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Nippon Life Insurance Company

NISSAY

ESG Investment and Finance Report 2023

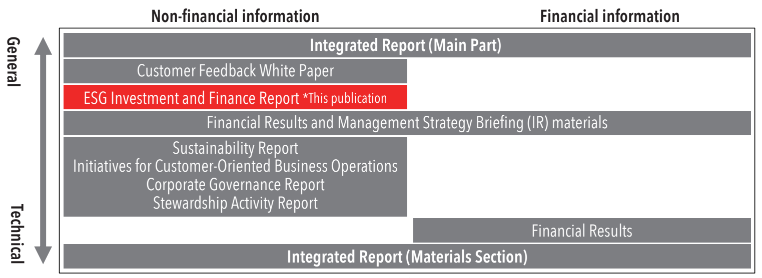
CORPORATE PROFILE

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	1,495
	Global representative offices	3
	Agencies*	19,033
Subsidiaries and Affiliates	Insurance and insurance-related businesses	21
	Asset management-related businesses	56
	General affairs-related businesses	11

*Agencies include agencies at banks and other financial institutions.
(As of the end of March 2023)

Positioning of ESG Investment and Finance Reports

ESG investment and finance reports are printed to communicate our thoughts on and efforts in ESG investment and finance, which are part of our sustainability efforts, in an easy-to-understand format. Details on ESG investment and finance, examples of them, and other sustainability examples are available on our website.



Nippon Life website

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

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Members in ESG Investment Strategy Office

TOP MESSAGE

Creating a society where everyone can live in peace through efforts to enhance sustainability

Our cherished beliefs and efforts since our founding align with sustainability management

On July 4, 2023, our company marked its 135th anniversary since its establishment. Life insurance is a system of collaborative support based on the philosophy of "co-existence, co-prosperity, and mutual aid." In our Fundamental Management Principles, we aim to contribute to the stability and improvement of people's lives, and we have been working towards enhancing corporate value through contributions to the realization of safe, secure, and sustainable society. Our cherished beliefs and efforts since our founding are in alignment with sustainability management. A life insurance company also plays roles of an institutional investor. In addition to our insurance business, we aim to strike a balance between increasing policyholders' benefits and addressing social issues through shaping sustainability outcomes in the field of asset management by practicing ESG investment and finance, which incorporates considerations of environmental, social, and governance factors.

Aiming to shape sustainable outcomes to achieve a carbon-free society

The world is undergoing significant changes. Recent events, such as the worsening of natural disasters due to climate change, shifts in our way of life caused by the COVID-19 pandemic, and the acceleration of social divisions stemming from Russia's invasion of Ukraine, have had a profound impact on our lives. It can be said that the sustainability of our society is at stake.

Within the realm of ESG investment and finance, the conventional approach has been to consider opportunities and risks derived from the real world as part of the investment process. However, in response to the above developments, there is a growing shift towards incorporating the perspective of solving social issues (shaping sustainability outcomes) into the investment process to make our society better. As we aspire to create a better society, we aim to contribute to one where everyone can live securely in the future. Making a positive difference in the real world through shaping sustainability outcomes is a way to fulfill our responsibility to society. Whether you call it ESG, sustainability, or responsible investment, we believe that the underlying principles are the same.

There is no question that the most critical and urgent societal challenge to address through ESG investment and finance is climate change. Especially in Asia, recognized as the world's largest emitter of greenhouse gases, achieving a decarbonized society poses a considerably ambitious goal, balancing both economic growth and transition. Nevertheless, I firmly believe we can overcome this daunting task. In our company, we aim to contribute to the realization of a decarbonized society through dialogue and financial support. On the dialogue front, we have engaged in conversations with top GHG emitters on the major theme of climate change and have requested for the development of specific strategies for reducing emissions. Currently, we have dialogues with approximately 70 companies, accounting for about 80% of GHG emissions of all investees (domestic stocks and bonds). Meanwhile, we are also encouraging company efforts in financial support. We significantly increased our target for our decarbonization financing facility, from the initial 500 billion yen to 3 trillion yen in 2023, as we believe that further contributions are necessary for the realization of a decarbonized society. In particular, with regard to transition financing, we are willing to wholeheartedly provide funding once we have thoroughly examined the viability of strategies one by one for achieving net-zero and determined that they will ultimately contribute to this goal. Additionally, to collectively work toward the realization of a decarbonized society, we will participate in domestic and international initiatives, proactively communicate our opinions, and collaborate with a wide range of stakeholders.

Hiroshi Shimizu
President

Our responsibility to society and policyholders

While the importance of ESG is being recognized, there has been a recent trend, primarily in the United States, of growing opposition to ESG. However, we believe that these anti-ESG movements may, in fact, ultimately lead to the advancement of ESG investment and finance, as we see it as an opportunity for participants to reevaluate the significance of incorporating ESG elements into their investment processes, define their desired outcomes, and translate these conclusions into action.

Our company has a mission to provide assurance to our customers. While fulfilling our societal responsibilities, it remains our core purpose to sustainably meet our obligations to policyholders (financial security responsibilities). We firmly believe that both our responsibility to society and our responsibility to policyholders should be fulfilled through shaping sustainability outcomes.

Shaping sustainability outcomes in the real world, or in other words, fulfilling our responsibility to society, enhances a company's sustainability and, in the long run, leads to increased corporate value, ultimately resulting in higher returns for the entire investment portfolio. We then give back the returns obtained in the form of insurance payouts and benefits to our customers. In essence, this ultimately fulfills our responsibility to policyholders. By fulfilling our responsibility to society, we also fulfill our responsibility to policyholders. I am convinced that ESG investment and finance are the means to achieve this. Through ESG investment and finance, our company is committed to shaping sustainability outcomes, thus contributing to the expansion of profits for policyholders and the creation of a better society.

Prologue
Our Vision
Sustainability Priority Issues
Methods
External Initiatives
TCFD/TNFD Disclosures
Epilogue

Fundamental Management Principles and Mid-Term Management Plan

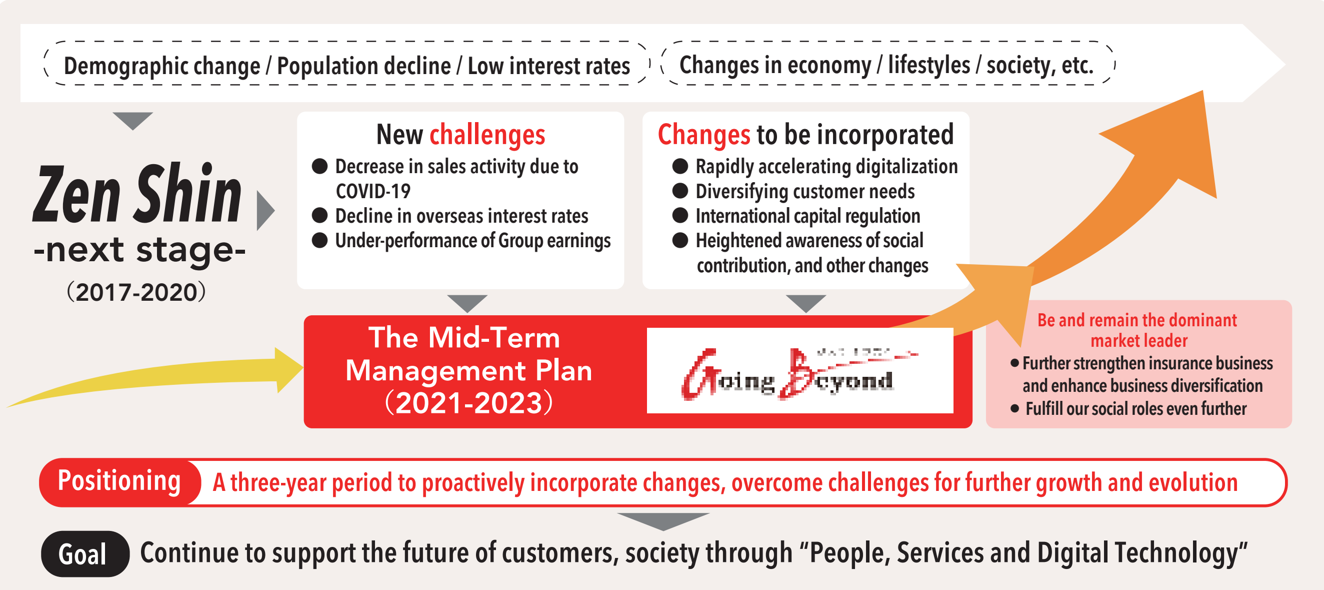
Fundamental Management Principles of Nippon Life

Life insurance business based on the philosophy of "co-existence, co-prosperity, and mutual aid" is closely connected with the welfare of the people, and people's understanding and trust are indispensable for the development of life insurance companies. In the view of such nature of the business, we have firmly determined to contribute to the stability and enhancement of people's lives under the precepts of Conviction, Sincerity and Endeavor, and hereby established the "Fundamental Management Principles of Nippon Life."

1. **We will provide insurance products which are truly needed with a wide range of services, and give first priority to fulfill our responsibilities to the policyholders.**
2. **We will, in recognition of the public service aspects of the life insurance business, make appropriate investments, and contribute to the elevation of the social welfare level.**
3. **We will improve further our productivity and raise the Company's performance in every aspect, with creativity based on wisdom and convincing execution.**
4. **We will raise the living standard of all our employees through the prosperity of the company. We will also strive to improve the qualities of our employees as good members of society.**
5. **As a member of the life insurance industry, we will take a cooperative position with autonomy, and contribute to cultivation of public understanding for life insurance and development of this industry.**

Positioning of the Mid-Term Management Plan

As a range of changes that impact our business continue to be felt, such as the rapidly growing use of digital technology and increasing diversity of customer needs, the role of life insurance companies and the expectations of customers and society will continue to grow. We started our new Mid-Term Management Plan "Going Beyond" in FY2021. It proactively addresses these changes and seeks to overcome challenges that emerged during our previous Mid-Term Management Plan "Zen Shin –next stage–" as well as challenges from the COVID-19 pandemic to secure a path for further growth and evolution.



Sustainability Management at Nippon Life

Nippon Life, advocating our Fundamental Management Principles of contributing to the stability and enhancement of people's lives, aims to improve corporate value through contributing to the achievement of a society with reassurance, security, and sustainability, and we are promoting sustainability management in all of our business activities.

In FY2023, we reorganized sustainability priority issues that the Nippon Life Group focuses on into the three areas of "People," "Community," and the "Environment" and five items, considering recent social challenges, stakeholder expectations, and relevance to our business. We have also set compliance, risk management, corporate governance, and human capital as sustainability priority issues. These items serve as the management foundation to support our efforts in the areas.

In the "People" area, our goal is to ensure that everyone can enjoy a healthy and peaceful life for a hundred years, in the "Community" area, our aim is to enable everyone to thrive in their local communities, and in the "Environment" area, we seek to create a global environment where everyone can live with peace of mind.

In the future, we will continue enhancing our efforts related to sustainability management and proactively communicate them with outside parties, strengthening stakeholder engagement.

Field	Sustainability priority issues	Pages
People	❶ Providing reassurance and security for life ❷ Supporting future generations to be filled with hope ❸ Respecting DE&I and human rights	P18-19
Community	❹ Supporting to create vibrant local communities	
Environment	❺ Passing on the indispensable Earth to the future	P14-17
Management foundation supporting the above	Compliance, risk management, corporate governance, and human capital	

COLUMN

Engagement with ultimate beneficiaries in ESG investment and finance

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 investees but also with policyholders. As part of this effort, we have been conducting surveys since last fiscal year to understand our policyholders' perspectives and values regarding sustainability.

Our ideal ESG investment and finance involves not only increasing investment returns but also creating a long-term flow of funds so that our policyholders can live a prosperous life in a sustainable society. To fulfill this responsibility, we believe it essential to deepen our understanding of our policyholders' opinions.

In addition to understanding our policyholders' perspectives and values through the surveys, we will enhance communication through reports and various media. This will help us disseminate information about our approach to ESG investment and finance, as well as relevant efforts, contributing to the realization of a sustainable society.

An excerpt from our survey on sustainability

3 Are you familiar with "ESG investment"? (Respondents: 19,127 people)

"Have heard of it and understand the details" or "Have heard of it": 4,914 people (25.7%)
"Have never heard of it": 14,213 people (74.3%)

4 Are you interested in ESG investment efforts? (Respondents: 4,914 people)

"Very interested" or "Interested": 2,391 people (48.7%)
"Not very interested" or "Not interested at all" or N/A: 2,523 people (51.3%)

5 Nippon Life is supporting efforts to achieve the SDGs through investment and finance. Did you know that Nippon Life is involved in such efforts? (Respondents: 19,127 people)

"Have heard that and understand the details" or "Have heard that": 4,139 people (21.6%)
"Have never heard that": 14,988 people (78.4%)

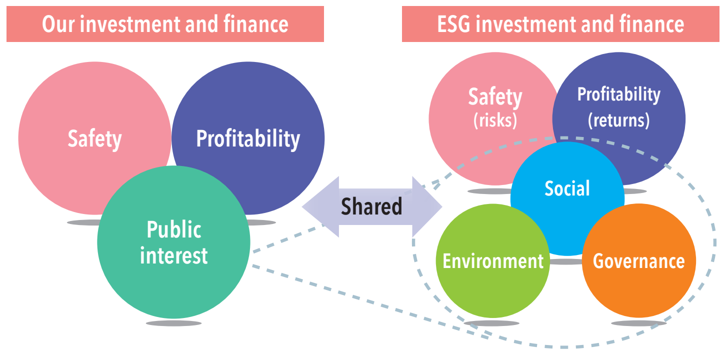
6 Do you expect Nippon Life to continue the efforts described in the Q5? (Respondents: 4,139 people)

"Expect" or "Would expect": 3,054 people (73.8%)
"Can't say either way": 708 people (17.1%)
"Don't expect it very much" or "Don't expect it" or N/A: 377 people (9.1%)

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

Since its founding, Nippon Life has been guided by the philosophy of "co-existence, co-prosperity, and mutual aid" in the life insurance business. We prioritize the interests of our policyholders and strive for prudent management with a long-term perspective, while also carrying out investment and finance that contributes to the public interest in the field of asset management. ESG investment and finance, which supports the sustainable growth of investees from a mid- to long-term perspective, fundamentally aligns with our own mid- to long-term investment and finance policy, which considers a balance between profitability, safety, and public interest.

Nippon Life's ESG investment and finance



Contributing to the expansion of policyholder profits through shaping sustainability outcomes

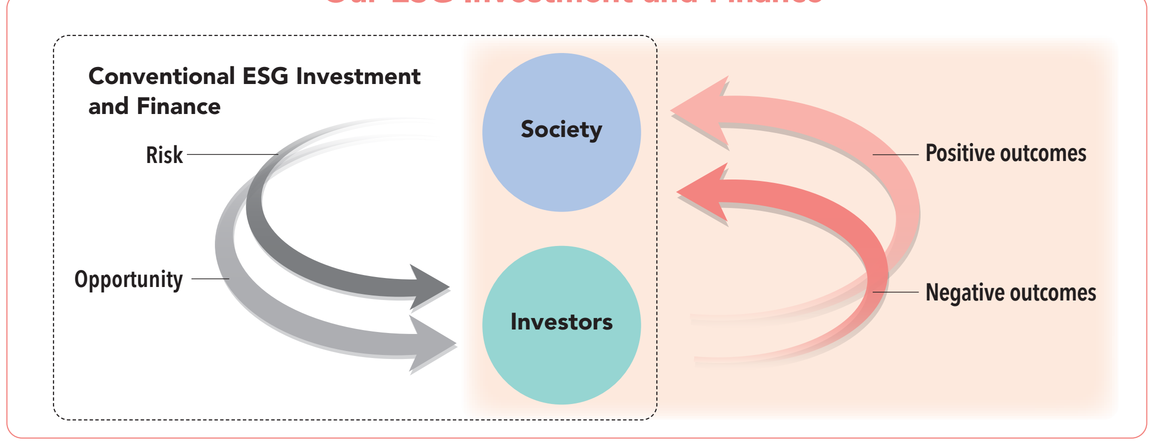
ESG investment and finance can also contribute to the improvement of investment returns. This is because, by considering environmental and social factors in investment and financing decisions and shaping sustainability outcomes, the overall sustainability of the global environment and society, which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

The environment surrounding ESG (Environmental, Social, and Governance) investments has undergone significant global changes, as social issues such as human rights violations and climate change now exert both short-term and long-term impacts on society, the economy, and investors' portfolios. In fact, numerous academic papers and studies have demonstrated that ESG investment and finance not only have the potential to enhance mid- to long-term returns but also reduce substantial risks that can result in a decline in corporate value. Against this backdrop, there is an increasing demand for investors to comprehend the expectations governments, regulators, and the public have for them, including their role in addressing environmental and social issues, or in other words, the sustainability outcomes and the impact they generate through their financial support and engagement with investees. Until now, passive investments and financial strategies that integrate ESG risks and opportunities into the investment decision-making process have been the norm. However, global trends have now given rise to proactive ESG investment and finance approaches that incorporate the sustainability outcomes resulting from investment and finance, integrating them into the investment decision-making process to address social issues and contribute to the Sustainable Development Goals (SDGs).

We are committed to shaping sustainability outcomes through ESG-themed investment and finance that directly address social issues, as well as by utilizing dialogue (engagement) to promote behavioral changes within companies. Additionally, in recognition of the need to prioritize outcomes across all our ESG investment and finance, in August 2023, we revised our ESG investment and finance policy, renaming it the "ESG Investment Guidelines" and enhancing its content.

Based on the revised policy, we will contribute to solving social issues and, consequently, enhancing the corporate value of our investee companies by shaping sustainability outcomes. This, in turn, will lead to improved investment returns, translating into expanded policyholder benefits, including the reliable payment of insurance claims, benefits, and stable policyholder dividend payouts. For more details on the "Basic Approach for Management of General Account Assets" and "ESG Investment Guidelines," please refer to the next page.

Our ESG Investment and Finance



Basic Approach for Management of General Account Assets

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

ESG Investment Guidelines

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

*ESG themes (including stewardship activities)

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

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

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

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

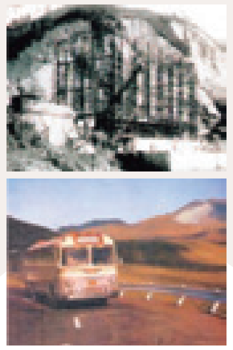
1. Nippon Life integrates ESG factors into all asset classes in order to contribute to solving social issues. Specifically, we conduct proprietary ESG evaluation (assignment of ESG ratings) for all asset classes and use it for investment decisions.
2. For equities, corporate bonds, loans, and real estate,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

HISTORY

History of Nippon Life and ESG Investment and Finance

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 investment and finance that contributes to the public interest.

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



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

Nippon Life founded

1889

2006
● Principles for Responsible Investment (PRI) formulated

2014
● Accepted Japan's Stewardship Code
● Japan's Stewardship Code released

2015
● Paris Agreement adopted
● SDGs adopted
● Japan's Corporate Governance Code released

2017
● Formulated the ESG investment and finance policy
● Set targets for ESG-themed investment and finance (700 billion yen as the numerical target for FY2017 to FY2020)
↓
Implemented investment and finance of approx. 1 trillion yen, exceeding the target
● Signed Principles for Responsible Investment (PRI)
● TCFD recommendations
● Japan's Stewardship Code revised

2018
● Endorsed the TCFD
● Introduced negative screening
● Japan's Corporate Governance Code revised

2019
● Adopted the Equator Principles

2020
● Started impact investment
● Japan's Stewardship Code revised again
● Goal of net zero GHG emissions by 2050 declared by the Japanese government

2021
● Established the ESG Investment Strategy Office
● Set targets for ESG-themed investment and finance
● Set target for net zero GHG emissions in 2050
● Appointed as a PRI Board Director
● Joined the Net-Zero Asset Owner Alliance (NZAOA)
● Japan's Corporate Governance Code revised again
● Glasgow Financial Alliance for Net Zero (GFANZ) established

2022
● Set mid-term target for GHG reductions in 2030
● Established decarbonization financing facility
● Appointed as a member of NZAOA's Steering Group
● Accepted stewardship code for corporate pensions
● Joined PCAF, CA100+, and Advance
● The Tokyo Stock Exchange's market restructuring requires TCFD disclosure for Prime Market-listed companies

2023
● Expanded target for ESG-themed investment and finance and decarbonization financing facility
● Joined the Japan Impact-driven Financing Initiative
● Formulated the ESG Investment Guidelines
● Appointed as a leading sponsor of PRI in Person Tokyo 2023
PRI in Person 2023 Lead Sponsor
● Full-scale launch of GX League
● ISSB Disclosure Standards finalized
● TNFD disclosure framework formulated

● Global trends

Recent Track Record

Dialogue

Total companies	674 (July 2022 to June 2023)	
Number of companies for dialogue on climate change as a major theme	75 (They account for about 80% of GHG emissions from investments in domestic listed equities and domestic corporate bonds)	
Total rate of important issues solved later	Approx. 27% (Rate of important issues that existed in 2022 and have been resolved)	Over 70% (Rate of important issues that existed in 2017 and have been resolved after six years)
Reduction of GHG from top GHG emitters, etc.	Approx. -9% (April 2018 to March 2022)	

Investment and finance

ESG-themed investment and finance	Result	Approx. 2.3 trillion yen (April 2017 to September 2023)
Decarbonization financing facility	Result	Approx. 1.6 trillion yen (April 2017 to September 2023)
Impact investment	Result	Approx. 230 billion yen (Commitment-based result from April 2017 to September 2023)

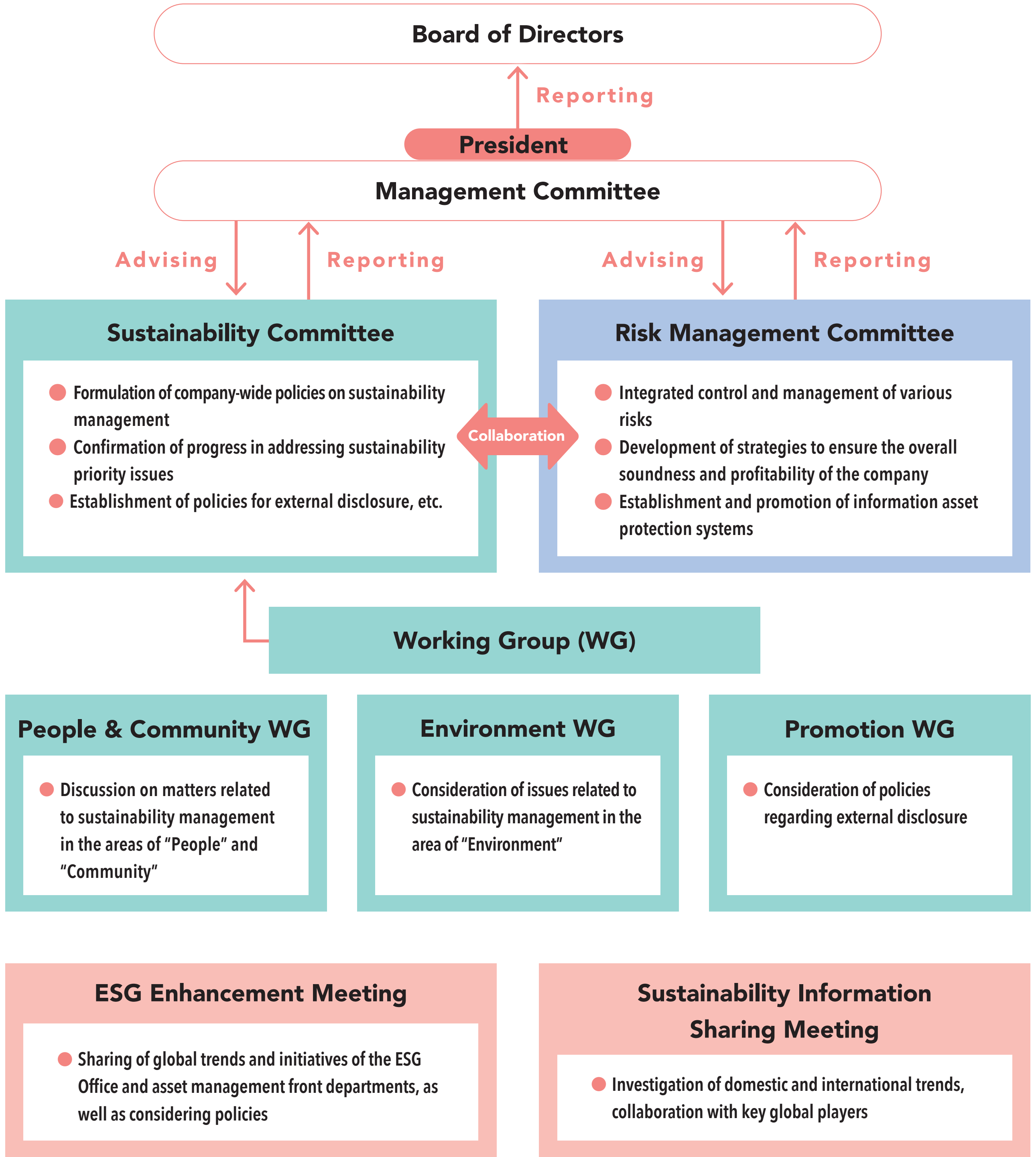
Reduction of GHG emissions in asset management portfolio

Total emissions	Approx. -45.9% (compared with FY2010) (FY2030 mid-term target: reduction of over 45% (compared with FY2010))
Intensity	Approx. -20.0% (compared with FY2020) (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.

Governance System for ESG Investment and Finance

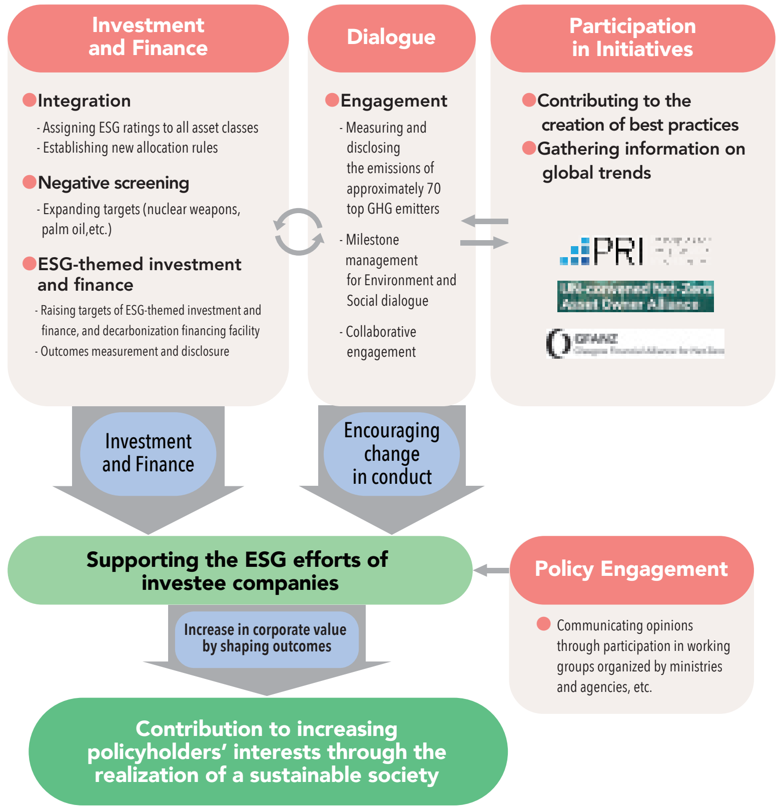
We have established a Sustainability Committee as an advisory body to our Management Committee. Its responsibilities include formulating company-wide policies (including for Group companies), confirming progress in addressing sustainability priority issues, and establishing policies for external disclosure. We hold regular meetings four to five times a year, which involve executives responsible for corporate planning and various business divisions. Additionally, we inform the Risk Management Committee about the results of risk recognition, assessment, and scenario analysis concerning climate change. Starting from FY2023, we have introduced three new working groups led by general managers on sustainability. These groups convene once a month, providing a forum for a wide range of discussions to further advance our sustainability management efforts. Furthermore, we conduct ESG Enhancement Meetings for sharing the progress of various asset management front departments and implementing the PDCA cycle for ESG investment and finance, as well as Sustainability Information Sharing Meetings as a platform for cross-departmental discussions on international trends related to sustainability.



Overview of ESG Investment and Finance

We are committed to promoting ESG investment and finance through various approaches, with a focus on financing and dialogue, while enhancing the quality of our initiatives to support the ESG efforts of the companies we invest in. 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 ESG investment and finance 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. Through our endeavors in ESG investment and finance, we aspire to contribute to the realization of a sustainable society and the expansion of benefits for our policyholders.



Our target setting

GHG reduction targets in asset management portfolio	Investments to address social issues
Set interim targets for FY2030 for domestic and foreign listed equities, domestic and foreign bonds, and real estate assets **[Total emissions]** 45% or more reduction (compared to FY2010) **[Intensity]** 49% or more reduction (compared to FY2020)	ESG-themed investment and finance: 5 trillion yen Decarbonization financing facility: 3 trillion yen (FY2017- FY2030)

Efforts in alignment with Nippon Life's sustainability priority issues

Various themes exist within social issues related to ESG, and global discussions are ongoing regarding their relevance to corporate value and information disclosure. Starting from FY2023, Nippon Life will strategically address sustainability priority issues, which have been reorganized into three areas: "People," "Community," and "Environment." From the perspective of asset management, we aim to address these key issues through ESG investment and finance. In particular, in the asset management area, we are further focusing on addressing the urgent issue of climate change, and are working together with companies to solve social issues through funding and dialogue.

In the "Environment" area, in order to address climate change, we have set targets to achieve net-zero GHG emissions by FY2050, along with interim targets by FY2030. We are actively working towards achieving these goals. Specifically, we support our investees in reducing their GHG emissions by providing funds through our decarbonization financing facility, which is part of our ESG-themed investment and financing framework, and by engaging in dialogue with top GHG emitters and other stakeholders.

In the "People" area, we now request action and disclosure from investees that do not demonstrate the establishment of human rights policies and the implementation of human rights due diligence. In addition, this fiscal year, we joined the "Triple I for Global Health: Impact Investment Initiative for Global Health," an initiative in the field of global health that aims to solve health problems in low- and middle-income countries.

In the "Community" area, we aim to achieve diverse and vibrant local communities through investments in infrastructure-related financing, including project finance, and through investments in Social Impact Bond (SIB).

Going forward, we will continue to enhance ESG investment and finance based on environment (E) and social (S) themes in alignment with our sustainability priority issues, while keeping an eye on global trends. For detailed information on our initiatives aligned with the "People," "Community," and "Environment," please refer to pages 14-19.

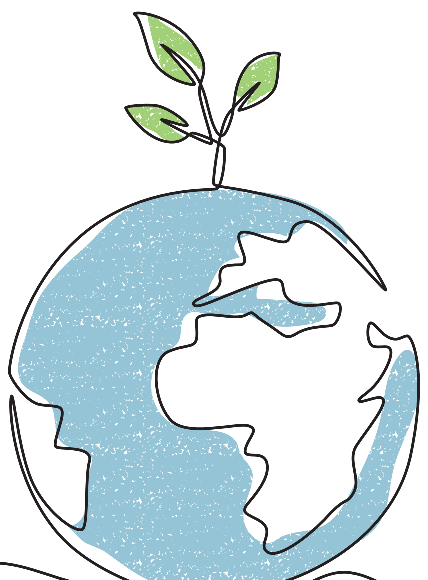
Environment

[Environment] Efforts to Combat Climate Change

Global trends

The environment is the foundation that supports people's daily lives and economic activities. In order to maintain this support, public and private sectors are working to protect the environment. Amidst this, attracting the most attention as an urgent issue is the climate change problem. At the 21st Conference of the Parties (COP21) to the United Nations (UN) Framework Convention on Climate Change (UNFCCC) held in 2015, the Paris Agreement was signed with the goal of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. With this, the world began its journey toward achieving net zero by 2050. However, according to the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report, the global average temperature between 2011-2020 was 1.1°C higher than between 1850-1900. Based on projections of global greenhouse gas emissions for 2030, it is highly likely that global warming will surpass 1.5°C during the 21st century, making it increasingly challenging to keep it below 2.0°C.

In particular, energy demands are growing in Asia due to rapid economic growth, thus Asia is expected to promote decarbonization as a high-emission continent dependent on fossil fuels. In response to this, we believe that Japan can contribute to promoting decarbonization in Asia in many ways with its advanced energy-conservation technology and cutting-edge development capabilities, even though it lacks natural resources. The Glasgow Financial Alliance for Net Zero (GFANZ), a global coalition of leading financial institutions committed to achieving net zero, established a Japanese branch in June 2023 as part of the Asia-Pacific (APAC) network. It is expected to further increase the momentum of Japan's decarbonization efforts through the sharing of best practices among domestic financial institutions, establishing a framework that will allow financial institutions to collaborate with relevant ministries and companies on policies necessary for a just transition to net zero, and other efforts.



Our Efforts

We will take climate change as both an asset management risk and opportunity and continuously enhance our response.

From a risk perspective, we have interim GHG reduction targets for FY2030, as well as the net zero target for FY2050 in our asset management portfolio, and continuously monitor emission levels. From an opportunity perspective, we capture revenue opportunities through financing for companies that aim to transition and create innovation. It is vital that we make efforts with this understanding of both the possible risks and opportunities. Going forward, we will actively work to shape sustainability outcomes and aim to balance the resolution of social issues and the increase of investment revenue.

Furthermore, we are implementing analyses using the Climate Value-at-Risk (CVaR) provided by MSCI and Global Warming Potential as a method for quantitatively understanding and measuring the risks and opportunities of the asset management portfolio resulting from climate change.

*For more details, please refer to pages 42 and 43.

Financing

In financing, we have set a target of 3 trillion yen (FY2017– FY2030) for the decarbonization financing facility as part of ESG-themed investment and finance. The decarbonization financing facility applies to green bonds/loans, renewable energy-related project finance, transition- and innovation-related finance, and other finances. As of the end of September 2023, we have invested approximately 1.6 trillion yen. Breaking it down by asset class, about 60% of that is financing, and the remaining approximately 40% is corporate bonds and funds.

A recent investment and finance example is the transition loan to Osaka Gas Co., Ltd. in January 2023. Transition loans are a financing method that supports steady efforts to reduce GHG emissions in accordance with the company's long-term strategy toward realizing a decarbonized society. In addition to supporting the transition of companies, the innovation for socially implementing individual technologies is also essential. As a way to contribute to the expansion of this innovation, we are collaborating with our group companies. Specifically, by investing in the sustainability fund established by Nissay Capital Co., Ltd., in May 2023, we are supporting the ESG initiatives of startup companies while working to resolve the issues of companies and society as a whole. Currently, the domestic transition finance market is still developing, but if the understanding of the transitions of issuers and investors is deepened with the establishment of guidelines and rules, we predict the further expansion of the market. We will continue to support the transition in Japan as a representative institutional investor of Japan.

Case Study

Execution of a transition loan for Osaka Gas Co., Ltd.
(Loan amount: approx. 2.5 billion yen)

In January 2023, we provided Osaka Gas Co., Ltd. with their first transition loan as the primary lender of a syndication loan.

The funds from this loan will be used for the construction of a natural gas power plant. They plan to reduce GHG emissions by about 1.14 million tons annually by introducing a high-efficiency natural gas power generation facility.

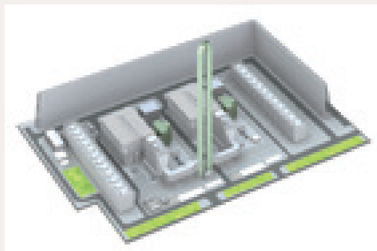


Image of the completed Himeji Natural Gas Power Plant (Source: Osaka Gas Co., Ltd.)

Investment in Nissay Capital Sustainability Solutions Fund No. 1 Investment Limited Partnership (Investment amount: approx. 3 billion yen)

This fund aims to promote the social implementation (innovation) of individual technologies through investments in startups and venture capital funds expected to contribute to society in terms of SDGs. This investment targets unlisted companies with technology that will solve social issues, such as decarbonization, the reduction of environmental burden, new energy, and a healthy life expectancy.

Category	1 R&D investments in cutting-edge technologies	2 Investments in decarbonization and climate change	3 Investments in environment conservation	4 Investments in resolving social issues	5 Other ESG-related investments
Industry	Space, new raw materials & new energy	Non-fossil fuels, renewable energy, EV, batteries & CO_2 measurement	Forests, agriculture & aquatic resources	Renewable resources, recycling & food	Health care, education & nursing

Engagement

We are conducting dialogue on climate change as the main theme, with top GHG emitters whose emissions (Scopes 1 & 2) account for approximately 80% of all investee emissions. Starting in 2020, we requested that all investee companies disclose information on the two topics promoted in the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations: "quantitative and qualitative analysis and disclosure of business risks and opportunities associated with climate change" and "disclosure of the direction of greenhouse gas emission reductions toward the goal of net-zero emissions by 2050." Since 2022, we have requested that top GHG emitters (Scopes 1 & 2) develop and disclose emissions reduction roadmaps for achieving net zero by 2050. As a result, 68 companies (approximately 90%) have disclosed it so far.

Going forward, we will have climate change focused dialogues with the top Scope 3 emitters as well, and request that the top 41 Scope 3 emitters disclose their efforts to reduce Scope 3 emissions. We plan to make the following two requests:

1 Regarding downstream Scope 3 reductions, we will ask them to contribute to the reduction of household emissions, which account for about 10% of Japan's total emissions, and to the reduction of Scope 1 and 2 emissions of their business partners through energy conservation and the technological innovation and energy saving of their own products.

2 Regarding upstream Scope 3 reductions, we will ask them to promote reductions in emissions at their business partners by engaging their raw material suppliers and switching to suppliers with lower emissions.

Prologue
Our Vision
Sustainability Priority Issues
Methods
External Initiatives
TCFD/TNFD Disclosures
Epilogue

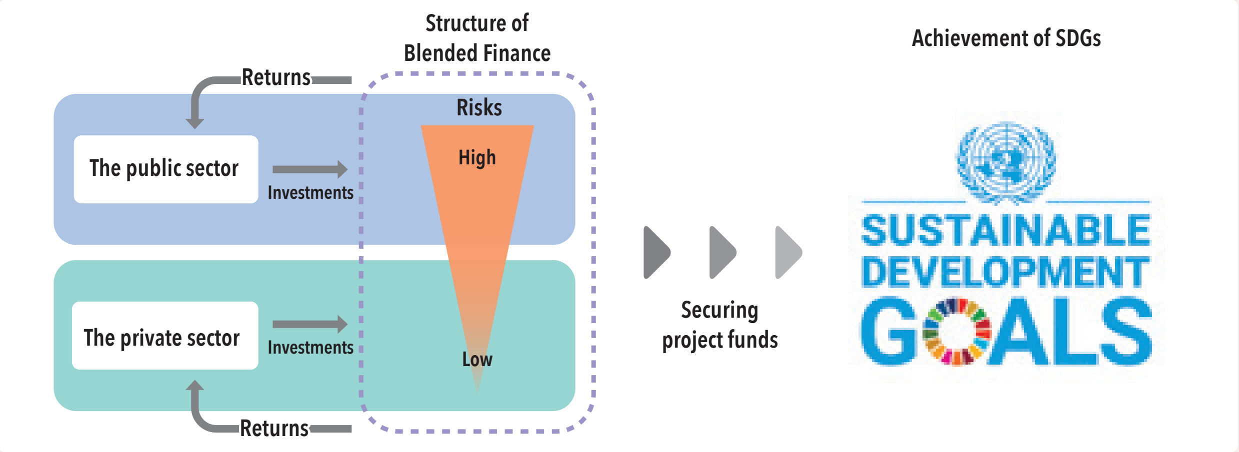
Blended Finance

Blended finance is an investment and finance scheme designed to bring funding from both the public and private sectors, and it is attracting attention as a method of transition finance. To achieve global climate change mitigation, an estimated annual funding of up to 1 trillion US dollars (approx. 150 trillion yen) is necessary for carbon-neutral efforts, not only in developed countries but also in emerging countries. The Paris Agreement in 2015 called for developed countries to bring annual funding of 100 billion US dollars (approx. 15 trillion yen) to emerging countries by 2020. However, as of COP26 in 2021, this target remains unmet. To secure the necessary funding, it is deemed imperative to expand investment and finance by the private sector besides financial institutions.

Generally, projects in emerging countries face difficulties such as political risk, foreign exchange rate risk, and uncertainty in financial returns. Therefore, in blended finance, the public sector provides financial support through subsidies, investments, debt guarantees, and the acquisition of securities and bonds to reduce risks that the private sector cannot fully manage to an acceptable level. This, in turn, can reduce the barriers to enter the market of emerging countries for the private sector. Specific risk-taking methods by the public sector include providing loans at lower interest rates than the market, contributing conditional subordinated loans related to liquidity and payment terms, and more.

Between 2011 and 2022, blended finance has raised 108 billion US dollars (approx. 16 trillion yen) in climate change mitigation finance. However, currently, blended finance is on a declining trend, which is far from the financial target needed for the transition. The expansion of blended finance faces challenges, such as a shortage of workers on both the fundraising and investment sides, the lack of well-structured data for assessing investment risk/return outlooks, and the absence of established standard rating methods for project evaluations.

In pursuit of these solutions, an initiative called Convergence[*1] was established by the World Economic Forum (WEF) and the Organization for Economic Co-operation and Development (OECD). This initiative has entered into a collaboration agreement with the Net-Zero Asset Owner Alliance (NZAOA). Additionally, NZAOA has published a discussion paper of blended finance. With these efforts, they are driving improvements involving both the public and private sectors.



The framework for funding emerging countries based on blended finance has been under active discussion since the COP26 conference in 2021. At COP26, the launch of Just Energy Transition Partnership (JETP)[*2] was announced with the support of Glasglow Financial Alliance for Net Zero (GFANZ), which is a part of Net Zero World Alliance by private organizations. This partnership has already started expanding in Indonesia, Vietnam, and other Asian countries in 2022. GFANZ considers this to be a critical step in expanding private investment in emerging countries and intends to work closely with the private sector.

As explained above, blended finance is expected to grow as part of transition finance towards achieving carbon neutrality. Asset management in insurance companies, due to the nature of its business, typically spans a long period of time. This aligns well with long-term infrastructure investments, and policy measures have been taken to promote insurance companies by risk factors in infrastructure investments compared to other asset classes in solvency calculations based on economic values. For life insurance companies, the development of blended finance is expected to diversify means of asset management and achieving carbon neutrality.

* 1 A network of government agencies, private financial institutions, and other entities from various countries and regions, established at the 2016 WEF Annual Meeting in Davos to promote blended finance.

*2 A partnership launched at COP26 in which donor countries support partner countries' transition from fossil fuels to renewable energy through investments and other measures.

The Current State of Deforestation Issues

The "Kunming-Montreal Global Biodiversity Framework" was adopted at the 15th Conference of the Parties to the Convention on Biological Diversity (COP 15) held in Montreal, Canada, in December 2022. This framework includes the target of protecting and conserving over 30% of both land and sea areas by 2030 (known as 30 by 30). The conservation target for forests was established with the aim of not only preserving biodiversity in these areas, but also recognizing the vital role that forests play from multiple perspectives, such as mitigating climate change by acting as carbon dioxide (CO_2) sinks.

The rapid decrease and degradation of forests, especially tropical forests, has been pointed out. Forests currently cover approximately 31% of the world's land area, equivalent to about 4 billion hectares. However, from 2015 to 2020, forests continued to decline by around 10 million hectares each year. The causes of deforestation are primarily attributed to the expansion of subsistence agriculture in Africa and Asia, the implementation of agricultural and infrastructure-related economic development plans, forest fires, and illegal logging.[*1]

Forests are indispensable for the well-being of humanity and the Earth. Approximately 20% of the world's population, equivalent to around 1.6 billion people, depend on forests for their food, livelihoods, employment, and income. Furthermore, they provide essential ecosystem services such as timber, food, fuel, fodder, and shelter. Forests also contribute to the conservation of soil and water and help maintain clean air. They play a role in preventing land degradation and desertification while reducing the risks of floods, landslides, avalanches, droughts, and other natural disasters. Forests also serve as habitats for about 80% of terrestrial species, making significant contributions to climate change mitigation and adaptation as well as biodiversity conservation. According to a survey[*2] by the WEF, as of 2020, approximately 44 trillion US dollars (approx. 6,600 trillion yen) of economic value creation worldwide was dependent on natural capital in 2020, affecting not only primary industries directly related to water use and crop productivity, but also companies in secondary and tertiary industries related to their supply chains.

To address forest-related issues, in Europe, a law requiring due diligence for the prevention of deforestation was enacted in June 2023 and it will be applied to large companies from December 30, 2024.

GFANZ also positions deforestation as a critical area for climate change mitigation in its guidance[*3] issued in November 2022. Financial institutions hold significant influence over companies that impact deforestation, as much as they do for climate change. This has raised expectations from the United Nations, various initiatives, and NGOs for them to accelerate measures against forest depletion. For financial institutions, forest conservation is an effort that contributes to enhancing the value of companies they invest in and ensures the stable generation of mid- to long-term returns. Consequently, utilizing policies and objectives related to deforestation in their investment and finance decisions and engaging with various stakeholders, including investees, will become increasingly important in the future.

*1 The 2015 G8 summit announced that illegal logging accounts for 15-30% of global timber production and represents 50-90% of timber produced in major tropical timber-producing countries.
*2 The January 2020 report, "Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy."
*3 The guidance "Financial Institution Net-zero Transition Plans" issued in November 2022.

People & Community

[People] Efforts for human rights issues

Human rights used to be a national issue. However, since the 1990s, when global corporations were found to be exploiting human rights in countries where human rights laws were not fully developed, corporate responses to human rights became more important. Overseas, laws for the corporate response to human rights have been developed. Human rights laws were enacted in the United States in January 2012 and in Europe in September 2022. In Japan, guidelines were established in September 2022 to ensure that companies respect human rights, and laws could be enacted in the future. Responding to human rights is expected not only for companies but also for investors.

PRI has published "Why and how investors should act on human rights," a framework that calls for institutional investors to fulfill their responsibility of respecting human rights, as responding to human rights will improve the financial risk management and meet the demands of beneficiaries. Furthermore, the OECD has published "Responsible business conduct for institutional investors", the guidelines on practical considerations for institutional investors seeking to conduct due diligence in line with the OECD Guidelines. Investors are required to respond to human rights in light of social demands, and this leads to the development of sound economic activities and the development of investee companies.

For investment and finance, we identify high-risk human rights issues that investee companies could be involved, and check the status to reduce and avoid the risks. For example, for project finance subject to the Equator Principles, we check the status to address social issues related to human rights, such as workers and working conditions, in accordance with the environmental and social guidelines for project executives, and then implement investment and finance.

Companies have also been taking an interest in the theme of human rights and many companies with which we conducted dialogues on supply chain management recognize human rights as an issue area. On the other hand, there are still companies that do not establish human rights policies, or implement any human rights due diligence. Among the companies that we have large equity holding, for those that have not yet formulated human rights policies or implemented human rights due diligence, we request take appropriate actions and disclose their efforts.

As initiative activities, we joined Advance, which is an international initiative aiming to solve human rights issues through dialogues with companies, and are making more efforts for solving the human rights themes of our investee companies while gaining the latest information regarding trends related to human rights issues.

Status of human rights policies and human rights due diligence for top investees in which we have shareholdings

Formulation of human rights policies		
	Complete	135 companies
	Incomplete	15 companies

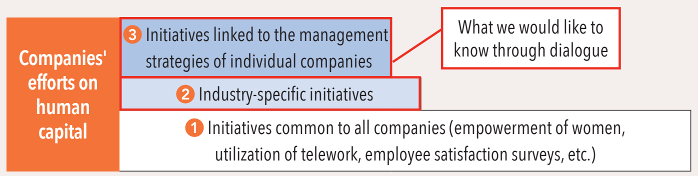
Implementation of human rights due diligence		
	Implemented (initiative details disclosed)	96 companies
	Implemented (initiative details undisclosed)	27 companies
	Implementation undisclosed/ Not implemented	27 companies

[People] Efforts for human capital

Human capital is attracting attention as an important management base that leads to the improvement of corporate performance such as production and profits, as well as mid- to long-term corporate value. In May 2022, the Ministry of Economy, Trade and Industry (METI) published "Ito Report 2.0 for Human Capital Management," which encourages companies to manage human capital in conjunction with their management strategies, and in August 2022, the Cabinet Secretariat published "Guidelines for Human Capital Visualization." Furthermore, the emphasis on human capital in corporate management is expected to progress even further due to factors such as information disclosure regarding human capital in annual securities reports becoming mandatory for companies from the fiscal year ended March 31, 2023.

For investment and finance, we believe that human capital is an important theme that will enhance the corporate value regardless of industry, and we are having the dialogue activities with recognition on the relationship between human resources strategy and management strategy.

In dialogue activities, we plan to ask our investees for the formulation and disclosure of a human resources strategy (including human resources development/acquisition, KPIs setting, and human resources allocation/utilization) integrated with management strategies such as a mid-term management plan, and support their efforts.



[People] Efforts for global health

Global health refers to issues that require international collaboration to solve as they affect people's health on a global scale. For example, these issues could be maternal and child health, such as reduction of the maternal mortality rate and the neonatal mortality rate, infection control measures such as those for malaria or HIV/AIDS, construction and operation of hospitals, or the strengthening of health systems, health professionals development.

Based on the belief that contributing to global health will not only ensure the stability of international society, but the safety of Japan and its citizens, the Japanese government released Global Health Strategy in May 2022. Furthermore, at the G7 Hiroshima Summit held in May 2023, the G7 leaders approved the establishment of Impact Investment Initiative for Global Health (Triple I for Global Health). This initiative aims to promote the mobilization of private capital into the global health field, including through impact investments, because the financial burden of the global health field has been increasing, especially on low and middle income countries (LMICs).

We joined Triple I for Global Health in September 2023. We will work to spread and expand impact investments in the global health field through initiative activities together with the financing we have carried out thus far, such as investments into venture funds in the health and healthcare domain and the loan of hospital development and operation projects in the Middle East.

[Community] Efforts for community invigoration

Community is positioned as one of the three important areas that we aim to support so that everyone can continue to live actively in their respective regions. From the perspective of asset management, we have conventionally invested into social bonds that fund the construction of infrastructure, such as railways, expressways, renewable energy power plants, etc., in addition to project finance. Furthermore, we contribute to the support of small and medium-sized enterprises as well as regional development by extending ESG loans, such as Green Loans and Sustainability Linked Loans, in addition to the normal loans, to small and medium-sized enterprises that are influential in regional development.

Contributions to Community (1)

Sustainable finance for small and medium-sized enterprises

In August 2023, we provided Nissay SLL, a sustainability linked loan (SLL), to MAKIYA CO., LTD., which develops supermarkets primarily in Shizuoka, where their head office is located. This was their first ever SLL.

For this loan, we set (1) reduction of the food waste per sale ratio and (2) reduction of CO_2 emissions per store sales floor area as KPI, which was published in the Nihon Keizai Shimbun (major newspaper) and The Shizuoka Shimbun (local newspaper) as an environmentally friendly initiative.

Comment from the President of MAKIYA CO., LTD.

We have expressed our management philosophy of "Continue to contribute to society," and strive to realize a sustainable society through the effective utilization of resources, labor-saving efforts, and enhancement of efficiency in our business activities.

Nissay Sustainability Linked Loan is our first SLL, and we are happy that we could raise awareness among our employees and publicly highlight our initiatives through the setting of KPI that will contribute to improve the environment.

Company overview
Location: Fuji City, Shizuoka Prefecture
Establishment: August 1953
Representative: Noriyuki Hayakawa

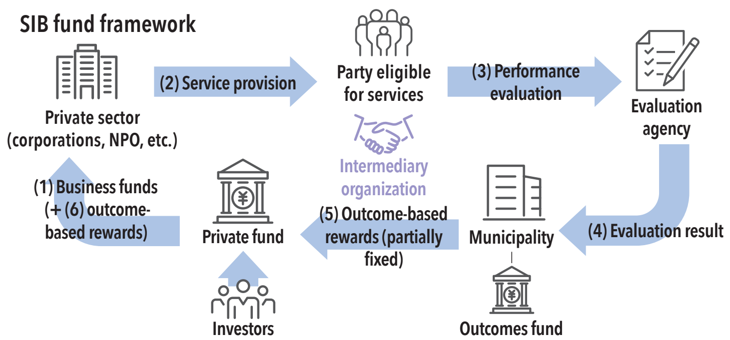
Contributions to Community (2)

Investment into social impact bond (SIB)

We have invested into the Next Rise Social Impact Fund set up by Dream Incubator Inc.

Social Impact Bond (SIB) is one type of pay for success business whereby the private sector is contracted to perform a business to resolve social issues while trying to keep public sector costs down, and is paid by the public sector according to the degree of achievement of results indicators set in advance. The private sector secures funding for projects and compensation is in the form of payment from the government. As government expenses on social security tend to increase, SIB gradually started to increase in Japan as a system for both cutting public costs and resolving social issues.

SIB fund framework



SIB project #1 (case study for Toyota City)

- Implementation period (July 2021 to June 2026)
- Preventative care business
- Provision of program for social participation in various themes such as exercise, hobbies, entertainment, and employment
- Reduction of one billion yen in public costs expected

Integration

Incorporating ESG factors into the investment process in all asset classes

ESG integration is an ESG investment and finance method that aligns 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 implements ESG integration, incorporating ESG factors in our investment and finance process, in all asset classes. Previously, we applied ESG ratings to specific asset classes, such as equities and corporate bonds, as part of a quantitative evaluation. However, since FY2023, we expand the scope to assets such as loans and real estate. We will standardize the definition of ESG ratings across all assets, applying a four-tier scale. Setting Rating 2 as a baseline, if a company's ESG efforts are outstanding and positively influence corporate value over the mid- to long-term, we assign Rating 1 to the company. Conversely, if it is negative for corporate value, we assign Rating 3 or 4. ESG ratings also apply to positive screening*.

*See page 23 for details.

Definition of ESG ratings

Assigning ESG ratings to all asset classses and incorporating ESG factors in investment and finance decisions

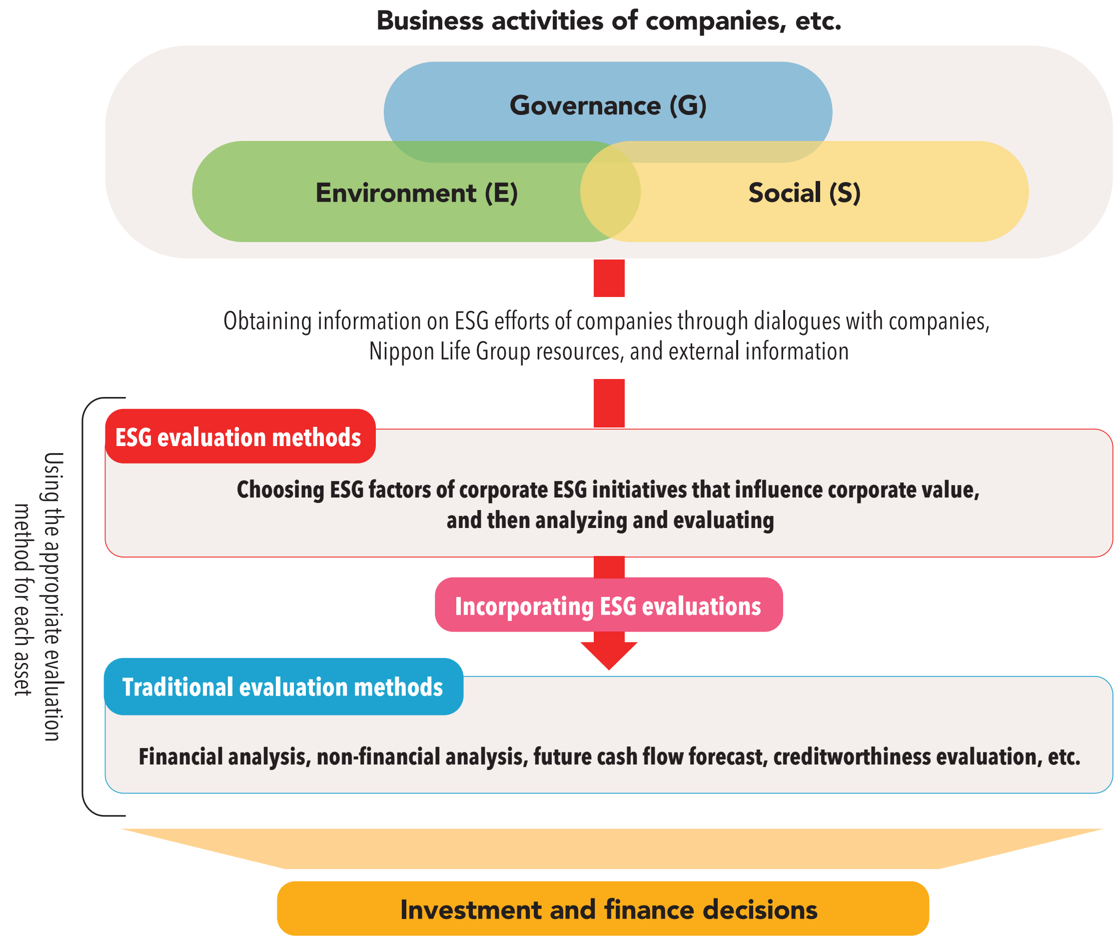
- Equities
- Corporate Bonds
- Loans
- Sovereign Bonds
- Real Estate
- Indirect Investment

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

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.

In our ESG integration, we evaluate the ESG efforts of investee companies in a manner appropriate to their asset characteristics, and investment and finance decisions are made by incorporating these ESG evaluations in terms of their influences on corporate value and creditworthiness into traditional analyses such as financial analysis. When incorporating ESG factors, we use information from ESG data providers, including information obtained through dialogues with companies, the knowledge from our Group company Nissay Asset Management, and information from companies' disclosure.



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Impact Integration

As impact investing has become increasingly popular and widespread in recent years, investors have been discussing how to incorporate impact evaluation into their investment and finance decisions. Major initiatives on impact investing have published guidelines on Impact Measurement and Management (IMM), and the Impact Frontiers Collaboration, a working group of the Impact Management Project promoted by the IFC* and PRI, has published a handbook for investors on impact integration. This is a process that shows the integration of impact and financial evaluation in impact investment, including 1 measurement of impact risk and return (e.g., using impact ratings), 2 financial valuations, 3 financial and impact integration (e.g., benchmarking with past projects), and 4 overall portfolio evaluation.

Impact integration has been introduced by some companies in Japan and overseas with these perspective. In Japan, a group of financial institutions launched the Japan Impact-driven Financing Initiative in 2021 with the goal of comprehensively understanding impact and contributing toward the resolution of environmental and social issues, and its mid-term management plans outline plans for promoting impact finance (e.g., development of a framework).

*The International Finance Corporation (IFC), a member of the World Bank Group, is the world's largest multilateral development finance institution specializing in the private sector in emerging countries.

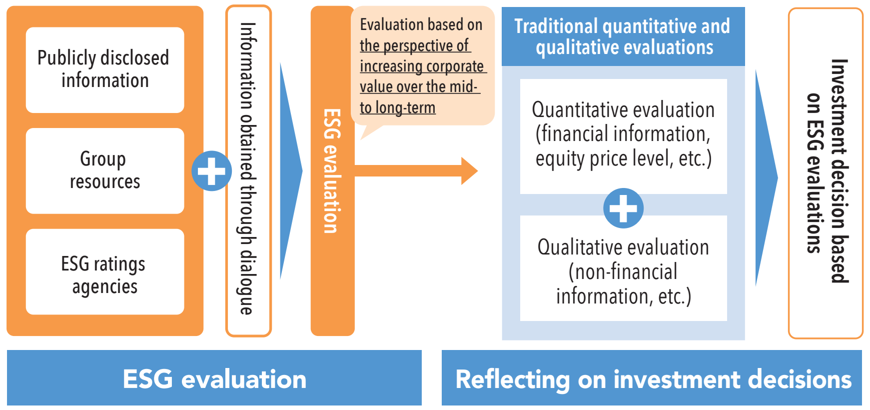
ESG integration in equities

We consider ESG as a factor that influences corporate value in terms of both "opportunity" that brings profits to companies and "risk" that strongly affects the sustainability of companies. In the ESG evaluation of equities, we believe it is important not only to evaluate what companies focus on in terms of ESG, but also to evaluate and analyze how those efforts will affect corporate value over the mid- to long-term.

In evaluating companies' ESG performance, we use disclosed information, including financial statements and integrated reports, as well as our internal resources from Nissay Asset Management and external sources such as data providers and ESG rating agencies. Our approach with investee companies involves engaging in dialogue focused on themes that are important to each industry, taking global trends into consideration. We give special importance to the information gained through these dialogues. Using this information, we assign our original ESG ratings. By incorporating these ESG ratings into our mid- to long-term business performance forecasts, we assess the influences on corporate value.

Our aim is to build relationships of co-existence and co-prosperity with the growth of our investee companies, while contributing to the realization of a safe, secure, and sustainable society by supporting the ESG efforts of our investees.

Integration process in listed domestic equities



ESG integration in corporate bonds

For investing in corporate bonds, we believe it is particularly important to reduce downside risks that affect the sustainability of companies, since the upside return is limited.

In March 2021, the credit investment function was transferred to Nissay Asset Management, our Group's asset management company. We employ the ESG evaluation expertise that Nissay Asset Management has accumulated over the years from 2008 and combine ESG evaluations with existing financial and business analyses to enhance the accuracy of creditworthiness assessments and assess the sustainability of companies.

Specifically, our analysts analyze and evaluate how a company's ESG efforts influence mid- to long-term corporate value based on the results of their own dialogue with companies. This evaluation is combined with existing financial and business analyses to improve the accuracy of analyses related to repayment sources, such as cash flows and financial soundness, and reduce downside risks, such as deterioration in the creditworthiness or defaults of our investees.

Comments by personnel in charge

Yusuke Tange
Senior Portfolio Manager,
Credit Investment Dept.,
Nissay Asset Management

When investing in corporate bonds, we place importance on the sustainability of companies, such as the certainty of redemption, so it is necessary to analyze and evaluate ESG policies, which are closely related to mid- to long-term corporate strategies. We also believe that ESG investment and finance will improve investment returns by realizing a sustainable society and increasing the corporate value of the investee companies, ultimately lead to increase profits for our policyholders. Based on this perspective, when engaging in constructive dialogue with companies, we ask our investees to enhance disclosure of ESG-related information and support their sustainable growth and shaping sustainability outcomes of investees. In addition to traditional methods such as financial analysis, Nissay Asset Management conducts ESG evaluations based on disclosed materials such as integrated reports and information obtained through engagement with companies, and we adopt ESG integration, in which we comprehensively analyze and evaluate companies from both quantitative and qualitative perspectives to determine whether to invest. Through ESG integration and engagement, we will contribute to the realization of a sustainable society in addition to achieving a stable and sustainable revenue base.

Positive Screening 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 investees. Unlike negative screening, which provides relatively clear investment targets, positive screening requires more detailed research and analysis. It involves assessing whether efforts related to climate change, diversity, and natural capital positively influence the environment and society, ultimately contribute to the enhancement of corporate value.

In general, asset management companies tend to implement positive screening on an individual fund basis. However, as part of our positive screening approach, we have implemented allocation rules across assets since FY2023, 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 ratings 1 and 2 should be above a certain percentage of the overall portfolio.

In this way, we prioritize funding to investees with excellent ESG efforts. For investees where we believe there is room for improvement in ESG efforts, we encourage these efforts through dialogue and other means.

Negative screening

In line with our basic stance of ESG investment and finance, which is to work together with investees to solve 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 with a focus on engagement and integration. However, we conduct negative screening for some companies and businesses.

Specifically, considering the mission and public nature of the life insurance business, we prohibit investing in and financing companies engaged in the manufacture of weapons such as cluster munitions and anti-personnel mines. 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 or financing in projects related to coal, oil, and gas, which have a significant impact on climate change. 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.

Negative screening targets

	Screening areas	Screening assets
Non-humanitarian	● **Specific weapons manufacturing companies** (Cluster munitions, biological weapons, chemical weapons, anti-personnel landmines, nuclear weapons)	● **Equity investments** ● **Bond investments** ● **Corporate loans**
Biodiversity / Human rights	● **Palm oil-related companies**	
Health	● **Tobacco-related companies**	
Climate change	● **Coal-related projects** (Excluding brownfield projects aligned with a 1.5°C pathway) ● **Oil and gas related projects** (1) Greenfield exploration project (2) Related projects expect resource explorations (Excluding gas-related projects aligned with 1.5°C pathway)	● **New project finance**

*A certification system established by the Roundtable on Sustainable Palm Oil (RSPO).

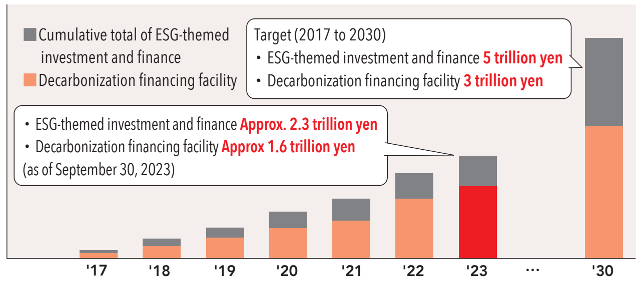
Negative screening process

1. Investigate targets which can be conducted with negative screening
2. Determine target areas and companies for negative screening
3. Exclude from investment/finance
4. Periodic verification of portfolio

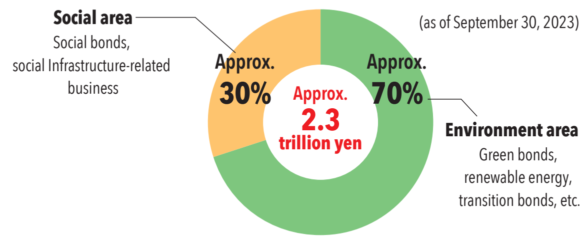
ESG-themed Investment and Finance

To support corporate ESG efforts through financing, we have set target amounts for ESG-themed investment and finance, where the use of funds is linked to SDGs and other relevant themes, and established goals for a decarbonization financing facility aimed at investments and finance that contribute to the decarbonization of companies and society. At the end of FY2022, we successfully achieved the cumulative target of 1.7 trillion yen for investments and finance (FY2017 to FY2023), including the decarbonization financing facility target of 500 billion yen (FY2021 to FY2023), about one year ahead of schedule. In March 2023, we set new targets of 5 trillion yen and 3 trillion yen (both for FY2017 to FY2030). Given the smooth progress of green finance and investments in renewable energy-related projects within the decarbonization financing facility, as of the end of September 2023, ESG-themed investment and finance have accumulated to approximately 2.3 trillion yen, while the decarbonization financing facility has reached approximately 1.6 trillion yen. Moving forward, we will continue to identify investment and finance projects that contribute to both enhancing policyholder returns through improved investment income and addressing social issues through the creation of sustainability outcomes.

ESG-themed investment and finance



Cumulative total of ESG-themed investment and finance by sector



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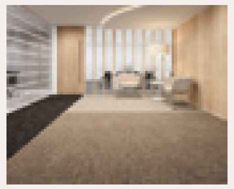
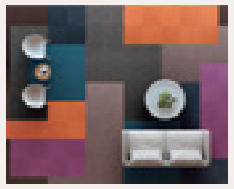
Nissay Sustainable Finance

In order to support the creation of a sustainable economy, society, and environment through finance, we have launched Nissay Green Loans in August 2022, and Nissay Sustainability Linked Loans and Nissay Positive Impact Finance in June 2023.

Nissay Green Loan

- The loan for which funds are used for green projects are recognized for their environmental benefits. In addition to regular credit screening, the use of funds and methods of managing funds are evaluated based on the standards prescribed by our company, and the environmental improvement effect is monitored regularly.
- In 2022, we have provided a Nissay Green Loan to Suminoe Textile Co., Ltd. The funds will be used for long-term working capital for ECOS®, a horizontal circulation type recycled tile carpet. This product achieves a recycled material ratio and CO_2 reduction contribution rate significantly higher than conventional products by recycling used carpet tiles between the same products, which could previously only be disposed of in landfills.





Nissay Sustainability Linked Loan

- The loan sets sustainability performance targets (SPTs) to promote borrowers to achieve sustainability targets and incentivizes the borrower's achievement of the SPTs by linking loan terms such as the interest rate to the borrower's performance against the SPTs. This type of loan aims to encourage sustainable economic activity and support sustainable economic growth for both the environment and society.
- In June 2023, we have made our first Nissay Sustainability Linked Loan to Yuken Kogyo Co., Ltd. and REFINE HOLDINGS CO., LTD. We monitor the SPTs set by borrowers for this loan every year, and adjust the interest rate conditions with the achieved performance.

Nissay Positive Impact Finance

- The finance specifies the impacts which a company's whole activities have on the economy, society and the environment, and sets KPI and targets to maximize positive impacts while alleviating negative impacts.
- In July 2023, we have provided our first Nissay Positive Impact Finance to Casio Computer Co., Ltd. We monitor the progress status of targets (status of both maximizing positive impacts and alleviating negative impacts) every year, throughout the financing period.

Comments by personnel in charge

Masaaki Iwabuchi
General Manager of ESG Loan Development
Finance Planning and Management Dept.

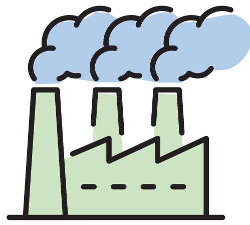
As corporate ESG efforts have been more vigorous in recent years, we were exploring ways to make proposals that only the finance department, which works face-to-face with customers, could offer. This perspective led to the conception of the Nissay Sustainable Finance.

Nissay Sustainable Finance involves confirming whether loans offered to companies adhere to international principles and guidelines, such as the Green Loan Principles, thus giving them our endorsement. Naturally, the establishment of a robust internal evaluation system is crucial, and we dedicated a significant amount of time to this endeavor.

While receiving opinions from third-party evaluation agencies, rating agencies, and loan sales staff in front office, we prepared internal guidelines and evaluation sheets. However, since this is a relatively new concept, and there is little precedent in this area, it was a continuous process of trial and error that took as long as six months to complete. The effort has proven worthwhile, as Nissay Sustainable Finance has garnered interest from numerous companies since its launch. Our Sustainable Finance often mark the first projects for these companies, providing a tangible sense that we are steadily progressing towards a sustainable environment, society, and economy.

Examples of outcomes shaped through ESG-themed investment and finance

"Outcomes" means results or effects that indicate the creation of positive impacts or the reduction of negative impacts on the society. They are also known as sustainability outcomes. Outcomes shaped by Nippon Life are calculated based on information provided by investee companies, taking into account the share of the investment and finance amount.



Contribution to greenhouse gas reduction

Approx. 3.35 million tons/year

- The amount of greenhouse gas emissions reduced by companies through their businesses with the financing

Examples of contributing ESG-themed investment and finance

- Impact investment in decarbonization funds (FY2021)
- Financing for offshore wind power projects in Akita Prefecture (FY2019), etc.

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

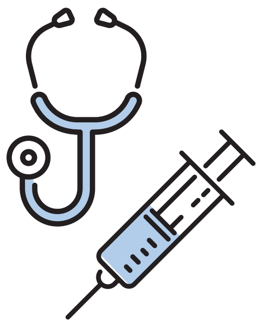
Approx. 1.4 million people/year

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

Examples of contributing ESG-themed investment and finance

- Financing for seawater desalination plant operation projects in the Middle East (FY2018)
- Financing for seawater desalination plant operation projects in Australia (FY2017), etc.

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



Supply of medical services (people)*2

Approx. 950 thousand people/year

- The number of people who can now have access to medical services through the financing for medical facilities

Examples of contributing ESG-themed investment and finance

- Financing for hospital construction projects in Australia (FY2021)
- Financing for hospital development and operation projects in the Middle East (FY2017), etc.

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

Engagement

Concept of our stewardship activities

As an institutional investor that makes long-term investments, Nippon Life aims to contribute to enhancing the growth and the corporate value of the investee companies and realize a "safe, secure, and sustainable society" through constructive dialogue that also take environmental and social factors into consideration. In such efforts, we believe it is important to grow together with companies by building win-win relationships based on mutual trust, taking into account Japan's unique characteristics and current state.

We are striving to enhance our stewardship activities by continuously implementing the PDCA cycle and working on human resource development.

Basic concepts of our stewardship activities

1. Through constructive dialogue with investee companies that also take environmental and social factors into consideration, we enhance the corporate value of the investee companies over the mid- to long-term and reap the benefits such as shareholder returns, rising stock prices and stable redemption of corporate bonds, and realize "a safe, secure, and sustainable society."
2. We strive to enhance the effectiveness of dialogue by continuously reviewing the content of the dialogue from the perspective of PDCA, confirming changes in the company's approach, and making additional approaches as necessary.
3. Through continuous dialogues with investee companies, we convey our ideas and awareness of issues. When exercising our voting rights, we make individual assessments, taking into account each company's specific circumstances, rather than applying a uniform approval or rejection.
4. If improvements in the efforts of investee companies cannot be expected even after dialogue, we will consider options such as voting against proposals and revisiting our investment view which may trigger reduction of investments in shares or bonds.
5. To support the sustainable growth of investee companies through constructive dialogues that take into account Japan's unique characteristics and current state, all based on a deep understanding of investee companies and their business environment, we aim to cultivate highly knowledgeable and skilled professionals.

Stewardship activities framework

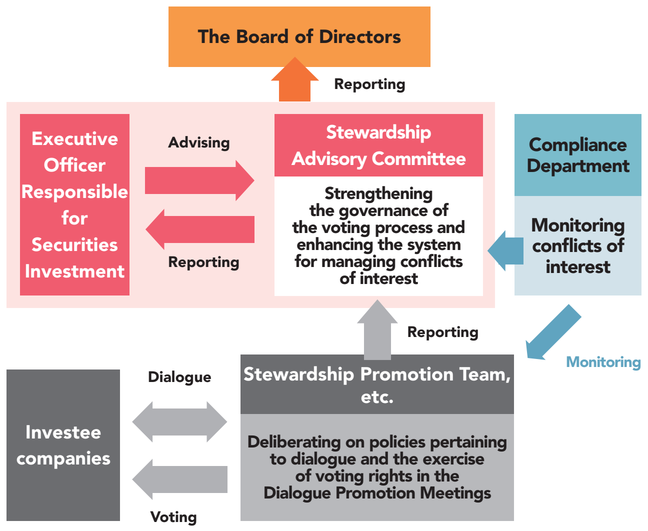
Our Stewardship Promotion Team established within the Equity Investment Department takes a lead in our stewardship activities, engaging in dialogue with investee companies.

Specifically, we have a total of 18 people engaged in stewardship activities, consisting of an 11-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 and the exercise of voting rights. In the case of corporate bonds, a 5-member team in Credit Investment Department conducts stewardship activities while considering the perspective of dialogue on domestic stocks.

In addition, we established a Stewardship Advisory Committee in May 2017 with a majority of outside members to receive advice and opinions on strengthening the governance of the voting process and overall stewardship activities.

The Stewardship Advisory Committee is to enhance the system for managing conflicts of interest when exercising voting rights. Furthermore, it conducts comprehensive discussions on stewardship activities as a whole, encompassing the themes of environmental (E) and social (S) issues.

The results of the Stewardship Advisory Committee meetings are reported to the Board of Directors.



Overview of Stewardship Advisory Committee

(As of September 1, 2023)

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	● Yasuhiro Osaki (Professor, School of Law, Waseda University) ● Satoko Kuwabara (Lawyer, Gaien Partners) ● Kazuhiro Takei (Lawyer, Nishimura & Asahi) ● Noriyuki Yanagawa (Professor, Graduate School of Economics, Faculty of Economics, The University of Tokyo)
Internal members	● Executive Officer responsible for Compliance ● Executive Officer responsible for Securities Investment (Chairman) ● General Manager of Finance & Investment Planning Dept.
Advisory matters	● Approval or rejection of important proposals in the exercise of voting rights (preliminary deliberation) – please refer below. ● The draft policy for amending the Guidelines for Exercise of Voting Rights ● Stewardship activities policy draft ● Results of stewardship activities (Report)

Criteria for placing important proposals on the agenda

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)
2. Companies where our company's executives are concurrently employed (companies where our company's full-time executives serve as outside directors)
3. Other companies deemed necessary from the perspective of conflict of interest, etc.

▶ Proposals that fell under one of the three above criteria and were in conflict with the Guidelines for Exercise of Voting Rights

Main discussion topics (July 2022–June 2023)

Session number	Major theme
Session 17 (Held in September 2022)	● The content of activity reports and the revision of the Guidelines for Exercise of Voting Rights ● Stewardship activities for domestic corporate bonds ● Disclosure of voting results ● Verification of conflicts of interest
Session 18 (Held in March 2023)	● Our policy for responding to important proposals ● Policy for enhancing efforts in dialogues incorporating environmental (E) and social (S) themes
Session 19 (Held in June 2023)	● Our policy for responding to important proposals

In the preliminary deliberation of important proposals, we ensure that there are no concerns regarding conflicts of interest in relation to the exercise of voting rights.

Dialogue themes

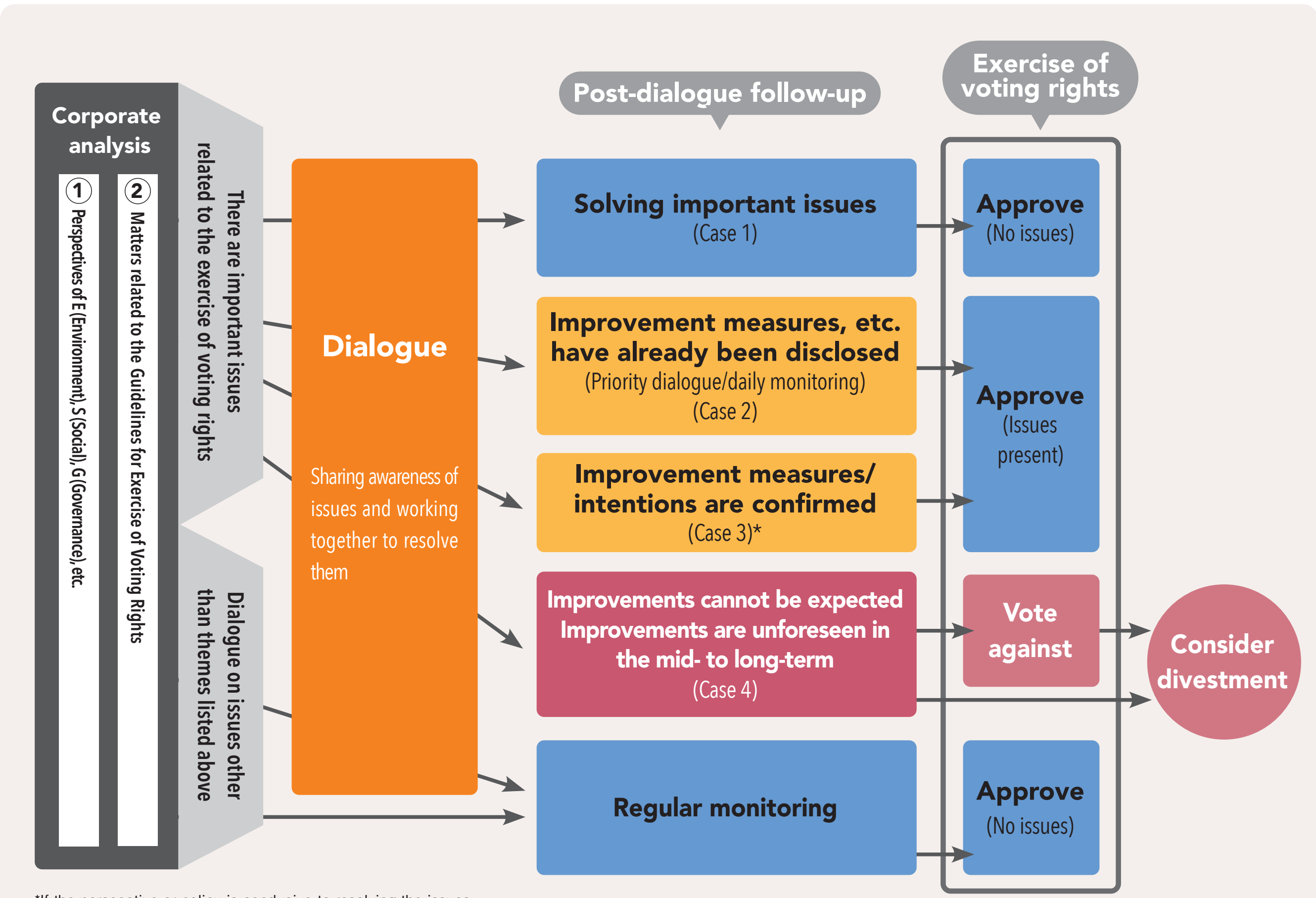
In addition to engaging in dialogues on common themes such as governance (G), including management strategies, business strategies, and financial strategies, environmental (E), and social (S) initiatives, we conduct individual dialogues that consider each company's circumstances. These dialogues cover important issues related to the exercise of voting rights, including issues like shareholder returns, profitability, and governance systems, as well as initiatives for decarbonization, human rights, and human capital.

Dialogue process

We conduct constructive dialogues with investee companies to enhance their corporate value, primarily employing the following two processes.

1. Dialogue on themes such as governance (G) including management strategies, business strategies, and financial strategies, environment (E), and society (S)
   In both equities and corporate bonds, we support the sustainable growth of companies by gaining a deep understanding of their initiatives, carefully monitoring their situation, and providing them with information.
2. Dialogue with companies where there are important issues related to the exercise of voting rights
   The Guidelines for Exercise of Voting Rights are not criteria for determining whether to approve or vote against proposals, but rather screening criteria for selecting companies with which to engage in dialogue. We engage in dialogue with all companies that are in conflict with the guidelines. During these dialogues, our goal is not to just fact-check according to the criteria, but rather to examine various factors that should be considered when making voting decisions, including the specific circumstances and perspectives of individual companies. We also convey our perspectives and share best practices from other companies to help them to gain new insights and enhance their corporate value.
   Specifically, as indicated in the table below, we share our awareness of issues through dialogue and verify the process of disclosing, assessing progress of and achieving improvement measures aimed at enhancing corporate value. In cases where the issue remains unresolved but improvement measures have been publicly announced or we confirm the company's improvement measures/intentions (cases 2 and 3), we do not vote against their proposal but continue the dialogue and support their efforts to enhance corporate value. On the other hand, we vote against proposals when we are unable to share our awareness of issues and we cannot expect companies to improve, or when improvement measures have not progressed and improvements are unforeseen in the mid- to long-term (case 4).

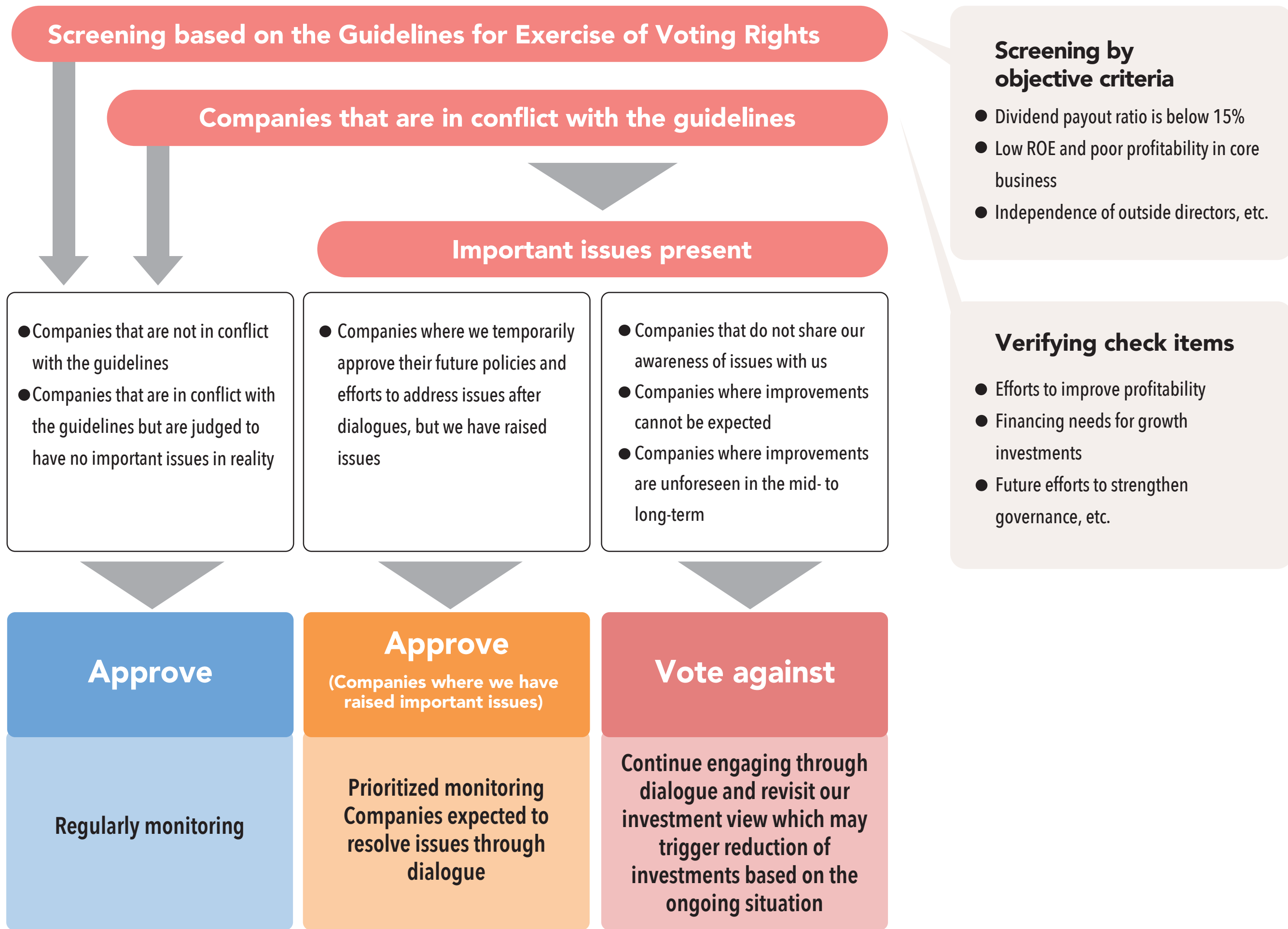
Dialogue process



*If the perspective or policy is conducive to resolving the issues

Voting process

In order to practice effective stewardship activities, we exercise our voting rights for all of our investees through the following process without relying on proxy advisory firms. When deciding whether to approve or vote against investees' proposals, we make detailed assessments, as described above (refer to "Dialogue process"), taking into account each company's specific circumstances and their efforts toward improvement from a mid- to long-term perspective of enhancing corporate value, rather than applying a uniform approval or voting against based on a one-size-fits-all approach in the short term.



Views on approval
(No important issues related to exercise of voting rights)

For companies that are not in conflicts with the Guidelines for Exercise of Voting Rights or, for companies that are in conflict with the guidelines but are determined to be free of issues in the process of scrutiny, we approve proposals and then monitor whether any new issues emerge afterwards.

Views on raising important issues related to the exercise of voting rights

When companies are judged to have important issues related to the exercise of voting rights, we raise the issues to the companies and confirm whether we can share our awareness of the issues and whether the companies are willing to resolve the issues. If, through dialogue, we determine that the companies have clear policies on how to resolve the issues, or we can understand that the efforts made up to that point are appropriate, we approve their proposals at that moment. We then prioritize monitoring their situations, conducting additional dialogues if necessary to confirm the progress and support their improvements. Through these processes, we aim to resolve issues.

Views on voting against proposal

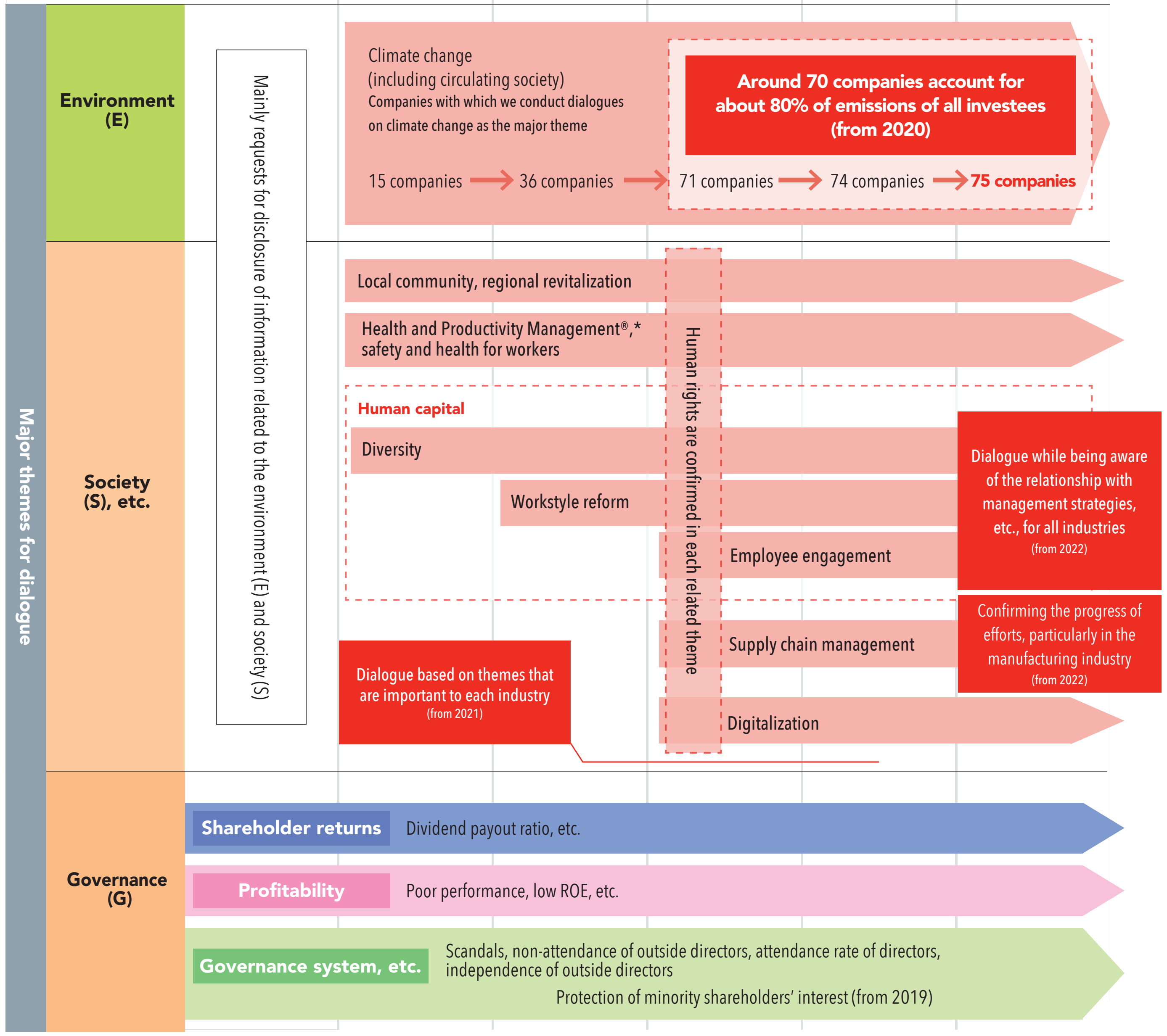
If, through dialogues with companies, we cannot share our awareness of the issues with them, do not expect proactive measures to address the issues, or foresee no improvement over the mid- to long-term, we vote against their proposal and revisit our investment view which may trigger reduction of investments as deemed necessary.

Engagement with investees on the themes of environment (E) and society (S)

We started conducting dialogues on climate change as the major theme in 2018, and since 2020, we have been conducting dialogues with around 70 top GHG emitters, which account for about 80% of emissions of all investee companies. Since 2022, we have been asking these top GHG emitters to formulate and disclose emissions reduction roadmaps.

Since 2018, we have been progressively adding themes for dialogues, considering environmental changes related to companies. Starting from 2021, we have conducted dialogues guided by "themes that are important to each industry" that we had outlined in advance. In 2022, we are placing particular emphasis on dialogues related to the themes on human capital and supply chain management.

	2017	2018	2019	2020	2021	2022
	2017/7-2018/6	2018/7-2019/6	2019/7-2020/6	2020/7-2021/6	2021/7-2022/6	2022/7-2023/6
Number of dialogues on E.S. themes	138 companies · 150 times in total	195 companies · 224 times in total	310 companies · 354 times in total	672 companies · 863 times in total	635 companies · 894 times in total	604 companies · 833 times in total



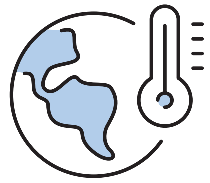
*"Health and Productivity Management®" is a registered trademark of the Nonprofit Organization Kenkokeiei.

Dialogue policy

Nippon Life conducts dialogues on environmental (E) and social (S) themes with our investees, considering global trends and the themes that are important to each industry we have identified. From July 2022, we placed emphasis on dialogues related to the themes on human capital and supply chain management.

In future dialogues, we will set new requests for various themes on human rights, in addition to climate change and human capital, which have gained more attention. We will also check the progress of companies' efforts.

1 Climate change



Added in 2022 Target: 75 top GHG emitters (Scope 1+2)

→ Request for formulation and disclosure of emissions reduction roadmap toward net-zero emissions by 2050

Added in 2023 Target: 41 top GHG emitters (Scope 3)

→ Request for disclosing efforts to reduce Scope 3 emissions

We have been making two requests of all our investees: 1) quantitative and qualitative analyses and disclosure of business risks and opportunities related to climate change, and 2) disclosure of policy on GHG emission reductions toward the goal of achieving net zero emissions by 2050.

From 2022, we have requested that the top 75 GHG emitters (Scopes 1 & 2) formulate and disclose their emissions reduction roadmaps, and approximately 90% (68 companies) have disclosed. We will continue to check the progress of reduction efforts through dialogue, taking into account the circumstances of each industry and each company.

From 2023, we plan to request the following 2 points from the top 41 emitters in the Scope 3.

1 Regarding downstream Scope 3 reductions, we will ask them to contribute to the reduction of household emissions, which account for about 10% of Japan's total emissions, and to the reduction of Scope 1 and 2 emissions of their business partners through energy conservation and the technological innovation and energy saving of their own products.

2 Regarding upstream Scope 3 reductions, we will ask them to promote reductions in emissions at their business partners by engaging their raw material suppliers and switching to suppliers with lower emissions.

2 Human rights

Added in 2023

→ Request for action and disclosure from investees that do not establish human rights policies and conduct human rights due diligence

The theme on human rights has gained more attention, including the guideline published by the Japanese government in September 2022, which emphasizes that all companies should make maximum efforts to respect human rights. In dialogue activities, we plan to request action and disclosure from companies with which we have large equity holdings if they have not yet established human rights policies or implemented human rights due diligence.

3 Human capital

Added in 2023

→ Request for formulation and disclosure of human resources strategies (including human resources development/acquisition, KPIs setting, and human resources allocation/utilization) integrated with management strategies such as a mid-term management plan

We believe that human capital is an important theme that can enhance corporate value regardless of industry sector, and we engage in dialogue activities with a focus on the connection between human resource strategies and management strategies. While many companies have developed strategies for human resource development and acquisition, few have seamlessly integrated them with their management strategies. Furthermore, there are few cases of the establishment of KPIs and methods for human resource allocation and utilization.

In dialogue activities, we plan to ask our investees for the formulation and disclosure of a human resources strategy (including human resources development/acquisition, KPIs setting, and human resources allocation/utilization) integrated with management strategies such as a mid-term management plan.

Progress of stewardship activities

Progress of dialogue activities

In 2022 (from July 2022 to June 2023), we conducted dialogues with 674 companies,1141 times (a decrease of 75 companies and 56 times from the previous year).

Overall, we conducted dialogues with all companies that have important issues related to the exercise of voting rights, including shareholder returns, profitability, and governance structure. Mainly due to the resolution of low ROE issues, we conducted dialogues with 331 companies, 486 times and 356 cases on an issue basis (a decrease of 53 companies, 72 times, and 62 cases from the previous year).

In addition, we continuously conducted dialogues incorporating environmental (E) and social (S) themes, with 604 companies, 833 times (a decrease of 31 companies and 61 times from the previous year). In addition, we have also conducted climate change focused dialogue with around top 75 GHG emitters that account for about 80% of emissions of all investees.

Total number of companies with which we conducted dialogues

674 companies

Total number of dialogues

1,141 times

Governance in a broad sense (G)

Companies with important issues related to the exercise of voting rights
331 companies

Total number of dialogues
486 times

Environment (E) and society (S)

Companies with which we conducted dialogues incorporating environmental (E) and social (S) themes
604 companies

Total number of dialogues
833 times

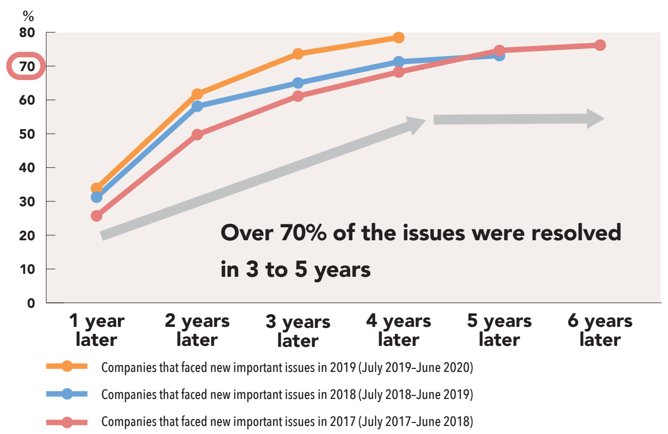
Dialogue with climate change as a major theme (Top GHG emitters, etc.)
75 companies

Total number of dialogues
75 times

Resolving important issues related to the exercise of voting rights

Our company aims to address important issues through dialogue and will continue engaging in multi-year conversations to resolve these important issues related to voting rights.

As a result of ongoing engagement with companies that faced important issues in 2017, as well as those who faced new important issues in 2018 and 2019, approximately 70% of these issues were resolved within 3 to 5 years. Issues related to profitability, especially low ROE, which are challenging to address through only corporate decision-making, take more time to resolve. However, the resolution of these issues is steadily progressing. In the issue of low ROE, we continue to request the disclosure of ROE improvement plans and monitor their progress through continuous dialogue.



Percentage of important issues that existed in 2017 and have been resolved over the years (Breakdown by issues)

Items	1 year later	2 years later	3 years later	4 years later	5 years later	6 years later
Rate of issues resolved (All)	26%	50%	61%	68%	75%	76%
Shareholder return/dividend payout ratio	19%	49%	68%	77%	82%	85%
Governance systems, etc. (Independence, low attendance of outside directors)	33%	60%	72%	80%	84%	86%
Profitability (low ROE)	22%	26%	33%	40%	52%	53%

Examples of Dialogue

In addition to common themes such as governance (G), including management strategies, business strategies, and financial strategies, environmental (E), and social (S) efforts, we conduct individual dialogue on important issues around voting rights, such as shareholder returns, profitability, and the governance system, as well as efforts on decarbonization, human rights, and human capital. In this section, we will introduce specific examples of dialogue with ESG as the major theme from our dialogue activities.

Examples of dialogue on the topic of Environmental (E) issues

An example of dialogue with a steel manufacturer on the topic of climate change (domestic equities)

Identifying important issues

- A steel manufacturer with high GHG emissions

- Concerns about the risk of a decline in future profit
  – Decrease in sales due to increased requirements for environmental performance in steel
  – Increase in cost due to implementation of carbon tax

Engagement

What we requested and how investee companies responded

(2021)
- We requested the disclosure of information related to responses to climate action.
  ⇒ Investee company released an emissions reduction roadmap toward achieving net zero by 2050.

(2022)
- We shared examples of estimations of investments for necessary facilities for decarbonization and requested the company disclose their estimation
  ⇒ Investee company released investment amounts for necessary facilities for decarbonization up to FY2030.

(2023)
- We asked for an update on their progress along with an emissions reduction roadmap toward achieving the interim target for FY2030.
  ⇒ Investee company explained that steady progress had been made and that they were on their way to achieving the interim target for FY2030.

Evaluation

- We evaluate that they have formulated their concrete emissions reduction roadmap to achieve net zero based on our requests and their reductions efforts are aligned with their plan.

An example of dialogue with a gas company on the topic of climate change (domestic corporate bonds)

Identifying important issues

- A gas company with high levels of GHG emissions

- The lack of climate related information disclosure was an issue
  – The company issues transitioned bonds, but we forewent investment as we were unable to evaluate the effectiveness of their efforts to achieve net zero by 2050 due to a lack of climate related disclosure.

Engagement

What we requested and how investee companies responded

(2021)
- We requested the release of an emissions reduction roadmap toward achieving net zero by 2050.
  ⇒ No action was taken by the investee company.

(2022)
- We kept requesting the release of an emissions reduction roadmap.
  ⇒ The investee company disclosed the roadmap including an overview and specific actions to take toward reducing energy and improving decarbonatization by 2023.

Evaluation

- We commended the progress in efforts, including the release of a detailed emissions reduction roadmap and its progress.

- We evaluated the progress in efforts and invested in bonds after the company issued transition bonds in 2023.

Examples of dialogue on the topic of Social (S) issues

An example of dialogue with a car parts manufacturer on the topic of human rights (domestic equities)

Identifying important issues	Engagement	Evaluation
● A car parts manufacturer developing business globally ▼ ● Risk management of human rights issues necessary throughout the supply chain	**What we requested and how investee companies responded** (2021) ● We relayed the importance of the theme of supply chain management as something that affects their corporate value. ⇒ The investee company revised sustainable procurement guidelines to include environmental considerations and respect for human rights. They also began working to understand its widespread supply chain, focusing particularly on the natural rubber supply chain. (2022) ⇒ As part of human rights due diligence, the investee company sent third-party auditors to all primary suppliers, who supply 90% of raw materials for tires.	● We commended them for deepening their human rights related initiatives year after year, including sending third-party auditors to primary suppliers.

An example of dialogue with a financial institution on the topic of human capital (domestic equities)

Identifying important issues	Engagement	Evaluation
● Shift from a low-profit business and reform of company culture based on past system failures is in progress under the new company president ▼ ● Human resources strategies integrated with management strategies, including a review of the business portfolio and a change in corporate culture, are necessary	**What we requested and how investee companies responded** (2021) ● We conveyed the importance of valuing the perspectives of those outside the company, including outside directors, and of employee engagement, which links to corporate value, in changing corporate culture. ⇒ In order to gain external perspectives, the investee company appointed a former director of an IT company as the director of human resources and culture. (2022) ● We introduced examples of good practices at other companies that have integrated (1) human resource development and acquisition, (2) KPIs setting, and (3) human resource allocation and utilization methods necessary to the execution of their management strategy into their human resource strategy. ⇒ The investee company disclosed the number of specialized human resources necessary for transforming the business portfolio as part of the mid-term management plan and set an employee engagement score as a KPI.	● We commended the formulation of human resources strategies (including human resources development/ acquisition/ allocation/ utilization, and KPIs setting and management) integrated with management strategies.

An example of dialogue on the topic of Governance (G) issues

An example of dialogue with a raw material manufacturer on the topic of their governance (domestic equities)

Identifying important issues	Engagement	Evaluation
● Declining ROE over a long period ▼ ● Declining profitability and asset turnover of a growth business that had undergone large-scale acquisitions and capital expenditures in recent years	**What we requested and how investee companies responded** (2021) ● We requested the improvement of the profitability and asset turnover issues of the growth business. ● We requested the enhancement of the entire company's business portfolio, including businesses other than the growth business, and introduced the good practices of other companies in setting individual ROIC goals for each department. (2022) ● We confirmed status of the problem growth business. ⇒ The investee company recovered demand that had declined during the COVID-19 pandemic. It also outlined the anticipated mid- to long-term growth driven by the expanding demand for the application of wind power generation and other renewable energy sources. ⇒ The investee company disclosed the individual ROIC goals of each department in their new mid-term management plan.	● We commended the steady improvement of the growth businesses that had been an issue and the announcement of measures to strengthen the overall business portfolio in line with our requests.

Milestone Management

We established requirements for investee companies for each important E and S theme and, through dialogue, are encouraging the change of companies' behaviors in line with those requirements while implementing progress management of corporate efforts.

Example of climate change: The status of corporate efforts aimed at reducing of GHG emissions

Issues presented

Formation and disclosure of an emissions reduction roadmap*

Milestone management

1. We communicated the necessity of actions
2. Shared the need for efforts
3. Formulating emissions reduction roadmap
4. Investee company disclosed emissions reduction roadmap and started taking actions

*For top GHG emitters, we consider voting against in cases where we cannot confirm a commitment to resolving issues despite engaging in dialogue over several years.

Efforts toward achieving reduction goals for around 2030

Efforts toward achieving reduction goals for around 2040

Final efforts toward achieving net zero by 2050

Carbon neutrality

Continuing to engage in mid- to long-term dialogue to encourage companies to engage in efforts toward achieving net zero by 2050

Comments by personnel in charge

Rika Yamada
Person in Charge of Stewardship
Equity Investment Department

The focus of discussions in the government-led corporate governance reforms aimed at fostering sustainable growth for corporations and the mid- to long-term improvement of corporate value has shifted to its actualization. This is once again bringing attention to the importance of dialogue.

The dialogues we engage in are not for merely checking facts but for promoting company awareness, such as by communicating analysis results and introducing examples of good practices of other companies. We are also building relationships with companies through years of dialogue and supporting their efforts for improving corporate value.

Recently, dialogue themes have expanded to not only cover topics of Governance (G), such as profitability, but also Environment (E) and Society (S), including climate change, human rights, human capital, and more. We are expected to have a broader knowledge than before and are always keeping an eye on the guidelines released by governments and international organizations and on other global trends.

Additionally, it is important that we take sufficient time in making preparations in addition to improving our skills so that we can have effective dialogue with companies. Before engaging in dialogue, we analyze financial statements and utilize integrated reports and other company documents to confirm how their efforts, including Environment (E) and Social (S) initiatives, improve corporate value.

We are also working to improve our team's skills by sharing the information on corporate efforts and dialogue know-how we have gained through this dialogue process.

We would like to continue to be chosen as an institutional investor who supports corporate efforts in improving corporate value through constructive dialogue and who companies want to exchange opinions with.

Participation in Initiatives

We participate in various initiatives to collect information about domestic and global trends in ESG investment and finance and to engage in international discussions. One of our company's executives serves as a director and member of representative groups in several major initiatives, expressing our perspectives in international discussions as a leading institutional investor in Japan.

Akiko Osawa
Director and Managing Executive Officer
Member of Steering Group
NZAOA

As evidenced by the frequency of extreme weather events and natural disasters in recent years, climate action has become an urgent issue, necessitating collaborative efforts that transcend borders. As the representative for the Asia-Pacific region in the Steering Group of the Net-Zero Asset Owner Alliance (NZAOA), I am working to ensure that the "No One Left Behind" approach is carried out, while respecting diversity and taking account of the regional characteristics of Asia and Japan. To address global challenges like decarbonization, pursuing best practices alone is insufficient. As a representative of the diverse Asia-Pacific region, which includes regions where anti-ESG sentiment is growing and areas that have no choice but to rely on fossil fuels, I aim to convey the importance of an approach that considers the characteristics of individual regions while striving for a unified achievement of net-zero emissions.

Furthermore, we are working to strengthen our climate change efforts by reflecting the direction and specific measures discussed in the Steering Group. Specifically, we have set targets for our asset management portfolio, aiming for net-zero greenhouse gas emissions by 2050 and interim targets for 2030. We are progressing in our efforts through both dialogues with companies and utilization of decarbonization financing facilities to provide funding.

Utilizing the knowledge and insight earned through the Steering Group activities, I am to balance the realization of a sustainable environment and society with long-term stable investment returns.

Major initiatives related to ESG investment and finance

Principles for Responsible Investment (PRI)

Joined in FY2016

- 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, and proposes for institutional investors to incorporate ESG issues in their investment decision making.
- One of our executive officers was appointed a member of the PRI Board in 2021.

The Net-Zero Asset Owner Alliance (NZAOA)

Joined in FY2021

- An international initiative of asset owners established in 2019, in which asset owners are committed 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.

Glasgow Financial Alliance for Net Zero (GFANZ)

Joined in FY2021

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

Equator Principles

Joined in FY2019

- A framework developed in 2003 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.

Task Force on Climate-related Financial Disclosures (TCFD)

Joined in FY2018

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

Partnership for Carbon Accounting Financials (PCAF)

Joined in FY2021

- An initiative established in 2015 with the aim of standardizing measurement and disclosure methods of GHG emissions in asset management portfolios of financial institutions.

Climate Action 100+

Joined in FY2022

- An international initiative established in 2017, in which investors collaborate to address climate change through dialogues with companies with high GHG emissions.

Advance

Joined in FY2022

- An international initiative established in 2022, in which investors collaborate to address social issues such as human rights through dialogues with companies.

Japan Hydrogen Association

Joined in FY2022

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

ESG Disclosure Study Group

Joined in FY2020

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

Japan Impact-driven Financing Initiative

Joined in FY2022

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

*The concept to solve environmental and social issues by understanding the environmental and social impact generated by the investee companies.

CDP

Joined in FY2022

- A British non-governmental organization (NGO) founded in 2000.
- It operates a global disclosure system to help investors, companies, nations, regions, and cities manage their own environmental impacts.

The Association for Promotion of Sustainable Finance Platform

Joined in FY2023

- An association established in July 2023, with the aim of developing a digital platform to promote ESG investment and financing and conducting value validation of its usefulness toward formal commercialization.

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

Joined in FY2023

- An initiative endorsed by the G7 leaders at the May 2023 G7 Hiroshima Summit, aiming at addressing global health issues and promoting private capital toward impact investment.

PRI in Person

In October 2023, we served as the lead sponsor of "PRI in Person Tokyo 2023," the annual conference of PRI (Principles for Responsible Investment).

About PRI in Person Tokyo 2023

PRI in Person
2023 Lead Sponsor

PRI in Person is one of the world's largest events in the ESG investment and finance industry. PRI in Person brings together institutional investors such as asset managers and insurance companies, as well as policy makers, NGOs, and other stakeholders to discuss investment practices and a range of ESG issues, including climate change and human rights.
As the discussions at PRI in Person often times shape the global trends of ESG investment, it is seen as a prominent conference.

The sole lead sponsor of PRI in Person is chosen from among the signatory institutions. In PRI in Person Tokyo 2023, held in October 2023, we became the first asset owner and insurance company to serve as the lead sponsor.

Hiroshi Shimizu, President of Nippon Life, speaking at the conference

PRI in Person Tokyo 2023	Participants	Participating countries
October 3 to October 5, 2023	Approx. 1,400	Approx. 50

PRI Director
Takeshi Kimura
Executive Officer

In recent years, the investment approach of PRI signatories has undergone a major shift. They are moving from the traditional passive stance that aims to minimize the impact of climate change risks on their portfolios to a more proactive stance that seeks to make changes in the society and mitigate global warming. This is reflected in the result of an online survey conducted among PRI signatories from the end of last year to the beginning of this year (Number of answers: 1,487 signatories). According to this survey, 63% believe that responsible investment is not only about managing ESG risks, but also taking action to create future outcomes. This change is being driven by people's increasing expectations of the role of institutional investors. Investors not only have the responsibility to pursue the best interests of their beneficiaries and clients, but also have the responsibility to create an environment in which they can live happily in the future. In other words, for investors to meet not only the financial return demands but also the demands for impact on society and the environment, investees need to promote and develop sustainability management. Furthermore, investors need to support the long-term enhancement of corporate value through the accumulation of non-financial capital such as nature capital, social capital, and human capital in investees, while at the same time drive change to the society by reflecting impact and outcome perspectives into their investment decisions in the capital market.

Both investors and investees are struggling to tackle climate change and other social issues. However, their goals are inextricably linked and the direction they should take is clear.

At October's PRI in Person Tokyo 2023, global investors exchanged various opinions and confirmed their future challenges through discussions. As the lead sponsor of this conference, we contributed to the expansion and development of ESG investment and finance by facilitating dialogue among various stakeholders.

PRI in Person Tokyo 2023

"Moving from Commitments to Action"

The theme of PRI in Person Tokyo 2023 was "Moving from Commitments to Action."
Ever since the United Nations adopted the SDGs (Sustainable Development Goals) with a deadline of 2030 at the Sustainable Development Summit in September 2015, countries and companies have been actively setting targets to achieve the SDGs. However, the progress made towards achieving them has not been sufficient.

At this conference, we confirmed that we need to move from the stage of setting targets (Commitment) to the stage of taking concrete actions to achieve them (Action). We discussed the actions that need to be taken in the future through various presentations, showcasing practical examples of investors' approaches to responsible investment.

Topic 1: Japanese government committed public pension funds to join the PRI

In his speech, Prime Minister Fumio Kishida announced that the Japanese government is committed to having seven prominent public pension funds in Japan to join the PRI, with the aim of strengthening efforts toward sustainable finance and spreading the trend throughout the market.

Prime Minister Fumio Kishida speaking at the conference

Topic 2: Sustainability outcomes

The approach to ESG investment and finance is now at a major turning point. It is shifting from the traditional "future-taker" investment stance of managing ESG risks based on the society to a more proactive "future-maker" investment stance of actively engaging with the society to make changes. Therefore, shaping sustainability outcomes to achieve the SDGs is becoming increasingly important. During the conference, we discussed practical examples and future activities that can lead to shaping sustainability outcomes.

Hiroshi Shimizu, President of Nippon Life (fifth from the left), Takeshi Kimura, Executive Officer of Nippon Life (far right), and Fumio Kishida, Prime Minister of Japan (fourth from the left) and other concerned PRI parties

Topic 3: Collaborative engagement

Conducting sufficient engagement with all their investees individually is often challenging due to resource constraints. Collaborative engagement, where investors work together to complement each other's activities, is therefore important.

During the conference, PRI announced the establishment of a new collaborative engagement initiative called "Spring". This is an initiative that aims to contribute to the goal of halting and reversing biodiversity loss by 2030. Investors joining this initiative will carry out collaborative engagement with companies on issues related to nature and biodiversity.

Topic 4: Policy engagement

Corporate activities are strongly influenced by policy and regulatory trends, therefore it is crucial to engage not only with companies, but also with policy makers. To increase finance that supports achieving SDGs, the development of a creditable, feasible, and transparent policy package by governments is essential, and this point was strongly encouraged through the dialogue with policy makers. Policy engagement was also conducted through a side event of this conference, provided an opportunity for Japanese ministry officials and investors from around the world to meet and engage in dialogue.

Prologue
Our Vision
Sustainability Priority Issues
Methods
External Initiatives
TCFD/TNFD Disclosures
Epilogue

Examples of Initiative Activities

Top managers roundtable on impact finance (November 2, 2023)

インパクト志向金融宣言
Japan Impact-driven Financing Initiative

Hiroshi Shimizu, President of Nippon Life, spoke at the Top Managers Roundtable on Impact Finance, sponsored by Japan Impact-driven Financing Initiative, and shared his expectations for the future of impact finance.

Content of our presentation (outline)

- To further promote impact investments in Japan's financial industry, it is important to adopt a broad perspective of "building an outcome-oriented ecosystem" and share it across the entire industry.
- Investors need to set sustainability outcomes as the core theme of dialogues with all companies, regardless of whether they are startups, listed, or major entities.
- From the standpoint of asset owners holding various assets such as listed stocks, bonds, loans, real estate, and private assets, it is necessary to establish a common engagement policy focusing on sustainability outcomes across all asset classes.

President Shimizu giving a speech

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.

[PRI] Policy advocacy for G7

We were involved in preparing a policy recommendation report issued by PRI ahead of the G7 Hiroshima Summit, urging the G7 to enhance the disclosure of sustainability information and responses to climate change.

[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.

[NZAOA] A letter to the Ministry of Finance on energy transition

We prepared a letter for the G7 Finance Ministers outlining the request to the World Bank and others to accelerate the energy transition, and we sent one to the Ministry of Finance Japan as a representative of the Japanese institution members.

[Financial Services Agency] Study session on impact investments

With the Financial Services Agency and stakeholders in financial markets, we discussed the significance and challenges of impact investment. We expressed our opinions on elevating responsible investment in Japan, and the expectations for expanding the scope of outcomes and impact-oriented initiatives.

[Ministry of Environment] ESG Finance High level Panel

We communicated our views on the challenges related to Japan's Green Transformation (GX) and the significance of transition finance in achieving carbon neutrality.

[Financial Services Agency] Expert Panel on Sustainable Finance

With the Financial Services Agency, the industrial sector, the financial industry, and knowledgeable experts, we exchanged opinions on the status and challenges of responsible investments in Japan, including public pension funds and other asset owners.

[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 to share opinions and information

Sponsorship/Co-sponsorship	Names of conferences, etc.
PRI	PRI Board of Directors/Committee
NZAOA	NZAOA Steering Group
GFANZ	Core working group of GFANZ Japan Chapter as well as various global and APAC working-level meetings
Financial Services Agency	Expert Panel on Sustainable Finance*2, Working Group on Impact Investment*2, Working Group on Social Bonds
Financial Services Agency, GSG National Advisory Board*1	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, The Japan Public and Private Working Group on Financed Emissions to Promote Transition Finance
Financial Services Agency, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Environment	Conference on Scenario Data for the Assessment of Climate Change Risks and Opportunities*2
Ministry of Environment	Study Group on Green Finance*2
Japan Business Federation	Global Strategy Task Force on ESG Disclosure, Constructive Dialogue Promotion Working Group
Life Insurance Association of Japan	Working Group on Stewardship Activity, Working Group on ESG Investment and Finance

*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 ESG investment and finance efforts have been highly rated.

Awards

Period	Evaluation
August 2022	Awarded an Excellence Award in the ESG category of the Sustainable Japan Awards organized by The Japan Times, Ltd.
January 2022	Awarded the Grand Prize at the 2021 Sustainable Finance Awards (7th)
February 2021	Awarded a Bronze Award in the Investor Category of the Ministry of the Environment's ESG Finance Awards Japan (2nd)
February 2020	Awarded a Bronze Award in the Investor Category of the Ministry of the Environment's ESG Finance Awards Japan (1st)

2021 PRI annual Reporting & Assessment

Nippon Life received the highest grade of 5 stars in the PRI 2021 assessment of our activities in 2020 in the following four modules: Investment & Stewardship Policy, Direct - Fixed Income - SSA, Direct - Fixed Income - Corporate, and Direct - Real Estate. Additionally, we received a grade of 4 stars in the remaining four modules.

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

Response to the Task Force on Climate-related Financial Disclosures' (TCFD) Recommendations

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

Core Elements of the TCFD* Recommendations	Status of principal measures
Governance	Based on the details of the study of climate change strategies and risk management performed by the Sustainability Committee and the Risk Management Committee, the Management Committee and the Board of Directors deliberate on and pass plans for business strategies including the impact of climate change on the management of Nippon Life
Strategies	Conducted scenario analysis of both the life insurance business and asset management and assess the impact from climate change
Risk management	Integrated management of the overall impact of the various types of risks, including climate change risks, on operations
Indicators and targets	Set a net-zero target for FY2050 and an intermediary target for FY2030 for both the life insurance business and asset management

*The Task Force on Climate-related Financial Disclosures: It recommends the disclosure of the financial impacts of the risks and opportunities created by climate change.

Governance

Nippon Life views climate change initiatives as an important management matter, and in the Management Committee and on the Board of Directors, we are deliberating and deciding management strategy and future policy based on the effects of climate change on management of the Company.

The Sustainability Committee and the Risk Management Committee have been established as advisory bodies to the Management Committee. The Sustainability Committee establishes the targets and policies for the initiatives responding to climate change. In addition, we have formed the Environment Working Group as a suborganization under the Sustainability Committee, and have also built a system for driving forward specific efforts related to the environment, including climate change.

The Risk Management Committee and its advisory body, the Dedicated Management Committee for Investment Risk, recognize and assess the risks associated with climate change and conduct scenario analyses.

The results of the deliberations by these committees are reported to the Management Committee and the Board of Directors. The Management Committee controls business operations and the Board of Directors makes decisions on and supervises important business operations. Furthermore, the Outside Directors Meeting, which is the advisory body of the Board of Directors, also deliberates as necessary on the status of sustainability management promotion, including climate change efforts. We promote efforts through reflecting the extensive knowledge of our outside directors in our management.

Strategies (Risks and Opportunities) and Risk Management

We recognize the impacts (risks and opportunities) of climate change on our businesses in the respective areas of business activities and asset management, and promote efforts to enhance risk control and resilience based on the results of analyses utilizing climate-related scenarios. We are conscious of the potential physical risks, transition risks, and opportunities in the short-, mid-, and long-term due to climate change as shown on the right.

Category		Predicted impact on the business (ex.) *For asset management, the impact on investee companies in Nippon Life's asset management portfolio	Time axis: Short-term	Mid-term	Long-term
Physical risks	Acute	[Asset management] Losses at investee companies due to increased frequency and severity of natural disasters	→	→	→
	Chronic	[Asset management] Losses at investee companies following increased damage from extreme fluctuations in weather patterns			→
Transition risks	Policies & Laws	[Asset management] Declining profitability at investee companies due to introduction and strengthening of carbon-related regulations (carbon tax, emissions trading)	→	→	→
	Technology	[Asset management] Declining competitiveness of existing technology and assets of investee companies following the emergence of new technology		→	→
	Market	[Asset management] Declining demand for investee products and services due to changes in consumer behavior and preferences	→	→	→
Opportunities	Resource efficiency	[Asset management] Improved production capacity and reduced costs due to efficient use of resources at investee companies	→	→	→
	Products & Services	[Asset management] Increased competitiveness due to development of new low-carbon-related technologies by investee companies		→	→
	Market	[Asset management] Increased demand for investee products and services due to changes in consumer behavior and preferences	→	→	→

Scenario Analysis

We are conducting scenario analyses of the effects of climate change on Nippon Life businesses using NGFS scenarios.

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

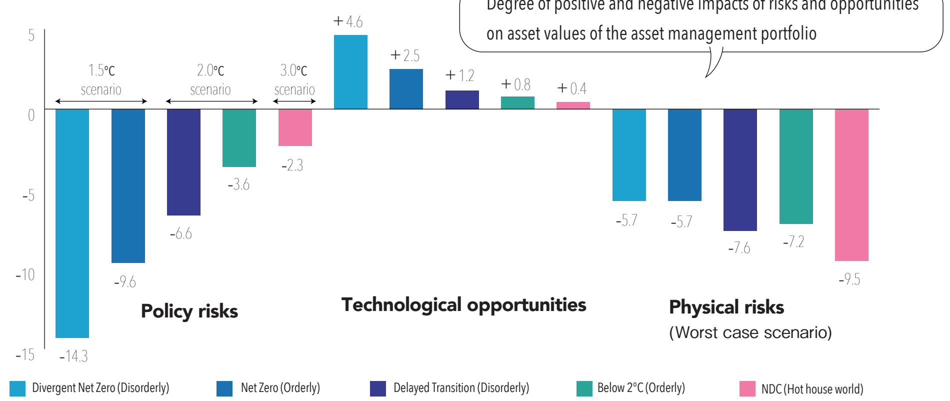
Risks		Overview	Measurement logic
Transition risks	Policy risks	Costs associated with policy changes and tightening regulations	Estimates future GHG emissions reduction costs based on carbon prices and makes a tentative calculation on the impact of the present value of the future cost upon market prices
	Technological opportunities	Revenue opportunities associated with low-carbon technologies, etc.	Estimates future profit based on patents, etc. related to low-carbon technologies that a company has in its possession
Physical risks (opportunities)		Costs and opportunities associated with natural disasters, etc.	Tentatively calculates the amount of loss in consideration of assets owned by a company, location information, probability of disaster occurrence, etc.

As a means of measuring the risks and opportunities in our asset management portfolio[*1] brought about by climate change, we conducted analyses using Climate Value-at-Risk (CVaR)[*2], provided by MSCI, in FY2023. Specifically, we analyzed the risks and opportunities shown in the Scope of scenario analysis table while utilizing NGFS scenarios. Additionally, we also conducted "Global Warming Potential" analyses, which evaluate how much global warming is attributable to corporate GHG emissions on a rising temperature scale.

CVaR

Using CVaR, we analyzed how our asset management portfolio would be affected by climate change. In the analysis using temperature rise scenarios, scenarios with higher restrictions on temperature rises would have more impact on asset values for policy risks and technological opportunities. In terms of physical risks, they would increase in scenarios with higher temperature rises.

Analysis using temperature rise scenarios

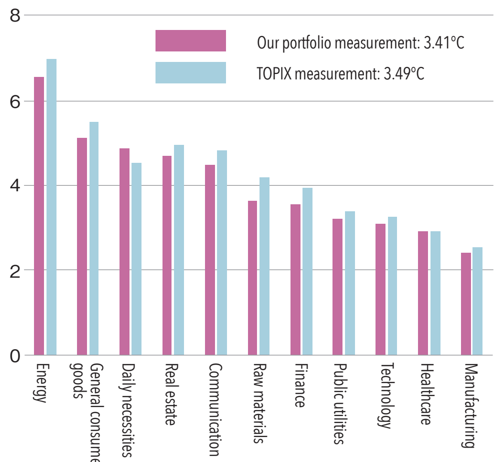


Global Warming Potential

We evaluated the extent of global warming our asset management portfolio would cause by using the Global Warming Potential, and the result was +3.41°C, which is below that of TOPIX. To bring the Global Warming Potential closer to 1.5°C, it is critical for all companies and all of society to support and push efforts toward carbon neutrality.

Going forward, we will support investee companies through integration and engagement in order to carry out efforts that take risks and opportunities related to climate change into consideration. Efforts are being made to improve CVaR and other quantitative models for climate change based on the latest research results, and we will continue to survey and analyze risk assessment methods going forward.

Temperature rises by sectors

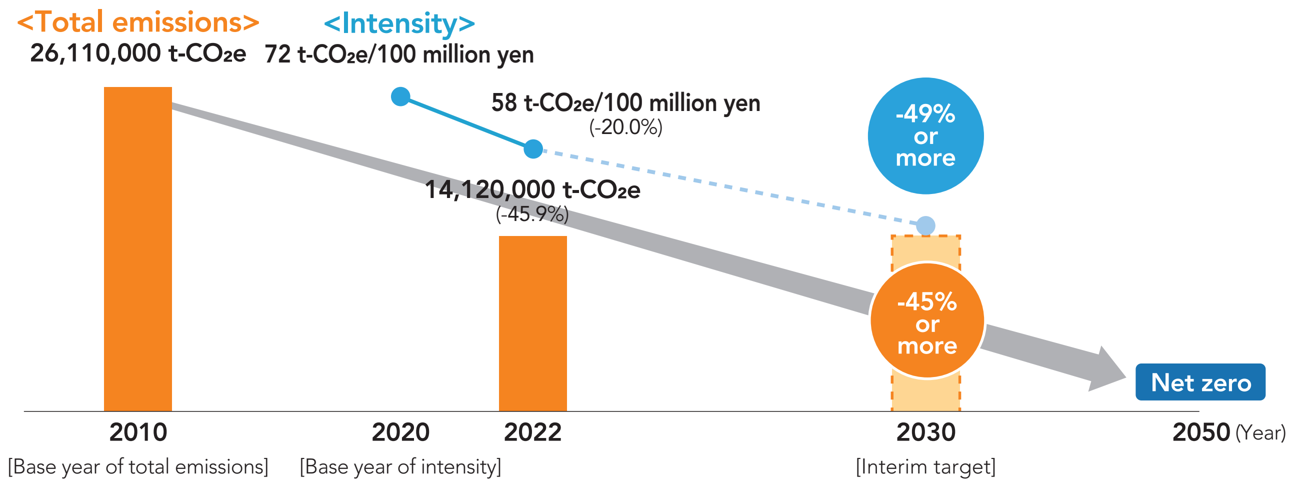


*1: Calculated for domestic and overseas equities and domestic and overseas corporate bonds in the Nippon Life portfolio

*2: CVaR evaluates the impact (risks and opportunities) on the value of assets, such as each company's equities 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

Indicators and Targets

Regarding the greenhouse gas emissions of our asset management portfolios, we aim to achieve net zero in FY2050. In order to steadily promote our efforts, we set interim targets for FY2030. Total emissions in FY2022 were approximately 14.12 million t-CO_2e (45.9 % reduction compared to FY2010). Intensity was approximately 58 t-CO_2e/100 million yen (20.0% reduction compared to FY2020). We will continue to work on reducing emissions.



(About reduction indicator)

Total Emissions: Greenhouse gas emissions from investees belonging to the portfolio, the unit is t-CO2e (CO2 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-CO2e/100 million yen

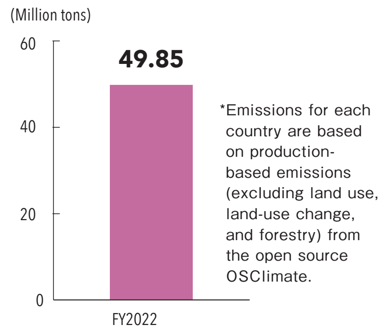
$$\text{Intensity} = \frac{\text{Total emissions}}{\text{Total investment amount}}$$

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

GHG gas emissions of the government debt portfolio

In December 2022, the Partnership for Carbon Accounting Financials (PCAF) disclosed a method for measuring the GHG gas emissions of government debt. 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 debt were approximately 49.85 million t-CO_2e 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.



*Emissions for each country are based on production-based emissions (excluding land use, land-use change, and forestry) from the open source OSClimate.

Measurement method

$$\text{Emissions} = \sum_{i=1}^{n}\left(\frac{\text{Investment amount } i}{\text{GDP after PPP adjustment } i} \times \text{GHG or } CO_2 \text{ emissions } i\right)$$

Response to the Taskforce on Nature-related Financial Disclosures' (TNFD) Recommendations

More than half of the world's economic production, worth over 44 trillion US dollars (approx. 6,600 trillion yen)*1, is considered to be highly or moderately dependent on nature, making nature a cornerstone of economic activities. According to a report published by the World Economic Forum *2, the "loss of biodiversity" is mentioned as one of the fastest deteriorating global risks over the next decade. It is a concept attracting growing attention and was listed as the fourth most severe risk on a global scale for the next decade.

Our Group recognizes "Environment" as a top priority in terms of sustainability management and endorses the Taskforce on Nature-related Financial Disclosures (TNFD) as part of its initiatives to preserve and develop a rich environment, which is the foundation for the survival of all living creatures and human beings, thereby connecting it to the future. Supported by Global Canopy, UNDP, UNEP FI, and WWF, TNFD was founded in June 2021. It is an international initiative that aims to develop a disclosure framework for risks caused by the loss of biodiversity and opportunities brought about by the transition to the protection of nature. As of August 2023, more than 1,100 companies have endorsed the TNFD. The TNFD framework was announced in September 2023 and includes disclosure proposals that meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

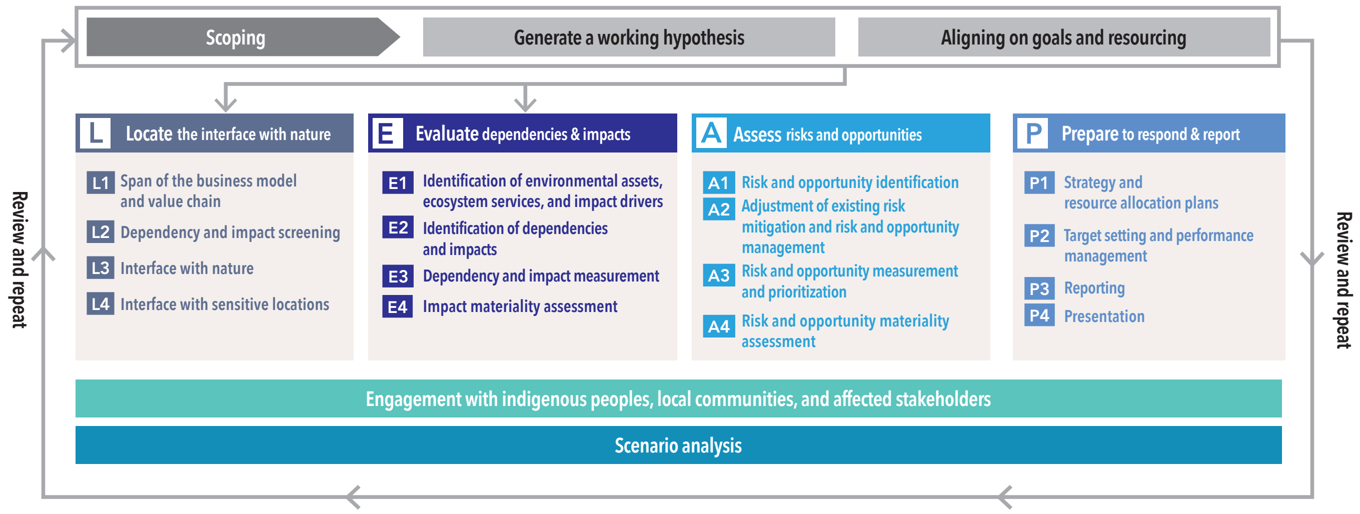
The TNFD framework consists of the following three key components.

1. Overview of basic concepts and definitions to understand nature that the TNFD recommends companies adopt when assessing and disclosing nature-related issues
2. Guidance for companies and financial institutions to integrate assessments of nature-related issues into their corporate strategies and risk management processes, contributing to decision-making on management and capital allocation (LEAP approach)
3. TNFD disclosure proposals on nature-related issues

   The LEAP approach, which is a comprehensive approach for assessing and managing nature-related issues, consists of the following four stages, which follow assessment scoping work.

   L: Locate your interface with nature
   E: Evaluate your dependencies and impacts on nature
   A: Assess your nature-related risks and opportunities
   P: Prepare to respond to, and report on, material nature-related issues, aligned with the TNFD's recommended disclosures

The LEAP approach is a discretionary guidance that enables companies and financial institutions to internally assess nature-related risks and opportunities, and integrate them into corporate risk management and portfolio management. With the recognition that individual companies have different starting points for nature-related assessments, the LEAP approach is not intended to be applied linearly or in a step-by-step manner from beginning to end, but rather as an approach with repetitive elements for analysis.



(Source): Recommendations of the Taskforce on Nature-related Financial Disclosure v. 1.0

In addition, the LEAP FI approach, designed for financial institutions, has been disclosed. It discloses perspectives that assist financial institutions in establishing priorities and focus points when evaluating asset management portfolios.

- As it is assumed that financial institutions are running diverse business operations, there is an option to first focus on one major field of business to start an assessment then expand it to every other business field later on
- Key points to start an approach are ❶ sectors/geographies, ❷ product types/asset classes and ❸ biomes/ecosystems, with the most appropriate one for a company's business being identified
- The level at which financial products and services should be aggregated to be plausible/appropriate for assessment is taken into consideration

Please see the next page for details regarding our efforts for "Locate (L)" and "Evaluate (E)."

*1: World Economic Forum (2020) "Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy"

*2: World Economic Forum (2023) WEF Global Risks Report 2023

Risk analysis related to natural capital

In order to understand the relationship between investee companies and natural capital, we take advantage of ENCORE, which is a tool to analyze nature-related risks and whose use is recommended by TNFD. We evaluated the degree of dependencies and types of natural capital by industry as well as the impact they have.

(1) Overview

The TNFD framework introduces ENCORE as an analysis tool to evaluate investee companies' dependencies and impacts on natural capital, which was jointly developed by the Natural Capital Finance Alliance (NCFA), the United Nations Environment Programme and other international organizations, in addition to financial institutions. ENCORE corresponds to the analysis of Locate (L) and Evaluate (E) of the LEAP approach, which is a comprehensive approach to evaluate and manage the above-mentioned nature-related issues.

LEAP

Locate	Evaluate	Assess	Prepare
Locate the interface with nature	Evaluate dependencies & impacts	Assess risks and opportunities	Prepare to respond & report

Supported by ENCORE (Locate, Evaluate)

(2) Analysis method

Based on the Global Industry Classification Standard, we divided investee companies into 11 sectors and 139 sub-industry groups and analyzed the extent to which they depend on natural capital and the impact they have on natural capital. The dependency and impact of a sector on each natural capital is evaluated on a scale of five.

Dependency

1. The ecosystem service that each sector depends on is identified
2. Which natural capital and to what extent each ecosystem service depends on is evaluated on a scale of five

Impact

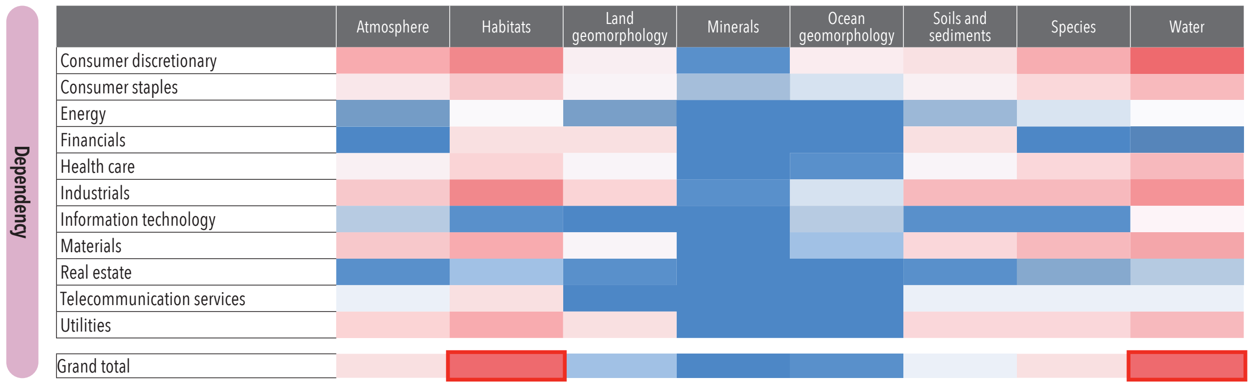
1. The production process each sector implements is identified
2. What natural capital and to what extent each production process has an impact is evaluated on a scale of five

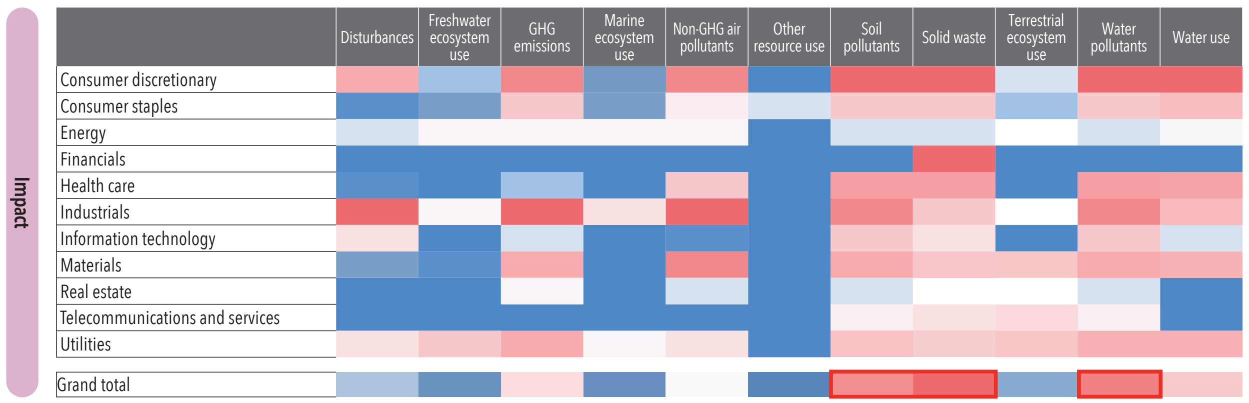
Weighted average of a sector is calculated to evaluate portfolio

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

(3) Analysis result

Based on the above-described method, we conducted an analysis of Japanese stocks in our management portfolio on the basis of the ownership percentages of sectors. The result shows that natural capital with high dependency is "Habitats" and "Water," while the impact on solid waste, water pollutants and soil pollutants was significant. Moving forward, based on the analysis results, we will consider the refinement of identification and analysis of specific companies within sectors that have significant dependencies and impacts.





Red: Sector with high dependency and impact
Blue: Sector with low dependency and impact

Message from General Manager of ESG Investment Strategy Office

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

Yasutoshi Miyamoto
General Manager
ESG Investment Strategy Office

Importance of reviewing original purposes as ESG investments are making progress in countries and regions

Since the adoption of SDGs (Sustainable Development Goals) at the UN Summit in 2015, ESG investment and finance have been expanding, especially among institutional investors. According to the Global Sustainable Investment Alliance (GSIA), the global ESG investment balance increased by about 1.5 times in the four years from 2016 to 2020. In addition to this balance, it has also been expanding in terms of scope, financing methods, and other factors. Furthermore, with the support of international initiatives and policy responses at the national level, steady progress has been made in all aspects, from the development of data infrastructure to adhering to various policies and guidelines. I believe that this trend towards ESG investment and finance will continue in the future. However, as further efforts are required to achieve the SDGs, and considering the diverse situations faced by each country and region, it is essential to reexamine the fundamental purpose of ESG investment and finance in order for society as a whole to progress through unified cooperation.

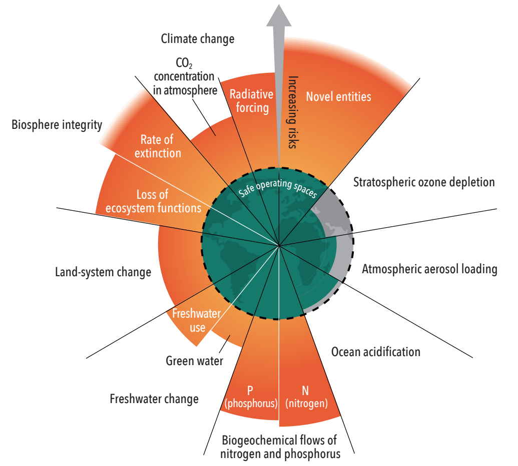
Environmental issues indicated by planetary boundaries

In setting up SDGs in the environmental field, the planetary boundary concept proposed in 2009 has had a strong impact. This is a way to objectively evaluate the impact that human activities have upon the environment. It sets up and measures the boundaries of nine items that have critical impacts upon the environment.

In the long history of the earth, the current mild and stable environment where we can enjoy affluent social and economic activities has become reality over the past 10,000 years. It is argued that if burdens continue to be placed on the environment, irreversible change will occur to return to the previous harsh environment.

In the planetary boundary analysis, it is warned that the two items of 1 climate change and 7 biosphere integrity are at critical levels that require immediate solutions. With this knowledge as background, efforts for biodiversity (natural capital) in addition to GHG gas emissions reductions are recently attracting attention.

It is impossible to maintain our affluent social and economic activities without the environment that is the foundation of everything. I believe it is important to proceed with ESG initiatives while always keeping in mind that ESG investment and finance are in place to protect this most valuable foundation.



Nine planetary boundaries items

1. Climate change: CO_2 concentration in atmosphere, radiative forcing
2. Atmospheric aerosol loading: Pollutants concentration in atmosphere
3. Stratospheric ozone depletion: Ozone concentration in stratosphere
4. Ocean acidification: Aragonite saturation rate
5. Freshwater change: Amount of freshwater that humans can consume
6. Land-system change: Ratio of land developed as agricultural land
7. Biosphere integrity: Extinction speed of species, loss of ecosystem functions
8. Biochemical flows of nitrogen and phosphorus: Outflow amount of artificially generated nitrogen and phosphorus
9. Novel entities: Pollution as a result of plastic and nuclear waste

(Source) Azote for Stockholm Resilience Centre, based on analysis in Wang-Erlandsson et al, 2022

Roles as an institutional investor

As outlined above, the current environment is in a serious situation where the maintenance of affluent social and economic activities is under severe threat. Under these circumstances, the roles and responsibilities to be fulfilled as institutional investors are of great importance. Working with investee companies, we need to solve social issues such as climate change and natural capital by leveraging investments that utilize precious premiums entrusted to us by policyholders and having dialogue with companies that we have built relationships over the years. At the same time, by contributing to improving the corporate values of investee companies through these activities, we must increase profits of policyholders in the form of steady payments of insurance payouts and benefits, in addition to stable payments of dividends to policyholders.

By communicating our ESG investment and finance to policyholders and promoting an improved understanding through publishing this report, we aim to solve social issues in collaboration with diverse stakeholders.

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