG emissions in the asset management portfolios of financial institutions.

### Climate Action 100+

Year of establishment 2017 Year of participation 2022



- An international initiative in which investors collaborate to address climate change through dialogues with companies with high GHG emissions.

### Spring

Year of establishment 2024

Year of participation 2024



- An international initiative in which investors collaborate to address natural capital challenges through dialogues with companies facing issues such as deforestation and land degradation.

### Advance

Year of establishment 2022

Year of participation 2022



- An international initiative in which investors collaborate to address social issues such as human rights through dialogues with companies.

### Impact Investment Initiative for Global Health (Triple I for Global Health)

Year of establishment 2023

Year of participation 2023



- An initiative endorsed by the G7 leaders at the G7 Hiroshima Summit, aimed at addressing global health issues and promoting private capital toward impact investment.

## Domestic Initiatives

### Japan Hydrogen Association

Year of establishment 2020

Year of participation 2022



- An initiative aimed at promoting the social implementation of hydrogen-related technologies through research and policy proposals that reduce costs associated with hydrogen technology and facilitate financing for the companies involved.

### Japan Impact-driven Financing Initiative

Year of establishment 2021

Year of participation 2023

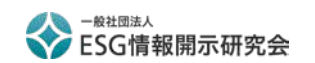


- An initiative to promote impact investment and finance through collaboration among impact-driven financial institutions.

### ESG Disclosure Study Group

Year of establishment 2020

Year of participation 2020



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

### The Association for Promotion of Sustainable Finance Platform

Year of establishment 2023

Year of participation 2023



- An association aimed at developing a digital platform to promote ESG investment and finance and conducting value verification of its usefulness toward formal commercialization.

## Comment



**Tadaaki Kumagai**

General Manager  
Responsible Investment Strategy Office

Achieving net-zero emissions requires collaboration with a wide range of stakeholders. I serve as a member of the Core Working Group for the Japan Chapter of GFANZ, a global coalition of financial sector net-zero alliances working together to support the world's transition to net-zero emissions by 2050. In addition, I also participate in Climate Action 100+, an initiative that seeks to address climate change issues through collaborative engagements with high GHG emitters, where I act as a contributing investor, whose role is to contribute to

lead investors responsible for driving engagements with Japanese companies. The insights gained from discussions with other members in these initiatives are stimulating, and I regularly share them with our investment team. I am committed to actively sharing my perspectives to support these initiatives and help tackle the challenging task of achieving net-zero emissions. Moving forward, I will continue to actively engage in these efforts and work toward solutions for environmental and social issues.

# Policy Engagement

Considering investment performance in the long run, the returns obtained from investee companies are significantly influenced by the stability of social and environmental systems. As these systems are heavily impacted by policies and regulations, policy engagement (interacting with

policymakers) is an important means to build better systems. Therefore, we actively participate in policy engagement for the realization of a sustainable society by sharing opinions, presenting at seminars, and attending study sessions.

## Opinions We Expressed

### [PRI] Roundtable between Japanese government and domestic and foreign investors

The Financial Services Agency, the Ministry of Environment, the Ministry of Economy, Trade and Industry, and the Ministry of Finance had a discussion with domestic and foreign investors, focusing on Japan's GX\* policies as the main theme.

### [Financial Services Agency] Study session on impact investments

We engaged in discussions with the Financial Services Agency and financial market stakeholders regarding the significance and challenges of impact investment, exchanging opinions on elevating responsible investment in Japan and expectations for expanding the scope of outcome- and impact-oriented initiatives.

\* Green Transformation

### [AIGCC/CBI] Roundtable between Japanese government and domestic investors

The Financial Services Agency and the Institute of Energy Economics, Japan participated in a discussion with domestic investors, focusing on Japan's Strategic Energy Plan as the central theme.

### [Ministry of Environment] ESG Finance High level Panel

We communicated our views on the challenges related to Japan's GX\* and the significance of transition finance in achieving carbon neutrality.

### [AIGCC] Roundtable between Japanese government and domestic investors

The Financial Services Agency, the Ministry of the Environment, and Keidanren participated in a discussion with domestic investors, focusing on natural capital as the central theme.

### [Financial Services Agency] Expert Panel on Sustainable Finance

We exchanged opinions on the current status and challenges of responsible investing in Japan, including among asset owners such as public pension funds, with the Financial Services Agency, representatives from the industrial and financial sectors, and academic experts.

### [PRI] The Japanese version of the report "A Legal Framework for Impact"

We were involved in the preparation of the Japanese version of "A Legal Framework for Impact," urging policymakers to establish guidance on the pursuit of sustainability and impact.

### [Life Insurance Association of Japan] Publication of advocacy report

We worked on an advocacy report published by the Life Insurance Association of Japan, urging inter-ministerial measures to encourage companies to disclose ESG information, ESG investment and finance, and policy support to achieve carbon neutrality.

## Major External Conferences We Have Participated in as Committee Members

Sponsorship/Co-sponsorship	Names of conferences, etc.
PRI	PRI Board of Directors / Global Policy Reference Group / Asset Owner Technical Advisory Committee / Japan Advisory Committee
NZAOA	NZAOA Steering Group
GFANZ	Consultative Group and Core Working Group of GFANZ Japan Chapter
Financial Services Agency	Working Group on Social Bonds
Financial Services Agency, GSG National Advisory Board <sup>*1</sup>	Working Group on Impact Investment
Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of Environment	Task Force on Preparation of the Environment for Transition Finance, Sub-working Group on Financed Emissions
Ministry of Economy, Trade and Industry	ISO/TC260 National Deliberative Committee (human capital)
Ministry of Environment	Study Group on Green Finance <sup>*2</sup>
Japan Business Federation	Constructive Dialogue Promotion Working Group
Life Insurance Association of Japan	Working Group on Stewardship Activity, Working Group on Responsible Investment

\*1: Domestic advisory committee of The Global Steering Group for Impact Investment (GSG), a global network to promote impact investments

\*2: External conference to gather information and share opinions on ESG through the industry

# Assessments from External Organizations

Our company's responsible investment efforts have been highly rated.

## Awards

Period	Evaluation
February 2024	Awarded a Gold Prize in the Investor Category of the Ministry of the Environment's ESG Finance Awards Japan (5th)
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	Awarded a Bronze Prize in the Investor Category of the Ministry of the Environment's ESG Finance Awards Japan (2nd)
February 2020	Awarded a Bronze Prize in the Investor Category of the Ministry of the Environment's ESG Finance Awards Japan (1st)

## Ministry of the Environment's ESG Finance Awards Japan

This award evaluates and recognizes outstanding investors, financial institutions, and fundraisers who promote initiatives that impact the environment, society, and the economy from a comprehensive perspective, regardless of the size of the organization. By sharing these achievements with the wider society, the aim is to further expand ESG finance and enhance its quality. Nippon Life was awarded the Gold Prize "Minister of the Environment Award," the highest award in the Investor Category at the 5th ESG Finance Awards Japan by the Ministry of the Environment.



## Reasons for winning the Gold Prize

- Nippon Life's leadership as an asset owner in Japan, exemplified by its role as the lead sponsor of PRI in Person, was highly evaluated for its commitment to promoting and expanding the ESG finance market.
- In addition, Nippon Life was recognized for its high level of engagement and impact disclosure across the entire investment chain, from investee companies to the ultimate beneficiaries, as well as its focus on implementing new measures, such as assigning ESG ratings to all asset classes and conducting positive screening, which further influenced the market.



Fujimoto, Executive Vice President and Representative Director of Nippon Life, delivers a speech at the awards ceremony.

## 2023 PRI annual Reporting & Assessment

Nippon Life received the highest grade of 5 stars in the PRI 2023 assessment of its activities in 2022 in the following three modules: Confidence building measures, Indirect - Listed equity - Active, and Indirect - Fixed income - Active. Additionally, we received a grade of 4 stars in the remaining two modules.

Module	Details	Grade
<b>Policy Governance and Strategy</b>	Overall policy, governance, and strategy of its responsible investment	★★★★ (4 stars)
<b>Confidence building measures</b>	The review and/or verification of data reported	★★★★★ (5 stars)
<b>Indirect - Listed equity - Active</b>	Selection, appointment, and monitoring of investment managers	★★★★★ (5 stars)
<b>Indirect - Listed equity - Passive</b>	Selection, appointment, and monitoring of investment managers	★★★★ (4 stars)
<b>Indirect - Fixed income - Active</b>	Selection, appointment, and monitoring of investment managers	★★★★★ (5 stars)



## Message from Head of Responsible Investment Strategy Office

# The environmental issues we are facing and the roles of institutional investors



## Current global environment

As evidenced by the recent increase in extreme weather events and frequent natural disasters, the global environment is currently in a serious state. While countries have been working to reduce greenhouse gas emissions in accordance with the 2015 Paris Agreement, progress has been insufficient, and further global efforts are required.

Meanwhile, biodiversity conservation is also a critical element in protecting the global environment. The TNFD has established a framework that encourages companies to assess the impact of their economic activities on the natural environment and biodiversity, and to disclose such information. One of the themes of the 16th Conference of the Parties to the Convention on Biological Diversity (COP16), held in October 2024, was making the idea of interdependency between biodiversity and human health more mainstream, and this is also being considered for inclusion as one of the items in the framework for non-financial disclosure related to natural capital.

## Why is the concept of planetary health important?

One important concept for comprehensively addressing global issues is planetary health. It is based on the idea that the Earth's environment and social systems are interdependent. Changes in the global environment can impact human health, leading to issues such as hunger, water shortages, and the spread of infectious diseases. Planetary health incorporates the One Health concept, which emphasizes the interconnectedness of sustainability goals and aims to tackle social issues from a comprehensive, long-term perspective.

The concept of planetary health is key to ensuring a sustainable global environment and a healthy, secure social environment for both current and future generations. Since the Rockefeller Foundation and the Lancet published a joint committee report in 2015, the concept of planetary health has gained traction worldwide, and international research is advancing. In Japan, Nagasaki University is leading the effort, with experts in sociology, medicine, economics, and environmental studies collaborating across disciplines to realize this concept.

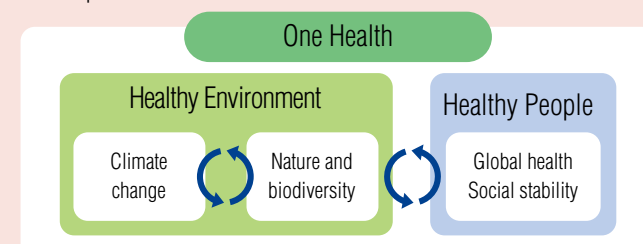
## Our role as an institutional investor

Life insurance is a system of collaborative support based on the philosophy of “co-existence, co-prosperity, and mutual aid.” Since its establishment, Nippon Life has practiced “customer-oriented business operations” and “sustainability management.” For us, safeguarding the social environment—including the global environment and health, which form the foundation of our customers’ safety and security—is a key management priority. As an institutional investor, we also believe that addressing planetary health issues comprehensively and enhancing sustainability is crucial, as the global environment is the foundation of a company’s business activities and impacts its corporate value.

We are a universal owner managing approximately 85 trillion yen in assets. The concept of planetary health—addressing social issues from a comprehensive, long-term perspective that emphasizes the interconnectedness of various sustainability themes—aligns closely with our approach to asset management, and we believe that it is particularly meaningful for us to take on this challenge.

In the Mid-Term Management Plan that commenced in 2024, we have identified six key sustainability themes for asset management and established the Responsible Investment Guidelines to promote responsible investment by balancing profitability with solving global and social environmental challenges. From a mid- to long-term perspective, we believe these efforts will also contribute to increasing policyholder benefits, including the steady payment of insurance payouts and benefits.

Going forward, we must work on planetary health through collaboration between the public, private, and academic sectors. As an institutional investor, we will not only invest in our investee companies and engage in dialogue with them, but also participate in other initiatives and strengthen our cooperation with academia.



## Reference Responsible Investment Guidelines

In light of our social responsibilities as a life insurance company, we will manage all asset classes in our portfolio taking into account adequate asset class characteristics and regional specificities. We will also take a mid- to long-term approach considering environmental, social, and governance (ESG) perspectives. Taking into consideration the mission and public nature of the life insurance business, as well as our approach to important social challenges, we do not invest in certain companies and businesses. Aiming to achieve “a secure future with economic security” through responsible investment, we will seek to shape sustainability outcomes to realize a sustainable society, while also striving to secure long-term stable investment returns.

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

### Key Sustainability Themes of the Investment Management Unit (including stewardship activities)

We have identified six key sustainability themes for our asset management activities: “Climate change,” “Natural capital,” “Regional economies,” “Global health (public health),” “Respect for human rights,” and “Human capital.” We will periodically review these key sustainability themes in light of changes in the external environment and social conditions.

### Activities to Resolve Key Sustainability Themes

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

As for “Natural capital,” there is an urgent need to transition to a nature-positive approach to halt the loss of natural capital and put it on a path to recovery, as the destruction of nature and degradation of habitats continue due to the expansion of economic activities. We endorse the recommendations of the TNFD and will continue to promote efforts and improve disclosure related to the conservation and restoration of natural capital.

We think that the “Regional economies” are facing social issues unique to Japan, such as regional disparities caused by an aging and declining population, and that addressing these issues is essential for achieving economic growth across the country. Going forward, we will contribute to the development of regional

economies by investing in small and medium-sized enterprises and office buildings throughout Japan, in collaboration with regional financial institutions that share our values and vision.

“Global health” is a critical social issue that not only directly impacts people's health but also has a negative impact on society and the economy as a whole, requiring public-private partnerships to mitigate risks. As a life insurance company, we believe we have a significant role to play in addressing social issues such as improving access to healthcare and extending healthy life expectancy. Based on this belief, we will work alongside financial institutions in Japan and abroad to help resolve these issues.

“Human rights” are the rights with which all people are inherently endowed, and violation of these rights, such as forced labor, discrimination, and harassment, have become problems. 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 Japan, the government published guidelines for respecting human rights in 2022. In Nippon Life's investment activity, initiatives reflecting those guidelines will be implemented.

“Human capital” is a concept that views human resources as capital and seeks to maximize their value, and we recognize that it is an important theme in corporate management that leads to mid- to long-term improvements in corporate value, regardless of industry. In particular, we recognize the importance of linking corporate strategy and human resource strategy, regardless of industry sector, and will support efforts related to corporate human capital management.

Other topics include well-being, diversity, executive remuneration, minority interests, takeover defense measures, and independence of directors. Nippon Life provides regular updates on these topics through our reports, website and other disclosure material.



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Nippon Life Insurance Company

